JAMMU & KASHMIR
STATE ELECTRICITY REGULATORY COMMISSION (JKSERC)
406, BBC, Ward No. 03, behind Makeen Guest House, Shivpora, Srinagar-190004 (J&K).
Website: http://www.jkserc.nic.in & Email ID's: jkserc@gmail.com,

NOTIFICATION

No.: JKSERC/ 29 of 2013 **Dated: 02/07/2013**

In exercise of powers conferred on it by sub section (1) of section 138 and clauses (z), (zb), (zc) and (zd) of sub section (2) of section 138, read with sections 55, 56, and 71 of the J&K Electricity Act 2010 (Act XIII of 2010) and all other powers enabling it in that behalf, the J&K State Electricity Regulatory Commission has notified the Jammu and Kashmir State Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2012 vide Gazette Notification No.:JKSERC/ 22 of 2012 and the J&K State Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2012 vide Gazette Notification No.:JKSERC/21 of 2012.

In exercise of the power conferred by subsection (1) of section 138 of Jammu and Kashmir Electricity Act 2010 and the power to amend as contained in J&K State Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2012 and The Jammu and Kashmir State Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2012, the Commission hereby makes the following amendments to the said Regulations.

Chapter – I

1. Short title and commencement: - These Regulations may be called Jammu and Kashmir State Electricity Commission (Consolidated Amendments) Regulations, 2013.
2. They shall come into force on the date of publication in State Government Gazette.

Chapter – II

The following amendments are incorporated in the Jammu and Kashmir State Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2012 originally notified in the State Government Gazette on 06.09.12.

(i) **Amendments to Regulation 3.5.3 –** In the said Regulation, Non-tariff income is to be categorized as an "Uncontrollable" item instead of "Controllable" item. Also, Transmission System "Availability" may be mentioned explicitly as a "Controllable" item. The amended Regulation 3.5.3 shall be as follows:

"3.5.3 Controllable and Uncontrollable items of ARR:- The expenditure of the Transmission Licensee considered as "controllable" and "uncontrollable" shall be as follows:

Transmission Business	
ARR Item	***"Controllable"/"Uncontrollable"***
Operation & Maintenance expenses	*Controllable*
Employee Cost	*Controllable*
Admn. & General Expenses	*Controllable*
Interest & Finance Charges	*Controllable*
Expenses on account of Inflation	*Uncontrollable*
Return on Equity	*Controllable*
Depreciation	*Controllable*
Taxes on Income	*Uncontrollable*
Non-tariff income	***Uncontrollable***
Availability	***Controllable***

(ii) **Amendments to Regulation 4.9.1 –** The following proviso may be added after Regulation 4.9.1 (ii) of the said Regulations:

"Provided depreciation shall not be allowed on assets funded by capital subsidies, consumer contributions or grants." The amended Regulation 4.9.1 shall be as follows:

"4.9.1 Depreciation shall be computed in the following manner, namely:

(i) The value base for the purpose of depreciation shall be the historical cost of the asset.

(ii) Depreciation shall be calculated annually based on straight-line method over the useful life of the asset and at the rates specified in Appendix-2 to these Regulations.

Provided depreciation shall not be allowed on assets funded by capital subsidies, consumer contributions or grants.

(iii) The residual life of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the historical capital cost of the asset. Land is not a depreciable asset and its cost shall be excluded from the capital cost while computing 90% of the historical cost of the asset."

(iii) **Amendments to Regulation 4.10 –** In Regulation 4.10, it may be clarified that the return on equity shall be on post-tax basis. The amended Regulation 4.10 shall be as follows:

*“**4.10 RETURN ON EQUITY***

Return on equity shall be computed on the equity base determined in accordance with clause 4.7 above and shall be @ 15.5% ***(post-tax)*** *per annum.*

For the purpose of return on equity, any cash resources available to the Licensee from its share premium account or from its internal resources that are used to fund the equity commitments of the project under consideration shall be treated as equity subject to limitation contained in clause 4.7 above.”

(iv) **Amendments to Regulation 4.11.1 –** The following provisos may be added after Regulation 4.11.1 of the said Regulations:

“Provided one-time expenses such as expense due to change in accounting policy, arrears paid due to pay commissions etc., shall be excluded from the normative O&M expenses.”

