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भाग—IV

PART—IV

राष्ट्रीय राजधानी राज्य क्षेत्र, दिल्ली सरकार

GOVERNMENT OF THE NATIONAL CAPITAL TERRITORY OF DELHI

राजस्व विभाग

अधिसूचना

दिल्ली, 30 मई, 2007

Distribution Tariff Regulation



DELHI ELECTRICITY REGULATORY COMMISSION

MAY, 2007

Wheeling & Retail Supply Tariff Regulations

- (i) Determined by apportionment or allocation between different businesses of the Licensee including the Licenced Business, together with a description of the basis of the apportionment or allocation; or
 - (ii) Charged from or to each such Other Business together with a description of the basis of that charge;
- (d) “**Base Year**” means the Financial Year immediately preceding first year of the Control Period and used for purposes of these Regulations;
- (e) “**Commission**” means the Delhi Electricity Regulatory Commission;
- (f) “**Conduct of Business Regulations**” means the Delhi Electricity Regulatory Commission Comprehensive (Conduct of Business) Regulations, 2001, as amended from time to time;
- (g) “**Control Period**” means a multi-year period fixed by the Commission, from the date of issuing Multi Year Tariff order till 31st March 2011;
- (h) “**Financial Year**” means a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;
- (i) “**Licence**” means a Licence granted under Section 14 of the Act;
- (j) “**Licenced Business**” shall mean the functions and activities, which the Licensee is required to undertake in terms of the Licence granted or being a deemed Licensee under the Act;
- (k) “**Licensee**” means a person who has been granted a Licence and shall include a deemed Licensee;
- (l) “**Non-Tariff Income**” means income relating to the Licenced business other than from tariff (Wheeling and Retail Supply), and excluding any income from Other Business, cross-subsidy surcharge and additional surcharge;
- (m) “**Other Business**” means any business of the Licensee other than the Licenced Business;
- (n) “**Retail Supply Business**” means the business of sale of electricity by a Distribution Licensee to the category of consumers within the area of supply in accordance with the terms of the Licence for distribution and retail supply of electricity;
- (o) “**Retail Supply Tariff**” is the rate charged by the Distribution Licensee for supply to Non-open access Customers which includes charges for Wheeling and Retail Supply;

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- (p) “**Trading Business**” means the business of purchase of electricity by the Distribution Licensee for resale of electricity to other Licensee or consumers or category of consumers outside the area of supply of the Distribution Licensee;
- (q) “**Wheeling**” means the operation whereby the distribution system and associated facilities of a Distribution Licensee, are used by another person for the conveyance of electricity on payment of charges to be determined under section 62;
- (r) “**Wheeling Business**” means the business of operating and maintaining a distribution system for conveyance of electricity in the area of supply of the Distribution Licensee.

2.2 Words and expressions used and not defined in these Regulations but defined in the Act shall have the meanings respectively assigned to them in the Act.

2.3 All proceedings under these Regulations shall be governed by the Conduct of Business Regulations.

A3: SCOPE OF REGULATIONS AND EXTENT OF APPLICATION

3.1 In accordance with the principles laid out in these Regulations, the Commission shall determine the tariff for –

- (a) Wheeling of electricity, i.e. Wheeling Tariff;
- (b) Retail sale of electricity, i.e. Retail Supply Tariff;

Provided that in case of distribution of electricity in the same area by two or more Distribution Licensees, the Commission may, for promoting competition among Distribution Licensees, fix only maximum ceiling of tariff for retail sale of electricity;

Provided further that where the Commission has permitted open access to any category of consumers under Section 42 of the Act, the Commission shall determine the Wheeling Tariff, cross-subsidy surcharge, additional surcharge and other open access related charges in accordance with these Regulations and Delhi Electricity Regulatory Commission (Terms and Conditions of Open Access) Regulations, 2005.

3.2 In accordance with the principles laid out in these Regulations, the Commission shall determine the Aggregate Revenue Requirement (ARR) and Tariff for

- (a) Wheeling Business; and
- (b) Retail Supply Business.

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- 3.3 The ARR determined for the Wheeling Business shall be used to fix the Wheeling Tariff.
- 3.4 The ARR determined for Retail Supply Business shall be used to fix the Retail Supply Tariff for retail sale of electricity.
- 3.5 These Regulations shall apply to all the Distribution Licensees in the National Capital Territory of Delhi. The Commission shall issue separate Notification for timelines on applicability of these Regulations to Military Engineering Services (MES).

A4: GENERAL APPROACH AND GUIDING PRINCIPLES

- 4.1 The Commission shall adopt Multi Year Tariff framework for approval of ARR and expected revenue from tariffs and charges. The Control Period shall commence from the date of issue of the Multi Year Tariff Order and shall extend till 31 March, 2011.
- 4.2 The Multi Year Tariff framework shall be based on the following:
 - (a) Business Plan of the Distribution Licensee for the entire Control Period to be submitted to the Commission for approval, prior to the start of the Control Period;
 - (b) Applicant's forecast of expected Wheeling Tariff and Retail Supply Tariff for each year of the Control Period, based on reasonable assumptions of the underlying financial and operational parameters, as submitted in the Business Plan;
 - (c) 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;
 - (d) Annual review of performance shall be conducted vis-à-vis the approved forecast and categorization of variations in performance into controllable factors and uncontrollable factors;
 - (e) Profit sharing shall be applied on the profits arising from the Distribution Licensee's better performance vis-à-vis AT&C loss targets specified by the Commission;
 - (f) Variation in revenue / cost on account of uncontrollable factors like sales and power purchase shall be trued up.

