

**Notified on : 22 January'2010
Bhopal, Dated: 9th December, 2009**

No. **2734/MPERC/2009**. 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 2010 and continuing up to 31st March 2013.

**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, 2009**

{G - 35 OF 2009}

PREAMBLE

Whereas the Commission had notified Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Supply of Electricity and Methods & Principles for Fixation of Charges) Regulations, 2006 (RG-27 (I) of 2006) on 26th October 2006 and whereas the first control period of Multi Year Tariff will cease to be in vogue on 31st March, 2010, therefore, in order to specify the terms and conditions of Distribution Tariff for the next control period of FY 2010-11 to FY 2012-13, 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, 2009 {G- 35 of 2009}”.
- 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 2010 and up to 31st March 2013. The petitions for the determination of Aggregate Revenue Requirement and Tariff for Wheeling and supply of Electricity for the period commencing from 01/04/2010 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) Profit and Loss Account, complying with the requirements contained in Part II of Schedule VI to the Companies Act, 1956,
 - (iii) Cash Flow Statement, prepared in accordance with the Accounting Standard on Cash Flow Statement (AS-3) of the Institute of Chartered Accountants of India,
 - (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 under Section-54 of the Indian Electricity Rules, 1956 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 loss" shall mean the total energy losses occurring in the Distribution sSstem of a Distribution Licensee expressed in percentage as difference between energy input to its system and its sale;
- (p) "Existing Project" means the project declared under commercial operation on a date prior to 1.4.2010;

- (q) “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;
- (r) “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 allowed by I.E. rules, 1956;
- (s) “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 allowed by I.E. rules, 1956;
- (t) “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 allowed by I.E. rules, 1956;
- (u) “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;
- (v) “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;
- (w) “Officer” shall mean an Officer of the Commission;
- (x) “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;
- (y) “Project” shall mean a scheme for addition, alteration or augmentation of Distribution System;
- (z) “Rated Voltage” shall mean the voltage at which the Distribution System is designed to operate;
- (aa) “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;

- (bb) “Tariff” shall mean the schedule of charges payable by the consumers for Distribution and Supply of electricity together with terms and conditions thereof;
- (cc) “Tariff Period” shall mean the period for which Tariff is determined by the Commission under these Regulations;
- (dd) “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;
- (ee) “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;
- (ff) “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 Regulation 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 with the consumers 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 (ARR) 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 Multi-Year Tariff period in the formats annexed with these Regulations (Annexure – I). The Licensee is also required to publish in an abridged form, the application for tariff determination for the Multi-Year period in the formats which are specified in Annexure – II. The information furnished by the Licensee in these formats shall form a part of the application. 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.
- 7.5. 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 their Petitions filed before the Commission on their respective websites not later than 3 working days of 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, 2013 from the date of commencement of these Regulations.

- 8.2. The Distribution Licensee shall file the petitions at the beginning of the Tariff Period and every year thereafter. 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.
- 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.
- 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, 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 Regulation 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's 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 may be determined.
- 8.12. The Commission envisages making a distinction between interruptible and un-interruptible supply. Un-interruptible supply shall be at EHT voltage and the Licensee may also provide un-interruptible supply at 33kV, if technically feasible and is requisitioned by the consumer. 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 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) 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 Foreign Exchange Rate Variation (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 surcharge formula may be specified by the Commission and tariff may be permitted to be charged under the terms of specified formula. The impact of fuel surcharge whenever permitted in respect of a generating company shall be recoverable from Consumers and the Distribution Licensee may approach the Commission for such Orders as are necessary under Section 62(4) of the Act.

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 less than a year.

12. Hearings

- 12.1. The procedure of hearing on the Tariff application shall be as specified 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.

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.
- 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 in accordance with the provisions of the Madhya Pradesh Electricity Regulatory Commission (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.

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 146 and / or 149 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 short term prime lending rate of State Bank of India 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 allowed 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 1st April, 2010 and shall be applicable for a period up to 31st March, 2013. .
- 16.2. The Distribution Licensee shall continue to provisionally bill the Consumers based on Tariff approved by the Commission and applicable as on 31.3.2010 for the period starting from 1.4.2010 till approval of new Tariff by the Commission in accordance with these Regulations.

17. Basis for determination of Tariff

- 17.1. As stated, multiyear tariff principles shall be applicable from 1st April, 2010 for a period of three years and the Distribution Licensees are required to file the proposals for determination of tariff accordingly.
- 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. Capital Cost and Capital structure

- 18.1. 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

- 18.2. 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 1.4.2010 shall form the basis for determination of capital cost.

- 18.3. 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.

19. Debt-equity ratio

- 19.1. 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 Regulation 19.2. 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

- 19.2. For a Project declared under commercial operation on or after 1.4.2010, 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.

