

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

**NOTIFICATION
(8th February 2011)**

NO.MSERC/TWE/03/2010/01, The following draft of the Meghalaya State Electricity Regulatory Commission (Determination of Tariff for Transmission and Wheeling of Electricity) Regulations, 2011 which the Commission proposes to make in exercise to the powers conferred by clauses (zd) and (ze) of subsection (2) of section 181 read with section 61 and subsections (1) and (2) of section 62 of the Electricity Act, 2003 and all powers enabling it in that behalf are hereby previously published as required under subsection (3) of section 181 and notice is hereby given that any person or persons who may be interested may send their objections, suggestions or comments to the Secretary of the Commission, New Administrative Building, Lower Lachumiere, Shillong within 30 days of the publication of this notification in the Gazette of Meghalaya for consideration by the Commission.

Secretary
Meghalaya State Electricity Regulatory Commission
Shillong

**THE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
(DETERMINATION OF TARIFF FOR TRANSMISSION AND WHEELING OF ELECTRICITY)
REGULATIONS, 2011.**

(_____of 2011)

General

1. Short title and commencement

- (1). These regulations may be called the Meghalaya State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Transmission and Wheeling of Electricity) Regulations, 2011.
- (2). They shall come into force from the date of notification in the Gazette of Meghalaya.
- (3). They shall apply to all the transmission and distribution of electricity by licensees in the State of Meghalaya.

2. Definitions

In these Regulations, unless the context otherwise requires:

- (1) **'Act'** means the Electricity Act, 2003 (Act 36 of 2003);
- (2) **'Additional capitalization'** means the capital expenditure incurred or projected to be incurred after the date of commercial operation of the project and admitted by the Commission after prudent check subject to provisions of Regulation 11 of these Regulations.
- (3) **'Aggregate Revenue Requirement' or 'ARR'** means the costs pertaining to the licensed business in accordance with these regulations to be recovered from the tariff and / or charges determined by the Commission.
- (4) **'Allotted Transmission Capacity'** means and include the power transfer in MW between specified point (s) of injection and points of drawal allowed to a long-term customer or short-term customer on the intra-state transmission system under normal circumstances and the expression 'allotment of capacity' shall be construed accordingly.
- (5) **'Auditor'** means an Auditor appointed by a transmission licensee in accordance with the provisions of Section 224 and 619 of the Companies Act, 1956 (1 of 1956) or any other law for the time being in force.
- (6) **'Availability'** in relation to a transmission system for a given period shall mean the time in hours during which period the transmission system is capable of transmitting electricity at a declared voltage to the delivery point and shall be expressed in percentage of total hours in the given period.
- (7) **'Base year'** means the Financial Year immediately preceding the year for which the ARR / tariff of the control period and used for purpose of these Regulations.
- (8) **'Beneficiary (ies)'** shall mean long-term or short-term customers whose tariff is determined under these Regulations.
- (9) **'CERC' or 'Central Commission'** means the Central Electricity Regulatory Commission.
- (10) **'Commission'** means Meghalaya State Electricity Regulatory Commission'.
- (11) **'Change in law'** means occurrence of any of the following events:
 - (i) enactment, brining into force, adoption, promulgation, amendment, modification or repeal of any law; or

- (ii) change in interpretation of any law by a competent court, tribunal or Government or other authority which is the final authority for such interpretation under law; or
 - (iii) change in any order, direction or sanction issued by a competent authority
- (12) **'Control period'** means a multi year period fixed by the Commission.
- (13) **'cut –off-date'** means 31st March of the year closing after two years of the year of commercial operation of the project and in case the project is declared under commercial operation in the last quarter of a year, the cut-off-date shall be 31st March of the year closing after 3 years of the year of commercial operation.
- (14) **'Date of commercial operation'** or COD means the date declared by the transmission licensee from 0000 hour from which an element of the transmission system is in regular service after successful charging and trial operation.
- Note: (i) The date shall be the first day of a calendar month and the transmission charge for the element shall be payable and its availability shall be accountable from that date.
- (ii) In case an element of the transmission system is ready for regular service but is prevented from providing such service for reasons not attributable to the transmission licensee, its suppliers or contractors, the Commission may specify the date of commercial operation prior to the element coming into regular service.
- (15) **'Day'** means 24 hours starting from 0000 hour and ending at 24.00 hrs.
- (16) **'Existing project'** means the project declared under commercial operation prior to the commencement of these regulations.
- (17) **'Licensee'** means a person who has been granted license by the Commission under Section 14 of Act and includes a deemed licensee under the Act.
- (18) **'Licensed business'** means the functions or duties which the licensee has to perform under the terms and conditions specified in the license.
- (19) **'Long-term transmission customer'** means a person having a long-term contractual right beyond one year to use the inter-state / intra-state transmission system as the case may be by paying transmission charges.
- (20) **'Other business'** means any business of the transmission licensee other than licensed business.
- (21) **'Open access'** means the non-discriminatory provision for use of transmission lines or distribution system or associated facilities with such lines or system by any

