

***Draft JSERC (Terms and
Conditions for Determination
of Distribution Tariff)
Regulations, 2015***



JHARKHAND STATE ELECTRICITY REGULATORY COMMISSION

CHAPTER I :
SCOPE, EXTENT AND DEFINITIONS

A1: SHORT TITLE, COMMENCEMENT AND EXTENT

- 1.1 These Regulations shall be called the Jharkhand State Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2015;
- 1.2 These Regulations shall extend to the entire state of Jharkhand;
- 1.3 These Regulations shall come into force from the date of their publication in the Official Gazette of the Government of Jharkhand and unless reviewed earlier or extended by the Commission, shall remain in force up to 31st March, 2021.

A2: DEFINITIONS AND INTERPRETATION

- 2.1 In these Regulations, unless the context otherwise requires-
- a) “**Act**” means the Electricity Act, 2003 (36 of 2003);
 - b) “**Aggregate Revenue Requirement or ARR**” means for each financial year, the costs pertaining to the Licensed business which are permitted, in accordance with these Regulations, to be recovered from the tariffs and charges determined by the Commission;
 - c) “**Allocation Statement**” means for each financial year, a statement in respect of each of the businesses (Wheeling, Retail Supply, Other Business) of the Licensee, showing the amounts of any revenue, cost, asset, liability, reserve or provision etc, which has been either;
 - (i) Determined by apportionment or allocation between different businesses of the Licensee including the Licensed Business, together with a description of the basis of the apportionment or allocation; or
 - (ii) Charged from or to each such Other Business together with a description of the basis of that charge;
 - d) “**Base Year**” means the Financial Year immediately preceding first year of the Control Period and used for purposes of these Regulations;
 - e) “**Collection Efficiency**” shall mean the ratio of total revenue realised to total revenue billed for the same year.
 - f) “**Commission**” means the Jharkhand State Electricity Regulatory Commission;

- g) **“Conduct of Business Regulations”** means the JSERC (Conduct of Business Regulations) Order 2003, as amended from time to time;
- h) **“Control Period”** means a multi-year period fixed by the Commission, from 1st April 2016 and up to 31st March 2021;
- i) **“Financial Year”** means a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;
- j) **“Licence”** means a Distribution Licence granted under Section 14 of the Act;
- k) **“Licensed Business”** shall mean the functions and activities, which the Licensee is required to undertake in terms of the Licence granted or being a deemed Licensee under the Act;
- l) **“Licensee”** means a person who has been granted a Distribution Licence and shall include a deemed Licensee;
- m) **“Non-Tariff Income”** means income relating to the Licensed business other than from tariff (Wheeling and Retail Supply), and excluding any income from Other Business, cross-subsidy surcharge and additional surcharge;
- n) **“Other Business”** means any business of the Licensee other than the Licensed Business that utilizes the distribution assets of the Licensee
- o) **“Retail Supply Business”** means the business of sale of electricity by a Licensee to the category of consumers within the area of supply in accordance with the terms of the Licence for distribution and retail supply of electricity;
- p) **“Retail Supply Tariff”** is the rate charged by the Licensee for supply to non-open access customers which includes charges for Wheeling and Retail Supply;
- q) **“Trading Business”** means the business of purchase of electricity by the Licensee for resale to another Licensee or consumers or category of consumers outside the area of supply of the Licensee;
- r) **“Tariff Period”** shall mean the period from 1st April 2016 and up to 31st March 2021 for which Tariff is determined by the Commission under these Regulations;
- s) **“Wheeling”** means the operation whereby the distribution system and associated facilities of a Licensee, are used by another person for the conveyance of electricity on payment of charges to be determined under Section 62 of the Act;

- t) **“Wheeling Business”** means the business of operating and maintaining a distribution system for conveyance of electricity in the area of supply of the Licensee;
- 2.2 Words and expressions used and not defined in these Regulations but defined in the Act shall have the meanings respectively assigned to them in the Act;
- 2.3 All proceedings under these Regulations shall be governed by the Conduct of Business Regulations.

A3: SCOPE OF REGULATIONS AND EXTENT OF APPLICATION

- 3.1 In accordance with the principles laid out in these Regulations, the Commission shall determine tariff for –
- a) Wheeling of electricity, i.e. wheeling tariff for the Control Period, and;
- b) Retail sale of electricity, i.e. retail supply tariff for the Control Period;

Provided that in case of distribution of electricity in the same area by two or more Licensees, the Commission may, for promoting competition among Licensees, fix only maximum ceiling of tariff for retail sale of electricity;

Provided further that where the Commission has permitted open access to any category of consumers under Section 42 of the Act, the Commission shall determine the wheeling tariff, cross-subsidy surcharge, additional surcharge and other open access related charges in accordance with these Regulations and **JSERC (Open Access in Intra-State Transmission and Distribution) Regulations, 2005** as amended from time to time;

- 3.2 The ARR determined for the Wheeling Business shall be used to fix wheeling tariff for wheeling of electricity;
- 3.3 The ARR determined for Retail Supply Business shall be used to fix retail supply tariff for retail sale of electricity;
- 3.4 These Regulations shall extend to the entire State of Jharkhand and to all matters within the jurisdiction of the Commission.

CHAPTER II:

**TARIFF FRAMEWORK AND GUIDING PRINCIPLES FOR MULTI
YEAR TARIFF (MYT) FRAMEWORK**

A4: TARIFF FRAMEWORK

- 4.1 The Commission shall adopt Multi Year Tariff framework contained in these Regulations for approval of ARR and expected revenue from tariffs and charges during the Control Period;

Multi Year Tariff Framework for the Control Period (FY 2016-17 to FY 2020-21)

- 4.2 Each licensee shall file MYT Application and other documents with the Commission as per timelines specified in Section A11: of these Regulations;

The application shall include statements containing Aggregate Revenue Requirement (ARR) for the Previous Year, Base Year and projections for the Control Period. Information for the Previous Year should be based on audited accounts;

- 4.3 The guiding principles for MYT framework are described in Section 5 of these Regulations;
- 4.4 The principles for determination of ARR for the Control Period are described in Chapter III of these Regulations and procedure for filing during the Control Period is described in Chapter IV of these Regulations.

A5: GUIDING PRINCIPLES FOR MYT FRAMEWORK

5.1 The Multi Year Tariff framework shall be based on the following:

- a) Business Plan for the Wheeling and the Retail Supply Business of the Licensees for the entire Control Period as submitted to the Commission for approval, prior to the start of the Control Period;
- b) Licensees' forecast of expected wheeling tariff and retail supply tariff for each year of the Control Period, based on reasonable assumptions of the underlying financial and operational parameters, as submitted in the Business plan;
- c) The Trajectory for specific parameters which shall be stipulated by the Commission for improvement of Licensee's performance through incentives and disincentives;
- d) Annual review of performance which shall be conducted vis-à-vis the approved forecast and categorization of variations in performance into controllable and uncontrollable factors;
- e) Development of mechanism for sharing approved gains or losses on account of controllable items; and
- f) Development of pass through mechanism for approved gains or losses on account of uncontrollable items.

