

RAJASTHAN ELECTRICITY REGULATORY COMMISSION

(Terms and Conditions for Determination of Tariff) Regulations, 2019,

Dated: 10.05.2019

| Sl. No. | Description | Summary |
|---------|---|--|
| 1. | Control Period | 5-Years (Starting from April 1, 2019) |
| 2. | Applicability | <p>These Regulations shall apply in respect of the following cases:</p> <ul style="list-style-type: none"> • Supply of electricity by a Generating Company to a Distribution Licensee (excluding supply of electricity by captive generating plant and Renewable Energy Sources but includes Mini & Micro hydel plants) • Intra-State transmission of electricity • Intra-State Wheeling of electricity • For recovery of SLDC Expenses • Retail sale of electricity |
| 3. | Tariff Determination and Tariff Principles | <p>1. The Commission shall determine the tariff and charges for matters (Supply of electricity by a Generating Company to a Distribution Licensee and Mini & Micro hydel plants), on an application of Generating Company or the Licensee or SLDC, as the case may be, during the control period starting from 1.4.2019 in accordance with relevant provisions of these Regulations.</p> <p>2. The Tariff principles shall apply to applications made for determination of tariff for a Generating Company, Transmission Licensee, SLDC, and Distribution Licensee.</p> |
| 4. | Filing under MYT Control Period | <p>Every Generating Company or Licensee or SLDC, latest by 30th November of each year, shall file the following applications during the Control Period:</p> <ul style="list-style-type: none"> • Petition for approval of ARR and determination of tariff for ensuing year • Petition for Truing up of ARR for the previous year: <p>Provided that Truing up for years of the previous MYT Control Periods shall be carried out under respective Tariff Regulations.</p> |
| 5. | Truing Up | <p>1. Aggregate Revenue Requirement and expected revenue from tariff and charges in respect of each of their Generating Station/unit(s) of Generating Companies, Licensees and SLDC shall be subject to truing up of expenses and revenue during the Control Period in accordance with these Regulations.</p> <p>2. The Generating Company or Licensee or SLDC shall make an application for truing up of expenses and revenue of the previous year, within time limit specified in these Regulations.</p> |
| 6. | Subsidy by the State Government | <p>If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the Commission, the State Government shall pay in advance the amount to compensate the Licensee/ person affected by the grant of subsidy in the manner specified in this Regulation.</p> |
| 7. | Capital Cost | <p>1. The capital cost in case of existing or new hydro Generating Station shall include cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved.</p> <p>2. The following shall be excluded from the capital cost of the existing and new projects:</p> <ul style="list-style-type: none"> • In case of hydro Generating Station, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State Government by following a transparent process; • Proportionate cost of land of the existing project, which is being used for generating power from Generating Station based on renewable energy; • Any 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. |

| | | |
|------------|--|---|
| | | <p>3. Where power purchase agreement or transmission agreement or wheeling agreement provides for a ceiling of capital cost, the capital cost to be considered shall not exceed such ceiling.</p> <p>4. Initial spares shall be capitalised as a percentage of the Plant and Machinery cost up to cut-off date, subject to following ceiling norms:</p> <ul style="list-style-type: none"> • Hydro Generating Stations including pumped storage hydro Generating Station- 4.0% • Transmission System- <ul style="list-style-type: none"> ➤ Transmission Line- 1.00% ➤ Transmission Sub-station 4.00% ➤ Series Compensation devices and HVDC Station 4.00% ➤ Gas Insulated Sub-station 5.00% ➤ Static Synchronous Compensator 3.50% • Distribution System- <ul style="list-style-type: none"> ➤ Distribution Line- 2.00% ➤ Distribution Sub-station 4.00% |
| 8. | Debt-equity ratio | <p>70:30</p> <p>Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as loan. Where actual equity employed is less than 30%, the actual equity shall be considered.</p> |
| 9. | Return on Equity | <p>Return on equity shall be computed at the rate of 14% for Transmission Licensees and SLDC, 15% for Generating Companies and 16% for Distribution Licensees.</p> |
| 10. | Interest and finance charges on long-term loans | <ol style="list-style-type: none"> 1. The repayment for each year of the Control Period shall be deemed to be equal to the depreciation allowed for that year. 2. 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 regulated business of the Generating Company or Licensee or SLDC as the case may be. 3. The weighted average interest rate allowed by the Commission for normative loans shall continue to be applicable to the outstanding normative loans. 4. If there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered. 5. The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest. 6. The above interest computation shall exclude the interest on loan amount, normative or otherwise, to the extent of capital asset funded by Consumer Contribution, Deposit Works, Grants and Capital Subsidy. |
| 11. | Depreciation | <ol style="list-style-type: none"> 1. The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. 2. For hydro Generating Stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site. 3. Further, capital cost of the assets of the hydro Generating Station for the purpose of computation of depreciable value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff. 4. Land other than the land held under lease and the land for reservoir in case of hydro Generating Station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset. |
| 12. | Lease charges | <p>Lease charges for assets taken on lease by a Generating Company or a transmission or Distribution Licensee or SLDC shall be considered as per lease agreement, provided they are considered reasonable by the Commission.</p> |
| 13. | Operation & Maintenance expenses | <ul style="list-style-type: none"> • O&M expenses of assets taken on lease and those created out of consumers' contributions shall be considered, if the Licensee or SLDC or the Generating Company has the responsibility for its O&M and bears O&M expenses. • Normative O&M expenses allowed at the commencement of the Control Period (i.e. FY 2019-20) under these Regulations shall be escalated at rate of 3.51% per annum for each year of the Control Period for Generating Company, Transmission Licensees and SLDC and at rate of 3.63% per annum for each year of the Control Period for Distribution Licensees. |

