

Following have been considered for updating the Regulation:

- A. NOTIFICATION for MYT Period Dated:02.04.2011
- B. HPERC (Formats for Multi Year Tariff Filings by the Transmission Licensee) Order, 2011 – Not considered;**
- C. MYT Filing Formats – Not considered;**
- D. 1stNovember, 2013: HPERC (Terms and Conditions for Determination of Transmission Tariff) (First Amendment) Regulations, 2013
- E. NOTIFICATION for MYT Period Dated: 1st November, 2013
- F. HPERC (Formats for Multi Year Tariff Filings by the Transmission Licensee) Order, 2013 – Not considered**
- G. MYT Filing Formats – Not considered;**
- H. 22nd November, 2018: HPERC (Terms and Conditions for Determination of Transmission Tariff) (Second Amendment) Regulations, 2018
- I. N/A



HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION SHIMLA

NOTIFICATION

Shimla, the 1st April 2011

No. HPERC/Trans/479. - Whereas section 61 of the Electricity Act, 2003 (36 of 2003), provides that the Appropriate Commission shall specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the principles and methodologies specified by the Central Commission for determination of tariff applicable to transmission licensees and also by the National Tariff Policy formulated under the said Act;

And Whereas the Himachal Pradesh Electricity Regulatory Commission has framed the HPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2007;

And Whereas the Central Commission has subsequently framed the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, specifying the principles and methodologies to be followed for determination of tariff applicable to transmission systems of the licensee(s) and various changes have also been made in the National Tariff Policy;

And Whereas the Himachal Pradesh Electricity Regulatory Commission is making an exercise to determine the tariff for transmission system of the licensees for the next control period starting from 1st April, 2011 and keeping in view the National Tariff Policy and methodologies of the Central Commission, amongst others, it has become necessary to amend/ modify the existing regulations;

Now, therefore, in exercise of the powers conferred by clauses (zd), (ze) and (zf) of sub-section (2) of section 181, read with sections 61, 62 and 86, of the of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in this behalf and after previous publication, the Himachal Pradesh Electricity Regulatory Commission makes the following regulations for determination of transmission tariff:-

REGULATIONS

PART-I: PRELIMINARY

1. Short title, extent and commencement

- (1) These regulations shall be called the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2011.
- (2) These regulations shall extend to the whole of the State of Himachal Pradesh
- (3) These regulations shall come into force with effect from 1st April, 2011.

2. Scope and application

- (1) These regulations shall be applicable where the capital cost based tariff for the transmission system is determined by the Commission under section 62 of the Act, read with section 86 thereof.
- (2) Where tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government, the Commission shall adopt such tariff in accordance with the provisions of the Act.

3. Definitions:

In these regulations, unless the context otherwise requires, -

- (1) "accounting statements" shall mean for each financial year, the balance sheet, the profit and loss statement, the cash flow statement and the report of the statutory auditors together with notes thereto:

Provided that in case of any local authority engaged in the business of transmission of electricity, the Accounting Statement shall mean the items, as mentioned above, prepared and maintained in accordance with the relevant Acts or Statutes as applicable to such local authority;

- (1a) "Act" means the Electricity Act, 2003 (36 of 2003);
- (2) "additional capitalisation" means the capital expenditure incurred or projected to be incurred, after the date of commercial operation of the project and admitted by the Commission after prudence check, subject to provisions of regulation 16;
- (3) "aggregate revenue requirement" or "ARR" means the costs pertaining to the licensed business which are permitted, in accordance with these regulations, to be recovered from the tariffs and charges determined by the Commission;
- (4) "allotted transmission capacity" means and includes the power transfer in MW between the specified point(s) of injection and point(s) of drawal allowed to a long-term customer on the intra-State transmission system under the normal circumstances and allotted transmission capacity to a long-term transmission customer shall be sum of the generating capacities allocated to the long-term transmission customer from the State generating stations and inter-State generating stations and the expression "allotment of capacity" shall be construed accordingly;
- (5) "allocation statement" means for each financial year, a statement in respect of each of the businesses of the licensee including inter-state & intra-state transmission system, showing the amounts of any revenue, cost, asset, liability, reserve or provision etc, which has been either-](a) determined by apportionment or allocation between different businesses of the licensee including the licensed

- business, together with a description of the basis of the apportionment or allocation, or
- (b) charged from or to each such other business together with a description of the basis of that charge;
- (6) “Appendix” means the appendix to these regulations;
- (7) “applicant” means a transmission licensee who has made an application for determination of transmission charge in accordance with these regulations and includes a transmission licensee whose tariff is the subject of a review by the Commission;
- (8) “availability” in relation to a transmission system for a given period means the time in hours during that period in which the transmission system is capable to transmit electricity at its rated voltage and shall be expressed in percentage of total hours in the given period;
- (9) “base year” means the financial year immediately preceding first year of the control period and used for the purposes of these regulations;
- (10) “beneficiary” means a long term transmission customer;
- (11) “ capital cost” means the capital cost as defined in regulation 14;
- (12) “Central Commission” means the Central Electricity Regulatory Commission, as referred to in sub- section (1) of section 76 of the Act;
- (13) “change in law” shall mean the occurrence of any of the following events:
- (i) enactment, bringing into effect or promulgation of any new Indian law, or
 - (ii) adoption, amendment, modification, repeal or re-enactment of any existing Indian law, or
 - (iii) change in interpretation or application of any Indian law by a competent Court, Tribunal or Indian Governmental Instrumentality, which is the final authority under law for such interpretation or application, or
 - (iv) change by any competent statutory authority in any condition or covenant of any consent or clearances or approval or licence available or obtained for the project, or
 - (v) coming into force or change in any bilateral or multilateral agreement/treaty between the Government of India and any other Sovereign Government having implication for the transmission company regulated under these regulations;

- (14) “Commission” means the Himachal Pradesh Electricity Regulatory Commission, as referred to in sub- section (1) of section 82 of the Act;
- (15) “Conduct of Business Regulations” means the Conduct of Business Regulations specified by the Commission under sub-section (1) of section 92 of Act;
- (16) “control period” means a multi-year period fixed, by the Commission, ¹from time to time, for which the principles of determination of revenue requirement and tariff will be laid down;
- (17) “cut-off date” means 31st March of the year closing after two years of the year of commercial operation of the project, and in case the project is declared under commercial operation in the last quarter of a year, the cut-off date shall be 31st March of the year closing after three years of the year of commercial operation;
- (18) “date of commercial operation” or “COD” means the date declared by the transmission licensee from 0000 hour of which an element of the transmission system is in regular service after successful charging and trial operation:
- Provided that the date shall be the first day of a calendar month and transmission charge for the element shall be payable and its availability shall be accounted for, from that date:
- Provided further that in case an element of the transmission system is ready for regular service but is prevented from providing such service for reasons not attributable to the transmission licensee, its suppliers or contractors, the Commission may approve the date of commercial operation prior to the element coming into regular service;
- (19) “day” means the 24 hour period starting at 0000 hour;
- (20) “distribution licensee” means a licensee authorised to operate and maintain a distribution system for supplying electricity to the consumers in his area of supply;
- (21) “existing project” means a project declared under commercial operation from a date prior to first year of the control period;
- (22) “financial year” means a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;
- (22-a) “force majeure event” shall mean, with respect to any party, any event or circumstance or combination of events or circumstances including those stated below, which is not within the reasonable control of, and is not due to an act of omission or commission of that party and which, by the exercise of reasonable