Base Year

5.2 The values for the Base Year of the Control Period shall be determined on the basis of the latest audited accounts, best estimate for the relevant year(s), and other factors considered relevant by the Commission;

5.3 The Commission will normally not revisit the performance targets even if the targets are fixed on the basis of base values of **unaudited accounts**.

Segregation of Retail Supply and Wheeling Business

5.4 The Licensee shall segregate the accounts of the Licensed Business into Wheeling Business and Retail Supply Business. The ARR for Wheeling Business shall be used to determine Wheeling Tariff and the ARR for Retail Supply Business to determine Retail Supply Tariff;

5.5 For such period until accounts are segregated, the Licensees shall prepare an Allocation Statement to apportion costs and revenues to respective business. The Allocation Statement, approved by the Board of Directors of the Licensee, shall be accompanied with an explanation of the basis and methodology used for segregation which should be consistent over the Control Period.

Business Plan

- 5.6 Each Licensee shall file for the Commission's approval a Business Plan approved by its authorized signatory, as per the timelines specified in Section 11 of these Regulations;
- 5.7 The Business Plan shall be filed separately for the Retail Supply and Wheeling Business. As specified in clause 5.5 of these regulations, in absence of segregated accounts for the two businesses, the Licensee shall prepare an allocation statement and submit the same with the business plan;
- 5.8 The business plan shall be for the entire Control Period and shall *inter-alia* contain;
- a) Capital Investment Plan for the entire Control Period commensurate with load growth, distribution loss reduction trajectory and quality improvement measures proposed in the Business Plan;
 - b) Sales/Demand Forecast for each customer category and sub-categories for each year of the Control Period;
 - c) Power Procurement Plan based on the sales forecast and distribution loss trajectory for each year of the Control Period. The power procurement plan should also include energy efficiency and demand side management measures;
 - d) A set of targets proposed for other controllable items such as distribution losses, collection efficiency, working capital requirement, quality of supply targets, etc. The targets shall be consistent with the capital investment plan proposed by the Licensee;
 - e) Business Plan shall also contain the requisite information for the preceding five years.

Capital Investment Plan

- 5.9 The Licensees' shall file for the Commission's approval a Capital Investment Plan for the entire Control Period with the business plan. The investment plan shall be prepared scheme-wise and each scheme shall include:
- a) Purpose of investment (e.g. replacement of existing assets, meeting load growth, technical and distribution loss reduction, non-technical loss reduction, meeting reactive energy requirements, customer service improvement, improvement in quality and reliability of supply, etc);
 - b) Capital Structure;
 - c) Capitalization Schedule;

- d) Implementation schedule including timelines;
 - e) Financing Plan;
 - f) Cost-benefit analysis;
 - g) Improvement in operational efficiency envisaged in the control period;
 - h) Ongoing projects that will spill over into the year under review along with justification
 - i) New projects that will commence during the control period but may be completed within or beyond the Control Period;
- 5.10 The Commission shall review the actual capital investment at the end of each year of the Control Period. In the normal course, the Commission shall not revisit the approved capital investment plan during the Control Period and adjustment to depreciation and return on equity for the actual capital investment vis-à-vis approved capital investment shall be done at the end of the Control Period;
- 5.11 During the Annual Performance Review, the Commission shall monitor the year wise progress of the actual capital expenditure incurred by the Licensee vis-à-vis the approved capital expenditure. The Licensees' shall submit the actual capital expenditure incurred along with the Annual Performance Review Filing;
- 5.12 In case of timely execution of projects as specified in the capital investment plan, as approved by the Commission, the rate of return on equity shall be increased in accordance with clause 6.17 of these Regulations;
- 5.13 In case, during the Annual Performance Review, the cumulative (up to the current year starting from first year of the control period) actual capital expenditure incurred is less than by 10% of the cumulative approved capital expenditure, the Commission shall true-up the costs incidental to the actual capital expenditure in the current year and remaining years of the Control Period;
- 5.14 In case the capital expenditure is required for emergency work which has not been approved in the capital investment plan, the Licensee shall submit an application containing all relevant information along with reasons justifying emergency nature of the proposed work seeking approval of the Commission;

Provided that for the purpose of the clause 5.13 of these Regulations, such approved capital expenditure shall be treated as a part of both the actual capital expenditure incurred by the Licensee and approved capital expenditure by the Commission.

Sales and Power Purchase Forecast

- 5.15 The Licensee shall forecast sales for each customer category and sub-categories, at different voltage levels, for each year of the Control Period in their business plan filings, for the Commission's review and approval;
- 5.16 The Commission shall examine the forecasts for its reasonableness and consistency on the basis of expected growth in the number of consumers, changes in pattern of consumption, target distribution losses and demand of electricity in previous years and anticipated growth in the next year and any other factor considered relevant by the Commission and accordingly approve sales forecast with such modifications as deemed fit for each year of the Control Period;
- 5.17 Sale of electricity, if any, to electricity traders or another Licensee shall be separately indicated;
- 5.18 The Licensee shall also indicate category-wise open access customers. The demand and energy wheeled for them shall be shown separately for:
- a) Supply within its area of supply; and
 - b) Supply outside its area of supply;
- 5.19 Power purchase quantum and cost for any financial year shall be computed on the basis of distribution loss targets and the estimated sales.

Short Term Power Requirements

- 5.20 The Licensee(s) shall submit a rolling quarterly forecast of the quantum of short term power to be purchased for the year for the Commission's approval. The forecast shall be made on the basis of monthly sales forecast, the power available from approved long-term sources of power, merit order dispatch of available sources, banking with other distribution utilities, load curtailment, time of its requirement, availability of short term power and the expected price. The Licensees shall provide the basis for forecast of short term power procurement price including the criteria for evaluation of alternative options;
- 5.21 The Commission shall indicate a ceiling for short term power purchase price for the ensuing quarter based on the availability of power, past requirement, approved quantum of short term power in ARR, approval granted for past quarter and past market trends . The Commission may ask for additional information and data as it may deem necessary for reviewing the forecast for the ensuing quarter and the Licensee shall furnish such information within a period of two (2) weeks ;
- 5.22 The variation in actual quantum and price of short-term power vis-à-vis the approved quantum and price of short-term power shall be subject to prudence check by the Commission.