- licensee or consumer or a person engaged in generation in accordance with the Regulations specified by the Commission.
- (22) **‘Open access agreement’** means an agreement entered into between a transmission and / or distribution licensee and the customer to avail open access to the licensee’s network for transmission and / or wheeling of electricity.
- (23) **‘Operation and maintenance expenses’** or **‘O&M expenses’** means expenditure incurred on operation and maintenance of the project or part thereof and include expenditure on manpower, repairs etc .
- (24) **‘Original Project Cost’** means the capital expenditure incurred by the transmission licensee within the original scope of the project upto the cut-off date as admitted by the Commission.
- (25) **‘Short-term customer’** means a person having short-term access for a period upto one year over an intra-state transmission system by paying transmission charges.
- (26) **‘Transmission business’** means the business of transmission of electricity by a transmission licensee within the State of Meghalaya under the terms and conditions specified in the license.
- (27) **‘Transmission licensee’** means a licensee authorized to establish or operate transmission lines in the State of Meghalaya.
- (28) **‘Wheeling’** means the operation whereby the distribution system and associated facilities of a transmission licensee or a distribution licensee, as the case may be, are used by another person for the conveyance of electricity on payment of charges to be determined by the Commission Under Section 62.
- (29) **‘Useful life’** in relation to transmission system from the date of commercial operation shall mean 25 years for substation and 35 years for transmission line.
- (30) **‘Year’** means financial year.

The words and expressions used and not defined in these Regulations but defined in the Act shall have the same meaning as assigned to them in the Act.

3. Scope and Application

These Regulations shall be apply for determination of transmission tariff / charges and wheeling charges under sub-sections (b) and (c) Section 62 (1) of the Act and shall not apply to cases where tariff has been determined through a transparent process of bidding under Section 63 of the Act.

4. Aggregate Revenue Requirement and Tariff

- (1) The Commission shall determine the Aggregate Revenue Requirement (ARR) each year for the transmission business of a transmission licensee and wheeling charges for conveyance of electricity in accordance with the principles laid down in these Regulations.
- (2) The Aggregate Revenue Requirement determined by the Commission shall be the basis for fixation of transmission tariff / charges for transmission or wheeling charges for conveyance of electricity.

5. Guidelines for computing Aggregate Revenue Requirement

- (1) (a) The Commission shall issue guidelines for computing Aggregate Revenue Requirement / expected revenue from charges applicable to the transmission business from time to time to enable the transmission licensee to file ARR.
(b) The transmission licensee shall apportion its costs between (i) SLDC activity and (ii) Transmission activity based on the allocation statement which shall contain the methodology adopted for the apportionment till the accounts between the SLDC and the transmission activity are segregated.
- (2) The transmission licensee shall file an application before the Commission for approval of its ARR each year within the specified period before commencement of ensuing year based on the guidelines issued by the Commission under Sub-Regulation (1) above.
- (3) The application for ARR for transmission business shall contain complete details for the current year and estimates for the ensuing year to which proposals relate in respect of the following:
 - (a) O&M costs which include
 - (i) employee related costs;
 - (ii) repairs and maintenance costs ;
 - (iii) administrative and general costs;
 - (iv) norms proposed by the transmission licensee including indexation and other appropriate mechanism in terms of principles specified in these Regulations;
 - (v) working capital requirement;
 - (vi) detailed scheme / project wise capital investment plan consistent with approved resources plan;

- (vii) appropriate capital structure and its cost of financing (interest cost and return on equity) for the purpose of computing weighted average cost of capital;
- (viii) range of transmission losses (upper and lower limits) for the purpose of incentives / penalties
- (ix) details of depreciation and capitalization schedule
- (x) description of external parameters proposed for indexation
- (xi) details of taxes on income
- (xii) proposals for efficiency parameter targets
- (xiii) proposal for rewarding efficiency in performance
- (xiv) any other matter considered appropriate by the licensee for consideration by the Commission

6. Tariff Proposals

- (1) The transmission licensee shall submit proposals for determination of tariff / charges for transmission of electricity for transmission business along with the application of ARR, as per the guidelines issued by the Commission from time to time.
- (2) The proposals for tariff / charges shall cover, among others;
 - (i) transmission system or network usage forecast for ensuing year consistent with the business plan.
 - (ii) proposals for computation of tariff for transmission of electricity for ensuing year, including the losses, to be charged in kind.
 - (iii) proposals for non-tariff income with item-wise details and description
 - (iv) proposals in regard to income from other business
 - (v) expected revenue from the proposed transmission tariff / charges, non-tariff income and income from other business(es)
 - (vi) proposal to meet expected revenue gap

7. Approval of tariff proposals

- (1) The Commission may, on receipt of the application for determination of tariff for transmission of electricity, call for any additional information or data required for examining the proposals of the transmission licensee.
- (2) The Commission shall, on receipt of the complete information / data from the transmission licensee, issue an order approving the ARR / tariff with such modifications and / or conditions, as it may deem necessary, within 120 days from

the date of receipt of application from the licensee, duly following the procedure laid down under section 64 of the Act.

