

ASSAM ELECTRICITY REGULATORY COMMISSION

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**DRAFT ASSAM ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS FOR
DETERMINATION OF MULTI-YEAR TARIFF) REGULATION, 2021**

EXPLANATORY MEMORANDUM

(22-07-2021)

1. In accordance with section 61 of the EA 2003, the Assam Electricity Regulatory Commission is to specify the terms and conditions for the determination of tariff. The AERC is following the MYT principle, w.e.f FY 2016-17. Accordingly, the AERC notified AERC (Terms and Conditions for Determination of Multi-Year Tariff) Regulation, 2016 for the control period for FY 2016-17 to 2018-19 and AERC (Terms and Conditions for Determination of Multi-Year Tariff) Regulation, 2018 for the control period FY 2019-20 to 2021-22. Now the next control period will start from April 2022 for the FY 2022-23 to 2024-25.
2. The electricity sector has witnessed various developments in the last few years. To cope with the changes the regulations are required to be updated.
3. The AERC has proposed some changes in the existing regulations and the details of the same (only major changes) are annexed herewith as Annexure-I.

Annexure-1

AERC MYT Regulation,2018	AERC MYT Regulation,2021 (New)	Commission's View
Regulation 2 Definitions	Changes to be made as per Annexure A	New definitions are added for bringing clarity on various provisions /regulations/clauses
Regulation 10- Controllable and Uncontrollable Items.	Changes to be made as per Annexure B	Changes are made to bring more clarity.New items are added in accordance with present scenario.
Regulation 29 Additional Capitalization and de-capitalization	Regulation 30 Additional Capitalization and de-capitalization 1) Additional Capitalisation within the original scope and upto the cut-off date; 2) Additional Capitalisation within the original scope and after the cut-off date; 3) Additional Capitalisation beyond the original scope.	Changes are made in accordance with present scenario and in line with CERC and other SERCs.
Regulation 30.6 Special Allowance for Coal-based fired Thermal Generating station ii) The Special Allowance shall be @ Rs. 8.5 lakh/MW/year for the year 2016-17 and thereafter escalated @ 6.35% every year during the control period, unit wise from the next financial year from the respective date of the completion of useful life with reference to the date of commercial operation of the respective unit of generating station:	The Special Allowance admissible to a generating station shall be @ Rs 9.5 lakh per MW per year for the control period.	Change is done in line with CERC and other SERCs.

<p>Regulation 33.2 Return on equity shall be computed at the rate of 15.5% for Generating Stations, Transmission Licensee and SLDC and at the rate of 16.00% for Distribution Licensee on a post-tax basis.</p>	<p>Regulation 34.2 Return on equity shall consist of two parts i.e base ROE and additional ROE as below –</p> <p>I. For Generating Station</p> <p>a) For the Generating stations commissioned on or after 1st April, 2022 base ROE rate of 13.50% shall be allowed on a post- tax basis.</p> <p>b) Additional ROE of 1% shall be allowed for the project completed within the schedule date of commissioning.</p> <p>c) Additional ROE 2% shall be allowed for the project completed before six months of the schedule date of commissioning.</p> <p>Provided that for existing Generating Station the rate of ROE shall be 15.5% on a post-tax basis.</p> <p>II. For Transmission Licensee</p> <p>a) Base ROE rate of 13.50% shall be allowed on a post- tax basis.</p> <p>b) Additional ROE of 1% shall be allowed on achieving 80% on the approved capitalization for previous year.</p> <p>c) Additional ROE 2% shall be allowed on achieving 100% on the approved capitalization for previous year.</p> <p>III. For SLDC</p> <p>The rate of ROE for SLDC shall be 15.5% on a post- tax basis.</p> <p>IV. For Distribution Licensee</p>	<p>To encourage efficiency and discourage inefficiency. Timely completion of projects will help in improvement in power position/ quality and cost reduction.</p>
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	<p>a) Base ROE rate of 14% shall be allowed on a post- tax basis.</p> <p>b) Additional ROE of 1% shall be allowed on achieving 80% on the approved capitalization for previous year.</p> <p>c) Additional ROE 2% shall be allowed on achieving 100% on the approved capitalization for previous year.</p>	
<p>Regulation 36 Interest on Working Capital 36.3 Distribution Wheeling Business 36.4 Retail supply of Electricity</p>	<p>37.3 Distribution Wheeling Business</p> <p>iv. Amount held as security deposits from Distribution System Users if any, held as security deposits under clause (b) of sub-section (1) of Section 47 of the Act from Distribution System Users except the security deposits held in the form of Non cash instruments</p> <p>37.4 Retail supply of Electricity</p> <p>d. Amount held as security deposits under clause (a) and clause (b) of sub-section (1) of Section 47 of the Act from retail supply consumers (SD) except the security deposits held in the form of non cash instruments.</p>	<p>Due to change in Supply Code Regulation.</p>

