

Bhopal, 29 November, 2012

No. 3296/MPERC/2012. In exercise of powers conferred under Section 181(2) (zd) read with Section 45 and 61 of the Electricity Act, 2003 (No. 36 of 2003), the Madhya Pradesh Electricity Regulatory Commission makes the following Regulations to specify the methods and principles for fixing the charges for electricity supplied by a Distribution Licensee and to specify the terms and conditions for determination of tariff for wheeling and supply of electricity in Madhya Pradesh during the Tariff Period of three years commencing from 1st April 2013 and continuing up to 31st March 2016.

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS FOR DETERMINATION OF TARIFF FOR SUPPLY AND WHEELING OF ELECTRICITY AND METHODS AND PRINCIPLES FOR FIXATION OF CHARGES) REGULATIONS, 2012

{RG -35 (I) OF 2012}

PREAMBLE

Whereas the Commission had notified Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Supply and wheeling of Electricity and Methods & Principles for Fixation of Charges) Regulations, 2009 (G-35 of 2009) on 9th December, 2009 and whereas the second control period of Multi Year Tariff will cease to be in vogue on 31st March, 2013, therefore, in order to specify the terms and conditions of Distribution Tariff for the next control period of FY 2013-14 to FY 2015-16, these Regulations are being notified.

CHAPTER I – PRELIMINARY

1. Short Title and Commencement :

- 1.1. These Regulations shall be called “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Supply and Wheeling of Electricity and Methods and Principles for Fixation of Charges) Regulations, 2012{RG-35 (I) of 2012”.
- 1.2. These Regulations shall extend to the whole of the State of Madhya Pradesh.
- 1.3. These Regulations shall be in force for the tariff period commencing from 01st April 2013 and up to 31st March 2016. The petitions for the determination of Annual Revenue Requirement and Tariff for Wheeling and supply of Electricity for the period commencing from 01st April 2013 shall be filed in accordance with these regulations only.

2. Scope and Extent of Application

- 2.1. These Regulations shall apply in all cases of determination of tariff under Section 62 of the Electricity Act, 2003 for wheeling and supply of electricity to be charged by the Distribution Licensees of the State from the consumers.

3. Norms of Operation to be threshold norms

- 3.1. For removal of doubts, it is clarified that the norms of operation specified under these Regulations are the threshold norms and this shall not preclude the Distribution Licensees and Consumers from agreeing to improved norms of operation and in such cases the improved norms as and when agreed to shall be applicable for determination of Tariff.

4. Definitions

- 4.1. In these Regulations, unless the context otherwise requires,

- (a) "Act" shall mean the Electricity Act, 2003 (36 of 2003);
- (b) "Accounting Statements" shall mean for each financial year the following statements, namely-
 - (i) Balance Sheet, prepared in accordance with the form contained in Part I of Schedule VI to the Companies Act, 1956; together with notes thereto, and such other supporting statements and information as the Commission may direct from time to time,
 - (ii) Statement of Profit and Loss, prepared in accordance with form contained in Part II of Schedule VI to the Companies Act, 1956,
 - (iii) Cash Flow Statement, prepared in accordance with the Accounting Standard 3 "Cash Flow Statements" as notified by the Companies (Accounting Standards), Rule, 2006,
 - (iv) Report of the statutory auditors' of the licensee,
 - (v) Directors' report and accounting policies,
 - (vi) Cost records, if any, prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956;
 - (vii) Such other Statements as may be specified by the Commission from time to time for meeting regulatory requirements.
- (c) "Aggregate Revenue Requirement" (ARR) shall mean the estimate of the aggregate expenses to be incurred by the distribution licensee for its licensed businesses for the Year(s) for which it is prepared.;

- (d) "Applicant" shall mean a distribution licensee who has made an application for determination of tariff for wheeling and supply of electricity in accordance with these Regulations;
- (e) "Auditor" shall mean an Auditor appointed by the Distribution Licensee in accordance with the provisions of Sections 224 and 619 of the Companies Act, 1956 (1 of 1956) or any other law for the time being in force;
- (f) "Authorised load" shall be expressed in kW, kVA or HP units and shall be determined as per procedure laid down in the MP Electricity Supply Code, 2004 as amended from time to time;
- (g) "Bank Rate" shall mean the Bank Rate of Reserve Bank of India as on April 1, of the relevant year;
- (h) "Commission" shall mean the Madhya Pradesh Electricity Regulatory Commission;
- (i) "Commission Secretary" shall mean Secretary of the Commission;
- (j) "Contracted Power" shall mean the power in MW, which the distribution licensee has agreed to wheel on his distribution system;
- (k) "Customer" shall mean a person who has set up a captive generating plant or a Licensee or a consumer availing open access, utilising the distribution system of the Distribution Licensee.
- (l) "Date of Commercial Operation" (COD) shall mean the date of charging the electric line or substation of a distribution licensee to its Declared Voltage level or seven days after the date on which it is declared ready for charging by the Distribution Licensee, but could not be charged for reasons attributable to its Customers;
- (m) "Declared Voltage" shall mean the voltage as specified in MP Electricity Supply Code , 2004 as amended from time to time;
- (n) "Discom" shall mean the Distribution Company or Vidyut Vitaran Company, wherein the "East Discom" shall mean the M.P. Poorv Kshetra Vidyut Vitaran Company Ltd. , "West Discom" shall mean M.P. Paschim Kshetra Vidyut Vitaran Company Ltd. and "Central Discom" shall mean M.P. Madhya Kshetra Vidyut Vitaran Company Ltd.
- (o) " Distribution Licensee" means a licensee authorised to operate and maintain a distribution system for supplying electricity to the consumers in his area of supply;

