

Explanatory Memorandum for the Draft Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) (Second Amendment) Regulations, 2025 and Delhi Electricity Regulatory Commission (Business Plan) (First Amendment) Regulations, 2025

Background

The Fuel and Power Purchase Adjustment Surcharge (FPPAS) mechanism forms a critical component to ensure timely recovery of variations in the cost of power procurement and fuel cost by the Distribution Licensees. Under Section 62(4) (Annexure-A) of the Electricity Act, 2003, the Appropriate Commission is empowered to permit tariff adjustments in accordance with a fuel surcharge formula specified in its regulations. The National Tariff Policy, 2016 (para-8.2.1(7)) (Annexure-B) while quoting the Section-62 of the Electricity Act-2003 also mandates that the Appropriate Commission shall specify an appropriate price adjustment formula for recovery of the costs, arising on account of the variation in the price of fuel, power purchase etc. on monthly/quarterly basis for recovery of all prudent costs of the generating company and the licensee

In line with these statutory and policy provisions, Regulation-134 of the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2017, provides guidelines for quarterly recovery of such cost variations through the Power Purchase Cost Adjustment Charges (PPAC). The mechanism of recovery of PPAC charges has been provided in Regulation-30 of Delhi Electricity Regulatory Commission (Business Plan Regulation), 2023, wherein, inter-alia, it has been mentioned that the detailed formula for computation of PPAC will be specified in the tariff order for the relevant year.

Ministry of Power (MoP) vide its notification dated- 29.12.2022, had published Electricity Amendment Rules, 2022 (Annexure-C). As per Rule-14 of the said rules, it is mandated that- *“The Appropriate Commission shall within ninety days of publication of these rules, specify a price adjustment formula for recovery of the costs, arising on account of the variation in the price of fuel, or power purchase costs and the impact in the cost due to such variation shall be automatically passed through in the consumer tariff, on a monthly basis, using this formula and such monthly automatic adjustment shall be trued up on annual basis by the Appropriate Commission.”* Accordingly, automatic pass through of FPPAS on monthly basis has been notified by MoP due to change in prices in Long-term, Medium-term and Short-term Power purchases. Further, MoP vide their letter dated-19.06.2025 to the State Electricity Regulatory Commission (SERC), has further directed to comply with the above Rule-14 of Electricity (Amendment) Rules, 2022.

Accordingly, to comply with the above Electricity Amendment Rules, the Commission has proposed to amend Regulation 134 for timely recovery of power purchase costs through automatic pass-through in consumer tariff on monthly basis to align with Electricity Amendment Rules, 2022 published by MoP. However, considering the distribution of electricity being operated by private DISCOMs in Delhi and keeping Consumer interests in mind certain deviations have been incorporated in the draft Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) (Second Amendment)

Regulations, 2025 w.r.t Rule-14 of Electricity Amendment Rules, 2022, some of the major deviations incorporated are as follows: -

1. Capping of 10% on Automatic Pass through of FPPAS: -

As per Rule-14 of Electricity Amendment Rules, 2022, it is mentioned that if FPPAS is more than 5% in a particular month than automatic pass through shall be allowed as (5%+ 90% of Balance). The differential claim shall be recovered after approval by the State Commission during True-up.

For example, if a FPPAS claim of DISCOM in a particular month is 20%, then as per MoP Rule-14, DISCOM can recover 18.5% of FPPAS (5%+ 90% of (20%-5%)) automatically by levying the same in the Consumer bills.

However, to avoid Tariff Shock and keeping consumer interests in mind DERC has proposed 10% capping on monthly automatic pass through of FPPAS in clause-d of the draft Regulations. The balance shall be allowed during true-up subject to prudence check.

2. Submission of Quarterly audited reports along with monthly submissions of the detailed FPPAS computations: -

This provision has been added to ensure transparency in levying of FPPAS mechanism and to keep the regulatory check on the DISCOMs.

