

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No. 08 of 2024

In the matter of:

Application seeking approval of the Fuel and Power Purchase Cost Adjustment (FPPCA) charged from/refunded to the consumers against the incremental power purchase cost for the quarter ending September, 2023.

In the matter of:

Uttarakhand Power Corporation Ltd.

... Petitioner

CORAM

Shri D.P. Gairola Member (Law) - Chairman (I/c)

Shri M.L. Prasad Member (Technical)

Date of Order: April 10, 2024

This Order relates to the Petition dated 05.02.2024 filed by Uttarakhand Power Corporation Ltd. (hereinafter referred to as “the Petitioner” or “UPCL” or “Licensee”) under Section 86(1)(a) and Section 62(4) of the Electricity Act, 2003 and Regulation 83 (3) & (4) of UERC (Terms and conditions for Determination of Multi Year Tariff) Regulations, 2021 seeking approval of the Fuel and Power Purchase Cost Adjustment (FPPCA) charged from/refunded to the consumers against the incremental power purchase cost for the quarter ending September, 2023.

1. Background

- 1.1 The Licensee vide its Petition dated 05.02.2024 while referring to UERC (Terms and conditions for Determination of Multi Year Tariff) Regulations, 2021 (hereinafter referred to as “MYT Regulations 2021”) submitted that Regulation 83(4) requires the Petitioner to submit the details of the FPPCA incurred and charged / refunded to the consumers for the quarter ending September, 2023 to the Commission by 14.02.2024. Further, as per Regulation 83 (3), the under or over recovery of FPPCA has to be carried forward till the next quarter of the respective quarter of the year and any amount pending at the end of next quarter has to be adjusted with the approval of the Commission.

- 1.2 The Petitioner also submitted before the Commission that the recovery of incremental power purchase cost has been started by the Petitioner Company to be made from August, 2023, as per provisions of UERC (Terms and Conditions for Determination of Tariff) Regulations, 2021, as amended vide the Commission's notification dated 16.08.2023.
- 1.3 The Petitioner submitted that the detailed computation of FPPCA starting from August, 2023 to November, 2023 has been submitted to the Commission vide UPCL's letter no. 4775/UPCL/RM/B-15, dated 09-10-2023, no. 5255/UPCL/RM/B-15, dated 06-11-2023, no. 5851/UPCL/RM/B-15, dated 14-12-2023 and no. 378/UPCL/RM/B-15, dated 24-01-2024.
- 1.4 The Petitioner submitted that on the basis of actual power purchase cost for the month of August, 2023, the FPPCA to be charged on the consumption of October, 2023 has been computed as follows:

| S. No. | Particulars | Unit | Value |
|--------|--|------------|---------|
| a | Actual units purchased at state periphery during August, 2023 | MU | 1488.70 |
| b | Actual power purchase cost including transmission charges : August, 2023 | Rs. Crore | 685.11 |
| c | Actual average power purchase cost at state periphery (b/a) | Rs. / unit | 4.60 |
| d | Approved average power purchase cost at state periphery | Rs. / unit | 4.78 |
| e | Incremental average power purchase cost (c-d) | Rs. / unit | -0.18 |
| f | Incremental power purchase cost (a x e) | Rs. Crore | -26.49 |
| g | Approved billed Energy for October, 2023 | MU | 1215.29 |
| h | Average FPPCA | Rs. / unit | -0.22 |

- 1.5 The Petitioner further submitted that on the basis of actual power purchase cost for the month of September, 2023, the FPPCA to be charged on the consumption of November, 2023 has been computed as follows:

| S. No. | Particulars | Unit | Value |
|--------|--|------------|---------|
| a | Actual units purchased at state periphery during September, 2023 | MU | 1478.40 |
| b | Actual power purchase cost including transmission charges: September, 2023 | Rs. Cr. | 738.37 |
| c | Actual average power purchase cost at state periphery (b/a) | Rs. / unit | 4.99 |
| d | Approved average power purchase cost at state periphery | Rs. / unit | 4.78 |
| e | Incremental average power purchase cost (c-d) | Rs. / unit | 0.21 |
| f | Incremental power purchase cost (a x e) | Rs. Cr. | 31.69 |
| g | Approved billed Energy for November, 2023 | MU | 1204.81 |
| h | Average FPPCA | Rs. / unit | 0.26 |

- 1.6 The Petitioner submitted that as against the FPPCA to be levied for the consumption month of October, 2023 (incremental power purchase cost for August, 2023) of (minus) Rs. 26.49

