KARNATAKA ELECTRICITY REGULATORY COMMISSION

KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006

Notification No. D/01/6 dated 31st May 2006

Preamble: According to Section 61 of the Electricity Act 2003, the Commission shall, subject to the provisions of the Act, specify the terms and conditions for determination of tariff, and shall be guided by factors from (a) to (i) specified therein. The factors specified therein include the National Electricity Policy and the Tariff Policy of Govt of India issued under Section 3 of the Act. The Govt of India has notified the National Electricity Policy on 12.2.2005 and the Tariff Policy on 06.01.2006.

In the said Tariff policy, various norms for generation, transmission and distribution of electricity have been specified. The Policy specifies Multi Year Tariff (MYT) framework to be adopted. Further, it is indicated in the Policy that operating norms for distribution networks would be notified by the SERCs and for uniformity of approach the Forum of Regulators (FOR) should evolve the approach. Regarding the rate of return on equity for distribution sector it is stated in the policy that it would be desirable to arrive at a consensus through FOR.

Pending determination of operating norms, return on equity, service standards etc by the FOR, the Commission considers it necessary to notify the terms and conditions for determination of tariff for distribution and retail supply of electricity to give effect to the Tariff Policy. Accordingly these Regulations.

In exercise of powers conferred on it by Section 61 read with Section 181 of the Electricity Act 2003 (No. 36 of 2003), the Karnataka Electricity Regulatory Commission hereby makes the following regulations, namely:
Chapter - I

Preliminary

1. Short title and Commencement

(1) These Regulations shall be called ‘The Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006’.

(2) These Regulations shall be applicable to any person engaged in the business of Wheeling and Retail Sale of electricity, within the State of Karnataka.

(3) In the case of distribution of electricity in the same area by two or more Distribution Licensees, the Commission may fix only the maximum ceiling of tariff for retail sale of electricity.

(4) These regulations shall come into force from the date of their publication in the official gazette.

2. Definitions

(i) In these Regulations, unless the context otherwise requires:

(a) “Act” means the Electricity Act, 2003 (36 of 2003);

(b) “Aggregate Revenue Requirement” (ARR) means the revenue required to meet the costs pertaining to the licensed business, for a financial year, which would be permitted to be recovered through tariffs and charges by the Commission;

(c) "Base Year" means the financial year immediately preceding the first year of the Control Period;

(d)“CERC” means the Central Electricity Regulatory Commission established under Section 76 of the Act;

(e) “Commission” means the Karnataka Electricity Regulatory Commission;
(f) “Conduct of Business Regulations” means the Karnataka Electricity Regulatory Commission (General and Conduct of Proceedings) Regulations in force from time to time;

(g) “Consumer / User contributions” means any contributions made by those using or intending to use the Distribution network of a licensee. Any grant received by the Licensees would also be treated as Consumer / User contribution;

(h) “Control Period” means a multi-year period fixed by the Commission from time to time under the Multi year Tariff framework.

(i) “CTU” means Central Transmission Utility;

(j) “Distribution Business” means the business of operating and maintaining a distribution system for supply of electricity in the area of supply of the distribution licensee;

(k) “Distribution Licensee” means a person granted a licence for Distribution and Retail Sale of electricity under Section 14 of the Act and includes a deemed Distribution Licensee under the Act;

(l) “ERC” means the Expected Revenue From Charges that a licensee is permitted to recover pursuant to the terms of its licence;

(m) “Financial year” means the period commencing on 1st April of a calendar year and ending on 31st March of the immediately following calendar year;

(n) “Grid Code” means the State Grid Code as specified by the Commission under clause (4) of Sub-section (1) of Section 86 of the Act;

(o) “KER Act” means the Karnataka Electricity Reform Act, 1999;

(p) “Licence” means a licence granted under Section 14 of the Act to distribute electricity in the area of supply of the Licensee;

(q) “Licensees' Standards of Performance Regulations” means KERC (Licensees Standards of Performance) Regulations 2004;

(r) “Non-Tariff Income” means income relating to the licensed business other than from (i) tariffs for wheeling and retail sale (ii) Income from Other licensed Business;

(s) “Open Access Agreement” means an agreement entered into under the provisions of the KERC (Terms and Conditions of Open Access) Regulations between a Distribution Licensee and a User to
avail of open access to the Distribution Licensee’s network for wheeling of electricity and may also include a Transmission Licensee as a party to such agreement;

(t) “Open Access customer” means a consumer permitted by the Commission to receive supply of electricity from a person other than the Distribution Licensee of his area of supply, and the expression includes a generating company and licensees, who have availed of or intend to avail of open access.

