

Uttar Pradesh Electricity Regulatory Commission

Vidyut Niyamak Bhawan, Vibhuti Khand, Gomti Nagar, Lucknow-226010

No. UPERC/Secy/D (Tariff)/25- 1426

Dated: 16 January, 2025

PUBLIC NOTICE

In the matter of:

Inviting Comments on Draft Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution) Regulations, 2025

The Commission has framed draft Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution) Regulations, 2025. The draft Regulations and Conspectus are put up on the website of the Commission. The comments of all stakeholders and public at large are invited on the aforesaid draft Regulations. The comments must reach the Commission in hard and soft copies by February 13, 2025. The Public Hearing on the matter shall be held on February 19, 2025 at 11:00 hours in the office of the Commission.


Secretary

Ph: 0522-2720426, 2720427

Fax: 2720423

E-mail: secretary@uperc.org

**DRAFT UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION
(MULTI-YEAR TARIFF FOR DISTRIBUTION) REGULATIONS, 2025**

CONTENTS		
1	Short title, Extent, Applicability and Commencement	4
2	Definitions	4
PART- A: GENERAL PRINCIPLES		10
3	Multi-Year Tariff Framework	10
4	Petitions to be filed in the Control Period	10
5	ARR Petition	11
6	True-Up	13
7	Annual Performance Review	14
8	Controllable and Uncontrollable Factors	14
9	Treatment of Gains or Losses on Account of Uncontrollable Factors	15
10	Treatment of Gains or Losses on Account of Controllable Factors	15
PART- B: PROCEDURE FOR DETERMINATION OF ARR / TARIFF		17
11	Determination of Tariff for Licensee	17
PART C: POWER PROCUREMENT		18
12	Applicability	18
13	Power Procurement Guidelines and Plan	18
14	Additional Power Procurement	21
15	Treatment of Surplus Power	21
16	Fuel and Power Purchase Adjustment Surcharge	22
PART D: FINANCIAL PRINCIPLES		26
17	Financial Prudence	26
18	Capital Expenditure/ Cost and Capital Structure	28
19	Debt-Equity	30
20	Depreciation	31
21	Return on Equity	32
22	Interest on Long- Term Loan	33
23	Banking and Finance Charges	34
24	Hedging Cost of Foreign Exchange Rate Variation (FERV)	34
25	Interest on Working Capital	34

26	Income Tax	35
27	Rebate, Incentive, Penalties and Miscellaneous	36
PART E: DETERMINATION OF ARR FOR DISTRIBUTION LICENSEES		37
28	Separation of Accounts of Distribution Licensee	37
29	Components of ARR for Distribution Licensee	38
30	Sales forecast	39
31	Distribution Loss	40
32	Capital Investment Plan	40
33	Operation and Maintenance Expenses	41
34	Provision for Write-off of Bad and Doubtful Debts	44
35	Non-Tariff Income	45
36	Income from Other Business	46
37	Cross-Subsidy Surcharge	46
38	Additional Surcharge	47
39	Wheeling Charges	48
40	Other Charges	48
41	Time of Day Tariff	48
42	Determination of Retail Supply Tariff	49
PART F: GRANT OF SUBSIDIES BY STATE GOVERNMENT		50
43	Manner of grant of subsidy by State Government	50
PART G: GREEN ENERGY TARIFF		51
44	Green Energy Tariff	51
PART H: FUTURE/ NEW DISTRIBUTION LICENSEES		52
45	Restructuring/ Privatisation of the Licensees under the Act	52
PART I: MISCELLANEOUS		53
46	Savings	53
47	Power to remove difficulties	53
48	Power to Amend	53
49	Power to Relax	53
Annexure A - Depreciation Schedule for Existing Assets Capitalised before 31.03.2025		54

Annexure B - Depreciation Schedule for Existing Assets Capitalised After
31.03.2025

56

**DRAFT UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION
(MULTI-YEAR TARIFF FOR DISTRIBUTION) REGULATIONS, 2025**

In exercise of the powers conferred by Clause (y), (zd), (ze), (zf), (zg), (zh) and (zp) of Sub-Section (2) of Section 181 read with the First Proviso to Section 51, Section 61, Sub-Sections (2) and (5) of Section 62, Sub-Sections (1) and (3) of Section 64, Section 65 and Clause (b) of Sub-Section (1) of 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 Distribution Tariff.

1 Short title, Extent, Applicability and Commencement

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

1.2 These Regulations shall extend to the whole of the State of Uttar Pradesh.

1.3 These Regulations shall be applicable to Distribution Licensees, and their successors for the determination of Aggregate Revenue Requirement (ARR), Annual Performance Review (APR), Tariff, True-Up and related matters covered under these Regulations from April 01, 2025, up to March 31, 2030.

1.4 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 and will be published in the Official Gazette of the Government of Uttar Pradesh.

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

2.1 In these Regulations, unless the context otherwise requires:

- (1) **“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) Category/ Sub-Category wise billed revenue as per the Rate Schedule.
 - viii) Trial Balance for the year matching the accounts with Financial Statements
 - ix) Additional disclosure statements as prescribed under Electricity Distribution (Accounts and Additional Disclosure) Rules, 2024 and any amendment thereof.
- (2) **“Act”** means the Electricity Act, 2003 (36 of 2003), as amended from time to time;
- (3) **“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;
- (4) **“Allocation Statement”** means for each Financial Year, statements in respect of each of the businesses (Wheeling, Retail Supply, Other Business) of the Licensee, showing the amounts of any revenue, cost, asset, liability, reserve or provision etc., which has been either:

- a) 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
 - b) Charged from or to each such Other Business together with a description of the basis of that charge.
- (5) "**ABR**" means Average Billing Rate in Rs. /kWh determined as the sum product of total billed units and approved tariff in each Consumer category divided by total billed units in all Consumer categories for a given period.
- (6) "**Base Year**" means the Financial Year immediately preceding the first year of the Control Period and used for the purpose of these Regulations i.e. FY 2024-25;
- (7) "**Captive Consumption**" means the In-house/ self-consumption of the Distribution Licensee including Offices / Buildings and Guest Houses
- (8) "**Change in Law**" means the occurrence of any of the following events:
- a) enactment, bringing into effect or promulgation of any new Indian law; or
 - b) adoption, amendment, modification, repeal or re-enactment of any existing Indian law; or
 - c) judicial pronouncements, Orders of Central Government and/ or State Government; or
 - d) 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
 - e) change by any competent statutory authority in condition or covenant of any consent or clearances or approval or Licence available or obtained for the Project; or
 - f) any change in taxes or duties, or introduction of any taxes or duties levied by the Central or any State Government;
- (9) "**Commission**" means the Uttar Pradesh Electricity Regulatory Commission (UPERC);

- (10) **“Conduct of Business Regulations”** means the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2019 and its subsequent amendments/addendum or the new Regulations made after the repeal of the same;
- (11) **“Control Period”** means the period comprising of five Financial Years from April 1, 2025, to March 31, 2030, and as may be extended by the Commission;
- (12) **“Date of Commercial Operation” (COD)** means the date of charging of an electrical line or substation of a Distribution Licensee to its declared voltage level or seven days after the date on which it is declared ready for charging by the Distribution Licensee but not able to be charged for reasons attributable to its consumers;
- (13) **“Distribution System”** means the system of wires and associated facilities between the delivery points on the transmission lines or the generating station connection and the point of connection to the installation of the consumers;
- (14) **“Distribution Wire Business”** means the Business of operating and maintaining a distribution system for wheeling of electricity in the area of supply of a distribution Licensee;
- (15) **“Financial Year”** means a period commencing on April 1st of a calendar year and ending on March 31st of the subsequent calendar year;
- (16) **“Force Majeure”** for the purpose of these Regulations means the event or circumstance or combination of events or circumstances including those stated below, which partly or fully prevents the Distribution Licensee from completing the project within the time specified in the Investment Approval, and only if such events or circumstances are not within the control of the Distribution Licensee and could not have been avoided, had the Distribution Licensee taken reasonable care or complied with prudent utility practices:
- a) Act of God including but not limited to lightning, drought, fire and explosion, earthquake, volcanic eruption, landslide, flood, cyclone, typhoon, tornado, geological surprises; or
 - b) Any act of war, invasion, armed conflict or act of a foreign enemy, blockade, embargo, revolution, riot, insurrection, terrorist or military action; or

- c) Industry-wide strikes and labour disturbances having a nationwide impact in India;
- d) Delay in obtaining statutory approvals for the projects where the delay is not attributable to Licensee;
- e) Delay in land acquisition for the projects where the delay is not attributable to Licensee;

(17) "**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.

(18) "**Licence**" means a licence granted under clause (a) and clause (b) of Section 14 of the Act;

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

(20) "**Licensee**" means a person who has been granted a licence under clauses (a) and (b) of Section 14 of the Act and shall include a deemed Licensee;

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

(22) "**Open Access Customer**" means a consumer permitted by the Commission to receive supply of electricity from a person, other than the Distribution Licensee of his area of supply, and the expression includes a Generating Company and a Licensee, who has availed of or intends to avail of Open- Access;

(23) "**Retail Supply Business**" means the Business of sale of electricity by a Distribution Licensee to the consumers within its area of supply in accordance with the terms of the licence;

(24) "**Retail Supply Tariff**" is the Tariff charged by the Distribution Licensee for supply to non Open-Access Customers, which includes charges for Wheeling and Retail Supply;

(25) **“Wheeling Charges”** means the charges for the use of the Distribution System and associated facilities of a Distribution Licensee for the conveyance of electricity;

(26) **“Wheeling Business”** means the business of operating and maintaining a Distribution System for the conveyance of electricity in the area of supply of the Distribution Licensee.

