

The

Kolkata



सत्यमेव जयते

Gazette

Extraordinary  
Published by Authority

JYAISTHA 25]

TUESDAY, JUNE 15, 2004

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**WEST BENGAL ELECTRICITY REGULATORY COMMISSION**

**NOTIFICATION**

**No. 18/WBERC Dated : 09.06.2004**

In exercise of the powers conferred by Section 45(2), 61 and 62 read with Section 181 of the Electricity Act, 2003 (No. 36 of 2003) and all powers enabling on that behalf, West Bengal Electricity Regulatory Commission (WBERC) hereby makes the following Regulations.

**1. Short title, commencement and interpretation.**

These Regulations may be called the West Bengal Electricity

Regulatory Commission (Tariff) Regulations, 2003.

i) These shall come into force on the date of the publication in the official Gazette unless otherwise stated in these Regulations and shall be concurrent within the area of jurisdiction of West Bengal Electricity Regulatory Commission.

ii) The Bengal General Clauses Act, 1899 (Ben. Act I of 1899) shall apply to the interpretation of these regulations unless otherwise

indicated in these Regulations or inconsistent with the Provisions of the Electricity Act, 2003.

## 2. Definitions.

In these Regulations, unless the context otherwise requires :

- a) The Act means the Electricity Act, 2003 ;
- b) Regulations means the Regulations made under the Act ;
- c) Rules means the Rules made under the 'Act' by the Govt. of West Bengal (the State Government) ;
- d) Commission means the "West Bengal Electricity Regulatory Commission" constituted under Section 82 of the Electricity Act, 2003 and in short called WBERC ;
- e) Cross subsidy means the difference between the average cost of supply of the Licencee and the applicable tariff before any subsidy provided by the Government under the Act is taken into consideration.

f) Words and expression used and not defined in any of the Regulations shall have the meanings as defined in the Act.

## 3. Procedure for calculating expected revenue.

- 3.1 All the licencees or generating companies shall provide to the Commission the details of calculation with other information and particulars in terms of the West Bengal Electricity Regulatory Commission (Conduct of Business) Regulations, 2003 (CBR) in the manner prescribed therein along with the specified fees etc..
- 3.2 The petition should be filed at least 4 months earlier from the date from which the tariff is proposed to be varied.
- 3.3 The Commission may suo moto ask the Generating Companies/ Licencees to file such application for variation in tariff and other charges and the same shall be filed as per the CBR in the manner and time as directed.

3.4 The Commission shall determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State of West Bengal.

Notwithstanding anything contained in Part X of the Act, the tariff for any inter-State supply, transmission or wheeling of electricity, as the case may be, involving the territories of two States may, be also determined by the Commission in respect of the licencees who intend to distribute electricity and make payment therefor in the State of West Bengal in accordance of the provisions contained in Section 64(5) of the Act.

Provided further that where open access has been permitted to a category of consumers under Section 42, the Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers.

Provided further that if the open access has been allowed to certain

consumers by the Commission under Section 42, such consumers, may enter into an agreement with any person for supply or purchase of electricity on such terms and conditions (including tariff) as may be agreed upon by them notwithstanding the provisions contained in Clause (d) of Sub-section 1 of Section 62.

Provided further that notwithstanding anything contained in these Regulations, the Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding in accordance with the Guidelines issued by the Central Government.

#### **4. Terms and conditions for determination of tariff.**

4.1 Without prejudice to the generality of the powers of the Commission, but subject to the provisions of the Act, the Commission shall be guided by the following while determining the tariff -

- (a) the principles and methodologies specified by

the Central Commission for determination of the tariff applicable to generating companies and transmission licences;

(b) the generation, transmission, distribution and supply of electricity are conducted on commercial principles;

(c) the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments;

(d) safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner;

(e) the principles rewarding efficiency in performance;

(f) multi-year tariff principles;

(g) that the tariff progressively reflects the cost of supply of electricity, and also reduces and eliminates cross-subsidies within the specified period;