(u) “Other Business” means any business engaged in by a Distribution Licensee under Section 51 of the Act for optimum utilization of the assets of the distribution business and shall include any business of the Licensee other than the Distribution business;

(v) “Retail Supply Business” means the business of sale of electricity by a Distribution Licensee to consumers, in accordance with the Conditions of Licence;

(w) “State” means the State of Karnataka;

(x) “STU” means the State Transmission Utility as specified by the State Government under Sub-section (1) of Section 39 of the Act.

(y) “SLDC” or “State Load Despatch Centre” means the center established under Section 31 of the Act;

(z) “Tariff” means a schedule of standard prices or charges for specified services which are applicable to all such specified services provided to the type of customers specified in the tariff published;

(ii) Words or expressions not defined in these Regulations shall bear the same meaning as in the Act/ KER Act. In case of any inconsistency between the Act and the KER Act, the provisions of the Act shall prevail.
Chapter - II

MULTI-YEAR TARIFF FRAMEWORK AND APPROACH

2.1 Multi Year Tariff Framework

MYT framework shall be based on the following elements, for calculation of ARR and ERC:

(i) Control Period, at the commencement of which a forecast of the ARR and ERC shall be filed by the Distribution Licensee for approval of the Commission;

(ii) Distribution Licensee’s forecast of ARR and ERC during the Control Period shall be based on reasonable assumptions related to the expected behavior of the various operational and financial variables;

(iii) Trajectory for specific variables as may be stipulated by the Commission, where the performance of the Licensee is sought to be improved through incentives and disincentives;

(iv) Annual Review of performance vis-à-vis the approved forecast and categorization of variations in performance into those that were caused by factors within the control of the Distribution Licensee (controllable factors) and those caused by factors beyond the control of the Distribution Licensee (uncontrollable factors);

(v) Mechanism for pass through of approved gains or losses on account of uncontrollable factors;

(vi) Mechanism for sharing approved gains or losses arising out of controllable factors;

(vii) Annual determination of tariff for each financial year within the control period, based on the approved forecast and results of the annual performance review.

2.2 Segregation of Accounts into Distribution and Retail Supply

The Accounts shall be segregated between Distribution and Retail supply business. Till such time there is complete segregation, the ARR of the
Distribution Licensee shall be apportioned between the Distribution Business and Retail Supply Business by appropriate methodology.

2.3 **Filing under the MYT Framework**

Every Distribution Licensee shall file an application for approval of ARR and ERC under the MYT framework for the Control Period commencing from FY08. The filing for the Control period shall be made by the licensee within a period not less than 120 days before the commencement of the Control Period. The filing shall be for the entire Control Period. The filing shall be in the same form as specified in the KERC (Tariff) Regulations, with year wise details for each year of the Control Period, duly complying with the principles for determination of ARR as specified in these Regulations.

2.4 **Control Period**

The first Control Period under the MYT framework shall be of a duration of 3 years commencing from FY08. Thereafter, each Control Period shall be normally a period of 5 financial years or such other period as may be specified by the Commission from time to time.

