

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No. 27 of 2023 (Suo-Motu)

In the matter of:

Suo-moto proceedings in the matter of request for seeking approval of revised payment terms for release of gas payments.

In the matter of:

Uttarakhand Power Corporation Ltd.

M/s Sravanthi Energy Pvt. Ltd.

M/s Gama Infraprop (P) Ltd.

... Respondents

CORAM

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

Shri M.K. Jain Member (Technical)

Date of Order: August 16, 2023

The Order relates to the suo-moto proceedings initiated by the Commission in the matter of request for seeking approval of revised payment terms for release of gas payments by M/s Sravanthi Energy Private Limited.

1. Background and submissions

- 1.1 M/s Sravanthi Energy Private Limited (hereinafter referred to as “M/s SEPL”) vide its letter dated 10.04.2023 requested the Commission for approval of revised payment terms for release of gas payments on 5 days basis as per the gas supply agreement entered by it with M/s Shell Energy.
- 1.2 The Commission sought comments on the same from Uttarakhand Power Corporation Limited (hereinafter referred to as “UPCL”) in response to which UPCL informed that it was following the mechanism laid down by the Commission in its Order dated 17.04.2017. The

Commission based on the response of UPCL and further analysis of the request made by M/s SEPL, rejected the request of M/s SEPL for release of gas payments on 5 days basis and directed M/s SEPL to raise the bills in accordance with the principles laid down by the Commission in its Order dated 17.04.2017.

- 1.3 The Commission, on receiving representation from the generators that the payments by UPCL is being delayed and is not made in accordance with the Commission's Order dated 17.04.2017, asked UPCL to submit that why DPS/LPS should not be levied on it on the delayed payments made to the generator beyond 3 days after receipt of bills in accordance with MoP notification dated 03.06.2022.
- 1.4 UPCL vide its reply dated 09.05.2023 submitted its response on the justification/information sought by the Commission. UPCL submitted that the Commission at para 3.6 of the Order dated 17.04.2017 has mentioned as follows:

" ...

UPCL will ensure to make the payment of all the bills raised by the generator within 3 working days so as to facilitate the generator to meet its payment obligations including the payment towards the fuel charges it has to make to GAIL in 4 working days from the date of invoice as per the e-bid RLNG Sale Agreement between the Petitioner and GAIL. This will continue during the currency of the GoI Scheme in this regard and subsequently, the payment will be made in accordance with the provisions of the PPA.

Accordingly, the Commission in its above Order had allowed the provision for fortnightly billing & payment of fuel bills till the currency of the GoI Scheme. The Respondent No.1 has, in its submission, requested the Commission for continuity of the fortnightly billing & payment of fuel bills even after the validity of the Scheme. The Commission noted that the Petitioner itself during the hearing had expressed its consent that they do not have any issue in payment of fortnightly gas supply bills raised by the Respondents on actual basis and the same can be managed by the licensee. Further, the Respondents have commissioned their generating stations under the Scheme of GoI with the view to make their plant operational atleast to the extent of 50% of plant capacity and also that the supply of power is allowed at a ceiling price specified under the said Scheme. Therefore, considering the financial hardship faced by the Respondents and also based on the consent given by the Petitioner in this regard, the Commission, hereby, allows continuation of fortnightly billing as allowed in the Order dated 25.01.2017 after the validity of the Scheme also."

- 1.5 UPCL further stated that the Commission at para 4.2 of the Order dated 17.04.2017 has

directed UPCL as follows:

“UPCL shall not deduct any rebate from bills of M/s SEPL and shall make the payment to the generator within 3 working days from the date of receipt of such bills.”

- 1.6 UPCL further referred to para 1.1.32 of the PPA dated 28.07.2016 executed between SEPL and UPCL which provides as follows:

*“**“Due Date”** shall mean the thirtieth (30th) day after a Monthly Bill or a Supplementary Bill is faxed / mailed to the Buyer and confirmed telephonically by the Buyer and by which date such Monthly Bill or a Supplementary Bill is payable by Buyer.”*

- 1.7 UPCL submitted that the Rule 3 (1) (c) of The Electricity (Late Payment Surcharge) Rules, 2021 define “due date” as follows:

“due date” means the date by which the bill for the charges for power supplied by the generating company or electricity trader or for the transmission service provided by a transmission licensee are to be paid, in accordance with the Power Purchase Agreement, Power Supply Agreement or Transmission Service Agreement, as the case may be, and if not specified in the agreement, forty-five days from the date of presentation of the bill by such generating company, electricity trader or transmission licensee.