- (p) “Distribution loss” shall mean the total energy losses occurring in the distribution system of a distribution licensee expressed in percentage as difference between energy input to its system and its sale;
- (q) “Existing Project” means the project declared under commercial operation on a date prior to 1.4.2013;
- (r) “Expenditure incurred” means the funds, whether the equity or debt or both, actually deployed and paid in cash or cash equivalent, for creation or acquisition of a useful asset and does not include commitments or liabilities for which no payment has been released;
- (s) “Extra High Tension (EHT) consumer” shall mean a consumer who is supplied electricity at a voltage higher than 33000 volts under normal conditions subject, however, to the percentage variation permitted in MP Electricity Supply Code , 2004 as amended from time to time;
- (t) “High Tension (HT) consumer” shall mean a consumer who is supplied electricity at a voltage not exceeding 33000 volts but higher than 650 volts under normal conditions subject, however, to the percentage variation permitted in MP Electricity Supply Code , 2004 as amended from time to time;
- (u) “Licensee” means a person who has been granted a licence under section 14 of the Electricity Act, 2003;
- (v) “Low Tension (LT) consumer” shall mean a consumer who is supplied electricity at a voltage which does not exceed 650 volts under normal conditions subject, however, to the percentage variation permitted in MP Electricity Supply Code , 2004 as amended from time to time;
- (w) “Long-Term Customer” shall mean a person having a long-term lien exceeding three years over an inter / intra-Distribution Company System by virtue of paying wheeling charges;
- (x) “Medium-term Customer” shall mean a person having a lien for the period exceeding three months and up to three Years over an inter / intra-Distribution Company System by virtue of paying wheeling charges;
- (y) “Officer” shall mean an Officer of the Commission;
- (z) “Operation and Maintenance expenses” or ”O&M expenses” shall mean the expenditure incurred on operation and maintenance of the distribution and supply network of distribution licensee, including part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads;

- (aa) “Project” shall mean a scheme for addition, alteration or augmentation of Distribution System;
- (bb) “Rated Voltage” shall mean the voltage at which the Distribution System is designed to operate;
- (cc) “Short-term Customer” shall mean a person having short term lien for a period up to three months over an inter / intra-Distribution Company System by virtue of paying wheeling charges;
- (dd) “Tariff” shall mean the schedule of charges payable by the consumers for Distribution and Supply of electricity together with terms and conditions thereof;
- (ee) “Tariff Period” shall mean the period for which Tariff is determined by the Commission under these Regulations;
- (ff) “Uncontrollable costs” shall mean the costs which include (but not limited to) fuel costs, costs on account of inflation, taxes and cess, variations in power purchase unit costs including on account of change in hydro-thermal mix due to adverse natural events or force majeure conditions or any other items as may be considered by the Commission;
- (gg) “Useful life” in relation to a unit of a Distribution System from the COD shall mean 25 years for sub-station and 35 years for lines;
- (hh) “Year” shall mean financial year commencing on 1st April and ending on 31st March of the succeeding year, and
 - (i) “Current Year” shall mean the year in which the statement of annual accounts or petition for determination of tariff is filed,
 - (ii) “Previous Year” shall mean the year immediately preceding the current year,
 - (iii) “Ensuing Year” shall mean the year next following the current year;

- 4.2. Words or expressions occurring in these Regulations and not defined shall bear the same meaning as in the Act.

5. Determination of Tariff

- 5.1. The Commission shall determine Tariff and charges including terms and conditions thereof under Section 62 of the Act read with Section 86 for wheeling and supply of electricity to consumers.

6. Principles for Tariff determination

- 6.1. The Commission, while specifying the terms and conditions for the determination of Tariff under these Regulations is guided by the principles contained in section 61 of the Act.
- 6.2. The tariff shall provide for recovery of prudent cost incurred in the operation of the licensed activities of wheeling and supply of the Distribution Licensee plus Return on Equity (RoE) at prescribed level of performance. The Distribution Licensee shall be required to prepare their Accounting Statements, which shall be regularly submitted before the Commission as detailed in clause 10.1.

- 6.3. The Multi Year Tariff principles adopted in these Regulations seek to promote competition, adoption of commercial principles, efficient working of the Distribution Licensees and protection of Consumers' interest. The operating and cost parameter norms for the Tariff Period have been prescribed after duly considering the past performance. The allowable Tariffs shall be determined in accordance with these norms. The Distribution Licensees are allowed to share savings as a reward for performance better than those prescribed in these Regulations. This is expected to incentivise the Distribution Licensees for efficient performance and economical use of resources.
- 6.4. Only cost of servicing those investments and capital expenditure that are in accordance with the guidelines issued by the Commission in this regard shall be allowed to be recovered through Tariff. This shall ensure prudent investments by the Distribution Licensees. The Distribution Licensee shall be required to ensure optimum investments and to make sufficient provision in the aggregate revenue requirement for investment to enhance distribution system capacity and meet performance standards prescribed by the Commission.
- 6.5. The cross-subsidy shall be progressively reduced in accordance with the Tariff Policy.

7. Procedure for making an application for determination of Tariff

- 7.1. Procedure for making application for determination of tariffs for wheeling and supply of electricity has earlier been notified under the title MPERC (Details to be furnished and fees payable by licensee or generating company for determination of tariff and manner of making an application) Regulations, 2004 and its amendments from time to time. An application for determination of Tariff shall be accompanied by such fees as may be specified.
- 7.2. The distribution licensee shall submit the information for determination of ARR and Tariff for the Tariff period in the formats annexed with these regulations (Annexure – I). The information furnished by the licensee in these formats shall form a part of the application. The Licensee is also required to publish in an abridged form, the application for ARR & tariff determination for the tariff period in the manner as may be directed by the Commission. The licensee shall also have to file additional information as may be directed by the Commission in such formats as and when required for the purpose of finalization of ARR/Tariff.
- 7.3. The Commission shall, at all times, have the authority, either Suo-Motu or on a petition filed by any interested or affected party, to determine the Tariff, including terms and conditions thereof, of Distribution Licensees and shall initiate the process of such determination in accordance with the procedure as may be specified:

Provided that the proceedings for such determination of Tariff, including terms and conditions thereof, shall be in the same manner as set out in the Conduct of Business Regulations, as amended from time to time.

- 7.4. The Commission or the Secretary or any Officer designated for the purpose by the Commission may, upon scrutiny of the application, require the Applicant to furnish such additional information or particulars or documents as may be considered necessary for the purpose of processing the application. The Commission upon receipt of incomplete application or upon non receipt of such additional information or particulars or documents as may be considered necessary for the purpose of processing the application, within stipulated time period, may reject the application.
- 7.5. Only, upon receipt of the complete application accompanied by all requisite information, particulars and documents in compliance with all the requirements, the application shall be deemed to have been accepted and the Commission or the Secretary or the Officer designated for the purpose by the Commission shall intimate to the Applicant that the application is ready for publication, in such abridged form and manner, as may be specified [Refer MPERC (Details to be furnished and fees payable by licensee or generating company for determination of Tariff and manner of making an application) Regulation, 2004 as amended from time to time].
- 7.6. The Distribution Licensees shall put all the details of the petition filed before the Commission on its website not later than 3 working days of receipts of a formal Order of the Commission conveying its acceptance by the Commission.
- 7.7. The Applicant shall furnish to the Commission all such books and records (or certified true copies thereof), including the Accounting Statements, operational and cost data, as may be required by the Commission for determination of Tariff. The Commission may, if deemed necessary, make available to any person, at any time, such information as has been provided by the Applicant to the Commission including abstracts of such books and records (or certified true copies thereof).