2.5 **Contents of MYT Filing**

2.5.1 **ARR for Distribution Business:** The ARR for Distribution Business under the MYT framework shall contain the following:

a. The Operation and Maintenance (O&M) costs which include employee-related costs, repairs & maintenance costs and administrative & general costs, estimated for the Base Year and the actuals for the previous two years prior to the Base Year in complete detail, together with the forecast for each year of the Control Period based on the norms proposed by the Distribution Licensee including indexation and other appropriate mechanisms;

b. Detailed scheme/project-wise Capital Investment Plan with a capitalisation schedule covering each year of the Control Period;
c. A proposal for appropriate capital structure to meet the capital investment plan with details of cost of financing including interest cost on debt and return on equity;

d. Range of Distribution losses (upper and lower) for each year of the Control Period for the purpose of incentive / penalties. The Distribution Licensee shall file a trajectory of the loss levels in respect of technical and commercial losses for each of the years of the control period, backed up by proper studies to justify the loss levels indicated;

e. Details of depreciation and capitalisation schedule for each year of the Control Period;

f. Description of external parameters proposed for indexation;

g. Details of taxes on income;

h. Any other relevant expenditure;

i. Proposals for sharing of gains and losses;

j. Proposals for efficiency parameter targets;

k. Proposals for rewarding efficiency in performance;

l. Expected revenue from charges at the existing tariff including non-tariff income; and

m. Any other matters considered appropriate.

2.5.2 **ARR for Retail supply Business:** The ARR for Retail Supply Business shall contain;

(a) Power purchase costs for each year of the Control Period

(b) All other items mentioned for the distribution business to the extent applicable and in accordance with the cost allocation statement.

(c) Expected revenue from charges at the existing tariff including non-tariff income, tariff from wheeling of electricity, income from Other Business, Receipts on account of cross-subsidy surcharge and additional surcharge if any.

(d) Any other matters considered appropriate.
2.5.3 **Capital Investment Plan:**

The Distribution Licensee shall file a Capital Investment plan for Commission’s approval along with the MYT filing for the Control Period.

2.5.4 **Perspective Plan**

The Distribution Licensee shall file for Commission’s approval a Perspective Plan on 1st April of the year preceding the first year of the Control period. The perspective plan in the first instance shall for a period of five years commencing from 2007-08 to 2012-13 so as to coincide with the 11th plan period. Thereafter the perspective plan shall be for a period of 5 years. The Perspective Plan for the Control Period shall inter alia contain the Sales Forecast, Power Procurement Plan and a Capital investment Plan in accordance with the Practice Directions issued in respect of capital investment programme and also consistent with the Guidelines on Load Forecast.

Provided that the Perspective Plan for the first Control Period may be filed along with the MYT filings for ARR of the first Control Period.

2.6 **The MYT Approach**

The MYT framework shall be based on the following approach, for calculation of ERC and ARR:

2.6.1 **Base Year:**

Values for the Base Year of the Control Period will be determined based on the audited accounts available, best estimate for the relevant years and other factors considered appropriate by the Commission, and after applying the tests for determining the controllable or uncontrollable nature of various items. The Commission will not normally revisit the performance targets during the Control period.
2.6.2 **Targets:**

Targets will be set for items that are deemed by the Commission as “controllable”. Trajectory for specific variables may be stipulated by the Commission where the performance of the applicant is sought to be improved upon through incentives and disincentives. Such variables for which trajectory may be stipulated include, but not limited to, distribution losses and collection efficiency.

2.6.3 **Controllable and Uncontrollable items of ARR:**

The expenditure of the Distribution Licensee considered as “controllable” and “uncontrollable” shall be as follows:

<table>
<thead>
<tr>
<th>Distribution and Retail Supply Business</th>
<th>“Controllable”/“Uncontrollable”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Purchase Costs</td>
<td>Uncontrollable</td>
</tr>
<tr>
<td>Operation &amp; Maintenance expenses</td>
<td>Controllable</td>
</tr>
<tr>
<td>Employee Cost</td>
<td>Controllable</td>
</tr>
<tr>
<td>Admin.&amp; General expenses</td>
<td>Controllable</td>
</tr>
<tr>
<td>Interest &amp; Finance Charges</td>
<td>Controllable</td>
</tr>
<tr>
<td>Expenses on account of Inflation</td>
<td>Uncontrollable</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>Controllable</td>
</tr>
<tr>
<td>Depreciation</td>
<td>Controllable</td>
</tr>
<tr>
<td>Taxes on Income</td>
<td>Uncontrollable</td>
</tr>
<tr>
<td>Non-tariff income</td>
<td>Controllable</td>
</tr>
</tbody>
</table>

2.7 **Disposal of Application**

2.7.1 The Commission will process the Distribution Licensee’s filings under MYT framework in accordance with KERC(Tariff) Regulations read with KERC (Conduct of Business Regulations) Regulations.

