

BEFORE THE HARYANA ELECTRICITY REGULATORY COMMISSION AT PANCHKULA

Petition No. - 3 of 2023

Date of Hearing : 06.04.2023
Date of Order : 12.04.2023

In the Matter of

Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2019 (3rd Amendment) Regulations, 2023 – Suo-Moto.

Present: -

Ms. Sonia Madan, Advocate, HPPC

Quorum

Shri R.K. Pachnanda
Shri Naresh Sardana

Chairman
Member

ORDER

Brief Background

1. In exercise of the powers conferred on it under Section 181 of the Electricity Act, 2003 and all other powers enabling it in this behalf, the Commission had framed the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2019. The regulations came into effect from the date of its notification in the Haryana Government Gazette i.e. 31.10.2019 (hereinafter referred to as HERC MYT Regulations, 2019). The first amendment to these regulations was notified on 25.11.2019 and the second amendment to the regulations was notified on 08.02.2022. The Commission, on its own accord, has initiated the process of 3rd Amendment to the principle Regulations to align the said Regulations with the 'Rules' notified by the Central Government.
2. It is noted that Section 181 (1) of the Electricity Act, 2003 empowers the Commission to make regulations consistent with the Act and the Rules. The Ministry of Power, Government of India, on 29.12.2022, has notified, the Electricity (Amendment) Rules, 2022, Rule 14 of the ibid rules, provides as under:-

“14. Timely recovery of power purchase costs by distribution licensee.-The Appropriate Commission shall within ninety days of publication of these rules, specify a price adjustment formula for recovery of the costs, arising on account of the variation in the price of fuel, or power purchase costs and the impact in the cost due to such variation shall be automatically passed through in the consumer tariff, on a monthly basis, using this formula and such monthly automatic adjustment shall be trued up on annual basis by the Appropriate Commission: Provided that till such a methodology and formula is specified by the Appropriate Commission, the methodology and formula specified in the Schedule – II annexed to these rules shall be applicable:

Provided further that the existing methodology and the formula specified by the Appropriate Commission shall suitably be amended in accordance with these rules, to implement the automatic pass through of fuel and power purchase adjustment surcharge, on a monthly basis: Provided also that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within the time line, specified by the Appropriate Commission,

except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to recover the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited and the true up of fuel and power purchase adjustment surcharge by the Appropriate Commission, for any financial Year, shall be completed by 30th June of the next financial year.”

3. Accordingly, Regulation 66 of the HERC MYT Regulations, 2019, is proposed to be amended as under:

66. Fuel and Power Purchase Adjustment Methodology

1. Computation of fuel and power purchase adjustment surcharge:

(1) *“Fuel and Power Purchase Adjustment Surcharge” (FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the Commission.*

(2) *Fuel and power purchase adjustment surcharge shall be calculated and billed to consumers, automatically, without going through regulatory approval process, on a monthly basis, according to the formula, prescribed in these regulations, subject to true up, on an annual basis, as may be decided by the Commission:*

Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these rules.

(3) *Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and Interstate Transmission Charges for the power procured during the nth month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year:*

Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within this time line, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to recover the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.

(4) *The distribution licensee may decide, fuel and power purchase adjustment surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to consumers, but the carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total fuel and power purchase adjustment surcharge for a Billing Month, including any carry forward of fuel and power purchase adjustment surcharge over the previous month exceeds twenty per cent of variable component of approved tariff.*

(5) *The carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier and the money recovered through fuel and power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surcharge followed by the subsequent month.*

(6) *In case of carry forward of fuel and power purchase adjustment surcharge, the carrying cost at the rate of State Bank of India Marginal cost of Funds-based lending Rate plus one hundred and fifty basis points shall be allowed till the same is recovered through tariff and this carrying cost shall be true up in the year under consideration.*

(7) *Depending upon quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that,*

(i) *If fuel and power purchase adjustment surcharge \leq 5%, 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee shall be levied automatically using the formula.*

(ii) *If fuel and power purchase adjustment surcharge $>$ 5%, 95% fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the State Commission during true up.*

(8) The distribution licensees shall file a petition seeking true up of the fuel and power purchase for the year under consideration by 30th April of the next financial year. The Commission shall true up the same by 30th June, after applying the necessary prudence checks.