Crore, the actual billing is (minus) Rs. 20.07 Crore, and as against the FPPCA to be levied for the consumption month of November, 2023 (incremental power purchase cost for September, 2023) of Rs. 31.69 Crore, the actual billing is Rs. 30.66 Crore. The Petitioner submitted the category wise details of FPPCA billed as summarized in the table below:

| Category | | Consumption month of October, 2023 (Rs. Crore) | Consumption month of November, 2023 (Rs. Crore) |
|--------------|-----------------------------------|--|---|
| RTS-1 | Domestic | -1.33 | 8.05 |
| RTS-2 | Non-Domestic | -2.70 | 4.86 |
| RTS-3 | Government Public Utilities | -1.41 | 1.86 |
| RTS-4 | Private Tube-wells/ Pumping Sets | 0.00 | 0.72 |
| RTS- 4 A | Agriculture Allied Activities | -0.01 | 0.02 |
| RTS-5 | LT&HT Industry | -13.85 | 14.11 |
| RTS-6 | Mixed Load | -0.28 | 0.33 |
| RTS-7 | Railway Traction | -0.11 | 0.13 |
| RTS-8 | Electric Vehicle Charging Station | 0.00 | 0.00 |
| RTS-9 | Temporary Supply | -0.38 | 0.57 |
| Total | | -20.07 | 30.66 |

- 1.7 The Petitioner further submitted that based on the incremental power purchase cost for the month of August, 2023 and September, 2023 and FPPCA billed against such incremental power purchase cost, the over / under recovery of FPPCA to be carried forward with the approval of the Commission has been worked out as follows:

| S. No. | Particulars | Value (Rs. Crore) |
|-----------|---|-------------------|
| a. | Amount to be charged against Incremental power purchase cost till September, 2023 | 5.20 |
| a.1 | Power purchase cost for August, 2023 | -26.49 |
| a.2 | Power purchase cost for September, 2023 | 31.69 |
| b. | Amount actually billed through billing on the consumption till November, 2023 | 10.59 |
| b.1 | Consumption of October, 2023 | -20.07 |
| b.2 | Consumption of November, 2023 | 30.66 |
| c. | Excess of incremental power purchase cost to be adjusted with the approval of UERC (a-b) | -5.39 |

- 1.8 The Petitioner submitted that the Commission may approve the incremental power purchase cost computed by the Petitioner for the month of August, 2023 and September, 2023 and also approve the FPPCA charged / refunded to the consumers against such incremental power purchase cost. The Petitioner further submitted to allow carry forward of incremental power purchase cost of (minus) Rs. 5.39 Crore pending to be recovered / refunded at quarter ending December, 2023.

- 1.9 The Petitioner submitted the com data for the month of August, 2023 and September, 2023

to substantiate the claims made by it. The Petitioner further submitted that it had issued O.M. No. 4986/UPCL/RM/B-15, dated 19.10.2023 and no. 5233/ UPCL / RM/ B-15, dated 04.11.2023 regarding charging of FPPCA from the consumers. The Petitioner further submitted that as per the requirements of Regulation 83 of the MYT Regulations, , the Petitioner is required to submit the details of FPPCA incurred and to be charged or refunded to all the consumers for the quarter ending September, 2023 within 45 days of the end of quarter ending December, 2023 for post facto approval of the Commission.

1.10 The Petitioner under the grounds of relief submitted that for the month of August, 2023 and September, 2023, the Petitioner incurred the incremental power purchase cost amounting to Rs. 5.20 Crore, whereas the billing against such cost is Rs. 10.59 Crore, and accordingly, the balance recovery of (minus) Rs. 5.39 Crore has to be adjusted with the approval of the Commission.

1.11 The Petitioner through the current Petitioner sought following relief from the Commission:

- (1) Consider and accept the Petitioner's methodology for computation of incremental power purchase cost for the quarter ending September, 2023 and category wise FPPCA billed against such incremental power purchase cost.
- (2) Grant post facto approval for computation and recovery of incremental power purchase cost through Petitioner's O.M. No. 4986/UPCL/RM/B-15, dated 19.10.2023 and no. 5233/ UPCL / RM/ B-15, dated 04.11.2023.
- (3) Allow carry forward of balance amount of over recovery of FPPCA of Rs. 5.39 Crore against the incremental power purchase cost for the quarter ending September, 2023.

2. Commission's views and decision

2.1 Section 62(4) of the Electricity Act, 2003 specifies as follows:

"No tariff or part of any tariff may ordinarily be amended, more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified."

2.2 Regulation 83 of the MYT Regulations, 2021 specifies as under:

"(83) Fuel and Power Purchase Cost Adjustment (FPPCA):

- (1) ...