¹ fixed the period of three years starting from 01.04.2011 vide A; fixed the period of five years starting from 01.04.2014 vide notification dated 1st November, 2013;

care and diligence, could not have been avoided, and without limiting the generality of the foregoing, would include the following events:

- (i) acts of God including lightning, drought, fire and explosion, earthquake, volcanic eruption, landslide, flood, cyclone, typhoon, tornado, geological surprises, or exceptionally adverse weather conditions, or
 - (ii) any act of war, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, terrorist or military action, or
 - (iii) industry-wide strikes and labour disturbances having a wide impact;
- (23) “intra-State transmission system” means any system for conveyance of electricity by transmission lines within the area of the State and includes all transmission lines, sub-stations and associated equipment of the transmission licensees in the State:
- Provided that the definition of point of separation between a transmission system and distribution system and between a generating station and transmission system shall be guided by the provisions of the Regulations notified by the Authority under clause (b) of section 73 of the Act;
- (24) “licence” means a licence granted by the Commission under section 14 of the Act;
- (25) “licensed business” means the functions and activities, which the licensee is required to undertake in terms of the licence granted by the Commission or being a deemed licensee under the Act;
- (26) “licensee” means a person who has been granted a licence and shall include a deemed licensee;
- (27) “long term transmission customer” means a person availing or intending to avail access to the intra-State transmission system for a period of twelve years or more and less than twenty five years;
- (27-a) “MCLR” shall mean One Year Marginal Cost of Funds based Lending Rate;
- (28) “medium term transmission customer” means a person availing or intending to avail access to the intra-state transmission system for a period of three months or more and less than three years;
- (28-a) “mid-term performance review” means the review of performance of the transmission licensee undertaken by the Commission for the year after the mid-year of the control period and this shall also include the true up of the previous control period and True Up of previous years of the control period;

- (29) “non-tariff income” means income relating to the licensed business other than from tariff (intra-State transmission of electricity), and excluding any income from other business;
- (30) “original project cost” means the capital expenditure incurred by the transmission licensee within the original scope of the project up to the cut-off date as admitted by the Commission;
- (31) “other business” means any business of the transmission licensee other than the licensed business;
- (32) “project” means the transmission system;
- (32-a) “prudence check” shall mean scrutiny of the reasonableness of expenditure incurred or proposed to be incurred, financing plan, use of efficient technology, cost and time over-run and such other factors as may be considered appropriate by the Commission for determination of tariff;
- (33) “rated voltage” means the voltage at which the transmission system is designed to operate or such lower voltage at which the line is charged, for the time being, in consultation with long-term transmission customers;
- (34) “short term transmission customer” means a person availing or intending to avail access to the intra-State transmission system for a period up to 1 month;
- (35) “State” means the State of Himachal Pradesh;
- (36) “transmission business” means the authorised business of a transmission licensee to transmit electricity, whether for its own account or for that of any other person, through any system owned and/ or operated by such licensee;
- (37) “transmission licensee” means the entity, which has been granted a transmission licence or is a deemed licensee under the first, second, third or fifth provisos to section 14 of the Act;
- (38) “transmission service agreement” means and includes the agreement, contract, memorandum of understanding, or any such other covenants, entered into between the transmission licensee and the beneficiaries;
- (39) “transmission system” means the system consisting of high and extra high voltage electric lines having design voltage of above 33 kV, owned or controlled by the transmission licensee, and used for the purposes of the conveyance of electricity between the switchyards of two generating sets or from the switchyard of a generating set to a sub-station, or between substations, or to or from any external interconnection and includes all bays/equipment upto the interconnection with the distribution system, and any plant, apparatus and meters owned or used in connection with the transmission of electricity, but shall not include any part of a distribution system;

- (40) “user” means the distribution licensee or open access customer, as the case may be, who uses the intra–State transmission network for the purpose of selling/procuring electricity;
- (41) ‘useful life’ in relation to a unit of a transmission system from the COD shall mean the following, namely:-
- (a) AC and DC sub-station - 25 years
- (b) Transmission line - 35 years;
- (42) “year” means a financial year; and
- (43) the words and expressions occurring in these regulations and not defined herein but defined in the Act or Grid Code or State Grid Code shall bear the same meanings as respectively assigned to them in the Act or Grid Code or State Grid Code and the words and expressions used herein but not specifically defined herein or in the Act or Grid Code or State Grid Code shall have the meanings generally assigned to them in the electricity industry.

PART-II: GUIDING PRINCIPLES

4. General Approach

- (1) In accordance with the principles laid down in these regulations, the Commission shall determine the aggregate revenue requirement (ARR) for the transmission business.
- (2) Tariff determined by the Commission and the directions given in the tariff order made by the Commission shall be quid pro quo and mutually inclusive. The tariff determined shall, within the period specified by it, be subject to the compliance of the directions to the satisfaction of the Commission and their non-compliance shall lead to such amendment, revocation, variation and alteration of the tariff, as may be ordered by the Commission.
- (3) The tariff order shall, unless amended or revoked, continue to be in force for such period as may be specified in the tariff order. In the event of failure on the part of the licensee to file the aggregate revenue requirement (ARR) under Part-IV and V, the tariff determined by the Commission shall cease to operate, unless allowed to be continued for a further period with such variations, or modifications, as may be ordered by the Commission.
- (4) The norms of operation specified under these regulations are the ceiling norms and this shall not preclude the transmission licensee and the beneficiaries from accepting improved norms of operation as determined by the Commission and such improved norms shall be applicable for determination of tariff.

5. Multi Year Tariff (MYT) Framework

- (1) The Commission shall adopt multi year tariff framework for approval of ARR and expected revenue from tariffs and charges. The ARR and tariffs will be determined for the control period.
- (2) The multi year tariff framework shall be based on the following: -
 - (a) Business plan of the transmission licensee for the entire control period to be submitted to the Commission for approval, prior to the beginning of the control period;
 - (b) Trajectory for specific parameters shall be stipulated by the Commission, where the performance of the applicant is sought to be improved through incentives and disincentives.

5-A. Preparation of Accounting Manual and Regulatory Accounts.- The licensee shall prepare Accounting Manual and Regulatory Accounts as per the Himachal Pradesh Electricity Regulatory Commission (Reporting System on Power Regulatory Accounting) Regulations, 2014. The Utility shall submit the Regulatory Audited Accounts every year within seven months of the end of the Financial Accounting Year to the Commission.

