



## UPERC “MYT for Distribution and Transmission Tariff” (Third Amendment) Regulations, 2024 [Draft]

UPERC (MYT for Distribution and Transmission Tariff) (Third Amendment) Regulations, 2024. [Draft] issued on 2<sup>th</sup> September, 2024.

**Objective:** The draft document features updated methodology on “Treatment of Incremental Power Procurement Cost” under previous **MYT for Distribution and Transmission Tariff Regulations, 2019**. The draft document specifies that the computation of the fuel and power purchase adjustment surcharge (FPPAS) shall be automatically passed through and adjusted for monthly billing in accordance with proposed regulations. Additionally, the FPPAS shall not exceed a maximum duration of **two months**. In cases where the adjustment surcharge for the previous month exceeds **twenty percent** of the variable component of the approved tariff, the surcharge will be subject to review and adjustment as per the applicable regulations proposed.

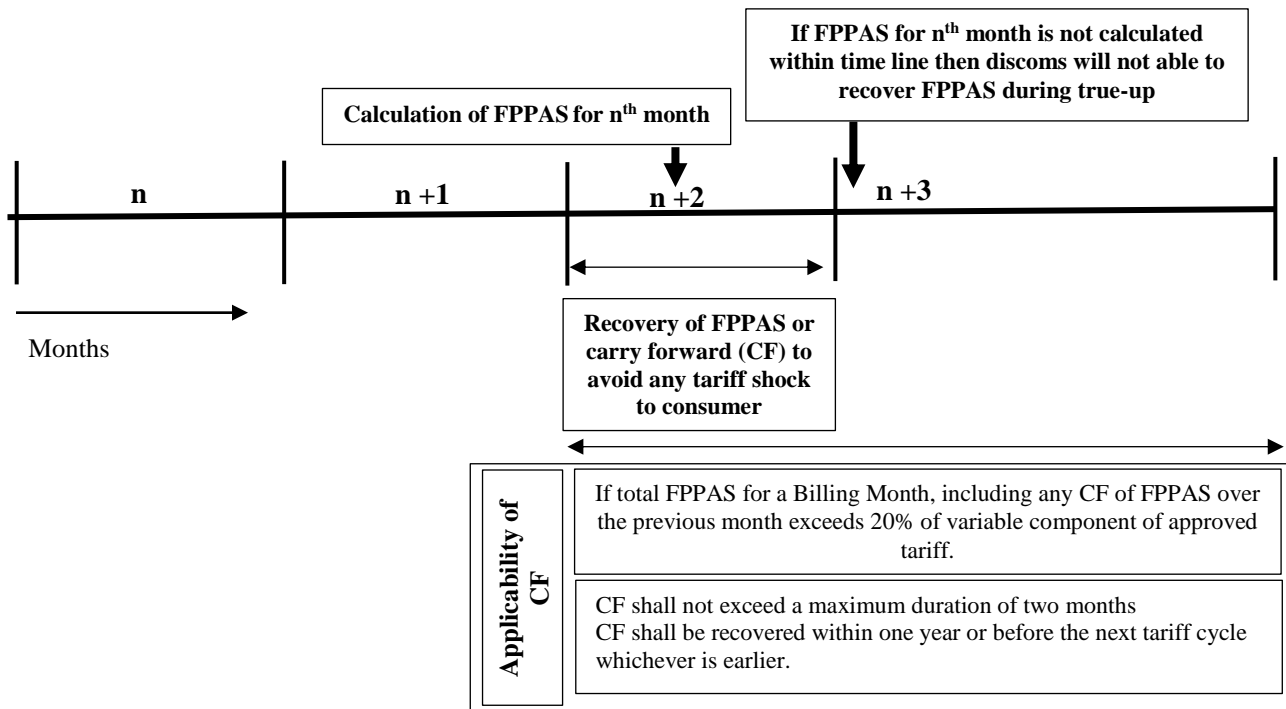
The document can be accessed [here](#)

- 1. FPPAS forfeited in case discom fails to compute within this time line:** In the Clause No. 16.1.3 “Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in  $(n+2)^{th}$  month, on the basis of actual variation, in cost of fuel and power purchase and Inter- state Transmission Charges for the power procured during the  $n^{th}$  month. For example, the .....:

*Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within this time line, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to recover the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.”*

The above clause seems to presume that the FPPSA would always be positive. There can be circumstances leading to a decline in the power purchase cost, thus a negative surcharge necessitating downward adjustment in tariff to be charged from the consumers.