- 1.8 UPCL further submitted that Rule 3 (1) (d) of The Electricity (Late Payment Surcharge) Rules, 2021 define “Late Payment Surcharge” as follows:

“Late Payment Surcharge” means the charges payable by a distribution company to a generating company or electricity trader for power procured from it, or by a user of a transmission system to a transmission licensee on account of delay in payment of monthly charges beyond the due date.”

- 1.9 UPCL also referred to Para 1.1.51 and para 9.3.6 of the PPA dated 28.07.2016 executed between SEPL and UPCL which provides as follows:

*“1.1.51” **Late Payment Surcharge**” means the surcharge payable by either Party for delay in payment of a Provisional Bill, Monthly Bill or a Supplementary Bill, as the case may be, beyond a period of sixty (60) days from the receipt of the respective Provisional Bill, Monthly or Supplementary Bill and shall be calculated in accordance with the terms specified in Clause 9.3.6 of this Agreement.*

9.3.6 For default in payment beyond sixty (60) days from the billing, a surcharge (“Late Payment Surcharge”) at the rate of 1.25(%) percent per month or part thereof shall be levied on the amount remaining unpaid.”

- 1.10 UPCL further submitted that Para 10 of the scheme for utilization gas based power

generation capacity dated 27.03.2015 notified by Ministry of Power, GoI specify the execution period of the scheme as follows:

“Execution period : The scheme shall be applicable for 2 years i.e. for FY 2015-16 and FY 2016-17 and will be reviewed thereafter.”

- 1.11 While referring to the above UPCL submitted that payment to generators has to be made within 3 working days from the receipt of the bills till the currency of the GoI scheme dated 27.03.2015 for utilization of gas-based power generation capacity and the said scheme was applicable only for the period from FY 2015-16 to FY 2016-17. UPCL further submitted that the relaxation provided to M/s SEPL, vide Commission's Order dated 17.04.2017, after the validity of the scheme is limited to continuation of fortnightly billing, and, accordingly, for a period after March, 2017, the payment of bills has to be made in accordance with the provisions of the PPA, i.e. within 30 days from the date of receipt of bill.
- 1.12 UPCL further submitted that as per rule 3(1)(d) of the Electricity (Late Payment Surcharge) Rules, 2021, Late Payment Surcharge is payable if the payment of the monthly charges bill is made beyond due date and due date of the bill is as per PPA executed between UPCL and SEPL which is 30 days after the date of receipt of the bill. UPCL further submitted that as per PPA, the Late Payment Surcharge is payable if the payment of the bills is made after 60 days from the receipt of the bill. UPCL submitted that it is adhering the provisions of law for making the payment of the bills of M/s SEPL.
- 1.13 The Commission observed that the replies/justification provided by UPCL were not aligned with the intent of the Commission as per the Order dated 17.04.2017 and it appeared that UPCL was drawing its own inference/interpretation of the provisions of law. The Commission, accordingly, decided to initiate a Suo-moto proceedings in the matter to discuss and decide upon the issues related to the timelines for payment of gas bills to the generators. The other gas-based generator in the State, i.e. M/s Gama Infraprop Private Limited (hereinafter referred to as M/s GIPL) was also made party to the proceedings, being a beneficiary in the matter.
- 1.14 The Commission conducted a hearing in the matter on 31.05.2023 wherein UPCL, M/s SEPL and M/s GIPL forwarded their arguments in the matter. UPCL during the hearing requested the Commission to allow it to make additional submissions in the matter. The Commission

directed UPCL to file its submission alongwith the calculations showing the impact of working capital liability on the consumers in case the payment arrangement as approved by the Commission in its Order dated 17.04.2017 is rescinded.

1.15 UPCL vide its letter dated 28.06.2023 made additional submission in the matter alongwith the calculations showing the impact of working capital liability on the consumers. The same was forwarded to both M/s SEPL and M/s GIPL for seeking their comments on the same. The generators namely, M/s SEPL and M/ GIPL submitted their comments/response vide their respective letter dated 18.07.2023.

