

F. No. 06/03/2021-UR&SI-II (E-258363)

Government of India  
Ministry of Power

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Shram Shakti Bhawan, Rafi Marg,  
New Delhi, Date: 01<sup>st</sup> September, 2023

To,

1. ACS/ Principal Secretaries/ Secretaries (Power/Energy) of all State and UTs
2. Secretaries of All State Electricity Regulatory Commissions/ JERCs.
3. Secretary, Central Electricity Regulatory Commission (CERC)
4. CMDs/ MDs of Discoms of all States and UTs
5. Chairperson, Central Electricity Authority (CEA)
6. CMD, REC
7. CMD, PFC

**Subject: Draft Electricity Distribution (Accounting aspects of Specified Items & Additional Disclosure) Rules, 2023,- Reg.**

Sir/Madam,

I am directed to forward herewith the draft Electricity Distribution (Accounting aspects of Specified Items & Additional Disclosure) Rules, 2023, with the request to provide your comments, if any, to this Ministry within one week's time from the date of issuance of this letter, i.e. by 08.09.2023. The comments may also be emailed at [jamiruddin.ansari@gov.in](mailto:jamiruddin.ansari@gov.in).

2. This issues with the approval of Competent Authority.

Encl: as above

Yours faithfully,



(Jamiruddin Ansari)

Deputy Secretary to the Govt. of India

Ph: 011-23352913

**Copy for information to:** PS to Hon'ble Minister for Power and NRE, APS to MoSP, Sr. PPS to Secy (P), PS to CE (R&R), PSO to JS(D), PPS to DS, Ministry of Power.

**Copy to:** Technical Director, NIC Cell for uploading on MOP's website under "Current Notices" with the heading of "Seeking comments on draft "Electricity Distribution (Accounting aspects of Specified Items & Additional Disclosure) Rules, 2023

**DRAFT**

**Electricity Distribution (Accounting Aspects of Specified items & Additional Disclosure)  
Rules 2023**



**GOVERNMENT OF INDIA  
MINISTRY OF POWER**

**Arrangement of Rules**

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**MINISTRY OF POWER****NOTIFICATION****New Delhi, <DD/MM/YYYY>**

No. \_\_\_\_\_ in exercise of the powers conferred by sub-section (1) and clause (z) of sub-section (2) of section 176 of the Electricity Act, 2003 (36 of 2003), the Central Government hereby makes the following rules:

**Chapter I- Introductory****1. Short Title & Commencement**

- (1) These Rules may be called the Electricity Distribution (Accounting aspects of Specified Items & Additional Disclosure) Rules, 2023.
- (2) They shall come into force on the date of their publication in the Official Gazette.

**2. Applicability**

These Rules shall be applicable to “Specified Entity” or “SE” as defined hereinafter.

**3. Definitions**

- (1) In these Rules, unless the context otherwise requires, -
  - (a) “**Act**” means the Electricity Act 2003 (No. 36 of 2003);
  - (b) “**Additional Disclosure Statements**” or “**ADS**” shall mean statements disclosing particulars as prescribed under *Schedule A* to these Rules;
  - (c) “**Companies Act**” means the Companies Act 2013 (No. 13 of 2013);
  - (d) “**Distribution Licensee**” means Distribution Licensee as defined under the Act and includes deemed Distribution Licensees in terms of the Act;
  - (e) “**Financial Statement**” shall have the meaning as assigned to such term under sub-section (40) of section 2 read with section 129 of the Companies Act;
  - (f) “**Financial Year**” for Specified Entity which is registered as company under Companies Act and for other Specified Entity defined under these Rules shall have the meaning as assigned to such term under sub-section (41) of section 2 of the Companies Act;
  - (g) “**Regulatory Deferral Account Balance**” shall have the meaning as assigned to such term in Indian Accounting Standard 114.
  - (h) “**Regulatory Asset**” shall have the meaning as assigned to such term in Indian Accounting Standard 114.
  - (i) “**Regulatory Liability**” shall have the meaning as assigned to such term in Indian Accounting Standard 114.

- (j) **“Rules”** means the Electricity Distribution (Accounting aspects of Specified Items & Additional Disclosure) Rules, 2023;
- (k) **“Schedule”** means a Schedule annexed to these Rules;
- (l) **“Specified Entity or SE”** shall mean the Distribution Licensee excluding:
- i. Indian Railways;
  - ii. Military Engineering Services;
  - iii. Municipal Corporations;
  - iv. Ports;
  - v. Captive Power Plants;
  - vi. Transport Undertakings;
  - vii. Damodar Valley Corporation;
  - viii. Entity engaged in distribution of power in Special Economic Zones; or
  - ix. Any other entity exempted in this regard by the Central Government.
- (m) **“Specified Items”** shall mean:
- i. Regulatory Deferral Account Balance
  - ii. Provisioning of Trade Receivables
  - iii. Any other item as may be specified by the Central Government from time to time

- (2) Words and expressions used and not defined in these Rules, shall have the corresponding meaning assigned to such words and expressions in the Act or the Companies Act, as the case may be. In case of any inconsistency in meaning of words and expressions between the Act and the Companies Act, the Act shall prevail over the Companies Act.