3. Provision of Negative FPPAS: -

This additional provision has been added in the clause-c of the Draft regulations to put a checks and balance on DISCOM, that in case there is a negative FPPAS in particular month, then DISCOM should refund FPPAS amount for that month. If same is not refunded by the DISCOM to the consumer, the same should be recovered along with carrying cost to be charged at 1.2 times of the carrying cost rate under these regulations.

4. Carrying cost in case of under Recovery: -

This provision has been added in clause-f of the draft regulations as capping on monthly pass through of FPPAS. Hence, in case of under-recovery of FPPAS in a particular month due to capping of 10%, the differential PPAC may be allowed to the DISCOMs at the time of true-up with the necessary carrying cost. Provided that no carrying cost shall be allowed due to under recovery of revenue for the same year.

5. In the Formula of FPPAS a component of F has been added: -

This component 'F' has been added to consider the rollover adjustment of FPPAS in case of under recovery in previous months, subject to overall capping of 10%. This is also required as capping has been proposed in the monthly pass through of FPPAS. This component will ensure that if there is any under recovery of FPPAS on account of capping then same may be recovered in subsequent months in which the calculated FPPAS is less than the capped FPPAS for that particular month. It is also mentioned that initial value of 'F' will be zero and 'F' shall be computed for FPPAS bills raised from Jul'26 onwards.

In addition to the amendments proposed in the draft Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) (Second Amendment) Regulations, 2025, Business Plan (First Amendment) Regulations, 2025 also proposed. This amendment proposes to delete Regulation-30 to avoid duplicity of interpretations on FPPAS.

It is worth mentioning that the existing regulations of DERC allows suo-moto levying of PPAC upto 8.75% in the consumer bills and beyond that DISCOMs has to file petition for claiming differential PPAC which is allowed after regulatory approval on quarterly basis. However, Rule-14 of Electricity Amendment Rules, 2022 allows 90% of FPPAS beyond 5% through automatic pass through on monthly basis, without any capping. Accordingly, the proposed amendments aim to align the existing regulatory framework with the Electricity (Amendment) Rules, 2022 (with certain deviations), while maintaining a balance between timely cost recovery for the Distribution Licensees and safeguarding consumer interests. The introduction of a monthly automatic pass-through mechanism with an appropriate capping, inclusion of provisions for negative FPPAS to ensure refund to consumers in case of lower power purchase costs, and enhanced transparency through audited submissions will strengthen regulatory oversight. Overall, the proposed amendments ensure a fair, transparent, and equitable implementation of the FPPAS mechanism in the NCT of Delhi.

The Electricity Act, 2003

before the appointed date, shall continue to apply for a period of one year or until the terms and conditions for tariff are specified under this section, whichever is earlier.

Section 62. (Determination of tariff): --- (1) The Appropriate Commission shall determine the tariff in accordance with the provisions of this Act for -

- (a) supply of electricity by a generating company to a distribution licensee:

Provided that the Appropriate Commission may, in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a generating company and a licensee or between licensees, for a period not exceeding one year to ensure reasonable prices of electricity;

- (b) transmission of electricity ;
- (c) wheeling of electricity;
- (d) retail sale of electricity:

Provided that in case of distribution of electricity in the same area by two or more distribution licensees, the Appropriate Commission may, for promoting competition among distribution licensees, fix only maximum ceiling of tariff for retail sale of electricity.

(2) The Appropriate Commission may require a licensee or a generating company to furnish separate details, as may be specified in respect of generation, transmission and distribution for determination of tariff.

(3) The Appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.

(4) No tariff or part of any tariff may ordinarily be amended, more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified.

The SERC shall also institute a system of independent scrutiny of financial and technical data submitted by the licensees.

As the metering is completed up to appropriate level in the distribution network, it should be possible to segregate technical losses. Accordingly technical loss reduction under MYT framework should then be treated as distinct from commercial loss reduction which requires a different approach.