Segregation of Wheeling and Retail Supply Business

- 4.3 The Distribution Licensee shall segregate the accounts of the Licenced business into Wheeling Business and Retail Supply Business. The ARR for Wheeling Business shall be used to determine Wheeling Charges and the ARR for Retail Supply Business to determine Retail Supply Tariff.
- 4.4 For such period until accounts are segregated, the Licensees shall prepare an Allocation Statement to apportion costs and revenues to respective business. The Allocation Statement, approved by the Board of Directors of the Licensee, shall be accompanied with an explanation of the methodology which should be consistent over the Control Period.

Baseline

- 4.5 The baseline values (operating and cost parameters) for the Control Period shall be determined by the Commission and shall be based on the approved values by the Commission, latest audited accounts, estimate of the actuals for the relevant year, prudence check and other factors considered appropriate by the Commission.
- 4.6 The Commission shall normally not revisit the performance targets even if the targets are fixed on the basis of un-audited accounts.

Targets for Controllable Parameters

- 4.7 The Commission shall set targets for each year of the Control Period for the items or parameters that are deemed to be “controllable” and which include;
- (a) AT&C Loss, which shall be measured as the difference between the units input into the distribution system and the units realised (units billed and collected) wherein the units realised shall be equal to the product of units billed and collection efficiency;
 - (b) Distribution losses, which shall be measured as the difference between total energy input for sale to all its consumers and sum of the total energy billed in its Licence area in the same year;
 - (c) Collection efficiency, which shall be measured as ratio of total revenue realised to the total revenue billed for the same year. The revenue realisation from arrears relating to the DVB period, electricity duty and late payment surcharge shall be included for computation of collection efficiency;
 - (d) Operation and Maintenance Expenditure which includes employee expenses, repairs and maintenance expenses, administration and general expenses and other miscellaneous expenses viz. audit fees, rents, legal fees etc;
 - (e) Return on Capital Employed;

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- (f) Depreciation;
- (g) Quality of Supply.

4.8 The target AT&C loss levels to be achieved by the Distribution Licensees at the end of the Control Period shall be as follows:

- (i) NDPL – AT&C Loss level shall be at 17 percent;

Provided that the year wise loss reduction trajectory for the Control Period shall be fixed for the Distribution Licensee in the Multi Year Tariff Order for 2007-08;

Provided that profits arising from achieving loss level better than specified in the loss reduction trajectory shall be equally shared between the Licensee and Contingency Reserve;

Provided that profits arising from achieving loss level better than 15% in any year shall be completely to the account of the Licensee;

Provided that the loss targets and year wise loss reduction trajectory for subsequent Control Periods shall be specified by the Commission before the start of each Control Period;

- (ii) BRPL – AT&C Loss level shall be at 17 percent;

Provided that the year wise loss reduction trajectory for the Control Period shall be fixed for the Distribution Licensee in the Multi Year Tariff Order for 2007-08;

Provided that profits arising from achieving loss level better than specified in the loss reduction trajectory shall be equally shared between the Licensee and Contingency Reserve;

Provided that profits arising from achieving loss level better than 15% in any year shall be completely to the account of the Licensee;

Provided that the loss targets and year wise loss reduction trajectory for subsequent Control Periods shall be specified by the Commission before the start of each Control Period;

- (iii) BYPL – AT&C Loss level shall be at 22 percent;

Provided that the year wise loss reduction trajectory for the Control Period shall be fixed for the Distribution Licensee in the Multi Year Tariff Order for 2007-08;

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Provided that profits arising from achieving loss level better than specified in the loss reduction trajectory shall be equally shared between the Licensee and Contingency Reserve;

Provided that profits arising from achieving loss level better than 20% in any year shall be completely to the account of the Licensee;

Provided that the loss targets and year wise loss reduction trajectory for subsequent Control Periods shall be specified by the Commission before the start of each Control Period;

(iv) NDMC – AT&C Loss level shall be at 10 percent;

Provided that the year wise loss reduction trajectory for the Control Period shall be fixed for the Distribution Licensee in the Multi Year Tariff Order for 2007-08;;

Provided that profits arising from achieving loss level better than specified in the loss reduction trajectory shall be equally shared between the Licensee and Contingency Reserve;

Provided that profits arising from achieving loss level better than 9% in any year shall be completely to the account of the Licensee;

Provided that the loss targets and year wise loss reduction trajectory for subsequent Control Periods shall be specified by the Commission before the start of each Control Period.

4.9 Any financial loss on account of under performance with respect to AT&C targets shall be to the Licensee's account.

Sales Forecast

4.10 The Commission based on the Licensee's filings, shall examine the forecasts for reasonableness and consistency, and shall approve the sales forecast for each year of the Control Period.

4.11 Sales shall be treated as uncontrollable. The open access transactions shall not form part of sales.

4.12 Power purchase quantum and cost for any Financial Year shall be computed on the basis of AT&C loss targets and the estimated sales.