Provided that the Commission may, by order, direct that any information, documents and papers/materials maintained by the Commission, shall be confidential or privileged and shall not be available for inspection or supply of certified copies, and the Commission may also direct that such document, papers or materials shall not be used in any manner except as specifically authorised by the Commission.

8. Methodology for Determination of Tariff and True-up

- 8.1. The Commission shall define Tariff Period for the Distribution Licensee from time to time. The principles for Tariff determination shall be applicable for the duration of the Tariff Period. The principles that guide tariff determination for the next tariff period shall be valid for a period up to 31st March, 2016 from the date of commencement of these Regulations.

- 8.2. The Distribution Licensee shall file the petitions at the beginning of the Tariff Period. A review shall be undertaken by the Commission to scrutinise and true up the Tariff on the basis of the capital expenditure and additional capital Expenditure incurred in the Year for which the true up is being requested. However, in such true up, any abnormal and uncontrollable variation may also be considered. While determining O&M norms, an element for payment of prior period arrears up to 31.8.2008, on account of revision of pay scales of the employees in accordance with Sixth pay Commission recommendations as implemented by the Distribution Licensees of the State, has been included. This shall also be trued up and for this purpose, details of actual arrears payments shall have to be furnished. Any further revision during the control period in salaries and consequent payment of arrears becoming due shall be brought to the notice of the Commission for appropriate consideration.
- 8.3. If the Tariff already recovered is more than the Tariff determined after true up, the Distribution Licensees shall refund to the consumers the excess amount so recovered in the manner as may be decided by the Commission in the True-up order. Similarly, in case the Tariff already recovered is less than the Tariff determined after true up, the Distribution Licensees shall recover from the consumers, the under recovered amount in the manner as may be decided by the Commission subject to adhering to the timelines specified by the Commission for filing of True-up Application. The decision of the Commission on the mechanism of recovery of balance amount due to under recovery shall be final.
- 8.4. The Tariff and True up filing shall be in accordance with and in the formats prescribed in MPERC (Details to be furnished and fees payable by licensee or generating company for determination of Tariff and manner of making an application) Regulations, 2004 (as amended from time to time) by 31st October every Year. However for the first year of the MYT control period of these regulations, the application for determination of ARR/ tariff should be filed by 17th Decemeber,2012.
- 8.5. The Distribution Licensee's aggregate revenue requirement shall be presented to the Commission through a petition in three distinct parts i.e. first for the energy cost i.e. power purchase cost including transmission and distribution losses and inter-state and intra-state transmission charges as well as SLDC charges, second for wheeling expenses and third for expenses pertaining to supply of energy to consumers, including customer services.
- 8.6. The expenses pertaining to the creation, maintenance, upkeep, renewal and development including replacement and expansion of wires network shall be considered as wheeling activity. This shall cover sub-stations, conductors, transformers, plants and apparatus used in the distribution system for wheeling of electricity by the Distribution Licensee.

- 8.7. The costs associated with the supply activity of the Distribution Licensee will include (a) establishment cost for arranging the power to the consumers and (b) providing consumer services, which may include expenses of metering, billing, recovery and associated activities.
- 8.8. A Distribution Licensee having any other business which utilises the assets of the distribution business, shall maintain and submit to the Commission, separate accounts with respect to its licensed business and such other business.
- 8.9. The Commission may, for the entire tariff period, approve the Aggregate Revenue Requirement for the Wheeling and Supply activities of the Distribution Licensee based on the principles contained in these Regulations and authorise the Distribution Licensee to recover the charges from the consumers during the period of authorisation. Based on MYT principles the Distribution Licensee shall be required to file Tariff / True-up petitions in the manner specified at clause 8.4.
- 8.10. The ARR once approved for the tariff period shall only require annual adjustments in order to pass through uncontrollable variations in costs and revenues. All controllable variations shall normally be treated only at the end of the tariff period; however, if the magnitude of such variations is substantial then such variations could be reviewed during the tariff period also. However, the Distribution Licensee shall file an application before the Commission every year latest by 31st October for seeking renewal of authorisation to recover charges from the consumers after the period for which he is already authorised by the Commission.
- 8.11. The Commission will treat each Licensee area as a single territory for the purpose of recovering the expenses allocable to wheeling activity of Distribution Licensee and accordingly separate wheeling charges for each Licensee could be determined.
- 8.12. The Commission envisages making a distinction between interruptible and un-interruptible supply. The Commission may authorise the licensee to recover a supply reliability charge for un-interruptible supply.
- 8.13. The Commission shall determine average per unit cost of supply of energy to be recovered from the consumers duly giving consideration to the distribution losses allowed to the particular licensee for the Tariff Period.
- 8.14. The approved ARR shall include components of power purchase cost, wheeling expenses and supply expenses and shall be recoverable from all consumers availing supply from the Distribution Licensee
- 8.15. While determining the Aggregate Revenue Requirement of the Distribution Licensee, the Licensee, apart from details of energy cost, shall also provide accounting details / cost allocation details of activities pertaining to Wheeling (distribution wires) and Supply separately.
- a. The items allocated to energy cost i.e. power purchase cost

- (i) Fixed Cost of power purchase
- (ii) Variable Cost of power purchase
- (iii) Inter-State Transmission Losses
- (iv) Inter-State Transmission Charges
- (v) Intra-State Transmission Losses
- (vi) Intra-State Transmission Charges
- (vii) SLDC charges
- (viii) Any taxes or levies that are applicable as per law
- (ix) Any other charges attributable to power purchase

b. The items allocable to wheeling activity may include:

- (i) Operations and Maintenance expenses of the distribution network relating to wheeling activity;
- (ii) Depreciation on assets identified with wheeling activity;
- (iii) Interest and finance charges on project loans identified with wheeling activity as far as possible or notionally;
- (iv) Interest and finance charges on Working Capital identified with wheeling activity;
- (v) Return on Equity allocable to wheeling activity;
- (vi) Lease / Hire purchase charges; and
- (vii) Cost of hedging or swapping to take care of FERV;

c. The expenses allocable to supply activity may include:

- (i) Operations and Maintenance expenses relating to supply activity;
- (ii) Depreciation on assets identified with supply activity;
- (iii) Interest and finance charges on project loans identified with supply activity as far as possible or notionally;
- (iv) Interest and finance charges on Working Capital identified with supply activity;
- (v) Interest on Consumer Security Deposit;
- (vi) Return on Equity allocable to supply activity;
- (vii) Bad and doubtful debts; and
- (viii) Lease / Hire purchase charges;

- 8.16. Subject to other provisions of these Regulations, the expenses allowed to be recovered by means of tariff for any financial year, shall be subject to adjustments in any tariff to be fixed for the subsequent period, if the Commission is satisfied, that such adjustments for the excess amount or shortfall in the amount actually realized or expenses incurred are necessary and the same are not on account of any reason attributable to or within the control of the Distribution Licensee.