(h) the promotion of co-generation and generation of electricity from renewable sources of energy;

(i) the National Electricity Policy and tariff policy :

Provided that the Commission may also keep in view and be guided by the requirements relating to the -

(i) compliance of environmental standards;

(ii) compliance of safety standards;

(iii) compliance of different statutory requirements;

(iv) compliance of requirement of energy conservation through tariff mechanism to encourage optimum and economic utilization of available electricity and to discourage unnecessary and wasteful use of electricity;

(v) the need for reserve capacities to improve system reliability;

(vi) performance standards and other norms as may be specified or directed by the Commission including incentives and penalty relating to such standards;

(vii) development of market relating to electricity;

(viii) affordability of power and need of power to different sections of society in the interest of the consumer as well as the requirement of the utility;

(ix) requirement and need to encourage non-conventional source of energy.

(x) requirement and need to insulate the consumers for sudden tariff shocks in a particular year or some of years to protect both the utility and the consumers.

(xi) requirement and need to have funds and its availability at short notice to meet unexpected emergent circumstances where power supply is affected materially and cannot be met under normal business activities.

Provided further that while determining the tariff, the Commission may keep in view the existing and future balances available under Consumer Account, Tariff & Dividend Control Account, Undistributed Rebates, Development Reserve, Contingency Reserve, Deferred

Taxation Reserve along with its investment and income.

Provided further that the Commission may differentiate tariff on the basis of any of the following factors or on the basis of any combination of some factors namely consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which supply is required or the geographical position of the area, the nature of the supply and the purpose for which the supply is required. The Commission depending upon the available factors / data / information, or any other material which it may consider appropriate in each case, may, either fix separate rates or by any other method impose extra charges, incentives, penalty etc. on the basic tariff to achieve the purpose for any one or more factors mentioned above to the extent feasible and keeping in view the overall interest of the Consumers, Licencees / Generating Company and / or the Electrical System as a whole.

4.2 The Commission at its sole discretion will follow the above principles which have been incorporated in Regulation 4.1 and suitably apply the same to the extent required in each case. The Commission shall, at its sole discretion, determine the extent to which reliance may be had on any one principle, or more than one principle in any combination in each case having regard to the facts revealed in each such case.

5. Subject to Regulation 4, the financial terms and conditions for determination of tariff for the licencees and generating companies shall be as laid down in Schedule 1, 2 and 3. In case of overlapping, or in the case of licencees falling under more than one Schedule, or in those cases where none of the Schedules is applicable, the relevant Principles of Schedule I may be followed subject to such modifications which the Commission may consider appropriate in such a case.

Provided that, if there is difference between such financial terms and

conditions and National Electricity Policy and Tariff Policy or principles and methodologies specified by the Central Commission in case of Generating Companies and Transmission Licencees then, the Commission shall be guided by the same, though subject to other provisions of Regulation 4 which shall also be appropriately taken into account.

6. (i) The tariff shall be revised ordinarily only once in a year except for adjustment on account of Fuel and Power Purchase and as per the formula in this Regulation at Schedule 4. However, no reimbursement of fuel and power cost shall be allowed on any excess beyond permissible (a) technical and commercial loss and (b) self-consumption of electricity under the formula.

(ii) The tariff shall normally be revised from the prospective date with due notice except for adjustment of FPPCA unless there is a compelling

reason to revise the same from the retrospective date in which case detailed justification will be given in writing by the Commission.

7. The licensee or the Generating Company shall, before incurring any capital expenditure which does not fall within the capital expenditure programme as approved by the Commission and which exceeds, in any one financial year or in more than one financial year, a sum of Rs. 5 crores or 1% of the gross Fixed Assets whichever is less for one individual / head of item, take the approval of the Commission before incurring the same for the purpose of tariff. The overall annual limit for incurring capital expenditure on all such unapproved capital items shall not exceed Rs. 25 crores or 2% of the opening balance of gross fixed assets whichever is lower.