2.2 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.

2.3 The words “Application” or “Petition” shall be interpreted synonymously.

2.4 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 the English and Hindi version of these Regulations, the English version shall prevail.

PART- A: GENERAL PRINCIPLES

3 Multi-Year Tariff Framework

3.1 The Multi-Year Tariff framework shall be based on the following elements, for computation of ARR and expected revenue from Tariff:

- (i) The ARR Petition comprising the forecast of ARR and category/ sub category wise expected revenue from existing and proposed Tariff shall be submitted by the Licensee along with audited / provisional accounts of the previous year and available data of 6 months in books of Accounts for the current Financial Year:
- (ii) Annual Performance Review (APR) of operational and financial performance vis-à-vis the approved forecast shall be submitted annually by the Licensee as per the Table shown in Regulation 4.1;
- (iii) ARR / Tariff Petition along with APR and True-Up shall be submitted annually by the Licensee for each year as stipulated in these Regulations:

4 Petitions to be filed in the Control Period

4.1 The Petitions to be filed in the Control Period under these Regulations will comprise of the following:

Filing date	True- Up	APR	ARR / Tariff
30.11.2024	FY 2023-24*	FY 2024-25*	FY 2025-26**
30.11.2025	FY 2024-25***	FY 2025-26	FY 2026-27
30.11.2026	FY 2025-26	FY 2026-27	FY 2027-28
30.11.2027	FY 2026-27	FY 2027-28	FY 2028-29
30.11.2028	FY 2027-28	FY 2028-29	FY 2029-30

**The Petitions have already been filed as per UPERC (Multi-Year Tariff for Distribution & Transmission Tariff) Regulations, 2019.*

***As per the directions of the Commission, the Petitions have already been filed. Further submissions will be sought as per these Regulations for determination of ARR for FY 2025-26.*

****The filings shall be as per UPERC (Multi-Year Tariff for Distribution & Transmission Tariff) Regulations, 2019, however, filings have to be made on 30th November of the respective year as per these Regulations.*

4.2 The Licensee shall submit the data regarding the above as per Guidelines and Formats prescribed and added/ amended from time to time by the Commission.

5 ARR Petition

- 5.1** The Distribution Licensee shall file the ARR Petition, duly authorised by the Board of Directors or by any Committee/person authorised by the Board in this regard, which shall comprise but not limited to Category/ Sub-category wise number of consumers, connected load, load factor and sales projections, Power Procurement Plan (Renewable Energy and Non-Renewable Energy) and Forecasting, Renewable Purchase Obligation (RPO) Planning and Forecasting, Distribution Loss trajectory (taking into consideration AT&C Loss trajectory agreed by the State Government and approved by the Central Government under any National Scheme or Programme or otherwise), Capital Investment Plan, Financing Plan and physical targets, Equity, Grants, etc., in accordance with Guidelines and Formats as may be prescribed by the Commission, accompanied with applicable fees. The above requirement of the Commission does not exclude the Commission's right to seek any other information in this regard, as deemed necessary.
- 5.2** The Distribution Licensee shall project the realistic power purchase requirement optimised on cost from all Generating Stations and other sources considered for power purchase based on the Merit Order Despatch (MOD)/ Security Constrained Economic Despatch (SCED) principles, Must Run plants and Renewable Energy plants subject to the Renewable Purchase Obligation (RPO) stipulated by the Commission under the relevant Regulations and their subsequent amendments, and the target set, if any, for Energy Efficiency (EE) and Demand Side Management (DSM) schemes, etc.:
Provided that MOD/ SCED principles shall not apply to the purchase of power from Renewable Energy sources up to the RPO stipulated by the Commission.
- 5.3** The forecast of expected revenue from Tariff shall be based on the following:
- (a) In the case of a Distribution Licensee, estimate of the quantum of electricity to be supplied to consumers and wheeled on behalf of Distribution System Users;
Provided that the Distribution Licensee shall submit relevant details of category/ sub-category wise Number of Consumers, Connected Load and Energy Sales projections, status of metering, feeder level/ distribution transformer metering,

diversity factor for various categories of consumers taking seasonality into consideration, etc., for each Distribution Licensee area;

(b) Existing and proposed Tariff as on the date of filing of the Petition.

5.4 The ARR Petition shall be filed by the Licensee that shall include a forecast of ARR and expected revenue from the existing Tariff. Further, the Licensee shall also submit the category/sub-category-wise proposed Tariff, that would meet the gap in the ARR, including unrecovered revenue gaps of previous years to the extent proposed to be recovered.

5.5 The Commission will 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.

5.6 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 licence area, outlining the ARR, proposed Tariff, True-Up and such other matters as may be directed by the Commission, and inviting suggestions and objections from the stakeholders and public at large:

Provided further 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 also that the Distribution Licensee shall intimate its consumers about the filing of such Tariff Petition, period of public consultation, date of Public Hearing etc. through appropriate notice on its website and newspapers:

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

- 5.7** 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:
- (a) Issue a Tariff Order 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.
- 5.8** The Petitioner shall publish, within three working days, the Tariff/Rate-Schedule approved by the Commission in at least two English and two Hindi daily newspapers having wide circulation in its licence area of supply and shall upload the approved Tariff/ Rate Schedule on its website and make available for sale, a booklet both in English and Hindi containing such approved Tariff/ Rate Schedule.
- 5.9** 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.

6 True-Up

- 6.1** The Licensee shall file Petition for True-Up as provided in Regulation 4.1 of these Regulations:

Provided that the Petition shall include information in such form as may be stipulated by the Commission, together with the Accounting Statements, extracts of books of account and such other details, etc., as per the Guidelines and Formats as may be prescribed by the Commission;

Provided further that if the True-Up Petition is not submitted within timelines given in Regulation 4.1, no carrying cost 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.

- 6.2** The Commission shall carry out the 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 Licensee for the Financial Year.
- 6.3** The Distribution Licensee shall ensure that the Category/sub-category-wise billed revenue as per the Rate Schedule is included in its Accounting Statements.
- 6.4** The Distribution Licensee shall ensure that its Accounting Statements are prepared in compliance of the Electricity Distribution (Accounts and Additional Disclosure) Rules, 2024 and any amendment thereof.

7 Annual Performance Review

- 7.1** The Licensee shall file Petition for Annual Performance Review (APR) as provided in Regulation 4.1 of these Regulations:

Provided that the Petition shall include information in such form as may be prescribed by the Commission, together with the audited/ provisional Accounting Statements, extracts of books of account and such other details, etc., as per the Guidelines and Formats prescribed.

8 Controllable and Uncontrollable Factors

- 8.1** The “Uncontrollable Factors” shall comprise the following factors, which were beyond the control of, and could not be mitigated by the Licensee, as determined by the Commission:
- (a) Force Majeure events
 - (b) Change in Law
 - (c) Variation in price of fuel and/ or price of power purchase
 - (d) Variation in sales
 - (e) Variation in rates of Inter-State/ Intra-State Transmission Charges

- (f) Variation in interest rates for long-term loans; and
- (g) Any other expenses allowed by the Commission

8.2 The “Controllable Factors” shall include, but shall not be limited to the following:

- (a) Variation in Distribution and commercial losses;
- (b) Variations in capital expenditure on account of time and/ or cost overruns not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;
- (c) Variations due to efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, 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 Distribution Licensee;
- (d) Bad debts;
- (e) Variation in performance parameters and standards specified;
- (f) Variation in interest on working capital;
- (g) Variation in components of Operation & Maintenance expenses.

9 Treatment of Gains or Losses on Account of Uncontrollable Factors

9.1 The approved aggregate gain or loss to the Distribution Licensee on account of Uncontrollable Factors shall be adjusted in the ARR or Tariff of the Distribution Licensee, as stipulated in these Regulations and as may be determined in the Order of the Commission passed under these Regulations.

10 Treatment of Gains or Losses on Account of Controllable Factors

10.1 The approved aggregate gain to the Distribution Licensee on account of variation in components of Operation & Maintenance expenses and Distribution Loss 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 Distribution Licensee.

10.2 The approved aggregate loss to the Distribution Licensee on account of variation in components of Operation & Maintenance expenses and Distribution Loss 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 Distribution Licensee.

PART- B: PROCEDURE FOR DETERMINATION OF ARR / TARIFF

11 Determination of Tariff for Licensee

11.1 The Commission shall determine the ARR and Tariff for the Licensee, upon consideration of a Petition filed by the Licensee in accordance with the procedure contained in these Regulations.

11.2 The Commission shall determine the ARR / Tariff for the Distribution Licensee, in accordance with the terms and conditions contained in these Regulations.

11.3 The Petitioner shall file the Petitions electronically (E-Filing Portal of the Commission) which would be signed digitally along with hard and soft copies as provided for in the Conduct of Business Regulations, including a forecast of ARR and expected revenue from existing Tariff. Further, the Licensee shall also submit the category/ Sub-category wise proposed Tariff, that would meet the gap in the ARR, including unrecovered revenue gaps of previous years to the extent proposed to be recovered, and such further information or particulars or documents as required by the Commission:

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

Provided further that the Petition must be accompanied by a detailed Tariff revision proposal showing category-wise Tariffs and how such revision would meet the gap/ surplus, if any, in the ARR;

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

11.4 The Petitioner shall furnish to the Commission all such books and records (or certified true copies thereof), including the audited/ provisional Accounting Statements, operational and cost data and performance related data as may be required by it for determination of ARR / Tariff.

