Uttar Pradesh Electricity Regulatory Commission

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Ref: UPERC/D(T&S)JD(T)/156-063 **Dated: April 21 , 2025**

PUBLIC NOTICE

The Commission has framed draft UPERC (Multi-Year Tariff for Transmission) Regulations, 2025 along with its conspectus, which is available on the Commission's website www.uperc.org. The Commission hereby invites written suggestions and/or objection from all stakeholder/public on draft UPERC (Multi-Year Tariff for Transmission) Regulations, 2025, which may be sent to the Secretary, Uttar Pradesh Electricity Regulatory Commission formally by post or through e-mail at secretary@uperc.org on or before 14.05.2025.

The Commission shall hold "Public Hearing" on 16.05.2025 at 11:00 Hrs in the office of the Commission. All the suggestions and/or objections received on or before 14.05.2025 shall be considered by the Commission.

Secretary

UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION
(MULTI YEAR TARIFF FOR TRANSMISSION) REGULATIONS, 2025

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UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION
(MULTI YEAR TARIFF FOR TRANSMISSION) REGULATIONS, 2025

Draft Regulation No.: UPERC/D(T)/JD(Transmission)/156-

Lucknow, Dated: 21.04.2025

In exercise of the powers conferred Section 181 read with the Section 36, Section 39, Section 40, Section 41, Section 61, Section 62, Section 64, Section 65, Section 86 of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in that behalf, the Uttar Pradesh Electricity Regulatory Commission hereby makes the following Regulations. These Regulations shall supersede the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 for determination of Transmission Tariff and all aspects given thereto related to Transmission.

1. Short title, Extent, Applicability and Commencement

(1) These Regulations may be called the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Transmission) Regulations, 2025.

(2) These Regulations shall extend to the whole of the State of Uttar Pradesh.

(3) These Regulations shall be applicable to State Transmission Utility (STU) & Transmission Licensees whose Tariff is to be determined under Section 62 of the Act for determination of Aggregate Revenue Requirement (ARR), Annual Performance Review (APR), Tariff, True-Up and related matters covered under these Regulations:

Provided that clause 8 and clause 9 of these Regulations shall also be applicable on Transmission Licensees, whose tariff is adopted by the Commission under Section 63 of the Act in absence of co-terminus provisions in the TSA/ connection/implementation agreement executed between the parties.

(4) These Regulations shall come into force from April 01,2025 and unless reviewed earlier or extended by the Commission, shall remain in force for a period of five years:

Provided that for all purposes, the issues relating to the determination of ARR, APR, Tariff, True-Up and related matters, including review matters, for respective Financial Years shall be governed by the respective Tariff Regulations applicable for that specific year.

2. Definitions

(1) In these Regulations, unless the context otherwise requires:

(a) **"Accounting Statement"** means for each financial year the following statements, namely: -

i. Audited Balance sheet, prepared in accordance with the form contained in Part I of Schedule 3 to the Companies Act 2013, as amended from time to time;

ii. Audited Profit and loss accounts, complying with the requirements contained in Part II of Schedule 3 to the Companies Act 2013, as amended from time to time;

iii. Audited Cash flow statement, prepared in accordance with the Accounting Standard on cash flow Statement (IND AS-3) of the Institute of Chartered Accountants of India, as amended from time to time.;

iv. Report of statutory auditors of the Licensee;

v. Cost records if any, prescribed by the Central Government under Section 148 of the Companies Act 2013, as amended from time to time;

vi. Together with notes thereto, and such other supporting statements and information as the Commission may direct from time to time;

vii. Trial Balance for the year matching the accounts with Financial Statements.

(b) "**Act"** means the Electricity Act, 2003 (36 of 2003), as amended from time to time;

(c) **'Additional Capitalization'** means the capital expenditure incurred or projected to be incurred, after the date of commercial operation of the project, admitted by the Commission after prudence check, subject to the provisions of these Regulations;

(d) **"Aggregate Revenue Requirement" or "ARR"** means the costs pertaining to the licensed business which are permitted, in accordance with these Regulations, to be recovered from the Tariffs determined by the Commission;

(e) **“Allocation Statement”** means for each Financial Year, statements in respect of each of the businesses of the Transmission Licensee for optimum utilization of its assets, 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.

(f) **“Availability”** in relation to a Transmission System for a given period means the time in hours during that period for which the Transmission System is capable of transmitting electricity at its rated voltage, expressed in percentage of total hours in the given period, and shall be computed as provided in **Annexure-C** of these Regulations;

(g) “**Base Year**” means the Financial Year immediately preceding first year of the Control Period and used for the purpose of these Regulations i.e FY 2024-25;

(h) “**Bank Rate**” shall mean the Bank Rate as declared by the Reserve Bank of India from time to time;

(i) “**Bulk Power Transmission Agreement**” means executed agreement that contains the terms and conditions under which a Transmission System User is entitled to access to an Intra-State Transmission System of a Transmission Licensee;

(j) **“Competitive Bidding”** means a transparent process for procurement of equipment, services and works in which bids are invited by the project developer by open advertisement covering the scope and specifications of the equipment, services and works required for the project, and the terms and conditions of the proposed contract as well as the criteria by which bids shall be evaluated, and shall include domestic competitive bidding and international competitive bidding;

(k) "**Change in Law**" means occurrence of any of the following events:

i. enactment, bringing into effect or promulgation of any new Indian law; or

ii. adoption, amendment, modification, repeal or re-enactment of any existing Indian law; or

iii. judicial pronouncements, Orders of Central Government and/ or State Government; or

iv. change in interpretation or application of any Indian law by a competent court, Tribunal or Indian Governmental Instrumentality, which is the final authority under law for such interpretation or application; or

v. change in condition or covenant by any competent statutory authority in relation to any consent or clearances or approval or License available or obtained for the Project; or

vi. coming into force or change in any bilateral or multilateral agreement or treaty between the Government of India and any other Sovereign Government having implications for the Transmission System regulated under these Regulations;

vii. Any change in taxes or duties, or introduction of any taxes or duties levied by the Central or any State Government, unless specified otherwise in this Regulation.

(l) “**Commission**” means the Uttar Pradesh Electricity Regulatory Commission (UPERC);

(m) “**Conduct of Business Regulations**” means the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2019 and its subsequent amendments / addendum / re-enactment subsequent to its repeal;

(n) “**Control Period**” means the period comprising of five financial years from April 1, 2025 to March 31, 2030, and unless extended by the Commission;

(o) **“Connection Agreement”** means the agreement defined in UPERC (Grant of Connectivity to Intra-State System) Regulation, 2010 as amended from time to time;

(p) **“Cut-off Date”** shall mean the last day of the financial year closing after Twelve months from the date of commercial operation of the project;

(q) **“Date of Commercial Operation” (COD)** shall mean the date declared by the Transmission Licensee from 00:00 hour of which element of the Transmission System is in regular service after successful charging and trial operation for transmitting electricity and communication signal from sending end to receiving end:

Provided that where the transmission line or substation is dedicated for evacuation of power from a particular generating station, the Generating Company and Transmission Licensee shall endeavour to commission the generating station and the Transmission System simultaneously as far as practicable and shall ensure the same through appropriate Implementation Agreement:

Provided further that in case a Transmission System or an element thereof is prevented from regular service for reasons not attributable to the Transmission Licensee or its supplier or its contractors but is on account of the delay in commissioning of the concerned generating station or in commissioning of the upstream or downstream, the Transmission Licensee shall approach the Commission through an appropriate application for approval of the date of commercial operation of such Transmission System or an element thereof:

Provided also that in case of an existing Transmission Licensee, such request may be included as part of its Aggregate Revenue Requirement Petition or Annual Performance Review Petition or True-Up Petition to be filed under these Regulations;

(r) **"Distribution Licensee"** means a person who has been granted a License under sub-section (b) of Section 14 of the Act and shall include a deemed Licensee;

(s) **“Force Majeure”** for the purpose of these Regulations means the event or circumstance or combination of events or circumstances including but not limited to those stated below that wholly or partly prevents or unavoidably delays the Transmission Licensee from completing the project within the time specified in the Capital Investment Approval/ contract agreement, and only if such events or circumstances are not within the control of the Transmission Licensee and could not have been avoided, had the Transmission Licensee taken reasonable care or complied with prudent utility practices:

i. Act of God including but not limited to lightning, drought, fire and explosion, earthquake, volcanic eruption, landslide, flood, cyclone, typhoon, tornado, geological surprises; or

ii. Any act of war, invasion, armed cxonflict or act of a foreign enemy, blockade, embargo, revolution, riot, insurrection, terrorist or military action; or

iii. Industry wide strikes and labour disturbances having a nationwide impact in India;

iv. Delay in obtaining statutory approvals for the projects where the delay is not attributable to Licensee;

v. Delay in land acquisition for the projects where the delay is not attributable to Licensee;

(t) **"Implementation Agreement"** means any multi-party agreement or covenant entered among the Generating Company and/ or the Transmission Licensee(s) of the interconnected/associated transmission system for the execution of generation and transmission projects in a coordinated manner, laying down the project implementation schedule and mechanism for monitoring the progress of the projects;

(u) **"Indian Government Instrumentality"** means any ministry department, board, authority, agency, corporation and commission under direct or indirect control of the Government of India or the State Government(s) or both or Appropriate Commission (s) or tribunal or judicial or quasi-judicial body;

(v) **"License"** means a license granted under Section 14 of the Act;

(w) **"Licensed Business"** means the functions and activities for which the Licensee is required to undertake in terms of the license granted by the Commission or on account of being a deemed Licensee under the Act;

(x) **"Long-term Transmission customer"** means a person as defined in UPERC (Terms & Conditions of Open Access) Regulation, 2019 as amended from time to time;

(y) **"Medium-term Transmission customer"** means a person as defined in UPERC (Terms & Conditions of Open Access) Regulation, 2019 as amended from time to time;

(z) **"Other Business"** means any business of the Licensee for optimum utilization of its assets within the meaning of Section 51 of the Act;

(aa) **"Open Access Customer"** means a consumer as defined in UPERC (Terms & Conditions of Open Access) Regulation, 2019 as amended from time to time;

(bb) **"Project"** means all components and elements of the Transmission system including communication system;

(cc) **"Rated voltage"** means the manufacturer's design voltage at which the Transmission System is designed to operate and includes such lower voltage at which Transmission line is charged or for the time being charged, in consultation with long- term Transmission customers;

(dd) **"Short term Transmission Customer"** means a person as defined in UPERC (Terms & Conditions of Open Access) Regulation, 2019 as amended from time to time;

(ee) **"Transmission Service Agreement (TSA)"** means the Agreement, Contract, Memorandum of Understanding, or any such covenant, entered into between the Transmission Licensees and the long-term Transmission customer for the operational phase of the Transmission system;

(ff) **"Transmission System"** means a line or a group of lines together with or without associated Sub- Stations, and includes equipment associated with Transmission lines and Sub- Stations;

(gg) **"Transmission System Users (TSU's)"** for the purpose of these Regulations means the Distribution Licensees and Open Access Customers using Intra State Transmission System;

(hh) **"Transmission Capacity Rights (TCR)"** means the right of a Transmission System User to transfer power in MW, under normal circumstances, between such points of injection and drawal;

(ii) **"Transmission Licensee"** means a person who has been granted a License under sub-section (a) of Section 14 of the Act;

(jj) **"Total Transmission System Cost (TTSC)"** means as provided under clause 29(1) of these Regulations;

(kk) **"Year"** means the financial year ending on 31st March;

i. "Current Year" means the year in which the statement of annual accounts or application for determination of Tariff is filed;

ii. "Ensuing Year" means the year next following the current year;

iii. "Previous Year" means the year immediately preceding the current year.

(2) The words and expressions used in these Regulations and not defined herein, but defined in the Act, shall bear the same meaning as in the Electricity Act, 2003 or any other Regulations of the Commission, as amended from time to time. Expressions used herein but not specifically defined in these Regulations or in the Electricity Act, 2003 but defined under any law passed by a competent legislature and applicable to the electricity industry in the State shall have the meaning assigned to them in such law. Expressions used herein but not specifically defined in these Regulations or in the Acts or any law passed by a competent legislature shall have the meaning as is generally assigned in the electricity industry.

(3) The words "Application" or "Petition" shall be interpreted synonymously.

(4) In the interpretation of these Regulations, unless the context otherwise requires:

(a) words in the singular or plural term, as the case may be, shall also be deemed to include the plural or the singular term, respectively;

(b) references herein to the "Regulations" shall be construed as a reference to these Regulations as amended or modified by the Commission from time to time in accordance with the applicable laws in force;

(c) the headings are inserted for convenience and may not be taken into account for the purpose of interpretation of these Regulations;

(d) references to the Statutes, Regulations or Guidelines shall be construed as including all statutory provisions consolidating, amending or replacing such Statutes, Regulations or Guidelines, as the case may be;

(e) in case of dispute in interpretation between English and Hindi version of these Regulations, the English version shall prevail.

CHAPTER 1

TARIFF PETITION AND PROCEDURE FOR DETERMINATION OF TARIFF

3. General Principles

(1) The Commission shall determine the Intra-State Transmission Tariff every year during five-year control period under a Multi-Year Tariff framework based upon the principles specified in these Regulations.

(2) The Transmission Licensee shall file an Annual Petition complete in all respect every year during control period for True-up of ARR for previous year, APR of current year and ARR / Tariff of ensuing year in such form and in such manner as specified in these Regulations along with relevant formats, duly supported with detailed computations, by 30th November of each year:

Provided that True-up of ARR of Transmission Licensee for those years falling under past control period shall be filed by Transmission Licensee in such form and in such manner as specified in UPERC (Multi- Year Tariff for Distribution & Transmission Tariff) Regulations, 2019.