<p>Regulation 45 Non Tariff Income (for Generating Station)</p>	<p>Regulation 46 Non Tariff Income New addition</p> <p>(k) interest on investments, fixed and call deposits and bank balances</p> <p>(l) interest on staff loans and advances</p> <p>(*Note – Any income from fixed deposit made out of profit of the Generating Stations shall not be deducted as Non-Tariff Income, provided the details of the same, certified by the auditor is made available)</p>	<p>New items are added to bring more clarity.</p>
<p>Regulation 67 Non-Tariff Income (for Transmission Business)</p>	<p>Regulation 68 Non-Tariff Income (for Transmission Business) New addition 68.1 The amount of non-tariff income relating to the Transmission Business as approved by the Commission shall be deducted from the aggregate revenue requirement in determining annual transmission charges of the Transmission Licensee: The indicative list of various heads to be considered for Non-Tariff Income shall be as under:</p> <p>(a) Income from rent on land or buildings;</p> <p>(b) Income from sale of scrap;</p> <p>(c) Income from statutory investments;</p> <p>(d) Income from interest on contingency reserve investment;</p> <p>(e) Interest on advances to suppliers/contractors;</p> <p>(f) Rental from staff quarters;</p> <p>(g) Rental from contractors;</p> <p>(h) Income from hire charges from contactors and others;</p> <p>(i) Income from</p>	<p>No details for non tariff income were provided in earlier regulation. Indicative list for non tariff income is added for more clarity</p>

	<p>advertisements, sale of tender etc.;</p> <p>(j) Miscellaneous receipts like parallel operation charges;</p> <p>(k) Deferred Income from grant, subsidy, etc., as per Annual Accounts;</p> <p>(l) Excess found on physical verification;</p> <p>(m) Interest on investments, fixed and call deposits and bank balances;*</p> <p>(n) Prior period income;</p> <p>(o) Supervisory charges for contractual works;</p> <p>(p) Any other Non-Tariff Income:</p> <p>(*Note – Any income from fixed deposit made out of profit of the Transmission Licensee shall not be deducted as Non-Tariff Income, provided the details of the same, certified by the auditor is made available)</p>	
<p>Regulation 71 Transmission losses</p> <p>The energy losses in the transmission system of the Transmission Licensee, as determined by the State Load Despatch Centre and approved by the Commission, shall be borne by the Transmission System Users pro-rata to their usage of the intra-State transmission system:</p> <p>Provided that the Commission may stipulate a trajectory for reduction of transmission losses in accordance with Regulation 7, as a part of Multi Year Tariff framework applicable to the Transmission Licensee.</p>	<p>72.1 The energy losses in the transmission system of the Transmission Licensee, as determined by the State Load Despatch Centre and approved by the Commission, shall be borne by the Transmission System Users pro-rata to their usage of the intra-State transmission system.</p>	<p>deleted <i>"Provided that for difference between the actual level of transmission losses, as determined by the State Load Despatch Centre and the approved level, the transmission ARR shall be adjusted proportionately."</i></p>

