

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No. 15 of 2026

In the matter of:

Suo moto proceedings initiated by the Commission against non-compliance by Director (Finance), UPCL, of the directives issued in the Commission's Order dated 11.04.2025 for FY 2025-26.

In the matter of:

Director (Finance), Uttarakhand Power Corporation Ltd.

... Respondent

CORAM

Shri M.L. Prasad

Chairman

Shri Anurag Sharma

Member (Law)

Shri Prabhat Kishor Dimri

Member (Technical)

Date of Hearing: February 25, 2026

Date of Order: October 23, 2026

This Order relates to the Suo-moto proceedings initiated by the Commission for non-compliance by the Director (Finance), Uttarakhand Power Corporation Ltd. (hereinafter referred to as "D(F), UPCL" or "Respondent") of the directions issued in the Tariff Order dated 11.04.2025 for FY 2025-26.

1. Background

- 1.1 The Commission has been issuing directives to Uttarakhand Power Corporation Limited (UPCL) in its Tariff Orders from time to time with the objective of improving operational, financial, and service efficiency. However, the Commission has consistently observed that the status of compliance of such directives has not been satisfactory. In this backdrop and emanating requirements, the Commission, vide Tariff Order dated 11.04.2025 for FY 2025-26, issued specific directives to UPCL. The Commission forwarded a copy of the directive issued in the order to UPCL vide its

letter No. UERC/6/TF-774/2025-26/2025/125 dated 24.04.2025 and advised UPCL to ensure timely compliance of the directions issued by the Commission and submit timely report as per the schedule.

- 1.2 Subsequently, the Commission vide its letter no. UERC/6/TF-774/2025-26/2025/291 dated 16.05.2025, while observing that almost 1 month had elapsed from the date of issuance of the Tariff Order and UPCL did not submit any information, asked UPCL to submit the reasons for delay alongwith the status of the compliance of the directives issued by the Commission in the Order.
- 1.3 In response to the same, UPCL vide its letter No. 3872/UPCL/RM/C-21 dated 04.06.2025 submitted the status of compliance of various directives issued by the Commission. Further, through separate submissions made by UPCL on different dates, information w.r.t. the compliance of various directives issued by the Commission was submitted by UPCL.
- 1.4 The Commission considering the status of compliance submitted by UPCL and also other information submitted before the Commission in the matter, decided to convene a meeting and vide its letter no. UERC/6/TF-774/2025-26/2025/551 dated 03.07.2025 asked UPCL to make a presentation before the Commission on 11.07.2025 regarding the status of compliance of directives issued by the Commission in the Tariff Order dated 11.04.2025. Subsequently, based on the request made by UPCL vide its letter dated 4555/UPCL/RM/C-21 dt. 10.07.2025, the Commission postponed the date of presentation to 25.07.2025.
- 1.5 Consequently, during the presentation given by UPCL on 25 July 2025 before the Commission regarding the status of the compliance of the directives, the Commission observed that UPCL has been very lax in complying with the directives issued by the Commission in the Tariff Order. This was particularly concerning given the critical nature of the directives and their objectives were to improve the corporations' efficiency in various areas.
- 1.6 The Commission, in the meantime, analyzed in detail the submissions made by UPCL w.r.t. the status of compliance and further information submitted by it and observed that the responsible officers of UPCL were grossly negligent in complying with the

directions issued by the Commission. The Commission, therefore, issued Show Cause Notices (SCN) to the Managing Director, UPCL, Director (Operations), UPCL, Director (Finance), UPCL and Executive Director (HR), UPCL to show cause why penal action as per the provisions of the Electricity Act, 2003 should not be taken against the respective official for non-compliance of the directions given by the Commission in the Tariff Order dated 11.04.2025 for FY 2025-26.