## Chapter II- Accounting aspects of Specified Items

### 4. Regulatory Deferral Account Balance

- (1) SEs which are presently recognising regulatory deferral account balances in accordance with applicable Accounting Standard and Guidance Note on Accounting for Rate Regulated Activities in its Financial Statements shall abide by the following directions with respect to measurement and impairment of regulatory deferral account balances.
- (2) Measurement - On initial recognition and at the end of each subsequent reporting period, an entity should measure a Regulatory Asset or Regulatory Liability at the best estimate of the amount expected to be recovered or refunded or adjusted as future cash flows under the regulatory framework. Estimates of the amount expected to be recovered, refunded or adjusted shall be determined by the judgment of the management of the entity considering factors as below:

- i. formal approvals from the regulator specifically authorising recovery of the cost in rates;
  - ii. previous formal approvals from the regulator allowing recovery for substantially similar costs (precedents) for a specific entity or other entities in the same jurisdiction;
  - iii. written approval from the regulator (although not a formal approval) approving future recovery in rates;
- (3) Impairment - An entity should review the estimates of the amount expected to be recovered, refunded or adjusted at least at the end of each Financial Year to reflect the current best estimate in line with sub-rule (2) above. If expectation differs from previous estimates, the changes should be accounted for as a change in an accounting estimate in accordance with relevant requirements of the applicable Accounting Standard.
- (4) SEs shall disclose the basis on which regulatory deferral account balances are measured initially and subsequently, including how regulatory deferral account balances are assessed for recoverability and how impairment loss is allocated.

#### 5. Provisioning of Trade Receivables

- (1) SEs to establish a Board approved policy for determining Expected Credit Loss to adopt the following normative graded approach at the minimum for provisioning of trade receivables in the Financial Statements:

Age: For Trade Receivables	% of Provisioning		
	FY 2024	FY 2025	FY 2026 and onwards
0 and up to 90 days	0%	0%	0%
Exceeding 90 days and up to 180 days	20%	25%	30%
Exceeding 180 days and up to 365 Days	40%	50%	60%
Exceeding 365 days	60%	75%	100%
Dues from Permanently Disconnected Consumers	100%	100%	100%

- (2) The requirement regarding formulation of Board approved policy contained in sub-rule (1) above shall not apply to a Specified Entity which is not registered as a company under the Companies Act. However, such entities shall adopt the above normative graded approach at the minimum for provisioning of trade receivables in the Financial Statements.
- (3) The provisioning rates specified above are minimum rates of provision and SE may provide provision at a rate which is more than the prescribed rate based on the circumstances, judgement of management and other relevant factors.

### Chapter III- Preparation of Additional Disclosure Statements (ADS)

#### 6. Content and Form of Additional Disclosure Statements (ADS)

- (1) In addition to the statutory disclosures as mandated under the Companies Act or any other applicable act, rule, statute, regulation etc., Specified Entity shall also prepare ADS for each Financial Year in the form and manner as prescribed under these Rules.
- (2) The ADS shall form an integral part of the Financial Statements prepared by the SE and are to be placed as the last disclosure in the Financial Statements titled “Additional Disclosure Statements pursuant to Electricity Distribution (Accounting aspects of Specified Items & Additional Disclosure) Rules, 2023, as amended from time to time” under the notes to accounts of the Financial Statements.
- (3) SE shall prepare the ADS comprising the following statements arranged in the order as given below:
  - (a) Supplementary Disclosures to Financial Statements;
  - (b) Power Purchase and Energy Accounting details;
  - (c) Statement of ACS-ARR gap;
  - (d) Statement of AT&C loss;
  - (e) Performance Summary of Specified Entity
- (4) SE shall ensure that the ADS are prepared in such form and manner as prescribed in *Schedule A* of these Rules and that the ADS shall comply with the methodologies & principles with reference to the matters covered therein.

Explanation: ADS are an additional disclosure forming part of the Financial Statements prepared by the SE. Preparation of ADS are not intended for disrupting the existing provisions of the Companies Act or any other applicable statute, rule, or regulation with respect to the SE and nor are in derogation to the disclosure requirements or accounting and financial reporting standards prescribed under the Companies Act or any other applicable statute, rule, or regulation.

- (5) The Central Government may, by order or direction, designate any authority or any person for modifying the requirements under this Rule from time to time.