<p>Regulation 58 and 72 Payment Modalities and Payment Security</p>	<p>as per MoP LPS Rule 2021 which is given below: Regulation 59 and 73 Payment Modalities</p> <p>59.3 and 73.4 Late Payment Surcharge shall be payable on the payment outstanding after the due date at the base rate plus five percent of Late Payment Surcharge applicable for the period for the first month of default. The rate of Late Payment Surcharge for the successive months of default shall increase by 0.5 percent for every month of delay provided that the Late Payment Surcharge shall not be more than 3 percent higher than the base rate at any time:</p> <p>Provided that the rate at which Late Payment Surcharge shall be payable shall not be higher than the rate specified in the agreement for purchase or transmission of power, if any:</p> <p>Provided further that, if a distribution licensee has any payment including Late Payment Surcharge outstanding against a bill after the expiry of seven months from the due date of the bill, it shall be debarred from procuring power from a power exchange or grant of short term open access till such bill is paid</p> <p>73.5 Adjustment towards Late Payment Surcharge.-</p> <p>All payments by a distribution licensee to a generating company or a trading licensee for power procured from it or by a user of a transmission</p>	<p>As per guideline of MoP Gol</p>
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	<p>system to a transmission licensee shall be first adjusted towards Late Payment Surcharge and thereafter, towards monthly charges, starting from the longest overdue bill.</p>	
<p>Regulation 80 Non Tariff Income(For Distribution)</p>	<p>New addition The indicative list of various heads to be considered for non-tariff income shall be as under-</p> <ul style="list-style-type: none"> (a) Income from rent of land or buildings or other assets (b) Income from trading (c) Income from sale of scrap (d) Income from hire charges from contactors (e) Income from sale of tender documents (f) Income from open access charges (g) Rebate on PP bills (h) Supervision charges for capital works; (i) Interest on investments, fixed and call deposits and bank balances;* (j) Miscellaneous receipts and any other income not included above <p>(*Note – Any income from fixed deposit made out of profit of the Distribution Licensee shall not be deducted as Non-Tariff Income,</p>	<p>No details for non tariff income were provided in earlier regulation. Indicative list for non tariff income is added for more clarity</p>

	provided the details of the same, certified by the auditor is made available)	
<p>Regulation 96 Distribution Losses Provided that the Commission may stipulate a trajectory for distribution losses for Retail Supply of electricity in accordance with these Regulations:</p>	<p>Regulation 97 Distribution Losses Provided that Distribution Licensee shall submit distribution loss reduction trajectory during the control period commensurate with Capital Investment plan. The Commission will determine the loss trajectory for the control period after prudence check.</p>	<p>To achieve desired distribution loss reduction and improve efficiency.</p>
GENERATION		

<p>New Regulation</p>	<p>Regulation 30.5 iii) After completion of the renovation and modernisation (R&M), the generating company or the transmission licensee, as the case may be, shall file a petition for determination of tariff expenditure incurred or projected to be incurred and admitted by the Commission after prudence check , and after deducting the accumulated depreciation already recovered from the admitted project cost, shall form the basis for determination of tariff.</p> <p>Provided that in case of renovation and modernization and up rating of old generating station where capital investment plan has been approved by the Commission, may revise the performance parameters of the said station. Also provided that proper diagnostic maintenance tools should be in place to detect any malfunctioning of the equipments of a generating plant and take up preventive maintenance work by the generating company as necessary.</p>	<p>To efficiently manage preventive maintenance and reduce breakdown.</p>
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New Regulation	<p>Regulation 13 Carrying Cost or Holding Cost</p> <p>The Commission shall allow Carrying Cost or Holding Cost, as the case may be, on the admissible amounts, with simple interest, at the weighted average Base Rate prevailing during the concerned Year.</p> <p>Provided that Carrying Cost or Holding Cost shall be allowed on the net entitlement after sharing of efficiency gains and losses as approved after true-up:</p> <p>Provided further that in case of Distribution Licensees, the carrying cost may not be allowed on the gap in power purchase cost if the Distribution Licensee fails to recover the variation in power purchase cost in accordance with the AERC (Fuel and Power Purchase Price Adjustment Formula) Regulations, 2010 and its amendments thereof.</p>	To reduce tariff burden on consumers for inefficiency of utility.
SLDC		
	<p>Regulation 104 Non Tariff Income</p> <p>103.1 The amount of Non-Tariff Income relating to the SLDC as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining the Charges of the SLDC:</p> <p>Provided that the SLDC shall submit full details of its forecast of Non-Tariff Income to the Commission in such form as may be stipulated by the Commission from time to time.</p>	No details for non tariff income were provided in earlier regulation. Indicative list for non tariff income is added for more clarity