- (3) Section 65 of the Act provides that no direction of the State Government regarding grant of subsidy to consumers in the tariff determined by the State Commission shall be operative if the payment on account of subsidy as decided by the State Commission is not made to the utilities and the tariff fixed by the State Commission shall be applicable from the date of issue of orders by the Commission in this regard. The State Commissions should ensure compliance of this provision of law to ensure financial viability of the utilities. To ensure implementation of the provision of the law, the State Commission should determine the tariff initially, without considering the subsidy commitment by the State Government and subsidised tariff shall be arrived at thereafter considering the subsidy by the State Government for the respective categories of consumers.
- (4) Working capital should be allowed duly recognising the transition issues faced by the utilities such as progressive improvement in recovery of bills. Bad debts should be recognised as per policies developed and subject to the approval of the State Commission.
- (5) Pass through of past losses or profits should be allowed to the extent caused by uncontrollable factors. During the transition period controllable factors should be to the account of utilities and consumers in proportions determined under the MYT framework.
- (6) The contingency reserves should be drawn upon with prior approval of the State Commission only in the event of contingency conditions specified through regulations by the State Commission. The existing practice of providing for development reserves and tariff and dividend control reserves should be discontinued.

(7) Section 61 of the Act mandates that the Appropriate Commission, while determining tariff, shall not only ensure safeguarding of consumer's interests but also the recovery of the cost of electricity in a reasonable manner. Section 62 of the Act further provides for periodic tariff adjustment during a year to take care of the variation in fuel price, as may be specified.

Therefore, the Appropriate Commission shall specify an appropriate price adjustment formula for recovery of the costs, arising on account of the variation in the price of fuel, power purchase etc. on monthly/quarterly basis for recovery of all prudent costs of the generating company and the licensee.

8.2.2 The facility of a regulatory asset has been adopted by some Regulatory Commissions in the past to limit tariff impact in a particular year. This should be done only as a very rare exception in case of natural calamity or force majeure conditions and subject to the following:

- a. Under business as usual conditions, no creation of Regulatory Assets shall be allowed;
- b. Recovery of outstanding Regulatory Assets along with carrying cost of Regulatory Assets should be time bound and within a period not exceeding seven years. The State Commission may specify the trajectory for the same.

8.3 Tariff design: Linkage of tariffs to cost of service

It has been widely recognised that rational and economic pricing of electricity can be one of the major tools for energy conservation and sustainable use of ground water resources.

In terms of the Section 61(g) of the Act, the Appropriate Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity.

The State Governments can give subsidy to the extent they consider appropriate as per the provisions of section 65 of the Act. Direct subsidy is a better way to support the poorer categories of consumers than the mechanism of cross-subsidizing the tariff across the board. Subsidies should be targeted effectively and in transparent manner. As a substitute of cross subsidies, the State Government has the option of raising resources through mechanism of electricity duty and giving direct subsidies to only needy consumers. This is a better way of targeting subsidies effectively.

Accordingly, the following principles would be adopted:

1. Consumers below poverty line who consume below a specified level, as prescribed in the National Electricity Policy may receive a special support through cross subsidy. Tariffs for such designated group of consumers will be at least 50% of the average cost of supply.
2. For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the Appropriate Commission would notify a roadmap such that tariffs are brought within $\pm 20\%$ of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual



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EXTRAORDINARY

भाग II—खण्ड 3—उप-खण्ड (i)
PART II—Section 3—Sub-section (i)

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विद्युत मंत्रालय

अधिसूचना

नई दिल्ली, 29 दिसम्बर, 2022

सा.का.नि. 911(अ).—केंद्रीय सरकार, विद्युत अधिनियम, 2003 (2003 का 36) की धारा 176 द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए, विद्युत नियम, 2005 का और अधिक संशोधन करने के लिए निम्नलिखित नियम बनाती है, अर्थात्:-

- (1) इन नियमों का संक्षिप्त नाम विद्युत (संशोधन) नियम, 2022 है।
(2) ये राजपत्र में उनके प्रकाशन की तारीख से प्रवृत्त होंगे।
- विद्युत नियम, 2005 (जिसे इसके पश्चात उक्त नियम कहा गया है) के नियम 2 में, खंड (क) के पश्चात, निम्नलिखित खंड अंतःस्थापित किए जाएंगे:-

