

**PUNJAB STATE ELECTRICITY REGULATORY COMMISSION  
PLOT NO.3, MADHYA MARG, SECTOR 18-A, CHANDIGARH**

**ORDER  
DATE: 31.05.2023**

In the matter of

**Punjab State Electricity Regulatory Commission (Conduct of Business) (6th Amendment) Regulations, 2023 and Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) (2nd Amendment) Regulations, 2023**

**I. Brief Background:**

The Electricity (Amendment) Rules, 2022 notified by the Ministry of Power, GoI are already in force from the date of their publication in the Official Gazette i.e. 29.12.2022. Rule 14 of these rules specify as under:-

**“14. Timely recovery of power purchase costs by distribution licensee.-**  
*The Appropriate Commission shall within ninety days of publication of these rules, specify a price adjustment formula for recovery of the costs, arising on account of the variation in the price of fuel, or power purchase costs and the impact in the cost due to such variation shall be automatically passed through in the consumer tariff, on a monthly basis, using this formula and such monthly automatic adjustment shall be trued up on annual basis by the Appropriate Commission:*

*Provided that till such a methodology and formula is specified by the Appropriate Commission, the methodology and formula specified in the Schedule – II annexed to these rules shall be applicable:*

*Provided further that the existing methodology and the formula specified by the Appropriate Commission shall suitably be amended in accordance with these rules, to implement the automatic pass through of fuel and power purchase adjustment surcharge, on a monthly basis:*

*Provided also that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within the time line, specified by the Appropriate Commission, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to recover the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited and the true up of fuel and power purchase adjustment surcharge by the Appropriate Commission, for any financial Year, shall be completed by 30th June of the next financial year”.*

In view of the above, the Commission issued the following draft notification for amendment in existing PSERC (Conduct of Business) Regulations, 2005 and the PSERC MYT Regulations, 2022 and the PSERC (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2022:

- i. Punjab State Electricity Regulatory Commission (Conduct of Business) (6<sup>th</sup> Amendment) Regulations, 2023
- ii. PSERC (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) (2<sup>nd</sup> Amendment) Regulations, 2023

A public notice was issued in the newspapers dated 17.03.2023 and also published the notice on the website of the Commission, inviting suggestions/objections of the public and stakeholders on the proposed amendments. In response to the above, 4 no. of objections were received from the following objectors: -

1. M/s Steel Furnace Association of India (Objector No. 1)
2. M/s Mandi Gobindgarh Induction Furnace Association (Objector No. 2)
3. M/s PHD Chamber of Commerce and Industry (Objector No. 3)
4. PSPCL (Objector No. 4)

The Public Hearing in this respect was held by the Commission on 24.03.2023 PSPCL submitted its reply on two No. objections vide Memo No. 116 dated 28.03.2023 and Memo No. 135/CC/DTR-120 dated 10.04.2022.

## **II. Summary of Objections received:**

The provision wise objections/suggestions/comments received on the draft amendments alongwith PSPCL's reply on the same have been summarised as under:

### **A. General:**

#### **a) Steel Furnace Association of India (Objector No. 1)**

- i) The monthly automatic passthrough of FPPAS will lead to allowing the disallowances made by the Commission in the ARR with regard to power purchase cost and fuel cost of State Generating Stations as the Discom and Gencos would take the actual figures irrespective of the

approved figures. The Commission should carry out fuel cost adjustment surcharge calculations on quarterly basis only

- ii) The Commission has already followed the line that the Rules being framed by MOP, GOI are only guidelines and not binding on the States. It has accordingly adopted various rules partially as has happened in adopting the green Energy Open Access rules, Rules regarding RPO for the period 2022 to 2023. The existing regulations providing for recovery of GCA on quarterly basis after regulatory scrutiny is serving very well and should be continued.

**PSPCL's Reply:**

- i) PSPCL has no objection on levy of FPPAS as per current methodology
- ii) Adoption of any rules framed by MoP is prerogative of the Commission. However, PSPCL prays to the Commission that the present system of levying FCA on quarterly basis may be continued.

**Commission's Analysis and Decision:**

The proposed Amendments are line with the provisions of Electricity (Amendment) Rules, 2022 which provides for monthly automatic pass through of the variation in the cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the Commission in the Tariff Order.

**b) Mandi Gobindgarh Induction Furnace Association (Objector No. 2) and PHD Chamber of Commerce and Industry (Objector No. 3)**

- i) The 5 days' notice for comments and holding public hearing in 5 days are quite inadequate and presumes that consumers have no other duties to perform. It gives an impression that previous publication, seeking comments and holding public hearing is a mere formality.