1.16 The submission of UPCL, M/s SEPL and M/s GIPL have been discussed in the subsequent paras of this Order.

2. Respondent's submission, Commission's views and decision

2.1 *Regulation 59 of the UERC (Conduct of Business) Regulations, 2014 specifies as under:*

"59 Inherent power of the Commission

- (1) 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 or to prevent the abuse of the process of the Commission.*
- (2) Nothing in these Regulations shall bar the Commission from adopting in conformity with the provisions of the Central Act or State 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 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.*
- (3) Nothing in these Regulations shall, expressly or impliedly bar the Commission to deal with any matter or exercise any power under the Central Act or State Act, for which no Regulations have been framed, and the Commission may deal with such matters or exercise such powers and functions in a manner it thinks fit."*

Similar provisions are also provided in the UERC (Terms & Conditions of Multi Year Tariff) Regulations, 2021 namely, Regulation 103, 104 and 105. Apparently, the Commission has powers to issue such orders as may be necessary for ends of justice and also to deal with any matter or exercise any power under the Central Act or State Act, for which no Regulations have been framed, and the Commission may deal with such matters or

exercise such powers and functions in a manner as it thinks fit.

- 2.2 The Commission analysed the submissions made by the UPCL, M/s SEPL and M/s GIPL and observed that UPCL intends to rescind the current arrangement of payment terms with the Gas based generators wherein it is required to make the payment to the gas-based generators within 3 days without any deduction of rebate and in turn the gas-based generators would not claim any Interest on Working Capital (IoWC) as part of their AFC. On the other hand, the submission made by the Gas based generators, namely M/s SEPL and M/s GIPL is inclined towards continuing with the current arrangement of payments of energy bills by UPCL which in turn would be beneficial for the consumers of the State.
- 2.3 UPCL vide its letter dated 28.06.2023 submitted the calculation of IoWC based on energy and interest rates approved by the Commission in its T.O. for FY 2023-24 for UPCL, M/s SEPL and M/s GIPL. UPCL submitted that based on their calculation, the IoWC considering the rate of interest @ 11.29% works out to Rs. 13.27 Crore for M/s SEPL and Rs. 5.91 Crore for M/s GIPL respectively. UPCL further submitted that its financial position is not such that it can pay the bills of the Gas based generators within 3 days and, therefore, the same should be treated as normal PPAs and IoWC may be allowed to them as, usually, the bills presented by them are not processed within 3 days. UPCL further submitted that it has to manage such large bill payments only after considering the other priority payments of CPSUs too on which cash rebates on timely payment are earned. UPCL further submitted that it had made overdraft arrangement with banks on which UPCL pays nominal interest and UPCL can earn much more income by earning cash rebates by making timely payments to CPSUs generators and other generators/suppliers.

The Commission analysed the submissions made by UPCL and observed that the calculation made by UPCL for computation of IoWC is flawed as the receivables considered by the UPCL for computing the IWC do not factor in the fuel cost as per the Regulations. Moreover, the receivables has not been grossed up to include the impact of IoWC for the purpose of calculation. Further, UPCL has computed the fuel cost for one month based on generation for half of the year as approved by the Commission in the Tariff Order, however, UPCL should have computed the same on normative basis, considering the generation for full year in the normal course of business, for the purpose of comparison. The Commission has, therefore, taken reference of the computation submitted by UPCL subject to corrections

and modification in accordance with the Regulations before finalizing its view in the matter, and the same have been discussed in detail in subsequent paras of this Order.

Further, apart from the computation of IoWC, the submission of UPCL that it is not able to pay Gas based generators within 3 days and the payment terms should be considered under the PPAs entered into comes as a surprise for the Commission for the simple reason that this arrangement has been persisting for more than six years as on date and UPCL during the said duration has never questioned the viability of this arrangement and now all of a sudden the existing arrangement appears unviable to it. Moreover, the Commission in its Order dated 06.12.2017 gave an opportunity to both UPCL and the Gas based generators to sit together and work out in the interest of the consumers of the State whether the payment of electricity bills is to be made in terms of the PPA or the existing arrangement approved by the Commission vide its Order dated 17.04.2017 shall continue. The relevant extract of Order dated 06.12.2017 is reproduced hereunder:

"4.2 The Petitioner shall not deduct any rebate from the bills of the Respondent gas generators till 31st March 2018. However, it is open for both the Petitioner and the Respondents to sit together and work out in the interest of the consumers of the State whether the payment of electricity bills is to be made in terms of the PPA or the existing arrangement approved by the Commission vide its Order dated 17.04.2017 shall continue and intimate to the Commission their agreement on the issue within one month of the date of Order alongwith proper justification."