Provided that in case of emergency or emergent circumstances due to its impact on the safety of the assets, life, system or smooth supply or such similar reasons, the

licensee or the generating company may incur the necessary expenditure without taking the prior approval of the Commission, but shall intimate the same to the Commission along with the circumstances due to which it was not possible to take prior approval.

Provided further that in case the Commission neither refuses nor gives its consent for incurring of such expenditure within 10 working days from its filing with all the relevant documents, the licensee / generating company may presume that the Commission has no objection for the inclusion of same for fixing the tariff.

Provided further that notwithstanding anything contained above, the above procedure shall not be applicable to the extent the capital expenditure programme, as included in the tariff petition, has been approved by the Commission.

8. (i) The Commission may, at any time at its sole discretion vary, alter, modify, add or

amend any provision of this Regulation.

(ii) If any difficulty arises in giving effect to any of the provisions of this Regulation, the Commission may for reasons to be recorded in writing direct the licensee or consumer by general or special order, for taking suitable action not inconsistent with the provisions of the Act, as may appear to be necessary for removing the difficulty.

Place : Kolkata.

Date : 9.6.2004

(iii) 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 meeting the ends of justice or to prevent the abuse of the process of the Commission.

By order of the Commission

(Dr. R. N. Das)

Secretary of the Commission



**SCHEDULE - 1****Principles, terms and conditions for determination of tariff along with  
their application for Distribution Licencee**

1. The tariff shall be fixed in such a manner that a licencee ordinarily in any financial year will earn a permissible return which shall comprise of Reasonable Return plus permitted incentives minus penalties leviable under the Act / Regulations for that year.
2. The "Reasonable Return" for this purpose means -  
5% above the ruling RBI rate or 3% above the PLR rate of State Bank of India or average of any other three approved Nationalized Bank whichever is higher and calculated on the subscribed and paid up equity capital which shall also include Share Premium balance for this purpose but shall not include Bonus Shares or shares issued other than for cash. The paid up equity capital for this purpose shall be the average of the opening and closing balance of the paid up equity capital for that year.
3. The "clear profit" for this purpose means -  
the difference between the total amount of income from the business of electricity including income forgone or not realized due to reasons within control of licencee and the relevant portion of the income from other business including use of its assets and resources pertaining to electricity business for other than electricity business minus reasonable actual entitled expenditure properly incurred on the business relating to electricity or for other business for which income is being calculated subject to the extent of such income.
4. The difference between the clear profit and the permissible return will be dealt as under :  
50% shall be retained by the licencee and the balance 50% will go to the consumer account and will be taken into consideration while fixing FPPCA for the relevant or subsequent years or tariff for the subsequent years.

5. (I) The income shall include all income from any source, but not limited to
- (i) sale of energy
    - (a) gross receipts from actual sale of energy less discounts / rebates given based on the order of the Commission ;
    - (b) receivable for energy not sold or lost in the system.... [To be based on gross energy not sold minus permissible technical and commercial losses and permissible self-consumption of energy. The rate to be adopted shall be the average of fuel cost and cost of purchase plus 10% thereon to cover other costs.]
  - (ii) rental of meters, plant, equipment and other apparatus hired to consumers;
  - (iii) services to consumer by way of repair or any sale or other service other than capital receipts ;
  - (iv) interest on investments, bank balances including fixed and call deposits and any other interest income ;
  - (v) profit on sale of assets ;
  - (vi) wheeling of energy ;
  - (vii) transmission of energy ;
  - (viii) cross subsidy surcharge u/s 42(2) ;
  - (ix) additional surcharge u/s 42(4) ;
  - (x) any receipt or refund from other sources against any expense or likely expense which has been earlier allowed as expense in the tariff.
  - (xi) all other general receipts arising from and ancillary or incidental to the business of electricity supply ;
  - (xii) other general receipts in terms of Act / Regulations including use of assets for other business whether actually recovered or not.
- (II) Reasonable and actual entitled expenditure properly to be incurred on -
- (i) fuel costs to the level of generation including permissible wastage / losses during the transit and storage;
  - (ii) fuel handling expenses;
  - (iii) purchase of energy;