PART C: POWER PROCUREMENT**12 Applicability**

12.1 The Regulations contained in this Part shall apply to power procurement by a Distribution Licensee from a generating station or Trading Licensee or Distribution Licensee or from any other source through agreement or arrangement for the purchase of power for Distribution and Supply within the State.

13 Power Procurement Guidelines and Plan

13.1 The Distribution Licensee shall be responsible for the assessment and forecasting of demand (MW) and energy (MWh) within its licensed area of supply to its consumers for multiple horizons (short/ medium/ long) as per applicable law.

13.2 The load forecast shall be determined for each category/ sub-category for which the Commission has determined retail Tariff.

13.3 The Distribution Licensee shall project realistic power purchase requirement (in MWh) by adding distribution losses proposed by the Distribution Licensee, Intra-State Transmission Losses and Inter-State Transmission Losses. However, for the purpose of True-Up, APR and ARR, normative loss trajectory, as stipulated by the Commission from time to time, shall be considered.

13.4 The peak demand (in MW) shall be determined by considering the average load factor, load diversity factor, seasonal variation factors for the last three years and the energy forecasts (in MWh). If any other appropriate load factor is considered for future years, a detailed explanation shall be provided.

13.5 The Distribution Licensee shall maintain a historical database of demand and power purchase quantum and cost.

13.6 For the purpose of ascertaining load profile and for assessment of the contribution of various consumer categories to peak demand, load research analysis shall be conducted and the influence of demand response, load shift measures, time of day and time of use shall be factored in by the Distribution Licensee. A detailed explanation for the refinement conducted must be provided. Time of Day tariff

structure for various consumer categories and sub-categories shall be proposed based on such studies.

13.7 Distribution Licensee shall be responsible for preparing Resource Adequacy Plan for multiple time horizons (short/ medium/ long term) as per guidelines issued by the Ministry of Power and applicable Regulations issued by the Commission and get them validated/ approved by competent authority(ies).

13.8 The Distribution Licensee shall submit its demand assessment & forecasting and Resource Adequacy Plans for multiple horizons (short/ medium/ long term) as validated/ approved by the competent authority(ies), along with its Tariff Petition.

13.9 Along with the Tariff Petition, the Licensee shall submit its power procurement plan for the year for procurement of power to meet the demand as envisaged in the demand forecast and Resource Adequacy Plan in an optimal (least cost and secure) manner. The plan shall be based on the Merit Order Despatch (MOD)/ Security Constrained Economic Despatch (SCED) principles, Must Run plants and Renewable Energy plants subject to the Renewable Purchase Obligation (RPO) stipulated by the Commission under the relevant Regulations and their subsequent amendments

Provided that MOD/ SCED principles shall not apply to the purchase of power from RE sources up to the RPO stipulated by the Commission.

13.10 The power procurement plan for the year for the Distribution Licensee shall include the following:

- a) A quantitative forecast of the seasonal variation in the unrestricted base load, average load and peak load for electricity within its area of supply.
- b) An estimate of the optimum quantities and cost of power supply from the identified sources of power purchase, including own generation, if any.
- c) Power Purchase Agreements (PPAs) and contracts/ agreements entered with approved sources of supply and likely to be entered with new sources of supply during the year to meet the load requirement.
- d) An estimate of adequate availability of power to meet the seasonal variation in base load, average load and peak load requirements.

Provided that such an estimate of demand and supply shall be on month wise basis in Mega Watt (MW) along with the Plant Load Factor (PLF) of the plant as well as expressed in Million Units (MUs)

- e) Peak and off-peak periods and their seasonal variations, and the power purchase requirements in terms of quantities of power to be procured (in MUs) and maximum demand (in MW)
- f) Standards to be maintained with regard to quality and reliability of supply, in accordance with the relevant Regulations or Orders of the Commission;

13.11 The Distribution Licensee shall undertake its power procurement during the year in accordance with the power procurement plan, approved and capped, if any, by the Commission, as stipulated in these Regulations.

13.12 The Distribution Licensee shall forward a copy of its power procurement plan to the State Transmission Utility for verification of its consistency with the Transmission System plan for the Intra-State Transmission System.

Provided that the Distribution Licensee shall also consult the State Transmission Utility at the time of preparation of the power procurement plan, to ensure consistency of such plan with the Transmission System plan.

13.13 The Power procurement by the Distribution Licensee shall be in accordance with the extant UPERC (Modalities of Tariff Determination) Regulations, 2023.

13.14 Distribution Licensees can procure Short-term seasonal peak Power only through prevalent Market Mechanisms, such as Power Exchanges, Competitive Bidding on DEEP /PUSHP Portal or through bilateral banking arrangements with other States' Distribution Licensees directly or through trading Licensees.

13.15 The Distribution Licensee shall procure/ contract long-term/medium-term/short-term Renewable Energy as per SBD guidelines and Tariff Policy issued by the Government of India to meet the RPO keeping in view the lead time in setting up different types of Renewable power plants.

13.16 The cost of power through Deviation Settlement Mechanism (DSM) shall be allowed in Tariff subject to the condition that the quantity of electricity through DSM shall be

limited to 5% of the total annual quantum of power purchase approved by the Commission.

13.17 The Commission may impose a cap on the average rate of short/ medium/long-term power purchase.

14 Additional Power Procurement

14.1 The Distribution Licensee may enter into a short-term arrangement or agreement for the procurement of power without the prior approval of the Commission when faced with emergency conditions that threaten the stability of the Distribution System or an unanticipated increase in demand of power or shortfall/ failure of supply of electricity from an approved source or when directed to do so by the SLDC to prevent Grid failure.

Provided that any variation in quantum or cost of power procured from a source other than the previously approved source, that is in excess of 5% of that approved by the Commission, shall require its prior approval.

Provided further that within 15 days from the date of entering into an agreement or arrangement for short-term power procurement for which approval is not required, the Distribution Licensee shall submit to the Commission the details including the quantum, tariff, computation, duration, particulars of suppliers and other details as required by the Commission.

14.2 Where the Distribution Licensee has identified a new short-term source of supply, from which power can be procured at a Tariff that reduces its approved total power procurement cost, it may enter into a short-term power procurement agreement or arrangement with such supplier without the prior approval of the Commission.

15 Treatment of Surplus Power

15.1 Distribution Licensees shall be allowed to Bank surplus power procured from approved sources of Power Purchase excluding Power Exchanges.

15.2 Distribution Licensees shall be allowed to sell surplus power on Power Exchanges:

Provided that the rate of sale of surplus power on Power Exchanges shall not be less than the Variable Charge of the marginal plant in the Merit Order Dispatch schedule at the time of sale of surplus power:

Provided further that the Commission may set a ceiling for such sale of power through an order.

Provided further that any Order of the Commission setting a ceiling for such sale of power issued before the notification of these Regulations shall continue to prevail.

16 Fuel and Power Purchase Adjustment Surcharge

16.1 Computation of Fuel and Power Purchase Adjustment Surcharge:

- (1) For the purposes of these Regulations “Fuel and Power Purchase Adjustment Surcharge” (FPPAS) means the change in the cost of power, supplied to consumers, due to changes in Fuel cost, power purchase cost and transmission charges with reference to the cost of power supply approved by the Commission.
- (2) FPPAS shall be calculated and billed to consumers on RATE as defined in the applicable Tariff Order (net of regulatory discount, if any, approved by the Commission), automatically, without going through the regulatory approval process, on a monthly basis, according to the formula, given in the Regulation-16.2, subject to true up, on an annual basis, as decided by the Commission.
- (3) FPPAS shall be computed and charged by the Distribution Licensee, in (n+3)th month, on the basis of actual variation, in cost of fuel and power purchase and Inter & Intra- State Transmission Charges for the power procured during the nth month. For example, the FPPAS on account of changes in tariff for power supplied during the month of April of any Financial Year shall be computed and billed in the month of July. Similarly, if FPPAS is for power supplied during January of any Financial Year it will be recovered in April of the next Financial Year.

Provided that in case of positive FPPAS, if the Distribution Licensee fails to compute and charge FPPAS in full, subject to the ceiling as provided in Regulation-16.1(4), within this timeline, except in case of any force majeure condition, its right to recovery of costs on account of FPPAS shall be forfeited along with the right to recover the same at the time of true-up:

Provided that in case of negative FPPAS, if the Distribution Licensee fails to compute and charge FPPAS in full, subject to the ceiling as provided in Regulations-16.1(4), within this timeline, except in case of any force majeure condition, such FPPAS would be recoverable from the Licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate under these Regulations.

- (4) The monthly FPPAS shall not exceed +/-10% of RATE (net of regulatory discount, if any, approved by the Commission) or such other ceiling as may be stipulated by the Commission from time to time:

Provided that any under-recovery or over-recovery in the FPPAS on account of such ceiling shall be carried forward and shall be adjusted by the Distribution Licensee in subsequent months subject to the ceiling given in Regulation.

- (5) The revenue recovered on account of FPPAS by the Distribution Licensee, shall be trued up later for the year under consideration as per these Regulations.