(2) *The FPPCA charge shall be computed and charged on the basis of actual variation in fuel and power purchase costs for delivery at the periphery of the distribution licensee relating to power generated from own generation stations and power procured during any month subsequent to such costs being incurred, in accordance with these Regulations, and shall not be computed on the basis of estimated or expected variations in fuel and power purchase costs.*

(3) *The FPPCA charge for the nth month shall be computed and charged for the month from the subsequent (n+2)th month itself, without prior approval of the Commission and any under or over recovery shall be carried forward to the next consumption month e.g.:*

The FPPCA charge for the month of June shall be charged for the consumption of August billed in September and any under or over recovery shall be carried forward to be charged alongwith consumption of October billed in November.

Provided also that such carry forward shall be adjusted within the next quarter of the respective quarter of the year. If any amount is still pending to be adjusted under FPPCA after three months period, i.e. at the end of the next quarter of the respective quarter, the licensee shall be eligible to adjust the amount through the regulatory process specified in sub regulation (4) below.

(4) *The Distribution Licensee shall submit the details of the FPPCA incurred and to be charged or refunded to all the consumers for the entire quarter, along with the detailed computations and supporting documents as may be required for verification by the Commission within 45 days of the end of the next quarter for post facto approval of the Commission.*

(5) *The Commission shall examine the FPPCA computations and approve the same with modifications, if required before the end of third quarter. Any variation in FPPCA charged or refunded by the Distribution Licensee and FPPCA approved by the Commission will be adjusted in the FPPCA computations of subsequent months as the Commission may determine.*

(6) ...

(7) ...

(8) *The formula for calculation of the FPPCA shall be as given under:*

$$\text{FPPCA (Rs. Crore)} = C + B,$$

Where

FPPCA = Fuel and Power Purchase Cost Adjustment

C = Change in cost of own generation and total power purchase costs (including interstate and intrastate transmission charges) due to the variation in these costs and fuel cost,

B = Adjustment factor for over-recovery / under-recovery for previous month/quarter

$$C \text{ (Rs. Crore)} = A_{Gen} + A_{PP},$$

Where:

A_{Gen} : Change in fuel cost/generation cost of own generation. This would be computed based on the norms and directives of the Commission, including heat rate, auxiliary consumption, generation and power purchase mix, etc.

A_{PP} : Change in energy charges and power purchase cost of power procured (including inter-state and intra – state transmission charges) from all sources other than own generation. This change would be allowed to the extent it satisfies the criteria prescribed in these Regulations and the prevailing tariff order, and subject to applicable norms. This shall be computed as follows:

Power purchased / Procured during nth month at state periphery (kWh) x (actual weighted average rate of power purchases (Rs./kWh) – approved weighted average rate of power purchases (Rs./kWh).

Note :

1. Intra – State & Inter-State transmission losses shall be considered as approved in the tariff order.
2. Penalty imposed due to under drawals or over drawals or DSM penalty shall not be allowed as part of the FPPCA computation.

(9) ...

(10) Calculation of FPPCA charge shall be as per the following formula:

Average FPPCA Charge (Rs/kWh)= (FPPCA/(Estimated sales within the State for the respective month as approved by the Commission in the Tariff Order)*10.

(11) Category wise FPPCA Charge (Rs/kWh) shall be calculated as per the following formula:

(Average Billing Rate (ABR) of Consumer Category (in Rs./kWh) as approved in Tariff Order for the year/Average Billing Rate (ABR) of Distribution Licensee (in Rs./kWh) as approved in Tariff Order for the year) x Average FPPCA (in Rs./kWh).

...

(12) ...

2.3 ...”

2.4 In accordance with the above provisions of the Act and Regulation 83(3) of the MYT Regulations, 2021, the Distribution Licensee has to submit the details of the FPPCA incurred and to be charged or refunded to all the consumers for the entire quarter, along with the detailed computations and supporting documents as may be required for verification by the Commission within 45 days of the end of the next quarter for post facto approval of the

Commission.