(3) STU shall file the annual Petition for True-up of TTSC (Total Transmission System Cost) for previous year, APR of current year and TTSC of ensuing year for determination of Intra State Transmission Tariff in such form and in such manner as specified in these Regulations along with relevant formats, duly supported with detailed computations, by 30th November of each year:

Provided that Uttar Pradesh Power Transmission Corporation Ltd. in the capacity of State Transmission Utility shall file a single Petition for compliance of clause 2 and clause 3 of these Regulations till functions of STU are assigned to a separate entity.

(4) The Transmission Licensee shall file the True-Up/ APR/ ARR Petition, in accordance with the guidelines and formats as may be prescribed by the Commission, electronically on e-filing portal of the Commission, after due authorization by the Board of Directors or by any Committee/person authorised by the Board in this regard, digitally signed by the authorized representative:

Provided that the Capital Investments of Transmission Licensee without prior approval of the Commission shall not be included in the ARR Petition.

(5) Hard copies of the Petition shall also be filed as provided for in the UPERC (Conduct of Business) Regulations, 2019, as amended from time to time, accompanied with applicable fees as per the UPERC (Fee and Fines) Regulations, 2010 as amended from time to time:

Provided that the fees for filing Petition under these Regulations by STU shall be exempted till functions of STU are assigned to a separate entity.

(6) The Petitioner shall furnish to the Commission all such books and records (or certified true copies thereof), including the audited/ provisional Accounting Statements, operational, cost and Performance related data as may be required by it. The Petition filed by the Transmission Licensee/ STU, as the case may be, shall comprise and be accompanied by the requisite information, which shall include but not limited to the following information:

(i) <u>ARR/Tariff Filling</u>

(a) The Transmission System or network usage forecast for the year, Projected Transmission Capacity, Circuit line length, Number of Sub-Stations, Capital Investment Plan, Financing Plan and Physical targets, Equity, Grants, etc.

(b) Projected list of Schemes as approved under STU Transmission Plan that will be Capitalised during the year by the Transmission Licensee;

(c) Proposal(s) for transmission charges including the transmission losses for the year supported by adequate justification;

(d) Proposal for reactive energy charges;

(e) Expected Revenue from the Licensed Business, Non-Tariff Income and income from Other Business and other matters considered appropriate by the Transmission Licensee.

(ii) <u>Annual Performance Review</u>

(a) The Actual (as on date of filing of Petition) vs Projected Transmission Capacity, Circuit line length, Number of Sub-Stations, Capital

Investment Plan, Financing Plan and Physical targets, Equity, Grants, etc.

(b) Details of Capital expenditure and additional capital expenditure incurred during the period under review along with supporting documents.

(c) Provisional Statement of Accounts and trial balance for six months for the current financial year.

(iii) <u>True Up</u>

(a) Actual vs Projected Transmission Capacity, Circuit line length, Number of Sub-Stations, Capital Investment, Financing Plan and Physical targets, Equity, Grants, etc.

(b) Details of scheme wise capitalisation *viz á viz* with approval obtained from the Commission;

(c) Year wise asset register indicating capitalisation and depreciation;

(d) Statement of source of financing including equity infusion;

(e) Loan utilisation certificate for all the loans availed by the Transmission Licensee during the relevant year duly reconciled with Statutory books of accounts including;

  i. Capital Expenditure

  ii. Capital work in Progress

  iii. Working Capital

(f) Gain/loss sharing with respect to controllable parameters;

(g) Audited Statement of Accounts and trial balance;

Any other detail in as specified in these Regulations or as required by the Commission from time to time.

Provided that if the true-up petition is not submitted within timelines as stipulated in these Regulations, no carrying cost for the period of delay shall be allowed for the gap arrived for the true-up year. However, in case of surplus, the same with carrying cost shall be recovered:

Provided also that the Transmission Licensee shall submit a yearly statement on the status of compliance to Directives, issued by the Commission in the previous Tariff Order, along with the Petition.

(7) The Commission shall conduct a Technical Validation before admission of the Petition. On completion of the required proceedings and submissions made to the satisfaction of the Commission, the Commission will admit the Petition and shall issue an Admittance Order.

(8) The Petitioner shall within three working days of the issuance of the Admittance Order, publish a Public Notice in at least two English and two Hindi daily newspapers having wide circulation in its license area, outlining the True-Up/APR/ARR, proposed Tariff and such other matters as may be directed by the Commission, and inviting suggestions and objections from the stakeholders and public at large:

Provided that the Petitioner shall also provide on its website the Petition filed before the Commission along with all regulatory filings, detailed computations, particulars and documents, in text-searchable format or in downloadable spreadsheet format in the manner stipulated by the Commission:

Provided also that the web link to the information mentioned in the first proviso to this Regulation shall be easily accessible, archived for downloading and be prominently displayed on the Petitioner's website:

Provided further that the Petitioner may be exempted by the Commission from providing any such information, particulars or documents considered confidential in nature.

(9) The Commission shall, within one hundred and twenty days from admittance, after considering all suggestions and objections received from the stakeholders and public at large and in accordance with the provisions contained in these Regulations:

(a) Issue an Order for True-Up/APR/ARR & Tariff accepting the Petition with such modifications or such conditions as may be specified in that Order; or

(b) Reject the Petition for reasons to be recorded in writing if such Petition is not in accordance with the provisions of the Act and the Rules and Regulations made there under or any other provisions of law, after giving the Petitioner a reasonable opportunity of being heard.

(10) The State Transmission Utility shall publish the Intra State Transmission Tariff within three working days approved by the Commission in at least two English and two Hindi daily newspapers having wide circulation in its license area of supply and shall upload the approved Tariff on its internet website both in English and Hindi.

(11) The Tariff so published shall be in force from the date stipulated in the Order and shall, unless amended or revised, continue to be in force for such period as may be stipulated therein.

(12) The Commission shall carry out Truing-Up exercise stipulated in the provisions of these Regulations. True-Up of Expenses and Revenue shall be on the basis of approved and actual expenses, revenue, etc., based on the prudence check of Accounting Statements of the Transmission Licensee for the Financial Year.

4. Method for Determination of Tariff for augmentation/strengthening works executed by TBCB developer

(1) Implementation of augmentation/strengthening works at the intra-State transmission sub-station and /or line being part of the STU Transmission Plan shall be carried out by the respective TBCB developer/Transmission Licensee in whose premises work is to be carried out:

Provided that the cost of the works, as approved by the Commission, shall be transferred by the UPPTCL to the respective TBCB developer which shall be passed on in the ARR of UPPTCL in accordance with these Regulations:

Provided further that Regulation 7.2 of UPERC (Modalities of Tariff) Regulations, 2023 shall stand superseded.

(2) The UPPTCL shall take prior approval of these schemes/works and the Commission may approve the scheme along with such terms and conditions as considered appropriate.

(3) The Operation and Maintenance of such works shall be carried out by the respective developer for which Normative Repair & Maintenance expenses shall be transferred by the UPPTCL to the respective developer/Transmission Licensee in whose premises work is to be carried out, as per tariff order issued by the Commission for the respective year.

(4) UPPTCL shall submit a procedure for finalisation of cost of works, bid process to be conducted by TBCB developer and its finalisation, transfer of funds for carrying out the works, funds for operation & maintenance requirements etc. within three months of the notification of these Regulations for approval of the Commission.

5. Controllable and Uncontrollable Factors

(1) The "Uncontrollable Factors" shall comprise the following factors, which were beyond the control of, and could not be mitigated by the Transmission Licensee, as determined by the Commission:

(a) Force Majeure events;

(b) Change in Law;

(c) Variations in interest rates for Long term loan subject to prudence check;

(d) Any other expenses allowed by the Commission.

(2) The "Controllable Factors" shall include, but shall not be limited to the following:

(a) Variations in Capital Expenditure on account of time and/ or cost overruns/ efficiencies in the implementation of capital expenditure project not attributable to an approved change in scope of such project or change in statutory levies or force majeure events, and due to delay in execution of the project on account of contractor, supplier or agency of the Transmission Licensee;

(b) Provision for Write-off of Bad and Doubtful debts;

(c) Variation in performance parameters and standards specified;

(d) Variation in interest on working capital;

(e) Variation in Intra-State Transmission losses;

(f) Variation in expenses under any component(s) of Operation & Maintenance expenses;

(g) Variation in availability of transmission system.

6. Treatment of Gains or Losses on account of Uncontrollable Factors

(1) The approved gain or loss to the Transmission Licensee on account of Uncontrollable Factors shall be adjusted in the ARR or Tariff of the Transmission Licensee, as stipulated in these Regulations and as may be

determined in the Order of the Commission passed under these Regulations.

(2) The Transmission Licensee shall submit such details of the variation on account of Uncontrollable factors along with the detailed computations and supporting documents as may be required for verification by the Commission.

7. Treatment of Gains or Losses on account of Controllable Factors

(1) The financial gain or loss shall be computed with respect to each component of Operation & Maintenance expenses.

(2) The approved gain to the Transmission Licensee, as per clause 7 (1), shall be dealt with in the following manner:

(a) Two-third of the amount of such gain shall be passed on in Tariff/ARR over such period as may be stipulated in the Order of the Commission;

(b) The balance amount of such gain shall be utilised at the discretion of the Transmission Licensee.

(3) The approved aggregate loss to the Transmission Licensee, as per clause 7 (1), shall be dealt with in the following manner:

(a) One-third of the amount of such loss shall be passed on in Tariff/ARR over such period as may be stipulated in the Order of the Commission;

(b) The balance amount of such loss shall be absorbed by the Transmission Licensee.

CHAPTER 2

DELAY IN COMMERCIAL OPERATION

8. Procedure for Delay in Commercial Operation

(1) The Transmission Licensee(s) and/ or the Generating Company shall necessarily enter into an "implementation agreement" for the execution of transmission projects including interconnection facilities in a timely and coordinated manner to avoid any mismatch of commercial operation date.

(2) The date of commercial operation of a transmission system or element thereof and associated communication system shall be in accordance with the provisions of the Grid Code.

(3) In case the transmission system or element thereof executed by a Transmission Licensee is ready for commercial operation but the interconnected generating station or the transmission system of other Transmission Licensee, as per the agreed scheduled date of commissioning, is not ready for commercial operation, the Transmission Licensee may file a petition before the Commission for approval of the date of commercial operation of such transmission system or element thereof or proceed in terms of TSA approved by the Commission:

Provided that the Transmission Licensee seeking the approval of the date of commercial operation under this clause shall give prior notice of at least one month, to the Generating Company and/ or the other Transmission Licensee and the long-term customers of its transmission system, as the case may be, regarding the date of commercial operation:

Provided further that the Transmission Licensee seeking the approval of the date of commercial operation of the transmission system under this clause shall be required to submit the following documents along with the petition:

(a) Clearance for Energisation issued by the Electrical Inspector;

(b) Trial operation certificate issued by the SLDC for charging element with or without electrical load;

(c) Implementation Agreement, Connection agreement, executed by the parties;

(d) Notice issued by the Transmission Licensee as per the first proviso under this clause and the response;

(e) Certificate of the Competent Authority of the company regarding the completion of the transmission system including associated communication system in all respects;

(f) The Commission shall, on consideration of the submissions of the Transmission Licensee as aforesaid, shall pass such orders or give such directions as may be necessary.

9. Commercial Settlement in case of Mismatch in Date of Commercial Operation

(1) In case of mismatch of the date of commercial operation of the generating station and the transmission system, the liability for the transmission charges shall be determined as under:

(a) Where the generating station has not achieved the commercial operation as on the date of commercial operation of the associated transmission system (which is not before the SCOD of the generating station), the Generating Company shall be liable to pay the transmission charges of the associated transmission system as approved by the Commission to the Transmission Licensee till the generating station or unit thereof achieves commercial operation;

(b) Where the associated transmission system has not achieved the commercial operation as on the date of commercial operation of the concerned generating station or unit thereof (which is not before the SCOD of the transmission system), the Transmission Licensee shall make alternate arrangement for the evacuation from the generating station at its own cost, failing which, the Transmission Licensee shall be liable to pay the transmission charges to the Generating Company as approved by the Commission till the transmission system achieves the commercial operation.

(2) In case of mismatch of the date of commercial operation of the transmission system and the transmission system of other Transmission Licensee, the liability for the transmission charges shall be determined as under:

(a) Where an interconnected transmission system of other Transmission Licensee has not achieved the commercial operation as on the date of commercial operation of the transmission system (which is not before the SCOD of the interconnected transmission system), the other Transmission Licensee shall be liable to pay the transmission charges of the transmission system as approved by the Commission to the Transmission Licensee till the interconnected transmission system achieves commercial operation;

(b) Where the transmission system has not achieved the commercial operation as on the date of commercial operation of the interconnected transmission system of other Transmission Licensee (which is not before the SCOD of the transmission system), the Transmission Licensee shall be liable to pay the transmission charges of such interconnected transmission system to the other Transmission Licensee as approved by the Commission till the transmission system achieves the commercial operation.

(3) In case of default by more than one entity, the liability for the transmission charges shall be shared in equal ratio by the defaulting entities until the default is rectified by any of the entity. Upon rectification of the default by any entity, the entire liability shall be equally shared amongst the remaining defaulting entity/ies again in equal ratio among the defaulting parties until there remains only one defaulting party in which case entire liability of transmission charges shall be on the same defaulting party till it cures its default.

(4) The Commission shall, on consideration of the submissions of the Transmission Licensee as aforesaid, pass such orders or give such directions as may be necessary.

CHAPTER 3

FINANCIAL PRINCIPLES

10. Financial Prudence

(1) The Transmission Licensee shall manage its finances in an optimum and prudent manner.