- (iv) salaries and wages and staff welfare expenses excluding management remuneration covered under (v) and (vi);
- (v) Director's remuneration, fees, expenses including facilities;
- (vi) salaries and wages of corporate office / registered office;
- (vii) financing cost excluding penal interest / charges -
  - (a) interest charges on loan borrowed for capitalized assets;
  - (b) interest on temporary accommodation to the extent of approved unrealized arrears from consumers;
  - (c) interest on working capital facilities limited to actual or equivalent to two months' sales whichever is less;
  - (d) financing charges applicable on operational account;
  - (e) interest on cash security deposits from consumers;
  - (f) interest on advance amount against sales from consumers, if any;
  - (g) impact on interest payments due to variation of foreign exchange rate in case of foreign currency loan taken with due approval and is not capitalized.
- (viii) depreciation on the assets capitalized based on the investment programme approved by the Commission and actually in use. The rates of depreciation shall be as applicable on straight line method under the Companies Act as amended from time to time;
- (ix) rents, rates and taxes, other than all taxes relating to income, profits and dividend taxes;
- (x) legal charges;
- (xi) auditor's expenses -
  - (a) auditor's fees;
  - (b) auditor's expenses;
  - (c) payment to Auditors in any other capacity or for any work which is necessary to be got done from them and audited.
- (xii) consultancy charges for work which cannot be done in-house or is uneconomical in doing in-house or is essential to be done from outside sources except payment to Auditor's;
- (xiii) bad debts actually written off;
- (xiv) permissible technical and commercial losses; [The permissible quantity

will be reduced from the gross energy available for sale].

- (xv) permissible self-consumption of electricity - [The permissible quantity will be reduced from the gross energy available for sale.]
- (a) auxiliary consumption;
  - (b) consumption in other offices relating to electricity business of the licensee.

(xvi) other expenses necessary and arising from and ancillary or incidental to the business of electricity except penalty etc. levied under this Act or any other Act;

(xvii) expenses arising from and ancillary or incidental to other business of licensee for which income have been included, but limited to the amount of income so included.

(III) The Commission may also allow reasonable expenditure to be incurred actually and properly on the following -

- (a) all taxes on income and profit calculated on permissible return as allowed by the Commission relating to business of electricity and also subject to the condition that the amount of taxes is actually paid as tax after taking into account refunds into consideration ;
- (b) penalty / fines levied under other Acts in deserving cases ;
- (c) penal interest, additional surcharge and / or non-availment of entitled rebates, if the situation so warrants;
- (d) other losses except which are on account of penalties / fines etc. and any additional cost on account of non-adherence of standards – norms and limits fixed by the Commission.
- (e) special allocations to meet and cover the requirement of likely unexpected emergent circumstances which cannot be covered under normal business activities which shall be invested and kept separately including its income as per the directions of the Commission.

**Note :**

1. The Commission may at its discretion fix suitable norms / limits for any or all the items of expenses.

2. The existing balances as on 31.03.2003 under Tariff and Dividend Control Reserve, Consumer Account, Contingency Reserve, Undistributed Rebates, Deferred Taxation Reserve, Development Reserve shall be transferred and shown as such under balances on account of consumer and shall be appropriately dealt by the Commission while fixing the tariff and / or to be kept separately to meet the fund required for emergent circumstances or for providing funds / meeting cost of replacement.
3. In case of abnormal variation in income or expenses or both which is likely to affect tariff substantially, the Commission may provide to include the same including its impact as a Regulatory Asset in the tariff and suitably provide for its recovery of the same through tariff for one or more years or as a surcharge for one or more years as it may deem fit to protect the interests of consumers / utility or both provided in the opinion of the Commission the same cannot be met fully or partially from balance under any other consumer account the amount of which has been already taken from the consumer through tariff.