9. Fuel Surcharge

- 9.1. As provided in Section 62(4) of the Act, a Fuel Cost Adjustment charge formula may be specified by the Commission and tariff may be permitted to be charged under the terms of specified formula. The Commission may specify the formula for levy of Fuel Cost Adjustment charge in the tariff Order of the relevant year or through a separate Order and may make any further changes in this formula as may be considered necessary as and when required. The impact of Fuel Cost Adjustment charge whenever permitted in respect of a generating company or distribution licensee shall be recoverable from consumers and also from open access consumers for the quantum of such supply as is availed by them from the distribution licensee notwithstanding their open access consumer status.
- 9.2. The Commission may also allow recovery of incremental power purchase cost on quarterly basis. The incremental power purchase cost shall be worked out based on the formula specified by the Commission for this purpose in the tariff Order of the relevant year or through a separate Order and may make any further changes in this formula as may be considered necessary as and when required. The incremental power purchase cost will be in addition to the fuel cost adjustment charge. The incremental power purchase cost shall be based on normative losses and permitted under the circumstances wherein the power purchase has been made by the Distribution Licensee due to factors which were beyond his control, which may include shortages in supply from the identified power supply sources in the Tariff Order requiring licensee to purchase power at higher price from the power market or other source to meet the demand. This may also include purchase of power at higher price than given in the Tariff Order on account of sale to the consumers in excess of the sales as admitted in the Tariff Order which results in sourcing additional power from power market or other sources.

10. Preparation & submission of Annual Accounts, Reports etc

- 10.1. Every Distribution Licensee shall submit annual statement of accounts and such other information as may be specified by the Commission. In addition to the submission of annual accounts, the Distribution Licensee shall be required to comply with the information requirements of various Regulations and license conditions notified by the Commission from time to time.

11. Periodicity of Tariff determination

- 11.1. No Tariff or part of any Tariff may ordinarily be amended, more frequently than once in a Year. The Commission may, after satisfying itself for reasons to be recorded in writing, allow for the revision of Tariff in duration of less than a year.

12. Public suggestions, objections and hearings

- 12.1. In accordance with the provisions of the Act under section 64 (3), the Commission shall invite suggestions and objections from the public for consideration before determination of ARR and Tariff. Subsequently, the Commission may, if it considers necessary, conduct hearing of the stakeholders on the suggestions and objections submitted by them or may determine the ARR and Tariff giving due consideration to the suggestions and objections received . The Commission may also conduct hearing with the applicant as and when considered necessary.

13. Admission of the petition and orders of the Commission

- 13.1. The petition submitted by the licensee for ARR/ tariff determination including true up petition shall be given a provisional receipt number. Any deficiency in the information submitted in the petition or additional information required shall be communicated to the licensee. The licensee shall submit the information desired by the Commission within the specified time limit failing which the petition may be rejected and returned to the licensee. The petition shall only be construed as accepted after it is submitted by the licensee with the complete information including the additional information. After such acceptance of the petition, a final petition number would be allotted and the petition would be treated as complete for processing in accordance with time lines specified in the Act under section 64(3) for issue of tariff Order.
- 13.2. The Commission, after the petition has been accepted, may require the Distribution Licensee to furnish any particulars, documents, public records etc as the Commission may consider appropriate to enable the Commission to review the petitioner's calculations, assumptions and assertions.
- 13.3. After receipt of information or otherwise, the Commission may make appropriate orders to continue with the process of determination of the ARR/ Tariff or reject the application..

14. Charging of Tariff other than approved

- 14.1. Any Distribution Licensee found to be charging a Tariff different from the one approved by the Commission from the consumers shall be deemed to have not complied with the directions of the Commission and shall be liable to be proceeded against under Section 142 of the Act without prejudice to any other liability becoming due from the licensee under any other provisions of the Act. In case the amount recovered exceeds the amount allowed by the Commission, the excess amount so recovered shall be refunded to the Consumers who have paid such excess charges, along with simple interest for that period equivalent to the bank rate of RBI as on April 1, of the relevant Year.

15. Review during and at the end of period of the tariff order

- 15.1. The Distribution Licensee shall submit periodic returns as may be specified, containing operational and cost data to enable the Commission to monitor the implementation of its order.
- 15.2. The Distribution Licensee shall submit to the Commission annual statements of its performance and accounts including latest report of audited accounts.
- 15.3. For each year of the tariff period, sales shall be grossed up by normative level of losses as indicated in MYT trajectory for estimating power purchase cost subject to justifiable power purchase mix variation (for example, more energy may be purchased from thermal generation in the event of poor rainfall).
- 15.4. The variations during the tariff period in other approved costs shall be considered by the Commission only if the Licensee is able to prove to the satisfaction of the Commission that these variances are on account of factors beyond its reasonable control. Variations on account of controllable reasons shall be considered only if they have a substantial impact on the business of the Licensee.
- 15.5. At least twelve months before the end of the tariff period, the Commission shall initiate a comprehensive review of norms and the long term tariff principles contained in these Regulations.
- 15.6. Such review shall be with the objective of analysing implementation of the long term principles and making modification or improvement in the norms, principles, procedures and methodology.

CHAPTER II

PRINCIPLES FOR DETERMINATION OF TARIFF

16. Petition for determination of Tariff

- 16.1. The Distribution Licensee shall file the petition accompanied by such forms as may be specified for determination of Tariff complying with provisions of Chapter I of these Regulations and MPERC (Details to be furnished and fee payable by licensee or generating company for determination of Tariff and manner of making application) Regulations 2004, as amended from time to time, based on the principles specified by the Commission in these Regulations. These principles shall be implemented from 01st April, 2013 and shall be applicable for a period up to 31st March, 2016. .

