

**UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION**  
**LUCKNOW**

**No. UPERC/ Secy./Regulation/  
Lucknow: Dated, 24<sup>th</sup> April 2023**

**Notification (Draft)**

In exercise of the powers conferred under Sections 181(1) and 181(2)(zp) of the Electricity Act, 2003 and all other powers enabling it in this behalf, and after previous publication, the Uttar Pradesh Electricity Regulatory Commission hereby makes the following regulations, namely:-

**1. Short Title and Commencement:**

- 1.1 These regulations may be called the Uttar Pradesh Electricity Regulatory Commission (Power System Development Fund) Regulations, 2023.
- 1.2 These regulations shall come into force from the date of their publication in the Official Gazette.

**2. Definitions:**

- 2.1 In these regulations, unless the context otherwise requires:
  - (a) "Act" means the Electricity Act, 2003;
  - (b) "Commission" means the Uttar Pradesh Electricity Regulatory Commission (UPERC);
  - (c) "Deviation Settlement Mechanism Regulations" means the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2022 and "Deviation Settlement Charges" has the same meaning as assigned therein;
  - (d) "Monitoring Committee" means the Committee constituted by the Commission for the purpose of scrutiny (techno-economic appraisal) and prioritization of projects / schemes, sanctioning of projects / schemes, release of funds from PSDF and overall supervision and monitoring of the implementation of projects / schemes;
  - (e) "Nodal Agency" means the agency as designated under Regulation 5 of these regulations;
  - (f) "Power System Development Fund" or "PSDF" means the funds constituted under Regulation 3 of these regulations;
  - (g) "Project Entity" means the agency / entity that submits proposal for funding of project / scheme from PSDF and shall include State Power Committee (SPC), Uttar Pradesh State Load Dispatch Centre (UPSLDC), State Transmission Utility (STU), Distribution Utilities;
  - (h) "Reactive Energy Charges" has the same meaning as assigned to it in the State Grid Code;
  - (i) "State Grid Code" or "UPEGC" means the State Grid Code specified by the Commission under clause (h) of sub-section (1) of Section 86 of the Act.
- 2.2 Save as aforesaid and unless repugnant to the context, words and expressions used in these regulations and not defined, but defined in the Act, or the regulations made thereunder by the Commission, shall have the meanings assigned to them respectively in the Act or the regulations.
- 2.3 Reference to any Act, Rules, Regulations or Guidelines shall include amendments or consolidation or re-enactment thereof.

### **3. Constitution of the Power System Development Fund:**

3.1 A fund named "Power System Development Fund" or "PSDF" shall be constituted, maintained and operated by UPSLDC and the following amounts shall be credited thereto:

- (a) Deviation Settlement Charges standing to the credit of the "State Deviation Pool Account" after final settlement of claims in accordance with Deviation Settlement Mechanism Regulations.
- (b) Reactive Energy Charges standing to the credit of "State Reactive Energy Charges Account" after final settlement of claims in accordance with the State Grid Code.
- (c) Such other charges as may be notified by the Commission from time to time.

3.2 The agencies, authorized to collect the amounts under clauses (a) to (c) of Regulation 3.1 above, shall transfer these amounts to the credit of PSDF, on quarterly basis, after keeping provision of adequate amounts as considered appropriate by such agencies in these accounts for payment of charges to intra-State entities and NRPC.

Provided that the amounts lying accumulated in these accounts and not transferred to PSDF till the issue of these regulations, shall be transferred to PSDF after considering provision of adequate amounts as envisaged in this regulation.

3.3 Notwithstanding anything contained in these Regulations, the Commission through an order may from time to time decide, on the basis of the proposal of the Nodal Agency, upon minimum amounts to be maintained in respective accounts under clauses (a) to (c) of Regulation 3.1 above before transfer to the credit of PSDF.