(2) In determining the ARR and Tariff of the Transmission Licensee, the Commission shall assess the financial prudence with regard to the following factors:

(a) Whether projected capital expenditure and capitalisation is based on realistic estimates, and adequate justification has been provided for any anomalous increase in capital expenditure and capitalisation projected by the Transmission Licensee;

(b) Mechanism put in place for monitoring the physical progress of projects with respect to their original schedule;

(c) Optimum drawal of loans in accordance with the physical progress of the capital expenditure schemes, and efficient utilisation of such loans;

(d) In case the actual capital expenditure and capitalisation during the year varies more than 10% of that approved under STU Transmission Plan by the Commission, the Transmission Licensee shall submit a detailed justification for such variation along with its True-Up Petition;

(e) In case any scheme has not been commenced during the year despite the Commission's approval, detailed justification shall be submitted along with the Petition for True-Up;

(f) Creation of assets in accordance with Capex Plan approved by the Commission and their retirement, replacement or deletion/adjustments;

(g) Procurement of Goods and Services in competitive and transparent manner;

(h) Proper recording of assets in Fixed Asset Register;

(i) Whether the procured asset, such as land, has actually been put to use;

(j) Mechanism put in place for monitoring adherence to the approved expenditure, including schedule of interest payments for long-term loans and working capital.

11. Capital Expenditure/ Cost and Capital Structure

(1) Capital cost for a Capital investment project shall include:

(a) The expenditure incurred or projected to be incurred, including interest during construction and financing charges, as admitted by the Commission after prudence check;

(b) Capitalised initial spares subject to the ceiling rates stipulated in these Regulations;

(c) Expenses incurred by the Transmission Licensee on obtaining right of way, as admitted by the Commission after prudence check;

(d) Additional capital expenditure determined under clause 12 of these Regulations;

(e) Incidental expenditure during construction including apportioned expenditure on relevant components of O&M;

(f) Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed up to the date of commercial operation, as admitted by the Commission after prudence check:

Provided that any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed up to the date of commercial operation shall be adjusted only against the debt component of the capital cost:

Provided further that the capital cost of the assets forming part of the Project but not put to use or not in use, shall be excluded from the capital cost:

Provided also that the Transmission Licensee shall submit documentary evidence in support of its claim of assets being put to use.

(2) The capital cost admitted by the Commission after prudence check shall form the basis for determination of Tariff.

(3) The actual capital expenditure on a Project as on COD for the original scope of work based on audited accounts of the Transmission Licensee, as the case may be, shall be considered subject to prudence check by the Commission.

(4) Capital cost to be allowed by the Commission for the purpose of determination of Tariff will be based on the Transmission Plan prepared by the Transmission Licensee under Modalities of Tariff Determination Regulation, 2023 and Capital Investment Project approved by the Commission.

(5) The capital cost may include initial spares capitalised as a percentage of the Plant and Machinery cost up to the cut-off date, subject to the following ceiling norms:

(a)	Transmission System	
i.	Transmission Line:	1.0 %
ii.	Transmission Sub-Station (AIS):	
	Green field	4.0 %
	Brown field	6.0 %
iii.	Gas Insulated/Hybrid Sub-Station (GIS/HGIS):	
	Green field	5.0 %
	Brown field	7.0 %
iv.	Series compensation devices and HVDC Sub-Station	4.0 %
v.	Static Synchronous Compensator:	6.0 %
vi.	Communication System:	3.5 %
(b)	Battery Energy Storage System:	1.0 %

(6) The impact of revaluation of assets shall be permitted provided it does not result in increase in Tariff of the Transmission Licensee:

Provided that any benefit from such revaluation shall be passed on to long-term Intra-State Open Access Customers of the Transmission Licensee, at the time of ARR / Tariff determination or Truing-Up, as the case may be.

(7) Any expenditure on replacement, Renovation and Modernisation or extension of life of old fixed assets, as applicable to Transmission Licensees, shall be considered after writing off the net value of such replaced assets from the original capital cost, and shall be computed as follows:

Net Value of Replaced Assets = OCRA – AD;

Where;

OCRA: Original Capital Cost of Replaced Assets:

AD: Accumulated depreciation pertaining to the Replaced Assets

Provided that in case the original capital cost of the replaced asset is not available for any reason, it shall be considered by the Commission on a case to case basis:

Provided further that the amount of insurance proceeds received, if any, towards damage to any asset requiring its replacement shall be first adjusted towards outstanding actual or normative loan; and the balance amount, if any, shall be utilised to reduce the capital cost of such replaced asset, and any further balance amount shall be considered as Non-Tariff Income.

12. Additional Capitalisation

A. Additional Capitalisation within the original scope and up to the cut-off date

(1) The additional capital expenditure in respect of a new project or an existing project, on the following counts within the original scope of work as per Detailed Project Report (DPR), actually incurred after the date of commercial operation and up to the cutoff date may be admitted by the Commission, subject to prudence check:

a. Deferred liabilities;

b. Works deferred for execution;

c. Procurement of initial capital spares in the original scope of work, subject to ceiling specified in these Regulations;

d. Payment against the award of arbitration or for compliance of the directions or order of any statutory authority or order or decree of a Court;

e. On account of change in law or compliance with any existing law which is not provided for in the original scope of work;

f. Force majeure events:

Provided that original scope of work along with estimates of expenditure shall be submitted along with the application for provisional and final tariff:

Provided that in case of any replacement of the assets, the additional capitalization shall be worked out after adjusting the gross fixed assets and cumulative depreciation of the assets replaced on account of de-capitalization:

Provided further that a list of the deferred liabilities to be payable at a future date and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation.

B. Additional Capitalisation within the original scope and after the cut-off date

(1) The additional capital expenditure actually incurred in respect of an existing project or a new project on the following counts within the original scope of work and after the cut-off date may be admitted by the Commission, subject to prudence check:

a. Payment made against award of arbitration or for compliance of the directions or order of any statutory authority, or order or decree of a Court;

b. Change in Law or compliance with any existing law which has not been provided for in the original scope of work;

c. Force majeure events;

d. Payment made towards liability admitted for works within the original scope executed prior to the cut-off date;

e. Works within original scope executed after the cut-off date and admitted by the Commission, to the extent of actual payments made.

(2) In case of replacement of assets deployed under the original scope of the existing project after the cut-off date, the additional capitalization may be admitted by the Commission after making necessary adjustments in the gross fixed assets and the cumulative depreciation, subject to prudence check on following grounds:

a. Assets whose useful life is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these Regulations;

b. The replacement of the asset or equipment is necessary on account of a change in law or Force Majeure conditions; or

c. The replacement of such asset or equipment is necessary on account of obsolescence of technology; or

d. The replacement of such asset or equipment has otherwise been allowed by the Commission:

Provided that any claim of additional capitalisation with respect to the replacement of assets under the original scope, if less than Rs. 50 lakhs, shall not be considered part of Capital cost and shall be met through normative O&M expenses.

C. Additional Capitalisation beyond the original scope

(1) The capital expenditure, in respect of the existing transmission project incurred on the following counts beyond the original scope, may be admitted by the Commission, subject to prudence check:

a. Payment made against award of arbitration or for compliance of order or directions of any statutory authority, or order or decree of any court of law;

b. Change in law or compliance of any existing law;

c. Force Majeure events;

d. Need for higher security and safety of the project as advised or directed by appropriate Indian Government Instrumentality or statutory authorities responsible for national or internal security:

   Provided also that if any expenditure has been claimed under Renovation and Modernisation (R&M) or repairs and maintenance under O&M expenses, the same shall not be claimed under this Regulation;

(2) Any claim of additional capitalisation less than Rs. 50 lakhs shall not be considered under clause (1) of this Regulation and shall be met through normative O&M expenses.

13. Operation and Maintenance Expenses

(1) The Operation and Maintenance (O&M) expenses for the Transmission Licensee shall be computed for three components i.e (i) Employee Expenses, (ii) Repair and Maintenance (R&M) Expenses, and (iii) Administrative and General Expenses.

(2) The Norms for each component of O&M Expenses shall be determined as per these Regulations. Thereafter O&M Expenses for each year of the Control Period shall be computed based on the formula shown below:

$$\mathbf{O\&M_n = EMP_n + R\&M_n + A\&G_n}$$

Where:

$O\&M_n$ – O&M expenses for n^{th} year

EMP_n - Employee expenses for n^{th} year

$R\&M_n$ - R&M expenses for n^{th} year

$A\&G_n$ - A&G expenses for n^{th} year

(3) At the time of Truing-Up, gains or losses for each component of Operation and Maintenance Expenses shall be shared as per clause 7 of these Regulations.

(4) The impact of Pay Revision, change in Pension Scheme etc., shall be allowed by the Commission over and above normative Expenses of the respective component after prudence check. However, one-time expenses such as payment of Arears due to impact of pay revision, change in pension

scheme etc., shall not be considered for the determination of norm of the respective component.

(5) In case data required for establishing the norms is not available, the Transmission Licensee shall propose O&M norms with justification. The Commission shall approve the norms for the Transmission Licensee after prudence check which shall be applicable for the remaining Control Period.

(6) <u>Employee Cost</u>

(a) The Employee Cost shall be derived on the basis of the average of the values in the Audited Accounts for the last five (5) financial years ending March 31, 2025 subject to prudence check by the Commission. However, if Audited Accounts are not available for FY 2024-25, Audited Accounts available for the last five (5) years will be considered and subsequently when the same are available the base year value (i.e. FY 2024-25) will be recomputed.

(b) The average of such Employee Cost shall be considered as Employee Cost for the middle year of the previous Control Period (01.04.2020 to 31.03.2025) and shall be escalated year on year with the escalation factor considering CPI of respective years, for subsequent years up to FY 2024-25:

Provided that impact of one time expenses such as Arears due to impact of pay revision, change in pension scheme etc. shall be removed from the base Employee Cost.

Employee cost shall be computed as per the following formula:

$$\mathbf{EMP_n = EMP_{n-1} \times (1 + CPI\ inflation) \times (1 + Gn)}$$

Where:

EMP_n: Employee expense for the n^{th} year;

EMP_{n-1}: Employee expense for the $(n-1)^{th}$ year;

For the purpose of ARR, CPI inflation is the average of Consumer Price Index (CPI) for Industrial Workers (All India) as per Labour Bureau, Government of India for the immediately preceding three Financial Years.

For the purpose of True-Up, CPI inflation is the actual point to point inflation for the concerned Financial Year.

Gn is a growth factor for the n^{th} year and it may be greater than or less than zero based on the actual performance. Value of Gn shall be determined by the Commission in the Tariff Order for meeting the additional manpower requirement based on the Licensees' filing, benchmarking and any other factor that the Commission feels appropriate.

(7) <u>Repairs and Maintenance Expense</u>

The normative Repair and Maintenance expense for first year of Control period shall be allowed at the rate of 2% of the opening GFA of the year as approved by the Commission. The normative Repair and Maintenance expense for subsequent years of the control period, shall be allowed at 2% of the incremental GFA of the respective year in addition to the normative R&M value of previous year along with an annual escalation based on the Wholesale Price Index (WPI) inflation:

Provided that the normative R&M expense determined as per the above stipulation shall be inclusive of any impact of change in applicable taxes or duties.

For the purpose of ARR, WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years as per the Office of Economic Advisor of Government of India.

For the purpose of True-Up, WPI inflation is the actual point to point inflation for the concerned Financial Year.

(8) <u>Administrative and General Expenses</u>

(a) The normative A&G Expenses shall be derived on the basis of the average of the values in the Audited Accounts for the last five (5) financial years ending March 31,2025 subject to prudence check by the Commission. However, if Audited Accounts are not available for FY 2024-25, Audited Accounts available for the last five (5) financial years of previous Control Period (01.04.2020 to 31.03.2025) will be considered and subsequently when the same are available the base year value (i.e. FY 2024-25) will be recomputed.

(b) The average of such A&G Expenses shall be considered as A&G Expenses for the middle year and shall be escalated year on year with the escalation factor considering WPI of respective years, for subsequent years up to FY 2024-25.

(c) A&G expense shall be computed as per the following formula escalated by wholesale price index (WPI) and adjusted by provisions for confirmed initiatives (IT etc. initiatives as proposed by the Transmission Licensee and validated by the Commission) or other expected one-time expenses:

$A\&G_n = A\&G_{n-1}$ (1+ WPI inflation) + Provision

Where:

$A\&G_n$: A&G expense for the n^{th} year;

$A\&G_{n-1}$: A&G expense for the $(n-1)^{th}$ year;

For the purpose of ARR, WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years as per the Office of Economic Advisor of Government of India:

For the purpose of True-Up, WPI inflation is the actual point to point inflation for the concerned Financial Year.

Provision: Cost for initiatives which entail conversion of Capex projects into Totex or Opex mode or are undertaken to ensure compliance of any directives of the Commission or any other Expense as may be allowed by the Commission on the proposal of Transmission Licensee.

14. Debt-Equity

(1) Closing balance of Equity as on 31.03.2025 approved by the Commission shall be taken as the opening Equity for Financial Year 2025-26.

(2) For a capital investment scheme declared under commercial operation on or after April 1, 2025, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission under clause 11 of these Regulations after making appropriate adjustment of Assets funded by Consumer Contribution/ Deposit Works/ Capital Subsidies/ Grant, subject to prudence check for determination of Tariff:

Provided that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Transmission Licensee for determination of Tariff:

Provided further that the Transmission Licensee shall submit documentary evidence for the actual deployment of equity and explain the source of funds for the equity:

Provided also that where equity actually deployed is less than 30% of the capital cost of the capitalised asset, the actual equity shall be considered for determination of Tariff:

Provided also that the equity invested in foreign currency shall be designated in Indian Rupees on the date of each investment:

Provided that in case of retirement or replacement or de-capitalisation or deletion/adjustment of the assets, the equity capital approved as mentioned above, shall be reduced to the extent of 30% (or actual equity component based on documentary evidence, if it is lower than 30%) of the original cost of such assets:

Provided further that in case of retirement or replacement or deletion/ adjustment or de-capitalisation of the assets, the debt capital approved as mentioned above, shall be reduced to the extent of the outstanding debt component based on documentary evidence, or the normative loan component, as the case may be, of the original cost of such assets.