"(कक) "केन्द्रीय पूल" से अधिनियम की धारा 63 के अधीन और एक से अधिक राज्य के अंतिम खरीददारों को आपूर्ति करने के लिए समय-समय पर, केन्द्रीय सरकार द्वारा अधिसूचित बोली दिशानिर्देशों के उपबंधों के अनुसार प्राधिकृत मध्यस्थ खरीददारों द्वारा खरीदे जा रहे अंतर-राज्यीय पारेषण प्रणाली से जुड़े नवीकरणीय ऊर्जा स्रोतों से श्रेणी विशिष्ट पूल अभिप्रेत है जिससे इन नियमों के अधीन एकसमान टैरिफ पर नवीकरणीय ऊर्जा स्रोतों से ऐसी विद्युत की संबंधित पूल से सभी अंतिम खरीददारों को आपूर्ति की जा सके।

(कख) "अंतिम खरीददार" से वे व्यक्ति, जिन्हें अधिनियम की धारा 15 के अधीन विद्युत के वितरण और खुदरा आपूर्ति की अनुमति दी गई है या राज्य सरकार द्वारा विद्युत का वितरण और खुदरा आपूर्ति करने वाले

नवें माह का अर्थ वह माह होता है जिसमें ईंधन और विद्युत क्रय समायोजन अधिभार घटक की बिलिंग की जाती है। यह ईंधन और विद्युत क्रय समायोजन अधिभार (n-2) माह में आपूर्ति की गई विद्युत के लिए टैरिफ में बदलाव के कारण लगाया जाता है

ए सभी स्रोतों से (n-2) माह (केडब्ल्यूएचमें) में खरीदी गई कुल यूनिटें हैं जिनमें

दीर्घावधि, मध्यम अवधि और अल्पावधि विद्युत खरीद (वितरण अनुज्ञप्तिधारकों को जारी किए गए बिलों से ली जाएगी) शामिल हैं

बी (n-2) माह में सभी स्रोतों से विद्युत की थोक बिक्री है। (केडब्ल्यूएचमें) - (जिसे प्रत्येक माह की 10 वीं तारीख तक राज्य लोड डिस्पैच सेंटर द्वारा जारी किए जाने वाले अनंतिम खातों से लिया जाना है)।

सी वृद्धिशील औसत विद्युत क्रय लागत = (n-2) माह में सभी स्रोतों से वास्तविक औसत विद्युत क्रय लागत (पीपीसी) (रु./केडब्ल्यूएच) (रांगणित) - सभी स्रोतों से अनुमानित औसत विद्युत क्रय लागत (पीपीसी) (रु./केडब्ल्यूएच)-(टैरिफ ऑर्डर से) है

डी = (n-2)वें माह में वास्तविक अंतर-राज्यीय और अंतरा-राज्यीय पारेषण प्रभार, (ट्रांसको से डिस्कॉम द्वारा बिलों से) (रुपये में), हैं

ई = (n-2)वें माह के लिए पारेषण प्रभारों की मूल लागत = (अनुमोदित पारेषण प्रभार/12) (रुपये में) है

जेड = $\{[(n-2)वें माह में राज्य के बाहर सभी स्रोतों से खरीदी गई वास्तविक विद्युत(केडब्ल्यूएचमें) * (1 - \% में अंतर-राज्यीय पारेषण हानियां/100) + राज्य के भीतर सभी स्रोतों से खरीदी गई विद्युत (केडब्ल्यूएचमें)] * (1 - \% में अंतरा-राज्य हानियाँ) - B]/केडब्ल्यूएचमें 100$

एबीआर = वर्ष के लिए औसत बिलिंगदर (रुपये/केडब्ल्यूएच में टैरिफ आदेश से लिया जाएगा)