- ii) While allowing fuel cost for 2022-23, the Commission has already allowed 2% rise in price of coal and oil for 2021-22 for PSPCL's own thermal plants at Ropar and Lehra. Similarly, about 5 to 6% rise is claimed for variable charge of stations of NTPC per year in the ARR 2023-24 for MYT period submitted by PSPCL. Further, any shortfall is fully compensated at the time of revised estimates and true up with carrying cost.
- iii) The proposal needs to be put on hold for the time being and repercussions in other states particularly the neighbouring hill states need to be studied before implementing the same in Punjab.
- iv) PHD Chamber of Commerce and Industry further submitted that the Commission has been holding the view that the Rules being framed by MOP, GOI are only guidelines and not binding on the states. It has accordingly adopted various rules partially as has happened in adopting the Rights of consumer rules, Green Energy Open Access rules, Rules regarding RPO for the period 2022 to 2023 etc. The existing regulations providing for recovery of FCA on quarterly basis after regulatory scrutiny is serving very well and should be continued

**PSPCL's Reply:**

FCA is levied to recover the cost due to actual variation in fuel cost than that projected/approved in the tariff order. Further, it is pertinent to mention here that frequent levy of FPPAS can be avoided if the Commission approves tariff after allowing fuel cost and power purchase cost after considering all historical trends of fuel cost and anticipated changes in the policies and recent developments in power market.

**Commission's Analysis and Decision:**

Refer Commission's decision in Para A(a) above.

Further, the Commission allows appropriate hike/reduction in the tariff based on the allowed ARR after True-up. As pointed out by PSPCL FCA is levied to recover the cost due to actual variation in fuel cost

than the projected/approved in the Tariff Order. From the perusal of Electricity (Amendment) Rules, 2022 it is amply clear that the Rules including the methodology and formula specified in Schedule-II annexed to the Rules are already in force hence the request to hold for the time being seems infructuous.

**c) PSPCL (Objector No. 4)**

- i) **Prudent Increase in Tariffs:** Frequent levy of FPPAS are required due to the fact that during last two decades rise in tariff was not on regular basis whereas the cost of fuel, power purchase has been increasing every year. Further, during some of the years there was no tariff hike and even during few years there was reduction in tariff.
- ii) **Bell Shaped Load Curve of PSPCL:** Monthly levy of FPPAS as per the methodology prescribed in draft regulation may prove to be sound only in case of utilities having flat load curve. But the load curve of PSPCL is bell shaped and levy of FPPAS on the basis methodology prescribed in draft regulations will result in significant amount of under or over recovery of FPPAS which will further lead to the penal levy of carrying cost on utility in case of over recovery.
- iii) **Rationalization and simplification of Electricity Tariff:** Levy of FPPAS on monthly basis will lead to complexity in electricity tariffs and may lead to ambiguity among the consumers. Thus, the Commission is requested to levy FCA on quarterly basis and draft regulations may be amended accordingly.
- iv) **Determination of power purchase and fuel cost on monthly basis in ARR:** Levying of FCA on monthly basis will necessitate the Commission to approve the power purchase/own generation and their cost on monthly basis so that the prudent amount of FCA can be levied. The calculation of incremental cost of power purchase and fuel cost on the basis of average annual cost of power purchase and generation will lead to unfair calculation of FPPAS as the cost of power purchase and cost of generation in case of PSPCL varies significantly

throughout the year and may prove to be shock for the consumers during peak months.

- v) **Determination of tariff is prerogative of the Commission:** Section 62 of Electricity Act 2003 states that the Determination of tariff is sole prerogative of the Appropriate Commission. Thus, the Commission is requested to determine the FCA on monthly basis and pass relevant orders to Discom regarding the levy of FCA.
- vi) **Complexity in case of billing of Consumers who are billed on Bimonthly basis:** PSPCL bills domestic consumers and NRS consumers (having load less than 10 kW) on bi-monthly basis, levy of FPPAS on monthly basis will prove to be complex as the meter reading will be taken bi-monthly. Further, draft regulations do not specify any methodology for levying FPPAS in case of billing of Consumers who are billed on Bimonthly basis.
- vii) **Levy of FPPAS on monthly basis during Election Code of conduct:** There may be practical difficulty in levying the FPPAs during the period for which Election Code of conduct is enforced as there may be restriction on levying FPPAs.

**Commission's Analysis and Decision:-**

Refer the Commission's decision in Para A(a).

- (i) The Commission in the Tariff Order has allowed full recovery of any gap/surplus arising out of the allowable ARR, after due prudence check. The increase or decrease in the tariff is dependent on the ARR allowed by the Commission in the Tariff Order. Appropriate Tariff hike/reduction has been allowed by the Commission everytime and no regulatory assets have been created by the Commission till date.
- (iv) As per Rule 14 of the Electricity (Amendment) Rule, 2022 MOP has mandated the DISCOMS to levy monthly FPPAS that too without going through the process of regulatory approval. The same shall streamline the recovery process for the DISCOM which will in turn help the

DISCOM to achieve financial stability. Any over recovery/under recovery shall be adjusted in the True-up exercise.

