

3. FINANCIAL PRINCIPLES

3.1. Right to Use Land instead of Transfer

3.1.1. The Distribution Licensees are allowed the right to use the land at nominal rate (at a license fee of INR 1 per year) for the distribution business instead of transfer of land and land rights from the erstwhile Distribution Licensees in a manner mentioned in the Vesting Orders.

Provided that the Distribution Licensees shall be required to comply with the terms of the contract for the land under lease

3.2. Capital Investment

3.2.1. The Distribution Licensee shall submit detailed capital investment plan, financing plan and physical targets for each year of the Control Period for strengthening and augmentation of 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, as a part of the Business Plan applicable for the entire control period and annual proposal for each year of the Control Period.

3.2.2. The Distribution Licensee shall file a separate annual Capital Investment Plan comprising of capital investment plan, financing plan and physical targets for each year of the Control Period as per the timelines specified in **Annexure-I**.

3.2.3. The Distribution Licensee shall be required to ensure optimum investments to enhance efficiency, productivity and meet performance standards prescribed by the Commission and strictly adhering to the approved annual Capital Expenditure plan as per provisions of the Vesting Order.

3.2.4. Capital Investment in network expansion in Distribution shall be based on Load Flow studies and in accordance with the requirements of the State Grid Code.

3.2.5. The Distribution licensee shall submit the Capital Investment Plan that shall show separately, on-going projects that will spill over from previous years, and new projects (along with justification) that will commence but may be completed within or beyond the control period. The capital investment plan shall contain the scheme details, justification for the work, scheduled / expected date of commissioning, justification for delay (if any) in commissioning, cost over-run, time over-run, capitalization schedule, capital structure and cost benefit analysis (wherever applicable).

3.2.6. The Distribution Licensee shall submit the Detailed Project Reports (DPRs) for all the schemes (including network strengthening and expansion/augmentation projects based on load flow study) which shall include:

- a. Scope and Objective;
- b. Purpose of investment;

- c. Broad Technical Specifications of the proposed investment and supporting details;
 - d. Capital Structure;
 - e. Capitalization Schedule;
 - f. Financing Plan, including identified sources of investment;
 - g. Physical targets;
 - h. Cost-benefit analysis;
 - i. Approval from Board of Directors (BoD)
 - j. Prioritization of proposed Investments.
- 3.2.7. The Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects of proposed investment schemes or such other amount as may be stipulated by the Commission from time to time and shall be in such form as may be stipulated.
- 3.2.8. 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 number of power & distribution substations, consumer strength, transformation capacity (in MVA), HT:LT ratio, distribution line length at HT & LT level etc. showing the need for the proposed investments, alternatives considered, cost/benefit analysis and other aspects that may have a bearing on the wheeling charges of the Wheeling Business.
- 3.2.9. The Commission shall consider the Capital Investment Plan taking into consideration the prudence of the proposed expenditure and its estimated impact. The Capital Expenditure Plan must be accompanied with approval from the Board of Directors (BoD).
- 3.2.10. Capital investment plan shall incorporate list of schemes in order of priority so as to enable the Commission to approve the schemes in that order and in case lesser amount of capital expenditure is to be approved then the schemes of lower priority could be disallowed.
- 3.2.11. The Distribution Licensee shall be required to consider the annual capital investment plan as approved by the Commission in its Order, in preparation of the Petition for determination of Aggregate Revenue Requirement (ARR) for each year of the control period. The ARR Petition shall include details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require for assessing the progress.
- 3.2.12. In addition to the approved capital investment plan, the Distribution Licensee can seek provision for additional capital expenditure anytime during the year to meet natural calamities involving substantial investments. The Commission shall examine and if satisfied shall approve the corresponding costs for inclusion in revenue requirement in the next period.

3.3. Capital Cost

3.3.1. The Distribution Licensees shall incur capital expenditure in a manner as mentioned in the Vesting Orders for future years and any other manner specified under these Regulations with approval of the Commission. The Capital cost proposed to be incurred for future years must be approved by the Board of Directors (BoD). The Distribution Licensee needs to submit documentary evidence in support of the same. The funding on account of the various ongoing and upcoming schemes of the Government of Odisha will be made available to the Distribution Licensees as and when available and applicable.

3.3.2. Capital Cost for a project shall include:

- a. the expenditure incurred or projected to be incurred, including interest during construction and financing charges up to the date of commercial operation of the project, as admitted by the Commission after prudence check;
- b. capitalised initial spares; and
- c. any gains or losses on account of foreign exchange rate variation pertaining to the loan amount, as admitted by the Commission after prudence check:

Provided that any gains or losses on account of foreign exchange rate 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.

- d. Expenditure on account of change in law and force majeure events; and
- e. Capital cost incurred or projected to be incurred on account of the Perform, Achieve and Trade (PAT) scheme or to achieve revised Environmental Norms / Statutory Norms of Government of India will be considered by the Commission on case to case basis, subject to prudence check:

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 that any capitalisation done by mere book entries / presentation in the financial statements in order to comply with any statute / rules etc. and not in accordance with the Capital Expenditure approved under these Regulations, shall not be allowed by the Commission.

Provided that the Distribution licensee, as the case may be, shall submit documentary evidence in support of its claim of assets being put to use:

Provided also that the Commission may undertake a verification to check if the assets are put to use as submitted by the Distribution licensee, as the case may be, independent of the tariff determination process:

Provided also that the following shall be excluded from the capital cost of the existing and new projects:

- a. The assets forming part of the project, but not in use;
- b. De-capitalised Assets after the date of commercial operation on account of permanent replacement or removal on account of obsolescence or shifting from one project to another project

Provided further that unless shifting of an asset from one project to another is of permanent nature, there shall be no de-capitalization of the concerned assets.

- c. Any consumer contribution or grant received from the Central or State Government or any statutory body or authority for the execution of the project, which does not carry any liability of repayment;

- 3.3.3. The capital cost admitted by the Commission after prudence check shall form the basis for determination of tariff:

Provided that the prudence check of capital cost may be carried out taking into consideration the benchmark norms specified/to be specified by the Commission from time to time;

Provided that in case the capital cost incurred exceeds the approved cost, the Distribution licensee shall submit the justifications for such additional expenditure to the satisfaction of the Commission for allowing such cost over and above the approved cost.

- 3.3.4. The Distribution licensee, as the case may be, shall furnish the details of capital cost for execution of the existing and new projects as per formats specified/to be specified by the Commission from time to time along with tariff petition for the purpose of creating a database of benchmark capital cost of various components.
- 3.3.5. The Commission may get the capital cost of any project vetted by an independent agency or an external expert. However, the same shall be considered as guiding factor only and not binding on the Commission as such.
- 3.3.6. Capital cost to be allowed by the Commission for the purpose of determination of tariff for respective businesses will be based on the Detailed Project Reports (DPRs) and capital investment plan as approved by the Commission at the time of filing of application.
- 3.3.7. The approved Capital Cost shall be considered for determination of tariff and any escalation in the capital cost for which sufficient justification is provided may be considered by the Commission subject to prudence check, in accordance with the conditions and methodology specified in this Regulation;

Provided that in case the actual capital cost is lower than the approved capital cost, then the actual capital cost will be considered for determination of tariff of the Distribution Licensee.

3.3.8. The capital cost of the concerned assets shall be considered after deducting the amount of accumulated depreciation computed till the period of asset utilisation for unregulated business or for the period the assets remain unutilised, for the purpose of tariff determination, in the following instances:

- a. The assets have been used for a period of time for unregulated business or the asset/s have become part of the asset base of the regulated business after lapse of time with respect to the date of commercial operation of the asset;
- b. If the asset has not been put to use for the regulated business after date of commercial operation.

3.3.9. The actual capital expenditure for the original scope of work incurred up to the date of commercial operation based on audited accounts of the Distribution Licensee, shall be considered subject to prudence check by the Commission.

3.3.10. The Distribution licensee shall provide a copy of the proposed Capital Investment Plan for Distribution Business, to the State Transmission Utility (STU) for carrying out planning for network augmentation/ strengthening at the time of filing of this plan with the Commission. The copy of approved capital investment plan shall also be sent to the STU, immediately after approval by the Commission so that distribution system and associated transmission system are developed in matching time frame.

3.3.11. Any expenditure on replacement, renovation and modernization or extension of life of old fixed assets, as applicable to Distribution Licensee, shall be considered after writing off the net value of such replaced assets from the original capital cost and will be calculated as follows:

$$\text{Net Value of Replaced Assets} = \text{OCRA} - \text{AD} - \text{G/CC};$$

Where;

OCRA: Original Capital Cost of Replaced Assets;

AD: Accumulated depreciation pertaining to the Replaced Assets;

G/CC: Total Grants or Consumer Contribution 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.

3.4. Consumer contribution, Deposit Work, Grant

3.4.1. The following nature of work carried out by the Distribution Licensee shall be classified under this category:

- a. Works after obtaining a part or all of the funds from the users in the context of deposit works;
- b. Capital works undertaken by utilising grants received from the State and Central Governments, including funds under various schemes;
- c. Capital investment from the depreciation to be allowed on the asset of the erstwhile DISCOMs / Distribution Licensee as on effective date in terms of the provisions of Vesting Orders
- d. Any other grant of similar nature and such amount received without any obligation to return the same and with no interest costs attached to such subvention.

3.4.2. The expenses on such capital expenditure shall be treated as follows:

- a. normative O&M expenses as specified in these Regulations shall be allowed;
- b. the debt: equity ratio, shall be considered in accordance with these Regulations, after deducting the amount of financial support provided through consumer contribution, deposit work, Capital investment from the depreciation allowed on asset of the erstwhile DISCOMs / Distribution Licensee as on effective date in terms of the provisions of Vesting Orders, capital subsidy or grant;
- c. provisions related to depreciation, as specified in these Regulations;
- d. provisions related to return on equity, as specified in these Regulations, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, Capital investment from the depreciation allowed on asset of the erstwhile DISCOMs as on effective date in terms of the provisions of Vesting Orders, capital subsidy or grant;
- e. provisions related to interest on loan capital, as specified in these Regulations, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, Capital investment from the depreciation allowed on asset of the erstwhile DISCOMs as on effective date in terms of the provisions of Vesting Orders, capital subsidy or grant.