#### 7. Statement of Compliance

A statement of compliance shall be given at the beginning of the ADS confirming that the ADS are prepared and presented in the form and manner prescribed in *Schedule A* of these Rules and that the ADS are in compliance with the methodologies and principles with reference to the matters covered under the Rules.

**Chapter IV- Miscellaneous****8. Power to Relax**

The Central Government, may by notification relax any of the provisions of these Rules, in part or in full, including for a specified period.

**9. Power to Remove Difficulty**

(1) If any difficulty arises in giving effect to the provisions of these Rules, the Central Government may, by order published in the Official Gazette, make such provisions, not inconsistent with the provisions of these Rules, as appear to it to be necessary or expedient for removing the difficulty

Provided that no such order shall be made after the expiry of a period of two years from the date of publication of these Rules.

(2) Such power to remove difficulties includes power to issue interpretation, explanation or clarification with regard to these Rules.

(3) The Central Government may, by order or direction, designate any authority or any person for issuing the required interpretation, explanation or clarification for removal of difficulties, as required under the terms of sub-rule (2) above.

Name of official  
Designation



### Schedule A: Additional Disclosure Statements

#### Definitions

- a) **“ACS-ARR Gap”** is the difference between the average cost of supply and average realisable revenue per unit of Gross Input Energy for the Specified Entity during the Financial Year.
- b) **“Aggregate Technical and Commercial Loss (AT&C loss)”** is the difference between Net Input Energy and energy realised. Energy realised is the energy billed factored by Collection Efficiency.
- c) **“Billing Efficiency”** is the Energy Sold as a proportion of Net Input Energy and is an indicator of the efficiency of metering and billing.
- d) **“Collection Efficiency”** is an index of efficiency in realisation (including arrears) of dues of sale of energy to all categories of consumers (including subsidy booked) but excluding sale of power through Interstate Sale/Energy Traded/unscheduled interchange (UI). Collection Efficiency is capped at 100%.
- e) **“Energy Sold (MU)”** is Gross Energy Sold excluding energy traded/inter-state sale/unscheduled interchange.
- f) **“Government Consumers”** means departments, urban local bodies, rural local bodies, public sector undertakings, etc. owned or belonging to state government.
- g) **“Gross Energy Sold (MU)”** is aggregate of metered and unmetered energy sale to all category of consumers. Open access/wheeling units shall not be included.
- h) **“Gross Input Energy (MU)”** is sum of energy purchased and SE’s own generation, if any (net of auxiliary consumption).
- i) **“Late Payment Surcharge Cess (LPSC) or Delayed Payment Charges (DPC)”** means the amounts levied by Specified Entity, if the electricity bill raised by it is not being paid within the due date specified on the bill.
- j) **“Net Input Energy (MU)”** is energy available for sale within SE’s periphery and is defined as Gross Input Energy adjusted for transmission losses and energy traded/inter-state sale/UI.
- k) **“Permanently Disconnected Consumers”** means consumers permanently disconnected due to non-payment of outstanding dues of electricity.
- l) **“Tariff Subsidy”** is the subsidy provided by the state government to SEs for sale of power at subsidised rates to certain categories of consumers.

- m) **“Trade Receivable”** means a receivable in respect of the amount due on account of sale of power or services in connection with the sale of power rendered in the normal course of business and in respect of which the company has an unconditional right to the amount of consideration (i.e. if only the passage of time is required before payment of that consideration is due). Trade Receivables shall include dues from Government Consumers but does not include receivables on account of Tariff Subsidy.

### ADS 1: Supplementary Disclosures to Financial Statements

#### Notes to Accounts

#### 1. Revenue from Operations

Particulars	For the year ended 31st March, 20XX (Current Year)	For the year ended 31st March, 20XX (Previous Year)
<b>a) Revenue from Sale of Goods and Services</b>		
Sale of Power to LT, HT and EHT Consumers		
Fixed Charges/ Meter Rents etc.		
Recoveries for theft of power and Malpractices /Misc. Charges		
Fuel Adjustment Charge/ FCA/ FPCCA/ PPAC		
Sale of power through Interstate Sale/Energy Traded/UI Sales		
Other Receipts from Consumers		
<b>Revenue from sale of energy without tariff subsidy (i)</b>		
Less: Rebate to Consumers (if any, other than Cash Discount) (ii)		
<b>Sub-Total (i-ii)</b>		
Add: Electricity Duty Billed to consumers Less: Electricity Duty Payable to Government		
<b>Sub-Total of Revenue from Sale of Goods and Services</b>		
<b>b) Other Operating Income:</b>		
Wheeling Charges		
Open Access		
Others		
<b>c) Tariff Subsidy</b>		
Subsidy Billed and received		
Subsidy Billed and not received		
<b>Total Revenue from Operations</b>		