### **4. Utilization of the Power System Development Fund:**

4.1 PSDF shall be utilized for funding of projects / schemes for creation of necessary infrastructure for the following purposes:

- (a) Creating necessary transmission systems based on operational feedback by UPSLDC or STU for relieving congestion in intra-State transmission system;
- (b) Installation of shunt capacitors, series compensators and other reactive energy generators for improvement of voltage profile in the Grid;
- (c) Installation of standard and special protection schemes and setting right the discrepancies identified in the protection audits in intra-State transmission system; and
- (d) Any other project / scheme in furtherance of the above objectives such as capacity building, grid management, ancillary services, conducting technical studies, pilot and demonstrative projects on new and emerging technologies including but not limited to energy storage system, virtual transmission or as provided by the Commission through an order.

4.2 Funds from PSDF may also be utilized for the projects proposed by the distribution utilities in the above areas which are incidental to intra-State transmission system and have a bearing on grid safety and security, provided that these projects are not covered under any other scheme of the Government of India or State Government.

4.3 The funding of project / scheme from PSDF shall be subject to the ceiling of Rs. 20 Crore or such amount as considered deem fit by the Commission considering need of proposed project / scheme.

- 4.4 The funding for projects / schemes from PSDF to the project entities shall be in the form of grant.
- 4.5 To ensure that the tariff in respect of such projects / schemes is not claimed for the portion of the grant from PSDF, such grant amount shall be reduced from capital cost of the project / scheme.
- 4.6 Prioritization for sanctioning of projects / schemes and release of fund from PSDF shall be done based upon importance of the project / the scheme and quantum of fund involved, which may be mainly on the criteria of addressing grid security concerns or being of state importance in line with the principles defined in Regulations 4.
- 4.7 Private sector projects / schemes shall not be eligible for assistance from PSDF.

## **5. Nodal Agency and its functions:**

- 5.1 Uttar Pradesh State Load Despatch Centre (UPSLDC) shall be the Nodal Agency to undertake the functions as specified in these regulations for implementation of projects / schemes under PSDF.
- 5.2 The Nodal Agency shall perform the following functions:
  - (a) Keep a record of business transacted out of PSDF;
  - (b) Monitoring of projects or scheme(s) at the execution and operation stage and submission of progress reports etc.;
  - (c) Prepare procedure for release and disbursement from PSDF duly approved by the Monitoring Committee;
  - (d) Prepare procedure for preparation of budget, accounting and audit duly approved by the Monitoring Committee;
  - (e) Prepare Annual Report of PSDF; and
  - (f) Perform such other functions as may be assigned to it by the Commission / Monitoring Committee.

## **6. Monitoring Committee:**

- 6.1 There shall be a Monitoring Committee under the Chairmanship of the Managing Director UPSLDC with the Director (Finance) UPSLDC, Director (Operation) STU, Director (Distribution) UPPCL as its members and Chief Engineer (Commercial and Settlement), UPSLDC as its Member Secretary.  
Provided that the Commission if considers deem fit may reconstitute the Monitoring Committee through an order under these regulations.
- 6.2 The Monitoring Committee shall perform the following functions:
  - (a) scrutiny (techno-economic appraisal) and prioritization of project / scheme proposals for funding from PSDF;
  - (b) sanctioning of projects / schemes;
  - (c) release of funds from PSDF;
  - (d) overall supervision and monitoring of the implementation of projects / schemes;
  - (e) any other functions as may be specifically assigned to it by the Commission or as may be required to be discharged for smooth implementation of its role under these regulations.