Even if the language of the clause presumes a positive surcharge, it would have applicability in case of a negative surcharge as well. A clarification may be added to ensure that **‘in case of negative surcharge’ the same would be recoverable from the licensee at the time of true up’**. In case ‘deemed’ surcharge (calculated using the formula) is more than the limit for automatic recovery of the surcharge, would the portion of surcharge beyond this limit would also be recoverable? Clarification to that effect may also be included.



**Figure 1:** Timeline for recovery of FPPAS

- 2. Define Baseline Value for calculation of FPPAS:** In the Clause No. 16.1.6 “Depending upon quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that, (i) If fuel and power purchase adjustment surcharge  $\leq 5\%$ , 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee shall be levied automatically using the formula. (ii) If fuel and power purchase adjustment surcharge  $> 5\%$ , 5% fuel and power adjustment surcharge shall be recoverable automatically as per 6(i) above, 90% of the balance fuel and power purchase adjustment shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the Commission during true up”

According to Clause No. 16.1.6, which states “If the fuel and power purchase adjustment surcharge is less than or equal to 5%,” there is a lack of clarity regarding the base value used for the calculation.

- 3. Short-term (ST) power procurement excluded from FPPSA in case quantum or associated cost exceeds the limit specified by the commission:** In the Clause No. 16.2.1 “A is Total units procured in  $(n-2)^{\text{th}}$  Month (in kWh) from all Sources including Long-term, Medium-term and Short-term Power purchases (To be taken from the bills issued to distribution licensees)”

It is suggested that any costs associated with short-term power procurement included in the calculation of the Fuel Surcharge but should exclude any procurement that exceeds the limit

specified by the commission, whether in terms of quantum or associated cost. For example, if a cap is set at ₹8 per unit and power is procured at ₹10 per unit, that power should be excluded from calculation.

4. **Actual Energy Sales’ instead of bulk sale of power (B):** In the clause 16.2, “*B is bulk sale of power from all Sources in (n-2)<sup>th</sup> Month. (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month)*”.

It is suggested that ‘Actual Energy Sales’ would be used in the formulation instead of bulk sale of power (B) as revenue collected by discom is based on actual energy sale.

5. **Transmission Charges:** In the clause 16.2, the formulation of FPPAS includes the difference between actual and projected transmission charges i.e., additional cost due to change in transmission charges.

$$\frac{(D-E)}{\{Z*(1-\text{Distribution losses in}\frac{\%}{100})\}*ABR}$$

Where

*D = Actual inter-state and intra-state Transmission Charges in the (n-2)<sup>th</sup> Month, (From the bills by Transcos to Discom) (in Rs)*

*E = Base Cost of Transmission Charges for (n-2)<sup>th</sup> Month. = (Approved Transmission Charges/12) (in Rs)”*

It is suggested that the transmission charges (D) on account of power purchases would be based on actual sales as per approved inter and intra transmission losses.