वितरण हानियाँ (% में) = लक्षित वितरण हानियाँ (टैरिफ आदेश से)

अंतर-राज्यीय पारेषण हानियाँ (% में) = टैरिफ आदेश के अनुसार

अंतरा-राज्यीय हानियाँ (% में) = टैरिफ आदेश के अनुसार

(2) विद्युत क्रय लागत में विचलन निपटान तंत्र के परिणाम स्वरूप कोई भी प्रभार शामिल नहीं होंगे।

(3) अन्य प्रभारों जिनमें सहायक सेवाएं तथा सिक्वोरिटी कंसट्रेंट्स इकोनोमिक डिस्पैच शामिल हैं, को ईंधन और विद्युत क्रय समायोजन अधिभार में शामिल नहीं किया जाएगा और राज्य आयोग द्वारा अनुमोदित डू-अप के माध्यम से समायोजित किया जाएगा।

टिप्पण: मूल नियम वर्ष 2005 में भारत के राजपत्र की अधिसूचना संख्या सा.का.नि.379 (अ) तारीख 8 जून, 2005 द्वारा प्रकाशित किए गए थे और अधिसूचना संख्या सा.का.नि. 817 (अ) तारीख 31 दिसंबर, 2020 द्वारा अंतिम रूप से संशोधित किए गए थे।

MINISTRY OF POWER

NOTIFICATION

New Delhi, the 29th December, 2022

G.S.R. 911(E).—In exercise of the powers conferred by section 176 of the Electricity Act, 2003 (36 of 2003), the Central Government hereby makes the following rules, further to amend the Electricity Rules, 2005, namely:—

1. (1) These rules may be called the Electricity (Amendment) Rules, 2022.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In rules 2 of the Electricity Rules, 2005 (hereinafter referred to as the said rules), after clause (a), the following clauses shall be inserted namely:—

“(aa) **“central pool”** means pool of category specific power from Inter State Transmission System connected renewable energy sources being procured by the authorised intermediary procurers under section 63 of the Act and as per provisions of bidding guidelines notified by the Central Government, from time to time for supply to the end procurers of more than one State so that such power from renewable energy sources can be supplied to all end procurers from the concerned pool at uniform tariff under these rules.

(ab) **“end procurer”** means the persons to whom a license to undertake distribution and retail supply of electricity has been granted under section 15 of the Act or is designated by the State Government to procure power on behalf of the licensees undertaking distribution and retail supply of electricity or open access consumer;

(ac) **“implementing agency”** means the Central Agency as notified by the Central Government from time to time for the implementation of “uniform renewable energy tariff for central pool” under these rules

(ad) **“intermediary procurer”** means company, designated by an order made by the Central Government under these rules as an intermediary between the end procurer and the generating company to purchase electricity from generating companies and resell it to the end procurer by aggregating the purchases or otherwise under guidelines issued by the Central Government from time to time;

(ae) **“renewable energy”** means the electricity generated from renewable energy sources;

(af) **“renewable energy sources”** means the hydro, wind, solar, bio-mass, bio-fuel, bio-gas, waste including municipal and solid waste, geothermal, tidal, forms of oceanic energy, or combination thereof, with or without storage and such other sources as may be notified by the Central Government from time to time;

(ag) **“uniform renewable energy tariff”** means the tariff, computed by Implementing Agency separately on a monthly basis for each category of central pool like that Solar Power Central Pool, Wind Power Central Pool, at which the intermediary procurer shall sell power from renewable energy from that central pool to all the end procurers under these rules;

3. In the said rules, for rule 10, the following shall be substituted namely:-

“10. Resolution of Disputes.”-(1) The Appropriate Commission, shall pass a final order, for resolution of dispute under sub-section (1) of sections 79 (f) and clause (f) of sub-section (1) of section 86, within one hundred and twenty days from the date of receipt of the petition in the Commission, which may be extended by thirty days for reasons to be recorded in writing:

Provided that if a final order cannot be issued, due to any reason, to be recorded in writing, then an interim order shall be issued by the Appropriate Commission, within the time line prescribed in sub-rule (1).