- 1.7 The Commission issued separate SCNs to the respective Directors of UPCL, segregating the directives based on the functional area they were responsible for. Additionally, a separate SCN was issued to the MD of UPCL, who is administrative incharge and is responsible for performing the executive functions for and on behalf of the Corporation, therefore, the SCN issued to him, was directed at overall non-compliance with the Commission's directives, with specific critical directives to draw his attention to the non-compliance.
- 1.8 This Order specifically deals with the SCN issued to the Director (Finance), UPCL vide the Commissions letter no. UERC/6/TF-774/2024-25/2025/653 dated 21.07.2025.
- 1.9 The SCN was issued to Director (Finance), UPCL for non-compliance of the directives issued by the Commission in the Tariff Order dated 11.04.2025 at **para 8.2.8: Distribution Loss Target, para 8.1.23 Analysis of Current Liabilities, and para 8.1.41 Employee Expenses.**
- 1.10 Subsequently, the D(F), UPCL filed its reply to the Show cause notice issued by the Commission vide its letter dated 6034/UPCL/RM/C-21 dt. 08.08.2025. Later, UPCL filed the Petition for determination of ARR/Tariff for FY 2026-27 before the Commission on 10.12.2025 wherein the updated status of the compliance against the directives issued by the Commission was provided by UPCL.
- 1.11 The Commission analyzed the submissions made by the D(F), UPCL vide its letter dated 08.08.2025 in response to the SCN issued by the Commission and the status of the compliance of the directives as submitted alongwith the Tariff Petition.
- 1.12 The Commission not being satisfied with the submissions made by the D(F), UPCL, and observing the persistent non-compliance of the directions issued by the Commission issued a notice for Personal Hearing to Director (Finance), UPCL to

appear before the Commission on 25.02.2026, vide letter no. UERC/6/TF-774/2025-26/2026/1711 dated 09.02.2026.

1.13 The reasons/analysis for issuing SCN to D(F), UPCL, towards non-compliance of various directives issued by the Commission, response of D(F), UPCL, on the SCN, Commissions' analysis of the same, also taking into account the updated status of directives as submitted in the Tariff Petition filed by UPCL, are discussed in the subsequent paras of this Order.

1.14 Directives issued, Compliance reported by UPCL and Commission's analysis thereon.

1) 8.2.8: Distribution Loss Target

The Commission directs UPCL to submit division wise (for all EDD's) distribution loss target duly approved by BoD, budget for O&M expenses (separately for Employee expenses, R&M expenses and A&G expenses) and Capital Expenditure for each month of FY 2025-26 for approval of the Commission, alongwith cost benefit analysis and improvement in efficiency expected over the past period, within 30 days of the date of Order. UPCL is further directed to submit before the Commission, division wise status and actual O&M expenses and capital expenditure incurred against the targets approved by the Commission within 15 days from the end of the respective quarters on periodic basis.

a. With regard to the above, while issuing the SCN, the Commission, based on the submissions made by UPCL observed that UPCL has failed to comply with the directions issued by the Commission. UPCL failed to submit the information w.r.t. its budget for O&M expenses & Capital Expenditure for approval of the Commission within one month from the date of Tariff Order. The Commission was surprised as to how UPCL plans to improve its efficiency and optimize its expenditure if it has not decided upon the budgeted expenditure even after three months from the date of Tariff Order, which is a substantial time. The Commission observed that the reply of UPCL reflected towards its lackadaisical approach in ensuring compliance of Commission's directions and indicated that more than 1/4th of the FY 2025-26 had elapsed without any efforts being put by the Corporation towards improving its efficiency.

- b. In response to the SCN, D(F), UPCL, submitted that revenue budget and capital expenditure budget was put up before Audit Committee in the meeting held on 09.07.2025, and the Audit Committee passed the resolution that Annual Revenue & Capital Budget for FY 2025-26 is agreed taking into consideration the revised estimates of A&G expenses at Rs. 110 Crore and R&M expenses at Rs. 425 Crore respectively and recommended to the Board for approval. He further submitted that, regarding details of O&M Expenses, the data for the period upto June 2025 has not been fully brought in SAP Materials Management (MM) till date, and final closure of the month of June' 2025 in SAP would be done on 25.08.2025, and accordingly, sought time extension for submitting the requisite details for the first quarter of FY 2025-26, till 30.09.2025.
- c. The Commission observed that the D(F), UPCL's, response does not adhere to the directive issued by the Commission as the directive explicitly required UPCL to submit a Division wise monthly budget for operational and maintenance expenses, as well as capital expenditure, accompanied by a cost-benefit analysis. Quarterly reports of budget against actual expenditure were also mandated. The D(F), UPCL's submission is intended to address internal delays caused by procedures and practices of UPCL, but it does not meet the compliance requirements of the Commission as stated above.

The Commission further observed that the request of D(F), UPCL, seeking extension until September 30, 2025, to submit information related to the first quarter of FY 2025-26 does not appear logical. Given that this is a purely financial matter, UPCL must be maintaining a record of its expenses on a periodical basis. If his contention is accepted, it implies that in the absence of data in SAP, UPCL must be refraining from incurring monthly expenses unless it has information or data related to actuals against the estimates.