(Emphasis Added)

However, no representation to the contrary was received from either parties w.r.t. the same that too considering the fact that the Order dated 06.12.2017 allowed UPCL to reassess the payment arrangement approved vide Commission's Order dated 17.04.2017, UPCL had almost 8 months from April, 2017 to December, 2017 which is a sufficient period to assess the benefit or otherwise which will accrue to UPCL out of the billing arrangement approved by the Commission vide its Order dated 17.04.2017. UPCL did not prefer any modification in the existing arrangement approved by the Commission in reference to opportunity given by the Commission vide its Order dated 06.12.2017 and also it never raised any concern during a period of more than six years since the said arrangement was approved. Now all of a sudden, stating that the said proposition is unviable raises concern as to the

proper analysis and assessment by UPCL of the pros and cons of the proposal made by it.

Infact the Commission in its Order dated 17.04.2017 had held as under:

*"4.4 In support of the arrangement discussed above, M/s SEPL and UPCL are required to agree and incorporate the necessary condition in their respective PPA as follows: **"the licensee agrees not to deduct rebate on generator's energy bills and the generator in turn shall forego to claim interest on working capital in its ARR/tariffs."** The above condition shall be incorporated in the PPA by replacing the relevant clause(s) where provision of rebate of 2% has been made for prompt payment of bills by UPCL."*

(Emphasis added)

Hence, this condition ought to have been included in the PPA in accordance with the directions of the Commission since no objection had been raised by either party since last 6 years. Even in the absence of any amendment to the PPA to this effect since the conduct of the parties was to comply with the same and no appeal had been preferred, hence, this issue has attained finality. This provision was so directed as the Commission had allowed the generator to raise fortnightly bills as it had foregone claiming interest on working capital and UPCL was required to pay the bills within 3 working days of receipt of the same. Thus, the due date was changed by the Commission's Order dated 17.04.2017 to 3 working days from the receipt of bill.

Further, w.r.t. UPCL's submission that it is earning rebate by discharging the liability of other CPSUs by arranging funds through overdraft at nominal rate of interest, the Commission would like to state that the said position is not going to alter whether payment to Gas based generators is made within 3 days or 30 days or 60 days or some other period because the same is cyclical payment and will arise periodically whatever the payment cycle UPCL selects, the only impact would be on the very first payment wherein UPCL can defer its liability to a later date and from thereon it will again be a cyclical payment arising periodically. Even if UPCL resorts to arranging overdraft for making payments to the gas based generators, the impact on consumers would be less as still there would be a saving in interest on working capital which has been shown below.

- 2.4 The submissions of UPCL were forwarded to both M/s SEPL and M/s GIPL for seeking their inputs on the same. M/s GIPL vide its submission dated 18.07.2023 submitted computation of

the impact of IoWC related to its plant as Rs. 25.85 Crore in accordance with the Regulations. M/s GIPL submitted that the generator has foregone IoWC to reduce the tariff in the interest of State of Uttarakhand and adding an IoWC component to tariff would only raise the AFC and would directly increase the burden in tariff on consumers of the State of Uttarakhand.

The Commission analysed the submission made by M/s GIPL and observed that although the computation of IoWC made by it is as per the Regulations, however, it needs to be tweaked further to bring in similar terms with the computation made by UPCL for the purpose of comparison. The Commission, as discussed in subsequent paras of this Order has reworked the computations to analyse the impact of the same on UPCL. Further, w.r.t. the submission made by M/s GIPL that IoWC would directly increase the burden in tariff of the consumers of the State, the Commission has discussed the same in the subsequent paras of this Order alongwith the calculations.