2.7.2 Based on the Distribution Licensee’s filings and objections/ suggestions from public and other stakeholders, the Commission may accept the
application with such modifications and/or such conditions as may be deemed just and appropriate and issue, within 120 days of the receipt of the complete application, an Order containing *inter alia* targets for controllable items and the approved ARR for the Control Period.

2.7.3 The Commission shall also approve the Perspective Plan with appropriate modifications as may be considered necessary for the Control Period.

2.8 **Annual Review of Performance**

2.8.1 The Distribution Licensee shall be subject to an annual performance review during the Control Period. The Licensee shall make an application for annual performance review not less than 120 days before the close of each financial year in the Control Period. The Licensee shall provide such information as may be stipulated by the Commission from time to time to assess the reasons and extent of any variation in the performance from the approved forecast.

2.8.2 The Distribution Licensee may, as a result of additional information not previously known or available to him at the time of forecast under the MYT framework for the Control Period, apply for modification of the ARR and ERC for the remainder of the control period, as part of annual performance review.

2.8.3 The Commission may, as a result of additional information not previously known or available to it at the time of approval of the forecast under the MYT framework for the Control Period, either suo motu or on application made by any interested party, modify the approved forecast of ARR and ERC for the remainder of the control period as part of the annual performance review.

2.8.4 The Commission shall review an application made under 2.8.2 and/or 2.8.3 above in the same manner as the original application for determination of ARR and ERC and upon completion of such review, either approve the
proposed modification with such changes as it deems appropriate or reject the application for reasons to be recorded in writing.

2.8.5 The scope of the annual performance review shall be a comparison of the performance of the Licensee with the approved forecast of ARR and ERC. Upon completion of annual performance review, the Commission shall pass an order recording:

a) Any financial loss or gain on account of variation in power purchase cost either on account of change in hydro-thermal mix or other uncontrollable factors and the mechanism by which the licensee shall pass through such gains or losses.

b) The approved aggregate gain or loss to the Licensee on account of other Uncontrollable factors and the mechanism by which the Licensee shall pass through such gains or losses.

c) The approved aggregate gain or loss to the Licensee on account of Controllable factors and the mechanism to share such gains or losses.

d) The approved modifications to the forecast for the remainder period of the Control period, if any.

2.9 Annual Determination of Tariff

2.9.1 An application for determination of tariff for any financial year shall be made by the Licensee not less than 120 days before the commencement of such financial year in the form specified in KERC (Tariff) Regulations having regard to the following:

a) the approved forecast of ARR and ERC for such financial year, including approved modifications, if any.

b) Approved gains and losses to be passed through in tariffs, following annual performance review.

2.9.2 The application for determination of tariff shall include Surcharge and wheeling charge to be determined under open access by following the methodology specified in these Regulations.
2.9.3 Application for determination of tariff for the first year of the first Control Period may be filed by the Distribution Licensee along with the MYT filing for the first Control period.

2.9.4 The Commission shall issue a Tariff Order after following the procedure prescribed in KERC(Tariff) Regulations read with KERC (General and Conduct of Proceedings ) Regulations.
CHAPTER - III

PRINCIPLES FOR COMPUTATION OF ARR AND TARIFF

3.1 Annual Revenue Requirement

The ARR of the Distribution Licensee for each year of the Control period shall comprise of the following, namely:

(a) Power Purchase Costs } for Retail Supply
   } for Business
(b) Transmission and SLDC Charges
(c) Operation and maintenance expense
(d) Interest on loan capital
(e) Return on equity
(f) Depreciation
(g) Interest on working capital
(h) Taxes on Income
(i) Other expenses if any
(j) Less: Non-tariff income, income from Other Business.