“Provided the expenses beyond the control of the Transmission Licensee such as dearness allowance, terminal benefits in employee cost, shall be excluded from the normative O&M expenses.” The amended Regulation 4.11 shall be as follows:

“4.11 OPERATION AND MAINTENANCE EXPENSES

4.11.1 In the case of existing Transmission Licensee, the Licensee in its filings shall submit the consolidated O&M expenses for the Base Year of the Control Period and for the two years preceding the Base Year. The O&M expenses for the Base Year shall be determined based on the latest audited accounts, best estimates of Licensee of the actual O&M expenses for relevant years and other factors considered relevant. The O&M expenses for the Base Year, if required, will be used for projecting the expenses for each year of the control period. The Licensee shall also propose determination of the admissible O&M expenses on the basis of per ckt-km of lines and per bay of substation for the base year and appropriate Inflation Factor Norms for operation and maintenance expenses for the first control period.

Provided one-time expenses such as expense due to change in accounting policy, arrears paid due to pay commissions etc., shall be excluded from the normative O&M expenses determined above.

Provided the expenses beyond the control of the Transmission Licensee such as dearness allowance, terminal benefits in employee cost etc., shall be excluded from the normative O&M expenses determined above.

4.11.2 The O&M cost per ckt-km of lines and per substation bay for the Base Year of second and subsequent Control Periods shall be determined on the basis of actual O&M cost of lines and substations to be filed separately by the Licensee.”

Chapter – III

The following amendments are incorporated in the J&K State Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2012 originally notified in the State Government Gazette on 06.09.2012.

(i) **Amendments to Regulation 8.2 –** The following Proviso may be added after Regulation 8.2.

"Provided that truing up of expenses for any year shall be carried out on the basis of the audited annual accounts for the year subject to prudence check by the Commission." The amended Regulation 8.2 shall be as follows:

"8.2 The Licensee shall submit the Annual Performance Review Report as part of annual review on actual performance as per the timelines specified 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 the latest available audited/actual accounts and the tariff worked out in accordance with these Regulations.

"Provided that truing up of expenses for any year shall be carried out on the basis of the audited annual accounts for the year subject to prudence check by the Commission.

Provided that in case of an excruciating and extra-ordinary circumstances, at any time notwithstanding the Annual Review, the Distribution Licensee may file appropriate application before the Commission.

(ii) **Amendments to Regulations 12.1** – In Regulation 12.1 the words by "*30th September*" may be replaced by "*31st August*". The amended Regulations 12.1 shall be as follows:

"12.1 An application for approval of the Business Plan shall be made by ***31st August*** *of the year prior to the commencement of the Control Period, and accompanied by such fee payable, as specified in the J&K State Electricity Regulatory Commission (Conduct of Business Regulations, 2005)".*

Provided that where no separate fees has been specified for filing of a Business Plan, the applicant shall pay fees as may be applicable for filing miscellaneous applications.

(iii) **Amendments to Regulation 13.1 –** In Regulation 13.1 the words *"within thirty (30) days from receipt"* may be replaced with the *"within sixty (60) days from receipt"*. The amended Regulation 13.1 shall be as follows:

"13.1 An Order approving or rejecting the Business Plan shall, as far as practicable, be issued within ***sixty (60) days*** *from receipt of a complete Business Plan."*

(iv) **Amendments to Regulation 18.1 –** In Regulation 18.1 it may also be specified that the Commission shall approve targets for collection efficiency for the licensee. Further, it may be specified that in absence of data for estimation of baseline for circle-wise distribution loss and collection efficiency, the Commission shall approve the targets for distribution loss and collection efficiency for the licensee as a whole. The amended Regulation 18.1 shall be as follows:

*"**18.1 Distribution Loss and Collection efficiency***

*Distribution loss **and collection efficiency** shall be considered as a controllable parameter. Based on the assessment of metered and un-metered sales as per Regulations 16 and 17 of these regulations, the Commission shall update existing baseline of distribution losses:*

*Provided that circle-wise distribution loss reduction targets **and collection efficiency targets** shall be approved by the Commission. On the basis of circle-wise distribution loss, circle-wise differential tariff by way of separate and distinct distribution loss surcharge shall also be implemented by the Commission.*

Provided that if the data for determination of baseline circle-wise distribution loss and collection efficiency is not available, distribution loss reduction targets and collection efficiency targets for the licensee as a whole shall be approved by the Commission."