17. Basis for determination of Tariff

- 17.1. As stated, multiyear tariff principles shall be applicable from April 01, 2013 for a period of three years and the Distribution Licensees are required to file the proposals for determination of tariff within stipulated time lines.
- 17.2. The wheeling and supply expenses shall be determined by the Commission every year. Further, the Commission may allow a change in wheeling and supply expenses on account of unforeseen additional and extraordinary investment needed for the distribution network on receipt of true-up applications.

18. Controllable and uncontrollable factors

- 18.1. The “uncontrollable factors” shall comprise the following factors which were beyond the control of, and could not be mitigated by the licensee:
- (a) Force Majeure events, such as acts of war, fire, natural calamities, etc.
 - (b) Change in law;
 - (c) Taxes and Duties;
 - (d) Variation in sales; and
 - (e) Variation in the cost of power generation and/or power purchase due to the circumstances specified in relevant sections of these regulations.
- 18.2. Some illustrative variations or expected variations in the performance of the applicant, which may be attributed by the Commission to controllable factors include, but are not limited to the following:
- (a) Variations in capital expenditure on account of time and/or cost overruns/ efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;

- (b) Variations in Aggregate Technical & Commercial (AT&C) losses which shall be measured as the difference between the units input into the distribution system and the units realized (units billed and collected) wherein the units realized shall be equal to the product of units billed and collection efficiency (where Collection Efficiency shall be measured as ratio of total revenue realized to the total revenue billed for the same year);
- (c) 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 license area in the same year;
- (d) Variations in Return on Equity (RoE), depreciation and working capital requirements;
- (e) Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted;
- (f) Variation in operation & maintenance expenses, except those attributable to directions of the Commission.
- (g) Variation in Wires Availability and Supply Availability.

19. Mechanism for pass through of gains or losses on account of uncontrollable factors

- 19.1. The approved aggregate gain or loss to the Distribution Licensee on account of uncontrollable factors shall be passed through, as an adjustment in the tariff of the Distribution Licensee as may be determined in the Order of the Commission passed under these Regulations.

20. Capital Cost and Capital structure

- 20.1. Capital cost for a Project shall consists of :
- a. The Expenditure incurred or projected to be incurred on original scope of work, including interest during construction and financing charges excluding initial capital spares, any gain or loss on account of foreign exchange rate variation on the loan up to the Date of Commercial Operation of the Project, as admitted by the Commission after prudent check, which shall form the basis for determination of Tariff.
 - b. Capitalized initial spares subject to the following ceiling norms:
 - i) Lines- 0.75% of Original Project cost
 - ii) Substations- 2.5% of Original Project cost
 - iii) Other devices such as capacitors etc.- 3.5 % of Original Project cost

- 20.2. The capital cost admitted by the Commission after prudent check shall form the basis for determination of Tariff. Prudent 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 that in case of the Existing Projects, the capital cost admitted by the Commission prior to 1.4.2013 shall form the basis for determination of capital cost.

- 20.3. Restructuring of capital cost in terms of relative share of equity and loan component shall be permitted during the Tariff Period provided it does not affect Tariff adversely. Any benefit from such restructuring shall be passed on to the Consumers as may be specified by the Commission.

21. Debt-equity ratio

- 21.1. For the purpose of determination of tariff, the debt-equity ratio of the total capital employed in completed assets shall be 70:30 subject to clause 21.2. The debt-equity amount arrived in accordance with this clause shall be used for calculation of interest on loan, return on equity, depreciation and foreign exchange rate variation

- 21.2. For a Project declared under commercial operation on or after 1.4.2013, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of Tariff.

Provided further that the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

Explanation - The premium, if any, raised by the Distribution Licensee, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the Project, shall be reckoned as paid up equity capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilized for meeting the capital expenditure of the Distribution System.

- 21.3. In case of the Distribution System declared under commercial operation prior to 1.4.2013, debt-equity ratio allowed by the Commission for determination of Tariff for the period ending 31.3.2013 shall be considered.

22. Working capital

- 22.1. Working capital for supply activity of the licensee shall consist of:
- (i) Receivables of two months of average billing reduced by power purchase cost of one month and any consumer security deposit ,
 - (ii) O&M expenses for one month, and
 - (iii) Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement for previous year.
- 22.2. Working capital for wheeling activity of the licensee shall consist of
- (i) O&M expenses for one month, and
 - (iii) Inventory (excluding meters, etc. considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year.
- 22.3. The norms described above shall be applicable for each year of the tariff period.

23. Capital Investment Plan

- 23.1. The Distribution Licensee shall submit in the ARR petition a detailed capital investment plan, financing plan and physical targets indicating physical and financial achievements against various Capex schemes for meeting the requirement of load growth, reduction in Distribution losses, improvement in quality of supply, reliability, metering etc.
- 23.2. The Capital investment plan shall show separately, ongoing Projects that will spill into the Year under review and new Project (along with justification) that may commence but may be completed within or beyond the Tariff Period providing relevant technical and commercial details.
- 23.3. The proportion for debt and equity for the approved capital investment shall be as per Regulation 21.

24. Estimation of sales

- 24.1. The estimation of the sale for each year of the Tariff period shall be based on the category wise and slab wise actual / audited data of the sale of electricity, number of consumers, connected / contracted load, etc. of the preceding three years as well as considering any other relevant factors or studies carried out that may result in to variance in estimation of sale to that of based on actual / audited data. Reasons for variance with the historical trends shall be submitted by the Licensee with due justifications for consideration of the Commission. The year wise projections of the aforementioned parameters for the tariff period shall also be provided along with the tariff petition.
- 24.2. The reasonableness of growth in number of consumers, consumption, demand of electricity and trend of reduction of losses in previous years and anticipated growth in the next years and any other factor, which the Commission may consider relevant, would be examined and subsequently approved by the Commission for determining the estimated quantum of electricity required by the Licensees on the basis of normative loss level for determination of tariff with such modifications as deemed fit.
- 24.3. For the purpose of such estimation Distribution Licensee shall also indicate:
- a. Category wise open access consumers, traders and other Distribution Licensees using its system. The demand and energy wheeled for them shall be shown separately in respect of consumers;
 - i. within the area of supply and
 - ii. outside the area of supply.
 - b. Sale of electricity, if any, to electricity traders or other distribution licensees shall be separately indicated.
- 24.4. The Distribution Licensee shall have to establish consumption of un-metered consumer categories through feeder as well as DTR metering through representative sampling /audit etc. In the absence of such energy audit / representative samples / DTR metering, etc. the Distribution Licensees' claim may not be accepted and the estimation of consumption in such cases shall be based on the benchmarks as the Commission may consider appropriate.
- 24.5. The Commission may direct the distribution licensee to conduct an independent study for (i) validation of status of meters, load of metered consumers and category classification of consumers; (ii) to assess consumption of power by un-metered consumers' segments based on random sampling basis; (iii) assessment of consumption on agricultural feeders based on meters installed at each DT in the sample area and (iv) segregated agricultural feeders by installing meters at input points of the feeder at the sub-station and based on load flow studies to determine technical losses and thereby agricultural consumption.