- d. The Commission further observed that UPCL, while submitting the information w.r.t. the compliance of directives in the Tariff Petition, stated that it has forwarded a copy of the Annual Revenue and Capital Budget for FY 2025-26 approved by the Board of Directors in its 125th meeting held on 10.10.2025 vide UPCL's letter no. 10185/UPCL/RM/C-21, dated 06.12.2025 to the Commission.

The Commission analyzed the said submission made by UPCL and observed that:

- (i) The Division wise details of monthly allocation of budget are not available in the submission made by UPCL.
 - (ii) Cost benefit analysis has not been given.
 - (iii) The compliance w.r.t. the Division wise status and actual O&M expenses and capital expenditure incurred against the targets approved by the Commission within 15 days from the end of the respective quarters on periodic basis is not being carried out by UPCL.
- e. Further, Director (Finance) did not approach the Commission stating any practical difficulties encountered by him in complying with the directions of the Commission and continuously chose to ignore the directions of the Commission. The Commission observed that the submission of D(F), UPCL, in this matter indicates its non-compliance with the directive issued by the Commission.

2) 8.1.23 Analysis of Current Liabilities

The Commission directs UPCL to carry out the age-wise analysis of its total current liabilities outstanding as on 31.03.2025 and based on the ageing analysis determine how much of the same would be required to be discharged and how much excess provision exists in the same so that the same may be reversed and submit the same to the Commission within 3 months from the date of Order.

- a. With regard to the above, while issuing the SCN, the Commission, based on the submissions made by UPCL observed that, UPCL in its reply has stated that due to pending finalization of the financial statements of FY 2024-25 the details shall be provided in due course of time. The Commission observed that, as a business entity maintaining its accounts in electronic format, UPCL must be having the required information readily available with it. The Commission notes that certain adjustment are made during the finalization of accounts of a particular year, but that are not very substantial and does not restrict UPCL to provide data (subject to ratification later) as per the Commission's directive. The Commission observed that the reply of UPCL reflects towards its lackadaisical approach in ensuring compliance of the Commission's directions.

- b. In response to the SCN, D(F), UPCL, submitted that the age wise analysis of current liabilities was submitted to the Commission vide UPCL's letter no. 4904/UPCL/RM/C-21, dated 24.07.2025, and once again reiterated the same.
- c. The Commission observed that the D(F), UPCL's, response does not adhere to the directive issued by the Commission. The Commission's directive, in addition to an ageing analysis of UPCL's current liabilities as of 31.03.2025, mandated UPCL to ascertain the amount of the same liabilities that would need to be discharged and the extent of excess provision existing in the same. However, UPCL did not submit any such information, and the Director (F) failed to deliberate on the aspect.

Moreover, the ageing provided by UPCL was towards the 'creditors for power purchases' and amount of 'Govt. dues payable', that too grouped into '0 to 90 days', '91 to 120 days' and 'more than 120 days'. In this regard, the Commission observed that submission of such partial and miniscule information serves no purpose as no logical inference can be drawn out of the same. The obvious question that arises here is, whether the current liabilities are limited to above mentioned two heads as mentioned by UPCL, and if no, whether D(F), UPCL, in its reply should not have come up with an explanation for not providing the details of other liabilities. Further, grouping of information into three ranges, including 'more than 120 days' has no relevance as more than 120 days can be any period beyond 4 months. Moreover, such a categorization is irrelevant when the current liability, comprising of power purchase dues and amounts payable to GoU are substantial, i.e. more than Rs. 7300 Crore as on 31.03.2025.

- d. The Commission observed that the submission of D(F), UPCL, in this matter indicates its non-compliance with the directive issued by the Commission.

3) 8.1.41 Employee Expenses

The Commission directs UPCL to book the Salary paid to all the employees- regular and outsourced under employee expenses. UPCL is directed to submit the basis of recruiting outsourced employees alongwith any policy for the same within 1 month of the date of order.

- a. With regard to the above, while issuing the SCN, the Commission, based on the

submissions made by UPCL observed that UPCL has failed to submit the aforesaid information before the Commission.

b. In response to the SCN, D(F), UPCL, submitted that as per direction of the Commission separate General Ledgers (GLs) have been created under Employee Cost for booking of payment to outsourced employees.

c. The Commission analysed the response of D(F), UPCL, and found the submission of Director (Finance) to be satisfactory in this regard.