(9) In case of excess revenue recovered for the year against the fuel and power purchase adjustment surcharge, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate approved by the Commission and the under recovery of fuel and power purchase adjustment surcharge shall be allowed during true up, to be billed along with the automatic Fuel and Power Purchase Adjustment Surcharge amount.

Explanation:-For example in the month of July, the automatic pass through component for the power supplied in May and additional Fuel and Power Purchase Adjustment Surcharge, if any, recoverable after true up for the month of April in the previous financial year, shall be billed.

(10) The distribution licensee shall submit details of the variation between expenses incurred and the fuel and power purchase adjustment surcharge recovered, and the detailed computations and supporting documents, along with the true up petition.

(11) The distribution licensee shall ensure that the licensee billing system is updated to take this into account and a unified billing system shall be implemented to ensure that there is a uniform billing system irrespective of the billing and metering vendor through interoperability or use of open source software.

(12) The licensee shall publish all details including the fuel and power purchase adjustment surcharge formula, calculation of monthly fuel and power purchase adjustment surcharge and recovery of fuel and power purchase adjustment surcharge (separately for automatic and approved portions) on its website and archive the same through a dedicated web address.

2. Computation of Fuel and Power Purchase Adjustment Surcharge:

$$\text{Monthly FPPAS for nth Month (\%)} = \frac{(A-B)*C + (D-E)}{\{Z * (1 - \text{Distribution losses in\%/100})\} * \text{ABR}}$$

Where,

Nth month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in (n-2)th month

A is Total units procured in (n-2)th Month (in kWh) from all Sources including Long-term, Medium –term and Short-term Power purchases (To be taken from the bills issued to distribution licensees)

B is bulk sale of power from all Sources in (n-2)th Month. (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month).

C is incremental Average Power Purchase Cost= Actual average Power Purchase Cost (PPC) from all Sources in (n-2) month (Rs./ kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs./ kWh)- (from tariff order)

D = Actual inter-state and intra-state Transmission Charges in the (n-2)th Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (n-2)th Month. = (Approved Transmission Charges/12) (in Rs)

Z = [Actual Power purchased from all the sources outside the State in (n-2) th Month. (in kWh)* (1 – Interstate transmission losses in % /100) + Power purchased from all the sources within the State(in kWh)]*(1 – Intra state losses in %) – B]/100 in kWh

ABR = Average Billing Rate for the year (to be taken from the Tariff Order in Rs/kWh)

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order)

Inter-state transmission Losses (in %) = As per Tariff Order

Notes: 1. The Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.

2. Other charges which include Ancillary Services and Security Constrained Economic Despatch shall not be included in Fuel and Power Purchase Adjustment Surcharge and adjusted through the true-up.”

4. Further, Regulations 31 (c) and 33 of the MYT Regulations, 2019, are also proposed to be amended as under:-

“**31 (c)** Energy charge rate (ECR) in Rs. per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formula:-

(i) In case secondary fuel Oil cost is the part of ECR:

$$\left[\left\{ \frac{SHR - (SFC \times CVSF)}{CVPF} \times LPPF \right\} + (SFC \times LPSF) \right] \times \left\{ \frac{100}{100 - Aux} \right\}$$

(ii) In case secondary fuel Oil cost is not the part of ECR

$$\left[\frac{SHR - (SFC \times CVSF)}{CVPF} \right] \times \left\{ \frac{100}{100 - Aux} \right\}$$

Where

AUX = Normative auxiliary energy consumption in percentage;

CVPF = Gross calorific value of primary fuel as received, in kCal per kg less 85 Kcal/Kg on account of variation during storage at generating station.