15. Depreciation

(1) The Transmission Licensee, shall be permitted to recover Depreciation on the value of fixed assets used in their respective businesses, computed in the following manner:

(a) The approved original cost of the fixed assets shall be the value base for the calculation of Depreciation:

Provided that the Depreciation shall be allowed on the entire capitalised amount of the new assets after reducing the approved original cost of the retired or replaced or de-capitalised assets.

(b) Depreciation shall be allowed annually based on the Straight- Line Method at the rates stipulated in the Annexure- A for existing Assets (capitalised on or before 31.03.2025) and at the rates stipulated in Annexure- B for Assets capitalised during the Control Period:

Provided that the Licensee shall ensure that once individual asset is depreciated to the extent of seventy percent, the remaining depreciable value as on 31st March of the year closing shall be spread over the balance Useful Life of the assets including the Extended Life, as per submission of the Licensee and approval by the Commission.

(c) The salvage value of the asset shall be considered at 10% of the allowable capital cost and Depreciation shall be allowed up to a maximum of 90% of the allowable capital cost of the asset:

Provided that land owned shall not be treated as a Depreciable asset and shall be excluded from the capital cost while computing Depreciation:

Provided further that Depreciation shall be chargeable from the first year of commercial operation:

Provided that the salvage value of the IT equipment, software and underground cable shall be considered as nil and 100% of the assets shall be considered depreciable.

(d) Depreciation shall not be allowed on assets funded by Consumer Contributions or Subsidies/ Grants/ Deposit works.

(2) In case of existing assets, for the purpose of computation of depreciation, the opening value of GFA shall be taken as the closing value as on March 31, 2025 as approved by the Commission in its Tariff Order.

(3) In case of projected commercial operation of the assets for part of the year, depreciation shall be computed based on the average of opening and closing value of assets:

Provided that the depreciation shall be re-computed for assets capitalised at the time of Truing-Up, based on Accounting Statements and documentary evidence of assets capitalised by the Petitioner, prior approvals of the Commission as per clause 3 of these Regulations, subject to prudence check of the Commission.

16. Return on Equity

Return on equity shall be computed in Rs. terms on equity base at the rate of 14.5% post-tax per annum (hereinafter referred to as 'Base Rate') for the Transmission Licensee as determined in accordance with clause 14 of these Regulations:

Provided that assets funded by Consumer Contribution / Deposit works, Capital Subsidies / Grants and corresponding Depreciation shall not form part of the Capital Cost.

17. Interest on Long- Term Loan

(1) The long- term loans arrived at in the manner indicated in these Regulations on the assets put to use shall be considered as gross normative loan for calculation of interest on loan:

Provided that in case of retirement or replacement or de-capitalisation or deletion/adjustment of the assets in the balance sheet, the loan capital approved as mentioned above shall be reduced to the extent of the outstanding loan component of the original cost of such assets based on documentary evidence.

(2) The closing normative long- term loan outstanding as on March 31, 2025, shall be taken as the opening normative long term loan outstanding for the Financial Year 2025-26.

(3) The repayment of long-term loans for each year shall be deemed to be equal to the depreciation allowed for that year.

(4) Notwithstanding any moratorium period availed, the repayment of loan shall be considered from the first year of commercial operation of the asset.

(5) The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long- term loan portfolio at the beginning of each year:

Provided that if there is no actual long- term loan for a particular year but the normative loan is still outstanding, then the rate of interest for the purpose of allowing the interest on the normative long- term loan shall be the weighted average of SBI MCLR (1 year) prevailing during the concerned year plus 100 basis points.

(6) At the time of Truing-Up, the weighted average rate of interest of the actual long- term loan portfolio during the concerned year shall be considered as the rate of interest:

Provided that if there is no actual long-term loan for a particular year but the normative loan is still outstanding, then the rate of interest for the purpose of allowing the interest on the normative long-term loan shall be the weighted average of SBI MCLR (1 year) prevailing during the concerned year plus 100 basis points.

(7) The interest on long- term loan shall be computed on the normative average long- term loan of the year by applying the weighted average rate of interest:

Provided that at the time of Truing-Up, the normative average loan of the concerned year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

18. Banking and Finance Charges

The Banking & Finance charges shall be allowed as per actuals in Truing-Up, subject to prudence check by the Commission:
Provided that the Banking and Finance charges shall be allowed in ARR as per the approval given by the Commission for the latest True-Up year.

19. Interest During Construction (IDC)/Incidental Expenditure During Construction (IEDC)

(1) Interest during construction (IDC) shall be computed considering the actual loan and normative loan after taking into account the prudent phasing of funds up to actual COD:

Provided also that IDC on a normative loan corresponding to excess equity over 30% of funds deployed shall be allowed only in cases where the actual infusion of equity on a pari-passu basis is more than 30% of total funds deployed and shall be computed on a quarterly basis:

Provided further that in case IDC on normative loan is to be allowed prior to infusion of actual loan, rate of interest for computing such IDC shall be equal to 1-year SBI MCLR as prevailing on 1st April of the respective year:

Provided further that IDC on normative loan, post infusion of actual loan shall be computed based on weighted average rate of interest (WAROI) for that respective quarter:

Provided further that the IDC on normative loan shall be allowed only when it can be demonstrated by the Licensee that the capital cost arrived after IDC on normative loan is to the benefit of consumers.

(2) Incidental expenditure during construction (IEDC) shall be computed from the zero date, taking into account pre-operative expenses up to actual COD:

Provided that any revenue earned during the construction period up to actual COD on account of interest on deposits or advances or any other receipts shall be taken into account for reduction in incidental expenditure during construction.

(3) In case of additional costs on account of IDC and IEDC due to delay in achieving the COD, the Transmission Licensee shall be required to furnish detailed justifications with supporting documents for such delay, including prudent phasing of funds in the case of IDC and details of IEDC during the period of delay and liquidated damages recovered or recoverable corresponding to the delay.

(4) If the delay in achieving the COD is not attributable to the Transmission Licensee, such additional IDC and IEDC may be allowed after prudence check, and the liquidated damages, if any, recovered from the contractor or supplier or agency shall be adjusted to the capital cost of the transmission system.

(5) If the delay in achieving the COD is attributable either in entirety or in part to the Transmission Licensee or its contractor or supplier or agency, in such cases, IDC and IEDC due to such delay may be disallowed after prudence check, either in entirety or on a pro-rata basis corresponding to the period of delay not condoned vis-à-vis total implementation period, and the liquidated damages, if any, recovered from the contractor or supplier or agency shall be retained by the Transmission Licensee, in the proportion of delay not condoned vis-à-vis total implementation period.

Provided that in cases where delay in achieving COD is beyond six months from SCOD on account of delay in obtaining approval of any of the following activities namely, i) forest clearance, ii) NHAI clearance, or iii) Railways permission, a time overrun maximum up to 95% shall be allowed after prudence check.

(6) For the purpose of sub-clauses (4) and (5) of clause 19 of these Regulations, IDC on actual loan and normative loan shall be considered in accordance with the normative debt-equity ratio specified under sub-clause (2) of clause 14 of these Regulations.

20. Hedging Cost of Foreign Exchange Rate Variation (FERV)

(1) The Transmission Licensee may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired, in part or in full, at the discretion of the Transmission Licensee.

(2) The Transmission Licensee shall recover the cost of hedging and foreign exchange rate variation on a year-to-year basis as income or expense in the period in which it arises. However, the same shall be allowed subject to prudence check by the Commission at the time of True-Up.

21. Interest on Working Capital

(1) The working capital requirement of the Transmission Licensee shall cover:

(a) Operation and Maintenance expenses for one month;

(b) Maintenance spares at 40% of the R&M expenses for two months; and

(c) One-and-a-half-month equivalent of the expected revenue from transmission charges at the prevailing Tariff;

minus

(d) Amount held as security deposits, if any, from Transmission System Users;

Provided that if the working capital, determined based on the above formula, is positive, it shall be reduced by the amount of revenue surplus (if any) as of 31st March of the previous year so approved by the Commission:

Provided that for the purpose of Truing- Up for any year, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing- Up.

(2) Rate of interest on working capital shall be simple interest and shall be equal to the weighted average SBI MCLR (1-year) as on date on which Petition for determination of Tariff is filed plus 200 basis points:

Provided that for the purpose of Truing- Up for any year, simple interest on working capital shall be allowed at a rate equal to the weighted average SBI MCLR (1-year) prevailing during the concerned Year plus 200 basis points.

22. Tax on Return on Equity

(1) The rate of return on equity as allowed by the Commission under clause 16 of these Regulations shall be grossed up with the effective tax rate (hereinafter referred to as 't') of the respective financial year. The effective tax rate shall be calculated at the beginning of every Financial Year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that Financial Year to the concerned Transmission Licensee by excluding the income of other business and the corresponding tax thereon:

Provided that tax on any income other than that through its Licensed Business shall not be pass through and it shall be payable by the Licensee itself:

Provided that in case a Transmission Licensee is paying Minimum Alternate Tax (MAT) under Section 115JB of the Income Tax Act, 1961, the effective tax rate shall be the MAT rate, including surcharge and cess:

Provided further that in case a Transmission Licensee has opted for Section 115BAA, the effective tax rate shall be the tax rate including surcharge and cess as specified under Section 115BAA of the Income Tax Act, 1961.

(2) The rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below.

Rate of pre-tax return on equity = Base rate / (1-t)

(3) The Transmission Licensee shall true up the effective tax rate for every Financial Year based on the actual tax paid together with any additional tax demand, including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the Tariff period covered under these Regulations on actual gross income of any Financial Year. Further, any penalty arising on account of delay in deposit or short deposit of tax amount shall not be considered while computing the actual tax paid by the Transmission Licensee:

Provided that in case a Transmission Licensee is paying Minimum Alternate Tax (MAT) under Section 115JB, the Transmission Licensee shall true up the grossed up rate of return on equity at the end of every Financial Year with the applicable MAT rate including surcharge and cess:

Provided that in case a Transmission Licensee is paying tax under Section 115BAA, the Transmission Licensee shall true up the grossed up rate of return on equity at the end of every Financial Year with the tax rate including surcharge and cess as specified under Section 115BAA:

Provided that any under-recovery or over recovery of grossed up rate on return on equity after truing-up, shall be recovered or refunded, on a year to year basis.

23. Non-Tariff Income

(1) The amount of Non-Tariff income relating to the Transmission Business as approved by the Commission shall be deducted from the ARR in determining the Annual Transmission Charges of the Transmission Licensee:

Provided that the Transmission Licensee shall submit full details of its forecast of Non-Tariff income to the Commission in such form as may be stipulated by the Commission.

(2) The Non-Tariff Income shall include:

a) Income from rent of land or buildings;

b) Income from sale of scrap;

c) Income from investments;

Provided that income arising from investment of shareholder's funds, if any, shall not be included in Non-Tariff Income subject to prudence check of requisite detailed information submitted by the Transmission Licensee before the Commission.

d) Interest income on advances to suppliers/contractors;

e) Interest income on loans / advances to employees;

f) Income from rental from staff quarters;

g) Income from rental from contractors;

h) Income from hire charges from contactors and others;

i) Income from Supervision Charge

j) Income from advertisements;

k) Income from sale of tender documents;

l) Excess found on physical verification;

m) Prior Period Income;

n) Miscellaneous receipts; and

o) Any other Non-Tariff Incomes:

(3) The Non-Tariff income under item (j) above (income from advertisements) shall be shared between the Transmission Licensee and the consumers in the ratio of 30% and 70% respectively:

Provided that the Transmission Licensee shall undertake asset monetisation study within six months from the date of notification of these Regulations.

24. Income from Other Business

(1) Where the Transmission Licensee has engaged in any Other Business under Section 41 of the Act for optimum utilisation of its assets, the income from such business will be deducted from the ARR in calculating the revenue requirement of the Transmission Licensee in the manner and in proportion as may be stipulated by the Commission. The proportion of revenue from Other Business that shall be utilized in the Transmission business shall be as stipulated in UPERC (Treatment of Income of Other Business of Transmission Licensees and Distribution Licensees) Regulations, 2004 or any subsequent amendment thereof:

Provided that the Transmission Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Transmission Business and the Other Business and shall submit the Allocation Statement, duly certified by the Board of Directors, to the Commission along with its Petition for determination of ARR:

Provided further that where the sum total of the direct and indirect costs of such Other Business exceeds the revenues from such Other Business, income from such other business shall be taken as zero.

25. Rebate, Incentive, Penalties and Miscellaneous

(1) All rebates or incentives earned by the Transmission Licensee shall be considered under its Non-Tariff Income, while all rebates or incentives given by the Transmission Licensee, as approved by the Commission, shall be allowed as an expense for the Transmission Licensee.

(2) The timeline and percentage rebate for payment of bills of transmission charges and late payment surcharge shall be as per the Tariff Order issued by the Commission from time to time.

(3) Penalties paid, if any, by the Transmission Licensee shall not be allowed as an expense for the Transmission Licensee:

Provided that penalties / compensation levied on the Transmission Licensee due to the reasons beyond its reasonable control, as corroborated by it with appropriate justification and supporting documents to satisfy the Commission, shall be allowed subject to prudence check.

(4) Carrying cost for the ARR gap of the Transmission Licensee will be provided by the Commission after prudence check at the interest rates as provided for working capital in these Regulations.

(5) The revenue surplus of the Transmission Licensee shall be first adjusted towards working capital requirement for the year and balance revenue surplus amount, if any, shall be eligible for carrying cost as per weighted average of bank rate published by RBI net of applicable tax rate for the relevant year:

Provided that the Transmission Licensee shall invest the revenue surplus amount in risk-free securities such as RBI bonds, Government Securities or fixed deposit receipts of scheduled banks only.

CHAPTER 4

OPERATIONAL PRINCIPLES

26. Components of Tariff

(1) The Transmission Charges for access to and use of the Intra- State Transmission System shall comprise any of the following components or a combination of the following components:

(a) Transmission System access charges;
(b) Annual Transmission charges;
(c) Per unit charges for energy transmitted;
(d) Reactive energy charges:

Provided that the Reactive energy charges would be determined as per Uttar Pradesh Electricity Regulatory Commission Grid Code 2007 as amended from time to time or any Order issued by the Commission.