- (v) Electricity (Amendment) Rules, 2022 notified by MOP has cast an obligation on the distribution licensee to ensure that a uniform billing system, irrespective of the billing and metering vendor through interoperability or use of open-source software. PSPCL should ensure to comply with the provisions of the Rules.
- (vi) Election Code of Conduct is not any regular event. For any hardships, if any faced by the licensee, it can approach the Commission by way of separate Petition.

**B. Provision of Draft Regulations:**

**1. Proposed Amendment: Appendix 7(1)**

**Objections/Comments/Suggestions Received:**

**a) Steel Furnace Association of India (Objector No. 1), Mandi Gobindgarh Induction Furnace Association (Objector No. 2) and PHD Chamber of Commerce and Industry (Objector No. 3)**

- i) As per Section 62(4) of the Electricity Act, 2003 provides, only fuel cost surcharge may be revised and not purchase cost nor transmission charges as proposed in the draft regulation as per the mandate of the Act. Therefore, only fuel cost related adjustment based on changed prices of fuel to be revised only.
- ii) If power purchase cost is also considered under FCA, then it will also include the increase in fixed charges of the Generating stations which do not have any variable/fuel component and are not to be considered as fuel charges as per the Act.
- iii) As hydro, solar and wind projects and transmission charges have single part tariff and do not use any fuel, so these cannot be included in for FCA through a Policy, Rule or Regulation as the Act specifically provides for Fuel Surcharge only. Therefore, only fuel cost related adjustment, based on changed prices of fuel needs to be covered and charged. Similarly, only long-term power purchase should be

considered and short-term power purchase especially from power exchange are made on single part tariff basis, which is highly variable (in quantity also) and same should not be considered.

- iv) The increase in transmission charges cannot be part of the fuel cost as same are fixed on long term basis, are a single part tariff and have nothing in common with fuel cost of power. The same also need to be excluded. It is also to be noted that the Electricity Act 2003 has also not included the transmission charges in the scope of fuel cost.
- v) Only variation in the rate of fuel should be considered while considering generated/purchased power quantity based on approved norms and linked with approved power sale which should remain unchanged. This will isolate the change in fuel cost price only excluding the change in quantity, which was not approved by the Commission initially and/or may not be approved in subsequent true-up.

**PSPCL's Reply:**

The change in any existing regulation is the prerogative of the Commission

**Commission's Analysis and Decision:**

Vide proposed amendments, the Commission has incorporated the provisions of the Electricity (Amendments), Rules, 2022. However, considering PSPCL's own generation the Commission has modified the FPPAS formula to include only the variation in fuel cost of PSPCL's own generating station. Further, for clarity sake the FPPAS formula has now been simplified.

**2. Proposed Amendment: Appendix 7(2)**

**Objections/Comments/Suggestions Received:**

- a) **Steel Furnace Association of India (Objector No. 1), Mandi Gobindgarh Induction Furnace Association (Objector No. 2) and PHD Chamber of Commerce and Industry (Objector No. 3)**

- i. The price of power in bilateral / collective transactions vary significantly depending on demand supply gap touching the peak in monsoon and bottom in winter months. Thus, the working of Surcharge on monthly basis by the Discom based on the data compiled by it without any check by the duly constituted Commission would also be varying in a wide range bringing uncertainty in working of industry.
- ii. Further, when power purchase cost is considered, generally the bills raised by Generating Company also includes prior period expenses and many other components, which need the Commission's scrutiny and approval and hence best be left to true up at the end of the financial year rather than on monthly basis.
- iii. The proposed formula will also lead to allowing the disallowances made by the Commission in the ARR with regard to power purchase quantum as well as its cost and fuel cost of State Generating Stations as the Discom and IPPs would take the actual figures irrespective of the approved figures. Therefore, it is earnestly prayed to the Commission to carry out fuel cost adjustment surcharge calculations on quarterly basis only with regulatory scrutiny as per the existing regulations.
- iv. Working out the fuel cost adjustment surcharge on monthly basis by the Distribution Licensee without scrutiny of this Commission would create lot of uncertainty in the functioning of industrial units in Punjab. Most of the industrial units in Punjab are large scale units operating in the field of spinning, steel and engineering. In all these industries and even in medium and small-scale industries, contracts are made in advance for up to 6 months, based on existing costing and likely changes in the cost of production including power cost also. In such situation ii the power cost is changed every month due to fuel cost adjustment surcharge, it would result in complete uncertainty in contract finalization as well as execution. Therefore, power cost need to be visible with certainty for a year and some changes if required in

terms of fuel cost adjustment may be made on quarterly basis as prevailing but not on monthly basis.