**SCHEDULE - 2****Principles, terms and conditions for determination of tariff along with their application for Transmission Licencee**

1. The tariff shall be fixed in such a manner that a licencee ordinarily in any financial year will earn a permissible return which shall comprise of Reasonable Return plus permitted incentives minus penalties leviable under the Act / Regulations for that year.
2. The "Reasonable Return" for this purpose means -  
4% above the ruling RBI rate or 2% above the PLR rate of State Bank of India or average of any other three approved Nationalized Bank whichever is higher and calculated on the subscribed and paid up equity capital which shall also include Share Premium balance for this purpose but shall not include Bonus Shares or shares issued other than for cash. The paid up equity capital for this purpose shall be the average of the opening and closing balance of the paid up equity capital for that year.
3. The "clear profit" for this purpose means -  
the difference between the total amount of income from the business of electricity including income forgone or not realized due to reasons within control of licencee and the relevant portion of the income from other business including use of its assets and resources pertaining to electricity business for other than electricity business minus reasonable actual entitled expenditure properly incurred on the business relating to electricity or for other business for which income is being calculated subject to the extent of such income.
4. The difference between the clear profit and the permissible return will be dealt as under :  
40% shall be retained by the licencee and the balance 60% will go to the consumer account and will be taken into consideration while fixing FPPCA for the relevant or subsequent years or tariff for the subsequent years.

5. (I) The income shall include all income from any source, but not limited to
- (i) gross receipts from transmission or wheeling of energy less discounts / rebates given based on the order of the Commission ;
  - (ii) rental of meters, plant, equipment and other apparatus hired to consumers;
  - (iii) services to consumer by way of repair or any sale or other service other than capital receipts ;
  - (iv) interest on investments, bank balances including fixed and call deposits and any other interest income ;
  - (v) profit on sale of assets ;
  - (vi) wheeling of energy ;
  - (vii) cross subsidy surcharge ;
  - (viii) additional surcharge ;
  - (ix) any receipt or refund from other sources against any expense or likely expense which has been earlier allowed as expense in the tariff.
  - (x) all other general receipts arising from and ancillary or incidental to the business of electricity supply ;
  - (xi) other general receipts in terms of Act / Regulations including use of assets for other business whether actually recovered or not.
- (II) Reasonable and actual entitled expenditure properly to be incurred on -
- (i) salaries and wages and staff welfare expenses excluding management remuneration covered under (v) and (vi);
  - (ii) Director's remuneration, fees, expenses including facilities;
  - (iii) salaries and wages of corporate office / registered office;

- (iv) financing cost excluding penal interest / charges -
  - (a) interest charges on loan borrowed for capitalized assets;
  - (b) interest on temporary accommodation to the extent of approved unrealized arrears from consumers;
  - (c) interest on working capital facilities limited to actual or equivalent to 45 days of sales whichever is less;
  - (d) financing charges applicable on operational account;
  - (e) interest on cash security deposits from consumers;
  - (f) interest on advance amount against sales from consumers, if any;
  - (g) impact of interest payment due to variation of foreign exchange rate in case of foreign currency loan taken with due approval and is not capitalized.
- (v) depreciation on the assets capitalized based on the investment programme approved by the Commission and actually in use. The rates of depreciation shall be as applicable on straight line method under the Companies Act as amended from time to time;
- (vi) rents, rates and taxes, other than all taxes relating to income, profits and dividend taxes;
- (vii) legal charges;
- (viii) auditor's expenses -
  - (a) auditor's fees;
  - (b) auditor's expenses;
  - (c) payment to Auditors in any other capacity or for any work which is necessary to be got done from them and audited.
- (ix) consultancy charges for work which cannot be done in-house or is uneconomical in doing in-house or is essential to be done from outside sources except payment to Auditor's;
- (x) bad debts actually written off;
- (xi) permissible technical and commercial losses;
- (xii) permissible self-consumption of electricity -
  - (a) auxiliary consumption;
  - (b) consumption in other offices relating to electricity business of the licensee.