(2) Any person who is eligible to apply for access to the Intra- State Transmission System shall be entitled to obtain such access in accordance with the Regulations and Orders of the Commission governing Transmission Open Access and shall be liable to pay the charges for obtaining such access as stipulated in these Regulations and Orders.

(3) Where the access of the intending Transmission System User to the Intra-State Transmission System entails works of transmission lines or other transmission assets dedicated to such user, the Transmission Licensee shall be entitled to recover, through transmission system access charges, all expenses reasonably incurred on such works for providing access to such intending Transmission System User.

(4) Where the access of the intending Transmission System User entails other works, not covered under clause 26(3) of these Regulations relating to the Intra-State Transmission System, the Transmission Licensee shall recover the expenses relating to such works through annual transmission charges, in accordance with clause 26(10) under these Regulations.

(5) Where any works for obtaining access have been carried out by the intending Transmission System User, the Transmission Licensee shall be entitled to recover supervision charges at the rate of 15% of the cost of labour employed, cost of material, material handling and storage/inventory

but excluding the establishment costs, for carrying out such works and shall not be entitled to recover any other expenses with regard to such works:

Provided that such supervision charges shall form part of the Non-Tariff Income of the respective Transmission Licensee and shall also be treated as O&M expense incurred by the intending Transmission System users, which shall be capitalised in the respective year of asset capitalisation.

(6) The works for providing access to the Intra-State Transmission System shall be maintained by the Transmission Licensee for the duration of the Bulk Power Transmission Agreement between the Transmission Licensee and the Transmission System User.

(7) Where the Transmission System User has paid for the works carried out to provide it access to the Intra-State Transmission System, the Transmission System User shall be entitled to the depreciated value (as per Companies Act 2013 and its amendments) of such works paid for by it upon termination of the Bulk Power Transmission Agreement:

Provided that where the Transmission System User has carried out the works to provide it access to the Intra-State Transmission System of the Transmission Licensee, the Transmission System User may be entitled to retain such works upon termination of the Bulk Power Transmission Agreement.

(8) The Transmission System access charges may be recovered by any one of the following methods, in accordance with the terms of the Bulk Power Transmission Agreement:

(a) As a one-time payment by the Transmission System User at the time of obtaining access; or

(b) As a series of payments over the duration of the Bulk Power Transmission Agreement; or

(c) As any combination of (a) and (b) above.

(9) Any dispute between the Transmission Licensee and the intending Transmission System User with regard to the works to be carried out to give access to the intending Transmission System User or with regard to the Transmission System access charges shall be referred to the

Commission for adjudication or to such other forum as may be stipulated by the Commission.

(10) The ARR of the Transmission Licensee, shall comprise the following components:

(a) Operation and maintenance expenses;

(b) Depreciation;

(c) Interest on Loan Capital;

(d) Interest on Working Capital;

(e) Banking & Finance charges;

(f) Return on Equity;

(g) Tax on Return on Equity;

Minus:

(h) Non-Tariff Income;

(i) Income from other Business

Provided that Depreciation, Interest on Loan Capital, Interest on Working Capital, Return on Equity, and Income Tax for Transmission Licensees shall be allowed in accordance with the provisions stipulated in Chapter 3 of these Regulations:

Provided further that the components of the ARR, corresponding to the transmission lines owned by the Transmission Licensee but conveying electricity to other States, being recovered in accordance with the Regulations and Orders of the Central Electricity Regulatory Commission, shall not be recovered from the Tariff determined under these Regulations:

Provided also that in case any such components have already been recovered through the Intra-State Transmission Tariff, then such excess recovery shall be deducted from the ARR of the Transmission Licensee for the future years, along with associated carrying cost, as applicable:

Provided also that prior period income/expenses shall be allowed by the Commission at the time of Truing- Up based on audited accounts, on a case to case basis, if the income/expenses in that prior period have been allowed on actual basis, subject to prudence check:

Provided also that all penalties and compensation payable by the Transmission Licensee to any party for failure to meet any Standards of Performance or for damages, as a consequence of the Orders of the Commission-or Competent Courts, Authorities etc., shall not be allowed to be recovered through the ARR:

Provided also that the Transmission Licensee shall maintain separate details of such penalties and compensation paid or payable by the Transmission Licensee, if any, and shall submit them to the Commission along with its Petition.

(11) The Annual Transmission Charges along with Intra State Transmission Tariff shall be determined by the Commission on the basis of a Petition for determination of Tariff as stipulated in these Regulations.

27. Capital Investment Plan

(1) The Transmission Licensee shall submit a detailed projected capital expenditure schemes being part of STU Transmission Plan, financing plan and physical targets for the ensuing year for strengthening and augmentation of the Intra-State Transmission System of the Transmission Licensee, meeting the requirement of load growth, improvement in quality of supply, reliability, metering, reduction in congestion, etc., along with the Tariff Petition before the Commission.

(2) The Capital Investment Plan shall be a least cost plan for undertaking investments:

Provided that all capital expenditure projects of 220 kV & above and other capital expenditure of value exceeding Rs. Twenty Crore must have prior approval of the Commission and shall be subject to prudence check:

Provided that the Capital Investment Schemes/Projects proposed by the Transmission licensee shall be for Intra- State transmission network including if any associated upstream/downstream works, and the Schemes/ Projects shall not be submitted in parts:

Provided further that any capital expenditure scheme/project based on the specific requirement of a Distribution Licensee shall be substantiated with necessary documentary evidence in the form of request for the same.

(3) The Transmission Licensee is required to undertake approval of all transmission schemes/projects with a capital expenditure of Rs. 20 Cr. and above. The Transmission Licensee is required to submit all such schemes qualifying the criteria through a separate petition on a quarterly basis for the prior approval of the Commission.

(4) The Capital Expenditure Scheme(s)/Project(s) submitted for prior approval of the Commission shall be accompanied by such information, particulars and documents as may be required including but not limited to the information such as number of bays, name, configuration and location of grid substations, substation capacity (MVA), transmission line length (circuit kilometres) showing the need for the proposed investments, alternatives considered, cost/benefit analysis and other aspects that may have a bearing on the transmission charges.

(5) The Transmission Licensee shall submit the list of capital expenditure schemes/Projects after the asset is put to use along with actual capital expenditure incurred, capitalisation and details of time overrun and cost overrun on a quarterly basis:

Provided that the Transmission Licensee shall submit the details of the scheme/project-wise asset capitalisation along with receipt of the Electrical Inspector certificate and other documents as may be prescribed by the Commission from time to time, at the end of each quarter.

(6) The Commission shall review actual capital expenditure incurred and capitalisation vis-à-vis the approved capital expenditure and capitalisation after the completion of scheme. The quarterly capitalization approved by the Commission shall form the basis for truing-up at the end of each year.

(7) The Transmission Licensee shall submit, along with the Petition for determination of ARR or along with the Petition for Annual Performance Review, as the case may be, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require to assess such progress.

CHAPTER 5

NORMS OF OPERATION

28. Norms of Operation

(1) Target availability

(a) Normative Annual Transmission System Availability factor (NATSAF) shall be as under:

i. AC System : 98.00%

ii. HVDC bi-pole links and back-to-back Stations: 95.00%

(2) Auxiliary Energy Consumption in the Sub-station:

(a) AC System

The charges for auxiliary energy consumption in the AC Sub-station for the purpose of air-conditioning, lightning and consumption in other equipment shall be borne by the Transmission Licensee and are included in the normative operation and maintenance expenses.

(b) HVDC Sub-station

For auxiliary energy consumption in HVDC Sub-stations, the Central Government / State Government may allocate an appropriate share from one or more ISGS generating station. The charges for such power shall be borne by the Transmission Licensee and are included in the normative operation and maintenance expenses.

(3) The transmission charge payable for a calendar month for a Transmission System shall be:

ARR x (NDM/NDY) x (TAFM/NATSAF)

Where,

ARR = Aggregate Revenue Requirement specified for the year;

NATSAF = Normative annual transmission availability factor, in per cent stipulated in these Regulations;

NDM = Number of days in the month;

NDY = Number of days in the Year; and

TAFM = Transmission System Availability Factor for the month, in per cent, computed in accordance with **Annexure- C** to these Regulations:

Provided that the Transmission Licensee shall raise the bill for the transmission charge for a month based on its estimate of TAFM. Adjustments, if any, shall be made on the basis of the TAFM to be certified by the SLDC within 30 days from the last day of the relevant month.

CHAPTER 6

INTRA-STATE TRANSMISSION TARIFF AND SHARING OF TTSC

29. Determination of Intra-State Transmission Tariff

(1) The aggregate of the yearly revenue requirement for all Transmission Licensees shall form the "Total Transmission System Cost" (TTSC) of the Intra-State transmission system, to be recovered from the Transmission System Users (TSUs) for the respective year of the Control Period, in accordance with the following Formula:

$TTSC = \sum_{i=1}^{n} ARR_i + \sum_{j=1}^{m} ATSC_j$ + Adjustment for ATSC

Where,

TTSC = Pooled Total Transmission System Cost of year of the Control Period;

n = Number of Transmission Licensee(s) with projects under Section 62 of the Act;

m = Number of Transmission Licensee(s) with projects under Section 63 of the Act;

ARR_i = Yearly revenue requirement approved by the Commission for ith Transmission Licensee for the year of the Control Period as determined by the Commission under Section 62 of the Act;

$ATSC_j$ = Annual Transmission Service Charges (ATSC) of TBCB Projects adopted by the Commission under Section 63 of the Act

Adjustment for ATSC (during True-Up) = (Actual ATSC paid by LTTC - ATSC as adopted by the Commission) or nil whichever is lower.

(2) The Commission shall approve yearly 'Base Transmission Capacity Rights' as average of "Yearly average of daily max InSTS drawal" and "Yearly max InSTS drawal" for TSU's (except Open Access Customers other than Distribution Licensees till the Commission orders otherwise) as projected for the respective year of the Control Period, representing the 'Capacity Utilisation' of Intra-State transmission system and accordingly determine 'Intra State Transmission Tariff, in accordance with the following formula:

Base Transmission Capacity Rights

(Base TCR) for the respective year $= \sum_{u=1}^{n} ([X + Y]/2)$

Where,

X = Yearly average of daily max InSTS drawal of respective year for each Distribution Licensee (u);

Y = Yearly max InSTS drawal of respective year for each Distribution Licensee (u);

Provided that the Base Transmission Capacity Rights for TSU’s (except Open Access Customers other than Distribution Licensees) for ensuing year shall be determined based on the projections of ‘X’ and ‘Y’ after taking into account available data of past years:

Provided further that projections of Base TCR for the ensuing year, shall be submitted by the Distribution Licensees latest by last week of August of current year:

Provided also that Open Access Customers other than Distribution Licensees shall not be considered for calculating the Base Transmission Capacity Rights however, X’ and ‘Y’ shall be inclusive of partial Open Access Consumers:

Provided further for True-up of respective year of the Control Period of these Regulations, the Base Transmission Capacity Rights shall be determined based on the actual data of ‘X’ and ‘Y’ of the Distribution Licensees as per the data submitted by SLDC to STU.

(3) Intra State Transmission Tariff for each Year shall be determined as ratio of approved TTSC for Intra-State transmission system and approved ‘Base Transmission Capacity Rights’ and shall be denominated in terms of “INR/MW/Year” (for Distribution Licensees) or in terms of “INR/kWh” (for Open Access Customers other than the Distribution Licensees) in accordance with the following formula:

Intra State Transmission Tariff for Distribution Licensees:

Intra State Transmission Tariff for Distribution Licensees in INR/MW/Year = TTSC / Base TCR

Intra State Transmission Tariff for Open Access Customers other than Distribution Licensee:

Intra State Transmission Tariff for Open Access Customers other than Distribution Licensee in INR/kWh

= TTSC / $\sum_{i=1}^{n}$ (Energy Transmitted by Txi)

Where,

TTSC = Pooled cost (in INR per Year) for InSTS for year of the Control Period;

Base TCR = Base Transmission Capacity Rights (in MW) for the year;

n = Total number of Transmission Licensee(s) in that particular year of Control Period;

Energy Transmitted = Total Energy (in kWh per Year) transmitted by the Transmission Licensee for the year;

Txi = i^{th} Transmission Licensee:

Provided that the energy units transmitted by the Transmission Licensees shall be based on the energy input requirement of the Distribution Licensees at Generation – InSTS (G-T) interface point, as projected by each Distribution Licensee as part of its MYT Petition and as approved by the Commission for the ensuing year. Whereas for True- Up period, the energy units transmitted by the Transmission Licensees shall be based on the actual energy handled at Generation – InSTS (G-T) interface point by the Transmission Licensees.

(4) The State Transmission Utility shall file the Petition for determination of Intra-State Transmission Tariff along with True-Up and APR on the basis of Base Transmission Capacity Rights of TSU's (except Open Access Customers other than Distribution Licensees), and the summation of the TTSC projected or actual as the case may be, by the Transmission Licensees/LTTCs in accordance with these Regulations:

Provided further that in case of a Distribution Licensee whose monthly 'X' and 'Y' data is not available for prior 12 months at the time of determination of Base TCR, the monthly 'X' and 'Y' data if available for at least 4 months, or the quantum of Open Access applied for by the Distribution Licensee for the available period, shall be considered in lieu of the average monthly 'X' and 'Y' for calculating the Base Transmission Capacity Rights.

30. Sharing of TTSC

(1) The Distribution Licensee shall share the TTSC of the Intra-State transmission system in the proportion of Adjusted Base Transmission Capacity Rights to the total Adjusted Base Transmission Capacity Rights allotted in the Intra-State transmission system:

Provided also that the Distribution Licensee shall submit billed Open Access Demand of Partial Open Access Consumers to STU and UPSLDC on monthly basis for calculating Adjusted Base Transmission Capacity Rights.