- 19.3. In case of the Distribution System declared under commercial operation prior to 1.4.2010, debt-equity ratio allowed by the Commission for determination of Tariff for the period ending 31.3.2010 shall be considered.

20. Working capital

- 20.1. Working capital for supply activity of the Licensee shall consist of:
- (i) Power purchase cost of one month and receivables of two months of average billing reduced by 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.
- 20.2. 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.
- 20.3. The norms described above shall be applicable for each year of the tariff period.

21. Business Plan and Capital Investment

- 21.1. The Distribution Licensee shall file a business plan every year in July which shall comprise but not be limited to detailed capital investment plan, financing plan and physical targets in accordance with guidelines issued by the Commission in this regard for meeting the requirement of load growth, reduction in Distribution losses, improvement in quality of supply, reliability, metering etc.
- 21.2. The Capital plan shall show separately, on going 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. The Commission shall consider and approve the Licensee's capital investment plan for which the Licensee shall be required to provide relevant technical and commercial details. The Licensee shall get the Capital Investment Plan invariably approved by the Commission before filing the Tariff application.
- 21.3. The proportion for debt and equity for the approved capital investment shall be as per Regulation 19.

22. Estimation of sales

- 22.1. 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 four years. The year wise projections of the aforementioned parameters for the tariff period shall also be provided along with the tariff petition.
- 22.2. 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, may be examined and subsequently approved for deciding the quantum of electricity to be purchased by the Licensees with such modifications as deemed fit.
- 22.3. 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.
- 22.4. The Distribution Licensee shall have to establish consumption of un-metered consumer categories through DTR metering through representative sampling /audit etc. In the absence of such energy audit / representative samples / DTR metering, etc. the Distribution Licensees' claim will not be accepted and the estimation of consumption shall be based on the benchmarks as the Commission may consider appropriate.

23. Distribution Losses

23.1. The Govt. of MP, in accordance with the Section 5.8.10 of National Electricity Policy and Section 5.8(b)(2) of Tariff Policy, had prescribed the loss trajectory vide its order No. 8414/13/2006 of December 28, 2006. The loss trajectory was adopted by the Commission for the purpose of determination of tariff. The said section of National Electricity policy required the State Government to prescribe loss trajectory for 5 years which period would be over by FY2010-11. The GoMP again vide its submission through the letter no. 8674 dated 26th November, 2009 has suggested loss trajectory for the years 2010-11 to 2012-13 including revision in loss targets for FY 2010-11 included in earlier communication of December,06. The Commission has considered the suggestions made by the GoMP and also the recommendations made for reduction of losses in the report of Task Force constituted by Ministry of Power, GoI on "Restructuring of APDRP" as well as the submission made by the objectors. The Commission has also kept in view the rapid deterioration in financial health of the Distribution Companies primarily on account of their inability to contain losses within those prescribed. The Distribution loss level trajectory as considered appropriate by the Commission for the Distribution Licensees is as given in the table below:

(Figures in %)

Sl. No.	Distribution Licensee	FY11	FY12	FY13
1.	East Discom	30 %	27 %	24 %
2.	West Discom	26 %	24%	22 %
3.	Central Discom	33 %	29 %	26 %

23.2. 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 its their operations.

24. Estimate of power purchase requirement and availability

- 24.1. Each year's estimated sale as per Regulation 22 will be grossed up by the percentage losses as indicated in the Regulation 23.1 to arrive at the figure of power purchase requirement of the Licensee for such year. Transmission losses both for inter-State and intra-State transmission systems will be allowed in addition to prescribed Distribution losses for that year.
- 24.2. 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.
- 24.3. 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.

25. Estimation of power purchase cost

- 25.1. The cost of power purchase from State Generating Stations shall be as per the tariff determined/approved by the Commission from time to time. The cost of purchase from the Central Sector Stations shall be based on the tariff as per CERC's orders as may be applicable from time to time.
- 25.2. 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.
- 25.3. 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 get prior approvals of such arrangements from the Commission in accordance with the appropriate Regulations.
- 25.4. 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.
- 25.5. The cost of power to be procured from the Captive Power Plants shall be as decided by the Commission from time to time.

- 25.6. 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.
- 25.7. Any financial loss on account of power purchased by the Licensee in any year to meet additional losses over and above the approved level of losses shall be borne by the Licensee.

26. Charges payable to Transmission Licensees

- 26.1. 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.
- 26.2. The transmission charges for the use of State Transmission System of the State Transmission Licensee shall be as per the orders of the Commission as issued from time to time.

27. Distribution Tariff

- 27.1. 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.

28. Return on Equity

- 28.1. Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with Regulation 19.
- 28.2. 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.
- 28.3. 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 form 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.