- 2.5 Further, M/s SEPL vide its letter dated 18.07.2023 submitted that the IoWC computation by UPCL is flawed and needs to be relooked considering the relevant provision of the MYT Regulations, 2021. M/s SEPL reworked the IoWC impact related to its plant as Rs. 35 Crore. M/s SEPL further submitted different scenarios wherein rebate is earned by UPCL or LPS is levied on UPCL for late payment and submitted that in all the scenarios UPCL tends to benefit on early payment as per the current directions of the Commission. M/s SEPL, accordingly, requested that the current arrangement be continued such that the State continues to reap the benefit of lower tariff by M/s SEPL absorbing the incremental costs.

The Commission analysed the computation of IoWC by M/s SEPL and found the same to be in accordance with the Regulations except that in the computation of receivables IoWC has not been factored in, as IoWC is also part of AFC. The Commission has also gone through the other scenarios and computations submitted by M/s SEPL and have taken the same into consideration while arriving at the final view as discussed in the subsequent paras of this Order.

- 2.6 The Commission, before delving on the issue whether to continue with the current arrangement of payment of energy bills to the State Gas based generators or to accept the request of UPCL to continue with the original terms of PPA, computed the impact of IoWC on the ARR of UPCL, if the same is allowed to the Gas based generators to be recovered from

UPCL. In this regard Regulation 33(1)(a) of MYT Regulations, 2021 specifies as follows:

33. Interest on Working Capital

Rate of interest on working capital shall be on normative basis and shall be equal to the weighted average of 'one year Marginal Cost of Funds based Lending Rate (MCLR)' as declared by the State Bank of India from time to time for the financial year in which the application for determination of tariff is made plus 350 basis points.

(1) Generation, Transmission System & SLDC:

- a) In case of open cycle Gas Turbine/Combined Cycle thermal generating stations, working capital shall cover:*
- (i) Landed fuel cost for 1 (one) month corresponding to the NAPAF duly taking into account the mode of operation of the generating station on gas fuel and liquid fuel;*
 - (ii) Liquid fuel stock for ½ (half) month corresponding to the NAPAF, and in case of use of more than one liquid fuel, cost of main liquid fuel duly taking into account mode of operation of the generating stations of gas fuel and liquid fuel;*
 - (iii) Operation and maintenance expenses for one month;*
 - (iv) Maintenance spares @ 30% of operation and maintenance expenses; and*
 - (v) Receivables equivalent to 2 (two) months of Capacity Charge and Energy Charges for sale of electricity calculated on NAPAF duly taking into account the mode of operation of the generating station on gas fuel and liquid fuel."*

2.7 The Commission, in accordance with the aforesaid provision of MYT Regulations, 2021, which are similar to the CERC tariff Regulations, computed the impact on UPCL of allowing recovery of IoWC to the State Gas based generators as follows:

Parameters for calculation of IWC	SEPL	GIPL
Annual Generation (MU)	1,553.61	776.80
Approved AFC FY 2023-24 (Rs. Crore)	269.56	96.17
Fuel Cost per unit (EC as approved in T.O. dated 30.03.2023) (Rs. Per unit)	5.42	5.42
O&M expenses approved for FY 2023-24 (Rs. Crore)	97.93	48.96
Rate of interest on Working Capital (as considered in T.O. 30.03.2023)	11.29%	11.29%

Table 2.1 : Computation of Interest on Working Capital for M/s SEPL (Rs. Crore)

Sr. No.	Particulars	No. of months of Generation considered				
		12	6	4	3	0
1	Fuel Cost for one month	70.17	35.09	23.39	17.54	-
2	O&M Expenses for one month	8.16	8.16	8.16	8.16	8.16
3	Maintenance Spares (30% of O&M)	29.38	29.38	29.38	29.38	29.38
4	Receivables for 2 months (including IoWC)	190.89	118.70	94.63	82.60	46.51
5	Total WC requirement	298.60	191.32	155.57	137.69	84.05
6	Interest on WC @11.29% (A)	33.71	21.60	17.56	15.54	9.49

Table 2.2 : Computation of Interest on Working Capital for M/s GIPL (Rs. Crore)