| | | |
|-----|---|--|
| 14. | Insurance expenses | Actual insurance expenses incurred by the Generating Company or Licensee shall be allowed separately, subject to a ceiling of 0.2% of average Net Fixed Assets for the year. |
| 15. | Bad and doubtful debts | The Commission may consider a provision for writing off of bad and doubtful debts up to 0.25% of receivables subject to writing off of bad and doubtful debts in the previous year in accordance with the procedure laid down by Distribution Licensee. |
| 16. | Interest charges on working capital | <ul style="list-style-type: none"> ➤ Rate of interest on working capital to be computed shall be on normative basis and shall be 300 basis points higher than the average Base Rate prevalent during first six months of the year previous to the relevant year. The working capital and interest thereon shall be computed on normative basis notwithstanding that the Generating Company or Licensee has not taken working capital loan from any outside agency. ➤ The variation in the interest amount on account of actual vis-a-vis normative interest rate on normative working capital shall be shared in the ratio of 50:50 between the Generating Company/Licensee/SLDC and the beneficiary. |
| 17. | Tax on Return on Equity | <ul style="list-style-type: none"> • Tax on the income corresponding to Return on Equity approved by the Commission for the Generating Company or the Licensee or SLDC, as the case may be, shall be directly recovered from the beneficiaries. • The tax on any other income stream (including efficiency gains, incentive, etc) other than Return on Equity shall not be recovered from beneficiaries, and tax on such other income shall be payable by the Generating Company or Licensee or SLDC, as the case may be. • Any under-recovery or over-recovery of tax on income shall be adjusted every year on the basis of income-tax assessment under the Income-Tax Act, 1961, as certified by the statutory auditor. • The penalty, if any, arising on account of delay in deposit of tax or short deposit of tax amount shall not be claimed by the Generating Company or the Licensee or SLDC as the case may be |
| 18. | Charges for delayed payments | Any charges paid by a Licensee or SLDC or Generating Company for delay in payment of its dues to others arising out of reasons beyond his control shall be treated as expenses. |
| 19. | Late payment surcharge | <ul style="list-style-type: none"> ➤ In case the payment of bills of generation tariff, transmission charges, operating charges of SLDC, wheeling charges or charges for electricity purchased by a person other than a consumer is delayed beyond a period of 45 days from the date of presentation of bills, a late payment surcharge equivalent to Base Rate as on 1st April of the respective year plus 400 basis points per annum on daily basis shall be levied by the Generating Company or Licensee. ➤ For delay in payment of bill by a consumer beyond the period specified by the Commission, a late payment surcharge as laid down by the Commission from time to time shall be payable to the Licensee. |
| 20. | Rebate for prompt payment | <ol style="list-style-type: none"> 1. For payment of bills of capacity charges and energy charges of generation tariff or of transmission charges or of operating charges of SLDC or of wheeling charges effected through the letter of credit or by cash/cheque or through electronic transfer within 5 working days of presentation of bills, a rebate of 1.5 % shall be allowed. 2. If payments are made beyond 5 working days through Letter of Credit or by cash/cheque or through electronic transfer but within a period of 30 days of presentation of bills, a rebate of 1% shall be allowed. |
| 21. | Sharing of Clean Development Mechanism (CDM) credit | Sharing of Clean Development Mechanism (i.e. CDM) credit during the current Control Period, shall be in the ratio 25:75 between Distribution Licensee and Generating Company respectively. |
| 22. | Norms of operation for Hydro Power Generating Stations | <ol style="list-style-type: none"> (a) During first year of commercial operation of the Generating Station <ul style="list-style-type: none"> • Run-of-river power stations without pondage: 85%. • Storage type and Run-of-river power stations with pondage: 80% (b) After first year of commercial operation of the Generating Station <ul style="list-style-type: none"> • Run-of-river power stations without pondage: 90% • Storage type and Run-of-river power stations with pondage: 85% |