**PSPCL's Reply:**

- i. Due to variation in load curve and levy of FPPAS on the basis of methodology prescribed in draft Regulations will result in significant amount of under or over recovery of FPPAS which will further lead to the penal levy of carrying cost on utility in case of over recovery.
- ii. In this regard it is submitted that, monthly levy of FPPAS as per the methodology prescribed in draft regulation may prove to be sound only in case of utilities having flat load curve. But the load curve of PSPCL, is bell shaped and levy of, FPPAS on the basis of methodology prescribed in draft regulations will result in significant amount of under or over recovery of FPPAS which will further lead to the penal levy of carrying cost on utility in case of over recovery. So, PSPCL agrees with the objector that levy of FPPAS should be on quarterly basis instead of monthly basis.
- iii. PSPCL agrees with the objector that the electricity cost in steel industry constitutes a significant portion of the processing cost and stable electricity rates for longer period is beneficial for the industry. Therefore, PSPCL prays to the Commission that the present system of levying FCA on quarterly basis may be continued.

**Commission's Analysis and Decision:-**

Refer the Commission's Decision in Para A(a) & A(c) above.

**b) PSPCL (Objector No. 4)**

- i. PSPCL bills domestic consumers and NRS consumers (having load less than 10 kW) on bi-monthly basis, levy of FPPAS on monthly basis will prove to be complex as the meter reading will be taken bi-monthly. Further, draft regulation does not specify any methodology for levying FPPAS in case of billing of Consumers who are billed on Bimonthly basis. Further, it is submitted that Section 62 of Electricity Act, 2003

states that the determination of tariff is sole prerogative of the Appropriate Commission. Thus, the Commission is requested to determine the FPPAS on monthly basis and pass relevant orders to Discom regarding the levy of FPPAS.

**Commission's Analysis and Decision:-**

Refer to the Commission's decision in Para A(c) above. Any variation in the FPPAS shall be true-up every year by 30<sup>th</sup> June and every over recovery/under recovery over the year shall be taken care of in the True-up petition.

**3. Proposed Amendment: Appendix 7(3)**

**Objections/Comments/Suggestions Received:**

**a) Steel Furnace Association of India (Objector No. 1), Mandi Gobindgarh Induction Furnace Association (Objector No. 2) and PHD Chamber of Commerce and Industry (Objector No. 3)**

- i. If (n+2) formula is followed than fuel cost related actual billing has to be available within the next month of the month (n+1) when power is consumed. It is well known fact that there is always a delay in power billing due to manifold reasons. For illustration, RE power billing is based on 60 days basis. Hence, arranging such information on (n+2) month basis as proposed should be avoided and FCA on quarterly basis should be continued and accordingly the draft regulations may be withdrawn.
- ii. In case of any decline in the fuel cost then benefit of the same should also be passed on to the consumers by negative surcharge and savings must not be allowed to be carried forward to next months.

**PSPCL Reply:**

As the bills of all generating stations for nth month are raised in, (n+1)<sup>th</sup> month based on accounts issued by SLDC/NRPC, which are then verified by PSPCL and processed for payment by the mid of (n+2)<sup>th</sup> month, the recovery of differential tariff from consumer under FPPAS

can be feasible only from (n+3)<sup>th</sup> month. As such, the minimum time frame for charging FPPAS should be (n+3)<sup>th</sup> month instead of (n+2)<sup>th</sup> month.

**Commission's Analysis and Decision:-**

As pointed out by PSPCL the bills are raised in (n+1)<sup>th</sup> month while the same is being verified by PSPCL in the mid of (n+2)<sup>th</sup> the month. The rules for automatic monthly pass through of FPPAS have been notified by MOP, GOI. The recovery of FPPAS in (n+2)<sup>th</sup> month is as per Rules as such PSPCL should expedite the process of verifying the bills so that the recovery starts from (n+2)<sup>th</sup> month.

Verification of bills is within PSPCL's command and hence, delay in verification of the bills may not be plausible enough to deviate from the Rules already prescribed by the MOP, GOI.

**b) PSPCL (Objector No. 4)**

- i. This proposal will have to be deliberated upon, as for the categories of consumer who are billed bi-monthly, the methodology could become complex and contentious. As the bills of all generating stations for nth month are raised in (n+1)<sup>th</sup> month based on accounts issued by SLDC/NRPC, which are then verified by PSPCL and processed for payment by the mid of (n+2)<sup>th</sup> month, the recovery of differential tariff from consumer under FPPAS can be feasible only from (n+3)<sup>th</sup> month. As such, the minimum time frame for charging FPPAS should be (n+3)<sup>th</sup> month instead of (n+2)<sup>th</sup> month.
- ii. The provision to forfeit licensee's right to recover its costs should it fail to comply with the timeline, is bound to be detrimental for the licensee and goes against the overall objective of improving discom's financial health. There could be diverse set of reasons for the licensee to miss out on recovering FPPAS in a month and to disallow cost actually incurred is not justifiable.
- iii. In line with the definition of outstanding dues in LPS (Late payment Surcharge) Rules, 2022, the dues which are stayed by competent

court or tribunal or dispute resolution agency as designated in PPA, are liable to be paid In subsequent months as per the final decision/order, it needs to be clarified that whether the time frame for recovery/passing on of the differential tariff/fuel cost to consumer under FPPAS will be (n+2)<sup>th</sup> month considering 'n' as the actual month of payment after decision/vacation of stay.