In case of excess revenue recovered for the year against the FPPAS, the same shall be recovered from the Licensee at the time of true-up along with its carrying cost to be charged at 1.20 times of the carrying cost rate under these Regulations and the under-recovery of revenue against FPPAS shall be allowed during true up along with carrying cost to be charged at carrying cost rate under these Regulations.

In case the Distribution Licensee demonstrates that FPPAS has been determined by applying the formula and excess/lower revenue recovery against FPPAS is on account of change in billing determinants or disallowance

of power purchase by the Commission at the time of true-up, simple carrying cost rate under these Regulations shall be applied.

- (6) The Distribution Licensee shall submit such details, in the stipulated formats, of the variation between expenses incurred and the FPPAS recovered, and the detailed computations and supporting documents, as required by the Commission, during true-up of the normal tariff.
- (7) To ensure smooth implementation of the FPPAS mechanism and its recovery, the Distribution Licensee shall ensure that the Licensee billing system is updated to take this into account and a unified billing system shall be implemented to ensure that there is a uniform billing system irrespective of the billing and metering vendor through interoperability or use of open source software as available.
- (8) The Licensee shall publish all details including the FPPAS formula, calculation of monthly FPPAS and recovery of FPPAS (separately for automatic and approved portions) on its website and archive the same through a dedicated web address.

16.2 Formula for Computation of Fuel and Power Purchase Adjustment Surcharge:

(1) Formula:

$$\text{Monthly FPPAS for nth Month (\%)} = \left[\frac{(A-B)*C+(D-E)^{\S}+ \text{Adj Factor}}{Z * \text{ABR}} \right] \times 100\%$$

§ Shall be computed in case inter-state or intra-state transmission charges are not on per unit basis

Where,

nth month means the month in which billing of FPPAS component is done. This FPPAS is due to changes in tariff for the power supplied in (n-3)th month

A is Total units procured in (n-3)th Month (in kWh) from all Sources including Long-term, Medium-term and Short-term Power purchases (To be taken from the bills issued to Distribution Licensee)

B is bulk sale of power from all Sources in (n-3)th Month (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month).

C is incremental Average Power Purchase Cost (including the change of fuel cost) = Actual Average Power Purchase Cost (PPC) from all Sources in (n-3)th month (Rs./ kWh) (computed) - Approved Average Power Purchase Cost (PPC) from all Sources for the year (Rs./ kWh) (to be taken from the latest available Tariff Order)

D = Actual Inter-State & Intra-State Transmission Charges in the (n-3)th Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (n-3)th Month = (Approved Transmission Charges/12) (in Rs)

Adj Factor= Change in Fuel and Power Purchase Cost (Calculated as (A-B)*C+(D-E)) for (n-5)th month – Amount recovered using FPPAS for the '(n-5)th month' in the (n-2)th month

Z= Approved unit sales to retail Consumers in kWh for nth month as approved in the Tariff Order or the sales to retail Consumers in kWh for nth month projected in the Tariff Petition filed before the Commission in case Tariff Petition is pending before the Commission. In case Tariff Petition has not been filed, FPPAS shall not be charged.

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

- (2) The Actual Power Purchase Cost used in the computation of "C" above, shall exclude any charges on account of the Deviation Settlement Mechanism. This shall be adjusted through the true-up approved by the Commission.
- (3) The Actual Power Purchase Cost used in the computation of "C" above, shall exclude Ancillary Services and Security Constrained Economic Despatch charges. This shall be adjusted through the true-up approved by the Commission.
- (4) At the time of True-up, while determining the admissible power purchase cost, the Commission shall also consider the extant UPERC (Merit Order Despatch and Optimization of Power Purchase) Regulations, 2021 as amended.

PART D: FINANCIAL PRINCIPLES

17 Financial Prudence

17.1 The Licensee shall manage its finances in an optimum and prudent manner.

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

- (a) Revenues
- (b) Capital expenditure/ Cost
- (c) Other expenditures

Provided that the Commission may disallow a part of the ARR due to inefficiency as a penal measure if it finds the same after prudence check.

17.3 The financial prudence with respect to revenue shall be assessed in terms of the following parameters:

- (a) Whether sub-category-wise sales projections are based on realistic estimates, and adequate justification has been provided for any anomalous increase/ decrease in sales projected by the Distribution Licensee;
- (b) Whether the percentage of metered consumers and metered consumption out of the total, is in line with the projections approved by the Commission in its Tariff Orders/ other Orders;

Provided that the assessment of sales for unmetered consumers, if any (except LMV-5) shall be done considering 75% of consumption/ kW/ month of the metered consumers within the same category or sub-category, or any other limit stipulated by the Commission through an Order or otherwise.

Provided further that Power Purchase Expense for sales in excess of the above assessment shall be disallowed by the Commission:

Provided further that the Licensee shall complete 100% metering of Employees and Pensioners of the Licensee by 31.12.2025, failing which, the Commission shall compute the deemed revenue by considering per capita consumption at twice the average yearly consumption of Urban Metered Consumers in the LMV-1 category, calculated at the highest tariff slab rate of LMV-1.

- (c) Whether revenue collected is in line with the projections approved by the Commission in its Tariff Orders/ other Orders.

17.4 The financial prudence with respect to capital expenditure shall be assessed in terms of the following parameters:

- (a) Mechanism put in place for monitoring the physical progress of projects with respect to their original schedule;
- (b) Optimum drawal of loans in accordance with the physical progress of the capital expenditure schemes, and efficient utilisation of such loans;
- (c) In case the actual capital expenditure and capitalisation exceeds 10% of that approved by the Commission, the Licensee shall submit a detailed justification for such excess along with its Petition for True-Up;
- (d) 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.
- (e) Creation of assets in accordance with Capex Plan approved by the Commission.
- (f) Procurement of assets in a competitive and transparent manner.
- (g) Properly recording of assets in the Fixed Asset Register.
- (h) Whether the procured asset, such as land, has actually been put to use.

17.5 The financial prudence with respect to Other expenditures shall be assessed in terms of the following parameters:

- (a) Monitoring of the expenditure as against the revenue earned, such that the expenses and payment obligations of the Licensee to other entities are met in a timely manner;
- (b) Mechanism put in place for monitoring adherence to the approved expenditure, including schedule of interest payments for long-term loans and working capital;
- (c) Transparent method of power procurement, with the objective of optimising the power purchase expenses, as stipulated in these Regulations.
- (d) Optimum purchase of power considering factors such as requirement of power, MOD/ SCED, Must Run plants and Renewable Energy plants, potential for

earning additional net revenue based on the differential between the rate for purchase of power from different sources and the market rate for sale of surplus power, if any:

18 Capital Expenditure/ Cost and Capital Structure

18.1 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 Licensee on obtaining right of way, as admitted by the Commission after prudence check;
- (d) Incidental expenditure during construction including apportioned expenditure on relevant components of O&M:
- (e) 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 Licensee shall submit documentary evidence in support of its claim of assets being put to use;

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

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

18.4 Capital cost to be allowed by the Commission for the purpose of determination of Tariff will be based on the capital investment plan prepared by the Licensee and approved by the Commission, prior to the Petition for determination of ARR / Tariff filing.

18.5 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) Distribution System	
(i) Distribution Line:	1.0%
(ii) Distribution Sub-Station:	4.0%
(iii) Series compensation devices and HVDC Sub-Station:	4.0%
(iv) Gas Insulated Sub-Station (GIS):	5.0%
(b) Battery Energy Storage System	1.0%

18.6 The impact of revaluation of assets shall be permitted provided it does not result in an increase in the Tariff of the Licensee:

Provided that any benefit from such revaluation shall be passed on to the consumers of Distribution Licensees, at the time of ARR / Tariff determination or Truing-Up, as the case may be.

18.7 Any expenditure on replacement, Renovation and Modernisation or extension of life of old fixed assets, as applicable to 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.

- 18.8** If the retirement, replacement, or deletion/ adjustments of the assets in the Audited Balance Sheet in a Financial Year is less than 3% of the Opening Gross Fixed Assets (GFA) balance, the Licensee shall submit a detailed justification for the same.

Provided that if the Commission is not satisfied with the justification, it may adjust the Gross Fixed Assets (GFA) by retiring 3% of the opening GFA balance for that year.

19 Debt-Equity

- 19.1** 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;

- 19.2** For a capital investment Scheme declared under commercial operation on or after April 1, 2025, the 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 Regulation 18, 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 Licensee for determination of Tariff:

Provided further that the 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 on the date of each investment.

Provided that in case of retirement or replacement 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:

- 19.3** Provided further that in case of retirement or replacement or deletion/ adjustment 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.

20 Depreciation

- 20.1** The 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 Annexure-A for existing Assets and at the rates stipulated in Annexure-B for Assets capitalised during the Control Period.

Provided that the Licensee shall ensure that once the individual asset is depreciated to the extent of seventy per cent, the remaining depreciable value as on 31st March of the year closing shall be spread over the balance Useful Life of the asset including the Extended Life, as per submission of the Licensee and approved 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 the depreciation rates shall be as per Annexure - A and B.

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

20.2 In the 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.

20.3 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.

20.4 Depreciation shall be re-computed for assets capitalised at the time of Truing-Up, based on Audited Statements and documentary evidence of assets capitalised by the Petitioner, subject to prior approval of the Commission.