Notwithstanding the above, in case of an emergency such as breakdowns of generating units/ unit or transformers, the Licensee shall be allowed to purchase short-term power, provided post facto approval of the Commission is taken at the first available opportunity.

Targets for Distribution Losses and Collection Efficiency

5.23 Distribution loss and collection efficiency targets to be met during the Tariff Period by various Licensees are as follows:

Distribution Loss Targets					
Utility	2016-17	2017-18	2018-19	2019-20	2020-21
JBVNL	14.50%	13.50%	12.50%	12.00%	11.50%
JUSCO	2.50%	2.50%	2.50%	2.50%	2.50%
SAIL-Bokaro	9.0%	8.0%	7.0%	6.5%	6.0%
TSL	4.00%	3.50%	3.00%	3.00%	3.00%

Collection Efficiency Targets					
Utility	2016-17	2017-18	2018-19	2019-20	2020-21
JBVNL	100%	100%	100%	100%	100%
JUSCO	100%	100%	100%	100%	100%
SAIL-Bokaro	100%	100%	100%	100%	100%
TSL	100%	100%	100%	100%	100%

Quality of Supply and Services

- 5.24 The quality of supply and the customer service parameters shall be monitored as per the norms specified by the Commission from time to time;
- 5.25 The Licensees shall propose the baseline and performance trajectory for all quality parameters as specified in the "JSERC Distribution Licensee's Standards of Performance Regulation, 2005" as amended from time to time as per the formats specified in the said Regulation. For the Control Period, the proposed baseline and performance trajectory shall be submitted along with the business plan;
- 5.26 The Commission shall make an assessment of reliability of baseline data and may prescribe the performance trajectory for each identified parameter for the Control Period;

- 5.27 The performance framework to encourage Licensees to improve quality of supply and services shall be as per the JSERC (Distribution Licensees' Standard of Performance) Regulations, 2005 as amended from time to time.

Controllable and Uncontrollable elements of ARR

- 5.28 For the purpose of MYT Framework contained in these Regulations, the elements of ARR shall be identified as 'controllable' and 'uncontrollable';
- 5.29 The items in the ARR which shall be treated as "controllable" and "uncontrollable" are as follows:

ARR Element	“Controllable”/ “Uncontrollable”
Sales	Uncontrollable
Power Purchase Cost (excluding short-term power)	Uncontrollable
Transmission & Load Dispatch charges;	Uncontrollable
O&M Expenses (excluding terminal liabilities of employees)	Controllable
Terminal liabilities of employees	Uncontrollable
Return on Equity	Controllable
Depreciation	Controllable
Taxes on Income	Uncontrollable
Foreign Exchange Rate variation	Uncontrollable
Non-Tariff income	Uncontrollable
Income from Other Businesses	Uncontrollable
Distribution Loss and Collection Efficiency	Controllable
Quality of Supply	Controllable
Capital Expenditure	Controllable
Variation in Wires availability and Supply availability	Controllable

- 5.30 The variation on account of uncontrollable elements shall be treated as a pass through to be ultimately charged to the consumers, subject to validation and approval by the Commission;
- 5.31 The Commission shall also permit pass-through of variations in controllable items on account of *Force Majeure* events such as acts of god, war, change in law etc, in the ARR for the ensuing year, based on the submission of actual values by the Licensee and subsequent validation and approval by the Commission;
- 5.32 The variation, from targets specified by the Commission, on account of controllable elements shall be subject to incentive-penalty framework, as detailed in the subsequent section.

Incentive and Penalty Framework

5.33 Various elements of the ARR of the Licensees' will be subject to incentive and penalty framework as per the terms specified in this section. The overall aim shall be to incentivise better performance and penalise poor performance, compared to the norms/benchmarks specified by the Commission;

5.34 The gains/losses shall be computed on aggregate basis for all the controllable items considered collectively on annual basis. The computations shall be based on the data submitted by the Licensee in the Annual Performance Review and audited annual accounts and shall be subject to prudence check by the Commission;

In case of **aggregate gains**, the aggregate gain shall be shared between the Licensee and the customers in the ratio of 60:40 respectively;

5.35 The customers share of aggregate gain shall be transferred to the Contingency Reserve created at the beginning of the Control Period;

5.36 In case of **aggregate loss**, the Licensee shall bear the entire losses.

Contingency Reserve

5.37 These Regulations provide for maintaining tariff stability and passing the benefits achieved to the consumers under the Multi Year Tariff framework via a contingency reserve;

5.38 The Licensees shall be permitted to use funds from the contingency reserve, with the prior approval of the Commission, to compensate variation in uncontrollable factors instead of tariff adjustments;

5.39 The Licensees shall create the contingency reserve at the beginning of the Control Period. The revenue surplus, if any, generated by individual Licensees in and up to **FY 2015-16** shall be transferred to their respective contingency reserves at the beginning of the Control Period;

5.40 The Licensees shall maintain separate accounts in their books and reflect the balance in the Contingency Reserve Account in the balance sheet. There shall be yearly additions and draws to/from these contingency reserve accounts based on the annual review and performance of the Licensees;

5.41 Funds under contingency reserve shall be kept in a separate bank account and shall be effectively invested and managed to earn returns based on market conditions ensuring adequate liquidity;

5.42 This fund shall not be utilized for speculative purposes. The use of these funds in any other manner shall be only with the prior approval of the Commission.

CHAPTER III:

DETERMINATION OF ARR

A6: PRINCIPLES FOR DETERMINATION OF ARR

Calculation of ARR for Wheeling Business during the Control Period

6.1 The Aggregate Revenue Requirement for the Wheeling Business of the Licensees for each year of the Control Period, shall contain the following items;

- a) Operation and Maintenance expenses;
- b) Return on Equity;
- c) Interest on Working Capital;
- d) Interest on Loans;
- e) Depreciation
- f) Income Tax
- g) Lease Charges;
- h) Foreign Exchange Rate variation;
- i) Less: Non-Tariff Income;
- j) Less: Income from Other Business; and
- k) Less: Income from wheeling of electricity (refer clause 6.46)

Calculation of ARR for Retail Supply Business during the Control Period

6.2 The Aggregate Revenue Requirement for the Retail Supply Business of the Licensee, for each year of the Control Period, shall contain the following items;

- a) Cost of power procurement;
- b) Transmission & Load Dispatch charges;
- c) Operation and Maintenance expenses;
- d) Return on Equity;

- e) Interest on Working Capital;
- f) Interest on Loans;
- g) Interest on Consumer Security Deposit;
- h) Depreciation;
- i) Income Tax;
- j) Lease Charges;
- k) Foreign Exchange Rate variation;
- l) Less: Non-Tariff Income;
- m) Less: Income from Other Business; and
- n) Less: Receipts on account of cross subsidy surcharge and additional surcharge from open access customers.

