

# **Uttarakhand Electricity Regulatory Commission**

**Institution of Engineers (I) Building, 1<sup>st</sup> Floor, Near ISBT, Majra, Dehradun**

## **Notification**

March 11, 2008

**No. F-9(19)/RG/UERC/2008/1194** In exercise of powers vested under section 181 read with Sections 61, 62 and 86 of the Electricity Act, 2003 and all powers enabling it in that behalf, the Uttarakhand Electricity Regulatory Commission hereby makes the following Regulations for specifying the Annual Escalation Factor to be used for Generating Company/Licensee:

## **Chapter 1: Preliminary**

### **1. Short Title, Commencement and Interpretation**

- (1) These Regulations may be called the Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determining Escalation Factor) Regulations, 2008.
- (2) These Regulations shall come into force from the date of their publication in the Official Gazette.
- (3) These Regulations shall extend to the whole State of Uttarakhand.

### **2. Definitions and Interpretation**

- (1) In these Regulations, unless the context otherwise requires:
  - (a) "Act" means the Electricity Act, 2003 (36 of 2003) including amendments thereto.
  - (b) "Year" means a Financial Year comprising of the period commencing on 1<sup>st</sup> April of calendar year and ending on 31<sup>st</sup> March of the subsequent calendar year.
- (2) Words and Expressions used and not defined in these Regulations but defined in the Act or UERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2004 or UERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2004 or UERC (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2004 shall have meaning respectively assigned to them in the Act or said Regulations (which are referred to as relevant tariff regulations).

## Chapter 2: Computation of Escalation Factor

### 3. Applicability of Escalation Factor

- (1) The annual escalation factor for compensating the generating company/licensee for inflationary increases shall be determined for each financial year by applying a weighted average of inflation in Consumer Price Index for Industrial Workers (CPI\_IW) and an Index of Select Components of Wholesale Price Index (WPI\_SC).
- (2) The annual escalation factor determined in accordance with these Regulations shall be used for, *inter-alia*, the following:
  - (a) determination of annual escalation in O&M Expenses for licensees/generating companies;
  - (b) determination of annual escalation for ceiling of capital cost determined in relevant regulations for financial years subsequent to the year of issuance of those regulations; and
  - (c) for any other purpose as may be deemed appropriate by the Commission.

### 4. Actual Escalation Factor for Past Years

- (1) Actual escalation factor (EF<sub>k</sub>) for a particular year (k<sup>th</sup> year) shall be calculated from published data using the following formula:

$$EF_k = 0.40 \times \text{Infl CPI\_IW}_k + 0.60 \times \text{Infl WPI\_SC}_k \text{ (For Thermal Generating Companies)}$$

$$EF_k = 0.55 \times \text{Infl CPI\_IW}_k + 0.45 \times \text{Infl WPI\_SC}_k \text{ (For Others)}$$

Where

$$\text{Infl CPI\_IW}_k = \text{Annual Average Inflation in CPI\_IW for } k^{\text{th}} \text{ Year}$$

$$= \left[ \frac{\text{CPI\_IW}_k}{\text{CPI\_IW}_{k-1}} - 1 \right] \times 100$$

$$\text{Infl WPI\_SC}_k = \text{Annual Average Inflation in WPI\_SC for } k^{\text{th}} \text{ Year}$$

$$= \left[ \frac{\text{WPI\_SC}_k}{\text{WPI\_SC}_{k-1}} - 1 \right] \times 100$$

$$\text{CPI\_IW}_k = \text{Annual Average CPI\_IW for the } k^{\text{th}} \text{ Year}$$

$CPI\_IW_{k-1}$  = Annual Average CPI \_IW for the year preceding  $k^{th}$  Year

$WPI\_SC_k$  = Annual Average WPI\_SC for the  $k^{th}$  Year

$WPI\_SC_{k-1}$  = Annual Average WPI\_SC for the year preceding  $k^{th}$  Year

- (2) CPI\_IW shall be taken as directly published by the Government.
- (3) WPI\_SC shall be computed from disaggregated data on wholesale prices published by Ministry of Industry using the following formula:

$$WPI\_SC = \frac{\sum_{i=1}^{14} w_i WPI_i}{\sum_{i=1}^{14} w_i}$$

Where,

$WPI_i$  is the wholesale price index of the  $i^{th}$  commodity; and

$w_i$  is the respective weight.

- (4) WPI\_SC may be obtained as a weighted average of relevant components selected from disaggregated WPI series (1993-94=100) as given below for Transmission Licensee and Other Licensees/Generating Companies:

COMMODITIES	WEIGHT ( $w_i$ )	
	For Transmission Licensee	For Others
1. Lubricants	-	0.16367
2. Cotton Cloth	0.90306	0.90306
3. Jute, Hemp and Mesta Cloth	-	0.37551
4. Paper & Paper Products	2.04403	2.04403
5. Rubber & Plastic Products	2.38819	2.38819
6. Basic Heavy Inorganic Chemical	-	1.44608
7. Basic Heavy Organic Chemical	-	0.45456
8. Paints Varnishes & Lacquers	0.49576	0.49576
9. Turpentine, Synthetic Resins, Plastic materials etc	0.74628	0.74628
10. Matches Explosives & Other Chemicals	-	0.94010
11. Non-Metallic Mineral Products	2.51591	2.51591
12. Basic Metals Alloys & Metals Products	8.34186	8.34186
13. Machinery & Machine Tools	8.36331	8.36331
14. Transport Equipment & Parts	4.29475	4.29475
<b>All the Above (WPI_SC)</b>	<b>30.09315</b>	<b>33.47307</b>

## 5. Escalation Factor for Future Tariffs

- (1) The Escalation Factor for future tariff years in the period of applicability of relevant tariff regulations shall be based on the average of annual escalation factors for preceding five years.
- (2) This average escalation factor shall be used for each financial year subsequent to the mid-year of the preceding five year period till current year as well as for future years.

### **Chapter 3: Miscellaneous**

#### **6. Savings**

- (1) Nothing in these Regulations shall be deemed to limit or otherwise affect the power of the Commission to make such orders as may be necessary to meet the ends of justice.
- (2) Nothing in these regulations shall bar the Commission from adopting in conformity with provisions of the Act, a procedure which is at variance with any of the provisions of these regulations, if the Commission, in view of the special circumstances of a matter or a class of matters, deems it just or expedient for deciding such matter or class of matters.
- (3) 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, as it considers just and appropriate.

#### **7. Powers to Remove Difficulties**

If any difficulty arises in giving effect to any of the provisions of these regulations, the Commission may by general or special order give directions, not being inconsistent with the Act, which appears to the Commission to be necessary or expedient for the purpose of removing difficulties.

#### **8. Power to Amend**

The Commission may, at any time add, vary, alter, modify or amend any provision of these regulations.

By Order of the Commission

(Anand Kumar)

Secretary  
Uttarakhand Electricity Regulatory Commission