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PR-781

KARNATAKA ELECTRICITY REGULATORY COMMISSION

No. 16 C-1, Millers Tank Bed Area, Vasanthanagara, Bengaluru-560052

NOTIFICATION

No. B/15/12, Bengaluru, Dated: 22.07.2022

Draft KERC (Fuel and Power Purchase Cost Adjustment) Regulations, 2022

Preamble:

The Karnataka Electricity Regulatory Commission in exercise of the powers conferred under Section 181 and Section 62 (4) of the Electricity Act, 2003, has notified the KERC (Fuel Cost Adjustment Charges) Regulations, 2013 dated 21st March 2013 which was published in the Gazette of Karnataka on 22nd March 2013. Further, the Commission had issued the first amendment to this Regulations vide its notification dated 3rd December, 2013 and published the same in Gazette of Karnataka on 3rd December, 2013.

BESCOM had filed the petition before the Commission to amend the Clause 5.1 of the Regulations and prayed for consideration of the change in the Power Purchase Cost in allowance of Fuel Cost Adjustment Charges as against the existing allowance of only the variable cost.

The Commission, after taking into consideration of the BESCOM's submission, the provisions in other States and the Orders of the Hon'ble Tribunal, decides to notify the draft KERC (Fuel and Power Purchase Cost Adjustment) Regulations, 2022 by repealing the existing Regulations.

Accordingly, in exercise of the powers conferred under Section 56 of the Karnataka Electricity Reform Act, 1999 and Section 181 and Section 62(4) of the Electricity Act 2003 and Clause 9 of the KERC (Fuel Cost Adjustment Charges) Regulations, 2013, the Karnataka Electricity Regulatory Commission, hereby proposes to issue the Karnataka Electricity Regulatory Commission (Fuel and Power Purchase Cost Adjustment) Regulations, 2022 by repealing the KERC (Fuel Cost Adjustment Charges) Regulations, 2013. As required under Sub Section (3) of section 181 of the Electricity Act, 2003, the draft of the proposed Regulations is hereby published for information of all persons likely to be affected thereby and notice is hereby given that the said draft regulations will be taken into consideration **after thirty (30) days from the date of its publication in the official gazette**. Any objections / suggestions / views on the proposed draft Regulations shall be furnished with in **thirty (30) days from the date of its publication** to the Secretary of the Commission at the following address:

The Secretary,
Karnataka Electricity Regulatory Commission,
No.16 C-1, Miller Tank Bed Area,
Vasanthnagar-560052.

Draft Regulations**1. Short Title and commencement:**

- (i) These Regulations may be called **KERC (Fuel and Power Purchase Cost Adjustment) Regulations, 2022.**
- (ii) These Regulations shall come into effect from the date of their Notification in the official gazette.
- (iii) These Regulations shall apply to the whole of the State of Karnataka.

2. Definitions:

- (i) In these Regulations, unless the context otherwise requires:
 - a. **Act**" means the Electricity Act, 2003, as amended from time to time;
 - b. **"Billing quarter"** means the period of three months commencing from the beginning of a calendar month during which FPPCA 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 and Power Purchase Cost Adjustment" (FPPCA)** means the charges as determined in these Regulations for recovery in a billing quarter on the basis of change in the cost of fuel and power purchase cost 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 Reform Act and in case of any inconsistency therein, the provisions of the Act shall prevail.

3. Collection of Fuel and Power Purchase Cost Adjustment (FPPCA):

3.1 Every Distribution Licensee shall collect Fuel and Power Purchase Cost Adjustment 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 October, 2022.

Provided that, where the FPPCA 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 FPPCA 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 FPPCA is negative in any billing quarter, the savings in FPPCA in excess of 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 pass on the negative FPPCA in excess of ten paise per unit or the limit fixed by the Commission without the prior approval of the Commission.

3.2 The Distribution Licensee shall commence billing of FPPCA from the first meter reading date of the billing quarter.

4. Computation of FPPCA:

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

4.2 For the purpose of determining the Fuel and Power Purchase Cost Adjustment, 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 FPPCA 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 FPPCA

The formula for computation of the Fuel and Power Purchase Cost Adjustment shall be as under:

$$FPPCA = [(CSG + CCGS + CIPP + Z) / Q] * 1000$$

Where

CSG = Change in fuel and power purchase cost of State owned power Generating Stations including transmission cost;

CCGS = Change in fuel and power purchase cost of Central Generating Stations including transmission cost;

CIPP = Change in fuel and power purchase cost of Generating Stations of other Independent Power Producers having long term PPAs with the distribution licensees;

Q = Sales computed as per Clause 4.2 of these Regulations considering the quantum of energy purchased during the second quarter preceding the billing quarter.

Z = Adjustment factor for any over/under recovery.

Change in Fuel and Power Purchase Cost [(CFPPC)]_{CSG.CSG.IPP} is the difference between the change in the fuel and power purchase cost computed on the basis of Commission approved average fuel and power purchase cost including transmission cost of State and Central owned Generating Stations and Independent Power Producers having long term PPAs with the distribution licensee as allowed in the Tariff Order pertaining to the relevant period multiplied by the energy supplied **and** the actual fuel and power purchase cost of State, Central owned generating stations, including the transmission cost and the Independent Power Producers having long term PPAs with the distribution licensee during the relevant period.