(2) The Annual Transmission Charge payable by Distribution Licensee shall be computed in accordance with the following formula:

$$ATC(u) = TTSC \times ([\text{Adjusted Base } TCR(u)] / \sum_{u=1}^{n} [\text{Adjusted Base } TCR(u)])$$

Where,

ATC(u) = Annual Transmission Charges to be shared by Distribution Licensee (u) for the year;

Adjusted Base TCR (u) = Base TCR(u) – Billed OA Demand of POA(u)

Where,

Adjusted Base TCR represents the Base Transmission Capacity Right of each Distribution Licensee (u) adjusted for billed OA Demand of a Partial Open Access Users for the year.

(3) The Open Access Customers other than Distribution Licensees shall pay Intra State Transmission Tariff (in INR/kWh) in terms of actual energy consumed which will reduce the TTSC of the Intra-State transmission system:

Provided that the Commission, if considers deem fit, may through an Order make applicable capacity based intra State Transmission Charges (INR/ MW/ month) on Open Access Customers other than Distribution Licensees.

(4) The Distribution Licensees shall make monthly payment of Intra State Transmission Tariff as per Base Transmission Capacity Rights approved by the Commission from time to time only and the TSU's shall be billed monthly at the respective Intra State Transmission Tariff approved by the Commission.

(5) The charges for Intra State Transmission usage of excess/shortfall drawal of power shall be treated during true-up in the following manner:

(a) In case of excess drawal of power from the Base Transmission Capacity Rights approved by the Commission, the charges for excess power drawal shall be payable by Transmission system users (except for Open Access Customers other than Distribution Licensee) along with carrying cost at 1-year SBI MCLR, which shall be adjusted in Total Transmission System Cost of the year:

Provided that in case of drawal of power lower than the Base TCR, the transmission charges corresponding the projected Base TCR as approved by the Commission shall be considered.

(6) In case of any variation in projected & Trued-Up TTSC, such excess/shortfall shall be adjusted in the TTSC of subsequent year along with carrying cost at weighted average bank rate for the respective year.

CHAPTER 7

RECOVERY OF INTRA-STATE TRANSMISSION CHARGES

31. Billing and Payment of the InSTS Charges

(1) The STU shall be responsible for monthly billing and collection of Intra State Transmission Charges from the Transmission System Users as per the Tariff Order issued by the Commission from time to time.

(2) The amount so collected by the STU on account Intra State Transmission Charges shall be kept in a separate account maintained and operated by the STU.

(3) The amount collected on account of Intra State Transmission Charges by the STU shall be exclusively allocated for the disbursement or adjustment of the Total Transmission System Cost (TTSC) and any remaining amount shall be considered by the Commission during the True-Up.

(4) The Monthly transmission charges of TBCB projects implemented under Section 63 of the Act, shall be adjusted/ credited by the STU to Distribution Licensee after taking into account the monthly invoice issued by TBCB Transmission Licensee to LTTCs and corresponding payment made by LTTCs within five working days from the date of furnishing such information by LTTCs.

(5) The Monthly transmission charges/cost of TBCB projects under Section 63 of the Act, shall be settled by LTTCs as per the terms and conditions of Transmission Service Agreement executed between them.

(6) The Monthly transmission charges of Transmission Licensee under Section 62 of the Act, shall be credited by the STU to such Transmission Licensee as per the Intra State Transmission Charges determined by the Commission under relevant Tariff Order, within five working days from the date of collection.

(7) All TSU's shall ensure timely payment of Transmission Charges to STU so as to enable STU to make timely settlement of claims raised.

(8) The excess amount, if any, after disbursement of transmission charges, shall be kept by STU in the separate account, to which Commission shall allow the carrying cost at bank rate for the respective year.

(9) In case of any shortfall in collection of transmission charges, the STU shall make disbursement proportionately and such shortfall amount shall be considered in true up along with carrying cost at bank rate for the respective year.

(10) The STU shall prepare a procedure for recovery of Intra State Transmission Charges under these Regulations, which shall be binding on all Transmission System Users and shall submit the same within three months for approval of the Commission.

32. Transmission Pricing Framework

The Commission may, after conducting a detailed study and due regulatory process, change the existing transmission pricing framework to one considering factors such as voltage, distance, direction and quantum of flow based, etc., or the methodology specified by the Central Electricity Regulatory Commission, as the Commission may deem appropriate.

33. Transmission Losses

The energy losses in the Intra-State transmission system, as determined by the State Load Despatch Centre and approved by the Commission, shall be borne by the Transmission System Users in proportion to their usage of the Intra-State transmission system.

CHAPTER 8

GRANT OF SUBSIDIES BY STATE GOVERNMENT

34. Manner of grant of subsidy by State Government

If the State Government requires to grant subsidy to any consumer or class of consumers in the Tariff determined by the Commission, the same shall be provided as per Section 65 of the Act.

CHAPTER 9

MISCELLANEOUS

35. Savings

(1) Nothing in these Regulations shall be deemed to limit or otherwise affect the power of the Commission to make such orders as may be necessary to meet the ends of justice.

(2) Nothing in these Regulations shall bar the Commission from adopting in conformity with provisions of the Act, a procedure which is at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of a matter or a class of matters, deems it just or expedient for deciding such matter or class of matters.

(3) 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 in a manner, as it considers just and appropriate.

36. Power to remove difficulties

If any difficulty arises in giving effect to the provisions of these Regulations, the Commission may, by general or specific Order, give directions, not inconsistent with the provisions of the Act, as may appear to be necessary or expedient for the purpose of removing difficulties.

37. Power to Amend

The Commission may, at any time add, vary, alter, modify or amend any provision of these Regulations.

38. Power to Relax

The Commission may by general or special order, for reasons to be recorded in writing, and after giving an opportunity of hearing to the necessary parties, may relax any of the provisions of these Regulations on its own motion or on an application made before it by an interested person.

By Order of Commission

Secretary
Uttar Pradesh Electricity Regulatory Commission

Annexure-A

Depreciation Schedule for Existing Assets Capitalised on or before 31.03.2025

Description of Assets			Depreciation Rate
A.	Land owned under full title		0.00--
B.	Land held under lease		
a)	for investment in the land		3.34%
b)	for cost of clearing the site		3.34%
C.	Assets Purchased New:		
a)	Building & civil engineering works of permanent character		
	i)	Offices & showrooms	3.34%
	ii)	Temporary erection such as wooden structures	100%
	iii)	Roads other than kutcha roads	3.34%
	iv)	Others	3.34%
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	5.28%
	ii)	Others	5.28%
c)		Switchgear including cable connections	5.28%
d)		Lightning arrestors	
	i)	Station type	5.28%
	ii)	Pole type	5.28%
	iii)	Synchronous condenser	5.28%
e)		Batteries	9.00%
	i)	Underground Cable including joint boxes and disconnected boxes	5.28%
	ii)	Cable duct system	5.28%
f)		Overhead lines including supports:	
	i)	Lines on fabricated steel operating at nominal voltages higher than 66 kV	5.28%
	ii)	Lines on steel supports operating at nominal voltages higher than 13.2 kilovolts but not exceeding 66 kilovolts	5.28%
	iii)	Lines on steel or reinforced concrete supports	5.28%
	iv)	Lines on treated wood supports	5.28%
g)		Meters	9.00%
h)		Self propelled vehicles	9.00%
i)		Air conditioning plants:	
	i)	Static	5.28%
	ii)	Portable	9.00%
j)		Furniture and Fittings	
	i)	Office furniture and fittings	6.33%

Description of Assets			Depreciation Rate
	ii)	Office equipments	6.33%
	iii)	Internal wiring including fittings and apparatus	6.33%
	iv)	Street light fittings	5.28%
k)		Apparatus let on hire	
	i)	Other than motors	9.00%
	ii)	Motors	6.33%
l)		I.T. equipments including software	15.00%
m)		Any other assets not covered above	5.28%

Annexure-B

Depreciation Schedule for Existing Assets Capitalised After 31.03.2025

Description of Assets			Depreciation Rate
A.	Land owned under full title		0.00--
B.	Land held under lease		
a)	for investment in the land		3.34%
b)	for cost of clearing the site		3.34%
C.	Assets Purchased New:		
a)	Building & civil engineering works of permanent character		
	i)	Offices & showrooms	3.34%
	ii)	Temporary erection such as wooden structures	100%
	iii)	Roads other than kutcha roads	3.34%
	iv)	Others	3.34%
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	4.22%
	ii)	Others	4.22%
c)		Switchgear including cable connections	4.22%
d)		Lightning arrestors	
	i)	Station type	4.22%
	ii)	Pole type	4.22%
	iii)	Synchronous condenser	4.22%
e)		Batteries	9.00%
	i)	Underground Cable including joint boxes and disconnected boxes	4.22%
	ii)	Cable duct system	4.22%
f)		Overhead lines including supports:	4.22%
	i)	Lines on fabricated steel operating at nominal voltages higher than 66 kV	4.22%
	ii)	Lines on steel supports operating at nominal voltages higher than 13.2 kilovolts but not exceeding 66 kilovolts	4.22%
	iii)	Lines on steel or reinforced concrete supports	4.22%
	iv)	Lines on treated wood supports	4.22%
g)		Meters	9.00%
h)		Self propelled vehicles	9.00%
i)		Air conditioning plants:	
	i)	Static	4.22%
	ii)	Portable	9.00%
j)		Furniture and Fittings	
	i)	Office furniture and fittings	6.33%

Description of Assets			**Depreciation Rate**
	ii)	Office equipments	6.33%
	iii)	Internal wiring including fittings and apparatus	6.33%
	iv)	Street light fittings	4.22%
k)		Apparatus let on hire	
	i)	Other than motors	9.00%
	ii)	Motors	6.33%
l)		Communication Equipment	
	i)	Radio and High- Frequency Carrier System	15.00%
	ii)	Telephone lines and telephones	15.00%
	iii)	Fibre Optic/OPGW	6.33%
l)		I.T. equipments including software	15.00%
m)		Any other assets not covered above	4.22%

Note: Useful life of the assets shall be derived based on the depreciation rate provided in the above table.

Annexure-C

Procedure for calculation of Transmission System Availability Factor for a Month

1) Transmission System Availability Factor for a Calendar Month (TAFM) shall be calculated by the respective Transmission Licensee, got verified and certified by the SLDC and separately for each A.C. Transmission System and grouped according to sharing of transmission charges.

2) TAFM, in percent, shall be equal to (100-100 x NAFM), where NAFM is the non-availability factor in per unit for the month, for the Transmission System / sub-system.

3) NAFM for A.C. systems / sub-systems shall be equal to:

$$= \frac{\left[\sum_{l=1}^{L}(OH_l \times Cktkm_l \times NSC_l) + \sum_{t=1}^{T}(OH_t \times MVA_t \times 2.5) + \sum_{r=1}^{R}(OH_r \times MVAR_r \times 4)\right]}{THM \times \left[\sum_{l=1}^{L}(Cktkm_l \times NSC_l) + \sum_{t=1}^{T}(MVA_t \times 2.5) + \sum_{r=1}^{R}(MVAR_r \times 4)\right]}$$

Where,

I = identifies a transmission line circuit;
t = identifies a transformer / Inter connecting transformer (ICT);
r = identifies a bus reactor, switchable line reactor or Static VAR Compensation (SVC);
L = total number of line circuits;
T = total number of bus reactors, switchable line reactors and SVCs;
R = total number of bus reactors, switchable line reactors and SVCs;
OH = Outage hours or hours of non-availability in the month, excluding the duration of outages not attributable to the Transmission Licensee,
Ckt km = Length of a transmission line circuit in km;
NSC = Number of sub-conductors per phase;
MVA = MVA rating of a transformer / ICT;
MVAR = MVAR rating of a bus reactor switchable line reactor or an SVC (in which case it would be the sum of inductive and capacitive capabilities);
THM = Total hours in the month;

4) The transmission elements under outage due to following reasons shall be deemed to be available:

   (a) Shutdown availed for maintenance of another transmission scheme or construction of new element or renovation/upgradation/additional capitalisation in an existing system approved by the Commission. If the other transmission scheme belongs to Transmission Licensee, the SLDC may restrict the deemed availability period to that considered reasonably by him for the work involved.

(b) Switching off of a transmission line to restrict over voltage and manual tripping of switched reactors as per the directions of SLDC.

(c) Shutdown of a transmission line due to the Project(s) of National Highways Authority of India, Railways and Border Road Organization, including for shifting or modification of such transmission line or any other infrastructure project approved by Ministry of Power. SLDC may restrict the deemed availability period to that considered reasonable by him for the work involved;

Provided that apart from the deemed availability, any other costs involved in the process of such shutdown of transmission line shall not be borne by the users of the intra-State transmission system.

Provided further that such deemed availability shall be considered only for the period for which users of the intra-State transmission system are not affected by the shutdown of such transmission line.

Provided also that SPC shall standardize the shutdown period required for such shifting or modification works in line with the guidelines issued by CEA if any, so that deemed availability period is not utilised for other than intended purposes.

5) Outage time of transmission elements for the following contingencies shall be excluded from the total time of the element under period of consideration:

(a) Outage of elements due to force majeure events such as war, strike riot, floods, earthquake etc. beyond the control of the Transmission Licensee.

(b) However, onus of satisfying the SLDC that element outage was due to aforesaid events and not due to design failure shall rest with the Transmission Licensee. A reasonable restoration time for the element shall be considered by SLDC and any additional time taken by the Transmission Licensee for restoration of the element beyond the reasonable time shall be treated as outage time attributable to the Transmission Licensee. SLDC may consult the Transmission Licensee or any expert for estimation of reasonable time. Circuits restored through ERS (Emergency Restoration System) shall be considered as available.