(xiii) other expenses necessary and arising from and ancillary or incidental to the business of electricity except penalty etc. levied under this Act or any other Act;

(xiv) expenses arising from and ancillary or incidental to other business of licensee for which income have been included, but limited to the amount of income so included.

(III) The Commission may also allow reasonable expenditure to be incurred actually and properly on the following -

(a) all taxes on income and profit calculated on permissible return as allowed by the Commission relating to business of electricity and also subject to the condition that the amount of taxes is actually paid as tax after taking into account refunds into consideration ;

(b) penalty / fines levied under other Acts in deserving cases ;

(c) penal interest, additional surcharge and / or non-availment of entitled rebates, if the situation so warrants;

(d) other losses except which are on account of penalties / fines etc. and any additional cost on account of non-adherence of standards – norms and limits fixed by the Commission.

(e) special allocations to meet and cover the requirement of likely unexpected emergent circumstances which cannot be covered under normal business activities which shall be invested and kept separately including its income as per the directions of the Commission.

**Note :**

1. The Commission may at its discretion fix suitable norms / limits for any or all the items of expenses.
2. The existing balances as on 31.03.2003 under Tariff and Dividend Control Reserve, Consumer Account, Contingency Reserve, Undistributed Rebates, Deferred Taxation Reserve, Development Reserve shall be transferred and shown as such under balances on account of consumer and shall be appropriately dealt by the Commission while fixing the tariff and / or to be kept separately to meet the fund required for emergent circumstances or for providing funds / meeting cost of replacement.

3. In case of abnormal variation in income or expenses or both which is likely to affect tariff substantially, the Commission may provide to include the same including its impact as a Regulatory Asset in the tariff and suitably provide for its recovery of the same through tariff for one or more years or as a surcharge for one or more years as it may deem fit to protect the interests of consumers / utility or both provided in the opinion of the Commission the same cannot be met fully or partially from balance under any other consumer account the amount of which has been already taken from the consumer through tariff.

**Note:**

1. The Commission may at its discretion fix suitable norms/limits for any or all the items of expenses.
2. The existing balances as on 31.03.2003 under Tariff and Dividend Control Reserve, Consumer Account, Contingency Reserve, Undistributed Reserve, Deferred Taxation Reserve, Development Reserve shall be transferred and shown as such under balances on account of consumer and shall be appropriately dealt by the Commission while fixing the tariff and/or to be kept separately to meet the fund required for emergency circumstances or for providing funds / meeting cost of replacement.

**SCHEDULE - 3****Principles, terms and conditions for determination of tariff along with  
their application for Generating Company**

1. The tariff shall be fixed in such a manner that a Generating Company ordinarily in any financial year will earn a permissible return which shall comprise of Reasonable Return plus permitted incentives minus penalties leviable under the Act / Regulations for that year.
2. The "Reasonable Return" for this purpose means -  
5% above the ruling RBI rate or 3% above the PLR rate of State Bank of India or average of any other three approved Nationalized Bank whichever is higher and calculated on the subscribed and paid up equity capital which shall also include Share Premium balance for this purpose but shall not include Bonus Shares or shares issued other than for cash. The paid up equity capital for this purpose shall be the average of the opening and closing balance of the paid up equity capital for that year.
3. The "clear profit" for this purpose means -  
the difference between the total amount of income from the business of electricity including income forgone or not realized due to reasons within control of company and the relevant portion of the income from other business including use of its assets and resources pertaining to electricity business for other than electricity business minus reasonable actual entitled expenditure properly incurred on the business relating to electricity or for other business for which income is being calculated subject to the extent of such income.
4. The difference between the clear profit and the permissible return will be dealt as under :  
40% shall be retained by the Generating Co. The balance 60% will go to the consumer account and will be taken into consideration while fixing FPPCA for the relevant or subsequent years or tariff for the subsequent years.