6. Determination of Baseline

The baseline values (operating and cost parameters) for the base year of the control period shall be determined by the Commission and shall be based on the approved values by the Commission, the latest audited accounts, estimate of the actuals for the relevant year, prudence check and other factors considered appropriate by the Commission. The Commission may re-determine the baseline values for the base year based upon the actual audited accounts of the base year.

6-A. **Segregation of Accounts.**- The licensee shall maintain separate accounts and sub balance sheets for each of the other businesses and also for inter and intra-state transmission systems:

Provided that the licensee shall follow a reasonable basis for allocation of all joint and common costs between the transmission business including inter and intrastate transmission systems and the other business and shall submit the Accounting Statements, as approved by its board of directors, to the Commission alongwith his application for determination of tariff:

Provided further that where the sum total of the direct and indirect costs of such other business exceeds the revenues from such other business or for any other reason, no amount shall be allowed to be added to the aggregate revenue requirement of the licensee on account of such other business.]

7. Capital Investment Plan

- (1) The Commission shall approve the system augmentation plan submitted by the transmission licensee, based on the load growth forecast during the control period. The same would be considered for computation of ARR, wherein the amount of electricity transmitted by the transmission system shall be projected considering the estimated growth plan of transmission customer and any plans of new transmission system, based on network expansion plans within the State.
- (2) Capital investment plan submitted by the licensee shall also provide details of ongoing projects that will spill into the control period and new projects that will commence during the control period but may extend beyond the control period.
- (3) The capital investment plan shall be in conformity with the plans made by the CEA/CTU/STU/Distribution Licensee(s). The investment plan shall be scheme-wise and each scheme shall include-
 - (a) purpose of investment (i.e. replacement of existing assets, meeting load growth, technical loss reduction, meeting reactive energy requirements, improvement in quality and reliability of supply, etc) ;
 - (b) Capital Structure;
 - (c) Capitalisation Schedule;
 - (d) Financing Plan;
 - (e) Cost-benefit analysis;
 - (f) Improvement in operational efficiency envisaged in the control period.
- (4) For each year of the control period, the Commission shall watch over the actual capital expenditure and capitalization vis-à-vis the approved capital expenditure and capitalization schedule. In the normal course, the Commission shall not revisit the approved capital investment plan (capital expenditure and the capitalization schedule) during the control period and adjustments to depreciation, interest on capital loan and return on equity on account of variations for the actual capital expenditure incurred and capitalization done vis-à-vis approved capital investment plan (capital expenditure and capitalization), shall be done during the mid-term performance review and at the time of end of control period true up.
- (5) In case the capital expenditure is required for emergency work which has not been approved in the Capital Investment Plan, the licensee shall submit an application (containing all relevant information along with reasons justifying emergency nature of the proposed work seeking approval by the Commission. The licensee shall take up the work prior to the approval of the Commission.

provided that the emergency nature of the scheme has been certified by its board of directors.

8. Renovation and Modernisation

- (1) The transmission licensee for meeting the expenditure on renovation and modernization for the purpose of extension of life beyond the useful life of the transmission system, shall make an application before the Commission for approval of the proposal with a detailed project report giving complete scope, justification, cost-benefit analysis, estimated life extension from a reference date, financial package, phasing of expenditure, schedule of completion, reference price level, estimated completion cost including foreign exchange component, if any, consent of beneficiaries and any other information considered to be relevant by the transmission licensee.
- (2) Where the transmission licensee makes an application for approval of renovation and modernisation proposal, the approval shall be granted after due consideration of reasonableness of the cost estimates, financing plan, schedule of completion, interest during construction, use of efficient technology, cost-benefit analysis, and such other factors as may be considered relevant by the Commission.
- (3) Any expenditure incurred or projected to be incurred as admitted by the Commission after prudent check based on the estimates of renovation and modernisation expenditure and life extension, and after writing off the original amount of the replaced assets and deducting the accumulated depreciation including advance against depreciation already recovered from the original project cost, shall form the basis for determination of tariff.

9. Controllable Parameters

The Commission will set targets for the items or parameters that are deemed to be “controllable” and which will include -

- (a) Availability of the transmission system;
- (b) Operation and Maintenance Expenses which includes employee expenses, repairs and maintenance expenses, administration and general expenses and other miscellaneous expenses viz. audit fees, rents, legal fees etc;
- (c) Financing cost which includes cost of debt including working capital (interest), cost of equity (return);
- (d) Depreciation.

10. True Up

(1) The true up across various controllable parameters shall be conducted by the Commission, for the previous years for which the actual/audited accounts are made available by the Transmission Licensee, at the times and as per principles stated below:-

(a) at the times -

- (i) for the previous years of the previous control period:- along with the petition for determination of ARR cum transmission tariff for the control period;
- (ii) for the previous years of the control period and for the previous control period:- along with the mid-term performance review during the control period;
- (iii) for the control period true up:- along with the mid-term performance review of the next control period;

(b) as per principles -

- (i) the Commission shall review actual capital investment vis-à-vis approved capital investment;
- (ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission;
- (iii) any surplus and deficit on account of O&M expenses shall be to the account of the Transmission Licensee and shall not be trued up in ARR; and

(2) The gain or loss on account of other controllable factors, unless otherwise specifically provided by the Commission shall be to the account of the Transmission Licensee.

(3) Notwithstanding anything contained in these regulations, the gains or losses in the controllable items of ARR on account of force majeure, change in law and change in taxes and duties shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission.]

10-A. **Carrying Cost.**- The transmission licensee, for the approved true-up of any year over and above that approved in the Tariff Order for that year, shall be entitled to a carrying cost at one (1) Year weighted average State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period of the relevant Year plus 300 basis

points and for any true-up resulting in less than that approved in the Tariff Order for that year, the carrying cost shall be recovered at the same rate.

11. Operational Norms

Normative Annual Transmission System Availability Factor (NATAF): The target availability for recovery of full transmission charges during the control period shall be as under: -

- (a) the alternating current (AC) System: 98%
- (b) the high voltage direct current (HVDC) bi-pole links: 92%
- (c) the high voltage direct current (HVDC) back-to-back stations: 95%.

PART-III: PRINCIPLES FOR DETERMINATION OF AGGREGATE REVENUE REQUIREMENT (ARR)

12. ARR for Transmission Licensee

- (1) Tariff in respect of the transmission system may be determined for the whole of the transmission system or for the individual transmission line / sub-station.
 - (2) The aggregate revenue requirement for the transmission business for each year of the control period shall contain the following items: -
 - (a) Operation and Maintenance expenses;
 - (b) financing cost which includes cost of debt including working capital (interest), cost of equity (return);
 - (c) depreciation;
 - (d) income tax;
 - (e) non-tariff income ; and
- Less:
- (i) income from other business.