3.2 Cost of Power purchase

3.2.1 The Distribution Licensee shall be allowed to recover the cost of power it procures, from all the sources including the power procurement from the State owned Generating stations, independent power producers, Central generating stations, renewable energy sources and others for supply of power to consumers, based on the Load Forecast approved by the Commission for each of the financial years of the control period.
3.2.2 For the purpose of determining the power purchase requirement of the Distribution Licensee for a control period, the Commission shall adopt the sales forecast, the distribution loss trajectory and power procurement plan approved by the Commission.

3.2.3 Approved retail sales level shall be grossed up by normative level of T&D losses as indicated in the MYT trajectory for allowing power purchase quantity.

3.2.3 While approving the cost of power purchases, the Commission shall determine the quantum of power from various sources in accordance with the principles of merit order schedule and despatch based on a ranking of all approved sources of supply in the order of variable cost.

3.2.4 All power purchase costs will be considered legitimate unless it is established that the merit order principle has been violated or power has been purchased at unreasonable rates.

3.2.5 Foreign exchange variation risk, if any, shall not be a pass through. However, in the case of existing PPAs which provide for payment of foreign exchange rate variation, the same shall be allowed to be included in the power purchase costs during the currency of such contracts.

3.2.6 Power purchase cost to the extent explicitly not allowed by the Commission for various reasons shall not be included in the power purchase costs.

3.3 Transmission charges and SLDC charges

3.3.1 The Distribution Licensee shall be allowed to recover transmission charges payable to a Transmission Licensee for access to and use intra-state transmission system in accordance with the tariff approved by the Commission.
3.3.2 The Distribution Licensee shall also be allowed to recover the following expenses at the approved level:

(a) charges for intervening transmission facilities;

(b) wheeling charges for use of distribution system of other Distribution Licensee/s;

(c) charges for access and use of inter-state transmission system in accordance with the tariffs determined by CERC; and

(d) fees and charges of the RLDC and SLDC as may be specified.

3.4 Treatment of Distribution losses

3.4.1 Transaction should be charged on the basis of average losses arrived at for the distribution system. The loss framework should ensure that the loss compensation is reasonable and linked to applicable benchmark determined by the Commission.

3.4.1 In case the actual distribution loss exceeds the normative loss level approved by the Commission, such excess loss shall be to the account of the Distribution Licensee.

3.4.2 In case the actual distribution loss is less than the approved loss level, such savings shall be shared between the distribution licensee and the consumers in the ratio of 70:30 during the first Control Period and in the ratio as may be decided by the Commission in the subsequent Control periods.

3.4.3 The Commission may stipulate a time period beyond which the Distribution Licensee shall not be permitted to recover, energy losses arising out of theft, pilferage, failure to meter or bill for electricity transmitted.
3.5 **Capital Investment:**

Subject to prudence check by the Commission, the actual expenditure incurred on capital investment shall form the basis for determination of ARR/tariff and shall include capitalised initial spares subject to a ceiling norm as 1.5% of original project cost.

*Note:* While allowing the capital cost, the Commission would ensure that these are reasonable and to achieve this objective, requisite benchmark on capital costs would be evolved by the Commission.

3.6 **Debt-Equity Ratio:**

3.6.1 For financing of future capital cost of projects, a Debt : Equity ratio of 70:30 should be adopted. The Distribution Licensee would be free to have higher quantum of equity investments. The equity in excess of this norm should be treated as loans advanced at the weighted average rate of interest and for a weighted average tenor of the long term debt component of the project after ascertaining the reasonableness of the interest rates and taking into account the effect of debt restructuring done, if any. In case of equity below the normative level, the actual equity would be used for determination of Return on Equity in tariff computations.

3.6.2 Debt including its tenure shall be structured with a view to reduce the tariff. Savings in cost on account of subsequent restructuring of debt shall be allowed to be shared between the Licensee and the Consumers in the ratio of 70:30 during the first Control Period and in such proportion as may be decided by the Commission in the subsequent Control periods.

3.7 **Interest on loan Capital**

3.7.1 Interest on loan capital shall be computed loan wise on the loans arrived at in the manner indicated in sub clause 3.6 above.

3.7.2 The loan outstanding as on 1.4.2007 shall be worked out as the gross loan minus cumulative repayment as admitted by the Commission up to
31.3.2007. The repayment for the period FY08 to FY10 shall be worked out on normative basis.