CVSF = Gross calorific value of secondary fuel in kCal per ml;

ECR = Energy charge rate in Rs. per kWh sent out;

SHR = Normative Station Heat rate in kCal per kWh;

SFC = Normative Specific fuel oil consumption in ml/kWh

LPPF = Weighted average landed price of primary fuel in Rs./kg.

LPSF = Weighted average landed fuel cost of Secondary Fuel in Rs./ml during the month.

33. Kcm shall be the weighed average GCV of coal on as received basis for the month in Kcal / Kg less 85 Kcal/Kg on account of variation during storage at generating station.”

5. In view of the 'Rules' notified by the Central Government, the Commission issued a draft HERC MYT Regulations, 2019 (3rd Amendment) Regulations, 2023 for discussions and invited comments/ suggestions/objections from the stakeholders. A public notice was issued in the newspapers dated 21.01.2023 and also hosted the notice on the website of the Commission, inviting comments on the draft amendment, latest by 15.02.2023.
6. In response, UHBVNL (distribution licensee) has filed its comments vide memo no. Ch-56/RA/F-194/Vol-IV dated 16.02.2023.
7. UHBVNL has submitted that the proposed amendment in Regulations 31 (c) and 33 of the MYT Regulations, 2019, is in line with the CERC Regulations, 2019.
8. **The objections filed by UHBVNL on the proposed amendment in regulation 66, pertaining to 'Fuel and Power Purchase Adjustment Surcharge', are as under:-**
- 8.1 **Regulation 66.1 (3):**
Provision in the existing Regulations:

Fuel and Power Purchase Adjustment Surcharge (FPPAS) shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and interstate transmission charges for the power procured during the nth month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year:

Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within this timeline, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and, in such cases, the right to recover the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.

UHBVNL's comments:

That the Discoms as per the amendment proposed will lose the right to recover fuel and power purchase adjustment surcharge determined during true-up in case it fails to compute and charge FSA for any month. Since Domestic and Non-Domestic (LT) consumer in Haryana are billed on a bi-monthly basis; it will be difficult for the Nigam to comply with the proposed timeline.

It has been submitted that the Discoms should not be unduly penalized due to non-computation or charging of FSA for any month by forfeiting the right of annual true-up because calculation of FSA is dependent on timely availability of data based on which FSA can be calculated. There could also be non-force-majeure circumstances that can affect this data collecting process and Discoms may not be able to avoid the delays in computation of FSA.

UHBVNL has argued that the sole principle of the ibid FSA provision is to recover the variation in Power Purchase Cost on a provisional basis, any un-recovered cost during the financial year is being determined by the Hon'ble Commission at the time of True-up. Thus, limiting timeline for FSA recovery and forfeiting right to recover the power purchase adjustment surcharge determined during the true-up shall result in unrecovered cost of DISCOM.

The intervenor has further proposed that the unrecovered power purchase cost may be dealt by the Commission at the time of True-up of the ARR of the Distribution Licensee (s).

Commission's view:

The Commission has perused the objections filed by UHBVNL. It is observed that as per 'Rules' notified by the Ministry of Power, Government of India, Fuel and Power Purchase Adjustment Surcharge, shall be calculated on monthly basis. The Electricity (Amendment) Rules, 2022, notified by the Ministry of Power has further cast an obligation on the distribution licensee to ensure that a uniform billing system, irrespective of the billing and metering vendor, through interoperability or use of open source software. However, during the intervening period, the recovery of the same shall be linked to the billing cycle. As an interim measure the reference of n+2 month shall be read as n+2 billing cycle i.e. in case, say for DS Supply

consumer the billing cycle in vogue is two months then n+2 would correspond to four months. Further, the Ministry of Power, has cast a responsibility on the Discoms to take pro-active steps to recover power purchase cost, without going through the process of regulatory approvals. The timelines will pave the way for the Discoms to achieve financial stability in keeping its cost and price aligned. Further, for any mis-match including over/under recovery, the Discoms may approach this Commission by way of a petition as per the HERC (Conduct of Business) Regulations in vogue.