24.6. The Commission may direct the manner and the methodology of the studies to be conducted for the purpose of establishing/validating metered and unmetered consumption. The Commission may accordingly review the benchmarks for unmetered consumption and may direct the distribution licensee to take further action as may be considered appropriate.

25. Distribution Losses

25.1. The Commission had considered the trajectory of distribution losses for the preceding control period after giving due consideration to all relevant factors after consultations with all stakeholders including the Licensees and the GoMP. The Commission is aware that huge capital investments are in pipe line and projected for completion in near future during the control period of these regulations. The Commission is of the view that this Capex should result in substantial reduction in distribution losses. The normative distribution loss level trajectory for control period of these regulations is given in the table below:

Sl. No.	Distribution Licensee	FY 13-14	FY 14-15	FY 15-16
1.	East Discom	23%	20%	18%
2.	West Discom	20%	18%	16%
3.	Central Discom	23%	21%	19%
4.	SEZ, Pithampur	3.7%	3.5%	3.3%

25.2. If the Distribution Licensee is able to achieve a faster reduction in losses and thus able to save expenses on power purchase, the gains thus made shall be allowed to be retained by the licensee to incentivise their operations.

26. Estimate of power purchase requirement and availability

26.1. Each year's estimated sale shall be grossed up by the normative distribution losses to arrive at the quantum of power purchase requirement of the Licensee for such year for the purpose of determination of tariff. Transmission losses both for inter-State and intra-State transmission systems will be allowed in addition to prescribed distribution losses for that year.

26.2. The Distribution Licensees shall project the power purchase requirement after considering effect of target set for Energy Efficiency (EE) and Demand Side Management (DSM) schemes.

26.3. The Discom wise availability of the power shall be as per the allocation notified by the GoMP from time to time. The availability from CPPs and any other source shall also be considered while determining the total availability.

26.4. In addition, as per the requirement under Section 86 (1) (e) of the Act, the Commission has indicated the quantum of power to be purchased by Distribution Licensees from non-conventional / renewable energy sources. Availability of power from such sources shall also be included in the total availability of power.

27. Estimation of power purchase cost

27.1. The cost of power purchase from Generating Stations shall be as per the tariff determined/approved by the appropriate Commission from time to time and in case of nuclear power stations by the Government of India.

27.2. In respect of projects executed by the State of Madhya Pradesh along with any other State(s), the Commission shall determine the tariff in consultation with the other concerned Regulatory Commissions where the responsibility is not assigned to CERC.

27.3. The cost of power purchased from other Generating Companies, Traders and other Distribution Licensees shall be as per the PPAs and trading arrangements approved by the Commission, subject to the condition that the Distribution Licensees gets prior approvals of such arrangements from the Commission in accordance with the appropriate regulations.

27.4. The Cost of power generated by the generating plant of the Distribution Licensee and sold by it to its consumers shall be based on tariff determined by the Commission.

27.5. The cost of power to be procured from the Captive Power Plants shall be as decided by the Commission from time to time.

27.6. The cost of power to be purchased by Distribution Licensees from non-conventional / renewable sources of energy shall be as determined by the Commission from time to time. This cost shall be included in the ARR while estimating the cost for procurement of power by the licensee.

27.7. Any financial loss on account of power purchased by the licensee in any year to meet additional losses over and above the normative level of losses shall be borne by the licensee.

28. Charges payable to Transmission Licensees

28.1. The transmission charges for the use of transmission system of Central Transmission Licensees for the power purchased from outside the State shall be considered as per the Orders issued by the CERC from time to time.

28.2. The transmission charges for the use of State Transmission System of the State Transmission Licensee and SLDC charges shall be as per the orders of the Commission as issued from time to time.

29. Distribution Tariff

- 29.1. The Tariff for distribution of electricity shall consist of power purchase cost, wheeling cost and supply cost consisting of the components specified in Regulation 8.15.

30. Return on Equity

- 30.1. Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with Regulation 21.
- 30.2. Return on equity shall be computed on pre-tax basis at the rate of **16%**. Any expenses on payment of Income Tax shall be allowed extra on actual basis on the licensed business of Distribution licensee.
- 30.3. The premium raised by the licensee while issuing share capital and investment of internal resources created out of free reserve, if any, shall also be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilised for meeting capital expenditure and forms part of the approved financial package. For the purposes of calculation of computation of return, the portion of free reserves utilized for meeting the capital expenditure shall be considered from the date the asset created is productively deployed in the distribution business.

31. Interest and finance charges on loan capital

- 31.1. The loans arrived at in the manner indicated in Regulation 21 shall be considered as gross normative loan for calculation of interest on loan.
- 31.2. The normative loan outstanding as on 1.4.2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2013 from the gross normative loan.
- 31.3. The repayment for each Year of the Tariff period 2013-14 to 2015-16 shall be deemed to be equal to the depreciation allowed for that Year.
- 31.4. Notwithstanding any moratorium period availed by the Distribution Licensee, the repayment of loan shall be considered from the first Year of commercial operation of the Project and shall be equal to the annual depreciation allowed.
- 31.5. 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 Distribution System does not have actual loan, then the weighted average rate of interest of the Distribution Licensee as a whole shall be considered.

- 31.6. The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest.
- 31.7. The Distribution Licensee shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the consumers and the net savings shall be shared between consumers and Distribution Licensee in ratio 1:1.
- 31.8. The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.
- 31.9. Interest charges on security deposits with the licensee shall be considered at the rate specified by the Commission from time to time.

32. Depreciation

- 32.1. For the purpose of Tariff, depreciation shall be computed in the following manner:
 - a. The value base for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission
 - b. The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.
 - c. 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.
 - d. Land other than land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.
 - e. Depreciation shall be calculated annually based on 'straight line method' and at rates specified in Annexure II to these Regulations for the assets of the Distribution System declared in commercial operation after 31/03/2013.

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 assets.

Provided further that the Consumer contribution or capital subsidy/ grant etc. for asset creation shall be treated as may be notified by the Commission from time to time.