13. Operation and Maintenance (O&M) Expenses

- (1) Operation and Maintenance (O&M) expenses shall comprise of the following:-
 - (a) salaries, wages, pension contribution and other employee costs;
 - (b) administrative and general expenses including insurance charges if any;
 - (c) repairs and maintenance expenses;

(d) other miscellaneous expenses, statutory levies and taxes (except corporate income tax).

(1-a) **O&M Norms** - (i) The transmission licensee shall propose separate trajectories of norms for each of the components of O&M expenses viz., employee cost, R&M expense and A&G expense;

(ii) Norms shall be defined in terms of combination of number of personnel per long/ medium term consumer, number of personnel per MW of capacity handled for long/ medium term consumers or number of personnel per transmission circuit kilometer line length and number of substations along with annual expenses per personnel for Employee expenses, combination of A&G expense per personnel and A&G expense per long/ medium term consumer (or per MW of capacity handled) for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses;

(iii) One-time expenses such as expense due to change in accounting policy, arrears paid due to pay commissions and interim relief etc., shall be excluded from the norms in the trajectory;

(iv) The expenses beyond the control of the transmission licensee such as dearness allowance, pension liabilities and terminal benefits in Employee cost etc., shall be excluded from the norms in the trajectory;

(v) The One-time expenses and the expenses beyond the control of the transmission licensee as per sub-regulations (iii) and (iv) above shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check;

(vi) The norms in the trajectory shall be proposed over the control period with due consideration to productivity improvements and commercial viability;

(vii) The norms shall be proposed at constant prices of base year and escalation on account of inflation shall be over and above the baseline;

(viii) Based on the proposal submitted by the transmission licensee, the Commission shall fix the norms for the said purposes which shall be taken into account for determining the trajectories for various components of O&M expenses for the remaining years of the control period;

(ix) Till such time the norms are fixed by the Commission, the trajectories of various components of O&M expenses shall be submitted by the transmission licensee and determined by the Commission on the basis of the actual costs for the previous years in accordance with the provisions of these regulations;

- (2) The transmission licensee shall submit the O&M expenses for the control period as laid down in the multi year tariff filing procedure. The O&M expenses for the base year will be approved by the Commission taking into account the latest available audited accounts, business plan filed by the transmission licensee, estimates of the actuals for the base year, prudence check and any other factors considered appropriate by the Commission.
- (3) The O&M expenses for the nth year of the control period shall be approved based on the formula given below:-

$$O\&M_n = R\&M_n + EMP_n + A\&G_n :$$

Where -

$$'EMP_n' = [(EMP_{n-1}) \times (1+G_n) \times (CPI_{inflation})] + Provision_{(Emp)} ;$$

$$'A\&G_n' = [(A\&G_{n-1}) \times (WPI_{inflation})] + Provision_{(A\&G)} ;$$

$$'R\&M_n' = K \times (GFA_{n-1}) \times (WPI_{inflation}) ;$$

'K' - is a constant (could be expressed in %). Value of K for each year of the control period shall be determined by the Commission in the MYT Tariff order based on licensee's filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;

'CPI_{inflation}' - is the average increase in the Consumer Price Index (CPI) for immediately preceding three years before the base year;

'WPI_{inflation}' - is the average increase in the Wholesale Price Index (WPI) for immediately preceding three years before the base year;

'EMP_n' - employee's cost of the transmission licensee for the nth year (employee cost for the base year would be adjusted for provisions for expenses beyond the control of the licensee and one time expected expenses, such as recovery/ adjustment of terminal benefits, implication of pay revisions, arrears and interim relief.);

'Provision_(Emp)'- Provision corresponding to clauses (iii), (iv) and (v) of subregulation (1-a) of regulation 13, duly projected for relevant year for expenses beyond control of the Transmission Licensee and expected one-time expenses as specified above;

'A&G_n' - administrative and general costs of the transmission licensee for the nth year;

'Provision_(A&G)'-Cost for initiatives or other one-time expenses as proposed by the Transmission licensee and approved by the Commission after prudence check;"

'R&M_n' - Repair and Maintenance costs of the transmission licensee for the nth year;

'GFA_{n-1}' - Gross Fixed Asset of the transmission licensee for the n-1th year;

'G_n' - is a growth factor for the nth year. Value of G_n shall be determined by the Commission in the MYT tariff order for meeting the additional manpower requirement based on licensee's filings, benchmarking, approved cost by the Commission in past and any other factor that the Commission feels appropriate;

Provided that, repair and maintenance expenses determined shall be utilised towards repair and maintenance works only;

Provided further that, the impact of pay revision (including arrears) shall be allowed on actual during the mid-term performance review or at the end of the control period as per actual/ audited accounts, subject to prudence check and any other factor considered appropriate by the Commission.]

14. Capital cost of the project

(1) The capital cost for a project shall include-

(a) the expenditure incurred or projected to be incurred, including interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation during construction on the loan - (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check;

(b) capitalised initial spares subject to the ceiling norms as per regulation 15;

(c) additional capital expenditure determined under regulation 16:

Provided that the assets forming part of the project, but not in use, shall be taken out of the capital cost.

(2) The capital cost admitted by the Commission, after prudence check, shall form the basis for determination of tariff:

Provided that the prudence check of capital cost may be carried out based on the benchmark norms to be specified by the Commission from time to time:

Provided further that in cases where benchmark norms have not been specified, prudence check may include scrutiny of the reasonableness of the capital expenditure, financing plan, interest during construction, use of efficient technology, cost over-run and time over-run, and such other matters as may be considered appropriate by the Commission for determination of tariff:

Provided further that where the implementation agreement and the transmission service agreement entered into between the transmission licensee and the longterm transmission customer provides for ceiling of actual expenditure, the capital expenditure admitted by the Commission shall take into consideration such ceiling for determination of tariff:

Provided further that in case of the existing projects, the capital cost admitted by the Commission prior to the start of the control period and the additional capital expenditure projected to be incurred for the respective years of the control period, as may be admitted by the Commission, shall form the basis for determination of tariff.

15. **Initial Spares.**- The capital cost may include initial spares capitalised as a percentage of the original project cost, subject to the following ceiling norms:-

- (a) Transmission Line 0.75%
- (b) Transmission Sub-station (Green Field) 3.0%
- (c) Transmission Sub-station (Brown Field) 4.5%
- (d) Series Compensation devices and HVDC Station 3.5%
- (e) Gas Insulated Sub-station (GIS) 4.0%
- (f) Communication System 3%

16. **Additional Capitalisation**

(1) The capital expenditure incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check-

- (a) undischarged liabilities;
- (b) works deferred for execution;
- (c) procurement of initial capital spares within the original scope of work, subject to the provisions of regulation 15;
- (d) liabilities to meet award of arbitration or for compliance of the order or decree of a court; and
- (e) change in law:

Provided that the details of works included in the original scope of work, along with estimates of expenditure, undischarged liabilities and the works deferred for execution, shall be submitted along with the application for determination of tariff.