8.2 **Regulation 66.1 (4 and 5)**

Provision in the existing Regulations:

(4) The distribution licensee may decide, fuel and power purchase adjustment surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to the consumers, but the carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total fuel and power purchase adjustment surcharge for a billing month, including any carry forward of fuel and power purchase adjustment surcharge over the previous month exceeds twenty per cent of the variable component of the approved tariff.

(5) The carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier and the money recovered through fuel and power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surcharge followed by the subsequent month.

UHBVNL's comments:

The capping of 20% should be increased to 30% as there has been cases when input fuel cost has increased substantially due to mandatory blending of imported coal in this financial year. The same could be expected anytime during the ensuing years due to blending of imported coal or any other unforeseen factor. Non-recovery due to such low capping will unnecessarily add to the working capital cost and the same may not be approved as per the Regulation.

Further, 20% capping may not be linked to the variable component of the approved tariff as it will be difficult to calculate FSA for every consumer category.

In addition, Clause (4) states that, carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months. However, the Clause (5), has specified that the carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier, which is contradictory to clause (4).

Accordingly, the Hon'ble Commission is requested to clarify the same.

Commission's view:

The capping of 20% of the variable part of the tariff has been imposed, in order to avoid tariff shock to the consumer and at the same time ensure that the cashflow of the Discoms are not

impaired. It is noted that the variable component of the tariff for consumer category is clearly mentioned in the schedule of tariff approved by the Commission, hence, computation ought not to be a difficult exercise. Further, for any non-recovery or under recovery due to such capping, the Discoms can always approach the Commission by way of a petition providing all the relevant details and documentary evidence. Further, in order to impart clarity, the sub-regulation (clause 5) will be as under:-

“(5) The power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surcharge followed by the subsequent month.”

8.3 Regulation 66.1 (7)

Provision in the draft Regulations:

Depending upon the quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that,

(i) If fuel and power purchase adjustment surcharge $\leq 5\%$, 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee shall be levied automatically using the formula.

(ii) If fuel and power purchase adjustment surcharge $> 5\%$, 95% fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the State Commission during true up.

UHBVNL's comments:

The clarity may be provided that in “(i) If fuel and power purchase adjustment surcharge $\leq 5\%$ ” and “(ii) If fuel and power purchase adjustment surcharge $> 5\%$, reference of FSA being greater or less than 5% is with respect to which parameter.

Commission's view:

The Commission has considered the aforementioned submissions. It is clarified that the fuel and power purchase adjustment surcharge (FPPAS) shall be calculated in terms of the percentage of variable component of Distribution and Retail supply tariff approved by the Commission for the relevant year. If the percentage exceeds 5%, then the Discoms shall be allowed to recover upto 95% of the FPPAS and the balance of the FPPAS can only be recovered after approval of the Commission at the time of true-up.

8.4 Regulation 66.1 (8)

Provision in the draft Regulations:

The distribution licensees shall file a petition seeking true up of the fuel and power purchase for the year under consideration by 30th April of the next financial year. The Commission shall true up the same by 30th June, after applying the prudence checks.

UHBVNL's comments:

The date should be changed to 31st May of the calendar year as preparation of financial accounts, reconciliation of sub-division-wise accounts etc. are quite time consuming and cumbersome activities during the year end. The year-end activities also keep the Discom's manpower (especially in finance) busy in ensuring compliance to various deadlines/regulations/laws etc. Hence, it may not be practically feasible to get all the data for filing of the true-up petition by April end.

Commission's view:

The Commission has considered the submissions of UHBVNL and agrees to their proposal. The distribution licensee (s) shall be required to file a petition seeking true up of the fuel and power purchase for the year under consideration by 31st May of the ensuing financial year along with all the necessary documents/details.