3.5. Debt-equity ratio

3.5.1. **Existing Projects:** In case of fixed asset capitalised on account of capital expenditure incurred prior to April 1, 2023, debt-equity ratio as allowed by the Commission for determination of tariff for the period ending March 31, 2023 shall be considered:

Provided that the Commission shall not consider the increase in equity as a result of revaluation of assets (including land) for the purpose of computing return on equity;

Provided also that in case of de-capitalisation or retirement or replacement of assets, the equity capital approved for the said asset, 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 the de-capitalised or retired or replaced asset, and the debt capital

approved as mentioned above, shall be reduced to the extent of actual debt component, based on documentary evidence, of the original cost of the de-capitalised or retired or replaced asset.

Provided also that the date of formation of the Distribution Licensee as a result of vesting of utilities shall be the effective date for the determination of equity capital.

- 3.5.2. **New Projects:** In case of a new distribution line or substation commissioned or capacity expanded (e.g. augmentation of transformation capacity/replacement of conductor to enhance power flow capacity of the existing line) or for any capital investment scheme declared for Commercial Operation on or after April 1, 2023, for determination of Tariff the debt-equity ratio as on the date of commercial operation shall be considered on normative basis at 70:30 of the capital cost approved by the Commission under these Regulations, after prudence check.

Provided that

- a. where actual equity employed is more than 30% of capital cost approved by the Commission, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as normative loan:
- b. where actual equity employed is less than 30% of capital cost approved by the Commission, the actual equity shall be considered, and the balance amount in excess of 70% normative loan shall also be considered as normative loan:
- c. the equity invested in foreign currency shall be designated in Indian rupees based on the exchange rate prevailing on the date(s) it is subscribed:
- d. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt: equity ratio.
- e. The Distribution licensee shall submit the resolution of the Board of Directors or approval of the competent authority in other cases regarding infusion of funds from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure.

- 3.5.3. The cost of project and debt equity ratio may be calculated considering the whole network of distribution system of the licensee in place of individual line or project.

3.6. **Return on Equity**

- 3.6.1. Return on equity on approved reserve price (INR 300 Crore for TPCODL, INR 300 Crore for TPWODL, INR 250 Crore for TPNODL and INR 200 Crore for TPSODL) for the utilities (TPCODL, TPWODL, TPNODL & TPSODL) of the erstwhile Distribution utilities as on effective date in terms of the provisions of Vesting Orders:

Return on equity shall be allowed on the approved reserve price of the utility from the effective date of operation at the rate of 16% per annum (post tax), in Indian Rupee terms on pro-rata basis as per Vesting Order.

- 3.6.2. Return on equity on the assets put to use after Effective Date up to date of applicability of these Regulations:

Return on equity on assets put to use after Effective Date up to date of applicability of these Regulations shall be eligible to get return as per Odisha Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014 and its amendments thereof.

- 3.6.3. Return on equity on the assets put to use under instant Regulations:

Return on equity on assets put to use under these Regulations shall be computed on the paid-up equity capital determined in accordance with these Regulations and shall be allowed at the rate of 16% per annum (post tax), in Indian Rupee terms:

Provided further that for the purpose of truing up for the Distribution Licensee, return on equity shall be allowed from the date of commercial operation on pro-rata basis based on documentary evidence provided for the assets put to use during the year in absence of which the assets shall be considered to be added in the mid of the year.

Provided further that asset funded by consumer contributions, capital subsidies/ Government grants shall not form part of the capital base for the purpose of calculation of Return on Equity.

- a. The premium if any, raised by the Distribution Licensee while issuing share capital and investment of internal resources created out of free reserve, if any, shall also be reckoned as paid-up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilized for meeting capital expenditure, and are within the ceiling of 30% of capital cost approved by the Commission.
- b. In case of foreign currency brought as capital, the Commission may consider a separate rate of return if foreign exchange variation is allowed as a pass through.
- c. The tax only to the extent of the tax on return is provided as pass through.

- 3.6.4. The return on equity shall be calculated on the normative average equity of the year.

Provided that at the time of truing up, the normative average equity of the year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

- 3.6.5. The assets transferred to Distribution Licensee(s) in lieu of equity investment by GRIDCO shall be allowed in fixed asset base for determination of tariff, after prudence check,

Provided that the assets transferred are distribution assets.

3.7. Interest and finance charges on Loan Capital

- 3.7.1. The 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 interest and finance charges on capital works in progress shall be excluded:

- 3.7.2. The normative loan outstanding as on 1st April shall be worked out by deducting the cumulative normative repayment as admitted by the Commission up to 31st March of the previous year.

Provided that the assets of erstwhile DISCOMs as on effective date in terms of the provisions of Vesting Orders shall not be eligible for calculation of interest on loan.

- 3.7.3. The normative repayment for the year during the Control Period shall be deemed to be equal to the depreciation allowed for that year.

- 3.7.4. Notwithstanding any moratorium period availed by the Distribution Licensee the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

- 3.7.5. The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the Distribution Licensee:

Provided that at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the year applicable to the Distribution Licensee shall be considered as the rate of interest:

Provided that in case where the Distribution Licensee avails new loans, i.e., on or after April 1, 2023, the rate of interest on loan in any case shall not exceed approved base rate of return on equity or any capping on rate of interest on such a new loan as specified by the Commission considering the market conditions. The Distribution Licensee(s) shall follow transparent mechanism to avail Loans and, to the extent possible, shall endeavour to invite open tender for availing Loans. However, they shall be required to submit due justification to the Commission for the terms and conditions of the loans raised by them including the loan sanction letter from the banks/ lending institutions, indicating the applicable rate of interest. They shall also justify the reasons for higher interest rate, if availed for the new loan.

Provided further that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered:

Provided also that if the Distribution Licensee does not have actual loan, then the weighted average rate of interest of the other business of the Distribution Licensee regulated by the Commission shall be considered:

Provided also that if the Distribution Licensee does not have actual loan, and the other business of the Distribution Licensee regulated by the Commission also does not have actual loan, then the weighted average rate of interest of the Distribution Licensee as a whole shall be considered:

Provided also that if the Distribution Licensee as a whole does not have actual loan, then the Base Rate plus 150 basis points at the beginning of the respective year shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.

- 3.7.6. The interest on loan shall be calculated on the normative average 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 year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

Provided further that neither penal interest nor overdue interest shall be allowed for computation of Tariff.

- 3.7.7. The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contribution, Grants or Deposit Works carried out by the Distribution Licensee.

- 3.7.8. The finance charges other than the refinancing charges, incurred for obtaining loans or Payment Security mechanism from financial institutions or guarantee fee payable to Government for any Year shall be allowed by the Commission at the time of Truing-up, subject to prudence check.

- 3.7.9. The excess interest during construction on account of time and/or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission based on the justification to be submitted by the Distribution Licensee along with documentary evidence, as applicable:

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the Distribution Licensee, any liquidated damages recovered from such agency or contractor, or supplier shall be taken into account for computation of capital cost:

Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission:

- 3.7.10. The Distribution Licensee shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the Distribution licensee.

Provided that refinancing shall not be done if it results in increase in rate of interest of existing loan:

Provided further that if refinancing is done and it results in net increase in interest, then the rate of interest shall be considered equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed:

Provided also that the re-financing shall not be subject to any adverse terms and conditions and additional cost:

Provided also that the Distribution Licensee shall submit documentary evidence of the costs associated with such re-financing:

Provided also that the net savings in interest shall be computed after factoring all the terms and conditions, and based on the weighted average rate of interest of actual portfolio of loans taken from Banks and Financial Institutions recognised by the Reserve Bank of India for Indian institutions, before and after re-financing of loans:

Provided also that the net savings in interest shall be calculated as an annuity for the term of the normative loan, and the annual net savings shall be shared between the entity and Beneficiaries in the specified ratio as provided in these Regulations.

Provided further that if refinancing is done and it results in decrease in interest rate but negative saving due to higher refinance cost, then the refinance cost shall be allowed to such an extent that the difference between Net Present Value (NPV) of the saving from decrease in interest cost and refinance cost results into ZERO.

3.7.11. The Distribution Licensee(s) shall adjust interest on the amount held as security deposit (held in cash or cash equivalent) from Distribution System Users and Retail consumers at the Bank Rate as on 1st April of the Financial Year in which the Petition is filed in their monthly bills.

Provided that Interest on security deposits, in excess of the above rate specified by the Commission shall be considered as non-Tariff income of the Licensees.

Provided further that Interest on security deposits, in deficit of the above rate specified by the Commission shall be considered as Uncontrollable Cost of the Licensees and shall accordingly be allowed in their ARR.

3.8. Depreciation

3.8.1. Depreciation shall be computed separately for assets capitalized prior to the Effective Date and the assets put to use after the Effective Date.

3.8.2. The assets achieving date of commercial operation prior to the Effective Date would continue to earn depreciation as per depreciation rates approved by the Commission prevailing at the time of effective date. Since no loan has been availed by the new Distribution Licensees for these assets, the depreciation allowed to be recovered from tariff must be utilised in the manner as provided below as per terms of the Vesting Order:

a. For the purpose of determination of Aggregate Revenue Requirement, the depreciation on the opening Gross Fixed Assets as of Effective Date, as

determined by the Commission subject to prudence check, shall be utilized as per the following priority order:

- i. Funding of Additional Serviceable Liabilities as per the Vesting Order
 - ii. Capital Investment
 - iii. Working Capital requirement computed as per Tariff Regulations
- b. The manner of utilization of such depreciation shall be as per the directions of the Commission. The Distribution Licensee shall maintain a separate account for such depreciation.
- c. No depreciation shall be allowed to be recovered on assets created out of Government grants irrespective of whether the corresponding grant is transferred to the Distribution Licensee or not.