Operation and Maintenance Expenses

6.3 Operation and Maintenance (O&M) expenses shall include:

- a) Salaries, wages, pension contribution and other employee costs;
- b) Administrative and General expenses;
- c) Repairs and Maintenance;

6.4 The O&M expenses for the Base Year of the Control Period shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the Licensees, estimates of the actual for the Base Year, prudence check and any other factor considered appropriate by the Commission;

6.5 The O&M expenses permissible towards ARR of each year of the Control Period shall be approved based on the formula shown below:

$$\mathbf{O\&M_n = (R\&M_n + EMP_n + A\&G_n) * (1 - X_n) + Terminal Liabilities}$$

Where,

R&M_n – Repair and Maintenance Costs of the Licensee for the nth year;

EMP_n – Employee Costs of the Licensee for the nth year excluding terminal liabilities;

$A\&G_n$ – Administrative and General Costs of the Licensee for the nth year;

X_n – is an efficiency factor for nth year. The value of X_n will be determined by the Commission in its first MYT order for the Control Period;

6.6 The above components shall be computed in the manner specified below:

a) $R\&M_n = K * GFA$

Where,

‘K’ is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) and will be calculated based on the % of R&M to GFA of the preceding year of the Base Year;

‘GFA’ is the opening value of the gross fixed asset of the nth year;

b) EMP_n (excluding terminal liabilities) + $A\&G_n = (EMP_{n-1} + A\&G_{n-1}) * (INDX_n / INDX_{n-1}) + G_n$

Where,

$INDX_n$ – Inflation factor to be used for indexing the employee cost and A&G cost. This will be a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) for immediately preceding year before the base year;

G_n – Increase in Employee Expenses in n^{th} year due to increase in consumer base/ load growth. Value of G for each year of the Control Period shall be determined by the Commission in the MYT Tariff order based on Licensee’s filing, benchmarking with the efficient utilities, actual cost incurred by the licensee due to increase in consumer base/load growth in past, and any other factor considered appropriate by the Commission;

c) $INDX_n = 0.55 * CPI_n + 0.45 * WPI_n$;

Note 1: For the purpose of estimation, the same $INDX_n / INDX_{n-1}$ value shall be used for all years of the control period. However, the Commission will consider the actual values in the $INDX_n / INDX_{n-1}$ at the end of each year during the Annual Performance Review exercise and true up the employee cost and A&G expenses on account of this variation, for the Control Period;

Note 2: Any variation due to changes recommended by the Pay Commission etc. will be considered separately by the Commission.

Note 3: Terminal Liabilities will be approved as per actual submitted by the Licensee or be established through actuarial studies.

Capital Cost

- 6.7 The capital cost of the project shall include the following:
- a) Expenditure incurred or projected to be incurred on original scope of work, including the interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation, during construction, on the loan – (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, up to the date of commercial operation of the project, as admitted by the Commission, after prudence check shall form the basis for determination of Tariff;
 - b) Capitalised initial spares subject to ceiling norm of 1.5% of the original project cost;
- 6.8 The capital cost admitted by the Commission after prudence check shall form the basis for determination of tariff,
- Provided that where the Commission has given 'in principle' acceptance to the estimates of project capital cost and financing plan, the same shall be the guiding factor for applying prudence check on the actual capital expenditure;
- Provided also that in case of the existing projects, the capital cost admitted by the Commission prior to 1st April 2016 and the additional capital expenditure projected to be incurred for respective year of the tariff period during FY 2016-17 to FY 2020-21 as may be admitted by the Commission, shall form the basis for determination of capital cost;
- 6.9 Capital cost to be allowed by the Commission for the purpose of determination of tariff will be based on the capital investment plan prepared by the Licensee and approved by the Commission, prior to the application for tariff filing;
- 6.10 The amount of any contribution made by consumers, distribution system users and government subsidy towards work for connection to the distribution system of the Licensee shall be deducted from the original cost of the project for the purpose of calculating the amount under debt and equity under these regulations.

Additional Capitalization

- 6.11 The capital expenditure incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:
- a) Deferred liabilities;

- b) Works deferred for execution;
- c) Liabilities to meet award of arbitration or for compliance of the order or decree of a court;
- d) On account of change of law;
- e) Procurement of initial capital spares in the original scope of work, subject to ceiling specified above;

Provided that the details of work included in the original scope of work along with estimates of expenditure, undischarged liabilities and works deferred for execution shall be submitted along with the application for determination of tariff after the date of commercial operation of the project;

6.12 The capital expenditure of the following nature actually incurred after the cut-off date may be admitted by the Commission subject to prudence check

- a) Deferred liabilities relating to works/services within the original scope of work;
- b) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and
- c) On account of change of law;
- d) Any additional works/services which have become necessary for efficient and successful operation of the project, but not included in the original project cost;

6.13 Impact of additional capitalisation in tariff revision within the approved project cost shall be considered by the Commission during the Annual Performance Review.

Note 1: Any expenditure admitted on account of committed liabilities within the original scope of work and the expenditure deferred on techno-economic grounds but falling within the original scope of work shall be serviced in the normative debt-equity ratio specified in this regulation.

Note 2: Any expenditure on replacement of old assets or renovation and modernization or life extension shall be considered on normative debt-equity ratio specified in this regulation after writing off the entire value of the original assets from the original capital cost of the asset replaced.

Note 3: Any expenditure admitted by the Commission for determination of tariff on account of new works not in the original scope of work shall be serviced in the normative debt-equity ratio specified in this regulation.

Renovation and Modernization

- 6.14 Any approved capital expenditure incurred on renovation and modernization of distribution assets (to be submitted as part of the capital investment plan) shall be considered to be financed at normative debt-equity ratio of 70:30. If the actual equity employed is less than 30% then the actual debt equity ratio shall be considered.

Debt Equity Ratio

- 6.15 Existing Projects - In case of capital expenditure projects having commercial operation date prior to 1st April 2016, the debt-equity ratio shall be as allowed by the Commission for determination of tariff for the period ending 31st March 2016;
- 6.16 New Projects – For capital expenditure projects declared under commercial operation on or after 1st April 2016:
- a) A normative debt-equity ratio of 70:30 shall be considered for the purpose of determination of Tariff;
 - b) In case the actual equity employed is in excess of 30%, the amount of equity for the purpose of tariff determination shall be limited to 30%, and the balance amount shall be considered as normative loan;
 - c) In case the actual equity employed is less than 30%, the actual debt-equity ratio shall be considered;
 - d) The premium, if any raised by the Licensee while issuing share capital and investment of internal accruals created out of free reserve, shall also be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal accruals are actually utilized for meeting capital expenditure.