Capital Investment

- 4.13 The Commission shall approve capital investment plan of the Licensees for the Control Period commensurate with load growth, distribution loss reduction and quality improvement proposed in the Business Plan. The investment plan shall also include corresponding capitalisation schedule and financing plan.
- 4.14 The Commission shall review the actual capital investment at the end of each year of the Control Period. Adjustment to depreciation and return on capital employed for the actual capital investment vis-à-vis approved capital investment shall be done at the end of Control Period.

Quality of Supply and Customer Service

- 4.15 The quality of supply and the customer service parameters shall be monitored as per the norms to be prescribed by the Commission separately from time to time. For certain parameters listed in clause 7.2, the Commission shall monitor Licensee's performance with respect to the targets specified.

True Up

- 4.16 The true up across various controllable and uncontrollable parameters shall be conducted as per principle stated below:
- (a) Variation in revenue / expenditure on account of uncontrollable sales and power purchase shall be trued up every year;
 - (b) For controllable parameters,
 - (i) Any surplus or deficit on account of O&M expenses shall be to the account of the Licensee and shall not be trued up in ARR; and
 - (ii) Depreciation and RoCE shall be trued up at the end of Control Period.

Contingency Reserve

- 4.17 The Regulation provides for maintaining tariff stability and passing the benefits achieved to the consumers under the Multi Year Tariff framework via. Contingency Reserve.
- 4.18 The Licensee shall create a Contingency Reserve at the beginning of the Control Period. The revenue surplus, if any, generated by individual Licensees in and up to FY 2006-07 shall be transferred to their respective Contingency Reserves at the beginning of the Control Period.

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- 4.19 The Licensees shall maintain separate accounts in their books and reflect the balance in the Contingency Reserve Account in the balance sheet. There shall be yearly additions and draws to/from these Contingency Reserve accounts based on the annual review and performance of the Licensees.
- 4.20 Fund under Contingency Reserve shall be kept in a separate bank account and shall be effectively invested and managed to earn returns based on market conditions ensuring adequate liquidity. This fund shall not be utilized for speculative purposes. The use of these funds in any other manner shall be only with the prior approval of the Commission.

A5: PRINCIPLES FOR DETERMINATION OF ARR

ARR for Wheeling Business

- 5.1 The Aggregate Revenue Requirement for the Wheeling Business of the Distribution Licensees for each year of the Control Period, shall contain the following items;
- (a) Operation and Maintenance expenses;
 - (b) Return on Capital Employed;
 - (c) Depreciation;
 - (d) Income Tax;
 - (e) Non-Tariff Income; and
 - (f) Income from Other Business

Operation and Maintenance Expenses

- 5.2 Operation and Maintenance (O&M) expenses shall include:
- (a) Salaries, wages, pension contribution and other employee costs;
 - (b) Administrative and General expenses;
 - (c) Repairs and Maintenance; and
 - (d) Other miscellaneous expenses, statutory levies and taxes (except corporate income tax).

Wheeling & Retail Supply Tariff Regulations

5.3 The Licensee shall submit the O&M expenses for the Control Period as prescribed in multiyear tariff filing procedure. The O&M expenses for the Base Year shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the Licensees, estimates of the actuals for the Base Year, prudence check and any other factor considered appropriate by the Commission.

5.4 O&M expenses permissible towards ARR for each year of the Control Period shall be determined using the formula detailed below. The R&M expenses are linked to the Gross Fixed Assets, while the employee expenses and A&G expenses are linked to an Inflation Index, as shown below:

(a) $O\&M_n = (R\&M_n + EMP_n + A\&G_n) * (1 - X_n)$

(i) Where, $R\&M_n = K * GFA_{n-1}$;

(ii) $EMP_n + A\&G_n = (EMP_{n-1} + A\&G_{n-1}) * (INDX_n / INDX_{n-1})$; and

(iii) $INDX_n = 0.55 * CPI_n + 0.45 * WPI_n$

Where

(b) 'K' is a constant (could be expressed in %) governing the relationship between O&M costs and gross fixed assets (GFA) for the nth year. Value of K shall be determined by the Commission in the MYT Tariff order based on Licensee's filing, benchmarking, approved cost by the Commission in past and any other factor the Commission feels appropriate;

(c) $INDX_n$ - Inflation Factor to be used for indexing can be taken as a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) for immediately preceding five years;

(d) EMP_n – Employee Costs of the Licensee for the nth year;

(e) $A\&G_n$ – Administrative and General Costs of the Licensee for the nth year;

(f) $R\&M_n$ – Repair and Maintenance Costs of the Licensee for the nth year;

(g) X_n is an efficiency factor for nth year. Value of X_n shall be determined by the Commission in the MYT Tariff order based on Licensee's filing, benchmarking, approved cost by the Commission in past and any other factor the Commission feels appropriate.

Return on Capital Employed

5.5 Return on Capital Employed (RoCE) shall be used to provide a return to the Distribution Licensee, and shall cover all financing costs, without providing separate allowances for interest on loans and interest on working capital.