3.8.3. In case of the assets of the erstwhile DISCOMs, the balance depreciable value as on April 1, 2023, shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to March 31, 2023, from the gross value of the assets.

3.8.4. For the assets of erstwhile DISCOMs transferred to the new Distribution Licensees through the Vesting Orders, the depreciation shall be calculated on the pre-up valued cost of assets at pre-1992 rate on the asset base approved by the Commission.

3.8.5. For assets achieving date of commercial operation (COD) in this control period, depreciation shall be computed in the following manner:

- a. The approved original cost of the project/fixed assets shall be the base value for calculation of depreciation;
- b. Depreciation shall be computed annually based on the straight-line method at the rates specified in the **Annexure II** to these Regulations:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 15 years from date of commercial operation shall be spread over the balance useful life of the assets:

Provided that the rate provided in **Annexure II**, are the upper ceiling of the rate of depreciation to be provided up to 15th year from the date of commercial operation and the Distribution Licensee shall have the option of indicating, while seeking approval for tariff, lower rate of depreciation, subject to the aforesaid ceiling and the same will be considered for computation of normative loan as per Regulations.

Provided also that the Distribution Licensee, shall submit all such details or documentary evidence, as may be required under these Regulations and as stipulated by the Commission, from time to time, to substantiate the above claims:

3.8.6. The salvage value of the asset shall be considered as 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 the Distribution Licensee shall submit certification from the Statutory Auditor for the capping of depreciation at 90% of the allowable capital cost of the asset;

Provided also that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable;

Provided that depreciation shall not be allowed on assets funded by consumer contribution (i.e., any receipts from consumers that are not treated as revenue), capital subsidies/grants:

Provided that depreciation on assets funded by Central/State Govt. except the assets transferred towards contribution against equity participation by GRIDCO as approved by the Commission shall not be allowed to the Distribution Licensee:

Provided further that the Distribution Licensee shall submit year-wise details of assets retired and disposed of, which shall be removed from the Original Cost of Fixed Assets:

Provided further that asset shall normally be not retired before completion of the useful life and the Distribution Licensee shall take prior approval of the Commission in case of retiring any asset before its useful life:

Provided further that any loss on such retirement/decapitalisation shall be allowed to be recovered through ARR subject to approval of the Commission for such retirement/ decapitalisation.

3.8.7. In case of projected commercial operation of the asset for part of the year, depreciation shall be calculated based on the average of opening and closing value of asset, approved by the Commission:

Provided that depreciation will be re-calculated during truing-up for assets capitalised at the time of Truing Up of each year of the Control Period, based on documentary evidence of asset capitalised by the Applicant, such that the depreciation is calculated proportionately from the date of capitalisation.

3.9. Operation and Maintenance Expenses:

3.9.1. The Operation and Maintenance (O&M) expenses shall include:

- a. Salaries, wages, pension contribution and other employee Expenses;
- b. Administrative and General Expenses including expenses of outsourced employees for watch and ward; and
- c. Repairs and Maintenance Expenses.

- 3.9.2. The Commission shall undertake a prudence check of the submission made by distribution licensee for O&M cost before allowing such expenditure in ARR.
- 3.9.3. The Operation & Maintenance expenses shall be allocated between the Wheeling Business and Retail Supply Business, as per the allocation statement subject to approval of the Commission.

Employee Expenses

Employees of erstwhile DISCOMs

- 3.9.4. The Employee Expenses such as Salary, Terminal benefit and Liabilities of erstwhile DISCOMs, shall be serviced as per terms and conditions of the Vesting Orders.
- 3.9.5. As all the employees of erstwhile DISCOMs have been transferred to new Distribution Licensees from the effective date as per the Vesting Orders, the corresponding liabilities towards pension, gratuity, leave encashment and provident fund of such employees (the “Employees’ Liabilities”) have also been transferred to new Distribution Licensees.
- 3.9.6. The Employees’ Pension Trust, Employees’ Gratuity Trust, Employees’ Provident Fund Trust and Rehabilitation Trust (the “Trusts”) are managing funds against pension, gratuity, provident fund and rehabilitation liabilities respectively.
- 3.9.7. By the end of each month, respective Trusts except Employees Provident Fund Trust raise a requisition to Distribution Licensees to disburse the balance amount required towards Employees’ Liabilities for such month after deducting the interest earned by the Trust on its investments. The contribution towards provident fund shall be remitted by the Distribution Licensees without the requirement of any requisition from the Employees Provident Fund Trust. Such amount is remitted to the respective Trusts for disbursement to the beneficiaries covered under the Trusts. The same mechanism shall continue from the Effective Date and new DISCOMs shall be responsible to remit such amounts to the Trusts towards Employees’ Liabilities.
- 3.9.8. The Trusts, their investments as well as Employees’ Liabilities shall be dealt with in the manner specified below as per terms of Vesting Orders:
- i. All the Trusts shall continue to exist, and investments made by the Trusts shall not be liquidated without prior approval of the Commission.
 - ii. New DISCOMs shall disburse the Employees’ Liabilities to Trusts as per the Vesting Order.
 - iii. Of the total Employees’ Liabilities disbursed by new DISCOMs, the Commission shall allow as part of the Aggregate Revenue Requirement the actual cash out go for new DISCOMs for every year on account of pension, gratuity, leave encashment and rehabilitation liabilities.

- iv. For provident fund liabilities, the Commission shall allow as part of the Aggregate Revenue Requirement, only the Employer's contribution towards provident fund made to Provident Fund Trust.
- v. Except as provided in (iii) and (iv) above, no amount shall be allowed in Aggregate Revenue Requirement of new DISCOMs for contribution to the Trusts for increasing their corpus fund or investments.
- vi. Investments made by the Trust shall be appropriately disclosed in the accounts of new DISCOMs as per the applicable accounting standards.

Employees recruited after Effective Date

- 3.9.9. The Distribution Licensee shall submit a detailed Manpower Plan including but not limited to management structure and staff deployment plan including implementation timelines, retirement plan, key activities and estimate of expenses that may be incurred in each year of the Control Period in its Business Plan. In the annual ARR filing along with estimate of other expenses, the Distribution Licensee shall provide detailed justification for any deviation from the employee expenses approved by the Commission in the Business Plan. The Commission shall undertake a prudence check of the Manpower plan submitted by the Distribution Licensee while approving the same.
- 3.9.10. The expenses for the employees recruited after Effective Date shall be determined based on the formula shown below:

$$EMP_n = EMP_{n-1} \times (1 + Index_{Escn})$$

where,

EMP_n: Employee Cost of Distribution Licensee for the ensuing year;

EMP_{n-1}: Approved Employee Cost of Distribution Licensee for the year preceding ensuing year;

Provided that for first year of the control period EMP_n shall mean employee expenses as approved by the Commission for the first year of the Control Period in the Business Plan;

$$Index_{Escn} = CPI_n$$

where,

'CPI_n' (expressed in %) means the average yearly inflation of Consumer Price Index (Industrial workers) over the years for the nth year.

[Source for CPI calculation: Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India {Base Year: 2001=100}]

Provided that CPI_n is to be computed based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the

past three Financial Years, at the time of filing of Petition, as per the Labour Bureau, Government of India and such escalation factor so derived to be applied to Operation and Maintenance expenses of each preceding year.

Provided further that, during the Truing-up for any particular year of the Control Period, only CPI_n is to be considered based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective year of Truing-up.

3.9.11. The employee expense for the ensuing year shall be projected considering cadre / designation wise average existing employee cost for past year where the number of new employees to be added and their associated expenses shall be duly approved by the Commission after prudence check. The projection for the recruitment for a year may be restricted to 1.40 employees (including replenishment of retiring vacancies) per 1000 consumers. In case the ratio has exceeded 1.40, the Distribution Licensee shall bring down the ratio to 1.40 within the control period.

3.9.12. The employee expense shall be allowed on normative basis in the ARR for ensuing year and shall be trued-up to the account of variation in Consumer Price Index subject to prudence check.

Provided that in case the actual employee expense is lower than the normative employee expense, the actual employee expense shall be considered for True-Up purpose.

3.9.13. For the purpose of estimation, the average monthly Consumer price Index for FY 2019-20, FY 2020-21 and FY 2021-22 shall be used for all years of the Control Period. However, at the time of true-up of any particular year the Commission will consider the actual value of the CPI inflation for the True-up year.

3.9.14. The Commission shall take into consideration various lawful recourses taken by distribution licensees e.g. distribution franchisees, outsourcing and engaging contractual employees to undertake customer care, billing, collection and network maintenance activities, while finalizing the employee cost during the approval of ARR in the control period.

3.9.15. The Commission may from time to time direct the distribution licensees to submit any incentive and disincentive scheme for improving the productivity of employees.

Administrative and General (A&G) Expenses

3.9.16. The normal A&G Expenses for each subsequent year will be determined by escalating the approved A&G Expenses (excluding additional or special A&G expense) for the previous year, at the escalation factor of 7 % to arrive at permissible A&G expenses for each year of the Control Period.

3.9.17. The Commission, in addition to the normal A&G expenses may allow additional expenses, under this head for special measures to be undertaken by the distribution

licensees which are not covered under Capital Investment plan approved by the Commission.

Provided the Commission will undertake a prudence check before allowing such expenditure.