21 Return on Equity

Return on equity shall be computed in Rs. terms on equity base at the rate of 15% post-tax per annum for Distribution Licensees as determined in accordance with Regulation 19:

Provided that assets funded by Consumer Contribution / Deposit works, Capital Subsidies / Grants and corresponding Depreciation shall not form part of the Capital Cost. Actual Equity infused by the Licensee as per book value shall be considered and shall be used for computation in these Regulations;

Provided that if the Licensee files the MYT Petition beyond the due date as specified in these Regulations, then the rate of return on equity shall be reduced by 0.25% per month or part thereof without prejudice to any other fine or penalty to which it may

be liable under Electricity Act, 2003 and other Regulations of the Commission including but not limited to UPERC (Fees & Fines) Regulations, 2010 as amended from time to time.

Illustration: For example, if a Distribution Licensee delays the filing for 1 month then the rate of ROE from 15% will be reduced to 14.75%. Further delay of another month will reduce the rate to 14.50% & so on.

22 Interest on Long- Term Loan

22.1 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 deletion/ adjustments 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.

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

22.3 The repayment of long-term loans for each year shall be deemed to be equal to the Depreciation allowed for that year.

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

22.5 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 SBI MCLR (1 Year) prevailing during the concerned year.

22.6 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 SBI MCLR (1 Year) prevailing during the concerned year.

- 22.7** The interest on long-term loans 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.

23 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.

24 Hedging Cost of Foreign Exchange Rate Variation (FERV)

- 24.1** The 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 Licensee.

- 24.2** Every Licensee shall recover the cost of hedging of FERV corresponding to the normative foreign debt, in the relevant year on a year-to-year basis as expense in the period in which it arises.

25 Interest on Working Capital

- 25.1** The working capital requirement of the Distribution Business shall cover:

- (i) Operation and maintenance expenses for one month;
- (ii) Maintenance spares at 40% of the R&M expenses for two months; and
- (iii) One and half month equivalent of the expected revenue from the sale of electricity at the Tariff approved by the Commission for the ensuing

year, including revenue from wheeling, cross-subsidy surcharge and additional surcharge, if any, but excluding Electricity Duty;

minus

(iv) Amount held as security deposits from Distribution System Users;

Provided that if the working capital, determined based on the above formula, is positive, it shall be reduced in ARR 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;

25.2 Rate of interest on working capital shall be simple interest and shall be equal to the SBI MCLR (1 Year) as on the 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.

25.3 Interest paid on consumer security deposits as per the provisions of the Electricity Supply Code, 2005 and its subsequent amendments/ addendums and the new Regulations made after the repeal of the same shall be allowed.

Provided that if, at the time of True-Up, it is determined that the interest paid on the Security Deposit is less than the interest payable as per the prescribed norms, the Working Capital shall be reduced by the amount of such shortfall.

26 Income Tax

26.1 Income Tax, if any, on the licensed business of the Licensee shall be treated as an expense and shall be recoverable from consumers through Tariff. However, tax on any income other than that through its Licenced business shall not be a pass-through, and it shall be payable by the Licensee itself.

26.2 Notwithstanding anything contained in Regulation 26.1, total Income Tax payable by the Licensee, in any year, shall be the lowest of the following:

- (a) Actual payment made;
- (b) ROE allowed in that year x MAT (%) or ROE allowed in that year x Corporate tax (%), whichever is applicable.

26.3 Any under-recoveries or over-recoveries of Tax on income, along with interest on the same, shall be adjusted in proportion to the Income Tax allowed with respect to actual tax liability for that year, on the basis of Income Tax assessment under the Income Tax Act 1961, subject to Regulation 26.2 above, as certified by the Statutory Auditors.

27 Rebate, Incentive, Penalties and Miscellaneous

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

27.2 Penalties paid, if any, by the Licensee shall not be allowed as an expense for the Licensee:

Provided that penalties/compensation levied on the Distribution Licensee due to reasons beyond its reasonable control shall be allowed subject to prudence check.

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

27.4 The revenue surplus of the Distribution Licensee shall be first adjusted towards the working capital requirement for the year and the balance revenue surplus amount, if any, shall be eligible for carrying cost as per bank rate published by RBI net of income tax for the relevant year.

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

PART E: DETERMINATION OF ARR FOR DISTRIBUTION LICENSEES**28 Separation of Accounts of Distribution Licensee**

28.1 Every Distribution Licensee shall maintain separate accounting records for the Distribution Wires Business and Retail Supply Business and shall prepare an Allocation Statement to enable the Commission to determine the Tariff separately for:

- (a) Distribution Wires Business (Wheeling);
- (b) Retail Supply Business:

Provided that in case complete accounting segregation has not been done between the Distribution Wires Business and Retail Supply Business of the Distribution Licensee, the ARR of the Distribution Licensee shall be apportioned between the Distribution Wires Business and Retail Supply Business in accordance with the following Allocation Matrix:

Particulars	Distribution Wires Business (%)	Retail Supply Business (%)
Power Purchase Expenses (incl. PGCIL charges)	0%	100%
Inter-State Transmission Charges	0%	100%
Intra-state Transmission Charges - (incl. SLDC Charges)	0%	100%
Employee cost	60%	40%
A&G expenses	40%	60%
R&M expenses	90%	10%
Interest & Finance charges	90%	10%
Depreciation	90%	10%
Provision for Bad & Doubtful debts	0%	100%
Return on Equity	90%	10%
Income Tax	90%	10%
Non-Tariff Income	10%	90%

Provided that the Commission may, through *Suo-Motu* Order or otherwise, modify the Allocation Matrix or determine the allocation of any additional component:

Provided further that the Allocation Matrix shall be applied for all or any of the heads of expenditure and revenue, where actual accounting separation has not been done between the Distribution Wires Business and Retail Supply Business:

Provided also that the Commission may require the Distribution Licensee to file separate Petitions for determination of Tariff for the Distribution Wires Business and Retail Supply Business.

29 Components of ARR for Distribution Licensee

29.1 The Wheeling Charges and Tariff for the retail supply of the Distribution Licensee shall provide for the recovery of the ARR, as approved by the Commission and comprising the following components:

- (a) Power Purchase expenses;
- (b) Inter-State Transmission Charges;
- (c) Intra-State Transmission Charges;
- (d) SLDC Fees & Charges;
- (e) Operation and Maintenance expenses;
- (f) Depreciation;
- (g) Interest on Loan capital;
- (h) Interest on Working Capital;
- (i) Interest on Consumer Security Deposit paid to the Consumers;
- (j) Provision for Bad and doubtful debts;
- (k) Return on Equity;
- (l) Income Tax;

minus:

- (m) Non-Tariff income;
- (n) Income from other Businesses:

Provided that Depreciation, Interest on Loan Capital, Interest on Working Capital, Return on Equity, and Income Tax for Distribution Business shall be allowed in accordance with the provisions stipulated in **Part D** of these Regulations:

Provided further 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, subject to prudence check:

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

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

29.2 The Wheeling Charges and Tariff for retail supply of the Distribution Licensee shall be determined by the Commission on the basis of a Petition for determination of Tariff filed by the Distribution Licensee for each Financial Year in accordance with these Regulations:

Provided further that the Tariff for retail supply may comprise any combination of fixed/demand charges, energy charges, and any other charges/incentives, for the purpose of recovery from the consumers, as may be stipulated by the Commission:

Provided also that the Commission may determine the area-wise Tariff for Distribution Licensee based on the performance parameters as may be stipulated by the Commission:

Provided also that in case of a Deemed Distribution Licensee whose Tariff is yet to be determined by the Commission till the date of coming into force of these Regulations, the Commission may determine the ceiling retail supply Tariff and ceiling Wheeling Charges for Open Access Customer that may be charged by such Deemed Distribution Licensee till such time as considered appropriate by the Commission.

30 Sales forecast

30.1 The Distribution Licensee shall submit a forecast of the expected sales along with number of hours of supply to each Tariff category / Sub-category and to each Tariff slab within such Tariff category/sub-category, to the Commission for approval as stipulated in these Regulations:

Provided that the sales forecast shall be based on past trends in each of the slabs of consumer categories. The Compounded Annual Growth Rate (CAGR) of the past seven

years of sales within each of the slabs of a consumer category as per audited books of account, or if not available, then provisional accounts, will be considered:

Provided further that the Distribution Licensee shall submit relevant details regarding category-wise sales separately for each Distribution Franchisee area within its Licence area, as well as the aggregated category-wise sales in its Licence area.

- 30.2** The sales forecast shall be consistent with the load forecast prepared as part of the power procurement plan under **Part C** of these Regulations and shall be based on past data and reasonable assumptions regarding the future.

31 Distribution Loss

- 31.1** The Distribution Licensee shall submit the AT&C Loss trajectory and corresponding Distribution Loss Trajectory agreed by the State Governments and approved by the Central Government under any National Scheme or Programme, or otherwise along with ARR Petition for the first year of the MYT period:

Provided that the Commission may stipulate the yearly Distribution loss trajectory in the Tariff Order of the Distribution Licensee.

The yearly Distribution loss trajectory for the control period shall not be changed/modified, other than under exceptional conditions approved by the Commission.

- 31.2** The power purchase requirement of the Distribution Licensee at the Transmission-Distribution interface point, shall be computed by grossing up the sales with the distribution losses approved by the Commission:

Provided that the Distribution Licensee while computing the overall Distribution loss shall also take into account the losses for each Distribution Franchisee area within its licenced area and submit the same separately.