Return on Equity

- 6.17 The rate of return on equity shall be 15.5% (post-tax) for the period of these Regulations;

Provided that in case of projects commissioned on or after 1st April, 2016 the rate of return shall be increased by 0.50%, if such projects are completed within the time line specified in the capital investment plan approved by the Commission;

- 6.18 Return on equity shall be allowed on equity employed in assets in use considering the following:
- a) Equity employed in accordance with clause 6.15-6.16 of these Regulations on assets (in use) commissioned as on the beginning of the year; and

- b) Average equity projected to be employed in accordance with clause 6.16 of these Regulations on assets (in use) commissioned during the year;
- 6.19 Return on equity invested in work in progress shall be allowed from the date of commercial operation of the assets;

Interest on Loan Capital

- 6.20 *The loans arrived at in the manner indicated in clause 6.15 and 6.16 shall be considered as gross normative loan for calculation of interest on loan.*
- 6.21 The *normative* loan outstanding as on 1st April 2016 shall be worked out as the gross loan by deducting the cumulative repayment as admitted by the Commission up to 31st March 2016 from the gross normative loan.
- 6.22 *The repayment for the year of the tariff period shall be deemed to be equal to the depreciation allowed for that year.*
- 6.23 *Notwithstanding any moratorium period availed by the licensee, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.*
- 6.24 *The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:*
- Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:*
- Provided further that if the licensee does not has actual loan, then the weighted average rate of interest of the licensee as a whole shall be considered:*
- Provided further, in case of new licensee commencing its operation after the date of effectiveness of these Regulations, and which doesn't has actual loan portfolio, the rate of interest shall be considered on normative basis and shall be equal to the Base rate of State Bank of India plus 200 basis points as on the date on which the distribution licensee is declared under commercial operation.*
- 6.25 *The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.*
- 6.26 *The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contribution, Grants or Deposit Works carried out by Distribution Licensee.*
- 6.27 *The changes to the loan terms and conditions shall be reflected from the date of such re-financing and benefit passed on to the consumers;*

6.28 *The interest paid on security deposit (cash) to the consumers shall be allowed as a part of the Interest on loan capital under these regulations.*

Interest on Working Capital

6.29 Working capital for the Wheeling Business of electricity for the Control Period shall consist of:

- a) One-twelfth of the amount of Operation and Maintenance expenses for wheeling business for such financial year; plus
- b) Maintenance spares at 1% of Opening GFA of wheeling business; plus
- c) Two months equivalent of the expected revenue from wheeling charges at the prevailing tariffs; minus
- d) Amount, if any, held as security deposits.

6.30 Working capital for the Retail Supply of Electricity for the Control Period shall consist of:

- a) One-twelfth of the amount of Operation and Maintenance expenses for retail supply business for such financial year; plus
- b) Maintenance spares at 1% of Opening GFA for retail supply business; plus
- c) Two months equivalent of the expected revenue from sale of electricity at the prevailing tariffs; minus
- d) Amount held as security deposits under clause (a) and clause (b) of subsection (1) of Section 47 of the Act from consumers and Distribution System Users net of any security held for wheeling business; minus
- e) One month equivalent of cost of power purchased, based on the annual power procurement plan.

6.31 Rate of interest on working capital shall be equal to the *base rate of SBI plus 350 bps* as applicable on the 1st April of the relevant financial year.

Depreciation

6.32 Depreciation shall be calculated every year, on the amount of original cost of the fixed assets as admitted by the Commission;

Provided that depreciation shall not be allowed on assets funded by consumer contribution and capital subsidies/grants. Provision for replacement of such assets shall be made in the capital investment plan;

- 6.33 Depreciation for each year shall be determined based on the methodology as specified in these Regulations along with the rates and other terms specified in Appendix 1 of these Regulations;
- 6.34 Depreciation shall be calculated annually, based on the straight line method, over the useful life of the asset. The base value for the purpose of depreciation shall be original cost of the asset;

Provided that the Distribution Licensee shall ensure that once the individual asset is depreciated to the extent of seventy (70) percent, remaining depreciable value as on 31st March of the year closing shall be spread over the balance useful life of the asset, as provided in these Regulations.

- 6.35 Depreciation shall be charged from the first year of operation of the asset. In case, the operation of the asset is for a part of the year, depreciation shall be charged on a pro-rata basis;
- 6.36 The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset. Land is not a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset;

Cost of Power Procurement

- 6.37 Quantum of Power Purchase: The Licensee shall forecast sales for each customer category and sub-categories, at different voltage levels, for all years of the MYT Control Period in its business plan filings for the Commission's review and approval. The Commission approved category-wise sales forecast shall be used along with distribution loss trajectory for estimating the Licensees' power procurement requirement for each year;
- 6.38 The Licensees shall be allowed to recover the net cost of power it procures from sources approved by the Commission, viz. Intra-state and Inter-state Trading Licensees, Bilateral Purchases, Bulk Suppliers, State generators, Independent Power Producers, central generating stations, non-conventional energy generators, generation business of the Licensee and others, assuming maximum normative rebate available from each source for payment of bills through letter of credit (LC) on presentation of bills for supply to consumers of the Retail Supply Business;

Provided that the Licensee shall propose the cost of power procurement taking into account the fuel adjustment formula specified for the generating stations and net revenues through bilateral exchanges and unscheduled interchange (UI) transactions;

Provided further that where the Licensee utilises a part of the approved power purchase or bulk supply allocated or contracted for the Retail Supply Business for its Trading Business, the Licensee shall provide an Allocation Statement clearly specifying the cost of power purchase that is attributable to such trading activity;

- 6.39 While approving the cost of power purchase, the Commission shall determine the quantum of power to be purchased from various sources in accordance with the principles of merit order schedule and despatch based on a ranking of all approved sources of supply in the order of their variable cost of power purchase. All power purchase costs will be considered legitimate unless it is established that the merit order principle has been violated or power has been purchased at unreasonable rates;
- 6.40 *The estimated revenue from the sale of surplus power, if any, shall be reduced from the gross power purchase cost for estimating the net power purchase cost in the ARR.*
- 6.41 The RPO obligation of the Licensee will be as per the **JSERC (Renewable Purchase Obligation and its compliance) Regulations, 2010** as amended from time to time;
- 6.42 Any variation in cost of power purchase at the approved distribution loss level, for reasons beyond the control of the Licensee, shall be allowed to be recovered by way of FPPPA as per the formula specified in clause 6.64 of these Regulations.