3.9.18. The A&G expense shall be allowed on normative basis in the ARR for ensuing year and shall be subject to True-Up.

Provided that, in case the actual A&G expense is lower than the approved A&G expense, the actual A&G expense shall be considered for True-Up purpose.

Provided that, in case the actual A&G expense is more than the approved A&G expense, the approved A&G expense shall be considered for True-Up purpose.

Repairs and Maintenance (R&M) Expenses

3.9.19. Repair and Maintenance expenses shall be allowed as a % of opening Gross Fixed Assets (GFA) only on assets owned by the distribution company, for each year of the Control Period as provided in the table below:

DISCOMs	TPCODL	TPWODL	TPNODL	TPSODL
FY 23-24	4.20%	4.50%	4.50%	5.40%
FY 24-25	4.00%	4.20%	4.20%	4.50%
FY 25-26	3.50%	4.00%	4.00%	4.20%
FY 26-27	3.00%	3.00%	3.00%	3.50%
FY 27-28 & onwards as per the directives of the Commission	3.00%	3.00%	3.00%	3.00%

3.9.20. The Distribution Licensee(s) shall prepare a plan and budget for periodic preventive maintenance of distribution network including emergency repairs and restoration works under each division.

3.9.21. The Distribution Licensee(s) shall provide the breakup details of R&M expenses in the ARR for the Financial Year along with requirement of annual maintenance spares for smooth operation with minimum down time of the system.

3.9.22. The Commission shall allow an amount for maintenance of assets added under State and Central Government Schemes @ 3.00% of the opening GFA of such assets. The Distribution Licensee(s) shall be required to separately submit to the Commission along with ARR, the details of assets taken into service under these Schemes.

3.9.23. The Commission may also allow special R&M, in order to enable the Distribution Licensee to undertake critical activities which are not covered under Capital Investment plan approved by the Commission.

Provided the Commission shall undertake a prudence check before allowing such expenditure.

3.9.24. The R&M expense shall be allowed on normative basis in the ARR for ensuing year and shall be subject to True-Up.

Provided that, in case the actual R&M expense is lower than the approved R&M expense, the actual R&M expense shall be considered for True-Up purpose.

Provided that, in case the actual R&M expense is more than the approved R&M expense, the approved R&M expense shall be considered for True-Up purpose.

3.9.25. Under the R&M expense, Distribution Licensees shall keep provision for annual maintenance spares and material bank to meet any exigencies & faster restoration of supply under natural calamities like cyclone, flood etc.

3.10. Interest on Working Capital

3.10.1. The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Wheeling and Retail supply business for the Financial Year. The working capital for the purpose of ARR calculation shall be computed as follows:

- a. Operation and maintenance expenses for one month; plus
- b. Maintenance spares @ twenty (20) % of average R&M expense for one month; plus
- c. Power Purchase Cost for one (1) month

Working Capital requirement of the Distribution Licensees may be met through depreciation allowed by the Commission on the assets of erstwhile DISCOMs in a manner mentioned in the Vesting Orders and as approved by the Commission. Shortfall in meeting the working capital requirement as mentioned above shall be allowed. The interest on the working capital shall be at a rate equal to the SBI Base Rate or any replacement thereof by SBI from time to time (being in effect applicable for 1 year period) as applicable as on 1st April of the Financial Year (for which Truing Up shall be done) plus 300 basis points or actual weighted average rate of interest towards loan for meeting working capital requirement availed by the Distribution Licensee(s), whichever is lower:

Provided that at the time of truing up for any year, the working capital requirement shall be re-calculated on the basis of the components of working capital approved by the Commission.

Provided that, the variation between the normative interest on working capital recomputed at the time of Truing-up and the actual interest on working capital incurred by the Distribution Licensee, substantiated by documentary evidence, shall be considered as an efficiency gain or efficiency loss, as the case may be, on account of controllable factors.

3.11. Tax on income

3.11.1. The Income Tax for the Distribution licensee for the regulated business shall be allowed through the Tariff charged to the Distribution System users, on submission of documentary evidence of the actual tax paid subject to the conditions stipulated in these Regulations:

Provided that no Income Tax shall be considered on the amount of efficiency gains and incentive approved by the Commission, irrespective of whether or not the amount of such efficiency gains and incentive are billed separately:

Provided further that no Income Tax shall be considered on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business, as well as on the income from any source that has not been considered for computing the Aggregate Revenue Requirement:

3.11.2. The actual assessment of income tax shall take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 and shall be passed on to the consumers. Under-recovery or over-recovery of any amount from the beneficiaries or the consumers on account of such tax having been passed on to them shall be adjusted every year on the basis of income-tax assessment under the Income-Tax Act, 1961, as certified by the statutory auditors. The Distribution Licensee may include this variation in its truing up Petition:

Penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the Distribution licensee.

3.12. Rebate

3.12.1. Any rebate earned by the Distribution Licensee on the last date of payment of bill for which it is eligible for getting rebate from GRIDCO, generation & transmission utilities, SLDC, RLDC etc. shall be considered as Non-Tariff Income for the Distribution Licensee(s);

3.13. Delayed Payment Surcharge

3.13.1. In case the payment of bills of GRIDCO or generation tariff or transmission charges or SLDC charges is delayed beyond the due date, late payment surcharge is levied for the period of delay by the Generating Company or the Transmission Licensee or GRIDCO or SLDC, as the case may be.

3.13.2. Such Delayed Payment Charge paid or payable by the Distribution Licensee to GRIDCO or the Generating Company or the Transmission Licensee or SLDC shall not be allowed as an expense for such Distribution Licensee in calculation of ARR during Truing Up.

3.13.3. Delayed Payment Surcharge for the retail consumer shall be recovered by the Distribution Licensees as per the Tariff Order and shall be treated as Non-tariff income.

Provided that the rebate allowed to the consumers shall be netted off against the Delayed Payment Surcharge as part of Non-Tariff Income

3.14. **Aggregate Technical & Commercial Loss as per Vesting Order**

3.14.1. The Commission shall consider the AT&C loss reduction trajectory for tariff determination as provided in **Annexure III** of these Regulations as per the terms of the Vesting Orders. The Distribution Licensees would be entitled to retain any additional gains resulting from its meeting and surpassing the AT&C loss targets. This would be over and above the return on equity allowed by the Commission as part of these Regulations and shall not be adjusted as other income or in any way appropriated through any truing up process or future Aggregate Revenue Requirement process.

3.14.2. The AT&C loss shall be calculated basing on distribution loss and collection efficiency as per the following formula:

$$\text{AT\&C Loss (\%)} = [1 - (1 - \text{Distribution Loss}) \times \text{Collection Efficiency}] \times 100$$

where,

Distribution loss and Collection efficiency are in per unit (pu) calculated up to two decimal points;

Any unit assessed and billed on account of theft shall only be considered in the year of its realization as specified in the Section 126 (6) of the Act;

Collection efficiency shall be measured as ratio of total revenue realized to the total revenue billed in the same year;

Normative collection efficiency shall be considered 99% of the total revenue billed.

Provided that revenue realized or revenue billed on account of electricity duty, delayed payment surcharge, any other surcharge, collection from arrear outstanding on effective date, energy traded (if any), Inter-DISCOM sale (if any) shall be excluded from the computation of Collection Efficiency

Distribution loss shall be measured as the difference between energy (units) input into the distribution system for sale to all its consumer(s) excluding units of energy traded (if any) / inter-DISCOM sale (if any) and the total of energy (units) billed in its Licensed area in the same year;

3.14.3. The Distribution Licensee shall calculate the AT&C loss for each year of the control period as per the above formula and submit detailed calculation of distribution loss and collection efficiency separately to the Commission in its Petitions.

3.14.4. The Distribution Licensees shall adhere to the committed AT&C loss reduction trajectory for future years (**Annexure III**) as per the Vesting Orders. Any gains or loss

arising from over-achievement or under achievement of AT&C loss reduction vis-a-vis the regulated AT&C loss provided for Tariff determination in **Annexure-III** shall be retained by Distribution Licensee. Sample computation for gains/ losses arising from over/ under achievement of AT&C loss reduction vis-a-vis the regulated AT&C loss is provided below:

Illustration:

Two cases have been considered for calculation of gains and loss arising from over-achievement or under achievement of AT&C loss reduction vis-a-vis the regulated AT&C loss. Case-1 is for calculation of loss due to under-achievement of AT&C loss trajectory and Case-2 is for calculation of gain due to over-achievement of AT&C loss trajectory.

Sample Computation for gains / losses due to AT&C loss

Particulars	Unit	Formula	Case-I	Case-II
Approved AT&C Loss	%	A	19.17%	19.17%
Normative Collection Efficiency	%	B	99.00%	99.00%
Calculated Distribution Loss	%	$C=1-(1-A)/B$	18.35%	18.35%
Actual AT&C Loss achieved	%	D	21.00%	18.00%
Actual Collection Efficiency	%	E	98.00%	98.00%
Actual Distribution Loss	%	F	19.39%	16.33%
Actual Sales	MU	G	3,000	3,000
Actual Power Purchase	MU	H	3721.52	3585.37
Normative Power Purchase	MU	$I=G/(1-C)$	3674.38	3674.38
Additional Power Purchase	MU	$J=H-I$	47.14	(-)89.01
Approved BSP	P/U	K	300.00	300.00
Additional Power Purchase Cost incurred towards deviation from calculated Distribution Loss	Rs. Cr.	$L=J \times K / 1000$	14.14	(-)26.70
Amount eligible for of loss / (gain) to be borne by Distribution Licensee	Rs. Cr.	L	14.14	(-)26.70

In both the cases, the gain / loss shall be entirely borne by the Distribution Licensee.

Provided that the arrear collected for the period prior to the effective date and arrear collected through OTS scheme declared by the Commission shall not be considered for calculation of collection efficiency.