(2) The capital expenditure incurred on the following counts after the cut off date may, in its discretion, be admitted by the Commission, subject to prudence check:-

- (a) Liabilities to meet award of arbitration or for compliance of the order or decree of a court;

- (b) Change in law or compliance of any existing law;
- (c) Any expenses to be incurred on account of need for higher security and safety of the capital asset as advised or directed by appropriate Government agencies or statutory authorities responsible for national security/internal security;
- (d) Any liability for works executed prior to the Cut-off Date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;
- (e) Any liability for works admitted by the Commission after the Cut-off Date to the extent of discharge of such liabilities by actual payments;
- (f) Any additional capital expenditure, which has become necessary for efficient operation of the transmission system. The claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level; and
- (g) Any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement due to obsolescence of technology, replacement of switchyard equipment due to increase of fault level, tower strengthening, communication equipment, emergency restoration system, insulators cleaning infrastructure, replacement of porcelain insulator with polymer insulators, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of transmission system:

Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets, etc., bought after the Cut-off Date shall not be considered for additional capitalization for determination of tariff:

Provided further that if any expenditure has been claimed under Renovation and Modernisation (R&M) or repairs and maintenance under O&M Expenses, the same expenditure cannot be claimed under this Regulation.

17. **Asset Base.**- The Commission shall determine the asset base for each year of the control period at the beginning of the control period, which shall be –
Sum of –

(a) The asset base of the base year as determined by the Commission, considering the most recent audited accounts, estimates of actuals during the base year after doing prudence check and any other factors considered appropriate by the Commission, and

(b) Proposed capitalisation during the year after exercising prudence check shall be –

(i) schemes for which Commission's approval has been granted,

(ii) schemes which have been submitted for Commission's approval, and

(iii) schemes not requiring Commission's approval;

Less - Assets proposed to be retired during the year. The net value of such retired assets shall be calculated as follows:

$$\text{Net Value of retired Assets} = \text{OCFA} - \text{AD} - \text{CC}$$

Where;

OCFA: Original capital cost of Replaced Assets A

D: Accumulated depreciation pertaining to the Replaced Assets

CC: Total Consumer Contribution pertaining to the Replaced Assets:

Provided further that the amount of insurance proceeds received, if any, towards damage to any asset requiring its replacement shall be first adjusted towards outstanding actual or normative loan and the balance amount, if any, shall be utilised to reduce the capital cost of such replaced asset, and any further balance amount shall be considered as Non-Tariff Income.

(2) The interest on loan capital and return on equity shall be computed on the financing of the cost of the schemes included in the asset base.]

17-A. **Consumer Contribution, Deposit Work, Grant and Capital Subsidy.**- (1)

The works carried out by the Transmission Licensee after obtaining the estimated cost from the users shall be classified as Deposit Works.

(2) Capital works undertaken by the Transmission Licensee utilising grants received from the State and Central Governments, including funds under various schemes shall be classified under the category of Grants.

(3) The works carried out with any other grant of similar nature or such amount received without any obligation to return the same and with no interest costs

attached to such subvention shall also be classified as works performed through consumer contribution, deposit work, capital subsidy or grant.

(4) The expenses on such capital expenditure shall be treated as follows:-

- (a) normative O&M expenses as specified in these regulations shall be allowed. However, any departmental charges taken by the licensee against deposit works and which are executed departmentally shall be adjusted in the employee cost;
- (b) the debt to equity ratio shall be considered in accordance with regulation 18, after deducting the amount of financial support provided through consumer contribution, deposit work, capital subsidy or grant;
- (c) depreciation to the extent of works performed through consumer contribution, deposit work, capital subsidy or grant shall not be allowed as specified in regulation 23;
- (d) provisions related to return on equity, as specified in regulation 19, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant;
- (e) provisions related to interest and finance charges, as specified in regulation 20, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant.

18. Debt-equity ratio

For the purpose of determination of the tariff, the equity and outstanding debt as determined for the base year by the Commission shall be considered as given. However, for any fresh capitalization of assets, the Commission shall apply a debt equity ratio of 70:30 on the capitalised amount as approved by the Commission for each year of the control period:

Provided that where equity employed is in excess of 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as loan. The interest rate applicable on the equity in excess of 30% treated as loan has been specified in regulation 20. Where actual equity employed is less than 30%, the actual equity shall be considered.

19. Return on Equity

- (1) Return on equity shall be computed on the equity determined in accordance with regulation 18 and on pre-tax basis at the base rate of 15.5% to be grossed up as per sub-regulation (3) of this regulation:

- (2) The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate as per latest available audited accounts of the concerned transmission licensee:

Provided that in line with the provisions of the relevant Finance Acts of the respective year, the return on equity with respect to the actual tax rate applicable to the transmission licensee during the years of the control period shall be trued up separately for each year during the mid-term performance review and at the end of the control period along with the tariff petition filed for the next control period.]

- (3) Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:-

(a) Rate of pre-tax return on equity = Base rate / (1-t)

(b) Where t is the applicable tax rate in accordance with sub-regulation (2) of this regulation.

Illustration.-

- (i) In case of the transmission licensee paying Minimum Alternate Tax (MAT) @ 19.93% including surcharge and cess:

$$\text{Rate of return on equity} = 15.50 / (1 - 0.1993) = 19.358\%$$

- (ii) In case of transmission licensee company paying normal corporate tax @ 33.99% including surcharge and cess:

$$\text{Rate of return on equity} = 15.50 / (1 - 0.3399) = 23.481\%$$

20. Interest and Finance Charges

- (1) Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of repayment in accordance with the terms and conditions of relevant agreements of loan, bond or non-convertible debentures. Exception can be made for the existing or past loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable and approved projects.
- (2) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the transmission licensee does not have actual loan then the weighted average rate of interest of the transmission licensee as a whole shall be considered.

Provided further that if the Transmission Licensee as a whole does not have actual loan, then one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 200 basis points shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.;

- (3) The interest rate on the amount of equity in excess of 30% treated as notional loan shall be the weighted average rate of the loans of the respective years and shall be further limited to the rate of return on equity specified in these regulations:

Provided that all loans considered for this purpose shall be identified with the assets created:

Provided further that the interest and finance charges of re-negotiated loan agreements shall not be considered, if they result in higher charges:

Provided further that the interest and finance charges on works in progress shall be excluded and shall be considered as part of the capital cost:

Provided further that neither penal interest nor overdue interest shall be allowed for computation of tariff.

- (4) In case any moratorium period is availed of in any loan, depreciation provided for in the tariff during the years of moratorium shall be treated, as notional repayment of loan during those years and interest on loan capital shall be calculated accordingly.
- (5) The transmission licensee shall make every effort to refinance the loan as long as it results in net benefit to the beneficiaries. The costs associated with such refinancing shall be borne by the transmission customers and any benefit on account of refinancing of loan and interest on loan shall be shared in the ratio of 2:1 between the transmission licensee and] transmission customers. Refinancing may also include restructuring of debt.
- (6) In respect of foreign currency loans, variation in rupee liability due to foreign exchange rate variation, towards interest payment and loan repayment actually incurred, in the relevant year shall be admissible; provided it directly arises out of such foreign exchange rate variation and is not attributable to the transmission licensee or its suppliers or contractors.