6) Outage caused by grid incident / disturbance not attributable to the Transmission Licensee, e.g. faults in substation or bays owned by other agency causing outage of the Transmission Licensee`s elements and tripping of lines, ICTs, etc due to grid disturbance. However, if the element is not restored on receipt of direction from SLDC while normalizing the system following grid incident / disturbance within reasonable time, the element will be considered not available for the period of outage after issuance of SLDC`s direction for restoration.
7) The outage period which can be excluded for the purpose of clause (5) and (6) of this Annexure-C shall be declared as under:
   (a) Maximum up to one month by Member Secretary, SPC;
   (b) Beyond one month and up to three months after the decision at SPC;
   (c) Beyond three months by the Commission for which the transmission license shall approach the Commission along with reasons and steps taken to mitigate the outage and restoration timeline.

Conspectus

to

Draft Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Transmission) Regulations, 2025

April 21, 2025

Introduction

The Commission vide notification 408 dated 23.9.2019 had notified the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulation, 2019 (hereinafter MYT Regulations, 2019) which were applicable for a control period of five (5) years encompassing the financial years 2020-21 to 2024-25. Subsequently, three amendments were also notified on 5.6.2020, 4.1.2022 and 08.01.2025.

Subsequent to the last MYT notification, many changes have been made by the Ministry of Power, Government of India in the Electricity Rules which have a bearing on the determination of ARR and Tariff. As per Section 61 of the Act, the Commission while framing the instant Regulations is guided by the certain applicable principles and methodologies specified by the Central Commission for determination of the tariff including the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments, safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner, the principles rewarding efficiency in performance, Multi Year tariff principles and the National Electricity Policy and Tariff Policy.

By means of this Conspectus, the Commission has summarised the key modifications in the instant draft Regulations from the MYT Regulations, 2019 (as amended from time to time) along with rationale for the changes.

1. **<u>Segregation of Regulations for Transmission and Distribution Business</u>**

   The Commission had issued the UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 which provided the principles and guidelines for determination of ARR/ APR/ True-up for the Distribution and Transmission Licensees for the period from 1.4.2020 to 31.3.2025. After the issuance of the 2019 Regulations, several new Transmission Licenses and one new Distribution License have been issued by the Commission.

   In the instant control period, the Commission has decided to frame separate Regulations for Distribution Business and Transmission Business so that there is focussed approach for each business as the same are distinct in nature, consumer focus, size, risk, capital requirement, etc.

2. **<u>Modifications in the Definitions</u>**

To avoid repetition and provide clarity, certain definitions have been modified or added in the draft Regulations The same are as below:

(i) Accounting Statement

The balance sheet and profit and loss account schedules provided in the audited accounts club various general ledger accounts, thus making it difficult for the Commission to know which head of expenses were clubbed under any item. For example, "miscellaneous expense" is typically an expense item under the A&G expenses. However, it may have included CSR expenses which cannot be part of the ARR as the same have to met out of profits. To safeguard consumer interest and ensuring transparency in tariff determination, the definition of Accounting Statement is being modified to include trial balance. Trial balance is a detailed financial statement that records the final balances of all ledger accounts at the end of the financial year.

(ii) Bank Rate

Bank rate has been added in the definition section and has been defined as the Bank Rate as declared by the Reserve Bank of India from time to time.

(iii) Bulk Power Transmission Agreement

Bulk Power Transmission Agreement has been added in the definition section and has been defined as an agreement that contains the terms and conditions under which a Transmission System User is entitled to access to an intra-State transmission system of a Transmission Licensee.

(iv) Connection Agreement

Connection Agreement has been added in the definition section and has been defined as per the UPERC (Grant of Connectivity to intra-state system) Regulation, 2010; referring to an agreement between the State Transmission Utility, intra-State Transmission Licensee (other than the State Transmission Utility if any) and any applicant setting out the terms relating to connectivity to the intra-State transmission system.

(v) Change in Law

The definition of change in law is being modified to include the change in taxes and duties or introduction of new tax or duty levied by the State or Central Government, judicial pronouncements, Orders of the Central and/or State

Governments as the same are binding on the Licensees and they have no control to mitigate / manage such events.

(vi) Force Majeure

The definition of Force Majeure in the previous regulations provided that factors associated with Act of God shall be considered as Force majeure if these are in excess of the statistical measures for the last hundred years. In case of Transmission Licensees, such data might not be relevant. Therefore, it is deemed appropriate to remove this provision. Further, the instances pertaining to delay in obtaining statutory approvals for projects or delay in land acquisition for projects are being included in the definition in case where such delays are not attributable to the Transmission Licensee.

(vii) Implementation Agreement

The definition of Implementation Agreement has been modified and has been defined as any multi-party agreement or covenant entered among the generating company and/ or the Transmission Licensee(s) of the interconnected/associated transmission system for the execution of generation and transmission projects in a coordinated manner, laying down the project implementation schedule and mechanism for monitoring the progress of the projects. This is to mandate an agreement between Transmission Licensee and other party on implementation schedule and related provisions.

(viii) Indian Government Instrumentality

The definition of Indian Government Instrumentality has been included in the Regulation under 'Change in Law' section and defined as any ministry department, board, authority, agency, corporation and commission under direct or indirect control of the Government of India or the State Government(s) or both or Appropriate Commission (s) or tribunal or judicial or quasi-judicial body.

(ix) Project

Project has been added in the definition section and has been defined as all components and elements of the Transmission system including communication system.

(x) Transmission Capacity Rights

The Commission has proposed to include the definition of "Transmission Capacity Rights," which refers to the entitlement of a Transmission System User to transfer power, measured in MW, under normal conditions, between designated points of injection and drawal.

The same has been defined to determine the Transmission Capacity Rights (TCR) for fair allocation of the Total Transmission System Cost (TTSC) among Transmission System Users (TSUs).

(xi) Year

Year has been added in the definition section and has been defined as the financial year ending on 31st March.

i. Current Year refers to the year in which the statement of annual accounts or tariff determination application is submitted.
ii. Ensuing Year refers to the year immediately following the current year.
iii. Previous Year refers to the year immediately preceding the current year

3. **Framework of Filing for Determination of Tariff**

The Commission has decided to dispense with the requirement of filing of Business Plan by the Transmission Licensees as in case of transmission, State Transmission Utility (STU) under the Electricity Act, 2003 has been mandated to discharge all functions of planning and coordination related intra-State transmission system and to ensure development of an efficient, coordinated and economical system of intra-State transmission lined for smooth flow of electricity from generating stations to the load centres. Further, the Commission in UPERC (Modalities of Tariff Determination) Regulations, 2023 has provided that STU shall prepare an updated Transmission System Plan for the State (identifying specific transmission projects which are required to be taken up on rolling basis every year and all intra-State transmission projects of Transmission Licensees shall be consistent with the STU Transmission Plan.

Intra-State transmission planning is exclusively mandated to STU under the Act therefore, submission of five-year business plan is not essential. Moreover, Transmission Licensee are filing on quarterly basis, capital expenditure schemes/projects above Rs. 20 crores for prior approval of the Commission, which is required to be part of STU Transmission Plan. Hence, requirement of filling of business plan is not considered in these draft regulations.

4. **Transparency in Public Consultation Process**

The Commission in previous public hearings for tariff determination had received various feedback from stakeholders regarding lack of publicity of tariff filings by Transmission Licensees, unavailability of petitions in text-searchable format and downloadable spreadsheets, etc. With a view to address such concerns of stakeholders, Commission has proposed specific directions in the instant Regulations with respect to time-bound and wider publicity of tariff filing process, easy accessibility of petitions in downloadable and text-searchable format of both tariff petitions and tariff formats.

5. **Method for Determination of Tariff for Augmentation/Strengthening Works Executed by TBCB Developer**

For simplification of the tariff determination process and to avoid multiple petitions under Section 63, regarding augmentation and strengthening works under the Modalities of Tariff Regulation, 2023, the Commission has proposed that such works to be undertaken by the respective TBCB developer/ Transmission Licensee in whose premises work is to be carried out. The cost for these works will be transferred by UPPTCL, as approved by the Commission and would be claimed in its ARR/tariff petition as per the Regulations.

The Operation & Maintenance for such works will be borne by the respective Transmission Licensee/developer, for which normative Repair & Maintenance expenses will be transferred by UPPTCL as per the Tariff Order issued by the Commission from time to time. Further, UPPTCL will submit, within three months of notification of these Regulations, a procedure for cost finalisation, bidding by TBCB developers, and fund transfer for both capex and O&M, for Commission's approval. In addition, the provisions under Regulation 7.2 of the UPERC (Modalities of Tariff) Regulations, 2023, shall stand superseded to the extent of inconsistency.

6. **Procedure for Delay in Commercial Operation and Commercial Settlement in case of Mismatch in Date of Commercial Operation**

The Commission has introduced a new chapter in the draft MYT Regulations to address to the treatment of mismatch in COD between generating stations, transmission systems, and interconnected systems.

This chapter outlines to give prior notice of at least one month, to the generating company or the other Transmission Licensee and the long-term customers of its transmission system, as the case may be, regarding the date of commercial operation, and the submission of essential documentation such as energization and trial operation certificates. The objective is to ensure transparency and accountability in declaring the readiness of transmission systems or elements for commercial operation, especially when dependencies on other generating stations or interconnected systems exist.

In the event of a mismatch in COD, the Commission has proposed mechanisms to fairly allocate liability for transmission charges. These provisions are designed to shield stakeholders from financial burdens arising due to delays that are outside their control. As per the provisions, the generating companies will be liable for transmission charges if their stations are not operational while the associated transmission system is ready, and vice versa for Transmission Licensees. Further, in case of default by more than one entity, the liability for the transmission charges shall be shared in equal ratio until the default is rectified by either entity. Upon rectification of the default by one party, the entire liability shall be shared again equally by the remaining defaulting entity/ies.

Through these regulations, the Commission aims to minimize disputes, enhance coordination among stakeholders, and ensure the efficient use of transmission infrastructure, while maintaining a balanced approach to cost and liability management. The Commission has also proposed that these clauses shall also be applicable on Transmission Licensees, whose tariff is adopted under Section 63 of the Act, which will also reduce prevailing disputes under Transmission Service Agreement.

7. **<u>Controllable Factors</u>**

In the MYT Regulations, 2019, the variation in capital expenditure on account of time and/ or cost overrun on account of land acquisition issues was considered as Controllable Factor. In the draft Regulations, it is provided that variation in all kinds of capital expenditure will be considered as Controllable Factor, however, such variation should not have occurred due to an approved change in scope of such project, change in statutory levies or force majeure events. Thus, only such events over which the Transmission Licensee is having control is treated as Controllable Factor.

8. **Treatment of Gains or Losses on Account of Controllable Factors**

The Commission has examined and observes that the prevailing mechanism of sharing of gains or losses on account of Controllable Factors need to be modified to incentivize the Transmission Licensees to improve operational efficiency as the principle for rewarding efficiency in performance in accordance with Section 61 of the Act.

> *"Clause 8.1 of the National Tariff Policy specifies as under:*
>
> *"8.1 Implementation of Multi-Year Tariff (MYT) framework*
>
> *…*
>
> *2) The State Commissions should introduce mechanisms for sharing of excess profits and losses with the consumers as part of the overall MYT framework. In the first control period the incentives for the utilities may be asymmetric with the percentage of the excess profits being retained by the utility set at higher levels than the percentage of losses to be borne by the utility. This is necessary to accelerate performance improvement and reduction in losses and will be in the long-term interest of consumers by way of lower tariffs."*

Therefore, the principle of sharing gains and losses with the consumers is a principle well-settled in law.

In view of the above, the draft Regulations provide for a framework for sharing of gains and losses on account of variation with respect to each components of Operation & Maintenance expenses.

9. **Additional Capitalisation**

The Commission has proposed certain revisions to the existing framework for additional capitalisation to ensure clarity, regulatory consistency, and recognition of necessary investments.

Additional capital expenditure, both within and beyond the original scope of work, may be allowed subject to prudence check. Within-scope capex before or after the cut-off date may be admitted for deferred works, legal obligations, change in law, or force majeure. Beyond-scope capex may be considered for safety, statutory compliance, flexible operations, and improved fuel logistics, with prior approval and cost-benefit analysis.

Expenditure below ₹50 lakh is to be met from normative O&M..

10. **Salvage Value of IT Equipment, Software and Underground Cable**

Salvage value also called the residual value or scrap value is the estimated worth or the estimated resale value of an asset at the end of its useful life. The salvage value in case of assets such as IT equipment, software and underground cable is pegged to be 100% as they are expected to have no resale value at the end of its useful life because of obsolescence, being worn out, etc.

11. **Reduction in Rate of Interest on Working Capital**

The interest on working capital equal to the weighted average SBI MCLR (1-year) as on date on which Petition for determination of Tariff is filed plus 200 basis points is being allowed as the same is reflective of the current foreseeable macro-economic conditions pertaining to interest rate regime and actual rates applicable on working capital loan portfolio of the Transmission Licensees of the State.

12. **Bank and Finance Charges**

Bank and Finance charges are genuine minor expenses towards items such as RTGS charges, demand draft charges, transaction fees, etc. instead of including them under A&G expenses, the Commission has decided to allow them separately as new ARR item.

13. **Treatment of Carrying Cost on Revenue Surplus**

In the event of surplus being determined in the ARR/True-up, one option is to reduce the tariff. However considering uniform State tariff, which is currently in vogue in the State, there are possibilities that the revenue surplus is carried forward to ensuing year(s). In such cases, it is expected that the Transmission Licensee shall first utilise the revenue surplus towards its working capital requirement (which currently is being provided equal to rate of interest on working capital) and balance revenue surplus, if any, shall be then invested in risk free securities such as RBI bonds, Government Securities Bonds, Fixed Deposits with Scheduled Banks, etc. This is necessary to ensure there is principal / capital protection as the revenue surplus belongs to the Transmission System Users (TSUs) of the Transmission Licensee. It is also important to note that income tax would be deducted on the interest on investment income and revenue surplus should be available to the consumers on post tax basis. Accordingly, the carrying cost on the revenue surplus after adjustment towards working capital requirement shall be eligible for carrying cost as per the Bank Rate published by the Reserve Bank of India net of applicable tax rate for the relevant year. Interest on working capital will be payable only on residual working capital requirement, if any.