- 3.14.5. In addition to the above, in case of failure to achieve the committed targets as provided in **Annexure-III**, the Commission shall have the right to recover the penalty amount by encashing the Performance Guarantee for any shortfall in meeting the AT&C loss targets as per the terms of the Vesting Orders. However, this penalty for non-achievement of AT&C loss targets may be relaxed by the Commission under conditions of Force Majeure, including acts of God, acts of GoO or the Government of India (de jure or de facto) or regulatory body or public enemy, war, riots, embargoes, industry-wide strikes, thereby, hindering the performance by the

Distribution Licensees. The Commission's decision in this regard shall be final and binding on all parties.

3.15. Foreign Exchange Rate Variation

- 3.15.1. The Distribution Licensee may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the distribution system, in part or full, at the discretion of the Distribution Licensee.
- 3.15.2. The Distribution Licensee shall be allowed to recover the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt in the relevant year on year-to-year basis as expense in the period in which it arises and extra rupee liability corresponding to such foreign exchange rate variation shall not be allowed against the hedged foreign debt.
- 3.15.3. To the extent the Distribution Licensee is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year shall be permissible provided it is not attributable to the Distribution Licensee or its suppliers or contractors.
- 3.15.4. Any gains or losses on account of foreign exchange rate variation pertaining to the loan amount availed during the construction period shall form part of the capital cost. The Distribution Licensee shall recover the cost of hedging and foreign exchange rate variation on year-to-year basis as income or expense in the period in which it arises.

4. WHEELING BUSINESS

4.1. Applicability

4.1.1. The Regulations contained in this Chapter shall be applicable for determination of tariff payable by a Distribution System User for wheeling of electricity.

4.2. Components of Aggregate Revenue Requirement for Wheeling Business

4.2.1. The licensee shall make all filings of ARR for each year of the Control Period as per Timelines specified in Annexure-I. The ARR shall contain the proposal for Wheeling Tariff and Retail Supply Tariff including its computation. The licensee shall furnish the required information with regard to technical, commercial and financial parameters in the formats as approved by the Commission from time to time.

4.2.2. The ARR proposal shall provide for the recovery of the expenses and revenue to be collected for the respective years of the control period, as approved by the Commission, for the Wheeling Business which shall comprise but not limited to the following:

- a. Detailed capital expenditure, capitalisation and financing plan as per these Regulations;
- b. Distribution system or network usage forecast for the year consistent with the Business Plan;
- c. Operation and Maintenance expenses;
- d. Interest and Finance Charges on Loan Capital;
- e. Interest on Working Capital
- f. Depreciation;
- g. Return on Equity Capital;
- h. Income Tax;
- i. All statutory levies and taxes, if any, excluding taxes on income;
- j. Other allocation and expenses considered appropriate by the Commission and
- k. any other expenses not mentioned above may be considered by the Commission after prudence check;

Less:

- l. Non-Tariff Income with item-wise description and details;
- m. Income from Other Business, to the extent specified in these Regulations like Consultancy Services, Training Facilities, etc and
- n. Income from Wheeling Charges payable by the existing Distribution System Users other than the retail consumers including the losses

Provided that Depreciation, Interest and finance charges on Loan Capital, Interest on Working Capital, Return on Equity and Income Tax for the Wheeling Business shall be allowed in accordance with the provisions specified in Chapter 3 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, 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 / any Statutory Authority under law shall not be allowed to be recovered through the Aggregate Revenue Requirement:

The details of penalties and compensation paid or payable, if any, is required to be submitted to the Commission along with the Petition under these Regulations:

Provided also that the wheeling charges of the Distribution Licensee shall be determined by the Commission on the basis of an application for determination of tariff made by the Distribution Licensee in accordance with Chapter 2 of these Regulations:

Provided also that the Wheeling Charges may be denominated in terms of Rupees/kWh or Rs./kVAh, for the purpose of recovery from the Distribution System User, or any such denomination, as stipulated by the Commission from time to time.

4.3. Non-Tariff Income

4.3.1. The amount of Non-Tariff Income relating to the Wheeling Business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in calculating the wheeling charges of Wheeling Business of the Distribution Licensee.

Provided that the Distribution Licensee shall submit full details of its forecast of Non-Tariff Income to the Commission along with his application for determination of wheeling charges.

4.3.2. The indicative list of various heads to be considered for Non-Tariff Income shall be as under:

- a. Income from rent of land or buildings or other assets;
- b. Income from sale of scrap pertaining to period prior to effective date and Profit / Loss from sale of scrap of assets created after effective date;
- c. Income from statutory investments;
- d. Income from interest on Fixed Deposits (including contingency reserve investment);
- e. Interest on advances to suppliers/contractors;
- f. Rental from staff quarters;

- g. Rental from contractors;
- h. Income from hire charges from contractors and others;
- i. Income from advertisements, sale of tender documents etc.;
- j. Service charges;
- k. Revenue from delayed payment surcharge for wheeling business;
- l. Miscellaneous receipts;
- m. Interest on advances to suppliers;
- n. Excess or deficit found on physical verification, subject to prudence check by the Commission;
- o. Prior period income;
- p. Supervisory charges for contractual works;
- q. Any Other Non-Tariff Income.

Provided that the interest/dividend earned from investments made out of Return on Equity corresponding to the Wheeling Business of the Distribution Licensee shall not be included in Non-Tariff Income.

4.4. Income from Other Business after tax

- 4.4.1. Where the Distribution Licensee is engaged in any Other Business under Section 51 of the Act for optimum utilisation of its assets, half of the revenues earned from such Other Business after deduction of all direct and indirect costs and tax attributed to such Other Business shall be passed on to the consumer and deducted from the Aggregate Revenue Requirement while calculating the wheeling charges of Wheeling Business of the Distribution Licensee:

Provided that the Distribution Licensee shall carry out a reasonable assessment for allocation of all common costs between the Wheeling Business & the Other Business and shall submit the Allocation Statement, duly audited and certified by the statutory auditors, to the Commission along with his application for determination of wheeling charges:

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

4.5. Determination of Wheeling Charges and Losses

- 4.5.1. The Commission shall specify the Wheeling Charge of Wheeling Business of the Distribution Licensee in its Order passed under sub-section (3) of Section 64 of the Act. Notwithstanding anything contained in this Regulation the wheeling charges

applicable to open access customers shall be computed and applied at relevant voltage level:

Provided that the Wheeling Charges payable by a Distribution System User, other than the retail consumers getting electricity supply from the same Distribution Licensee, may comprise any combination of fixed/demand charges, and variable charges, as may be stipulated by the Commission in such Order:

Provided further that the revenue from Wheeling Charges paid by the Distribution System Users under the above proviso shall be used to reduce the Aggregate Revenue Requirement of the Wheeling Business to be recovered from the retail consumers of the concerned Distribution Licensee, in accordance with these Regulations.

- 4.5.2. The Distribution Licensee under wheeling business shall be allowed to recover, in kind (energy in kWh), the approved level of wheeling losses arising from the operation of the distribution system, as stipulated in the respective Tariff Order.

5. RETAIL SUPPLY OF ELECTRICITY

5.1. Applicability

5.1.1. These Regulations contained in this Chapter shall apply to the determination of tariff for retail supply of electricity by a Distribution Licensee to its consumers.

5.2. Components of Aggregate Revenue Requirement for Retail Supply Business

5.2.1. The tariff for retail supply by a Distribution Licensee shall provide for recovery of the Aggregate Revenue Requirement of the Distribution Licensee in terms of the revenue to be collected during the Financial Year, as approved by the Commission and shall comprise of the following:

- a. Power Purchase Expenses (including Bulk Supply Price, intra-state transmission and SLDC charges and Wheeling Charges);
- b. Operation and Maintenance expenses
- c. Interest and Finance Charges on Loan Capital;
- d. Interest on working capital
- e. Depreciation;
- f. Return on Equity Capital
- g. Foreign exchange rate variation, if any
- h. All statutory levies, and taxes including taxes on income, if any;
- i. Bad and doubtful debt;
- j. Other allocation of expenses considered appropriate by the Commission;
- k. Aggregate Revenue Requirement for Wheeling Business, as determined under these Regulations, after deducting income from Wheeling Charges payable by Distribution System Users other than the retail consumers;
- l. Any other expenses not mentioned above may be considered after prudence check by the Commission;

Less:

- m. Non – tariff income including revenue from various surcharges other than cross subsidy surcharge;
- n. Income from Other Business to the extent specified in these Regulations;
- o. Receipts on account of cross subsidy surcharge from open access customers;
- p. Receipts on account of additional surcharge from open access consumers and
- q. Any revenue grant, subvention, subsidy etc. provided by the Government
- r. Provision for receipt of revenue on account of Cross-Subsidy Surcharge

Provided that Depreciation, Interest and finance charges on Loan Capital, Interest on Working Capital, Return on Equity and Income Tax for the Retail Supply Business shall be allowed in accordance with the provisions specified in Chapter 3 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, 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/accidents, as a consequence of the Orders of the Commission / any Statutory Authority under law shall not be allowed to be recovered through the Aggregate Revenue Requirement: whereby the details of penalties and compensation paid or payable, if any, is required to be submitted to the Commission along with the Petition under these Regulations.

Provided also that the receipt of revenue on account of cross-subsidy surcharge shall be considered provisionally while determining the ARR subject to truing up, based on actual receipts as per Audited Accounts.

- 5.2.2. The tariff for retail supply by a Distribution Licensee shall be determined by the Commission on the basis of Petition filed for determination of tariff with segregation of the accounts of Retail Supply Business and Wheeling business:

Provided that where the Distribution Licensee is not able to submit audited and certified separate accounts for Wheeling Business and Retail Supply Business, the Allocation Matrix as given in these Regulations shall be applicable:

Provided further that the operation and maintenance expenses shall be allocated between the Wheeling Business and Retail Supply Business, by considering the percentages specified in the Allocation Matrix for employee expenses, administration and general expenses, and repair and maintenance expenses, as weights for determining the weighted average allocation percentage for operation and maintenance expenses:

- 5.2.3. The tariff for retail supply by the Distribution Licensee shall be determined by the Commission on the basis of an application for determination of tariff made by the Distribution Licensee in accordance with Chapter 2 of these Regulations.