1.15 In response to the notice of Personal Hearing issued by the Commission, the D(F), UPCL, vide their letter no. 1074/UPCL/RM/C-21 dt. 23.02.2026 submitted their response on the notice issued for Personal Hearing.

1.16 A Personal Hearing was held in the matter at Commission's office on 25.02.2026 wherein the Respondent was heard in detail and was provided an opportunity to put up his matter before the Commission for consideration.

2. Response of Director (F), UPCL on Personal Hearing Notice, and the Commission's Views on the same.

2.1 Shri Kamal Sharma, performing functions of Director (Finance), UPCL, during the period when the directive remained non-complied, vide reply dated 23.02.2026, submitted his response to the notice for Personal Hearing before the Commission. The same submissions were reiterated during the Personal Hearing held on 25.02.2026. The key submissions made are summarized as under:

- a. The Director (Finance), UPCL submitted the age-wise position of creditors for power purchase and the amount payable to the Government of Uttarakhand as on 31.03.2025. It was further submitted that UPCL has implemented an ERP system (SAP), which is currently running in parallel with the legacy Financial Accounting System (FAS). However, the books of accounts for FY 2025-26 are being maintained through the legacy FAS system, and the age-wise report of outstanding current liabilities is presently not available through the system. It was further submitted that the FAS system is proposed to be discontinued w.e.f. 01.04.2026, and thereafter, the books of accounts shall be maintained entirely through SAP ERP, which would enable generation of ageing reports prospectively. It was also stated that necessary corrections

are being undertaken in the books of accounts to address excess provisions.

The Commission has carefully examined the aforesaid submissions and observes that the explanation provided is entirely prospective in nature and does not address the existing non-compliance. The inability of UPCL to furnish even basic financial data such as ageing of liabilities as on a given date reflects a serious deficiency in financial management and record-keeping. Such information constitutes a fundamental requirement for any organisation, particularly a regulated utility discharging statutory obligations. The absence of such data not only impairs financial transparency but may also have implications under applicable laws, including disallowances under the Income Tax framework in respect of unpaid statutory liabilities. The Commission is constrained to observe that such a casual and deficient approach towards maintenance of financial records raises serious concerns regarding financial discipline and governance within the Corporation.

- b. The Director (Finance), UPCL further submitted that unit-wise monthly budgets are presently not being prepared. However, data relating to unit-wise monthly expenditure under Operation & Maintenance and Capital Expenditure for the period April 2025 to December 2025 was furnished.

The Commission observes that the submissions made are in clear deviation from the directions issued. The directive required UPCL to prepare and submit monthly budgets for Operation & Maintenance and Capital Expenditure, along with cost-benefit analysis and efficiency improvement plans, within 30 days of issuance of the Tariff Order dated 11.04.2025. Further, quarterly submissions of actual expenditure vis-à-vis the approved budget were also mandated. UPCL has failed to comply with both requirements. The submission of expenditure data after nearly eleven months, without any corresponding budgetary framework, does not fulfil the intent of the directive and renders the exercise ineffective. The purpose of the directive was to instil financial discipline, enable monitoring, and promote efficiency—objectives which remain unachieved due to such non-compliance.

- 2.2 The Commission further observes that at no stage did UPCL approach the Commission seeking extension, modification, or clarification in respect of the said directives. In case of genuine difficulties, a timely approach to the Commission could have facilitated

appropriate regulatory intervention. However, the complete absence of such effort indicates a lack of seriousness in complying with statutory directions.