3.7.3 In case any moratorium period is availed of by the Distribution Licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

3.7.4 Foreign exchange variation risk, if any, shall not be a pass through. In the case of projects where tariff has not been determined on the basis of competitive bids, appropriate costs of hedging and swapping to take care of foreign exchange variation will be allowed for debt obtained in foreign currencies.

3.8 Depreciation

3.8.1 Depreciation shall be computed in the following manner, namely:

i) The value base for the purpose of depreciation shall be the historical cost of the asset.

ii) Depreciation shall be calculated annually based on straight-line method over the useful life of the asset and at the rates prescribed in Appendix-1 to these Regulations.

iii) The residual life of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the historical capital cost of the asset. Land is not a depreciable asset and its cost shall be excluded from the capital cost while computing 90% of the historical cost of the asset.

3.8.2 Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

3.8.3 The above said rate of depreciation shall be applicable both for the purpose of tariff as well as accounting.
3.8.4 The Commission may consider allowing ‘advance against depreciation’ to the extent of difference between the amount of depreciation computed and the debt repayment for the financial year.

3.8.5 Benefit of reduced tariff after the assets have been fully depreciated should remain available to the consumers.

3.9 Return on Equity

Return on equity shall be computed on the equity base determined in accordance with clause 3.7 above and shall be @ 14% per annum.

For the purpose of return on equity, any cash resources available to the licensee from its share premium account or from its internal resources that are used to fund the equity commitments of the project under consideration shall be treated as equity subject to limitation contained in clause 3.6 above.

3.10 Operation and Maintenance expenses

In the case of the existing Distribution Licensee, the Licensee in its filings shall submit the consolidated O&M expenses for the Base Year of the Control Period and for the two years preceding the Base Year. The O&M expenses for the Base Year shall be determined based on latest audited accounts, best estimates of Licensee of the actual O&M expenses for relevant years and other factors considered relevant. The O&M expenses for the Base Year, if required, will be used for projecting the expenses for each year of the control period. The Licensee shall also propose appropriate Inflation Factor Norms for operation and maintenance expenses for the first control period.
3.11 Interest on Working Capital

3.11.1 Working capital shall cover:

(a) Operation and maintenance expenses for one month;

(b) Maintenance spares @ 1% of the historical cost of assets at the beginning of the year and

(c) Receivables equivalent to two month’s average revenue.

3.11.2 Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1st April of the year. The interest on working capital shall be payable on normative basis notwithstanding that the Distribution Licensee has not taken working capital loan from any outside agency.

3.12 Taxes on Income

3.12.1 Taxes on Income, if any, on the income stream of the licensed business of the Distribution Licensee shall be treated as an expense and shall be recoverable through ARR/tariff.

3.12.2 Tax on any income stream other than the distribution business shall not constitute a pass through component in tariff and tax on such other income shall be payable by the Transmission Licensee.

3.12.3 The benefit of tax holiday as applicable in accordance with the provisions of the Income Tax Act 1961 shall be passed on to the consumers.

3.12.4 Credit for carry forward losses and unabsorbed depreciation, if any, shall be passed on by the Distribution Licensee to the beneficiaries.

3.13 Non-Tariff Income

All income being incidental to distribution business and derived by the Licensee from sources, including but not limited to profit derived from
disposal of assets, income from investments, rents, penalties for over/under-utilization of distribution system and any other miscellaneous receipts from Users, shall constitute Non-Tariff Income.
CHAPTER - IV

Surcharge and Wheeling Charge under Open Access

4.1 Surcharge:

The consumers who are permitted open access through the transmission network of the Transmission Licensee and the Distribution network of a Distribution Licensee shall pay to the Distribution Licensee in whose area the consumer is located, a cross subsidy surcharge as per the formula indicated below:

Surcharge \( S = T - \left[ C \left( 1 + \frac{L}{100} \right) + D \right] \)

Where

- \( T \) is the Tariff payable by the relevant category of consumers
- \( C \) is the weighted average cost of power purchase of top 5% at the margin excluding liquid fuel based generation and renewable power
- \( D \) is the Wheeling Charge
- \( L \) is the System losses for the applicable voltage level, expressed as a percentage

4.1.1 The surcharge may be collected by the distribution company in whose area the consumer is located. In case two Distribution Licensees operate in the same area, the Licensee from whom the consumer was availing power supply shall be paid the amount of surcharge.