**Commission's Analysis and Decision:-**

Refer the Commission's decision in Para B(3)(a) above. Further, the provision to forfeit licensee's right to recover its costs should it fail to comply with the timeline is as per the Electricity (Amendment) Rules, 2022. The rules provide for the licensee to be disciplined and dynamically involved in the process of automatic recovery of FPPAS. The monthly recovery shall also help the licensee in improving its cash flows. Further (n+2) has been prescribed by the GOI for all the licensee in the country and not just for PSPCL. Generalised statements like 'there can be diverse set of reasons for the licensee to miss out on recovering of FPPAS' cannot be basis for straying from the current provisions.

**4. Proposed Draft Amendment: Appendix 7(4)**

**Objections/Comments/Suggestions Received:**

**a) PSPCL (Objector No. 4)**

- i. The provision to defer the levy of fuel and power purchase adjustment surcharge (FPPAS) balances the interest of the consumers as well as the distribution licensee, by not allowing any major tariff shock to the consumers and on the other hand also allows recovery of part of such increased expenses of the licensee through FPPAS.
- ii. The Commission may also provide further clarity in the event if the FPPAS for consecutive months continues to exceed 20% of variable component of approved tariff, which could arise due to rising fuel

costs and rise in power market prices. In this case, the carry forward would be required for longer durations.

**Commission's Analysis and Decision:**

Refer the Commission's decision in Para A(a) above. Further, to avoid any tariff shock to the consumers, the Commission decides to cap the limit of FPPAS for a billing month including any carry forward of FPPAs of the previous month to 40 paise/kWh.

**5. Proposed Draft Amendment: Appendix 7(5)**

**Objections/Comments/Suggestions Received:**

**a) PSPCL (Objector No. 4)**

The provision may be amended to allow the carry forward in the next tariff cycle also along with its carrying cost.

**Commission's Analysis and Decision:**

Refer the Commission's decision in Para A(a) above.

**6. Proposed Draft Amendment: Appendix 7(6)**

**Objections/Comments/Suggestions Received:**

**a) PSPCL (Objector No. 4)**

The rate of carrying cost should be as per the relevant MYT regulations 2022.

**Commission's Analysis and Decision:**

Refer the Commission's decision in Para A(a) above.

**7. Proposed Draft Amendment: Appendix 7(8)**

**Objections/Comments/Suggestions Received:**

**a) Mandi Gobindgarh Induction Furnace Association (Objector No. 2) and PHD Chamber of Commerce and Industry (Objector No. 3)**

- i. After the submission of the comments, we have seen a Letter of MOP bearing No.23/05/2020-R&R dated 24.3.2023 vide which MOP has sought comments on Draft Notification regarding Amendments in Electricity (Rights of Consumers) Rules, 2023 enclosed therewith in 21 days after which these rules are likely to be finalized and notified.

A copy of the letter of MOP is attached for ready reference Para 3(1) (b) of the Draft notification reads as under:-

1(b): *Tariff for each category of Consumers shall be displayed on distribution Licensee's website and consumers shall be notified of change in tariff including fuel surcharge and other charges, a full billing cycle ahead of time, through distribution licensee's web site as well as through energy bills/SMS/Mobile App etc."*

- ii. As per the above provision any change in tariff rates through the tariff order being issued on yearly basis will be effective from the  $-(n+2)$  billing cycle only if the change is actually conveyed to consumers in the "n" billing cycle itself through energy bills/SMS/Mobile App etc. and also uploaded on Licensee's web site. Thus, if the Discom notifies the change in tariff rates between 21<sup>st</sup> March to 20<sup>th</sup> April billing cycle for industry, then the said change will be effective from the billing cycle starting on 21<sup>st</sup> May.
- iii. Similarly, and Fuel Cost Adjustment charge worked out through proposed FCPPA formula as per staff paper dated 19.3.2023 for the month of April is decided and conveyed to consumers in the by 20<sup>th</sup> day of May, then it will be recoverable in the billing cycle starting from 21<sup>st</sup> June. If it is notified on 30<sup>th</sup> May, then it will be recoverable in the billing cycle starting from 21<sup>st</sup> July.
- iv. It is therefore requested that due consideration of these proposed Rights of Consumers rules be taken while finalizing the FCPPA rules. If the Commission considers it is necessary to implement the rules regarding FCPPA loading the consumers with monthly FCPPA, then the above rule also needs to be implemented and these should not be pick and choose of the rules.

**Commission's Analysis and Decision:**

The Draft Notification regarding Amendments in Electricity (Rights of Consumers) Rules, 2023 is not under the purview of the current amendments. Any directions as per the aforesaid Rules shall be

considered once the Rules are finalized and Notified by the MOP, GOI.