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- 5.6 The Regulated Rate Base (RRB) shall be used to calculate the total capital employed which shall include the original cost of assets and working capital, less the accumulated depreciation. Capital work in progress (CWIP) shall not form part of the RRB. Consumer Contribution, capital subsidies / grants shall be deducted in arriving at the RRB.
- 5.7 The RRB shall be determined for each year of the Control Period at the beginning of the Control Period based on the approved capital investment plan with corresponding capitalisation schedule and normative working capital.
- 5.8 The Regulated Rate Base for the i^{th} year of the Control Period shall be computed in the following manner:

$$RRB_i = RRB_{i-1} + \Delta AB_i / 2 + \Delta WC_i;$$

Where,

' i ' is the i^{th} year of the Control Period, $i = 1, 2, 3, 4$ for the first Control Period;

RRB_i : Regulated Rate Base for the i^{th} year of the Control Period;

ΔAB_i : Change in the Regulated Rate Base in the i^{th} year of the Control Period. This component shall be the average of the value at the beginning and end of the year as the asset creation is spread across a year and is arrived at as follows:

$$\Delta AB_i = Inv_i - D_i - CC_i;$$

Where,

Inv_i : Investments projected to be capitalised during the i^{th} year of the Control Period and approved;

D_i : Amount set aside or written off on account of Depreciation of fixed assets for the i^{th} year of the Control Period;

CC_i : Consumer Contributions pertaining to the ΔRRB_i and capital grants/subsidies received during i^{th} year of the Control Period for construction of service lines or creation of fixed assets;

RRB_{i-1} : Regulated Rate Base for the Financial Year preceding the i^{th} year of the Control period. For the first year of the Control Period, RRB_{i-1} shall be the Regulated Rate Base for the Base Year i.e. RRB_0 ;

$$RRB_0 = OCFA_0 - AD_0 - CC_0;$$

Where;

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OCFA₀: Original Cost of Fixed Assets at the end of the Base Year available for use and necessary for the purpose of the Licenced business;

AD₀: Amounts written off or set aside on account of depreciation of fixed assets pertaining to the regulated business at the end of the Base Year;

CC₀: Total contributions pertaining to the OCFA₀, made by the consumers towards the cost of construction of distribution/service lines by the Distribution Licensee and also includes the capital grants/subsidies received for this purpose;

ΔWC_i : Change in normative working capital requirement in the i^{th} year of the Control Period, from the $(i-1)^{\text{th}}$ year. For the first year of the Control Period ($i=1$), ΔWC_1 shall be taken as the normative working capital requirement of the first year. Working capital for Wheeling of electricity shall consist of

- i) Receivables for two months of Wheeling Charges; and
- ii) Operation and maintenance expenses for one month.

5.9 Return on Capital Employed (RoCE) for the year 'i' shall be computed in the following manner:

$$RoCE = WACC_i * RRB_i$$

Where,

WACC_i is the Weighted Average Cost of Capital for each year of the Control Period;

RRB - Regulated Rate Base is the asset base for each year of the Control Period based on the capital investment plan and working capital.

5.10 The WACC for each year of the Control Period shall be computed at the start of the Control Period in the following manner:

$$WACC = \left[\frac{D/E}{1 + D/E} \right] * r_d + \left[\frac{1}{1 + D/E} \right] * r_e$$

Where,

D/E is the Debt to Equity Ratio and for the purpose of determination of tariff, debt-equity ratio as on the Date of Commercial Operation in case of new distribution line or substation or capacity expanded shall be 70:30. 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 notional loan. 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 Licensee for the respective years and shall be further limited to the prescribed rate of return on equity in the Regulations. Where actual equity employed is less than 30%, the actual equity and debt shall be considered.

r_d is the Cost of Debt and shall be determined at the beginning of the Control Period after considering Licensee's proposals, present cost of debt already contracted by the Licensee, and other relevant factors (risk free returns, risk premium, prime lending rate etc.);

r_e is the Return on Equity and shall be determined at the beginning of the Control Period after considering CERC norms, Licensee's proposals, previous years' D/E mix and other relevant factors. The cost of equity for the Wheeling Business shall be considered at 14% post tax.

- 5.11 The Distribution Licensee shall make every effort to refinance the loan as long as it results in net benefit to the consumers. The cost associated with such refinancing shall be borne by the consumers and any benefit on account of refinancing of loan and interest on loan shall be passed on to the consumers. Refinancing may also include restructuring of debt.
- 5.12 In case any moratorium period is availed by the Licensee, 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 shall be calculated accordingly.

Depreciation

- 5.13 Depreciation shall be calculated for each year of the Control Period, on the amount of Original Cost of the Fixed Assets considered for calculation of the Regulated Rate Base of the corresponding year;

Provided that depreciation shall not be allowed on assets funded by any capital subsidy / grant.

- 5.14 Depreciation for each year of the Control Period shall be determined based on the methodology as specified in these Regulations along with the rates and other terms specified in Appendix 1 of these Regulations.