8.5 **Regulation 66.1 (9)**

Provision in the draft Regulations:

In case of excess revenue recovered for the year against the fuel and power purchase adjustment surcharge, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate approved by the Commission and the under recovery of fuel and power purchase adjustment surcharge shall be allowed during true up, to be billed along with the automatic Fuel and Power Purchase Adjustment Surcharge amount.

Explanation:- For example in the month of July, the automatic pass-through component for the power supplied in May and additional Fuel and Power Purchase Adjustment Surcharge, if any, recoverable after true up for the month of April in the previous financial year, shall be billed.

UHBVNL's comments:

In case of less recovery due to capping of FSA, the Hon'ble Commission is allowing carrying cost at SBI Marginal cost of Funds-based lending Rate plus one hundred and fifty basis points. However, in case of excess recovery, the carrying cost at 1.20 times of the carrying cost as mentioned above is to be paid by the Discoms. Discoms should not be unduly penalized and the same carrying cost as approved by the Commission may also be applied in case of excess recovery by the Discoms.

Commission's view:

The provision of imposing carrying cost at 1.20 times of the carrying cost rate approved by the Commission, has been provided in the Electricity (Amendment) Rules, 2022, notified by the Ministry of Power, in order to impose discipline in the discoms and dissuade them from over recovery due to errors in estimation of FPPAS. Hence, the Commission is of the considered view that no change is required.

9. A public hearing was held on 22nd February, 2023, as scheduled. The representatives of UHBVNL present in the hearing, reiterated the contents of their written submissions already reproduced earlier in the present order. Hence, for the sake of brevity, the same, have not been mentioned here. The comments of UHBVNL have been dealt with in the preceding paras in this order and no other intervenors/stakeholders were present in the hearing. Accordingly, the Commission approves the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2019 (3rd Amendment) Regulations, 2023, as per annexure "A" attached to the present order.
10. Before parting with the order, the Commission observes that while submitting the true-up petition, the distribution licensees are required to submit the details as provided under Regulation 66 (1) (10). In this regard, the following is added to the ibid Regulations:-
- 10.1 "Fuel and Power Purchase Adjustment Surcharge" (FPPAS) shall be calculated only in respect of approved source wise power purchase quantum including short term power purchase cost, if any, for the relevant year from all the approved sources. The discoms may resort to drawl of short term power on Term-Ahead-Market (TAM), Day-Ahead-Market (DAM), Real-Time-Market (RTM) etc. to meet day to day exigencies, provided no other cheaper source of power is available.
- 10.2 For the purpose of recovery of FPPAS, power purchase cost shall include all invoices raised by the approved suppliers of power and credit received by the distribution licensees during the year irrespective of the period to which these pertain for any change in cost in accordance with the tariff approved by the Commission. This shall include arrears/refunds, if any, not settled earlier.
- 10.3 In case of negative FPPAS, the credit shall be given to the consumers by setting off the minus figure against the positive figure of FPPAS being charged from the consumers. In other words, credit of FPPAS shall be given only against FPPAS being charged so that the base tariff determined by the Commission remains unchanged.
- 10.4 The allowed percentage of transmission and distribution losses for the relevant year as allowed by the Commission in the ARR, shall only be considered for working out FPPAS.
- 10.5 Per unit rate of FPPAS (paisa/kWh/kVAh) shall be worked out after rounding off to the nearest paisa;
- 10.6 The distribution licensee shall submit details relating to FPPAS recovery to the Commission, for each quarter, in the following format by the end of the following quarter.

(i)	Approved power purchase volume from approved sources (MU)
(ii)	Approved power purchase cost (Rs. million)
(iii)	Actual power purchase volume (MU)
(iv)	Power purchased (MU) from sources not covered under Regulation 66.2 giving source wise details and in case of UI the frequency at which UI drawls were made. (disallowed power purchase).