- (7) The above interest computation shall exclude the interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, deposit work, capital subsidy or grant, carried out by transmission licensee.

21. Working Capital

The Commission shall calculate the working capital requirement for the transmission licensee containing the following components: -

- (a) O&M expenses for 1 month;
- (b) receivables for two months based on the projected annual transmission charges. and
- (c) maintenance spare @ 15% of O&M expenses for one month;

22. Interest Charges on Working Capital

Rate of interest on working capital to be computed as provided hereinafter in these regulations shall be on normative basis and shall be equal one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the Financial Year in which the Petition is filed plus 300 basis points. The interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures.

23. Depreciation

- (1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.
- (2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.
- (2-a) The salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable.
- (3) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-I to these regulations for the assets of the transmission system:

Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the asset.

- (4) For transmission project which are in operation for less than 12 years, the difference between the cumulative depreciation recovered and the cumulative depreciation arrived at by applying the depreciation rates specified in this regulation corresponding to 12 years, shall be spread over the period up to 12 years, and the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the asset.
- (5) For the project in operation for more than 12 years, the balance depreciation to be recovered shall be spread over the remaining useful life of the asset.
- (6) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

24. **Non-tariff income** (1) All income being incidental to electricity business and derived by the licensee from sources, including but not limited to profit derived from disposal of assets, rents, income from investment and miscellaneous receipts from the transmission customers excluding income to licensed business from the other business of the transmission licensee shall constitute non-tariff income of the licensee

- (2) The amount of non-tariff income relating to the transmission business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining annual transmission charges of the transmission licensee:

Provided that the transmission licensee shall submit full details of its forecast of non-tariff income to the Commission along with its application for determination of Aggregate Revenue Requirement. The non-tariff income shall inter-alia include:

- (a) Income from rent on land or buildings;
- (b) Income from statutory investments;
- (c) Interest on advances to suppliers/contractors;
- (d) Rental from staff quarters;
- (e) Rental from contractors;
- (f) Income from hire charges from contactors and others;
- (g) Income from advertisements, etc.;
- (h) Miscellaneous receipts like parallel operation charges;
- (i) Deferred Income from grant, subsidy, etc., as per Annual Accounts;

- (j) Excess found on physical verification;
- (k) Interest on investments, fixed and call deposits and bank balances;
- (l) Prior period income.

25. Other Income of the Transmission Licensee

Where the transmission licensee is engaged in any other business, the income from such business will be calculated in accordance with the Himachal Pradesh Electricity Regulatory Commission (Treatment of Income of Other Businesses of Transmission Licensees and Distribution Licensees) Regulations, 2005 and shall be deducted from the aggregate revenue requirement in calculating the revenue requirement of the transmission licensee:

Provided that the transmission licensee shall follow a reasonable basis for allocation of all joint and common costs between the transmission business and the other business and shall submit the allocation statement, as approved by its board of directors, to the Commission along with his application for determination of tariff:

Provided further that where the sum total of the direct and indirect costs of such other business exceeds the revenues from such other business or for any other reason, no amount shall be allowed to be added to the aggregate revenue requirement of the transmission licensee on account of such other business.

26. Refund of excess amount

The licensee shall recover the charges as determined by the Commission. Where any licensee recovers charges exceeding those determined by the Commission, the excess amount shall be refunded to the person who has paid such excess charges, alongwith interest equal to the prevalent (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the Financial Year plus 300 basis points without prejudice to any other liability incurred by such licensee.

27. Late Payment Surcharge

In case the payment of bills of transmission charges is delayed beyond a period of one month from the date of billing, the transmission licensee may levy a late payment surcharge at the rate of 1.25% per month.

28. Rebate

For payment of bills of transmission charges through a letter of credit on presentation, a rebate of 2% shall be allowed. If the payment is made by any

other mode but within a period of one month of presentation of bills by the transmission licensee, a rebate of 1% shall be allowed.

29. Quality of Supply

- (1) The Commission shall monitor the following quality of supply parameters during the control period: -
 - (a) transmission system availability;
 - (b) transformer failure, across various capacities which represents the number of transformer failures as a percentage of the total number of transformers in that specified capacity within the transmission system, over a specified period of time.
- (2) The transmission licensee in its business plan filings shall submit and propose the trajectory for the achievement of quality targets. The Commission will lay down the targets for each parameter in the MYT order. The transmission licensee shall submit its performance on each parameter in the form and manner laid down by the Commission.

30. Safety Standards

The transmission licensee shall develop a safety manual and comply with regulations framed in this regard by the Central Electricity Authority (CEA) under section 53 and section 177 (2) (b) of the Act.

PART-IV: PRINCIPLES FOR DETERMINATION OF TRANSMISSION TARIFF/ CHARGES

31. Transmission Tariff / Charges

- (1) The transmission charges payable by the transmission customers of the transmission system shall be designed to recover the aggregate revenue requirement computed as annual transmission charges by the Commission for each year of the control period.

Provided that the Commission during the control period, through separate notification in the Rajpatra Himachal Pradesh, may, after conducting a detailed study change the existing transmission pricing framework in accordance with that adopted by the Central Electricity Regulatory Commission.

- (2) In addition to transmission charges, charges for reactive energy, as may be determined by the Commission in the MYT order, shall also be payable by all the transmission customers of the system.

32. Annual Transmission Service Charge

- (1) The fixed cost of the transmission system shall be computed on annual basis, in accordance with norms contained in these regulations, aggregated as appropriate, and recovered on monthly basis as transmission charge from the users.
- (2) The transmission charge (inclusive of incentive) payable for a calendar month for a transmission system or part thereof shall be-

$$\text{AFC} \times (\text{NDM} / \text{NDY}) \times (\text{TAFM} / \text{NATAF})$$

Where,

AFC = Annual fixed cost specified for the year, in Rupees;

NATAF = Normative annual transmission availability factor, in per cent specified in regulation 11;

NDM = Number of days in the month;

NDY = Number of days in the year; and

TAFM = Transmission system availability factor for the month, in percent, computed in accordance with Appendix-II to these Regulations.

- (3) The transmission licensee shall raise the bill for the transmission charge (inclusive of incentive) for a month based on its estimate of TAFM. Adjustments, if any, shall be made on the basis of the TAFM to be certified by the SLDC within 30 days from the last day of the relevant month:

Provided that wherever it is necessary or expedient to incentivise the open access, the Commission may, by order, cap the transmission charges calculated under this sub-regulation.

33. Allocation of Transmission Service Charge and Losses

- (1) The Annual Transmission Service Charge (ATSC) shall be shared between the long and medium term customers of the transmission system on monthly basis based on the allotted transmission capacity or contracted capacity, as the case may be.
- (2) No distinction in charges shall exist in terms of long term, medium term or short term access to the intra-State transmission system:

Provided that the transactions for long term and medium term shall be denominated in Rs/kW/month or any suitable denomination as may be stipulated by the Commission.