Distribution Losses

- 6.43 The trajectory for distribution losses for various Licensees has been specified in clause 5.23 of these Regulations;
- 6.44 The Licensee shall also propose voltage-wise losses for each year of the Control Period for the determination of voltage-wise cost of supply and determination of voltage-wise Wheeling Tariff.

Transmission, Load Despatch & Wheeling Charges

- 6.45 The Licensee shall be allowed to recover net transmission and load despatch charges payable to the Transmission Licensees (Central Transmission Utility, State Transmission Utility etc.) and System Operators (Regional Load Despatch Centre, State Load Despatch Centre etc.) for access to and use of the inter-state transmission system, intra-state transmission system and availing load despatch services assuming maximum normative rebate available from each source for payment of bills through letter of credit on presentation of bills in accordance with the tariffs approved from time to time by CERC and appropriate State Commissions, as the case may be;
- 6.46 The Licensee shall also be allowed to recover the Wheeling Charges, during the Control Period, in case the distribution network of other Licensee is used for procurement of power for the Retail Supply Business.

Corporate Income Tax

- 6.47 Tax on income, if any, on the Licensed business of the Licensee shall be limited to tax on the allowed return on equity and consumer's share in the incentive earned by the Licensee ;

- 6.48 The income tax actually payable or paid shall be included in the ARR. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.

Interest on Consumer Security Deposits

- 6.49 Interest paid on consumer security deposits shall be as specified by the Commission in 'Jharkhand Electricity Supply Code Regulations, 2005' as amended from time to time.

Non-Tariff Income

- 6.50 All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, meter rent (if any), income from investments other than contingency reserves, miscellaneous receipts from the consumers and income to Licensed business from the Other Business of the Licensee shall constitute non-tariff income of the Licensee;
- 6.51 The amount received by the Licensee on account of non-tariff income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of such Licensee.

Income from Other Business

- 6.52 Where the Licensee is engaged in any Other Business, the income from such business will be calculated as per the 'Regulations on Other Business', to be specified separately by the Commission. The revenue from Other Business shall be deducted from the ARR in calculating the revenue requirement of the Licensee;

Provided that the Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Distribution Business and the Other Business and shall submit the Allocation Statement as approved by the Board of Directors to the Commission along with his application for determination of tariff;

Provided further that where the sum total of the direct and indirect costs of such Other Business exceeds the revenues from such Other Business, no amount shall be allowed to be added to the ARR of the Licensee on account of such Other Business.

Lease charges

- 6.53 Lease charges for assets taken on lease by the Licensee shall be considered as per lease agreement, provided they are considered reasonable by the Commission;

Foreign Exchange Rate Variation

- 6.54 The Licensee shall hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired by the Licensee;
- 6.55 The Licensee shall recover the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt, in the relevant year on year-to-year basis as expense in the period in which it arises and extra rupee liability corresponding to such foreign exchange rate variation shall not be allowed against the hedged foreign debt;
- 6.56 The Licensee shall recover the cost of hedging and foreign exchange rate variation on year-to-year basis as income or expense in the period in which it arises.

Cross-Subsidy Surcharge on Wheeling Charges

- 6.57 The surcharge payable by consumers opting for open access on the network of the Licensee will be determined by the Commission as per the following formula:

$$S = T - [C / (1 - (L / 100)) + D]$$

Where,

S is the surcharge;

T is the Tariff payable by the relevant category of consumers;

C is the weighted average cost of power purchase of top 5% at margin excluding liquid fuel source and renewable energy sources;

L is the system losses of the Licensee for the applicable voltage level, as a percentage;

D is the wheeling charge;

Additional Surcharge on Charges of Wheeling

- 6.58 Additional Surcharge shall be determined on 'case to case' basis and shall be payable only if the Licensee is able to conclusively demonstrate the incidence of any stranded costs;
- 6.59 Cross-subsidy surcharge and additional surcharge shall be shown as revenue from tariff from the consumer categories which are permitted open access and such amount shall be utilized to meet the cross-subsidy requirements of subsidised categories and fixed costs of the Licensee arising out of his obligation to supply. The Licensee shall provide the details in its annual filings during the Transition Period and MYT filings during the Control Period.

Fuel Price and Power Purchase Adjustment (FPPPA)

- 6.60 The Licensee shall pass on adjustments, due to changes in the cost of power generation and power procured due to changes in fuel cost, through the Fuel Price and Power Purchase Adjustment (FPPPA) formula, as specified below;
- 6.61 The FPPPA charge shall be applicable on the entire sale of the Licensee without any exemption to any consumer;
- 6.62 The FPPPA charge shall be computed and charged on the basis of actual variation in fuel costs relating to power generated from own generation stations and power procured during any year subsequent to such costs being incurred, in accordance with these Regulations, and shall not be computed on the basis of estimated or expected variations in fuel costs;
- 6.63 The Licensee shall submit to the Commission, on *a quarterly* basis, a proposal for the FPPPA charge for the next *quarter* and revenue billed through FPPPA charge in previous *quarter* to all consumers for each month in the *quarter*, along with the detailed computations and supporting documents as may be required for verification by the Commission;

Provided that the Licensee shall obtain the approval of the Commission prior to levying the FPPPA charge;

Provided further that the FPPPA charge applicable to each tariff category of consumers shall be displayed prominently at the cash collection centres and on the internet website of the Licensee;

Provided that the Licensee shall put up on his internet website such details of the additional power purchase cost incurred and the FPPPA charged to all consumers for each month along with detailed computations;

- 6.64 The formula for the calculation of the FPPPA shall be as given under:

Option 1:

$$FPPPA \text{ (in Rs/kWh)} = C / E$$

Where,

C (in Millions) = {(Weighted Average Variable Cost of all sources of power purchase during previous quarter in Rs/kWh – Base Weighted Average Variable Cost of all sources of power purchase as approved under Tariff Order for the year under operation in Rs/kWh) x Corresponding Power Purchase from all sources during previous quarter in MU}

E (in MU) = Energy sold (metered plus estimated) during previous quarter

Option 2:

FPPPA (in Rs / kWh) = PC / PS

Where

PC = {(Actual average power purchase cost (Rs/kWh) for the quarter) - (Average power purchase cost (Rs/KWh) approved by the Commission for the relevant year)} X PP

PP = Total volume of power purchase during the quarter worked out based on total volume of powers sold to all the consumer categories grossed up by approved T&D loss.

PS = Estimated sales volume for the following quarter (MU).