The '**Fuel and Power Purchase Costs**' for the purpose of computing FPPCA as per these Regulations shall include the delivered cost of fuel and power purchase cost of the generating stations including the transmission cost computed as per **Format-1 & 5** annexed to these Regulations.

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

- i) Variation in actual FPPCA collected and allowable FPPCA 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 FPPCA for a billing quarter.

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

6. Accounting and Billing of FPPCA:

- 6.1 The Distribution Licensee shall indicate the rate and amount of FPPCA separately in the consumer bills and record the amount of FPPCA collected under a separate head of account in its Books of Accounts.
- 6.2 The FPPCA determined as per the formula provided in these Regulations shall be in paise per unit rounded off to the nearest integer.
- 6.3 All documents to be furnished to the Commission for approval of FPPCA for each quarter shall be duly signed by the authorized representative of the distribution licensee and duly certified by a Chartered Accountant.
- 6.4 The Distribution Licensee shall furnish the data on power purchase, energy input at interface points, sales as per DCB, actual distribution losses and the projected sales as per **Formats-3 and 4**.

7. Information and Publication of FPPCA:

- 7.1 The Distribution Licensee shall furnish to the Commission, its computations of FPPCA 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 FPPCA 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 FPPCA

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assessment shall also be posted on the websites of the Distribution Licensees for information of the Consumers/Stakeholders.

8. Repeal:

- 1) The Karnataka Electricity Regulatory Commission (Fuel Cost Adjustment Charges) Regulations, 2013 as amended from time to time, is hereby repealed.
- 2) Notwithstanding such repeal, anything done or purported to have been done under the repealed regulations shall be deemed to have been done or purported to have been done under these regulations.

9. 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.

10. Power to amend:

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

By the Approval of the Commission

Secretary
Karnataka Electricity Regulatory Commission

FORMAT-2	
Annex to KERC (Fuel and Power Purchase Cost Adjustment) Regulations, 2022	
FORMAT-2	
Sl.No.	Particular
Computation of Adjustment Factor(Z)	
Amount in Rs. Crs	
1	FPPCA proposed by ESCOM of...Qtr of FY ...
2	FPPCA approved by the Commission for...Qtr of FY
3	FPPCA actually collected by the ESCOM in the relevant billing quarter (As per monthly DCB Statements)
4	Increase/Decrease in FPPCA charges to be adjusted in the ...Qtr of ...FY
5	Any fuel & power purchase cost variations noticed now* after filing for the quarter specified in 'a'
6	Any variations observed by the Commission in its approval of FPPCA for the previous billing quarter
7	Adjustment factor(Z)
	$z=(d+e+f)$
*Furnish details in a separate statement along with documents as necessary	
Note: The format shall be signed by the authorised representative of ESCOMs duly certified by chartered accountant	

Annexe to KERC (Fuel and power Purchase Cost Adjustments) Regulation, 2022						FORMAT-3
Statement of Energy and Distribution Losses						
Name of the ESCOM.....Fuel & Power Purchase Cost Adjustment.....Quarter of FY.....						
Sl.No	Month	Energy Purchased at Generation Bus in MU as per Format 1	Energy Purchased at Interface Points in MU	Actual Retail Sales MU as per DCB	Distribution Losses in %	
1	2	3	4	5	6	
	Month-1					
	Month-2					
	Month-3					
	Total					

Name of the ESCOM.....		Annexe to KERC (Fuel Power Purchase Cost Adjustment) Regulations, 2022										FORMAT-5		
Name of the ESCOM.....		Fuel and Power Purchase Cost Adjustment										Quarter of FY.....		
Approved fixed & Variable and Actual Fixed & Variable power purchase cost per unit in respect of each Thermal generating stations														
Name of the Source	Month-1			Month-2			Month-3			Month-4				
	Approved Power Purchase Cost Rs./Unit			Month-2 Actual Power Purchase Cost Rs./Unit			Month-3 Actual Power Purchase Cost Rs./Unit			Month-4 Actual Power Purchase Cost Rs./Unit				
	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Approved FC Rs./Unit	Approved VC Rs./Unit	Total FC+VC approved cost Rs./Unit	Actual FC allowed Rs./Unit	Actual VC allowed Rs./Unit	Total PP cost allowed Rs./Unit	Increase/Decrease in Power Purchase Cost Rs./Unit	Actual FC allowed Rs./Unit	Actual VC allowed Rs./Unit	Total PP cost allowed Rs./Unit	Increase/Decrease in Power Purchase Cost Rs./Unit	Actual FC allowed Rs./Unit	Actual VC allowed Rs./Unit	Total PP cost allowed Rs./Unit
1														
KPCL Thermal							(7-4)				(11-4)			
1														
2														
CGS														
1														
2														
NCE														
major/PPs														

Note: Details shall be furnished for each of the Thermal Generating Stations.