Provided further that the Tariff for retail supply may comprise any combination of fixed/demand charges, energy charges, and any other charges, for the purpose of recovery from the consumers, 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 effect of these Regulations, the Commission may determine the ceiling Tariff for retail supply that may be charged by such Distribution Licensee till such time as considered appropriate by the Commission.

5.2.4. The Distribution Licensee may propose other rebates for inter-alia, taking supply at higher voltages, bulk consumption, power factor, etc., as a part of their Petition, and the revenue impact of rebates shall be passed on through the Aggregate Revenue Requirement and tariffs, subject to the Commission's approval.

5.2.5. The Distribution Licensee shall be allowed to offer a rebate to the consumers on tariff and charges determined by the Commission:

Provided that the Distribution licensee shall submit details of such rebates to the Commission every quarter, in the manner and format, as stipulated by the Commission from time to time:

Provided further that the impact of such rebates allowed by the Commission shall be adjusted in the ARR:

Provided also that such rebates shall not be offered selectively to any consumer(s), and shall have to be offered for the entire consumer category/sub-category/electricity consumption slab in a non-discriminatory manner.

5.3. Sales (MU) & Demand (MW) Forecast

5.3.1. The Distribution Licensee(s) shall make an assessment of demand (MW) during peak and off-peak period and energy requirement (MU) for each month of the ensuing year (Short term) and for next 5 (five) years (Long-term). The peak demand (MW) and energy sales (MU) shall be estimated for each tariff category & sub-category of consumers. The forecast shall be done based on load duration curve explicitly defining the base load and peak load in such a way that adequate unrestricted and uninterrupted (24x7) power supply can be ensured to all categories of consumers.

5.3.2. The Distribution Licensee(s) shall also indicate category-wise open access customers and the sales to such category(ies). The power demand and energy wheeled for such consumers shall be shown separately for

- i. Supply within its licensee area of supply; and
- ii. Supply outside its licensee area of supply.

5.3.3. While estimating monthly demand and energy sales forecast, the Distribution Licensee(s) shall also take into consideration various factors but not limited to the following:

- i. New consumer addition under various categories
- ii. Change in Consumption Pattern
- iii. Growth in the consumption of power intensive sectors
- iv. Historical as well as current year data
- v. Weather forecast and seasonal variations;
- vi. Overall economic growth;
- vii. Likely impact of implementation of Demand Side Management (DSM) Activities;
- viii. Projected efficiency gains due to implementation of T&D loss reduction initiatives and other improvement programmes;

ix. Energy Conservation and Energy Efficiency measures planned

Provided that where the Commission has stipulated a methodology for forecasting sales to any particular tariff category, the Distribution Licensee shall incorporate such methodology in developing the sales forecast for such tariff category.

- 5.3.4. The Commission shall examine the forecasts for their reasonableness based on growth in the number of consumers, pattern of consumption, losses and demand of electricity in previous years and anticipated growth in the subsequent year(s) and any other factor, which the Commission may consider relevant and approve the sales forecast with such modifications as deemed fit. The Distribution Licensee(s) shall develop a robust database of all consumers with desired particulars regarding their demand to facilitate the forecasting process in accordance with the direction given by the Commission.

5.4. Projection of Power Purchase Quantum

- 5.4.1. The Distribution Licensee(s) shall prepare a plan for procurement of power to serve the demand of electricity in its area of operation / supply and submit such Plan to the Commission for approval. While doing so, the Distribution Licensee(s) shall prepare monthly demand (MW) and energy requirement (MU) forecast for the ensuing year (on short-term basis) and for next 5 years period (including ensuing year) (on long term-basis) as per these Regulations. The Distribution Licensee(s) shall be guided by the following approach and provisions of these Regulations for estimation / calculation of power purchase requirement.

- a. estimate the monthly sales (MU) in their license area,
- b. estimate the energy input required at the interface of the Intra-state transmission and/or distribution system considering the approved Distribution Loss for the year and
- c. then, calculate energy (MU) required to be procured by GRIDCO from various sources of generation considering the approved Intra-State transmission system loss

- 5.4.2. The estimation of both the short-term and long-term power procurement plan prepared in accordance with these Regulations shall be submitted by the Distribution Licensee(s) on or before 15th September to the Commission and GRIDCO for preparation of Bulk Power Procurement Plan.

The Distribution Licensee(s) shall consider the same short-term power procurement estimation while projecting ARR for the ensuing year and long term power procurement estimation for next five (5) years in its Business Plan.

5.5. Assessment of Availability of Power

- 5.5.1. GRIDCO shall assess the availability of power from different sources for meeting power demand (MW) and energy required (MU) during peak and off-peak periods for each month of the ensuing year (short term) and for next five (5) years (long term).

5.5.2. The assessment of availability shall be based on the relevant information and inputs but not limited to the following:

- i. The share of power from existing generating plants owned or operated by the Licensee(s) or the State and the Central Sector Generating Plants and other sources of power;
- ii. Availability of power from Renewable energy sources within and outside the State
- iii. Expected share of the Licensee(s) from new generating stations due for commissioning for which PPA has been signed or in the process of signing;
- iv. Power Banking arrangements;
- v. Trends in Captive Power Consumption
- vi. Uprating of existing power plants;
- vii. Phase out of old stations or non-availability of power due to extended period of maintenance/ renovation & modernization of old generating plants
- viii. Planned maintenance schedules of generating stations;
- ix. Renewable Purchase Obligation

5.5.3. For assessment / calculation of Peak Demand (MW) and Energy Requirement (MU), the following methodology shall be adopted.

- a. Generation from existing Hydro Power Plants shall be based on average of actual generation during last 3 years with suitable adjustments;
Provided that, in case of new Hydro Power Plants availability shall be considered as per applicable norms;
- b. Generation from existing State Thermal Plants shall be based on the average of actual generation during last three (3) years with suitable adjustments, whereas generation of existing Central Sector Thermal Plants shall be based on the actual generation in previous year;
Provided that, in case of new Thermal Power Plants, Plant Availability Factor and auxiliary consumption shall be considered as per applicable norms;
- c. Generation from existing Renewable energy Plants within the State shall be taken as actual generation in the previous year, whereas for new plants, Capacity Utilisation Factor (CUF) and auxiliary consumption shall be considered as per applicable norms;
- d. For existing and new Nuclear Power Plants, the Plant Availability Factor and auxiliary consumption shall be considered as per applicable norms;
- e. The transmission losses for both ISTS and Intra State transmission system shall be considered same as that of previous year.

Provided that, in case of any deviation from above methodology for assessment of availability of power, proper justification shall be provided.

5.6. Bulk Power Procurement Plan and Power Purchase Cost

5.6.1. Long Term Power Procurement Plan

- i. The long-term Power Procurement Plan in terms of peak demand (in MW) and energy requirement (in MU) shall be prepared by GRIDCO for 5 (five) years based on the inputs provided by the Distribution Licensee(s) and taking into consideration of the latest Electric Power Survey (EPS) report of CEA. The plan shall be prepared on monthly basis as per the principles laid down in these Regulations.
- ii. GRIDCO shall submit Month wise details (with year-wise totals) (both in terms of demand in MW and energy in MU) indicating power expected to be produced from State generating stations, Central sector generating stations and other sources of power with whom long-term Power Purchase Agreements (PPAs) have been entered into, short-term purchases of electricity and power purchase expenses in terms of Fixed Charge and Energy Charge etc.
- iii. GRIDCO shall also submit break-up of power purchase cost and quantum of power from each of the generator for which expense has been incurred in the past three (3) years
- iv. The breakup of energy requirement (in MU) for State Consumption and for Trading shall be submitted separately along with the long-term power procurement plan.
- v. The long-term power procurement plan shall be submitted by GRIDCO to the Commission within sixty (60) days from receipt of inputs from the Distribution Licensee(s).

5.6.2. Short-Term Power Procurement Plan

- i. The short-term Power Procurement Plan shall be prepared by GRIDCO for peak and off-peak periods in terms of Demand (MW) and Energy Requirement (MU) taking into account the following:-
 - a) Weather forecast and seasonal variations;
 - b) The power transactions through banking;
 - c) Renewable purchase obligation;
- ii. The Power Procurement Plan shall be strictly as per Merit Order principle and it shall be the least cost plan with the ultimate objective of providing safe, secure, reliable and quality power supply to all consumers at economically viable tariffs complying to all relevant standards & Regulations;

Provided that the must run Plants/generators shall be exempted from Merit Order principle.

- iii. The short-term power procurement plan shall be submitted to the Commission by 30th November of every year based on inputs from the Distribution Licensee(s).
- iv. The power purchase quantum and cost shall be calculated based on the estimates for demand and energy requirement.

5.6.3. Transmission Charges:

The Distribution Licensee shall be allowed to recover intra-State transmission charges payable for access to and use of the intra-State transmission system in accordance with the tariff approved by the Commission in its Orders.

5.6.4. SLDC Fees & Charges:

The Distribution Licensee shall be allowed to recover SLDC Fees and Charges payable to SLDC in accordance with the tariff approved by the Commission in its Orders.

5.7. Fuel and Power Purchase Adjustment Surcharge (FPPAS)

- 5.7.1. The FPPAS shall be calculated by GRIDCO & levied on the Distribution Licensee(s) on monthly basis and the distribution licensee(s) shall recover FPPAS in the form of Power Purchase Surcharge (PPS) from consumer on monthly basis with the prior permission of the Commission according to the formula prescribed in these Regulations subject to true up on annual basis by the Commission.