(2) If the final order has not been passed by the Appropriate Commission, within one hundred and twenty days or one hundred and fifty days, as the case may be, the aggrieved party may be allowed to make an application to the Appellate Tribunal, for appropriate relief.”

4. In the said rules, after rule 12, the following rules shall be inserted, namely:-

“13. Surcharge payable by Consumers seeking Open Access.”-The surcharge, determined by the State Commission under clause (a) of sub-section (1) of section 86 of the Electricity Act, 2003 shall not exceed twenty per cent of the average cost of Supply.

14. Timely recovery of power purchase costs by distribution licensee.-The Appropriate Commission shall within ninety days of publication of these rules, specify a price adjustment formula for recovery of the costs, arising on account of the variation in the price of fuel, or power purchase costs and the impact in the cost due to such variation shall be automatically passed through in the consumer tariff, on a monthly basis, using this formula and such monthly automatic adjustments shall be true up on annual basis by the Appropriate Commission:

Provided that till such a methodology and formula is specified by the Appropriate Commission, the methodology and formula specified in the Schedule – II annexed to these rules shall be applicable:

Provided further that the existing methodology and the formula specified by the Appropriate Commission shall suitably be amended in accordance with these rules, to implement the automatic pass through of fuel and power purchase adjustment surcharge, on a monthly basis:

Provided also that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within the time line, specified by the Appropriate Commission, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to recovery of the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited and the true up of fuel and power purchase adjustment surcharge by the Appropriate Commission, for any financial Year, shall be completed by 30th June of the next financial year.

T-I	2000	2.502	2.572	415.95	1040.70	1069.81
T-II	600	2.440	2.510	131.49	320.84	330.04
T-III	1200	2.585	2.655	248.34	641.96	659.34
T-IV	1150	2.540	2.610	234.63	595.97	612.39
T-V	480	2.613	2.683	95.97	250.72	257.44
T-VI	900	2.710	2.780	174.22	472.15	484.34
T-VIII	1200	2.502	2.572	258.60	646.92	665.03
T-IX	2000	2.372	2.442	438.30	1039.65	1070.33
T-X*	250	2.17	2.24	56.61	122.85	126.81
Total	9780			2054.12	5131.76	5275.54

*New addition to the pool in the month M-5

$$\text{Tariff of the month (INR/kWh)} = \frac{\sum_{i=1}^9 E + E_{10}}{\sum_{i=1}^9 C + C_{10}} = \frac{5148.73 + 126.81}{1997.50 + 56.61} = \frac{5275.54}{2054.12} = 2.568$$

i.e. (Sum total of amount to be paid under PSA for that particular month / sum total electricity supplied during that particular month)

T-I to T-X are projects commissioned after Electricity (Uniform Renewable Energy Tariff for Central Pool) Rules, 2022 comes into force.

Note: IP - Intermediary Procurer, EP - End Procurer

Schedule-II
(see rule 14)

Fuel and Power Purchase Adjustment Methodology

1. Computation of fuel and power purchase adjustment surcharge:

- (1) For these rules "Fuel and Power Purchase Adjustment Surcharge" (FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the State Commission
- (2) Fuel and power purchase adjustment surcharges shall be calculated and billed to consumers automatically, without going through regulatory approval process, on a monthly basis, according to the formula, prescribed by the respective the State Commission, subject to true up, on an annual basis, as decided by the State Commission:

Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these rules.

- (3) Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and Inter-state Transmission Charges for the power procured during the nth month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year:

Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within this time line, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharges shall be forfeited and in such cases, the right to recovery the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.

- (4) The distribution licensee may decide, fuel and power purchase adjustment surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to consumers, but the carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total fuel and power purchase adjustment

surcharge for a Billing Month, including any carry forward of fuel and power purchase adjustment surcharge over the previous month exceeds twenty per cent of variable component of approved tariff.