- f. In case of the existing Projects, the balance depreciable value as on 1.4.2013 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission up to 31.3.2013 from the gross depreciable value of the assets. The rate of Depreciation shall be continued to be charged at the rate specified in Annexure-II till cumulative depreciation reaches 70 %. Thereafter, the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90 %.
- g. 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.

33. Lease/ Hire Purchase charges

- 33.1. Lease charges for assets taken on lease by Distribution Licensee shall be considered as per lease agreement provided the charges are considered reasonable by the Commission.

34. Operation & Maintenance expenses

- 34.1. Operation and Maintenance expenses shall be determined for the Tariff Period based on normative O&M expenses specified by the Commission in these Regulations. The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The norms for O&M expenses have been fixed on the basis of past audited figures of the Distribution Licensees. These norms exclude dearness allowance, pension, terminal benefits and incentive to be paid to employees, taxes payable to the Government, MPSEB expenses and fee payable to MPERC. The Distribution Licensee shall claim the dearness allowance, pension and terminal benefits, taxes payable to the Government and fees to be paid to MPERC separately as actual. The claim of expenses towards pension and terminal benefits shall be dealt with as indicated in the MPERC (Terms and Conditions for allowing pension and terminal benefits liabilities of personnel of Board and successor entities) regulations, 2012.
- 34.2. One-time expenses such as expense due to change in accounting policy, arrears paid or an increase in any other item of salary etc. due to Pay Commissions etc., shall be excluded from the norms in the trajectory and shall be allowed on actual. Increase in O&M charges on account of war, insurgency or changes in laws, or like eventualities where the Commission is of the opinion that an increase in O&M charges is justified, may be considered by the Commission for a specified period.
- 34.3. The employee expenses excluding dearness allowance, pension, terminal benefits and incentives have been escalated by 3% every year based on the yearly salary increment as provided in 6th Pay Commission's recommendations.

- 34.4. The Commission has also considered expected expenditure in each financial year towards payment of arrears up to 31.8.2008 on account of revision of pay as per 6th Pay Commission's recommendations.
- 34.5. R&M expenses have been considered @ of 3% of the GFA at the time of commencement of independent functioning of the Discoms i.e. as on 1st June, 2005 treating these as old assets. For portion of new assets created subsequently up to March, 2012 R&M expenses @ 1.5% have been considered. In case of SEZ Pithampur being a deemed licensee who commenced operations few years back, the R&M based on past actual trends @ 5% have been considered for the control period. The R&M expenses on these norms shall be allowed on the opening GFA of the relevant year during the control period.
- 34.6. For administration & general expenses, audited figures for the year 2011-12 for Discoms and for SEZ based on tariff order for FY12-13 have been taken as base and escalated every year at the inflation rate of 7.93%, considering a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60: 40, to arrive at the amounts allowed for the control period.
- 34.7. The amount of arrears on account of 6th Pay Commission for the period up to 31.08.08 actually paid by the Distribution Licensees shall be compared with amount towards this included in O&M charges at the time of true-up and variation, if any, shall be trued up. In case of SEZ Pithampur no amount on this account has been considered.
- 34.8. Any saving achieved by a Licensee in O&M expenses in any Year shall be allowed to be retained by it. The Licensee shall bear the loss if it exceeds the targeted O&M expenses for that Year.
- 34.9. The norms for O&M expenses shall be as under:
- a. The R&M Expenses shall be allowed on the opening GFA of the financial year @ 2.3% for East Discom, @ 2.3% for West Discom, @ 2.3% for Central Discom and @ 5% for SEZ Pithampur.
 - b. Employee expenses (excluding dearness allowance) and A&G expenses have been worked out after taking in to account the past actual expenses as per audited balance sheets, expenses on account of revision of pay and arrears as per 6th pay Commission etc. Normative expenses shall be allowed as given below:
 - i. Employee expenses excluding DA, arrears, pension and terminal benefits:

Rs. in Crore				
Year	East Discom	West Discom	Central Discom	SEZ Pithampur
FY 13-14	344	325	303	0.64
FY 14-15	354	334	313	0.66

FY 15-16	365	344	322	0.68
----------	-----	-----	-----	------

ii. Expenses against arrears

Rs. in Crore

Year	East	West	Central	SEZ Pithampur
FY 13-14	34.00	30.00	29.52	0.00
FY 14-15	34.00	30.00	29.52	0.00
FY 15-16*	14.17	10.00	12.30	0.00

*For five months only

iii. A&G expenses

Rs. in Crore

year	East	West	Central	SEZ
2013-14	112.78	92.71	85.14	1.37
2014-15	121.73	100.07	91.89	1.48
2015-16	131.38	108.00	99.18	1.60

35. Bad and doubtful debts

- 35.1. Bad and Doubtful Debts in the ARR shall be allowed based on actually written off bad debts in the past as per the available latest audited financial statements to the extent Commission considers it appropriate and shall be trued up during the true up exercise for the relevant year subject to a maximum limit of 1% of the yearly revenue.

36. Interest charges on working capital

- 36.1. Working capital shall be computed as provided in these Regulations and Rate of interest on working capital shall be equal to the State Bank of India Base Rate as on April 1 of the relevant Year plus 3.50%. 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 borrowed in excess of the working capital loan computed on normative basis.

37. Foreign Exchange Rate Variation (FERV)

- 37.1. The Distribution Licensee may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the Distribution System, in part or full in the discretion of the Distribution Licensee.
- 37.2. Every Distribution 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.
- 37.3. To the extent the Distribution Licensee is not able to hedge the foreign exchange exposure, the variation in 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 Distribution Licensee or its suppliers or contractors.
- 37.4. The Distribution Licensee shall recover the cost of hedging and adjust the impact of Foreign Exchange Rate Variation on year-to-year basis as income or expense in the period in which it arises.

38. Tax on Income

- 38.1. Actual payment of Income Tax on Income streams of the Distribution Licensee shall be admissible as expenses.

Provided that the deferred tax liability, excluding Fringe Benefit Tax, for the period up to 31st March, 2013 whenever it materializes, shall be recoverable from the Consumers through tariff.

39. Tariff income

- 39.1. Income from all charges determined by the Commission for Distribution and supply of electricity shall be considered as Tariff income. Tariff income shall include fixed charges, energy charges, minimum charges and other charges as may be specified by the Commission for different consumer categories.