**b) PSPCL (Objector No. 3)**

The timeline of filing petition by 30<sup>th</sup> April is not practical, since the FPPAS for March would not have been accounted for and also due to the fact that as per the Companies Act, the audited accounts, on the basis of which true up is done, are to be made available by 30<sup>th</sup> September. It is therefore proposed that the petition for true up of the FPPAS may be allowed to be filed by the licensee by 15<sup>th</sup> October every year.

**Commission's Analysis and Decision:**

Refer Commission's decision in Para A(a) above.

**8. Proposed Draft Amendment: Appendix 7(9)**

**Objections/Comments/Suggestions Received:**

**a) Mandi Gobindgarh Induction Furnace Association (Objector No. 2)**

- i. In case of any reduction in the fuel cost then such refund of the FCA should also be passed on to the consumers in n+2 month through negative surcharge and savings must not be allowed to be carried forward to next months.
- ii. The true up as provided in staff paper is normally taken up through ARR exercise after two years of the actual expenditure. This will make available excess recovery of FCA to Discom for two years which is neither in the interest of consumers nor of PSPCL since the recovery is to be made at higher carrying cost charges @ 1.2 times the normal carrying cost (para "9" of Appendix 7 of staff paper) which will also be ultimately passed on to the consumers. Therefore, the quantum of FCA recovered needs to be firmed up on quarterly based through regulatory scrutiny for which PSPCL should file petition every quarter as per present practice.

**PSPCL's Reply:**

The over and under recovery of FPPAS during the year will be due to the nature of load profile of PSPCL over the year, which is bell shaped, so this provision is not balanced towards the Licensee and therefore it is proposed to remove the '1.20 times' portion and the carrying cost may be charged at the same rate as specified by Commission under clause 6 of draft regulations.

**Commission's Analysis and Decision:**

Refer the Commission's decision in Para A(a) and Para B(3)(b) above. Further, any over recovery/under recovery shall be adjusted in the True-up exercise.

**b) PSPCL (Objector No. 4)**

The over and under recovery of FPPAS during the year will be due to the nature of load profile of PSPCL over the year, which is bell shaped, so this provision is not balanced towards the licensee and therefore, it is proposed to remove the '1.20 times' portion and the carrying cost may be charged at the same rate as specified by Commission under clause 6 of draft regulations.

**Commission's Analysis and Decision:**

The notification is in line with the provisions of the Electricity (Amendment) Rules, 2022.

**9. Proposed Draft Amendment: Appendix 7(10)**

**Objections/Comments/Suggestions Received:**

**a) PSPCL (Objector No. 4)**

In this regard it is submitted that, PSPCL currently has two billing systems in place i.e., SAP and Non-SAP. The work to create a single unified billing system is in process and target for the same has also been outlined in the RDSS scheme and is likely to be completed till FY 2024-25.

**Commission's Analysis and Decision:**

Refer the Commission's decision in Para A(a) and Para B(3)(a) above.

**10. Proposed Amendment: Appendix 7(11)**

**Objections/Comments/Suggestions Received:**

**a) PSPCL (Objector No. 4)**

PSCPL agrees with the clause regarding publication of all details including the fuel and power purchase adjustment surcharge formula.

**Commission's Analysis and Decision:**

Since, the proposed amendment is in line with the Electricity (Amendment), Rules, 2022 and the objector agrees with the same, hence, no change is required in the proposed amendment 7(11).

**11. Proposed Amendment: Appendix 7(12)**

**Objections/Comments/Suggestions Received:**

**a) Mandi Gobindgarh Induction Furnace Association (Objector No. 2)**

- i. The FPPAS formula should cover the quantum of total power i.e. Power generated ( $A_{gen}$ ) and Power purchased ( $A_{pp}$ ) up to approved quantum in the ARR only. The purchase of the power above the quantum approved by the Commission initially may or may not be approved in subsequent true-up and FCA should not be recovered on such excess power.
- ii. Similarly, definition of "B" is not clear i.e. if it is at Punjab Periphery or Discom Periphery or sold units at consumer meters. Further, intra state transmission charges payable to PSTCL is determined on Lump sum basis for the year payable in 12 equal monthly instalments and does not fall under the items covered under FCA along with CTU charges.
- iii. If total power purchase cost of a month is also to be considered under FCPPA formula ( $A_{gen} * C_{gen}$ ) and ( $A_{pp} * C_{pp}$ ), then it will also include the increase in fixed charges and prior period expenses etc of the Generating stations through these are not to be covered under variable/fuel component. Therefore, the definitions of  $A_{pp}$  and  $C_{pp}$  should cover power purchase from stations using conventional

and non-conventional fuel and  $C_{gen}$  and CPP should cover cost of fuel only.

- iv. It is not clear as to how the power purchased for banking in the current year and to be taken back next year is to be treated under FPPCA formula.