Actual average power purchase cost (Rs./KWh) = (total cost of power purchased during the quarter from approved sources and UI as per Regulation 6.38, in Rs million) / (total volume of power purchased in the quarter from approved sources in MU) as per Regulation 6.38,

Provided that FPPPA charge shall not be exceed 10% of the variable component of tariff, or such other ceiling as may be stipulated by the Commission from time to time;

Provided that any excess in the FPPPA charge over the above ceiling shall be carried forward by the Licensee and shall be recovered over such future period as may be directed by the Commission;

- 6.65 The FPPPA charge shall be allowed only in respect of approved power purchases by the Licensee and in respect of power purchases made in accordance with Regulation 6.38, where the approval of the Commission is not required under these Regulations.
- 6.66 The total FPPPA recoverable, as per the formula specified above, shall be recovered from the actual sales in “Rupees per kilowatt-hour” terms.

CHAPTER IV:

PROCEDURE FOR FILING OF ARR AND TARIFF

A7: MULTI-YEAR TARIFF FILINGS FOR THE CONTROL PERIOD

- 7.1 The Licensees shall file an MYT application and related documents for approval of retail supply and wheeling tariff for the Control Period as per the timelines specified in Section 11 of these Regulations;
- 7.2 The MYT filing shall be in such form and in such manner as may be decided by the Commission and as per the provisions of Conduct of Business Regulations;
- 7.3 The Licensee shall also submit the MYT filing in electronic format to the Commission;
- 7.4 The Licensee shall file tariff petition for the Control Period in accordance with the MYT framework and the timelines specified in Section 11 of these Regulations failing which:
- a) The Commission shall issue the MYT order suo-motu;
 - b) The Commission shall disallow the return on equity to the Licensee ;
- 7.5 The Licensee shall make separate filings for the Retail Supply Business and the Wheeling Business;
- 7.6 The MYT filings shall be as per the formats given in Annexure 2 of these regulations and shall be made available by the Licensee in both English and Hindi;

Before the Start of the Control Period

- 7.7 The Licensee shall file for the Commission's approval, not later than **31st October** of the year preceding the start of the Control Period, a Business Plan and a Capital Investment Plan in accordance with clause 5.6 to 5.14 of these Regulations;

Annual Tariff Filings for the Control Period

- 7.8 The Licensee shall file an application for approval of retail supply tariff and wheeling tariff for each year of the Control Period, as per the timelines specified in Section 11 of these Regulations, before the commencement of the first year of the Control Period;
- 7.9 The Licensee shall propose capacity based wheeling tariff. The Licensee shall also specify the distribution losses voltage-wise to provide for adjustment of losses in the system;

7.10 The filings for wheeling tariff shall contain the following:

- a) The distribution system or network usage forecast for each year of the Control Period consistent with the business plan;
- b) Revenue Gap for various years of the control period and tariff proposal for meeting the revenue gap for each year;
- c) The Operation and Maintenance (O&M) costs estimated for the Base Year and two years prior to the Base Year with complete details, together with forecasts for each year of the Control Period in accordance with clause 6.3-6.6 of these Regulations ;
- d) Proposals for computation of tariffs for Wheeling of electricity for each of the years of the Control Period, including the losses and the procedure thereof;
- e) Proposals for Non-Tariff Income with item-wise description and details;
- f) Proposals in respect of income from Other Businesses like Consultancy Services, Convergence, Training Facilities, etc;
- g) The proposed Wheeling Tariff shall be voltage-wise;
- h) Expected Revenue from the proposed Wheeling Tariff including additional surcharge, etc.

7.11 The filings for retail supply tariff shall contain the following:

- a) Licensee shall submit proposal for retail sale of electricity for the consumers pertaining to Retail Supply Business, which shall include tariffs for each consumer category- slab-wise and voltage wise. The proposed tariff may also be based on energy charges, demand charges, minimum charges, etc along with the tariff rationalization measures;
- b) Revenue Gap for various years of the control period and tariff proposal for meeting the revenue gap for each year. This should be based on the cost of supply for various consumer categories and cross-subsidy reduction road map;
- c) The Operation and Maintenance (O&M) costs estimated for the Base Year and two years prior to the Base Year with complete details, together with forecasts for each year of the Control Period in accordance with clause 6.3-6.6 of these Regulations;
- d) Proposals for Non-Tariff Income with item-wise description and details;

- e) Each tariff proposal submitted by the Licensee shall be supported with a cost-of-service model allocating the costs of the Licensed business to each category of consumers based on voltage-wise costs and losses;
- f) The proposals of the Licensee should demonstrate that the tariffs are progressively reflecting the cost of supply;
- g) Expected revenue from the proposed retail supply tariff, and other matters considered appropriate by the Licensee, including incentive schemes to consumers, cross subsidy surcharge, etc;
- h) The applicable annual FPPPA charge calculated as per the formula mentioned in clause 6.64 of these Regulations.

A8: DISPOSAL OF APPLICATION

- 8.1 The Commission shall process the filings made by the Licensee in accordance with these Regulations and the Conduct of Business Regulations;
- 8.2 Based on the Licensees' filings, objections/ suggestions from public and other stakeholders, the Commission may accept the application with such modifications and/or such conditions as may be deemed just and appropriate and issue, within 120 days of the receipt of the application and after considering all suggestions and objections from public and other stakeholders, an order containing, inter alia, Trued up revenue and cost components for the year proceeding the base year, estimation of parameters for the Base Year and determination of ARR and tariff for retail supply and wheeling business for each year of the Control Period. The Order shall also contain the approved business plan, targets for controllable items and performance targets for quality of supply for the Control Period.

A9: PERIODIC REVIEWS

Review during the Control Period

- 9.1 To ensure smooth implementation of the Multi Year Tariff (MYT) Framework, the Commission may undertake periodic reviews of Licensees' performance during the Control Period, to address any practical issues, concerns or unexpected outcomes that may arise;
- 9.2 The Licensee shall submit the Annual Performance Review report as part of annual review on actual performance as per the timelines specified in the Section 11 of these Regulations to assess the performance vis-à-vis the targets approved by the Commission at the beginning of the Control Period. This shall include annual statements of its performance and accounts including latest available audited/actual accounts and the tariff worked out in accordance with these Regulations;
- 9.3 The Licensee shall also submit the revised Aggregate Revenue Requirement and corresponding tariff adjustments as per the timelines specified in the Section 11 of these Regulations. The revised estimates shall be required to true-up the costs on account of uncontrollable variations, profit sharing mechanism for exceeding the targets, and implementation of performance framework for quality of supply targets;
- 9.4 The Commission may also specify any modifications to the forecast of the Licensee for the remainder of the Control Period, with detailed reasons for the same.

