KARNATAKA ELECTRICITY REGULATORY COMMISSION
NOTIFICATION
No. B/15/12 Bangalore, Dated 21st March 2013

KERC (Fuel Cost Adjustment Charges) Regulations, 2013

Preamble:
Whereas the Commission in its Tariff Order dated 30th April 2012 has decided to introduce a mechanism for collection of Fuel Cost adjustment from consumers and notified the draft Regulations in the matter on 5th October 2012 and invited the views, suggestions, objections, if any, on the procedure to be followed for determining the fuel cost adjustment charges from time to time. Further, the Commission held a public hearing in the matter on 14th December 2012 at the Court hall of the Commission and has considered the views suggestions, and objections received, and the submissions made in the public hearing in this regard.

Therefore the Commission, in exercise of the powers conferred under Section 181 and Section 62(4) of the Electricity Act 2003, the Commission hereby notifies the Regulations for collection of Fuel cost adjustment Charges.

1. Short Title and commencement:
(i) These Regulations may be called the KERC (Fuel Cost Adjustment Charges) Regulations, 2013
(ii) They shall come into effect from the date of their Notification in the official gazette.
(iii) They shall apply to the whole of the State of Karnataka.

2. Definitions
(i) In these Regulations, unless the context otherwise requires:
   b. "Billing quarter" means the period of three months commencing from the beginning of a calendar month during which FAC is proposed to be recovered.
   c. "Commission" means the Karnataka Electricity Regulatory Commission;
   d. 'Distribution Licensee' means a licensee authorized to operate and maintain a distribution system for supplying electricity to the consumers in his area of supply.
e. **Fuel Adjustment Charges** means the charges as determined in these Regulations for recovery in a billing quarter on the basis of change in the cost of fuel in the second quarter preceding the billing quarter.

(ii) Words or expressions occurring in these Regulations and not defined herein above shall bear the same meaning as in the Act or the Karnataka Electricity Reforms Act and in case of any inconsistency, therein the provisions of the Act shall prevail.

3. **Collection of Fuel Cost Adjustment Charge (FAC):**

3.1 Every Distribution Licensee shall collect Fuel Cost Adjustment charges from its consumers during a billing quarter in accordance with the provisions in these Regulations as part of the tariff payable by the consumer.

Explanation: The first billing quarter shall commence from 1st July 2013.

Provided that, where the FAC in any billing quarter exceeds ten paise per unit or any other limit fixed by the Commission in the tariff order applicable for the relevant year, the distribution licensee shall not recover FAC in excess of ten paise per unit or the limit fixed by the Commission without the prior approval of the Commission.

Provided that, where the amount of FAC is negative in any billing quarter, the savings in FAC up to ten paise or the limit as fixed by the Commission shall be passed on to the Consumers.

3.2 The distribution licensees shall commence billing of FAC from the first meter reading date of the billing quarter.

4. **Computation of FAC:**

4.1 Distribution Licensees shall determine the per unit Fuel Cost Adjustment charges recoverable from consumers on the basis of the variation in the fuel cost on energy purchased from Generators as specified in Clause 5 of these Regulations.

4.2 For the purpose of determining the Fuel Cost Adjustment Charges, the transmission losses in respect of the transmission network and distribution losses in respect of distribution licensee’s network to be considered shall be the losses as approved by the Commission in the relevant tariff orders issued from time to time.

4.3 The computation of FAC as provided in these Regulations shall ordinarily be completed by the Distribution Licensees within 45 days before the commencement of each billing quarter.

5. **Formula for computation of FAC:**

5.1 The formula for computation of the Fuel Cost Adjustment Charges shall be as under:

\[
FAC = \left( \frac{VC_{sg} + VC_{cgs} + VC_{frp} + Z}{Q} \right) \times 1000
\]

Where

- \( VC_{sg} \) = Change in variable cost of state owned power generating stations
- \( VC_{cgs} \) = Change in variable cost of Central Generating Stations;
- \( VC_{frp} \) = Change in variable cost of Generating Stations of other Independent Power Producers having long term PPAs with the distribution licensees.
- \( Q \) = Actual sales inclusive of metered sales and assessed sales to IP Sets & BJ/KJ categories.
- \( Z \) = Adjustment factor for any over/under recovery
Change in Variable cost \( [(VC)_{\text{base}} - \text{cost}] \) is the difference between the variable cost computed on the basis of delivered cost of fuel for coal / gas / liquid fuel based generating stations and the variable cost as allowed in the Tariff Order pertaining to the relevant period.