40. Other income

- 40.1. A schedule for other income as provided in the schedule of Miscellaneous Charges and General Charges under MPERC (Details to be furnished by licensees for determination of Tariff and manner of making an application) Regulation 2004 as amended from time to time shall be classified under 'Other Income'.
- 40.2. Revenue from other business shall be treated as income to the extent authorized by the Commission under Section 41 of the Act.

41. Late payment surcharge

- 41.1. Surcharge as may be prescribed will be payable if the bills are not paid up to due date. A part of a month will be reckoned as full month for the purpose of calculation of delayed payment surcharge. The delayed payment surcharge will not be levied for the period after supply to the consumer is permanently disconnected.
- 41.2. The delayed payment surcharge shall not be considered as income for the purpose of determination of gap between aggregate revenue requirement and tariff & other income.
- 41.3. The licensee may waive the late payment surcharge payable by any consumer or class or category of consumers as it may consider necessary to boost recovery of revenue.

42. Determination of tariffs for supply to consumers

- 42.1. The Commission shall determine the charges recoverable from different consumer categories based on the following principles:
 - (a) The average cost of energy supplied to consumers and estimated distribution losses shall be recovered as energy charge;
 - (b) The expenses efficiently incurred on wheeling and supply activities shall be recoverable from the consumers on the basis of factors mentioned in Section-62(3) of the Act;
 - (c) To the extent possible, the fixed charges and energy charges shall be uniform within a particular voltage class. The differentiation in charges within a particular voltage class, if necessary, shall be done based on the factors listed in Section 62(3) of the Act;
 - (d) Tariff minimum: Tariff minimum charges for a class or category of the consumers shall be recoverable from the consumers till the time fixed charges are aligned with recovery of full fixed costs.;

- (e) Load factor incentive: Load factor based concessions in tariff may be allowed to consumers based on the scheme approved by the Commission in its Tariff Orders issued from time to time.
- (f) Prompt payment incentive: An incentive for prompt payment could be given to the consumers as may be decided by the Commission. The consumers in arrears shall not be entitled for this incentive.
- (g) Power Factor incentive/ surcharge: Power factor incentive/ surcharge in tariff may be allowed/levied to consumers based on the scheme approved by the Commission in its Tariff Orders issued from time to time.
- (h) Temporary connection charges: Temporary connection charges will be levied as may be decided by the Commission.
- (i) Supply reliability charge: The Commission may consider to prescribe supply reliability charges for those categories of consumers who are provided with uninterruptible supply.
- (j) Additional charge on account of procurement of costly power: The Commission may consider to prescribe additional charges on account of procurement of costly power.
- (k) Incentives for energy conservation and demand side management: The Commission may prescribe incentives for energy conservation measures and demand side management.
- (l) Welding surcharge: The Commission may prescribe Welding surcharge for the installation having load of welding machines.
- (m) ToD incentive/ surcharge: The Commission may prescribe Time of day incentives/ surcharge for use in the specified duration of the day/ season.
- (n) Reactive energy charge: The Commission may prescribe Reactive energy charge for the installations drawing reactive energy.
- (o) Any other incentive / surcharge: The Commission may prescribe any other surcharge / incentive.

43. Inter-category transfers or cross-subsidy

- 43.1. The overall process of determining tariff shall ensure that prudent costs are passed on to consumers. However, aspect of meeting the social objective of providing affordable power to all groups of users without an unbearable tariff shock needs to be considered. Therefore there is a need for cross subsidization while determining tariff for individual category keeping in view the provisions of Tariff policy. The cross-subsidy may be shown in the tariff determined for consumer categories and shall be worked out in such manner so as to meet the objectives of the Tariff policy.

44. Tariff categories and intimation of tariff rates to consumers

- 44.1. The Commission, while determining the tariff for supply of electricity under section 62 shall specify details of charges to be recovered by the Distribution Licensee from different consumer categories. For the tariff period, the consumer categories shall broadly comprise of the following, at specified voltage levels:
- Heavy Industrial Use, including Railway Traction, coal mines, seasonal, etc.
 - Non industrial use
 - Domestic Use
 - Non Domestic Use
 - Public Lighting / Water Supply
 - Agriculture, Irrigation and agro based industry
 - Light and Medium scale Industrial Motive Power
 - Any other categories as considered appropriate by the Commission
- 44.2. The Commission may, while determining tariffs for any year of the tariff period specify suitable sub-categories / consumption slabs / load slabs within the broad categories mentioned above, and may separately prescribe tariff rates for each such sub-category / consumption slabs / load slabs.
- 44.3. The Distribution Licensee shall publish details of various charges approved by the Commission after each tariff determination exercise in the manner as may be approved by the Commission for information to the consumers.

CHAPTER III

MISCELLANEOUS

45. CDM benefits

45.1. The proceeds of carbon credit from approved Clean Development Mechanism (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 after the Date of Commercial Operation of the Distribution System
- (b) In the second Year, the share of the Consumers shall be 10% which shall be progressively increased by 10% every Year till it reaches 50%, where after the proceeds shall be shared in equal proportion, by the Distribution Licensee and the Consumers.

46. Deviation from norms.

46.1. The Distribution Tariff to be recovered by the Distribution Licensees from the consumers may also be determined by the Commission in deviation of the norms specified in these Regulations .

47. Power to remove difficulties

47.1. If any difficulty arises in giving effect to any of the provisions of these Regulations, the Commission may, by general or special order, do or undertake or direct the Licensees to do or undertake things, which in the opinion of the Commission is necessary or expedient for the purpose of removing the difficulties.

48. Power to Amend

48.1. The Commission may, at any time add, vary, alter, modify or amend any provisions of these Regulations.

49. Repeal and Savings

- 49.1. The Regulations namely “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Tariff for Supply and Wheeling of Electricity and Principles for Fixation of Charges), Regulations, 2009 (G-35 of 2009)” published vide Notification No.2734/MPERC/2009 in the Gazette dated 22/01/2010 and read with all amendments thereto, as applicable to the subject matter of these Regulations are hereby superseded.
- 49.2. True up of ARR and other matters related to tariff for the period given for the above mentioned regulations shall be dealt as per the provisions of these regulations.
- 49.3. Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary for ends of justice to meet or to prevent abuses of the process of the Commission.
- 49.4. Nothing in these Regulations shall bar the Commission from adopting, in conformity with the provisions of the Act, a procedure, which is at variance with any of the provisions of this Regulation, if the Commission, in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient for dealing with such a matter or class of matters.
- 49.5. Nothing in these Regulations shall, expressly or impliedly, bar the Commission dealing with any matter or exercising any power under the Act for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner it thinks fit.

By order of the Commission

Commission Secretary