Review at the end of the Control Period

- 9.5 Towards the end of the Control Period, the Commission shall seek to review whether the implementation of the principles laid down in these Regulations has achieved their intended objectives. While doing this, the Commission shall take into account, among other things, the industry structure, sector requirements, consumer and other stakeholder expectations and Licensee's requirements at that point in time. Depending on the requirements of the sector to meet the objects of the Act, the Commission may revise the principles for the next Control Period;
- 9.6 The end of the Control Period shall be the beginning of the next Control Period and the Licensee shall follow the same procedure unless specified otherwise by the Commission.
- 9.7 The Commission shall analyse the performance of the Licensee with respect to the targets set out at the beginning of the Control Period and based on the actual performance, expected efficiency improvements and other factors prevalent, determine the initial values for the next Control Period.

A10: TRUING UP

- 10.1 These Regulations do not provide for any truing up for controllable items during the Control Period. Depreciation and return on equity shall be trued up only at the end of the Control Period. Truing up of other controllable items would be done only on account of *Force Majeure* events;
- 10.2 Variations on account of uncontrollable items like energy sales and power purchase cost shall be trued up with the Annual Performance Review. Truing-up shall be carried out for each year based on the actual/audited information and subject to the prudence check by the Commission;
- 10.3 Provided that if such variations are large, and it is not feasible to recover in one year alone, the Commission may take a view to create a regulatory asset, as per the guidelines provided in clause 8.2.2 of the National Tariff Policy;

Provided further that any adverse financial impact for variation in uncontrollable items due to lapse on part of the Licensee or its suppliers/contractors shall not be allowed in truing up;

The Commission, to ensure tariff stability, may include the trued-up costs in the subsequent Control Period's ARR instead of including in the year succeeding the relevant year of the Control Period.

A11: SUMMARY OF TIMELINES

S. No.	Description	Filing of the Document by	Obtaining additional information and acceptance by the Commission	Approval of the Document
1.	Business Plan for the Control Period	31 st October 2015	Within 30 days of filing of document	Within 45 days of acceptance of the filing
2.	Filing of MYT Petition for the Control Period FY 2016-17 to FY 2020-21.	30 th November 2015	Within 30 days of filing of document	Within 120 days of acceptance of the filing
3.	Annual Performance Review	30 th November of each year of the Control Period	Within 30 days of filing of document	Within 120 days of acceptance of the filing

A12: MISCELLANEOUS

Issue of Orders and Practice Directions

- 12.1 Subject to the provision of the Act and these Regulations, the Commission may, from time to time, issue Orders and Practice directions in regard to the implementation of these Regulations and procedure to be followed on various matters, which the Commission has been empowered by these Regulations to direct, and matters incidental or ancillary thereto.
- 12.2 Notwithstanding anything contained in these Regulations, the Commission shall have the authority, either *suo motu* or on a petition filed by any interested or affected party, to determine the tariff of any Licensee.

Powers to Remove Difficulties

- 12.3 If any difficulty arises in giving effect to any of the provisions of these Regulations, the Commission may, by a general or special order, not being inconsistent with the provisions of these Regulations or the Act, do or undertake to do things or direct the Licensee to do or undertake such things which appear to be necessary or expedient for the purpose of removing the difficulties.

Power of Relaxation

- 12.4 The Commission may in public interest and for reasons to be recorded in writing, relax any of the provision of these Regulations.

Interpretation

- 12.5 If a question arises relating to the interpretation of any provision of these Regulations, the decision of the Commission shall be final.

Repeal and Savings

- 12.6 The Regulations namely “JSERC (Terms and Conditions for Distribution Tariff) Regulations, 2004” read with all amendments thereto, “JSERC (Terms and Conditions of tariff determination, Multi-Year Tariff Framework) Regulation, 2007” read with all amendments thereto and “*JSERC (Terms and Conditions for Determination of Distribution Tariff) Regulation, 2010*” read with all amendments thereto, as applicable to the subject matter of these Regulations are hereby superseded.
- 12.7 Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent powers of the Commission to make such orders as may be necessary for ends of justice to meet or to prevent abuses of the process of the Commission.

- 12.8 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.
- 12.9 Nothing in these Regulations shall, expressly or impliedly, bar the Commission dealing with any matter or exercising any power under the Act for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner it thinks fit.

Enquiry and Investigation

- 12.10 All enquiries, investigations and adjudications under these Regulations shall be done by the Commission through the proceedings in accordance with the provisions of the Conduct of Business Regulations.

Power to Amend

- 12.11 The Commission, for reasons to be recorded in writing, may at any time vary, alter or modify any of the provision of these Regulations by amendment.

Appendix 1: Depreciation Schedule

Asset description	Rate of depreciation (straight line) – in %
A. Land owned under full title	
B. Land held under lease	
a) for investment in the land	
b) for cost of clearing site	
C. Assets Purchased New:	
a. Building & civil engineering works of permanent character	
i) Offices & showrooms	3.02
ii) Temporary erection such as wooden structures	33.40
iii) Roads other than kutcha roads	3.02
iv) Others	3.02
b. Transformers, transformer (Kiosk) sub-station equipment & other fixed apparatus (including plant foundations)	
i) Transformers (including foundations) having a rating of 100 kilo volt amperes and over	7.81
ii) Others	7.84
c. Switchgear including cable connections	7.84
d. Lightning arrestors:	
i) Station type	7.84
ii) Pole type	12.77
iii) Synchronous condenser	5.27
e. Batteries	33.40
f.	
i) Underground Cable including joint boxes and disconnected boxes	5.27
ii) Cable duct system	3.02
g. Overhead lines including supports:	
i) Lines on fabricated steel operating at nominal voltages higher than 66 KV.	5.27
ii) Lines on steel supports operating at nominal voltages higher than 13.2 kilovolts but not exceeding 66 kilovolts	7.84
iii) Lines on steel or reinforced concrete supports	7.84
iv) Lines on treated wood supports	7.84
h. Meters	12.77

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i. Self-propelled vehicles	33.40
j. Air conditioning plants:	
i) Static	12.77
ii) Portable	33.40
k.	
i) Office furniture and fittings	12.77
ii) Office equipments	12.77
iii) Internal wiring including fittings and apparatus	12.77
iv) Street light fittings	12.77
l. Apparatus let on hire	
i) Other than motors	33.40
ii) Motors	12.77
m. Communication equipment:	
i) Radio and high frequency carrier system	12.77
ii) Telephone lines and telephones	12.77
n. Assets purchased second hand and assets not otherwise provided for in the Schedule	Such reasonable period as the JSERC determines in each case having regard to the nature, age and condition of the assets at the time of its acquisition by the owner.

By order of the Commission,
A.K.Mehta,
Secretary.
Jharkhand State Electricity Regulatory Commission