29. Interest and finance charges on loan capital

- 29.1. The loans arrived at in the manner indicated in Regulation 19 shall be considered as gross normative loan for calculation of interest on loan.
- 29.2. The normative loan outstanding as on 1.4.2010 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2010 from the gross normative loan.
- 29.3. The repayment for each Year of the Tariff period 2010-11 to 2012-13 shall be deemed to be equal to the depreciation allowed for that Year.
- 29.4. 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.
- 29.5. 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.
- 29.6. The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest.
- 29.7. 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.
- 29.8. The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.
- 29.9. Interest charges on security deposits with the licensee shall be considered at the rate specified by the Commission from time to time.

30. Depreciation

30.1. 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 III to these Regulations for the assets of the Distribution System declared in commercial operation after 31/03/2010.

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 1.4.2010 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission up to 31.3.2010 from the gross depreciable value of the assets. The rate of Depreciation shall be continued to be charged at the rate specified in Appendix-III 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.

31. Lease/ Hire Purchase charges

- 31.1. 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.

32. Operation & Maintenance expenses

- 32.1. 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 metered sale and Gross Fixed Assets (GFA) of the Distribution Licensees. These norms exclude 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 taxes payable to the Government and fees to be paid to MPERC separately as per actual. The claim of expenses towards pension and terminal benefits shall be dealt as indicated in these Regulations 32.6 and 32.67.
- 32.2. Normative O&M expenses other than expenses on payment of arrears to employees up to 31.08.08 on account of revision of pay scales of the employees based on the Sixth Pay Commission recommendations, as implemented by the Distribution Licensees at the commencement of the Tariff Period have been escalated at the rate of 6.14% considering a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60: 40.
- 32.3. For first Financial Year of the control period, the impact of implementation of 6th Pay Commission recommendations has been considered in employees cost, which has been escalated @ 6.14% in subsequent Years. The Commission has also considered expected expenditure of Rs. 33.37 Crore for East Discom, Rs.31.31 Crore for West Discom and Rs. 29.52 Crore for Central Discom in each financial year towards payment of arrears up to 31.8.2008 for the period from 2010-11 to 2012-13 as one third each year for the Distribution Licensees.

- 32.4. In the case of repair & maintenance for determining expenses to be allowed for the control period, trend of repair & maintenance on percentage of opening GFA as per audited figures of 2006-07, 2007-08 & 2008-09 have been taken. For administration & general expenses, audited figures for the year 2008-09 have been taken as base and escalated Year-wise at inflation rate of 6.14% to arrive at the amounts allowed for the control period.
- 32.5. 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.
- 32.6. Employees transfer to Companies from MPSEB is yet to take place. Actuarial analysis for assessment of present level of unfunded terminal liabilities and segregation of this liability for pensioners, past service rendered by employees on rolls and current provision for serving employees is yet to be completed. The scheme for funding this unfunded liability and operationalising Terminal Benefit Trust Fund has been pronounced by the State Government.
- 32.7. As per the Commission's view, the funds needed for pension contribution of existing employees i.e. current liability for each Year alone should be allowed in the employee cost of the M.P. Transmission Company Ltd., M.P. Generating Company Ltd., and three Distribution Companies. The Commission, in the intervening period, has been allowing funds needed for actual pension payment and other terminal benefits like gratuity. With the rapid increase in pension bills, its impact on tariff is progressively going up. This arrangement of allowing actual pension payment has become unsustainable and will have to be discontinued in near future. In view of the above, the Commission in the MYT Regulations for Transco had directed that an actuarial analysis for determining pension liability of pensioners as also for service already rendered by existing employees on one hand and current provision needed for each fiscal year commencing from FY 2010-11 for serving employees on other hand, be got conducted for each Year and findings be reported to the Commission. The M.P. Transmission Company Limited had been charged with carrying out this activity by Sept, 2009. It has now been informed that this activity is likely to be completed by February, 2010. The Commission, based on outcome of actuarial analysis, will take a comprehensive view and will firm up a strategy to meet this unfunded liability. The Commission, while finalising the above, shall also take into consideration the various arrangements made in other States for meeting this liability as also the views of all stakeholders.

32.8. 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.

32.9. 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.

32.10. The norms for O&M expenses shall be as under:

- a. R&M Expenses shall be allowed on the opening GFA of the financial year @ 2% for East Discom, @ 2% for West Discom and @ 2.3% for Central Discom.
- b. Employee expenses and A&G expenses have been worked out for the financial year 2010-11 after taking into 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.as per table given below:

	Expenses allowed (Rs. in Crore) for 2010-11		
Discom	East	West	Central
Employee expenses excluding arrears	415.06	389.37	367.15
Arrears	33.37	31.31	29.52
A&G expenses	73.37	64.39	69.57

For subsequent financial years of the control period employee expenses (excluding arrears) and A&G expenses will be escalated @ 6.14% every year for taking care of normal inflation. Expenses against payment of arrears for subsequent financial years of the control period shall be allowed on the same level as allowed for 2010-11 indicated in the above table.