(v)	Actual cost of power purchase from all sources except (iv) (Rs. million)
(vi)	Actual cost of disallowed power purchase relating to (iv) (Rs. million).
(vii)	Total FSA estimated to be recovered for the quarter (Rs. million).
(viii)	FSA per unit (Rs./kWh) being recovered during the following quarter.
(ix)	Actual FSA recovered/estimated to be recovered out of estimated FSA till the end of the following quarter (Rs. million)
(x)	Under/ over recovered FSA (vii-ix) (Rs. million).
(xi)	Approved sales (Consumer category wise / month wise) for the quarter (MU)
(xii)	Actual sales (Consumer category wise / month wise) for the quarter (MU)
(xiii)	Estimated sales, consumer category wise, for the following quarter (MU).

Note:

1. All the source-wise details should be supported with requisite documentary evidence / invoices raised by the generators / suppliers of the power.
 2. Actual sales to AP consumers are to be calculated in accordance with the methodology approved by the Commission in the ARR for the relevant year.
11. In case Haryana Government decides to provide subsidy on account of FPPAS liability to any consumer category/sub-category, the amount of subsidy equivalent to the FPPAS recoverable from the consumer category concerned, shall be deposited in advance by the State Government; otherwise the recovery shall be affected from the consumer through electricity bills. It shall be the responsibility of the distribution licensees to seek prior approval of the State Government in this regard and maintain a separate detailed consumer category wise record of the same including the amount payable and the amount actually paid to the Discoms. The liability to be taken over by the State Government on account of FPPAS should be shown distinctly from the RE Subsidy as quantified by the Commission in the ARR/Tariff order of the Discom (s).

The Regulations approved by the Commission as Annexure "A" be sent for Gazette Notification at the earliest.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 12.04.2023.

Date: 12.04.2023
Place: Panchkula

(Naresh Sardana)
Member

(R.K. Pachnanda)
Chairman

**HARYANA ELECTRICITY REGULATORY COMMISSION
BAYS NO. 33-36, SECTOR-4, PANCHKULA – 134112**

Notification

Regulation No. HERC/46/2019/3rd Amendment/2023:- The Haryana Electricity Regulatory Commission, in exercise of the powers conferred on it by section 181 of the Electricity Act 2003 (Act 36 of 2003) and all other powers enabling it in this behalf, after previous publication, makes the following regulations:-

**Chapter – 1
General**

1. Short title, commencement, extent of application and interpretation._

- (1) These Regulations may be called the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2019 which came into effect from the date of its notification in the Haryana Government Gazette i.e. 31.10.2019 (hereinafter referred to as HERC MYT Regulations, 2019), (3rd Amendment) Regulations, 2023.
- (2) These regulations shall come into force on the date of their publication in the Haryana Government Gazette.
- (3) These regulations shall extend to the whole of the State of Haryana.

2. Amendment of Regulation 31 (c)

Regulation 31 (c) shall be read as under:-

“Energy charge rate (ECR) in Rs. per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formula:-

(i) In case secondary fuel Oil cost is the part of ECR:

$$\left[\left\{ \frac{\text{SHR} - (\text{SFCXCVSF}) \times \text{LPPF}}{\text{CVPF}} \right\} + (\text{SFCXLPSF}) \right] \times \left\{ \frac{100}{(100 - \text{Aux})} \right\}$$

(ii) In case secondary fuel Oil cost is not the part of ECR

$$\left\{ \frac{\text{SHR} - (\text{SFCXCVSF}) \times \text{LPPF}}{\text{CVPF}} \right\} \times \left\{ \frac{100}{(100 - \text{Aux})} \right\}$$

Where

AUX = Normative auxiliary energy consumption in percentage;

CVPF = Gross calorific value of primary fuel as received, in kCal per kg less 85 Kcal/Kg on account of variation during storage at generating station.

CVSF = Gross calorific value of secondary fuel in kCal per ml;

ECR = Energy charge rate in Rs. per kWh sent out;

SHR = Normative Station Heat rate in kCal per kWh;

SFC = Normative Specific fuel oil consumption in ml/kWh

LPPF = Weighted average landed price of primary fuel in Rs./kg.

LPSF = Weighted average landed fuel cost of Secondary Fuel in Rs./ml during the month.”