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- 5.15 Depreciation shall be calculated annually, based on the straight line method, over the useful life of the asset. The base value for the purpose of depreciation shall be original cost of the asset.
- 5.16 The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset. Land is not a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset.
- 5.17 Depreciation shall be charged from the first year of operation of the asset. In case, the operation of the asset is for a part of the year, depreciation shall be charged on a pro rata basis.
- 5.18 In addition to allowable depreciation, the Distribution Licensee shall be entitled to Advance Against Depreciation, computed in the manner given hereunder:
- AAD = Loan (raised for capital expenditure) repayment amount based on loan repayment tenure, subject to a ceiling of 1/10th of loan amount minus depreciation as calculated on the basis of these Regulations;
- Provided that Advance Against Depreciation shall be permitted only if the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year;
- Provided further that Advance Against Depreciation in a year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation up to that year.
- 5.19 On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.

Corporate Income Tax

- 5.20 Income Tax, if any, on the Licenced business of the Distribution Licensee shall be treated as expense and shall be recoverable from consumers through tariff. However, tax on any income other than that through its Licenced business shall not be a pass through, and it shall be payable by the Distribution Licensee itself.
- 5.21 The income tax actually payable or paid shall be included in the ARR. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.
- 5.22 Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed. However any tax liability on incentives due to improved performance shall not be considered.

Non-Tariff Income

- 5.23 All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, meter rent (if any), income from investments other than contingency reserves, miscellaneous receipts from the consumers and income to Licenced business from the Other Business of the Distribution Licensee shall constitute Non-Tariff Income of the Licensee.
- 5.24 Interest on security deposits, in excess of the rate specified by the Commission in the “Delhi Electricity Supply Code and Performance Standards Regulations, 2007” shall be considered as Non Tariff income of the Licensees.
- 5.25 The amount received by the Licensee on account of Non-Tariff Income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of such Licensee.

Other Income of Licensee

- 5.26 Where the Licensee is engaged in any other business, the income from such business will be calculated as per “DERC Treatment of Income from Other Business of Transmission Licensee and Distribution Licensee Regulation, 2005” and shall be deducted from the Aggregate Revenue Requirement in calculating the revenue requirement of the Licensee;

Provided that the Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Distribution Business and the Other Business and shall submit the Allocation Statement as approved by the 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 exceed 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.

Net Aggregate Revenue Requirement

- 5.27 The Net Aggregate Revenue Requirement of the Licensee eligible for recovery during each year of the Control Period shall be determined after deducting from the Aggregate Revenue Requirement, the Non-Tariff Income and Other Income.

ARR for Retail Supply Business

- 5.28 The Aggregate Revenue Requirement for the Retail Supply Business of the Distribution Licensee, for each year of the Control Period, shall contain the following items;

Wheeling & Retail Supply Tariff Regulations

- (a) Cost of power procurement;
- (b) Transmission & Load Dispatch charges;
- (c) Supply Margin; and
- (d) Corrections for “uncontrollable” factors.

Cost of Power Procurement

- 5.29 Quantum of Power Purchase - The Licensees shall forecast sales for each customer category and sub-categories for all years of the Control Period in their Business Plan filings, for the Commission’s review and approval. The Commission approved category-wise sales forecast shall be applied along with AT&C loss trajectory for estimating the Licensees’ power procurement requirement for each year of the Control Period.
- 5.30 Distribution Licensee shall be allowed to recover the cost of power it procures from sources approved by the Commission, viz. Intra-state and Inter-state Trading Licensees, Bilateral Purchases, Bulk Suppliers, State generators, Independent Power Producers, Central generating stations, non-conventional energy generators, generation business of the Distribution Licensee and others, for supply to consumers of Retail Supply Business;

Provided that the Distribution Licensee shall propose the cost of power procurement taking into account the fuel adjustment formula specified for the generating stations and net revenues through bilateral exchanges and Unscheduled Interchange (UI) transactions;

Provided further that where the Licensee utilises a part of the power purchase approved or bulk supply allocated or contracted for the Retail Supply Business for its Trading Business, the Distribution Licensee shall provide an Allocation Statement clearly specifying the cost of power purchase that is attributable to such trading activity.

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AT&C Losses

- 5.31 The Licensee shall propose loss reduction trajectory for each year of the Control Period based on targets specified in clause 4.8 of these Regulations. For any year of the Control Period, loss reduction should be at least 20% of the total loss reduction target for the Control Period. The Commission shall examine the filings made by the Licensee for the AT&C loss trajectory for each year of the Control Period and approve the same with modification as considered necessary.

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- 5.32 In case the actual AT&C loss is worse than the loss level approved by the Commission, the Licensee has to absorb the financial loss arising from such performance.

Distribution Loss

- 5.33 The Licensee shall propose baseline distribution loss levels and loss reduction trajectory for each year of the Control Period.
- 5.34 The Distribution Licensee shall also propose voltage-wise losses for each year of the Control Period for the determination of voltage-wise cost of supply and determination of voltage-wise Wheeling Tariff. The Commission shall examine the filings made by the Licensee for the distribution loss trajectory for each year of the Control Period.

Transmission, Load Despatch & Wheeling Charges

- 5.35 The Distribution Licensee shall be allowed to recover transmission and load despatch charges payable to the Transmission Licensees (Central Transmission Utility, State Transmission Utility etc.) and System Operators (Regional Load Despatch Centre, State Load Despatch Centre etc.) for access to and use of the inter-state transmission system, intra-state transmission system and availing load despatch services in accordance with the tariffs approved from time to time by CERC and appropriate State Commissions, as the case may be.
- 5.36 The Distribution Licensee shall also be allowed to recover the Wheeling Charges in case the distribution network of other Distribution Licensee is used for procurement of power for the Retail Supply Business.