**PSPCL's Reply:**

It is evident from the formula proposed that the Commission while issuing the tariff order will have to allow generation, power purchase quantum, Generation Cost, Power Purchase Cost, Inter and Intra State Transmission Charges on monthly basis. Only then the proposed formula can be utilized for computing monthly FPPAS.

**Commission's Analysis and Decision:**

The Commission in clause 14(ii) of Appendix 7 of the notification has already provided that the FCA amount shall be calculated on the basis of norms fixed by the Commission for various parameters including total Generation, Power Purchase, SHR, Transit Loss of Coal, Auxiliary consumption at thermal plants and T&D losses. Further, the formula clearly provides that the variation in actual Power Purchase Cost and Inter and Intra State Transmission Charges vis-à-vis that approved by the Commission in the Tariff order shall be considered for working out the FPPAS. However, considering PSPCL's own generation the Commission has modified the FPPAS formula to include variation in fuel cost of PSPCL's own generating station. Further, for clarity sake the FPPAS formula has now been simplified.

With regards to power purchased through banking it is clarified that though there is no specific mention of banking in the Electricity (Amendment) Rules, 2022, however since power purchase from banking does not include any monetary transaction, the accounting of the same shall continue to be part of power purchase as it is being done currently.

Further, Bulk Sale of Power is any sales by the distribution licensee other than sale to its consumers

**b) PSPCL (Objector No. 4)**

- i. As commented in clause 3, it is submitted that if  $n^{\text{th}}$  month means the month in which billing of fuel and power purchase adjustment surcharge (FPPAS) component is done then fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in  $(n-3)^{\text{th}}$  month.
- ii. Here, the  $(n-2)^{\text{th}}$  Month may be replaced by  $(n-3)^{\text{th}}$  month and The commission is requested to clarify whether total generation includes hydel power generated at their own stations or not.
- iii. PSPCL prays to the Commission to provide clarification regarding bulk sale.
- iv. The formula specified that the calculation of FPPAs is on the basis of total incremental cost of power generated and power purchased. The draft regulations do not specify the methodology to compute incremental cost in case of own thermal and hydel projects. In this context it is submitted that the cost of generation at own thermal and hydel generation includes various cost components like fuel cost, repair and maintenance cost, employee cost, finance cost, A&G expenses and depreciation etc. Thus, PSPCL prays to the Commission to provide detailed methodology regarding computation of Incremental Cost in case of own generating stations (thermal and hydel) and also clarify which components of cost are to be considered while determining the incremental cost. It is further submitted that while determining the tariff in ARR petition, the Commission is requested to determine projected costs of PSPCL's own generating stations on monthly basis.
- v. In context to projected average Power Purchase Cost (PPC) from all Sources, it is submitted that The Commission, while determining the projected average power purchase cost, may factor in the cost

of short term power purchase and the use of imported coal as mandated by the central government and use of RCR/RSR mode for transportation, so that the impact on account of FPPAS is minimal. It is further submitted that while determining the tariff in ARR petition, The Commission is requested to determine projected average costs of power purchase on monthly basis as the cost of procuring power varies significantly throughout the year.

- vi. The formula may be reviewed / corrected as,  $Z = [ \{ \text{Actual Power purchased from all Inter-State Sources under long/ Medium/ Short term Open Access in } (n-3)^{\text{th}} \text{ Month (in kWh)} * (1 - \text{Inter-State Transmission Losses in } \%/100) + \text{Power purchased from all Intra-State GENCOs (in kWh)} \} * (1 - \text{Intra State Losses in } \%/100) - B ]$  in kWh
- vii. Further, the prescribed formula specified that the FPPAs shall be charged on percentage basis during the nth month. Levy of FCA on percentage basis during the nth month for variation in power purchase and generation cost during (n-2)<sup>th</sup> month will lead to significant under or over recovery of FPPAs as the load curve of PSPCL is not uniform throughout the year. Thus, PSPCL prays to the Commission that FPPAs may be calculated on per unit basis, based on the projected sales of nth month and revise the formula accordingly.
- viii. Further, the Commission is requested to clarify the levy of FPPAS in case the FPPAS works out to be negative.

**Commission’s Analysis and Decision:**

Refer the Commission’s decision in Para B(3)(a) and B(11)(a) above.

In clause 1 of the Appendix 7 of the proposed amendments the Commission has clearly provided that for these Regulations “Fuel and Power Purchase Adjustment Surcharge” (FPPAS) means the increase in cost of power, supplied to consumers, due to change in

Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the Commission.” The FPPAS is to be levied to give effect only to the increase in cost of power purchase, fuel cost and transmission charges.

Since, complete AFC of PSPCL’s own hydel stations is passed on the consumers in the ARR after due prudence check in the true up, hence PSPCL’s own hydel generation has been excluded from the FPPAS formula.

Further, as clarified above also, Bulk Sale of Power is any sales by the distribution licensee other than sale to its consumers.