- 2.3 The Director (Finance), UPCL submitted that there has been neither wilful nor deliberate non-compliance with the directions of the Commission and that necessary steps were initiated upon issuance of the Tariff Order dated 11.04.2025. It was further submitted that UPCL is making sincere efforts to comply with all regulatory directions and has issued necessary instructions to its field officers. Accordingly, it was requested that no penal action be initiated and that the show cause notice be recalled.
- 2.4 The Commission observes that UPCL and its officers have repeatedly failed to comply with the directions issued by the Commission, without any justifiable reasons or demonstrable efforts towards compliance. Several critical directions, which required timely attention due to their direct impact on operational efficiency and financial management, have been treated in a routine and casual manner. The status of compliance of the directives issued in the Tariff Order dated 11.04.2025 remains unsatisfactory.
- 2.5 During the course of the Personal Hearing, upon being specifically queried, the Director (Finance), UPCL acknowledged that the directives issued by the Commission were not complied with within the stipulated timelines. However, no cogent justification or mitigating circumstances were placed on record to substantiate the delay or non-compliance.
- 2.6 The Commission has carefully considered the submissions made, the material available on record, and the sequence of events in the present matter. It is evident that the non-compliance is not incidental or isolated, but reflects a broader pattern of disregard towards regulatory directions. The explanations offered are largely prospective and fail to address the substantive requirements of the directives.
- 2.7 At the outset, it is pertinent to reiterate that the directions issued in the Tariff Order are statutory in nature and binding upon the licensee and its officers. Such directions are issued in exercise of powers conferred under the Electricity Act, 2003, with the objective of ensuring financial prudence, operational efficiency, and protection of consumer interest. Non-compliance with such directions undermines regulatory

discipline and defeats the very purpose for which they are issued.

- 2.8 The Commission further notes that the present case involves fundamental aspects of financial governance, including maintenance of reliable financial records and adherence to structured budgeting practices. Failure in these areas has far-reaching implications, including lack of financial transparency, inefficient resource allocation, and potential financial stress on the utility. The continued non-compliance, coupled with absence of any proactive engagement with the Commission, reflects a lack of accountability and seriousness on the part of the concerned officer.
- 2.9 The Commission is also of the view that merely asserting absence of wilful default does not absolve the responsibility cast upon Shri Kamal Sharma, Director (Finance), UPCL. In regulatory jurisprudence, particularly in matters involving statutory compliance, the test is not limited to intent but extends to the effect and consequences of non-compliance. The continued failure to comply with directions, despite sufficient time and opportunity given to the Respondent, constitutes a contravention in itself.
- 2.10 Further, the Commission observes that compliance was attempted only after initiation of proceedings, and even such compliance was partial and inadequate. This conduct indicates a reactive rather than proactive approach, which cannot be countenanced in a regulated environment where timely compliance is of essence.
- 2.11 In view of the above discussions, the Commission is constrained to hold that Shri Kamal Sharma, Director (Finance), UPCL has failed to ensure compliance with the directions issued by the Commission, thereby contravening the same. Such non-compliance has not only rendered the directives ineffective but has also adversely impacted the objectives of improving financial discipline and operational efficiency within the utility.
- 2.12 The Commission does not find the justifications given by Shri Kamal Sharma, Director (Finance), UPCL as satisfactory. Not only the admission of the non-compliance by him but also facts and documents available on record establishes beyond any doubt the deliberate non-compliance of the Commission's Orders/direction, clearly undermining the authority of the Commission conferred by law, therefore, the Commission holds Shri Kamal Sharma, who was holding the charge of Director (Finance), UPCL, during

the period when the directives remain non-complied, individually responsible for failing to comply with the directions of the Commission as discussed hereinabove.

- 2.13 The Commission, however, considering that Shri Kamal Sharma, Director (Finance), UPCL has already vacated his office as on the date of issue of this Order, and accordingly, the Commission taking a lenient view in the matter decides not to levy any penalty on Shri Kamal Sharma for the non-compliances as discussed above.

Here, the Commission deems it appropriate to clarify that the grounds for not imposing the penalty however not shall form a precedence in future proceedings as the Commission has taken a view of not imposing any penalty on Shri Kamal Sharma, as a one-off case under very exceptional and peculiar circumstances.

- 2.14 Further, in order to imbibe regulatory discipline and safeguard the consequential adverse impact on the Corporation due to such non-compliances, the Commission finds it necessary to further direct sitting Director (Finance), UPCL, to ensure the compliance of the directive remaining non-complied expeditiously, but not later than 30.11.2026. The necessary directives have again been issued in the Tariff Order dt. 30.03.2026 for FY 2026-27 which needs to be complied with by the responsible officers of UPCL in a time bound manner failing which penal proceedings would be initiated against such officers.
- 2.15 It is hereby ordered that the sitting Director (Finance) of UPCL shall ensure that the pending compliance of the directives issued in the Tariff Order dt. 11.04.2025 be done expeditiously but not later than 30.11.2026, failing which, the Commission may initiate appropriate proceedings for such non-compliance.
- 2.16 Ordered accordingly.

(Prabhat Kishor Dimri)
Member (Technical)

(Anurag Sharma)
Member (Law)

(M.L. Prasad)
Chairman