Provided further that the Distribution Licensee in its True-Up Petition, shall submit a detailed justification, in case the Distribution Loss exceeds the approved level for the year.

32 Capital Investment Plan

32.1 The Distribution Licensee shall submit a detailed Capital Investment Plan, financing plan and physical targets for meeting the requirement of growth in number of consumers, strengthening and augmentation of its distribution network, meeting the requirement of load growth, reduction in distribution losses, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval:

Provided that in case of non-submission of the Capital Investment Plan by the Distribution Licensee, the Commission may disallow the capital expenditure for that year.

32.2 The Capital Investment Plan shall be a least-cost plan for undertaking investments. However, all capital expenditure projects exceeding value of Rs. Fifteen Crore for Licensees operating in three or more revenue districts, Rs. Seven Crore Fifty Lakhs for Licensees operating in less than three revenue districts, or any alternate threshold stipulated by the Commission through an Order or otherwise, shall require prior approval of the Commission on a quarterly basis.

Provided that in case prior approval is not taken for the capital expenditure projects exceeding the above thresholds, the Commission may disallow up to 25% of such capital expenditure for that year.

32.3 The Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required including but not limited to the information such as the number of distribution sub-stations, consumer sub-stations, transformation capacity in MVA and details of distribution transformers of different capacities, HT:LT ratio as well as distribution line length showing the need for the proposed investments, alternatives considered, cost/benefit analysis and other aspects that may have a bearing on the Tariff for retail supply of electricity and the Wheeling Charges:

Provided that the Distribution Licensee shall submit separate details of the Capital Investment Plan for each Distribution Franchisee area within its Licence area.

33 Operation and Maintenance Expenses

- 33.1** The Operation and Maintenance expenses for the Distribution Licensee shall be computed as stipulated in these Regulations.
- 33.2** The impact of pay revision, change in pension scheme etc., shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.
- 33.3** In case data required for establishing the norms is not available, the Distribution Licensee shall propose O&M norms with justifications. The Commission shall approve the norms for the Licensee after prudence check which shall be applicable for the remaining control period.

Employee Cost

- 33.4** 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.

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 the impact of one-time expenses as mentioned under Regulation 33.2 shall be removed from the base Employee Cost.

Employee cost shall be computed, as per the following formula:

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

Where:

EMP_n: Employee expense for the nth year;

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

For the purpose of ARR, CPI inflation is the average of the 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.

Repairs and Maintenance Expenses

33.5 The normative Repairs and Maintenance expense shall be allowed in ARR/ True-up by the Commission as the sum of the following

- a) For the assets capitalised before 31.03.2025 @ 5% of the opening GFA as approved by the Commission.
- b) For the assets capitalised after 31.03.2025 @ 3% of the opening GFA as approved by the Commission.

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

Administrative and General (A&G) Expense

33.6 The 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) years will be considered and subsequently when the same are available the base year value (i.e. FY 2024-25) will be recomputed.

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.

Provided that the expenses towards Captive Consumption shall be determined based on the Rate provided in the Rate Schedule and energy consumption recorded in the accounts and shall be considered as part of A&G expenses subject to prudence check by the Commission.

Provided further that norms for Captive Consumption may be stipulated by the Commission through an Order or otherwise.

- 33.7** 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 Distribution Licensee and validated by the Commission) or other expected one-time expenses:

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

Where:

A&G_n: A&G expense for the nth 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 the Wholesale Price Index (WPI) for the 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.

34 Provision for Write-off of Bad and Doubtful Debts

- 34.1** For any particular year, the Commission may allow a provision for the write-off of bad and doubtful debts up to the extent of 2% of revenue from the sale of electricity as reflected in the audited accounts of the Distribution Licensee for that year or for the actual write-off of bad debts, whichever is less:

Provided that, Electricity Duty shall not be included in the write-off of bad debt:

Provided further that, such provision allowed by the Commission for any year shall not exceed the actual provision for the write-off of bad and doubtful debts made by the Distribution Licensee in the audited accounts of that year:

Provided that the Commission, in its ARR / Tariff Order, may provisionally approve provision for the write-off of bad and doubtful debts based on the provision for the write-off of bad and doubtful debts approved by the Commission for the True-Up year:

Provided further that if subsequent to the write-off of a particular bad debt, revenue is realised from such bad debt, the same shall be included under the Non-Tariff Income of the year in which such revenue is realised.

35 Non-Tariff Income

35.1 The amount of Non-Tariff Income relating to the Distribution Business as approved by the Commission shall be deducted from the ARR in determining the Tariff for retail supply and Wheeling Charges of the Distribution Business:

Provided that the Distribution 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.

35.2 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 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 delayed payment surcharge minus the cost of borrowing for 6 months to be computed on delayed payment surcharge at the rate of Interest on Working Capital;
- j) Income from supervision charges;
- k) Income from recovery against theft and/or pilferage of electricity;
- l) Income from advertisements;
- m) Income from sale of tender documents;
- n) Excess found on physical verification;

- o) Prior Period Income;
- p) Miscellaneous receipts; and
- q) Any other Non-Tariff Income:

35.3 The non-tariff income under item (l) above (income from advertisements) shall be shared between the Distribution Licensee and the consumers in the ratio of 30% and 70%, respectively:

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

36 Income from Other Business

36.1 Where the Distribution Licensee has engaged in any Other Business under Section 51 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 Licensee in the manner and in the proportion as may be specified by the Commission. The proportion of revenue from Other Business that shall be utilized in the Distribution business shall be as per UPERC (Treatment of Income of Other Business of Transmission Licensees and Distribution Licensees) Regulations, 2004:

Provided that the Distribution Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Distribution Business and the Other Business and shall submit the Allocation Statement, 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.

37 Cross-Subsidy Surcharge

37.1 A consumer situated within the area of supply of a Distribution Licensee availing Open Access as per the provisions of UPERC Open Access Regulations, as amended from time to time, shall be liable to pay Cross-Subsidy Surcharge as determined by the Commission. Such Cross-Subsidy Surcharge will be determined based on the provisions of the National Tariff Policy, 2016, issued by the Government of India and its subsequent notified revisions/ amendments.

37.2 As per the National Tariff Policy, 2016, the provision for computing Cross Subsidy Surcharge is as follows:

The cost of supply of electricity for the Distribution Licensee to consumers of the applicable class is the aggregate of

(a) per unit weighted average cost of power purchase including meeting the Renewable Purchase Obligation;

(b) transmission and distribution losses applicable to the relevant voltage level and commercial losses allowed by the Commission;

(c) transmission, distribution and wheeling charges up to the relevant voltage level; and

(d) per unit cost of carrying regulatory assets, if applicable.

Surcharge formula:

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

Where:

S is the Cross Subsidy Surcharge;

T is the tariff payable by the relevant category of consumers, including reflecting the Renewable Purchase Obligation;

C is the per unit weighted average cost of power purchase by the Licensee, including meeting the Renewable Purchase Obligation;

D is the aggregate of transmission, distribution and wheeling charge applicable to the relevant voltage level;

L is the aggregate of transmission, distribution and commercial losses, expressed as a percentage applicable to the relevant voltage level;

R is the per unit cost of carrying regulatory assets:

Provided that in any case, the Cross Subsidy Surcharge shall not exceed 20% of the Average Cost of Supply.

38 Additional Surcharge

38.1 The additional surcharge for the obligation to supply as per Section 42(4) of the Act shall become applicable only if it is conclusively demonstrated that the obligation of a Licensee, in terms of existing power purchase commitments, has been and

continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract.

38.2 The additional surcharge levied on any Open Access Consumer shall not be more than the per unit fixed cost of power purchase of the Distribution Licensee:

Provided that for a person availing General Network Access or Open Access, the additional surcharge shall be linearly reduced from the value in the year in which General Network Access or Open Access was granted so that, if it is continued to be availed by this person, the additional surcharge shall get eliminated within four years from the date of grant of General Network Access or Open Access:

Provided further that the additional surcharge shall not be applicable for Open Access Consumer to the extent of contract demand being maintained with the distribution Licensees:

Provided also that the additional surcharge shall be applicable for such Open Access Consumers who are or have been consumers of the Distribution Licensee.

39 Wheeling Charges

39.1 The fixed costs related to network assets are to be recovered through wheeling charges. Based on the allocation table given under Regulation 28.1, Wheeling ARR shall be determined. Wheeling charges (per unit) will be determined by dividing the ARR (wheeling) by the Energy Input at Discom's periphery.

39.2 The Distribution Licensee shall be allowed to recover, in kind, the Wheeling Losses arising out of the operation of a Distribution System by an Open Access Customer:

Provided that those embedded Open Access Customers who are already liable for Demand Charges will not be required to pay any wheeling charges to the Distribution Licensee.

40 Other Charges

40.1 The Licensee shall be allowed to recover from its Open Access Customers, any other charges as stipulated in UPERC Open Access Regulations, as amended from time to time.

41 Time of Day Tariff

41.1 Distribution Licensee shall propose Consumer Category-wise Time of Day (ToD) time slots, along with slot-wise rebate/penalty at the time of Tariff filing, keeping into its consideration the applicable Rules and other Extant Laws:

Provided that any deviation from the Electricity (Rights of Consumers) Amendment Rules, 2023 and other applicable provisions of law shall be accompanied by a detailed justification submitted by the Distribution Licensee.

Provided that the Distribution Licensee may also propose seasonal ToD tariff.