Computation of FPPAS to be levied on the Distribution Licensee(s)

- 5.7.2. The FPPAS shall be computed and levied by GRIDCO in the nth month for actual increase /decrease in Power Purchase Cost (PPC) on cumulative basis up to (n-2)th month of the year after receipt of bills from the Generators and Transmission Utilities etc. taking into account the changes in fuel cost and power purchase cost (For example: the FPPAS for power supplied in the month of April 2023 shall be computed and billed in the month of June 2023).

Provided that such cost has not been considered by the Commission in its ARR order for the ensuing year.

Provided that, the FPPAS shall be computed and raised by GRIDCO, if actual cumulative average monthly power purchase cost per unit (Rs./kWh) exceeds 3% of the approved average Power Purchase Cost per unit (Rs./kWh) in the ARR order of the Commission for the corresponding year.

Provided that if GRIDCO fails to compute and levy FPPAS within this timeline, the right to recover the costs on account of FPPAS shall be forfeited except in case of any force majeure condition or due to any uncontrollable factors. However, the recovery of such incremental cost shall be considered by the Commission during annual truing up of its expenditure.

5.7.3. The FPPAS shall be computed by GRIDCO in terms of Rs./kWh as per the following formula based on energy consumption (in MUs) of all the Distribution Licensee(s) of the State with prior permission of the Commission:

$$\text{FPPAS for the } n^{\text{th}} \text{ month (Rs./kWh)} = \frac{\{A - B - (C \times \frac{D}{(1-E)}) + 10\} \times 10}{D}$$

where;

- A: Actual Power Purchase Cost including expenses towards the interest on loan availed by GRIDCO for purchasing power and Inter-State Transmission Charge & losses (in Rs. Crore) in the (n-2)th month
- B: Revenue earned from trading, emergency sale of power etc. (in Rs. Crore) upto (n-2)th month excluding any charges on account of Deviation Settlement Mechanism (DSM)
- C: Approved average Power Purchase Cost per unit (in Rs./kWh) in ARR order of GRIDCO
- D: Sale of energy to all Distribution Licensee(s) in the State (in MUs) in (n-2)th month
- E: Approved Intra-State Transmission Loss in per unit (pu)

5.7.4. GRIDCO shall raise the bill for FPPAS on the Distribution Licensee(s) in the nth month at a uniform rate.

Provided that no FPPAS shall be computed and raised by GRIDCO in case increase or decrease in actual cumulative power purchase cost per unit (Rs./kWh) upto (n-2)th month is less than 3% of the approved average power purchase cost per unit (Rs./kWh) of GRIDCO by the Commission.

Provided that the FPPAS recoverable from the DISCOM in any month shall not be more than Rs. 0.20/kWh (20 paise/unit). The unrecovered FPPAS in any month shall be considered at the time of trueing up.

5.7.5. The revenue recovered on account of FPPAS by GRIDCO shall be Trued-up annually by the Commission.

5.7.6. GRIDCO in its True-up Petition shall submit details of increase/decrease in fuel cost, PPC, increase/decrease in transmission charges & losses and surplus/deficit in recovery of revenue through FPPAS from the Distribution Licensee(s) along with supporting documents.

5.7.7. All details including formula for computation of FPPAS and recovery thereof shall be readily available in the website of GRIDCO through a dedicated web address.

Computation and Recovery of FPPAS by the Distribution Licensee(s)

5.7.8. The Distribution Licensee(s) shall recover, FPPAS from consumers on monthly basis in the form of **Power Purchase Surcharge (PPS)** in proportion to their energy consumption with the prior permission of the Commission.

5.7.9. The **PPS** to be levied on the consumers of the State shall be computed by the Distribution Licensee(s) in terms of Rs./kWh as per the following formula:

$$\text{PPS for the } n^{\text{th}} \text{ month (Rs./kWh)} = [(\text{FPPAS per unit levied on the Distribution Licensee(s) by GRIDCO}) \div (1 - \text{Average AT \& C loss in per unit})]$$

Note: Average AT&C loss shall be the average of AT&C loss of all Distribution Licensee(s) of the State as approved by the Commission in the ARR order)

Provided that the PPS recoverable from the consumer in any month shall not be more than Rs. 0.20/kWh (20 paise/unit). The unrecovered PPS in any month shall be considered at the time of truing up.

Provided that when the consumer billing is in terms of kVAh it shall be treated as equal to kWh and accordingly PPS of the consumer per unit shall be computed.

5.7.10. PPS shall be billed uniformly to all the consumers of the State except Kutir Jyoti category.

5.7.11. The consumers shall be billed by the Distribution Licensee(s) on $(n+1)^{\text{th}}$ month where n is the month for which FPPAS bill has been raised by GRIDCO except for the force majeure condition or due to any uncontrollable factor.

5.7.12. In case, the Distribution Licensee(s) fails to raise PPS bill to the consumers by $(n+2)^{\text{th}}$ month the right to recover the same through PPS shall be forfeited. However, this shall be considered by the Commission during annual truing up exercise of its expenditure.

5.7.13. The revenue recovered on account of PPS by the Distribution Licensee(s) shall be Trued-up annually.

5.7.14. The Distribution Licensee(s) shall ensure that the PPS bill raised to the consumers is clearly identified as a separate entry in the monthly bill of the consumer.

5.8. Provision for Bad and Doubtful Debt:

5.8.1. The Commission shall allow provisioning for bad debts as a pass through in the Aggregate Revenue Requirement, as a prudent commercial practice in the revenue requirement of the licensee. The Bad and Doubtful debt during this control period shall be allowed on normative basis of 1% of the total annual revenue billed for sale of electricity.

Provided that during True-Up, the DISCOMs shall submit the audited annual accounts depicting provision for bad and doubtful debt for the respective years and provisioning for bad debt shall be allowed subject to ceiling of @ 1% of the total

annual revenue billed for sale of electricity and provisioning of bad and doubtful debt mentioned in the audited annual accounts whichever is lower.

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 as an uncontrollable item under the Non-Tariff Income of the year in which such revenue is realised.

5.9. Non-Tariff Income

5.9.1. The amount of Non-Tariff Income relating to the Retail Supply of electricity as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in calculating the tariff for retail supply of electricity by the Distribution Licensee.

Provided that the Distribution Licensee shall submit full details of its forecast of Non-Tariff Income to the Commission along with his application for determination of tariff.

5.9.2. The indicative list of various heads to be considered for Non-Tariff Income shall be as under:

- a. Income from rent of land or buildings or other assets;
- b. Income from sale of scrap pertaining to period prior to effective date and Profit / Loss from sale of scrap of assets created after effective date;
- c. Income from statutory investments;
- d. Income from interest on Fixed Deposits (including contingency reserve investment);
- e. Interest on Security Deposits not passed on to the consumers
- f. Interest on advances to suppliers/contractors;
- g. Income from rental from staff quarters;
- h. Income from rental from contractors;
- i. Income from hire charges from contractors and others;
- j. Income from advertisements, sale of tender documents etc.;
- k. Service charges;
- l. Income from customer Charge
- m. Miscellaneous receipts;
- n. Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- o. Prior period income;
- p. Supervisory charges for contractual works;
- q. Delayed payment surcharge recovered from the consumers after netting-off rebate allowed to the consumers

- r. Rebate as per Regulation 3.12 for payment of bills of GRIDCO, generation & transmission utilities, SLDC, RLDC etc.;
- s. Any Other Non-Tariff Income;

Provided that the interest/dividend earned from investments made out of Return on Equity corresponding to the Retail Supply Business of the Distribution Licensee shall not be included in Non-Tariff Income.

Provided further that any income earned by a Distribution Licensee by sale of power to other Distribution Licensees or to consumers as per Section 49 of the Act using the existing power purchase agreements or bulk supply capacity allocated to the Distribution Licensee's area of supply shall be reduced from the Aggregate Revenue Requirement of the Distribution Licensee for the purpose of determination of tariff.

5.10. Income from Other Business

5.10.1. Where the Retail Supply Business of the Distribution Licensee is engaged in any Other Business under Section 51 of the Act for optimum utilisation of its assets, half of the revenues earned from such Other Business after deduction of all direct and indirect costs attributable to such Other Business shall be passed on the consumers and deducted from the Aggregate Revenue Requirement while calculating the tariff for retail supply of electricity by the Distribution Licensee:

Provided that the Distribution Licensee shall carry out a reasonable assessment for allocation of all common costs between the Distribution Business & the Other Business and shall submit the Allocation Statement, duly audited and certified by the statutory auditors, to the Commission along with his application for determination of tariff;

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

5.11. Receipts on account of Cross-Subsidy Surcharge

5.11.1. The Cross-Subsidy Surcharge received by the Distribution Licensee shall be in accordance with the Odisha Electricity Regulatory Commission (Terms and Conditions of Intra-State Open Access) Regulations, 2020, as amended from time to time, and as per Orders issued thereunder at the rate approved by the Commission. The CSS shall be deducted from the Aggregate Revenue Requirement while calculation of the tariff for retail supply of electricity by such Distribution Licensee and also at the time of trueing up.

5.12. Receipts on account of Additional Surcharge

5.12.1. The Additional surcharge received by the Distribution Licensee shall be in accordance with the Odisha Electricity Regulatory Commission (Terms and Conditions of Intra-State Open Access) Regulations, 2020, as amended from time to time, at the rate approved by the Commission. The additional surcharge shall be deducted from the Aggregate Revenue Requirement in calculation of the tariff for retail supply of electricity and also at the time of truing up.

5.13. Distribution Loss

5.13.1. For estimating the distribution loss in ARR, the Distribution Licensee(s) is required to carry out proper loss estimation studies based on Energy accounting and energy audit and shall submit voltage-wise distribution loss segregating them into technical loss and non-technical loss for each year of the Control Period.