Working Capital

- 5.37 Working capital for retail supply of electricity shall consist of
- (a) Receivables for two months of revenue from sale of electricity; and
 - (b) Operation and maintenance expenses for one month;
 - (c) Less: power purchase costs for one month.

Supply Margin

- 5.38 The Commission shall specify a retail supply margin for the Retail Supply Business in MYT order based on the Allocation Statement provided by the Distribution Licensee. The costs allocated to Retail Supply Business as per Allocation Statement shall be considered while determining supply margin.

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- 5.39 The Commission shall specify the retail supply margin in such manner that the return from the Wheeling Business and Retail Supply Business shall not exceed 16% of equity.

Corrections for uncontrollable factors

- 5.40 The Licensee shall file its proposals for the pass through of gains/losses on variations in “uncontrollable” items of ARR. The Licensee shall also furnish the details of the “controllable items” of the ARR for scrutiny of the Commission.

Truing Up Mechanism

- 5.41 These Regulations do not provide for any truing up for controllable items.
- 5.42 Variations on account of uncontrollable items like energy sales and power purchase cost shall be trued up. Truing-up shall be carried out for each year based on the actual/audited information and prudence check by the Commission;

Provided that if such variations are large, and it is not feasible to recover in one year alone, the Commission may take a view to create a regulatory asset, as per the guidelines provided in clause 8.2.2 of the National Tariff Policy.

- 5.43 The Regulations also provide for creation of a Contingency Reserve (CR) at the beginning of the Control Period in the ARR. The Licensee shall be permitted to use funds from such provision, with the prior approval of the Commission, to compensate the uncontrollable variations instead of tariff adjustments and thereby ensuring tariff stability in the Control Period.
- 5.44 The Commission, to ensure tariff stability, may include the trued-up costs in the subsequent Control Period’s ARR instead of including in the year succeeding the relevant year of the Control Period.

A6: INCOME FROM CROSS-SUBSIDY SURCHARGE AND ADDITIONAL SURCHARGE ON CHARGES OF WHEELING

- 6.1 The amount received or to be received by the Licensee on account of cross-subsidy surcharge and additional surcharge, as approved by the Commission from time to time in accordance with the Delhi Electricity Regulatory Commission (Terms and Conditions of Open Access) Regulations 2005 shall be shown separately against the consumer category that is permitted open access as per the phasing plan.
- 6.2 Cross-subsidy surcharge and additional surcharge shall be shown as revenue from tariff from the consumer categories permitted open access in accordance with the Delhi Electricity Regulatory Commission (Terms and Conditions of Open Access) Regulations 2005 and such amount shall be utilized to meet the cross-subsidy requirements of subsidised categories and fixed costs of the Licensee arising out of his obligation to supply. The Licensee shall provide such details in its annual filings.

A7: QUALITY OF SUPPLY AND SERVICES

- 7.1 The quality of supply and the customer service parameters shall be monitored as per the norms specified by the Commission from time to time.
- 7.2 The Licensee shall propose baseline and performance trajectory for all quality parameters as specified in the Delhi Electricity Supply Code and Performance Standards Regulations, 2007
- 7.3 The Commission shall make an assessment on reliability of baseline data and may prescribe the performance trajectory for each identified parameter for the Control Period. The Commission shall develop a performance framework to encourage Licensees to improve quality of supply and services.
- 7.4 The Licensee shall submit the performance on each parameter in the form and manner directed by the Commission. The Commission shall conduct periodic reviews on the performance of the Licensee with respect to quality parameters.

A8: MULTI YEAR TARIFF PROCESS

- 8.1 The Multi Year Tariff filing shall be in such form and in such manner as may be decided by the Commission and as per the provisions of Conduct of Business Regulations.
- 8.2 The Licensee shall also submit the Multi Year Tariff filing in electronic format to the Commission.

Multi-Year Filings for the Control Period

Beginning of the Control Period - Business Plan Filings

- 8.3 The Distribution Licensee shall file for the Commission's approval, on 1st April of the year preceding the first year of the Control Period or any other date as may be directed by the Commission, a Business Plan approved by the Board of Directors. The Business Plan shall be for the entire Control Period and shall, inter alia, contain;
 - (a) Sales/Demand Forecast for each customer category and sub-categories for each year of the Control Period;
 - (b) AT&C Loss reduction trajectory along with distribution loss trajectory and collection efficiency for each year of the Business Plan;
 - (c) Power Procurement Plan based on the sales forecast and distribution loss trajectory for each year of the business plan period. The power procurement plan should also include Energy Efficiency and Demand Side Management measures;

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- (d) The Capital Investment Plan shall take into account the sales/demand forecast, power procurement plan, distribution loss trajectory, targets for quality of supply, etc. The investment plan shall be consistent with the perspective plan drawn by the State Transmission Utility, and shall include the corresponding capitalisation schedule and financing plan;
- (e) The appropriate capital structure and cost of financing (interest on debt) and return on equity, terms of the existing loan agreements, etc;
- (f) The Operation and Maintenance (O&M) costs estimated for the Base Year and two years prior to the Base Year with complete details, together with the forecast for each year of the Business Plan Period based on the proposed efficiency in operating costs, norms for O&M cost allowance including indexation and other appropriate mechanism;
- (g) Details of depreciation based on the fair life of the asset and capitalisation schedules for each year of the Control Period;
- (h) A set of targets proposed for other controllable items such as collection efficiency, bad debts, working capital, quality of supply targets, etc. The targets shall be consistent with the capital investment plan proposed by the Licensee;
- (i) Proposals for other items such as external parameters used for indexation (inflation, etc);
- (j) The filings in addition to the Business Plan period, shall also contain the data for the cost and revenue parameters for the 2002 – 2007 period.