**12. Proposed Amendment: Appendix 7(13)**

**Objections/Comments/Suggestions Received:**

**a) PSPCL (Objector No. 4)**

- i. It is submitted that PSPCL never intends to deviate from Energy schedules by overdrawing/under drawing. Over drawl & under drawl i.e., deviation from scheduled power and drawn power is essential part of power system. The demand and availability in power system i.e., power demand schedule & demand met on actual basis, can never be kept at par. Furthermore, as Punjab is a heavy power consuming State where load variations are frequent & caused by a number of reasons such as day & night, crops season, winter & summer – domestic / industrial load variations etc. Most of these are dependent on weather. Similarly on availability side, number of generators of different kind such as thermal/gas/hydro/ nuclear / solar etc. are part of power system.
- ii. Due to sudden load crash/variation it takes at least an hour to substitute increase/decrease load throughout the state. Similarly on availability side if any unit trips it takes at least 1 hour for controlling the system by the way of load shedding or substituting other source if any was available as spinning reserve at such short notice.

- iii. Furthermore, in such a diversified system due to continuous variation in demand (load)/ generation (availability) these deviations are bound to happen and cannot be avoided. Moreover, as deviation charges are determined on 15-minute block basis (then aggregated), variation in demand/availability during such small duration cannot be compensated/nullified. That's why provision for deviation has been maintained in regulations. Hence deviation being the inseparable part of power system cannot be nullified, though it is chargeable so that no entity shall use it for financial benefit. Moreover, as per regulatory framework in vogue i.e., ABT mechanism recognizes UI part of tariff.
- iv. In view of above, deviation settlement charges need to be considered as a part of power purchase cost. As the same are not part of planning to meet demand, so are not made part of yearly projected plans for determination of tariff. So, these are adjusted by The Commission on actual basis afterwards. These DSM charges, reflect in power purchase cost, so it is requested that passing on same may be considered on month-to-month basis.

**Commission's Analysis and Decision:**

Refer the Commission's decision in Para A(a) above.

**13. Proposed Amendment: Appendix 7 (14)**

**Objections/Comments/Suggestions Received:**

**a) PSPCL (Objector No. 4)**

- i. PSPCL submits that the FPPAS amount shall be calculated by it on the basis of actual cost incurred by it, which will include the actual parameters of its own plants (SHR, Transit Loss of Coal, Auxiliary consumption) and actual T&D losses. PSPCL requested that, at the time of true up, if the Commission disallows an any amount on account of deviation between actual and normative parameters, then

point no. 9 above may not be made applicable on such disallowances.

**Commission's Analysis and decision:**

Regulation 34 of the PSERC MYT Regulations, 2022 specifies that the performance parameters for PSPCL's Generating stations shall be as per norms specified by CERC in its Tariff Regulations or as determined by the Commission. The issue of disallowance on account of deviation between actual and normative parameters have time and again discussed in various Orders of the Commission and needs no reiteration.

In view of the above, the Commission decides as under:

- i) Rule 14 of the Electricity (Amendment) Rules, 2022 specifies that the Commission shall specify a price adjustment formula for recovery of the costs, arising on account of variation in price of fuel or power purchase costs. The impact in the cost due to such variation shall be automatically pass through to the consumers on monthly basis.
- ii) From further perusal of the Electricity (Amendment) Rules, 2022, it is amply clear that the Rules including the methodology and formula specified in the Schedule – II annexed to these rules are already in force since the 29.12.2022 (gazette notification date). Thus, the automatic Fuel and Power Purchase Adjustment Surcharge is already in place. Vide the proposed amendments in the PSERC Regulations, the Commission has aimed to incorporate the provisions of the Electricity (Amendment) Rules, 2022 along with some state specific adjustments which are as under:
  - i. Inclusion of variation in fuel cost of PSPCL's own thermal generation stations in the FPPAS formula.
  - ii. Capping of FPPAS upto 40 paise/kWh has been imposed, in order to avoid tariff shock to the consumer and at the same time ensure that the cashflow of the Discoms are not impaired.

- iii) Since the draft notification for amendment in the PSERC (Conduct of Business Regulations, 2005 and PSERC MYT Regulations, 2022 are in line with the provisions of the Electricity (Amendment), Rules, 2022 notified by the Ministry of Power, the Commission is of the considered view that no change is required in the above draft notification except the changes mentioned above.
- iv) Accordingly, the Commission approves the following Regulations with modification as discussed above:
- i. Punjab State Electricity Regulatory Commission (Conduct of Business) (6<sup>th</sup> Amendment) Regulations, 2023.
  - ii. PSERC (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) (2<sup>nd</sup> Amendment) Regulations, 2023.

Sd/-  
(Paramjeet Singh)  
Member

Sd/-  
(Viswajeet Khanna)  
Chairperson

Chandigarh  
Date: 31.05.2023