Provided further that such proposal shall be substantiated by a comprehensive data analysis of the consumption patterns of the relevant consumer categories and an assessment of the anticipated impact of the proposed ToD structure.

42 Determination of Retail Supply Tariff

42.1 The Commission may categorize consumers on the basis of their Load Factor, Power Factor, Voltage, total consumption of electricity during any specified period, or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.

42.2 The retail supply Tariff for different consumer categories shall be determined on the basis of the Average Cost of Supply. While determining the Tariff, the Commission shall also keep in view the cost of supply at different voltage levels and the need to minimise tariff shock to consumers.

42.3 It would be endeavoured to rationalize the number of consumer categories and Tariff structure. The Fixed/Demand charges will be gradually aligned over a period up to the fixed cost of the ARR which would comprise of Fixed Charges of generating stations, Transmission Charges, Return on Equity, Interest on Loan, Depreciation, O&M & other fixed cost elements. The Energy Charge will be gradually aligned to the remaining ARR, i.e., the Variable Cost of the ARR, which would comprise the Fuel Cost of the generating stations & other variable costs.

PART F: GRANT OF SUBSIDIES BY STATE GOVERNMENT

43 Manner of grant of subsidy by State Government

43.1 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 as per provisions of section 65 of the Act.

PART G: GREEN ENERGY TARIFF

44 Green Energy Tariff

44.1 Green Energy Tariff shall be approved by the Commission, as a separate tariff category i.e., as an incremental tariff which would be a per-unit charge to be paid by the consumer over and above the regular charges as per their consumer category, in line with the methodology provided by Government, if any.

Provided that the revenue from the Green Energy Tariff approved by the Commission shall be in addition to the regular Tariff as approved by the Commission.

44.2 The Green Energy Tariff shall be determined based on the average power purchase cost of renewable energy, cross-subsidy charges if any and service charges covering the prudent cost of the Distribution Licensee for providing green energy.

44.3 The Distribution Licensee shall submit the proposal for the Green Tariff, along with all computations in the ARR / Tariff Petition. The total revenue earned under the 'Green Energy Tariff' will be considered as a part of the revenue/tariff income of the Licensee.

44.4 The total consumption of these consumers must be met by renewable energy sources.

PART H: FUTURE/ NEW DISTRIBUTION LICENSEES

45 Restructuring/ Privatisation of the Licensees under the Act

45.1 In case of the formation of new Distribution Licensee(s) due to the restructuring of existing Distribution Licensee or any reconfiguration through any other dispensation or otherwise after these Regulations come into force, the new Distribution Licensee shall submit its first Aggregate Revenue Requirement (ARR) Petition on or before 30th November falling immediately after takeover date.

Provided that the Control Period for the new Distribution Licensee shall be from the takeover date till 31st March 2030.

Provided further that the conditions outlined in the Bidding Documents along with Agreements signed by the new Distribution Licensee, Transfer scheme notified by the State Government, vesting order(s), directions given by the State Government under Section 108 of the Electricity Act, 2003, etc. shall be considered for tariff determination and related matters for the new Distribution Licensee.

PART I: MISCELLANEOUS**46 Savings**

- 46.1** 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.
- 46.2** 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.
- 46.3** Nothing in these Regulations shall, expressly or implied, bar the Commission from dealing with any matter or exercising any power under the Act for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner, as it considers just and appropriate.

47 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.

48 Power to Amend

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

49 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 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	5.28%
	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	5.28%
h)	Self propelled vehicles	9.50%
i)	Air conditioning plants:	
	i) Static	5.28%
	ii) Portable	9.50%
j)	Furniture and Fittings	
	i) Office furniture and fittings	6.33%
	ii) Office equipments	6.33%
	iii) Internal wiring including fittings and apparatus	6.33%

Description of Assets			Depreciation Rate
	iv)	Street light fittings	5.28%
k)		Apparatus let on hire	
	i)	Other than motors	9.50%
	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	9.50%
	i) Underground Cable including joint boxes and disconnected boxes	4.22%
	ii) Cable duct system	4.22%
f)	Overhead lines including supports:	
	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	4.22%
h)	Self propelled vehicles	9.50%
i)	Air conditioning plants:	
	i) Static	4.22%
	ii) Portable	9.50%
j)	Furniture and Fittings	
	i) Office furniture and fittings	6.33%
	ii) Office equipments	6.33%
	iii) Internal wiring including fittings and apparatus	6.33%

Description of Assets			Depreciation Rate
	iv)	Street light fittings	4.22%
k)		Apparatus let on hire	
	i)	Other than motors	9.50%
	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%
m)		I.T. equipments including software	15.00%
n)		Any other assets not covered above	4.22%

Conspectus of the Draft Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution) Regulations, 2025

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, two amendments were also notified on 5.6.2020 and 4.1.2022 respectively.

Subsequent to the last MYT notification, many changes have been made by the Ministry of Power, Government of India in the Electricity Rules, 2004 which have a bearing on the determination of ARR and Tariff. Additionally, the Ministry of Power has also notified some new rules like the Electricity (Rights of Consumers) Rules, 2020, Electricity (Promoting Renewable Energy Through Green Energy Open Access) Rules, 2022, Electricity Distribution (Accounts & Additional Disclosure) Rules 2024 and Guidelines for Resource Adequacy Planning Framework for India, dated 28.06.2023 which need to be suitably factored, in the instant Regulations. The Commission while framing the instant Regulations has also been mindful of the Model Regulation for Multiyear Distribution Tariff issued by Forum of Regulators in February 2023.

Additionally, and most importantly, the Commission has also considered the suggestions and feedback of various stakeholders such as consumers, Distribution Licensees, consumer forums, etc. gathered during court hearings, public hearings and other proceedings from time to time.

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

1. Segregation of Regulations for Distribution and Transmission Business

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 Licensee 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.

Accordingly, the provisions pertaining to Transmission Licensees have been deleted across the Regulations. The Commission is issuing the Tariff Regulations for Transmission Business separately.

2. Modifications in the Definitions

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. Further it has been provided that the Distribution Licensee shall ensure that its Accounting Statements are prepared in compliance of the Electricity Distribution (Accounts Additional Disclosure) Rules, 2024 and any amendment thereof

ii. Average Billing Rate

The definition of Average Billing Rate has been included in the Regulation as the same has been employed in the formula for Fuel and Power Purchase Adjustment Surcharge (FPPAS) given the Electricity (Amendment) Rules notified by the Central Government.

iii. Captive Consumption

The definition of Captive Consumption has been included and has been made a part of A&G expenses.

iv. 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 Distribution Licensees and they have no control to mitigate / manage such events.

v. 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 Distribution 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 Distribution Licensee.

vi. Indian Government Instrumentality

The definition of Indian Government Instrumentality has been included in the Regulation under 'Change in Law' section.

3. Framework of Filing for Determination of Tariff

The Commission has decided to dispense with the requirement of filing of Business Plan by the Distribution Licensees as significant differences were observed between planned and actual capex over the control period in the last business plan. It was also observed that many of the capex schemes were under RDSS scheme which are funded mostly by State/Central Government for state owned Distribution Licensees. The Commission has decided to approve the ARR/Tariff on an year to year basis so that neither excess tariff is charged in ARR nor prudent cost recovery is delayed to the Distribution Licensee. The Commission shall revisit the requirement of filing of a MYT Business Plan in the next control period.

4. Transparency in public consultation process

The Commission in previous public hearings for tariff determination had received various feedback from consumers regarding lack of publicity of tariff filings by Distribution Licensees, unavailability of petitions in text-searchable format and downloadable spreadsheets, etc. With a view to address such concerns of consumers, 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. Uncontrollable Factors

In MYT Regulations 2019, the variation in approved cost of power purchase was provided as Uncontrollable Factor. The variation in cost of power is dependent on variation in cost of fuel resulting in increase in per unit cost of power and the quantum of power. The quantum of power purchased is determined based on the sales to consumers which is grossed up with the distribution losses. If the actual distribution losses are higher than normative distribution losses, the quantum of power purchased will also be higher. However, such higher quantum cannot be passed on to the consumers.

In view of this, in the instant Regulations, the power purchase cost has been divided in two parts i.e. variation attributed to sales and variation in price of fuel and/ or price of power purchase and variation in sales.

In MYT Regulations 2019, the variation in rates of Inter-State/ Intra State Transmission Charges was not provided as Uncontrollable Factor. However, while truing up, the Commission has been approving such variation. In view of the same, the variation in rates of Inter-State/ Intra State Transmission Charges have been provided as Uncontrollable Factor.

6. Controllable Factors

As per the approach of the Commission in the determination of ARR, collection efficiency is considered at 100%. However, there can be variation in the same in normal business function and in view of the same, in the instant Regulations, commercial losses have been included under Controllable Factors.

Further, 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 instant 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 Distribution Licensee is having control is treated as Controllable Factor.

7. 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 Distribution Licensees to improve operational efficiency.

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.

Furthermore, Regulation 11.1 of the 2023 Model Regulations for Multi Year Distribution Tariff issued by the Forum of Regulations (FOR 2023 Model Regulations) provide for two third sharing of gain on account of Controllable Factors with the consumers with the balance being retained by the Distribution Licensees. Regulation 11.2 allows one-third of

the losses on account of Controllable Factors to be passed on to the consumers while the remaining is on account of the Distribution Licensees.

In view of the above, the instant Regulations provide for a framework for sharing of gains and losses on account of variation in components of Operation & Maintenance expenses and Distribution Loss.