- (3) For short term bilateral transactions and short term collective transactions through power exchanges, the transmission tariff shall be denominated in Rs/kWh.

- (4) 10% of the charges collected from the short term open access customer shall be retained by the transmission licensee and the balance 90% shall be considered as non-tariff income and adjusted towards reduction in the transmission service charges payable by the long term and medium term users.
- (5) The energy losses in the transmission system of the transmission licensee, as determined by the State Load Despatch Centre and approved by the Commission, shall be apportioned between users in proportion to their usage of the intra-State transmission system.
- (6) Notwithstanding anything contained in these regulations, the Commission after conducting study and due regulatory process may notify the revised sharing and recovery of annual transmission service charge of the transmission licensee.

34. Charges for intervening transmission facilities

- (1) The rates and charges for intervening transmission facilities, if any, provided by the licensee shall be as mutually agreed upon between the licensee and the users of such facilities:

Provided that the rates and charges agreed upon shall be fair and reasonable and may be allocated in proportion to the use of the transmission facilities.

- (2) Mutual agreement on these matters would be in the best interest of the parties. In case, such agreement cannot be reached within a reasonable period of time, either party shall be entitled to approach the Commission for determination under the proviso to sub-section (1) of section 36 of the Act and the Commission would expect evidence that negotiations were held in good faith and all reasonable efforts were made to arrive at a mutual agreement.
- (3) The parties shall be at liberty to approach the Commission in case of any dispute regarding the extent of surplus capacity available, as provided for in section 35 of the Act.
- (4) An application shall be made to the Commission for an order requiring any other licensee owning or operating intervening transmission facilities to provide their use to the extent of surplus capacity available with it.
- (5) After an order is passed under sub-regulation (4) of regulation 34, read with section 35 of the Act, the concerned licensee shall provide his intervening transmission facilities at rates, charges and on terms and conditions as may be mutually agreed upon, under section 36 of the Act.

35. Compliance with the directions by Transmission Licensee

- (1) Subject to the directions issued by the National Load Despatch Centre or the Regional Load Despatch Centre, the State Load Despatch Centre (SLDC) may, under sub-section (2) of section 32 and sub-section (1) of section 33, read with

clause (b) of section 40 of the Act, give such directions as it may consider appropriate, for maintaining the availability of the transmission system and the transmission licensee shall duly comply with all such directions.

- (2) The Commission, on an application filed by the State Load Despatch Centre (SLDC) and after hearing the transmission licensee, if satisfied that the transmission licensee has persistently failed to maintain the availability of the transmission system, may issue such directions to the State Load Despatch Centre (SLDC) to take control of the operations of the transmission system of such transmission licensee, for such period and on such terms, as the Commission may decide.
- (3) The directions under sub-regulations (1) and (2) of regulation 35 shall be without prejudice to any action which may be taken against the transmission licensee under other provisions of the Act.

PART-V: MULTI YEAR TARIFF FILING PROCEDURE

36. Multi-Year Filings for the Control Period

- (1) The multi year tariff filing shall be in such form and in such manner as may be laid down by the Commission by an order and also as per the provisions of the Conduct of Business Regulations.
- (2) The transmission licensee shall also submit the multi year tariff filing in electronic format to the Commission.

37. Beginning of the Control Period - Business Plan Filings

In the base year, prior to the filing of multi-year ARR cum Tariff petition, The transmission licensee shall file a business plan approved by its board of directors. The business plan shall be for the entire control period and shall, interalia, contain -

- (a) Capital Investment Plan: This should be commensurate with load growth and quality improvement proposed in the business plan. The investment plan should also include corresponding capitalisation schedule and financing plan; The Commission shall approve the system augmentation/ expansion plan submitted by the transmission licensee, based on the load growth forecast/ generation evacuation requirement during the control period. The capital investment plan shall be in conformity with the plans made by the CEA/ CTU/ STU/ distribution licensee.
- (b) Capital Structure: The appropriate capital structure of each scheme proposed and cost of financing (interest on debt) and return on equity, terms of the existing loan agreements, etc;

- (c) Operation and Maintenance (O&M) Expenses: This shall include the costs estimated for the base year, the actual expenses incurred in the previous two years and the projected values for each year of the control period based on the proposed norms for O&M cost, including indexation and other appropriate mechanism;
- (d) Depreciation: Based on the useful life of the asset and capitalisation schedules for each year of the control period;
- (e) Performance Targets: A set of targets proposed for controllable items such as, availability of transmission system, transformer failure rate, and any other parameters for quality of supply for each year of the control period for the purpose of incentive / penalties. The targets shall be consistent with the capital investment plan proposed by the transmission licensee;
- (f) Proposals for Non-tariff Income with item-wise description and details;
- (g) Proposals in respect of income from Other Business;
- (h) Other Information: This shall include any other details considered appropriate by the transmission licensee for consideration during determination of tariff.

38. Tariff Filing

- (1) The transmission licensee shall file an application for approval of transmission tariff for each year of the control period, consistent with the approved business plan, not less than 120 days before the commencement of the first year of the control period or such other date as may be directed by the Commission.
- (2) The transmission tariff shall be determined for each year of the control period at the beginning of the control period. The licensee shall propose capacity based wheeling tariff. The licensee shall also indicate the transmission losses voltagewise to provide for adjustment of losses in the system.
- (3) The filings for transmission tariff shall contain the following: -
 - (a) the transmission system or network usage forecast for each year of the control period, consistent with the business plan;
 - (b) proposals for transmission tariff design for each year of the control period, including the losses to be charged and the procedure thereof;
 - (c) proposal for transmission tariff rate for the each year of the control period supported by adequate justification;
 - (d) proposal for reactive energy charges; and

- (e) expected revenue from the licensed business, non-tariff income and income from other business and other matters considered appropriate by the transmission licensee.
- (4) The licensee shall furnish to the Commission, such additional information, particulars and documents as the Commission may require from time to time after such filing of revenue calculations and tariff proposals.
- (5) The licensee shall publish, for the information of the public, the contents of the application in an abridged form in such manner as the Commission may direct and shall host the complete copy of the filing on its website and shall also provide copies of the documents filed with the Commission to any person at a price not exceeding normal photocopying charges.