Annual Filings during the Control Period – ARR and Tariff Filings

- 8.4 The Distribution Licensee shall file an application for approval of Wheeling Tariff and Retail Supply Tariff for each year of the Control Period, 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.
- 8.5 The Wheeling 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 specify the distribution losses voltage-wise to provide for adjustment of losses in the system.
- 8.6 The filings for Wheeling Tariff shall contain the following:
 - (a) The Distribution system or network usage forecast for each year of the Control Period consistent with the Business Plan;

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- (b) Proposals for computation of tariffs for Wheeling of electricity for each of the years of the Control Period, including the losses and the procedure thereof;
- (c) Proposals for Non-Tariff Income with item-wise description and details;
- (d) Proposals in respect of income from Other Businesses like Consultancy Services, Convergence, Training Facilities, etc;
- (e) The proposed Wheeling Tariff shall be voltage-wise;
- (f) Expected Revenue from the proposed Wheeling Tariff including additional surcharge, etc.

8.7 The filings for Retail Supply Tariff shall contain the following:

- (a) Licensee shall submit proposal for retail sale of electricity for the consumers pertaining to Retail Supply Business, which shall include tariffs for each consumer category, slab-wise and voltage wise. The proposed tariff may also be based on energy charges, demand charges, minimum charges, etc along with the tariff rationalization measures;
- (b) Proposals for Non-Tariff Income with item-wise description and details;
- (c) Each tariff proposal submitted by the Distribution Licensee shall be supported with a cost-of-service model allocating the costs of the Licenced business to each category of consumers based on voltage-wise costs and losses;
- (d) The proposals of the Licensee should demonstrate that the tariffs are progressively reflecting the cost of supply;
- (e) Expected Revenue from the proposed Retail Supply Tariff, and other matters considered appropriate by the Distribution Licensee, including incentive schemes to consumers, cross subsidy surcharge, etc.

Review during the Control Period

8.8 The Distribution Licensee shall submit information as part of annual review on actual performance to assess its performance vis-à-vis performance targets approved by the Commission at the beginning of the Control Period.

8.9 The Licensee shall submit the revised ARR and corresponding tariff adjustments 120 days before the commencement of the Financial Year. The revised estimates shall be required because of true-up costs on account of uncontrollable variations, profit sharing mechanism for exceeding the targets, and implementation of performance framework for quality of supply targets.

Review at the end of the Control Period

- 8.10 Towards the end of the Control Period, the Commission shall seek to 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 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 second Control Period.
- 8.11 The end of the first Control Period shall be the beginning of the second Control Period and the Licensee shall follow the same procedure unless required otherwise by the Commission. The Commission shall analyse the performance of the Licensee with respect to the targets set out at the beginning of the first Control Period and based on the actual performance, expected efficiency improvements and other factors prevalent, determine the initial values for the next Control Period.

A9: GOVERNMENT SUPPORT FOR SOCIAL CAUSES

- 9.1 Any class of consumers, be it a consumer below the poverty line, school, hospital etc, desirous of seeking Government support by way of subsidy, shall approach the Government of NCT of Delhi for this purpose. It would be the discretion of the Government of NCT of Delhi to consider giving subsidy to any class of consumers it so desires;

Provided that the amount towards social causes and subsidy for a particular year of the Control Period shall be paid atleast in four equal quarterly instalments and in advance to the period to which it is applicable;

Provided further that no such direction of the State Government shall be operative if the subsidy payment is not made in accordance with the provisions contained in this section and the tariff fixed by the Commission shall be applicable from the date of issue of orders.

A10: DISPOSAL OF APPLICATION

- 10.1 The Commission shall process the filings made by the Distribution Licensee in accordance with these Regulations and the Conduct of Business Regulations.
- 10.2 Based on the Distribution Licensees' filings, objections/ suggestions from public and other stakeholders, the Commission may accept the application with such modifications and/or such conditions as may be deemed just and appropriate and issue, within 120 days of the receipt of the application and after considering all suggestions and objections from public and other stakeholders, an Order containing, inter alia targets for controllable items and the approved ARR for the Wheeling Business and the ARR for the Retail Supply Business along with the Wheeling Charges and Retail Supply Tariff.