5. (I) The income shall include all income from any source, but not limited to
- (i) sale of energy
    - (a) gross receipts from actual sale of energy less discounts / rebates given based on the order of the Commission ;
    - (b) receivable for energy not sold or lost in the system.... [To be based on gross energy not sold minus permissible technical and commercial losses and permissible self-consumption of energy. The rate to be adopted shall be the average of fuel cost and cost of purchase plus 10% thereon to cover other costs.]
  - (ii) rental of meters, plant, equipment and other apparatus hired to consumers;
  - (iii) services to consumer by way of repair or any sale or other service other than capital receipts ;
  - (iv) interest on investments, bank balances including fixed and call deposits and any other interest income ;
  - (v) profit on sale of assets ;
  - (vi) wheeling of energy, if any ;
  - (vii) transmission of energy, if any ;
  - (viii) any receipt or refund from other sources against any expense or likely expense which has been earlier allowed as expense in the tariff.
  - (ix) all other general receipts arising from and ancillary or incidental to the business of electricity supply ;
  - (x) other general receipts in terms of Act / Regulations including use of assets for other business whether actually recovered or not.
- (II) Reasonable and actual entitled expenditure properly to be incurred on -
- (i) fuel costs to the level of generation including permissible wastage / losses during the transit and storage;
  - (ii) fuel handling expenses;
  - (iii) purchase of energy, if any;

**Note :**

- (iv) salaries and wages and staff welfare expenses excluding management remuneration covered under (v) and (vi);
- (v) Director's remuneration, fees, expenses including facilities;
- (vi) salaries and wages of corporate office / registered office;
- (vii) financing cost excluding penal interest / charges -
  - (a) interest charges on loan borrowed for capitalized assets;
  - (b) interest on temporary accommodation to the extent of approved unrealized arrears from consumers;
  - (c) interest on working capital facilities limited to actual or equivalent to 45 days sales whichever is less;
  - (d) financing charges applicable on operational account;
  - (e) interest on cash security deposits from consumers;
  - (f) interest on advance amount against sales from consumers, if any;
  - (g) impact of interest payment due to variation of foreign exchange rate in case of foreign currency loan taken with due approval and is not capitalized.
- (viii) depreciation on the assets capitalized based on the investment programme approved by the Commission and actually in use. The rates of depreciation shall be as applicable on straight line method under the Companies Act as amended from time to time;
- (ix) rents, rates and taxes, other than all taxes relating to income, profits and dividend taxes;
- (x) legal charges;
- (xi) auditor's expenses -
  - (a) auditor's fees;
  - (b) auditor's expenses;
  - (c) payment to Auditors in any other capacity or for any work which is necessary to be got done from them and audited.
- (xii) consultancy charges for work which cannot be done in-house or is uneconomical in doing in-house or is essential to be done from outside sources except payment to Auditor's;
- (xiii) bad debts actually written off;

- (xiv) permissible technical losses; [The permissible quantity will be reduced from the gross energy available for sale.]
- (xv) permissible self-consumption of electricity - [The permissible quantity will be reduced from the gross energy available for sale.]
- (a) auxiliary consumption;
  - (b) consumption in other offices relating to electricity business of the licensee.
- (xvi) other expenses necessary and arising from and ancillary or incidental to the business of electricity except penalty etc. levied under this Act or any other Act;
- (xvii) expenses arising from and ancillary or incidental to other business of licensee for which income have been included, but limited to the amount of income so included.
- (III) The Commission may also allow reasonable expenditure to be incurred actually and properly on the following -
- (a) all taxes on income and profit calculated on permissible return as allowed by the Commission relating to business of electricity and also subject to the condition that the amount of taxes is actually paid as tax after taking into account refunds into consideration ;
  - (b) penalty / fines levied under other Acts in deserving cases ;
  - (c) penal interest, additional surcharge and / or non-availment of entitled rebates, if the situation so warrants;
  - (d) other losses except which are on account of penalties / fines etc. and any additional cost on account of non-adherence of standards – norms limits fixed by the Commission.
  - (e) special allocations to meet and cover the requirement of likely unexpected emergent circumstances which cannot be covered under normal business activities which shall be invested and kept separately including its income as per the directions of the Commission.