4.2 Additional Surcharge

For obligation to supply power under section 42(4) of the EA 2003, the Distribution Licensee is liable to receive additional surcharge. However, the surcharge is payable by the open access consumer only if it is conclusively demonstrated that the obligations of a Licensee, in terms of the existing power purchase commitments, has been and continues to be
stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract.

4.3 **Wheeling Charge:**

The Wheeling Charges payable by the users of the Distribution system under open access shall be determined considering the distribution charge and reasonable loss compensation linked to applicable technical loss benchmark.

4.4 **Open Access Agreement:**

Each of the open access customers shall have to execute an agreement in terms of the Open Access Regulations duly mentioning, inter alia, contracted capacity with the Licensee. Variations in revenue recovery over the approved revenue requirement on account of variations in distribution system usage will be adjusted in the subsequent year.
CHAPTER – V

MISCELLANEOUS

5.1 Power to amend

The Commission may, at any time add, vary, alter, modify, delete or amend any provisions of these Regulations.

5.2 Power to remove difficulties

If any difficulty arises in giving effect to any of the provisions, the Commission may, by general or specific order, make such provisions not inconsistent with the provisions of the Act, as may appear to be necessary for removing the difficulty.

5.3 Nothing in these Regulations shall bar the Commission from adopting in conformity with the provisions of the Act, a procedure, at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient for dealing with such a matter or class of matters.

