

## **CHAPTER – 2**

# **RATIONALE FOR EXPECTED REVENUE FROM CHARGES (ERC)**

The Commission has issued MYT regulations vide Notification No: D/01/6 dated 31st May 2006 and extract of the MYT regulations is reiterated below:

*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 behaviour 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.*

*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.*

*Every Distribution Licensee shall file an application for approval of ARR and ERC under the MYT framework for the Control Period commencing from FY-08. 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.*

Commission vide Notification letter dated 06.08.2018 has notified the duration of fourth control period as 3 years commencing from the financial year 2020.

BESCOM is filing its ARR under MYT regime for the fifth control period from FY-20 to FY-22, and truing up for FY-18.

The decimal part of the figures appearing in the tables may differ from the actual statements as the same is restricted to two decimal points in the formats.