A11: PERIODIC REVIEWS

- 11.1 To ensure smooth implementation of the Multi Year Tariff (MYT) Framework, the Commission may undertake periodic reviews of Licensees' performance during the Control Period, to address any practical issues, concerns or unexpected outcomes that may arise.
- 11.2 The Distribution Licensee shall submit information as part of annual review on actual performance to assess the performance vis-à-vis the targets approved by the Commission at the beginning of the Control Period. This shall include annual statements of its performance and accounts including latest available audited/actual accounts and the tariff worked out in accordance with these Regulations.
- 11.3 The Licensee shall submit the revised Aggregate Revenue Requirement and corresponding tariff adjustments 120 days before the commencement of the Financial Year.
- 11.4 The Commission may also specify any modifications to the forecast of the Distribution Licensee for the remainder of the Control Period, with detailed reasons for the same.

A12: TRUING UP FOR THE PERIOD UPTO THE COMMENCEMENT OF MYT ORDER

- 12.1 Performance review and adjustment of variations of the Distribution Licensees for year FY 2006-07 and period between 1st April 2007 and commencement of MYT tariff order shall be done based on the actual/audited information and prudence checks by the Commission and shall be considered during the Control Period.

A13: MISCELLANEOUS

Issue of Orders and Practice Directions

- 13.1 Subject to the provision of the Act and these Regulations, the Commission may, from time to time, issue Orders and Practice directions 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.
- 13.2 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 party, to determine the tariff of any Licensee.

Powers to remove difficulties

- 13.3 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 Licensee to do or undertake such things which appear to be necessary or expedient for the purpose of removing the difficulties.

Power of Relaxation

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

Interpretation

- 13.5 If a question arises relating to the interpretation of any provision of these Regulations, the decision of the Commission shall be final.

Saving of Inherent Powers of the Commission

- 13.6 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.

Enquiry and Investigation

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

Power to Amend

- 13.8 The Commission, for reasons to be recorded in writing, may at any time vary, alter or modify any of the provision of these Regulations by amendment.

(Somit Dasgupta)
Secretary

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Appendix 1: Depreciation Schedule

S. No	Asset Class	Useful Life (Years)	Rate (%)
1	Land owned under full title	Infinity	0
2	Land held under lease		
(A)	For investment in land	The period of lease or the period remaining unexpired on the Assignment of the lease	0
(B)	For cost of clearing site	The period of lease remaining unexpired at the date of clearing the site	0
3	Assets Purchased New		
(A)	Plant and machinery in generating stations including plant foundations		
(i)	Hydro-electric	35	2.57
(ii)	Steam-electric NHRS & Waste Heat Recovery Boilers / Plants	25	3.60
(iii)	Diesel electric & gas plant	15	6.00
(B)	Cooling towers and circulating water systems	25	3.60
(C)	Hydraulic works forming part of hydro-electric system including:		
(i)	Dams, spillways weirs, canals, reinforced concrete flumes & siphons	50	1.80
(ii)	Reinforced concrete pipelines and surge tanks, steel pipelines, sluice gates, steel surge (tanks) hydraulic control valves and other hydraulic works	35	2.57
(D)	Building & civil engineering works of a permanent character, not mentioned above:		
(i)	Offices & showrooms	50	1.80
(ii)	Containing thermo-electric generating plant	25	3.60
(iii)	Containing hydro-electric generating plant	35	2.57
(iv)	Temporary erection such as wooden structures	5	18.00
(v)	Roads other than kutchra roads	50	1.80
(vi)	Others	50	1.80
(E)	Transformers, transformer (kiosk) sub-station equipment & other fixed apparatus (including plant foundations)		
(i)	Transformers (including foundations) having a rating of 100 kilo volt amperes and over	25	3.60
(ii)	Others	25	3.60
(F)	Switchgear, including cable connections	25	3.60
(G)	Lightning arrestors:		

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S. No	Asset Class	Useful Life (Years)	Rate (%)
(i)	Station type	25	3.60
(ii)	Pole type	15	6.00
(iii)	Synchronous condenser	35	2.57
(H)	Batteries	5	18.00
(I)	Underground cable including joint boxes and disconnected boxes	35	2.57
(J)	Cable duct system	50	1.80
(K)	Overhead lines including supports:		
(i)	Lines on fabricated steel operating at nominal voltages higher than 66 kV	35	2.57
(ii)	Lines on steel supports operating at nominal voltages higher than 13.2 kV but not exceeding 66 kV	25	3.60
(iii)	Lines on steel or reinforced concrete supports	25	3.60
(iv)	Lines on treated wood supports	25	3.60
(L)	Meters	15	6.00
(M)	Self propelled vehicles	5	18.00
(N)	Air conditioning plants:		
(i)	Static	15	6.00
(ii)	Portable	5	18.00
(O)			
(i)	Office furniture and fittings	15	6.00
(ii)	Office equipments	15	6.00
(iii)	Internal wirings including fittings and apparatus	15	6.00
(iv)	Street Light fittings	15	6.00
(P)	Apparatus let on hire:		
(i)	Other than motors	5	18.00
(ii)	Motors	15	6.00
(Q)	Communication equipment		
(i)	Radio and higher frequency carrier systems	15	6.00
(ii)	Telephone lines and telephones	15	6.00
(R)	Assets purchased in second hand and assets not otherwise provided for in the schedule	Such reasonable period as the Commission determines in each case having regard to the nature, age and conditions of assets at the time of its acquisition by the owner	