Sr. No.	Particulars	No. of months of Generation considered				
		12	6	4	3	0
1	Fuel Cost for one month	35.09	17.54	11.70	8.77	-
2	O&M Expenses for one month	4.08	4.08	4.08	4.08	4.08
3	Maintenance Spares (30% of O&M)	14.69	14.69	14.69	14.69	14.69
4	Receivables for 2 months (including IWC)	88.89	52.79	40.76	34.74	16.70
5	Total WC requirement	142.74	89.10	71.22	62.28	35.46
6	Interest on WC @11.29% (B)	16.12	10.06	8.04	7.03	4.00

Table 2.3 : Total IWC payable by UPCL (Rs. Crore)

1	No. of months of Generation	12	6	4	3	0
2	Total Working Capital Interest (C=A+B)	49.83	31.66	25.60	22.58	13.49

As can be seen from table above, the estimated IoWC payable by UPCL if the plants of M/s SEPL and M/s GIPL does not operate at all during the year works out to Rs. 13.49 Crore which indicates that it will be passed on as an additional cost to the consumers of the State whether the State Gas based plants are in operation or not. Moreover, considering the generation for 3 months, 4 months, 6 months, and 12 months the annual cost incidence of IWC on UPCL has been estimated as Rs. 22.58 Crore, 25.60 Crore, Rs. 31.66 Crore and Rs. 49.83 Crore, respectively.

- 2.8 The Commission further worked out the benefit that may accrue to UPCL in the form of 2% rebate if it makes payment of bills in full through the letter of credit on presentation as per the original terms of PPA as shown in the table below:

Table 2.4 : Calculation of prompt payment rebate on payment of electricity bills of both M/s SEPL and M/s GIPL (Rs. Crore)

Sr. No.	Particulars	No. of months of Generation considered				
		12	6	4	3	0
1	Fuel Cost for one month	105.26	52.63	35.09	26.31	-
2	AFC for one month (including IWC)	34.63	33.12	32.61	32.36	31.60
3	One Month Total Bill	139.89	85.74	67.70	58.67	31.60
4	Rebate earned @ 2% per month (for one year) (D)	33.57	20.58	16.25	14.08	7.58

- 2.9 In view of the above, the Commission estimated the net cost to UPCL in case it opts to pay IoWC to the State Gas based generators and avails rebate of 2% by making prompt payment

of the energy bills of the said generators as shown in the table below:

Table 2.5 : Net cost to UPCL (Rs. Crore)

1	No. of months of Generation	12	6	4	3	0
2	Net Cost to UPCL (E=C-D)	16.25	11.08	9.36	8.49	5.91

However, in the past it has been observed that UPCL had never made payment to any Generators through LC mechanism, in which case it has never availed a rebate of 2% in terms of the PPA rather it has at times availed a rebate of 1% for payment made within 30 days.

Besides as discussed above, the same is cyclical payment and will arise periodically whatever the payment cycle UPCL selects, the only impact would be on the very first payment wherein UPCL can defer its liability to a later date and from thereon it will again be a cyclical payment arising periodically. Hence, even for first month, considering the total monthly bill of M/s SEPL and M/s GIPL of Rs. 139.89 Crore, if UPCL resorts to availing overdraft to repay the same @ 10%, it will incur an expenditure of Rs. 1.16 Crore towards payment of interest on OD. Thus, the impact of rebate would reduce by Rs. 1.16 Crore in each scenario. Even if Overdraft is not availed, as can be seen from the above table, the Commission estimated that UPCL will end up incurring an amount of Rs. 5.91 Crore even if no generation has taken place during the financial year, and the estimated annual net cost to UPCL if the generation takes place for 3 months, 4 months, 6 months and 12 months is Rs. 8.49 Crore, Rs. 9.36 Crore, Rs. 11.08 Crore and Rs. 16.25 Crore, respectively. Here it is pertinent to note that the aforesaid net cost has been computed based on per unit energy charges of Rs. 5.42 per unit as approved for State Gas based plants in the T.O. dated 30.03.2023, however, considering the current landed fuel cost of around Rs. 9.50 per unit based on market conditions, the estimated annual net cost to UPCL based on above methodology works out to Rs. 10.44 Crore, Rs. 11.95 Crore, Rs. 14.98 Crore and Rs. 24.04 Crore respectively for generation of 3 months, 4 months, 6 months, and 12 months. Moreover, the aforesaid net cost to UPCL will increase further in case it is not able to avail prompt payment rebate of 2% by making early payment to the generator. However, the net cost to UPCL in case payment is made within 30 days by mode other than L/C by availing 1% rebate works out to Rs. 9.70 Crore, Rs. 15.54 Crore, Rs. 17.48 Crore, Rs. 21.37 Crore, and Rs. 33.04 Crore respectively for generation of 0 months, 3 months, 4 months, 6 months, and 12 months. The net cost to UPCL under various scenarios as discussed above is summarized in the table below:

Table 2.6 : Comparative chart on impact on UPCL (Amount Rs. Crore)

No. of Months of Generation	Working Capital Requirement	IoWC	Rebate @ 2%	Net Cost to UPCL in case of rebate @ 2%	Rebate @ 1%	Net Cost to UPCL in case of rebate @ 1%
(A)	(B)	(C)	(D)	(E=C-D)	(F)	(G=C-F)
12	441.34	49.83	33.57	16.25	16.79	33.04
6	280.42	31.66	20.58	11.08	10.29	21.37
4	226.79	25.60	16.25	9.36	8.12	17.48
3	199.97	22.58	14.08	8.49	7.04	15.54
0	119.51	13.49	7.58	5.91	3.79	9.70

In view of the above, it can safely be concluded that UPCL and in turn the consumers of the State would benefit the most if the existing arrangement of payments with State Gas based generators is continued wherein payment is made within 3 days without deducting rebate and in turn the generators would forego their claim of IoWC. As far as the cost of arranging the funds is concerned, the same would be incurred by UPCL whatever cycle of payment it adopts, the only impact would be on the very first billing cycle and, thereafter, it would be a periodical payment wherein the impact of borrowing cost would nullify. Besides the current financial situation of UPCL is due to its inefficiency wherein collections during the initial months of a Financial Year is less than 50% and such situation wherein collection falls short of 50% would entail financial hardships upon any Company to meet its expenses. Further, almost 30% power procurement by UPCL is on short term basis and mainly through IEX wherein it has to make daily payments for the power purchase done through IEX which has added to the financial stress of UPCL, however, it does not have any problem in the same as no steps have been taken by it to look beyond short term procurement.

- 2.10 The Commission is of the view that although the existing arrangement is beneficial for UPCL and the consumers of the State, however, the fact that the State discom is going through financial stress cannot be ignored. The Commission is of the view that continuing with the existing methodology of payment to State Gas based generators will require certain modifications out so that the discom is able to arrange funds in a timely manner for discharging its power purchase liability without incurring additional cost in the form of LPS.
- 2.11 Since the State based Gas based Generators have foregone the IoWC in lieu of early payment and the Commission is also not allowing IoWC in the AFC of the Gas based generators, accordingly, the Commission, considering the submissions of all the Respondents and further analysis as discussed above, approves the following methodology for payment of energy bills of State Gas based generators by UPCL.

1. In case UPCL makes payment through any mode to State Gas based generators within 3 working days from the date of receipt of the bill, it shall be entitled to deduct a rebate of 1.00% from the amounts payable to the generators on such bills. The rebate has been so kept so as to ensure that UPCL derives some benefit for making timely payment which can be utilised to offset the cost of overdraft, if any. Besides since the generators are not claiming interest on working capital, hence, the amount of rebate has to be moderate so that cash flows of the generators are also not stressed.
 2. No LPS would be levied on the State discom, i.e. UPCL if the bills are paid within a period of 7 working days from the date of receipt of the bills, post which LPS shall be levied in accordance with the applicable provisions of Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 notified by MoP vide notification dated 03.06.2022, on the amount remaining unpaid considering the due date as 7 working days from receipt of bills.
- 2.12 The Commission further clarifies that all the State Gas based generators may raise fortnightly Gas Supply Bills on UPCL on actual basis as is being received from GAIL/supplier of gas. The final monthly bill including monthly AFC charges and Energy charges would be raised by the generator after the month is over based on the Joint Meter Reading in accordance with the procedure laid down in the PPA duly adjusting the aforesaid amount already realized from UPCL for the first fortnight of the month.
- 2.13 The Commission directs UPCL, M/s SEPL and M/s GIPL to carry out the necessary changes in the PPA and submit the compliance before the Commission within 10 days of this Order.
3. Ordered accordingly.

(M.K. Jain)
Member (Technical)

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