5.13.2. The Commission shall examine the filing made by distribution licensee in respect of distribution loss and shall approve a loss target for each year of the Control Period, based on the opening loss levels, licensee's filings/submissions, benchmarking, past trends, objections raised by the stakeholders, loss level decided in vesting Orders and any other factor considered relevant by the Commission. This approved loss target will be used for computing sale of power to consumers for that year.

5.14. Recovery of Fee

5.14.1. The Distribution licensee shall recover the fees and charges as determined by Commission from time to time for filing of petitions or applications before the Commission.

5.15. Determination of Tariff

5.15.1. The Commission may categorize consumers on the basis of their load factor, power factor, supply 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.

5.15.2. The Commission shall endeavour to reduce gradually the cross-subsidy between consumer categories with respect to the average cost of supply in accordance with the provisions of the Act.

5.15.3. The Commission, while determining the tariff, shall ensure that the tariff progressively, reflects the cost of supply of electricity and the cross-subsidy is reduced. For the purpose of computing cross-subsidy payable by a certain category of consumers, the difference between average cost of supply to all consumers of the State taken together and average voltage-wise tariff applicable to such consumers shall be considered.

5.15.4. Peak and Off-peak Tariff

A differential tariff for peak and off-peak hours is necessary to promote Demand Side Management (DSM). The Commission shall encourage the distribution licensees to promote DSM and other energy conservation measures. The Commission shall stipulate the broad classification of consumers eligible for peak, off-peak and normal tariff and the periods for peak and off-peak and normal consumption.

5.15.5. Bulk Supply Price (BSP)

The Commission shall continue to adopt a differential Bulk Supply Price (BSP) mechanism to address the issues of uniform Retail Supply Tariffs (RST) and shall review the same from time to time.

5.15.6. Quality of Supply and consumer services to be provided by Distribution Licensee(s)

- a. The quality of supply and the customer service parameters shall be monitored as per the norms specified by the Commission from time to time.
- b. The quality of supply and customer service shall be used to evaluate the performance of licensees. For this purpose, the Commission has laid down Overall Standards of Performance of licensee by way of separate Regulations.
- c. The Commission shall specify & benchmark various parameters, monitor quality of supply and customer service from time to time. The Commission may make an assessment of reliability of baseline data and may prescribe the performance trajectory for each identified parameter for the Control Period.
- d. The Distribution Licensee(s) shall submit the performance on each parameter in the form and manner directed by the Commission. The Commission shall conduct periodic reviews on the performance of the Licensee with respect to quality parameters.

6. MISCELLANEOUS

6.1. Saving of Inherent Power of the Commission

- 6.1.1. Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary for ends of justice or to prevent the abuse of the process of the Commission.
- 6.1.2. Nothing in these Regulations shall bar the Commission from adopting in conformity with the 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 class of matters and for reasons to be recorded in writing, deems it necessary or expedient for dealing with such a matter or class of matters.
- 6.1.3. Nothing in these Regulations shall, expressly or by implication, bar the Commission to deal with any matter or exercise any power under the Acts for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner it thinks fit. In case of any conflict between the Vesting Orders, these Regulations, Bulk Supply Agreement and Bulk Power Transmission and SLDC Agreement, the decision of the Commission shall be final and binding on all parties.

6.2. Effect of Non-Compliance:

- 6.2.1. Failure to comply with any requirement of these Regulations shall not invalidate any Proceeding merely by reason of such failure unless the Commission is of the view that such failure has resulted in miscarriage of justice.

6.3. Issue of orders and practice directions

- 6.3.1. Subject to the provisions of the Act and these Regulations, the Commission may, from time to time, either suo-motu or on a Petition filed by the licensee, issue orders and practice directions with regard to the implementation of these Regulations and procedure to be followed on various matters, which the Commission has been empowered by these Regulations to direct and matters incidental or ancillary thereto.
- 6.3.2. Notwithstanding anything contained in these Regulations, the Commission shall have the authority, either suo-motu or on a petition filed by any interested or affected party, to determine the tariff of any Applicant.
- 6.3.3. The commission, if need arises, due to insufficiency of data, explanation, information etc provided by the petitioner, may issue provisional tariff, till such time final tariff is determined.

6.4. Power to remove difficulties

- 6.4.1. If any difficulty arises in giving effect to any of the provisions of these Regulations, the Commission may, by general or special order, do anything not being inconsistent with the provisions of the Act, which appears to it to be necessary or expedient for the purpose of removing the difficulties.

6.5. Power to Relax

6.5.1. The Commission, for reasons to be recorded in writing, may relax any of the provisions of these regulations on its own motion or on an application made before it by an interested person.

6.6. Power to Amend

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

6.7. Interpretation

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

6.8. Inquiry and Investigation

6.8.1. All inquiries, investigations and adjudications under these Regulations shall be done by the Commission through the proceedings in accordance with the provisions of the Odisha Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, as amended from time to time.

By order of the Commission

(DR. PRIYABRATA PATNAIK)

SECRETARY

Annexure-I

Summary of Timelines

Sl. No.	Description	Timeline for Filing of Petition	Furnishing additional information as sought by the Commission	Disposal of the Application
A	Business Plan for the Control Period for FY 2023-24 to FY 2027-28	January 31, 2023	Within 15 days of filing of document	Within 120 days of acceptance of the filing
B	Capital Expenditure Plan and Capitalisation Plan for the ensuing year	September 10 of FY for which APR shall be filed	Within 30 days of filing of document	Within 120 days of acceptance of the filing
C	*True-Up for the previous year, Annual Performance Review (APR) (considering actual performance for first 6 months and projection for next 6 months of the year) for the current year and Annual Revenue Requirement (ARR) & Tariff Determination for the ensuing year	November 30 of the Financial Year for which APR has been sought	Within 30 days of filing of document	Within 120 days of acceptance of the filing

**The Distribution Licensee shall be required to consider the approved Capital Expenditure Plan and Capitalisation Plan for preparation of ARR for ensuing year.*

In case approved Capital Expenditure Plan and Capitalisation Plan is not available at the time of preparation of ARR the plan submitted for approval before the Commission may be considered.

Annexure-II

Depreciation Schedule

Sl. No.	Description of Assets	Depreciation Rate
A	Land under full ownership	NIL
B	Land held under lease	
i	for purpose of creation of assets	3.34%
ii	for the cost of clearing the site	3.34%
C	Assets purchased new:	
a	Building and Civil works of	
i	Offices & Showrooms	3.34%
ii	Temporary erections such as wooden structures	100%
iii	Roads other than kutchra 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 rating of 100 KVA and over	4.67%
ii	Others	4.67%
c	Switchgear including cable connections	4.67%
d	Lightning Arrestors	
i	Station Type	4.67%
ii	Pole Type	4.67%
iii	Synchronous Condenser	4.67%
e	Batteries	4.67%
i	Underground cable including joint boxes and disconnected boxes	4.67%
ii	Cable duct system	4.67%
f	Overhead lines including supports	
i	Lines on fabricated steel operating at terminal voltages higher than 66 KV	4.67%
ii	Lines on steel supports operating at terminal voltages higher than 13.2 KV but not exceeding 66 KV	4.67%
iii	Lines on steel or reinforced concrete supports	4.67%
iv	Lines on treated wood supports	4.67%
g	Meters	4.67%
h	Self-propelled vehicles	9.50%
i	Air conditioning plants	
i	Static	4.67%
ii	Portable	9.50%
j	Furnitures and Fittings	
i	Office furniture and fittings	6.33%
ii	Office Equipments	6.33%
iii	Internal wiring including fittings and apparatus	6.33%
iv	Street Light Fittings	4.67%
k	Apparatus let on Hire	
i	Motors	6.33%

Sl. No.	Description of Assets	Depreciation Rate
ii	Other than motors	9.50%
l	Communication Equipment	
i	Radio and high frequency carrier system	6.33%
ii	Telephone lines and telephones	6.33%
m	IT equipments	15.00%
n	Software	30.00%
o	Assets purchased second hand and assets not otherwise provided for in the Schedule	4.67%

Note:

The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:

Provided that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered to be depreciable.

Annexure-III

AT&C Loss Trajectory for Tariff Determination as approved in Vesting Order

Year	TPCODL	TPWODL	TPSODL	TPNODL
FY 2021	23.70%	-	-	-
FY 2022	23.70%	20.40%	25.75%	19.17%
FY 2023	23.70%	20.40%	25.75%	19.17%
FY 2024	22.00%	18.90%	25.75%	17.09%
FY 2025	20.00%	17.40%	25.35%	15.00%
FY 2026	18.00%	15.90%	25.00%	13.83%
FY 2027	16.00%	14.50%	22.57%	12.76%
FY 2028	15.00%	13.00%	20.38%	11.77%
FY 2029	14.00%	11.50%	18.40%	10.85%
FY 2030	13.50%	10.00%	16.61%	10.00%
FY 2031	-	9.50%	15.00%	9.50%

AT&C Loss Trajectory Commitment by Distribution Licensees as approved in Vesting Order

Year	TPCODL	TPWODL	TPSODL	TPNODL
FY 2021	29.13%	-	-	-
FY 2022	26.89%	27.56%	35.29%	24.32%
FY 2023	23.76%	25.56%	34.29%	22.32%
FY 2024	21.98%	22.50%	32.80%	20.80%
FY 2025	20.19%	20.50%	30.00%	17.80%
FY 2026	-	18.50%	26.75%	15.50%
FY 2027	-	14.50%	22.00%	12.50%
FY 2028	-	12.50%	20.00%	11.50%
FY 2029	-	11.00%	18.00%	10.50%
FY 2030	-	9.50%	16.25%	9.50%
FY 2031	-	9.08%	14.80%	8.90%