BY ORDER OF THE COMMISSION

Secretary
## Depreciation Schedule

<table>
<thead>
<tr>
<th>Description of Assets</th>
<th>Useful Life of the Assets (years)</th>
<th>Rate (Calculated with Reference to 90%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A. Land owned under full title</td>
<td>Infinity</td>
<td>---</td>
</tr>
<tr>
<td>B. Land held under lease:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) for investment in land.</td>
<td>The period of lease or the period remaining unexpired on the assignment of lease.</td>
<td></td>
</tr>
<tr>
<td>(b) for cost of clearing site</td>
<td>The period of lease remaining unexpired at the date of clearing the site.</td>
<td></td>
</tr>
<tr>
<td>C. Assets:</td>
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<td></td>
</tr>
<tr>
<td>Purchased new:</td>
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<td></td>
</tr>
<tr>
<td>(a) Plant and machinery in generating including plant foundations.</td>
<td></td>
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</tr>
<tr>
<td>(i) Hydro-electric</td>
<td>35</td>
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</tr>
<tr>
<td>(ii) Steam-electric NHRS &amp; Waste Heat Recovery Boilers/Plants</td>
<td>25</td>
<td>3.60</td>
</tr>
<tr>
<td>(iii) Diesel-electric &amp; gas plant</td>
<td>15</td>
<td>6.00</td>
</tr>
<tr>
<td>(b) Cooling towers and circulating water systems</td>
<td>25</td>
<td>3.60</td>
</tr>
<tr>
<td>(c) Hydraulic works forming Part of hydro-electric system including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Dams, Spillways weirs, canals reinforced concrete Flumes &amp; syphons</td>
<td>50</td>
<td>1.80</td>
</tr>
<tr>
<td>(ii) Reinforced concrete pipelines and surge tanks, steel pipelines, sluice gates, steel surge (tanks) hydraulic, control valves and other hydraulic works.</td>
<td>35</td>
<td>2.57</td>
</tr>
<tr>
<td>(d) Building &amp; civil engineering works of a Permanent character, not mentioned above:-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Offices &amp; showrooms</td>
<td>50</td>
<td>1.80</td>
</tr>
<tr>
<td>(ii) Containing thermo-electric generating plant</td>
<td>25</td>
<td>3.60</td>
</tr>
<tr>
<td>(iii) Containing hydro-electric generating plant</td>
<td>35</td>
<td>2.57</td>
</tr>
<tr>
<td>(iv) Temporary erection such as wooden structures</td>
<td>5</td>
<td>18.00</td>
</tr>
<tr>
<td>(v) Roads other than kutcha roads</td>
<td>50</td>
<td>1.80</td>
</tr>
<tr>
<td>(vi) Others</td>
<td>50</td>
<td>1.80</td>
</tr>
<tr>
<td>(e) Transformers, transformer (Kiosk) sub-station equipment &amp; other fixed apparatus (including plant foundations):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Transformers (including foundations) having a rating of 100 kilo volt amperes and over</td>
<td>25</td>
<td>3.60</td>
</tr>
<tr>
<td>(ii) Others</td>
<td>25</td>
<td>3.60</td>
</tr>
<tr>
<td>(f) Switchgear, including cable connections</td>
<td>25</td>
<td>3.60</td>
</tr>
<tr>
<td>(g) Lightning arrestors:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Station type</td>
<td>25</td>
<td>3.60</td>
</tr>
<tr>
<td>(ii) Pole type</td>
<td>15</td>
<td>6.00</td>
</tr>
<tr>
<td>(iii) Synchronous condenser</td>
<td>35</td>
<td>2.57</td>
</tr>
<tr>
<td>(h) Batteries:</td>
<td>5</td>
<td>18.00</td>
</tr>
<tr>
<td>(i) Underground Cable Including joint boxes and disconnected boxes</td>
<td>35</td>
<td>2.57</td>
</tr>
<tr>
<td>(ii) Cable duct system</td>
<td>50</td>
<td>1.80</td>
</tr>
<tr>
<td>(l) Overhead lines including supports:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Lines on fabricated steel supports operating at nominal voltages higher than 66</td>
<td>35</td>
<td>2.57</td>
</tr>
<tr>
<td>KV</td>
<td>Description</td>
<td>Rate</td>
</tr>
<tr>
<td>----</td>
<td>-------------</td>
<td>------</td>
</tr>
<tr>
<td>(ii) Lines on steel supports operating at nominal voltages higher than 13.2 Kilo volts but not exceeding 66 Kilo volts</td>
<td>25</td>
<td>3.60</td>
</tr>
<tr>
<td>(iii) Lines on steel or reinforced concrete supports</td>
<td>25</td>
<td>3.60</td>
</tr>
<tr>
<td>(iv) Lines on treated wood supports</td>
<td>25</td>
<td>3.60</td>
</tr>
<tr>
<td>(j) Meters</td>
<td>15</td>
<td>6.00</td>
</tr>
<tr>
<td>(k) Self propelled vehicles</td>
<td>5</td>
<td>18.00</td>
</tr>
<tr>
<td>(l) Air conditioning plants:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Static</td>
<td>15</td>
<td>6.00</td>
</tr>
<tr>
<td>(ii) Portable</td>
<td>5</td>
<td>18.00</td>
</tr>
<tr>
<td>(m) (i) Office furniture and fittings</td>
<td>15</td>
<td>6.00</td>
</tr>
<tr>
<td>(ii) Office equipments:</td>
<td>15</td>
<td>6.00</td>
</tr>
<tr>
<td>(iii) Internal wiring including fittings and apparatus</td>
<td>15</td>
<td>6.00</td>
</tr>
<tr>
<td>(iv) Street light fittings</td>
<td>15</td>
<td>6.00</td>
</tr>
<tr>
<td>(o) Apparatus let on hire:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Other than motors</td>
<td>5</td>
<td>18.00</td>
</tr>
<tr>
<td>(ii) Motors</td>
<td>15</td>
<td>6.00</td>
</tr>
<tr>
<td>(p) Communication equipment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Radio and higher frequency carrier system</td>
<td>15</td>
<td>6.00</td>
</tr>
<tr>
<td>(ii) Telephone lines and telephones</td>
<td>15</td>
<td>6.00</td>
</tr>
<tr>
<td>(q) Assets purchased second hand and assets not otherwise provided for in the schedule</td>
<td>Such reasonable period as the competent Government determines in each case having regard to the nature, age and condition of the assets at the time of its acquisition by the owner.</td>
<td></td>
</tr>
</tbody>
</table>