6. **Energy sale outside the state:** In the Clause No. 16.2.1, “*Computation of Fuel and Power Purchase Adjustment Surcharge:*

$$\text{Monthly FPPAS for } n\text{th Month } (\%) = \frac{(A-B)*C+(D-E)}{\{Z*(1-\text{Distribution losses in}\frac{\%}{100})\}*ABR}$$

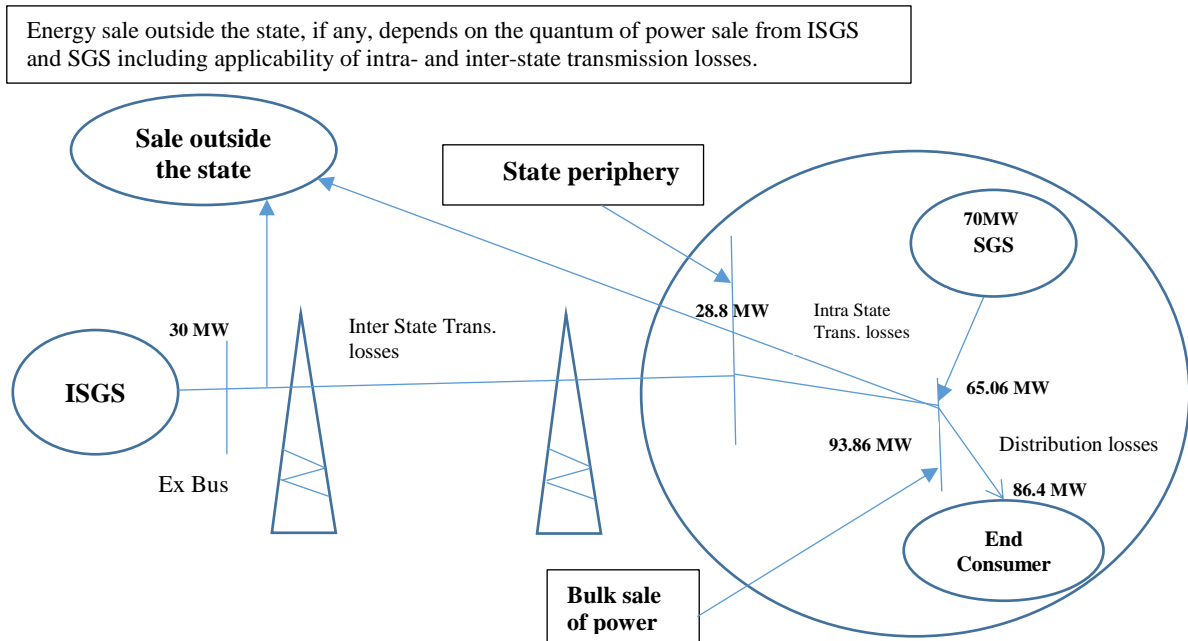
*A is Total units procured in (n-2)<sup>th</sup> Month (in kWh) from all Sources including Long-term, Medium-term and Short-term Power purchases (To be taken from the bills issued to distribution licensees)*

*B is bulk sale of power from all Sources in (n-2)<sup>th</sup> Month. (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month).*

*C is incremental Average Power Purchase Cost (including the change of fuel cost) = Actual average Power Purchase Cost (PPC) from all Sources in (n-2) month (Rs./ kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs./ kWh)- (from tariff order)”*

Is energy sale outside the states incorporated in this formation or not? For example, in case surplus energy sold from state or central generating station to another state how it is incorporate in this formulation. Clause no.16.2 doesn’t explicitly define ‘energy sale outside the sates’. How we can interpret it:

7. **Point of sale - State periphery or Distribution licensee area:** If energy is sold outside the state by a discom, distribution losses thereof should not be considered in the formulation as this would be a sale at the discom/state periphery (Figure 2). It is suggested that specific definition of ‘energy sale outside the states’ should be outlined the regulations.



**Figure 2:** Power flow from inter-intra state (including transmission and distribution losses)

In the case of energy sold outside the state or to open access consumer at a higher price compared to average power procurement cost, then FPPAS should be reduced (this would allow for a fair pricing structure), and the end consumer should benefit from this (as the benefit of lower cost is passed on to end consumers).

8. **Actual Variable Cost post FPPSA and Merit Order:** Once the ‘actual’ variable cost of power purchase from various plants /power purchase agreements is known or for the  $n^{\text{th}}$  month, by say 10<sup>th</sup> of the month or so, the same should be reflected in the merit order for the next. This would more help better optimization of the power purchase cost.