32.11. Incentive/ disincentive for increase/ reduction in metered sale shall be provided. Discom wise incentives/ disincentives based on the present level of metered sale shall be as follows:

1. In case of MP Poorv Kshetra Vidyut Vitaran Co. Ltd., for every 1% increase in metered sales, expressed as percentage of total sale, from 80 % (present level of metered sale), an incentive of Rs.3.27 Crore shall be provided. Similarly a disincentive for every 1% increase in un-metered sale from 20% shall also be applicable at the rate of Rs.3.27 Crore.
2. In case of MP Madhya Kshetra Vidyut Vitaran Co. Ltd., for every 1% increase in metered sales, expressed as percentage of total sale, from 81% (present level of metered sale), an incentive of Rs.2.88 Crore shall be provided. Similarly a disincentive for every 1% increase in un-metered sale from 19% shall also be applicable at the rate of Rs.2.88 Crore.

3. In case of MP Paschim Kshetra Vidyut Vitaran Co. Ltd., for every 1% increase in metered sales, expressed as percentage of total sale, from 70% (present level of metered sale), an incentive of Rs.3.48 Crore shall be provided. Similarly a disincentive for every 1% increase in un-metered sale from 30% shall also be applicable at the rate of Rs.3.48 Crore.
- 32.12. The amount of incentive so earned by the Distribution Licensee shall be utilized for implementation of meterisation schemes which may include expenses on account of procurement & installation of meters on unmetered connections and other related activities. The Licensee shall keep a separate account of the incentive earned and its actual utilisation and shall submit the details to the Commission along with subsequent ARR/ true up petition.
- 32.13. For computing metered sale for the purpose of incentive/ disincentive, actual sale done through DTR meters to unmetered agricultural connections shall be considered as metered sale provided that this is substantiated by the Licensee.
- 32.14. For the purpose of arriving at metered sale percentage, fraction more than 0.5 shall be rounded off to next higher integer. Similarly, fraction less than or equal to 0.5 shall be rounded off to next lower integer.

33. Bad and doubtful debts

- 33.1. Bad and Doubtful Debts shall be allowed to the extent of the Distribution Licensee has actually written off bad debts subject to a maximum limit of 1% of the yearly revenue.

34. Interest charges on working capital

- 34.1. 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 Advance Rate as on April 1 of the relevant Year. 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.

35. Foreign Exchange Rate Variation (FERV)

- 35.1. 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.
- 35.2. 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.
- 35.3. 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.
- 35.4. 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.

36. Tax on Income

- 36.1. 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, 2010 whenever it materializes, shall be recoverable from the Consumers through tariff.

37. Tariff income

- 37.1. 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.

38. Other income

- 38.1. 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'.
- 38.2. Revenue from other business shall be treated as income to the extent authorized by the Commission under Section 41 of the Act.

39. Late payment surcharge

- 39.1. Surcharge as may be prescribed will be payable if the bills are not paid up to due date. The 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.
- 39.2. The delayed payment surcharge shall not be considered as income for purpose of determination of gap between Annual Revenue Requirement and tariff & other income.

40. Determination of tariffs for supply to consumers

- 40.1. 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: The Commission does not favour tariff minimum to be recovered from EHT/HT/LT consumers. However, the fixed charges linked to contract demand shall be recoverable from the consumers; and in case it is found that recovery of actual fixed expenses in full through fixed cost may distort the tariff leading to higher burden on consumers, the Commission may continue levy of minimum charges 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.

41. Inter-category transfers or cross-subsidy

41.1. 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.

42. Tariff categories and intimation of tariff rates to consumers

- 42.1. 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 may be considered appropriate by the Commission
- 42.2. 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.
- 42.3. The Distribution Licensee shall send a tariff card to each consumer showing the details of various charges approved by the Commission after each tariff determination exercise.

CHAPTER III

MISCELLANEOUS

43. CDM Benefits

43.1. 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 shall 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.

44. Deviation from norms.

44.1. 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 .

45. Power to remove difficulties

45.1. 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.

46. Power to Amend

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

47. Repeal and Savings

- 47.1. The Regulations namely “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Tariff for Distribution and Retail Supply of Electricity and Principles for Fixation of Charges), Regulations, 2006 (RG-27 (I) of 2006)” published vide Notification No.2617/MPERC/2006 in the Gazette dated 26/10/2006 and read with all amendments thereto, as applicable to the subject matter of these Regulations are hereby superseded.
- 47.2. 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 the said Regulations.
- 47.3. 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.
- 47.4. 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.
- 47.5. 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