| | | |
|-----|--|---|
| | | <p>(c) The Commission may relax the normative capacity index in case of non-availability of adequate quantity of water on case to case basis.</p> <p>(d) There shall be pro-rata recovery of capacity charges in case the Generating Station achieves capacity index below the prescribed normative levels. At Zero capacity index, no capacity charges shall be payable to the Generating Station.</p> |
| 23. | Auxiliary energy consumption | <ol style="list-style-type: none"> 1. Surface hydro Generating Stations <ul style="list-style-type: none"> • with rotating exciters mounted on the generator shaft : 0.2% • with static excitation system : 0.5% 2. Underground hydro Generating Stations <ul style="list-style-type: none"> • with rotating exciters mounted on the generator shaft : 0.4% • with static excitation system : 0.7% 3. Auxiliary energy consumption for existing hydro power stations <ul style="list-style-type: none"> • Mahi PH 2 - 3.0 lakh units per annum + 0.75% of energy generated • Mahi PH 1 – 4.0 lakh units per annum + 0.65% of energy generated • For new Mini/ Micro (MMH) Power Station – On actuals subject to maximum of 10% of energy generated. |
| 24. | Operation and Maintenance expenses | <ol style="list-style-type: none"> 1. Operation & Maintenance expenses for Mahi I & Mahi II hydro power stations shall be Rs. 12.45 lakh per MW for FY 2019-20. 2. In case of the hydro electric Generating Stations, which have not been in operation for a period of five years, the operation and maintenance expenses shall be fixed at 1.0% of the capital cost as admitted by the Commission. 3. For the Generating Stations having combination of various Unit sizes, the weighted average value for operation and maintenance expenses shall be adopted. |
| 25. | SLDC Fee and Charges and transmission charges | SLDC charges as determined by the Commission shall be considered as expenses. SLDC and transmission charges paid for energy sold outside the State shall not be considered as expenses for determining generation tariff. |
| 26. | Computation of fixed charges and capacity charges | <p>The two-part tariff for sale of electricity from a hydro power Generating Station shall comprise of recovery of annual capacity charge and primary energy charges. The capacity charge shall be computed in accordance with the following formula:</p> <p>Capacity charge = (annual fixed charge - primary energy charge)</p> <p>Note: Recovery through Primary energy charge shall not be more than Annual Fixed Charge.</p> |
| 27. | Incentive | <p>(a) Incentive shall be payable in case of all the hydro power Generating Stations, including in case of new Generating Stations in the first year of operation, when the capacity Index (CI) exceeds 90% for run-of-river power Generating Stations without pondage and 85% for run-of-river power station with pondage or storage type power Generating Stations and incentive shall accrue up to a maximum capacity index of 100%.</p> <p>(b) Incentive shall be payable to the Generating Company in accordance with the following formula:</p> <p>Incentive = 0.65 x Annual Fixed Charge x (CIA – CIN)/100 (If incentive is negative, it shall be set to zero)</p> <p>Where, CIA is the Capacity Index achieved and CIN is the normative capacity index whose values are 90% for run of the river hydro stations without pondage and 85% for pondage/storage type hydro Generating Stations.</p> <p>(c) The total incentive payment calculated on annual basis shall be borne by the beneficiaries based on the allocated/ contracted capacity.</p> |
| 28. | Scheduling | <ol style="list-style-type: none"> 1. Scheduling shall be as specified in the Rajasthan Electricity Grid Code notified by the Commission. Hydro power plants of capacity below 25 MW shall not be subject to scheduling. 2. Declaration of available capacity shall also include limitation on generation during specific time periods, if any, on account of restriction(s) on water use due to irrigation, drinking water, industrial, environmental considerations, etc. 3. For run-of-river power stations without pondage, since variation of generation in such stations may lead to spillage, these shall be treated as must run stations. The maximum available capacity, duly taking into account the over load capability, must be equal to or greater than that required to make full use of the available water. |

| | | |
|-----|---|---|
| | | 4. For run-of-river power station with pondage and storage type power stations, since, these hydro stations are designed to operate during peak hours to meet system peak demand, maximum available capacity of the station declared for the day shall be equal to the installed capacity including overload capability, minus auxiliary consumption and transformation losses, corrected for the reservoir level. |
| 29. | Demonstration of declared capability | <ul style="list-style-type: none"> • The quantum of penalty for the first mis-declaration for any duration/block in a day shall be the charges corresponding to two days fixed charges. For the second mis-declaration, the penalty shall be equivalent to fixed charges for four days and for subsequent mis-declarations in the year, the penalty shall be multiplied in the geometrical progression. • The operating logbooks of the Generating Station shall be available for review by the State Load Despatch Centre. These books shall keep record of machine operation and maintenance. |
| 30. | Billing and payment of fixed charges or capacity charges | The capacity charges for hydro Generating Stations shall be paid by the Distribution Licensee and person having power purchase agreements for more than one year to the Generating Company every month. |
| 31. | Tariff for existing Mini/ Micro (MMH) Power Station | Tariff for existing Mini/ Micro (MMH) Power Station for the Control Period shall be Rs 4.16 per kWh. |