(v) **Amendments to Regulation 19 (d) –**. In the proviso to Regulation 19 (d), the words "*additional power shall be **allowed***" may be replaced with "*additional power shall be **capped***". The amended Regulation 19 (d) shall be as follows:

" (d) If there is a short term requirement of power by the Distribution Licensee over and above the quantum as approved by the Commission and such requirement is on account of any factor beyond the control of the Licensee (shortage/non availability of fuel, snow capping of hydro resources inhibiting power generation in sources stipulated in the plan, unplanned/forced outages of power generating units or acts of God), then the cost shall be directly passed on to the customer without prior approval of the Commission :

*Provided that the cost of the additional power shall be **capped** at the weighted average price of power exchange rates and bilateral market purchases for the same quarter.*

Provider further that in such a case, the Distribution Licensee shall inform the Commission about the purchase of power over and above approved quantum with all of the supporting documents. Unless the Commission is satisfied that the additional power is capped by weighted average price of power exchange rates and bilateral market purchases for the same quarter, it may disallow the quantum and cost of this short term power procurement in the True Up order.

(vi) **Amendments to Regulation 19.1 (c) –**. In Regulation 19.1 (c), the words "*The demand projected as per above shall be augmented*" may be replaced with "*The projected sales shall be augmented*". The amended Regulation 19.1 (c) shall be as follows:

*"(c) The **projected sales** shall be augmented with distribution losses (as determined by Regulation 18 of these regulations) and transmission losses to arrive at power purchase requirement for the Distribution Licensee".*

(vii) Amendments to Regulation 20.2 – In Regulation 20.2, the words *"ICq1 = Incremental Cost incurred in Q1"* may be replaced with *"ICq1 = Incremental Cost to be billed in Q1".*

Also in Explanation 2 of Regulation 20.2, "Fuel adjustment cost to be incorporated in subsequent quarter shall be up to 5 % of variable cost of the quarter, any difference would roll into following quarter to be adjusted as Fq." may be replaced by the following:

***"Fuel adjustment cost/unit** to be incorporated in subsequent quarter shall be **within the ceiling of 5% of variable component of tariff**, any difference would roll into following quarter to be adjusted as Fq."*

The amended Regulation 20.2 shall be as follows:

"20.2 Formula for computation of Incremental cost

The formula for calculation of the incremental charge will be as under:

Variables shall be in INR crores unless otherwise stated

ICq1 = Cq1 + Fq4 +Aq3

*ICq1 = Incremental Cost **to be billed** in Q1*

Cq1 = Change in cost due to:

1. *Variation in Fuel surcharge rate*
2. *Total cost incurred to procure power over and above the plan as approved in Regulation 8 of these regulations (capped by weighted average cost of bilateral purchase and power exchange price)."*

Explanation. - 1: *The norms for parameters such as station heat rate, auxiliary consumption, loss shall be approved by the Commission for each year as controllable factor at the time of determination of generation tariff for each state generating station. The change in fuel surcharge shall be considered only for the computation of incremental cost.*

F_{q4} = Carry forward factor for over-recovery / under-recovery of IC_q3 in Quarter 4 from previous year

"Explanation. - 2: ***Fuel adjustment cost/unit** to be incorporated in subsequent quarter shall be **within the ceiling of 5% of variable component of tariff**, any difference would roll into following quarter to be adjusted as Fq."*

A_{q3} = Adjustments on the basis of the Commission's order pertaining to discrepancies, if any, in computation of IC_{Q3} from previous year Similarly IC for respective quarters will be computed."

(viii) **Amendments to Appendix –** The formula specified for calculation of item number 13 *"Energy Realized on account of theft Cases"* may be specified as:

*"M = (L X G) / (**2 X H**" in place of "M = (L x G)/H"*

Where,
M is Energy Realized on account of theft cases;

L is Amount Realised on account of theft cases;

G is Total Energy Billed; and

H is Amount billed to consumer within the licensed area of the DISCOM"

Sd/-
Secretary,
Jammu & Kashmir
State Electricity Regulatory Commission