39. Mid-term Performance Review and Review at the End of the Control Period

- (1) Mid-term performance review - The transmission licensee shall make an application for mid-term Performance Review within 120 days before the commencement of the fourth year of the Control Period i.e. FY 2017-18:-

The scope of the mid-term Performance Review shall be a comparison of the actual performance with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges. The transmission licensee shall submit to the Commission all information together with audited account statements, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in performance from the approved forecast. The mid-term review shall comprise of the following:

- (i) True-up of previous Control Period
 - (ii) A comparison of the actual/ audited performance with the approved forecast for first two financial years of the Control Period, subject to the prudence check including pass-through of impact of uncontrollable factors;
 - (iii) Review of controllable parameters
 - (iv) Review of ARR for the balance of the control period in case of any major change in uncontrollable and/ or controllable parameters
 - (v) Review of transmission charges on account of modification in ARR for the balance control period.
- (2) Review at the end of control period - The transmission licensee shall also make an application for Comprehensive Review after the end of the third Control Period on availability of audited accounts for each year of the control period. The comprehensive review shall be based as per the principles laid down under these Regulations for various parameters of ARR:

Provided that the transmission licensee shall submit to the Commission information in such format as may be stipulated by the Commission, together with the audited account statements, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges.

- (3) Towards the end of the control period, the Commission shall review if the implementation of the principles laid down in these regulations has achieved their intended objectives. While doing this, the Commission shall take into account, among other things, the industry structure, sector requirements, consumer and other stakeholder expectations and the licensee's requirements at that point in time. Depending on the requirements of the sector to meet the objects of the Act, the Commission may revise the principles for the next control period.
- (4) The end of the control period shall be the beginning of the next control period and the licensee shall follow the same procedure, unless required otherwise by the Commission. The Commission shall analyze the performance of the licensee with respect to the targets set out at the beginning of the control period and based on the actual performance, expected efficiency improvements and other factors prevalent, determine the initial values for the next control period.]

40. Disposal of Application

- (1) The Commission will process the filings made by the transmission licensee in accordance with these regulations and the Conduct of Business regulations.
- (2) Based on the transmission licensee's filings, objections/ suggestions from public and other stakeholders, the Commission may, within 120 days of the receipt of the application, complete in all respects, and after considering all suggestions and objections from public and other stakeholders, -
 - (a) issue, a tariff order with such modifications and/or such conditions, as may be deemed just and appropriate containing, inter-alia targets for controllable items and transmission tariffs for each year of the control period; or
 - (b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of the Act and the rules and regulations made thereunder or the provisions of any other law for the time being in force.

41. Publication

The transmission licensee shall publish the tariff approved by the Commission in the newspapers, having circulation in the area of supply, as the Commission

may direct. The publication shall, besides such other things as the Commission may require, include a general description of the tariff changes.

PART-VI: MISCELLANEOUS

42. Sharing of Clean Development Mechanism (CDM) Benefits

The proceeds of carbon credit from approved CDM project shall be shared in the following manner, namely:-

- (a) 100% of the gross proceeds on account of CDM to be retained by the project developer in the first year (12 months) after the date of commercial operation of the transmission system;
- (b) in the second year, the share of the beneficiaries shall be 10% which shall be progressively increased by 10% every year till it reaches 50%, whereafter the proceeds shall be shared in equal proportion, by the transmission licensee and the users.

43. Tax on Income

In view of pre tax return on equity, tax on the income streams of the transmission licensee shall not be recovered from the beneficiaries:

Provided that the deferred tax liability, excluding Fringe Benefit Tax, for the period up to the end of previous control period whenever it materialises, shall be recoverable directly from the beneficiaries and the long-term customers.

44. Foreign Exchange Rate Variation.

- (1) The transmission licensee may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the transmission system in part or full in the discretion of the transmission licensee.
- (2) Every transmission licensee shall recover the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt, in the relevant year on year-to-year basis as expense in the period in which it arises and extra rupee liability corresponding to such foreign exchange rate variation shall not be allowed against the hedged foreign debt.
- (3) To the extent the transmission licensee is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year shall be permissible provided it is not attributable to the transmission licensee or its suppliers or contractors.

- (4) Every transmission licensee shall recover the cost of hedging and foreign exchange rate variation on year-to-year basis as income or expense in the period in which it arises.

45. Recovery of cost of hedging Foreign Exchange Rate Variation

Recovery of cost of hedging and foreign exchange rate variation shall be made directly by the transmission licensee from the users without making any application before the Commission:

Provided that in case of any objections by the users to the amounts claimed on account of cost of hedging or foreign exchange rate variation, the transmission licensee may make an appropriate application before the Commission for its decision.

46. Transitory provisions-

Notwithstanding anything to the contrary contained in these regulations –

- (a) the tariff order issued by the Commission for the control period ending on the 31st March, 2011 shall continue to operate; and
- (b) the proceedings (including review petition) for amendments, revocation, variation or alteration of the said tariff order shall continue to be filed and dealt with as if the repealed regulations in respect of the said tariff determination continue to be in force, and the provisions of these regulations shall not apply.

47. Issue of Orders and Practice Directions

- (1) Subject to the provision of the Act and these regulations, the Commission may, from time to time, issue orders and practice directions, prescribe formats in regard to the implementation of these regulations and procedure to be followed on various matters, which the Commission has been empowered by these regulations to direct, and matters incidental or ancillary thereto.
- (2) Notwithstanding anything contained in these regulations, the Commission shall have the authority, either suo motu or on a petition filed by any interested or affected person, to determine the tariff of any applicant.

48. Power to remove difficulties

If any difficulty arises in giving effect to any of the provisions of these regulations, the Commission may, by a general or special order, not being inconsistent with the provisions of these regulations or the Act, do or undertake to do things or direct the transmission licensee to do or undertake such things which appear to be necessary or expedient for the purpose of removing the difficulties.

49. Power of relaxation

The Commission may, in public interest and for reasons to be recorded in writing, relax any of the provision of these regulations.

50. Interpretation

All issues arising in relation to the interpretation of these regulations shall be determined by the Commission and the decision of the Commission on such issues shall be final.

51. Saving of Inherent Powers of the Commission

Nothing contained in these regulations shall limit or otherwise affect the inherent powers of the Commission from adopting a procedure, which is at variance with any of the provisions of these regulations, if the Commission, in view of the special circumstances of the matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient to depart from the procedure specified in these regulations.

52. Enquiry and Investigation

All enquiries, investigations and adjudications under these regulations shall be done by the Commission in accordance with the provisions of the Conduct of Business Regulations.

53. Repeal and Savings

(1) The Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2007 are hereby repealed.

(2) Notwithstanding such repeal-

- (a) anything done or any action taken or purported to have been done or taken under the repealed regulations shall, in so far as it is not inconsistent with the provisions of these regulations, be deemed to have been done or taken under the corresponding provisions of these regulations;
- (b) the provisions concerning the tariff order made for the control period ending on the 31st March, 2011 and the provisions for conduct of the proceedings (including review petitions) for its revocations, variation or alternation as, stood before such repeal, shall continue to be in force.;
- (c) the provisions relating to the State Load Despatch Centre (SLDC) Fees and Charges, as contained in Part-V of the repealed regulations shall continue to apply till the Commission notifies separate regulations covering the said aspects.

By Order of the Commission,
Sd/-
Secretary

**{Schedule I of Depreciation;
Schedule II: Computation of Availability Factor
– refer to HPERC web site}**



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