14. **Operation and Maintenance (O&M) Expenses**

The MYT Regulations 2019 provided norms for O&M expenses considering the Trued-up value for last five years. The approval granted by the Commission has been analysed viz-a-viz audited O&M expenses. It is observed that the approved O&M expenses are significantly below actual expenses. While the Commission is duty bound to ensure that consumers are not unduly burdened with tariff, it is also vested with the responsibility to ensure that the Licensees get fair recovery of cost while promoting efficiency in operations. Disallowance in O&M expenses over a period of time, would lead to lack of adequate investment in maintenance activities of the transmission network, leading to drop in quality of services. In view of the same, the Commission finds it appropriate to readjust the base value of O&M expenses.

In view thereof, the Commission has provided norms for Employee expenses and A&G expenses considering the audited values for last five financial years for arriving at the base year which shall be increased based on inflation (CPI in case of employee expenses and WPI in case of A&G expenses).

In addition to the foregoing, the Licensee is undertaking substantial investments in emerging technologies, which are anticipated to result in operational efficiency. Accordingly, the Commission has proposed the fixation of a growth factor for employee expenses in the draft regulations. Furthermore, certain cost elements that were previously classified under capital expenditure are now expected to be incurred as operational expenditure. To address such reclassification, the Commission has proposed the introduction of a separate provision under the head of Administrative and General (A&G) expenses within the draft regulations for the appropriate treatment of such expenditures.

Further, in case of Repair and Maintenance (R&M) expenses, the Commission allows 2% of the opening Gross Fixed Assets (GFA) approved by the Commission for the first year of the Control Period. The normative Repair and Maintenance expense for subsequent years of the control period, shall be allowed at 2% of the incremental GFA of the respective year in addition to the normative R&M value of previous year along with an annual escalation based on the Wholesale Price Index (WPI) inflation.

15. **Asset Monetisation Studies**

Asset monetization is crucial for a Transmission Licensee as it may help in improving profitability, cash flow, and support in operational efficiency. The Commission has directed the Transmission Licensees to undertake an asset monetization study within six months of the notification of the final Regulations as it may help unlock new revenue streams for Transmission Licensees.

16. **Deletion of Provision Pertaining to Creation of Contingency Reserve**

As no Transmission Licensees has created contingency reserve over the years. Hence, the same is being dispensed with, in the draft MYT regulations. The Commission shall revisit the requirement of creating a contingency reserve in the next control period.

17. **Interest During Construction (IDC)**

The Commission, in the draft regulation, has refined the treatment of Interest During Construction (IDC) by introducing a more structured and detailed framework compared to the earlier regulation. While the earlier regulation allowed or disallowed excess IDC on a case-to-case basis after a prudence check, the draft regulation provides clearer guidelines on IDC computation, including differentiation between actual and normative loans, interest rates applicable before and after loan infusion, and the treatment of IDC in cases of excess equity infusion. Additionally, the draft regulation establishes specific criteria for IDC adjustments in case of project delays, explicitly linking IDC disallowance to delays attributable to the Transmission Licensee, contractor, or supplier, while allowing IDC if the delay is beyond the Licensee’s control. The treatment of liquidated damages has also been detailed further, specifying that damages recovered shall be adjusted against capital cost or retained by the Licensee in proportion to the non-condoned delay. Moreover, the draft regulation introduces a provision for allowing up to 95% of IDC in cases where the delay exceeds six months due to factors like forest clearance, NHAI clearance, or railway permissions. These refinements enhance regulatory clarity, ensuring prudent cost recovery while discouraging inefficiencies in project execution.

18. **Income from Investment under Non-Tariff Income**

In the draft MYT Regulations, the Commission has proposed that the Non-Tariff Income related to the Transmission Business, as approved by the Commission, will be deducted from the Aggregate Revenue Requirement (ARR) when determining the Annual Transmission Charges of the Transmission Licensee. This practice would ensure that the revenue earned from sources other than tariff-based charges is accounted for in the cost structure, ultimately benefiting consumers.

Further, in view of APTEL judgment, the Commission provides that income from investment out of shareholders' funds shall not be included in Non-tariff income to be reduced from the ARR. However, the same shall be subject to prudence check of requisite detailed information submitted by the Licensee to the Commission.

19. **Sharing of Income from Advertisements**

Non-tariff income is passed on to the consumers. However, in the instant Regulations, it is provided that income from advertisements shall be shared between the Transmission Licensee and the consumers in the ratio of 30% and 70%, respectively as this may encourage the Transmission Licensee in increasing such revenue which will not require much efforts.

20. **Depreciation Schedule**

In the Draft MYT Regulations, the Commission in line to the approach followed by the Central Electricity Regulatory Commission (CERC) has proposed to go ahead with two depreciation schedules namely Annexure-A for existing assets capitalised on or before 31.03.2025 and Annexure-B for new assets to be capitalised during the control period, wherein loan tenure has been pegged at 15 years for new assets.

21. **Determination of Intra-State Transmission Tariff & Sharing of TTSC**

Historically, the transmission network in the State of Uttar Pradesh has been developed over the period by the Uttar Pradesh Power Transmission Co. Ltd (UPPTCL, which is a successor entity of erstwhile UPSEB/UPPCL). With the increasing addition of transmission elements under Section 63 into the intra-State transmission network, there arose a need for a methodology ensuring that all Transmission System Users (TSUs) contribute equally to the use of the InSTS. At present, there are eight (8) Intra-State Transmission Licensees under Section 63 and UPPTCL under Section 62 of the Act in the State of Uttar Pradesh, namely:

1. Uttar Pradesh Power Transmission Co. Ltd (UPPTCL)
2. Western U P Power Transmission Company Ltd. (WUPPTCL)
3. South East U P Power Transmission Company Ltd. (SEUPPTCL)
4. Ghatampur Transmission Limited (GTL)
5. Obra 'C' Badaun Transmission Limited (OBTL)
6. POWERGRID Jawaharpur Firozabad Transmission Ltd (PJFTL)
7. POWERGRID Meerut Simbhavali Transmission Ltd (PMSTL)
8. POWERGRID Rampur Sambhal Transmission Ltd (PRSTL)
9. POWERGRID Gomti Yamuna Transmission Limited (PGYTL)

Further as per the National Tariff Policy, the ultimate objective of transmission pricing should be to get Transmission System Users to share the total transmission cost in proportion to their respective utilization of the transmission system. In a networked environment, the flow of power assumes the path of least resistance and therefore, change of flow in one transmission element may affect flows in other transmission element of another licensee without necessarily having contracted for such flow. The transmission costs of all Transmission Licensees shall be spread across all Distribution Licensees and other Transmission System Users (TSUs) and to recover the transmission charges for the Intra State Transmission System ARRs and ATSCs of all Transmission Licensees are to be pooled together. The transmission charges are dependent on extent of usage of 'intra-State transmission system" irrespective of whether TSUs are connected to a particular Transmission Licensee's network or otherwise. However, the Commission opines that in order to promote transmission open access across the State and to enable competition, transmission pricing should be based on composite transmission charges and linked to utilization of transmission capacity for intra-State transmission system (InSTS). Under integrated network environment, augmentation and network expansion benefits all. Thus, composite transmission charge methodology for InSTS recognizes need for socializing such costs.

Accordingly, the Total Transmission System Cost (TTSC) represents the aggregate annual cost to be recovered from Transmission System Users (TSUs) for using the intra-State transmission system. It is determined by pooling the following:

a. Annual Revenue Requirements (ARR) of Transmission Licensees under Section 62 of the Electricity Act, 2003, as approved by the Commission.
b. Annual Transmission Service Charges (ATSC) of competitively bid transmission projects under Section 63 of the Act, adopted by the Commission.

The pooled cost ensures equitable recovery of expenses associated with operating and maintaining the transmission infrastructure.

Linking the recovery of ARR to energy units transmitted and denominating the Transmission Tariff in Rs/kWh would provide a mechanism that would be very simple to understand and easy to implement. However, the same may expose the Transmission Licensee to risk of under-recovery or over recovery of transmission charges in case actual energy units handled by Transmission Licensee are lower or more than the base energy units assumed to be handled by transmission system for the purpose of determination of transmission tariff. Moreover, transmission tariff mechanism linked to energy units may not be consistent with the transmission pricing mechanism adopted at regional level.

Therefore, it is proposed that the transmission tariff is to be determined in Rs. MW/month however, it would be prudent that in first phase and for smooth transition, Rs. MW/month charges are made applicable for Distribution Licensees only and for the time being, Open Access Customers other than Distribution Licensees are continued as per earlier methodology considering energy units transmitted and denominating the transmission tariff in Rs/kWh. While selecting the parameter for recovery, i.e., capacity (MW) or energy units (kWh), it should be noted that significant components of transmission costs are fixed in nature. The advantage of linking recovery to capacity is that it provides the right commercial signal to users for contracting/blocking the available transmission capacity only if it is required for use.

Thus, it is proposed to determine transmission tariff based on share or contribution of Distribution Licensee towards yearly average of daily max InSTS drawal and yearly max InSTS drawal. It is also proposed that equal weightage (50:50 ratio) of both shall be given to determine the base TCRs of each Distribution Licensees.

Further, the recovery of ARR of transmission utilities or Annual Transmission Service Charge (ATSC) in case of competitively awarded transmission projects, as the case may be, shall be based on a 'pooled cost' principle wherein the ARR/ATSC of all the Transmission Licensees will be pooled together and shared among the Transmission System Users (Distribution Licensees) based on their share towards yearly average of daily max InSTS drawal and yearly max InSTS drawal.

The salient features of the proposed arrangement of 'Transmission Pricing' of Intra State Transmission System (InSTS) are as under.

(i) Intra-State transmission system comprise composite transmission network of UPPTCL, TBCB licensees and any other Transmission Licensee(s) in future.

(ii) Transmission Licensee(s) shall submit its MYT Petition to the Commission in accordance with the Tariff Regulations and seek its approval or seek adoption of ATSC in case of competitively awarded transmission system component, as the case may be.

(iii) The Commission shall approve Aggregate Revenue Requirement of Transmission Licensee every year.

(iv) Total of the yearly Aggregate Revenue Requirements for all Transmission licensees, as approved by the Commission, shall form the "Pooled Cost" (or hereinafter termed as "Total Transmission System Cost – TTSC) of the Intra-State transmission system, to be recovered from the Transmission System Users (TSUs) for the year.

(v) The Commission shall approve yearly 'Base Transmission Capacity Rights' and accordingly determine yearly 'Intra State Transmission Tariff' for the same.

(vi) Intra State Transmission Tariff' for the year is derived as 'TTSC' of intra- State transmission system divided by 'Base Transmission Capacity Rights' and denominated in terms of "Rs/MW/month" (for Distribution Licensees) or "Rs/kWh" (for Open Access Customers other than Distribution Licensees).

(vii) In case of revision in Base Transmission Capacity Rights of distribution licensee occurring due to increase in the actual from approved, the same shall be dealt under true up as per actual. However, in case of decrease in actual from approved, no revision under true up shall be allowed.

(viii) Sharing of TTSC of distribution licensees shall be as per adjusted base TCR which will be derived after deducted billed demand of Partial Open Access Consumer from Base TCR.

(ix) UPSLDC, is responsible for undertaking recording of state-wide energy accounts, monitoring power flows and recording utilization of capacity across intra-State transmission system. It shall continue to undertake State-wide energy accounting and determination of transmission losses for intra-State transmission system.

22. **Recovery of Intra-State Transmission Charges**

The State Transmission Utility (STU) has been given the responsibility of billing and collection of Intra-State Transmission charges from Transmission System Users (TSUs). The STU have to maintain a separate account for the same. Provisions have been made for transmission charges related to projects under Section 63 of the Electricity Act, ensuring that these charges are adjusted based on the actual payments made by Distribution Licensees.

The STU is responsible for ensuring the timely disbursement of transmission charges to Transmission Licensees within five working days from the collection of those charges.

Any excess recovery of transmission charges will be adjusted during the True-Up process, with the applicable carrying cost as per the bank rate for the relevant year. Further in case of under recovery, disbursement will made on proportionate basis and the treatment of the same will be done in True Up process with the applicable carrying cost as per the bank rate for the relevant year.

The illustration of the TTSC and Cost-Sharing Methodology is shown in Annexure-1.

Annexure-1

Illustration of the TTSC and Cost-Sharing Methodology

Total Transmission System Cost (TTSC)

- ARR for Transmission Licensees (under Section 62): ₹70,000
- ATSC for Competitively Bid Projects (under Section 63): ₹30,000
- TTSC=Sum of ARR + Sum of ATSC=70,000+30,000=₹100,000

Base Transmission Capacity Rights (Base TCR)

TSU	Daily Avg Drawal (X)	Max Drawal (Y)	Base TCR = (X+Y)/2
TSU1	400 MW	600 MW	(400+600)/2 = 500 MW
TSU2	300 MW	500 MW	(300+500)/2 = 400 MW
TSU3	200 MW	400 MW	(200+400)/2 = 300 MW
	Total Base TCR		1200 MW

Adjusted Base TCR

TSU	Base TCR (MW))	Billed OA Demand (MW)	Adjusted Base TCR
TSU1	500 MW	50 MW	(500-50) = 450 MW
TSU2	400 MW	30 MW	(400-30) = 370 MW
TSU3	300 MW	20 MW	(300-20) = 280 MW
Total Adjusted Base TCR (MW)			**1,100 MW**

Sharing of TTSC

TSU	Adjusted Base TCR (MW))	Share of Total Adjusted Base TCR (%)	Annual Transmission Charges (₹)
TSU1	450 MW	(450/1,100) = 40.91%	100,000×40.91%=₹40,909
TSU2	370 MW	(370/1,100) = 33.64%	100,000×33.64%=₹33,636
TSU3	280 MW	(280/1,100) = 25.45%	100,000×25.45%=₹25,455