## **7. Procedure for Application, Scrutiny, Prioritization and Sanction of PSDF:**

- 7.1 The project entity shall submit proposal complete in all respects to the Nodal Agency after approval by its Board of Directors. The proposal shall clearly outline the scope and objectives of the proposed project / scheme and its conformity with the principles specified in these regulations. The proposal shall include detailed justification supported by technical studies along with cost benefit analysis and possible phasing of implementation and other relevant details.
- 7.2 The Nodal Agency shall process the proposal received from the project entity and place the said proposal before the Monitoring Committee for consideration under these regulations.
- 7.3 The Monitoring Committee shall undertake scrutiny (techno-economic appraisal) and prioritization of project / scheme proposal for funding from PSDF and communicate its recommendation, if such project / scheme is in line with the principles specified in these regulations, to the Nodal Agency under intimation to the project entity who has submitted the proposal. The proposal so scrutinized and prioritized for funding out of PSDF shall be considered upon the availability of funds in PSDF.
- Provided that the Monitoring Committee may reject the proposal for reasons to be recorded in writing if such proposal does not conform to the principles specified in these regulations.
- 7.4 The Nodal Agency shall approach the Commission, with complete proposal along with the recommendations of the Monitoring Committee, for ascertaining that the project / scheme is covered within the scope of these regulations.
- 7.5 The Commission shall, on receipt of such reference from the Nodal Agency, shall:
- (a) accord its approval to the proposal with such modifications or conditions as the Commission may deem appropriate; or
  - (b) reject the proposal for reasons to be recorded in writing; or
  - (c) require the Nodal Agency to submit a fresh application with such particulars and after considering such factors as the Commission may direct.
- 7.6 After the receipt of the communication from the Commission under clause (a) of Regulation 7.5, the Nodal Agency shall approach the Monitoring Committee for sanction of the fund from the PSDF. The Monitoring Committee shall sanction the fund from PSDF.
- 7.7 Based on the sanction by the Monitoring Committee, the Nodal Agency shall release the fund in a phased manner for disbursement to the project entity after taking into account the plan of implementation and the progress actually achieved.
- Provided that release and disbursement from PSDF will be regulated as per the procedure framed under clause (d) of Regulation 5.2 and the extant instructions of the Commission, if any.
- 7.8 The project entity receiving assistance from PSDF shall maintain separate head of accounts for PSDF in their audited accounts.
- ## **8. Execution, Operation & Maintenance of the Assets:**
- The project entity shall be responsible for the execution as well as operation and maintenance of the project / scheme during its useful life. The operation and maintenance of such project / scheme shall not be part of PSDF fund and shall be governed in accordance with the respective Tariff Regulations of the Commission.

**9. Monitoring during the execution stage:**

The Nodal Agency shall undertake functions related to monitoring the progress of sanctioned project / scheme during the execution stage, based on the progress report submitted by the concerned project entity, such as:

- (i) monitor the progress of the implementation of the sanctioned project / scheme on monthly basis;
- (ii) submit the status report, along with the proposed remedial measures if any, to the Monitoring Committee under intimation to the Commission on a quarterly basis;

**10. Annual Report:**

The Nodal Agency shall prepare an Annual Report of the PSDF including among others the projects or schemes undertaken during the year, together with the Balance Sheet and separate Audited Accounts and submit the same to the Monitoring Committee and to the Commission.

**11. Preparation of Budget, Accounts and other records:**

Preparation of the budget, accounting of receipts / disbursements from PSDF, utilization certificates, audit etc. shall be carried out as per the procedure framed under Regulation 5.2.

**12. Powers to Remove Difficulties:**

If any difficulty arises in giving effect to the provisions of these regulations, the Commission may, by general or specific order, make such provisions not inconsistent with the provisions of the Act and the regulations made thereunder as may appear to be necessary for removing the difficulty in order to achieve the objectives of these regulations.

**13. Power to Relax:**

The Commission may, by general or special order, for reasons to be recorded in writing, and after giving an opportunity of being heard to the parties likely to be affected, may relax any of the provision of these regulations on its own motion or an application made before it by an affected party.

**14. Inherent Powers of the Commission:**

Nothing contained in these Regulations shall limit or otherwise affect the inherent powers of the Commission from adopting a procedure, which is at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of the matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient to depart from the procedure specified in these Regulations.

By the Order of Commission

Secretary