**Note :**

1. The Commission may at its discretion fix suitable norms / limits for any or all the items of expenses.
2. The existing balances as on 31.03.2003 under Tariff and Dividend Control Reserve, Consumer Account, Contingency Reserve, Undistributed Rebates, Deferred Taxation Reserve, Development Reserve shall be transferred and shown as such under balances on account of consumer and shall be appropriately dealt by the Commission while fixing the tariff and / or to be kept separately to meet the fund required for emergent circumstances or for providing funds / meeting cost of replacement.
3. In case of abnormal variation in income or expenses or both which is likely to affect tariff substantially, the Commission may provide to include the same including its impact as a Regulatory Asset in the tariff and suitably provide for its recovery of the same through tariff for one or more years or as a surcharge for one or more years as it may deem fit to protect the interests of consumers / utility or both provided in the opinion of the Commission the same cannot be met fully or partially from balance under any other consumer account the amount of which has been already taken from the consumer through tariff.

**SCHEDULE - 4****FORMULA FOR FUEL AND POWER PURCHASE COST ADJUSTMENT (FPPCA)**

Fuel and power purchase cost adjustment charge per unit of energy sold during adjustment period shall be in terms of the following formula and shall be admissible only if there is any increase in the prices of fuel, rail transportation or rates of purchase of power which were prevalent 20 days prior to last date of submission of the petition.

$$\text{FPPCA (p/kwh)} : \left\{ \frac{(\text{FC} + \text{PPC}) - C_D - \pm A}{[(\text{G}_{\text{own}} + \text{E}_{\text{imp}}) \times (1 - L)] (-) Q} - \frac{\text{fc} + \text{ppc}}{(\text{g}_{\text{own}} + \text{e}_{\text{imp}}) \times (1 - L)} \right\} \times 100$$

**FC (Rs.)** : Fuel cost of own generation as per Normative parameters fixed by the Commission and /or on actual basis (in absence of any norm) for actual level of sales during the adjustment period.

**PPC (Rs.)** : Total cost incurred including the cost for fuel for power purchase from different sources for actual level of sales during the adjustment period.

**C<sub>D</sub>** : Cost disallowed by the Commission as having been incurred in breach of its economic generation/purchase obligation, or of order/ direction of the Commission, if any, or for any other reason during the adjustment period and adjusted corresponding to actual level of sales.



- A (Rs.) : Adjustment, if any, to be made in the current period to account for any excess/shortfall in recovery of fuel and power purchase cost in the past adjustment period based on directions / orders of the Commission.
- $G_{own}$  (KWH) : Total energy sent out from utility's generating stations during the adjustment period based on normative or actual auxiliary consumption whichever is less, corresponding to actual level of sales.
- $E_{imp}$ (KWH) : Total energy purchased at the sent out bus from different sources based on approved procurement plans during the adjustment period corresponding to actual level of sales.
- L (%) : Normative T & D loss fixed by the Commission.
- Q (KWH) : Quantity of temporary supply sold during the adjustment period.
- $f_c$  : Fuel cost of own generation as allowed by the Commission in the tariff order corresponding to relevant adjustment period.
- ppc : Power purchase cost allowed by the Commission for the relevant adjustment period in the tariff order.
- $g_{own}$  : Sent out own generation as admitted in the tariff order by the Commission corresponding to the adjustment period.
- $e_{imp}$  : Power purchase at sent out bus as admitted by the Commission in the tariff order corresponding to the adjustment period.