- (5) The carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier and the money recovered through fuel and power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surcharge followed by the subsequent month.
- (6) In case of carry forward of fuel and power purchase adjustment surcharge, the carrying cost at the rate of State Bank of India Marginal cost of Funds-based lending Rate plus one hundred and fifty basis points shall be allowed till the same is recovered through tariff and this carrying cost shall be true up in the year under consideration.
- (7) Depending upon quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that,
 - (i) If fuel and power purchase adjustment surcharge $\leq 5\%$, 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee shall be levied automatically using the formula.
 - (ii) If fuel and power purchase adjustment surcharge $> 5\%$, 5% fuel and power purchase adjustment surcharge shall be recoverable automatically as per 6(i) above. 90% of the balance fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the State Commission during true up.
- (8) The revenue recovered on account of pass through fuel and power purchase adjustment surcharge by the distribution licensee, shall be true up later for the year under consideration and the true up for any financial Year shall be completed by 30th June of the next financial year.
- (9) In case of excess revenue recovered for the year against the fuel and power purchase adjustment surcharge, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate approved by the State Commission and the under recovery of fuel and power purchase adjustment surcharge shall be allowed during true up, to be billed along with the automatic Fuel and Power Purchase Adjustment Surcharge amount.
Explanation:—For example in the month of July, the automatic pass through component for the power supplied in May and additional Fuel and Power Purchase Adjustment Surcharge, if any, recoverable after true up for the month of April in the previous financial year, shall be billed.
- (10) The distribution licensee shall submit such details, in the stipulated formats, of the variation between expenses incurred and the fuel and power purchase adjustment surcharge recovered, and the detailed computations and supporting documents, as required by the State Commission, during true up of the normal tariff.
- (11) To ensure smooth implementation of the fuel and power purchase adjustment surcharge mechanism and its recovery, the distribution licensee shall ensure that the licensee billing system is updated to take this into account and a unified billing system shall be implemented to ensure that there is a uniform billing system irrespective of the billing and metering vendor through interoperability or use of open source software as available.
- (12) The licensee shall publish all details including the fuel and power purchase adjustment surcharge formula, calculation of monthly fuel and power purchase adjustment surcharge and recovery of fuel and power purchase adjustment surcharge (separately for automatic and approved portions) on its website and archive the same through a dedicated web address.

3. Computation of Fuel and Power Purchase Adjustment Surcharge:

(4) Formula:

$$\text{Monthly FPPAS for nth Month (\%)} = \frac{(A-B)*C + (D-E)}{\{Z * (1 - \text{Distribution losses in \%}/100)\} * \text{ABR}}$$

Where,

Nth month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in (n-2)th month

A is Total units procured in (n-2)th Month (in kWh) from all Sources including

Long-term, Medium-term and Short-term Power purchases (To be taken from the bills issued to distribution licensees)

B is bulk sale of power from all Sources in (n-2)th Month. (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month).

C is incremental Average Power Purchase Cost= Actual average Power Purchase Cost (PPC) from all Sources in (n-2) month (Rs./ kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs./ kWh)- (from tariff order)

D = Actual inter-state and intra-state Transmission Charges in the (n-2)th Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (n-2)th Month. = (Approved Transmission Charges/12) (in Rs)

Z = [{Actual Power purchased from all the sources outside the State in (n-2) th Month. (in kWh)* (1 – Inter-state transmission losses in % /100) + Power purchased from all the sources within the State(in kWh)}*(1 – Intra state losses in %) – B]/100 in kWh

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

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order)

Inter-state transmission Losses (in %) = As per Tariff Order

- (5) The Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.
- (6) Other charges which include Ancillary Services and Security Constrained Economic Despatch shall not be included in Fuel and Power Purchase Adjustment Surcharge and adjusted though the true-up approved by the State Commission.

Note: The Principal Rules were published 2005 in the Gazette of India vide notification number G.S.R 379 (E), dated the 8th June, 2005 and was last amended notification number G.S.R. 817 (E), dated 31st December, 2020.