The 'Fuel Costs' for the purpose of computing FAC as per these Regulations shall include only delivered cost of fuel at the generating station computed as per Format-1 annexed to these Regulations.

**Adjustment Factor (Z)** for a billing quarter shall include:

i) Variation in actual FAC collected and allowable FAC for any previous billing quarter which has not been factored earlier.

ii) Any variations observed by the Commission during post facto validation of the data furnished in any quarter; and,

iii) Any variations in variable costs that would be noticed by the distribution licensees subsequent to incorporation of FAC for a billing quarter.

This shall be computed as per Format-2 annexed to these Regulations.

6. **Accounting and Billing of FAC:**

6.1 The distribution licensee shall indicate the rate and amount of FAC separately in the consumer bills and record the amount of FAC collected under a separate head of account in its books of accounts.

6.2 The FAC determined as per the formula provided in these Regulations shall be in paisa per unit rounded off to the nearest integer.

6.3 All documents to be furnished to the Commission for approval of FAC for each quarter shall be duly signed by the authorized representative of the distribution licensee and duly certified by a Chartered Accountant.

7. **Information and Publication of FAC:**

7.1 The Distribution Licensee shall furnish to the Commission, its computations of FAC for any billing quarter as per the formats specified in these Regulations at least 30 days before the commencement of the billing quarter.

7.2 The distribution licensee shall publish FAC proposed to be collected for a billing quarter in at least one English and one Kannada Newspaper having wide circulation in its area of supply for information of the consumers. Such publication shall be issued at least one week before the commencement of the billing quarter. Copies of FAC assessment shall also be posted on the websites of the Distribution Licensees for information of the consumers/stakeholders.

8. **Power to remove difficulties**

If any difficulty arises in giving effect to any of the provisions of these Regulations, the Commission on application by the distribution licensee or suo-moto may, by general or special order, take such action which appears to be necessary or expedient for the purpose of removing such difficulties not being inconsistent with the provisions of the Act.

9. **Power to amend:**

The Commission may from time to time add, vary, alter, modify or amend any provisions of these regulations.

Approved by the Commission

**N. SRIRAMAN**

Secretary

Karnataka Electricity Regulatory Commission
### Annex to KERC (Fuel Cost Adjustment Charges) Regulations, 2013

#### Name of the ESCOM

<table>
<thead>
<tr>
<th>Name of the Generating Station</th>
<th>Approved Variable charges- Ru/Unit</th>
<th>Actual Variable charges- Ru/Unit</th>
<th>Change in Variable charges- Ru/Unit</th>
<th>Quantum of energy in MJ</th>
<th>Increase in fuel cost- Rs. Ca</th>
<th>Actual Variable charges- Ru/Unit</th>
<th>Change in Variable charges- Ru/Unit</th>
<th>Quantum of energy in MJ</th>
<th>Increase in fuel cost- Rs. Ca</th>
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<th>Quarter</th>
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* Station/Source of Generation is indicative. Any other such Stations to be covered as per the regulations for FAC shall be included.
* Variable Charges as approved in the Relevant Tariff Orders of the Commission.
* Note: The format shall be signed by the authorised representative of ESCOM duly certified by chartered accountant.

### Annex to KERC (Fuel Cost Adjustment Charges) Regulations, 2013

#### Computation of Adjustment Factor (Z)

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Particulars</th>
<th>FORMAT-2</th>
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<tbody>
<tr>
<td>a</td>
<td>FAC proposed by ESCOM for Quarters of FY....</td>
<td>a</td>
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<tr>
<td>b</td>
<td>FAC approved by the Commission for Quarters of FY....</td>
<td>b</td>
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<td>c</td>
<td>FAC actually collected by the ESCOM in the relevant billing quarter (As per monthly DCB Statements)</td>
<td>c</td>
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<td>d</td>
<td>Increase / Decrease in FAC charges to be adjusted in the Quarters of FY....</td>
<td>d = (c-b)</td>
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<td>e</td>
<td>Any fuel cost variations noticed now after filing for the quarter specified in 'a'</td>
<td>e</td>
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<tr>
<td>f</td>
<td>Any variations observed by the Commission in its approval of FAC for the previous billing quarter</td>
<td>f</td>
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<tr>
<td>g</td>
<td>Adjustment factor (Z)</td>
<td>Zc = (d+e+f)</td>
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</tbody>
</table>

* Furnish details in a separate statement along with documents as necessary.
* Note: The format shall be signed by the authorised representative of ESCOM duly certified by chartered accountant.