	<p>103.2 The indicative list of various heads that shall be considered under Non-Tariff Income is as under:</p> <ul style="list-style-type: none">(a) Income from rent on land or buildings;(b) Income from sale of scrap;(c) Interest on advances to suppliers/contractors;(d) Rental from staff quarters;(e) Rental from contractors;(f) Income from hire charges from contactors and others;(g) Scheduling and System Operation Charges;(h) Miscellaneous receipts such as application fees, etc.;(i) Excess found on physical verification;(j) Interest on investments, fixed and call deposits and bank balances;*(k) Deferred Income from grant, subsidy, etc., as per Annual Accounts;(l) Prior period income,(m) Any Other Non-Tariff Income: <p>(*Note – Any income from fixed deposit made out of profit of the SLDC shall not be deducted as Non-Tariff Income, provided the details of the same, certified by the auditor is made available)</p>	
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Annexure A

- (1) **“Area of Supply”** means the area within which a Distribution Licensee is authorised by its licence to supply electricity;
- (2) **“Bank rate”** means the one year marginal cost of lending rate (MCLR) of the State Bank of India issued from time to time;
- (3) **“Beneficiary”**
 - (a) in relation to a Generating Station means the purchaser of electricity generated at such a Generating Station whose tariff is determined under these Regulations;
 - (b) in relation to a Transmission Licensee, the Transmission System Users;
 - (c) in relation to the Distribution Wires Business, the Generating Companies connected to the distribution system and consumers;
 - (d) in relation to the Retail Supply Business, the consumers;
 - (e) in relation to the SLDC, the Distribution Licensees and Open Access consumers who utilise the Intra-State Transmission system for transmission of electricity and / or utilise the distribution system of a Licensee in the State for wheeling of electricity and / or avail the services of the SLDC relating to scheduling and real-time grid operations, State energy
- (4) **“Expected Revenue from Tariff and Charges”** means the revenue estimated to accrue to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee from the Regulated Business at the prevailing tariff;
- (5) **“Retail Supply Business”** shall mean the business of sale of electricity by a Distribution Licensee to its Consumers in accordance with the terms of its license;
- (6) **“Useful life”** in relation to a Unit of a Generating Station, transmission system and distribution from the date of commercial operation shall mean the following, namely:-
 - (i) Coal based thermal generating Station - 25 years
 - (ii) Gas/Liquid fuel based thermal Generating Station - 25 years
 - (iii) Gas-engine based thermal Generating Station - 25 years
 - (iv) Hydro Generating Station including Pump Storage - 40 years
 - (v) AC and DC sub-station - 25 years
 - (vi) Gas Insulated Substation (GIS) - 25 years
 - (vii) Transmission line (including HVAC & HVDC) - 35 years
 - (viii) Distribution line - 35 years
 - (ix) Communication System - 15 years

ARR Element	Annexure-B Controllable
Availability	Controllable
Plant Load factor / Plant availability factor	Controllable
Heat Rate	Controllable
Auxiliary Energy Consumption	Controllable
Secondary Fuel Oil Consumption (SFC)	Controllable
O&M Expenses (excluding terminal liabilities with regard to employees on account of changes in pay scales or dearness allowance due to inflation)	Controllable
Depreciation	Controllable
Interest and Finance Charges	Controllable
Return on Equity	Controllable
Transit loss of coal	Controllable
Capital Expenditure	Controllable
Distribution Losses	Controllable
Collection Efficiency	Controllable
Intra State Transmission losses	Controllable (for Transmission Licensee)
Quality of Supply	Controllable

ARR Element	Uncontrollable
Terminal liabilities with regard to employees on account of changes in pay scales or dearness allowance due to inflation	Uncontrollable
One-time expenses such as expense due to change in accounting policy & estimates, arrears paid due to revision of pay based on pay commission recommendations and interim relief etc.,	Uncontrollable
All statutory levies and taxes, if any excluding tax on Income	Uncontrollable
Fuel Price	Uncontrollable
Calorific Value of Fuel	Uncontrollable
Energy Sales	Uncontrollable
Power Purchase Price	Uncontrollable
Power Purchase Quantum (MUs)	Uncontrollable
Inter State Transmission losses	Uncontrollable
Intra State Transmission losses	Uncontrollable (for Distribution Licensee)
Non-Tariff income	Uncontrollable
Force Majeure events	Uncontrollable
Change in law, judicial pronouncements and Orders of the Central Government, State Government or Commission;	Uncontrollable