8. Deviation Settlement Mechanism

The DSM Regulations have been made stringent over time to ensure that it is a mechanism for grid stability rather than being considered as alternate source of power. In view of the same, the Commission finds it appropriate to reduce the limit of total cost of electricity units purchased through DSM from 10% to 5% of the total power purchase cost approved by the Commission.

9. Power Procurement Plan

The Commission is in the process of formulating its Regulations on Resource Adequacy Framework considering the model Regulations. In the present (Multi Year Tariff for Distribution) Regulations, 2025, the Commission has adopted the provisions relating to Power Procurement Plan in line with the model Regulations on Resource Adequacy Framework so that it is consistent with the upcoming n (Framework for Resource Adequacy) Regulations. The Commission provided methodology for assessment/ forecast of sales to which Power Procurement Plan will cater to.

10. Additional Power Procurement

The Commission finds it appropriate to allow short term power procurement by the Distribution Licensees without its prior approval, in cases of un-anticipated increase in demand for power or shortfall/ failure of supply of electricity from an approved source, with the condition that the variation in quantum or cost of power from the earlier approved source shall not exceed 5%. It is also provided that in case such variation is in excess of 5%, prior approval of the Commission is required. This is found necessary to empower the Distribution Licensees to make timely purchase decisions in the consumer interest.

The Distribution Licensees shall have to submit all necessary details including justification to the Commission with respect to additional power procurement within 15 days of entering into agreement for such procurement.

11. Banking / Sale of surplus power

Demand is seasonal in nature, highly sensitive to weather parameters and consumption varies throughout the day. This leads to surplus / deficit positions for a Distribution Licensee for a day / week / month / season. The Commission finds it appropriate to introduce an enabling provision for the Distribution Licensee to bank / sell surplus power

with a safeguard that the surplus power can be sold on a power exchange at a price not lower than the Variable Charge of the marginal plant in the Merit Order Dispatch schedule at the time of sale of surplus power

12. Fuel and Power Purchase Adjustment Surcharge

The Commission, after due public consultation, has framed the third amendment to MYT Regulations, 2019 which provides for mechanism for calculating and charging Fuel and Power Purchase Adjustment Surcharge. The amendment has been made after considering the Rules of Ministry of Power, Government of India. The Commission in the instant Regulations, has incorporated such provisions in respect of Fuel and Power Purchase Adjustment Surcharge.

13. Target Date for 100% Metering and Disincentive for non-compliance

The Commission has introduced a norm for assessment of sales for unmetered consumers (except LMV-5) at 75% of the consumption of the metered category consumer under same category. In case of departmental employees, the Commission shall compute deemed revenue by considering consumption at twice the average yearly consumption of urban metered category under LMV-1, calculated at the highest tariff slab.

14. De-capitalisation of asset value from the GFA base

The State owned Distribution Licensees have inherited assets from erstwhile UPSEB upon unbundling. NPCL was given license by the State Government in 1993. Significant quantum of assets have been developed since grant of license. The maximum life of the assets of a Distribution Licensee is around 25 years. This implies that most of the assets of the Distribution Licensees would have completed their useful life but have not been decapitalised fully. A provision has been introduced in the instant Regulations with respect to de-capitalisation of assets, to ensure that the Distribution Licensees take effort to identify the assets that should be decapitalised so that investment in new assets is made to replace such decapitalized assets. Hence, the Commission has included a provision for providing justification in case decapitalization in an year is less than 3% of the Opening Gross Fixed Assets (GFA) balance. This would ensure that the quality of assets of the Distribution Licensee is maintained which is essential for maintaining the quality of services.

15. 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.

16. Reduction in Rate of Interest on Working Capital

The rate of interest on working capital is being reduced from MCLR + 250 basis points to MCLR + 200 basis points 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 Distribution Licensees of the State.

17. Additional Oversight on Interest on Consumer Security Deposit

As per the Supply Code issued by the Commission, consumers are eligible for interest on security deposit made by them to the Distribution Licensees. To safeguard the interest of the consumers, a provision is being introduced hereby in the Regulations providing that in case it is determined at the time of true-up that the interest paid on the Security Deposit is less than the interest payable as per the Commission's norms, then the Working Capital shall be reduced by the amount of such shortfall.

18. 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.

19. 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 Distribution Licensee shall first utilise the revenue surplus towards its working capital requirement (which currently is being provided at MCLR + 200 basis points) 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 consumers of the Distribution 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.

20. Change in the limits for capex not requiring prior approval of the Commission

The Commission has reviewed the threshold limits for capex requiring prior approval of the Commission and linked the same with the geographical area of operations of the Distribution Licensees. Accordingly, the limit has been revised to Rs. 15 crore for Distribution Licensees having operations in more than three revenue districts and Rs.

7.50 crore for Distribution Licensees having operations in less than three revenue districts.

21. Distribution Loss

Ministry of Power vide Electricity (Second Amendment) Rules, 2023 dated 26.7.2023, has made some stipulations regarding determination of loss reduction trajectories by the State Commission under the Framework for Financial Sustainability. The Commission has aligned the instant Regulations with the above mentioned Rules.

22. Operation and Maintenance (O&M) Expenses

The MYT Regulations 2019 provided for 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 and it was observed that the approved O&M expenses were found 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, may lead to lack of adequate investment in maintenance activities of the distribution 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 for norms for Employee cost considering the average of the values in the Audited Accounts for the last five (5) financial years ending March 31, 2025 to arrive at the employee cost for the middle year of previous Control Period (01.04.2020 to 31.03.2025) which would be escalated year on year with the escalation factor considering CPI of respective years for arriving at the base year value i.e. value for 2024-25. The base year value for employee cost shall again be increased on CPI, which would be the norm for employee cost for relevant year. For A&G Expenses, the base year value will be determined in the similar manner as for Employee cost only with a difference that escalation factor in case of A&G expenses will be linked with WPI as against CPI in case of Employee cost.

In the case of Repair and Maintenance (R&M) expenses, for the assets capitalised before 31.03.2025 and after 31.03.2025, the Commission fixes the percentage increases as 5% and 3% of the gross fixed asset balance approved by the Commission respectively so as to ensure that the growth in assets /load/ consumer base is taken care of. The normative R&M expenses are reflective of the current range of R&M expenses being incurred by the Distribution Licensees of the State.

23. Asset Monetisation Studies

Asset monetization is crucial for a Distribution Licensee as it may help in improving profitability, cash flow, and support in operational efficiency. The Commission has

directed the Distribution 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 Distribution Licensees.

24. Deletion of provision pertaining to creation of contingency reserve

None of the Distribution Licensees have created contingency reserve over the years. Hence, the same is being dispensed with, in the instant regulations. The Commission shall revisit the requirement of creating a contingency reserve in the next control period.

25. Non-tariff income

a. Delayed Payment Surcharge (DPS)

DPS is levied in case of delay in payments by consumers. The surcharge helps Distribution Licensees to off-set the increased working capital requirement consequent to delay in payment by consumers. Since DPS has been made part of non-tariff income, the Commission has allowed the reduction of cost of borrowing for a normative six month period at the rate of interest on working capital to the Distribution Licensee.

b. Income from investment

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.

26. Sharing of income from advertisements

The 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 Distribution Licensee and the consumers in the ratio of 30% and 70%, respectively as this may encourage the Distribution Licensee in increasing such revenue which will not require much efforts.

27. Cross subsidy surcharge and Additional Surcharge

In MYT Regulations 2019, the cross subsidy surcharge was limited to 20% of the tariff applicable to the category of consumer seeking open access. Subsequently, the Electricity Amendment Rules notified by Government of India has prescribed this limit to be modified to +/- 20% of the average cost of supply. Accordingly, the Commission in the instant Regulations has modified the cross subsidy surcharge formula to such effect.

The provisions for Additional Surcharge have also been aligned with the Electricity Amendment Rules notified by the Central Government.

28. Time of Day tariff

The instant Regulations have aligned the provisions for Time of Day (TOD) tariff with the Electricity Amendment Rules notified by the Central Government. The Distribution Licensee shall propose consumer category wise TOD tariffs along with rebate / penalty with the option of proposing seasonal TOD as well. Any TOD proposal shall be substantiated by consumption patterns, anticipated impact on load curve, etc.

29. Green Energy Tariff

Electricity (Promoting Renewable Energy through Green Energy Open Access) Rules, 2022 require the Commission to determine tariff for supply of Green Energy by the licensee. The Rules also provide a methodology for the same. The Commission in previous tariff order had approved green energy tariff wherein consumers had the option of availing green power at a certain additional charge. In the instant Regulations, the same provision has been formally introduced.

30. Depreciation Schedule

Over the last five years significant changes have taken place in technology and business practices. As a result of this, the life of assets has also changed. Therefore, different depreciation schedule has been provided for assets that will be capitalized during the control period of the instant Regulations. However, for the assets that were capitalized in past, the old depreciation schedule has been retained.

31. Restructuring/ Privatisation of the Licensees under the Act

An enabling provision has been made to accommodate future Distribution Licensee(s), if any, emanating from restructuring, or otherwise, and the provision briefly discusses about the treatment of these Distribution Licensees under the ambit of these Regulations while juxtaposing the Regulation with the Transfer Scheme, Vesting Orders, Directives issued under Section 108 of the Electricity Act by the State Government in respect of these Distribution Licensees.