3. Amendment of Regulation 33:-

Regulation 33 shall be amended to replace the definition of 'Kcm', as under:-

“Kcm shall be the weighed average GCV of coal on 'as received basis' for the month in Kcal / Kg less 85 Kcal/Kg on account of variation during storage at generating station.”

4. Amendment of Regulation 66

66. Fuel and Power Purchase Adjustment Methodology

1. Computation of fuel and power purchase adjustment surcharge:

(1) “Fuel and Power Purchase Adjustment Surcharge” (FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the Commission.

(2) Fuel and power purchase adjustment surcharge shall be calculated and billed to consumers, automatically, without going through regulatory approval process, on a monthly basis, according to the formula, prescribed in these regulations, subject to true up, on an annual basis, as may be decided by the Commission:

Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these rules.

(3) Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and Interstate Transmission Charges for the power procured during the nth month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year:

Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge (FPPAS) within this time line, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to

recover the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.

(4) The distribution licensee may decide, fuel and power purchase adjustment surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to the consumers, but the carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total fuel and power purchase adjustment surcharge for a billing month, including any carry forward of fuel and power purchase adjustment surcharge over the previous month exceeds twenty per cent of variable component of approved tariff.

(5) The power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surcharge followed by the subsequent month.

(6) In case of carry forward of fuel and power purchase adjustment surcharge, the carrying cost at the rate of State Bank of India Marginal cost of Funds-based lending Rate plus one hundred and fifty basis points shall be allowed till the same is recovered through tariff and this carrying cost shall be trued up in the year under consideration.

(7) Depending upon quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that,

(i) If fuel and power purchase adjustment surcharge $\leq 5\%$, 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee shall be levied automatically using the formula.

(ii) If fuel and power purchase adjustment surcharge $> 5\%$, 95% fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the State Commission during true up.

(8) The distribution licensees shall file a petition seeking true up of the fuel and power purchase for the year under consideration by 31st May of the next financial year. The Commission shall true up the same by 30th June, after applying the necessary prudence checks.

(9) In case of excess revenue recovered for the year against the fuel and power purchase adjustment surcharge, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate approved by the Commission and the under recovery of fuel and power purchase adjustment surcharge shall be allowed during true up, to be billed along with the automatic Fuel and Power Purchase Adjustment Surcharge amount.

Explanation:-For example in the month of July, the automatic pass through component for the power supplied in May and additional Fuel and Power Purchase Adjustment Surcharge, if any, recoverable after true up for the month of April in the previous financial year, shall be billed.

(10) The distribution licensee shall submit details of the variation between expenses incurred and the fuel and power purchase adjustment surcharge recovered, and the detailed computations and supporting documents, along with the true up petition.

- i) "Fuel and Power Purchase Adjustment Surcharge" (FPPAS) shall be calculated only in respect of approved source wise power purchase quantum including short term power, if any, for the relevant year. The discoms may resort to drawl of short term power on TAM, DAM, RTM etc. to meet day to day exigencies provided no other cheaper source of power is available.
- ii) For the purpose of recovery of FPPAS, power purchase cost shall include all invoices raised by the approved suppliers of power and credit received by the distribution licensees during the year irrespective of the period to which these pertain for any change in cost in accordance with tariff approved by the Commission. This shall include arrears/refunds, if any, not settled earlier.
- iii) In case of negative FPPAS, the credit shall be given to the consumers by setting off the minus figure against the positive figure of FPPAS being charged from the consumers. In other words, credit of FPPAS shall be given only against FPPAS being charged so that the base tariff determined by the Commission remains unchanged.
- iv) The allowed percentage of transmission and distribution losses for the relevant year allowed by the Commission in the ARR shall only be considered for working out FPPAS.
- v) Per unit rate of FPPAS (paisa/kWh/kVAh) shall be worked out after rounding off to the nearest paisa;
- vi) The distribution licensee shall submit details relating to FPPAS recovery to the Commission for each year in the following format:-