- 2.5 The distribution licensee is entitled to compute the FPPCA for the nth month and charge the same from the subsequent (n+2)th month itself, without prior approval of the Commission, and any under or over recovery shall be carried forward to the next consumption month. The provision of claiming FPPCA has been made so that the licensee is able to recover the shortfall in the cost of power purchased by the licensee in a month vis-à-vis that approved by the Commission, which otherwise, would get accumulated till the truing up of expenses for the financial year is carried out by the Commission after the statement of accounts are available, which usually have a lag of 1-2 years and, hence, such accumulated gaps for a substantial period has a carrying cost which could affect the financial health of the distribution licensee and in turn would result in adversely affecting the quality of supply. Any revenue gaps including the gap in power purchase expenses, on account of truing up are to be borne by the consumers. Allowance of FPPCA, on monthly basis, minimizes the impact of such gaps on the licensee's operations.
- 2.6 Regulation 83(5) reproduced above specifies that any variation in FPPCA charged or refunded by the Distribution Licensee and FPPCA approved by the Commission will be adjusted in the FPPCA computations of subsequent months as the Commission may determine. Accordingly, the Commission has analysed the details of the power purchase from the com data provided by the Petitioner for the month of August, 2023 and September, 2023 respectively. Further, Regulation 83(2) reproduced above, specifies that the FPPCA charge shall be computed and charged on the basis of actual variation in fuel and power purchase costs for delivery at the periphery of the distribution licensee relating to power generated from own generation stations and power procured during any month subsequent to such costs being incurred, in accordance with these Regulations, and shall not be computed on the basis of estimated or expected variations in fuel and power purchase costs.
- 2.7 The Commission has gone through the submissions of the Petitioner and observed that the Petitioner had worked out the approved average power purchase cost at State periphery as Rs. 4.78/kWh. The Petitioner during the discussion apprised that the same has been computed after taking into account the approved power purchase cost (including transmission charges, water tax, and UJVNL arrears) and approved energy at State periphery (less energy to be returned in the form of banking payable). The same is

summarized in the table below:

| S. No. | Particulars | Approved by the Commission (T.O. dated 30.03.2023 for FY 2023-24) | |
|--------|---|--|--------------------|
| | | Energy (MU) | Amount (Rs. Crore) |
| 1. | Power Purchase at State Periphery (including banking payable) | 17786.87 | 7174.05 |
| 2. | Add: Water Tax | - | 178.87 |
| 3. | Add: UJVNL Arrears/ (Surplus) | - | (-) 25.60 |
| 4. | Add: Transmission Charges | | |
| | PGCIL | - | 598.40 |
| | PTCUL & SLDC | - | 369.75 |
| 5. | Total (1 to 4) | 17786.87 | 8295.47 |
| 6. | Less: Quantum of Banking payable | 420 | - |
| 7. | Net Power Purchase Cost (5-6) | 17366.87 | 8295.47 |

Based on the above, the average rate of power purchase works out to Rs. 4.78/kWh (8295.47*10/17366.87).

2.8 The Commission analyzed the submission made by the Petitioner and accepts the computation made by the Petitioner and has, accordingly, considered the approved average rate of power purchase for the purposes of calculating FPPCA as Rs. 4.78/kWh as discussed in the preceding para.

2.9 The Commission for the purposes of analyzing the computation of FPPCA has relied upon the quantum and cost of power purchase as appearing in the com data submitted by the Petitioner for the respective months, i.e. August, 2023 and September, 2023. The same shall however be subject to detailed scrutiny at the time of true up of respective year based on the audited accounts.

2.10 The Commission analyzed the computation of FPPCA made by the Petitioner for the month of August, 2023 and September, 2023 and finds the same to be in order and as per the Regulations. The Commission, accordingly, approves FPPCA of Rs. (-) 26.49 Crore and Rs. 31.69 Crore for the months of August, 2023 and September, 2023 respectively, which shall, however, be trued up based on the audited accounts at the time of truing up of FY 2023-24.

2.11 Further, as per the Regulation, the FPPCA charge of a particular month shall be computed and charged from the subsequent (n+2)th month, i.e. average FPPCA charges for the month of August shall be calculated on the approved sales for the month of October, 2023 to be billed in November, 2023. Similarly, the average FPPCA charges for the month of September shall be calculated on the approved sales for the month of November, 2023 to be billed in December, 2023.

2.12 The Petitioner has submitted that against the FPPCA for the month of August, 2023 amounting to Rs. (-)26.49 Crore, the actual billing was Rs. (-) 20.07 Crore. Similarly, against the FPPCA for the month of September, 2023 amounting to Rs. 31.69 Crore, the actual billing was Rs. 30.66 Crore. The Petitioner also submitted the details of consumer category wise FPPCA amount billed for the respective months. The Petitioner, accordingly, submitted that the over recovery of FPPCA for the second quarter of FY 2023-24 amounting to Rs. (-) 5.39 Crore may be carried forward in accordance with the Regulations.

2.13 The Commission analyzed the submission made by the Petitioner and is of the view that the amount of FPPCA of Rs. (-) 5.39 Crore over recovered by UPCL cannot be verified at this stage since the audited commercial statements for the relevant months is not available. Hence, the Commission is allowing UPCL the adjustment of Rs. (-) 5.39 Crore, towards the over recovered FPPCA amount, alongwith the FPPCA for the month of February, 2024 to be billed in the month of May, 2024 on the consumption of April, 2024 as ad-interim. UPCL is further directed to maintain a separate record for such recoveries.

2.14 Ordered accordingly.

(M.L. Prasad)
Member (Technical)

(D.P. Gairola)
Member (Law) - Chairman (I/c)