(i)	Approved power purchase volume from approved sources (MU)
(ii)	Approved power purchase cost (Rs. million)
(iii)	Actual power purchase volume (MU)
(iv)	Power purchased (MU) from sources not covered under Regulation 66.2 giving source wise details and in case of UI the frequency at which UI drawls were made. (disallowed power purchase).
(v)	Actual cost of power purchase from all sources except (iv) (Rs. million)
(vi)	Actual cost of disallowed power purchase relating to (iv) (Rs. million).
(vii)	Total FSA estimated to be recovered for the quarter (Rs. million).
(viii)	FSA per unit (Rs./kWh) being recovered during the following quarter.

(ix)	Actual FSA recovered/estimated to be recovered out of estimated FSA till the end of the following quarter (Rs. million)
(x)	Under/ over recovered FSA (vii-ix) (Rs. million).
(xi)	Approved sales (Consumer category wise / month wise) for the quarter (MU)
(xii)	Actual sales (Consumer category wise / month wise) for the quarter (MU)
(xiii)	Estimated sales, consumer category wise, for the following quarter (MU).

Note:-

All the source-wise details should be supported with requisite documentary evidence / invoices raised by the generators / suppliers of the power. Further, actual sales to AP consumers are to be calculated in accordance with the methodology approved by the Commission in the ARR for the relevant year.

- vii) In case Haryana Government decides to provide subsidy on account of FPPAS liability to any consumer category/sub-category, the amount of subsidy equivalent to the FPPAS recoverable from the consumer category concerned, shall be deposited in advance by the Government. Otherwise the recovery shall be affected from the consumer through electricity bills. It shall be the responsibility of the distribution licensees to seek prior approval of the State Government in this regard and maintain appropriate record of the same.

(11) The distribution licensee shall ensure that the billing system is updated considering the requirements of the FPPAS methodology and a unified billing system shall be implemented to ensure that there is a uniform billing system irrespective of the billing and metering vendor through interoperability or use of open source software.

(12) The licensee shall publish all the details including the fuel and power purchase adjustment surcharge formula, calculation of monthly fuel and power purchase adjustment surcharge and recovery of fuel and power purchase adjustment surcharge (separately for automatic and approved portions) on its website.

2. Computation of Fuel and Power Purchase Adjustment Surcharge:

$$\text{Monthly FPPAS for nth Month (\%)} = \frac{(A-B)*C + (D-E)}{\{Z * (1- \text{Distribution losses in\%/100})\} * \text{ABR}}$$

Where,

n^{th} month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in (n-2)th month

A is Total units procured in (n-2)th Month (in kWh) from all Sources including Long-term, Medium-term and Short-term Power purchases (To be taken from the bills issued to distribution licensees)

B is the bulk sale of power or inter-state sales from all Sources in (n-2)th Month (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month).

C is incremental Average Power Purchase Cost= Actual average Power Purchase Cost (PPC) from all Sources in (n-2) month (Rs./ kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs./ kWh) (from tariff order)

D = Actual inter-state and intra-state Transmission Charges in the (n-2)th Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (n-2)th Month. = (Approved Transmission Charges/12) (in Rs)

$Z = \left[\left\{ \text{Actual Power purchased from all the sources outside the State in (n-2) th Month. (in kWh)} \right\} \times (1 - \text{Interstate transmission losses in \% /100}) + \text{Power purchased from all the sources within the State (in kWh)} \right] \times (1 - \text{Intra state losses in \% /100}) - B / 100$ in kWh
ABR = Average Billing Rate for the year (to be taken from the Tariff Order in Rs/kWh)
Distribution Losses (in %) = Target Distribution Losses (from Tariff Order)
Inter-state transmission Losses (in %) = As per Tariff Order

Provided that the Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.

Provided further that other charges which include Ancillary Services, Security Constrained Economic Despatch as well as any prior period adjustments, shall not be included in Fuel and Power Purchase Adjustment Surcharge and will be adjusted through the true-up.”