8. Business plan

The licensee shall submit to the Commission a business plan containing, inter alia, load forecast and transmission system plan (capital investment plan) consistent with the guidelines on load forecast and resources plan as approved by the Commission, which include:

- (a) capital investment plan along with capitalisation schedule and financing plan;
- (b) operation maintenance expenses based on the proposed norms for O&M costs
- (c) depreciation
- (d) performance targets
- (e) non-tariff income from other sources other than transmission business of the licensee
- (f) any other information which require consideration by the Commission

Chapter – 2

Procedure for determination of tariff

9. The transmission licensee shall segregate its business into transmission business and the SLDC activity. The transmission business requirement only shall be used for determining non-discriminatory transmission charges. The proposals submitted by the transmission licensee shall be supported by an allocation statement containing apportionment of all costs, revenues, assets, liabilities, reserves and provisions between the transmission business, SLDC activity and any other business of the licensee. The allocation statement shall also contain the methodology used for such apportionment between different businesses.

10. Capital cost

- (1) The capital cost of a project shall include (a) expenditure incurred or projected to be incurred, including interest during construction and financing charges, any gain or loss on account of foreign exchange variation / risk during construction - (i) being equal to 70% of the funds deployed in the event of actual equity in excess of 30% funds deployed, by treating the excess equity as normative loan; or (ii) being equal to

actual amount of loan in the event of actual equity less than 30% of the funds deployed - upto the date commercial operation of the project

(2) The capital cost as admitted by the Commission after prudent check shall from the basis for determination of tariff subject to:

(i) The prudent check of the capital cost shall be carried out based on the benchmark norms to be specified by the Commission from time to time.

(ii) Where the benchmark norms have not been specified by the Commission, the prudent check shall include scrutiny of 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.

(3) Capitalised spares subject to the following ceiling norms:

(i) transmission line.....0.75%

(ii) transmission substation ...2.5%

(iii) series compensation devices and HVDC station ...3.5%

Note where benchmark norms for initial spares have been published as a part of benchmark norms for capital cost under sub regulation (b), such norm shall apply to the exclusion of the norm specified herein.

(4) Where the transmission service agreement between the transmission licensee and the long-term transmission customer provides for ceiling of actual expenditure, the capital expenditure admitted by the Commission shall take into consideration such ceiling for determination of tariff.

(5) The assets forming part of the project but not in use shall be taken out of the capital cost.

11. Additional capitalisation: (1) The capital expenditure incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and upto the cut-off date may be admitted by the Commission, subject to prudent check:

(i) undischarged liabilities;

(ii) works deferred for execution;

(iii) procurement of initial spares within the original scope of work subject to sub-regulation 10 (3) above;

(iv) liabilities to meet award of arbitration or the compliance of the order or decree of a court; and

(v) change in law

Note: The details of the works included in the original scope of work along with the estimates of expenditure, undischarged liabilities and the works deferred for execution shall be submitted along with the application for determination of tariff.

(2) The capital expenditure incurred on the following counts after the cut-off date may, at the discretion of the Commission, be admitted subject to prudent check:

(i) liabilities to meet award of arbitration or compliance of the order or decree of the court;

(ii) change in law;

(iii) any expenditure on items, such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement of switchyard equipment due to increase in fault level, emergency restoration system, insulators cleaning infrastructure, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of the transmission system.

Note: In respect of item (iii) above, any expenditure for acquiring of minor items or assets like tools and tackles, furniture, air – conditioners, voltage stabilizers, refrigerators, coolers, fans, washing machines, heat convectors, mattresses, carpets etc incurred after the cut-off date shall not be considered for additional capitalization for determination of tariff.

12. Renovation and modernization

(1) The transmission licensee, for meeting the expenditure on renovation and modernization (R&M) for the purpose of extension of life beyond the useful life of the transmission system, shall make an application to the Commission for approval of the proposal along with a detailed project report giving complete scope, justification, cost-benefit analysis, estimated life extension from a specified date, financial package, phasing of expenditure, schedule of completion, reference price level, estimated completion cost including foreign exchange component, if any, record of consultation with the beneficiaries and any other information considered relevant by the transmission licensee.

- (2) The Commission shall accord approval for the proposal of transmission licensee for renovation and modernization only after due consideration of the reasonableness of the cost estimate, financing plan, schedule of completion, interest during construction, use of efficient technology, cost benefit analysis and such other factors as may be considered necessary and relevant by it.
- (3) Any expenditure incurred or projected to be incurred, as admitted by the Commission after prudent check, for renovation and modernization and life extension, and after writing off the original amount of the replaced assets and after deducting the accumulated depreciation including advance against depreciation already recovered from the original project cost, shall form the basis for determination of tariff.

13. Debt-equity ratio

In the case of a project declared under commercial operation:

- (i) If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan.
- (ii) Where equity deployed is less than 30%, the actual equity deployed shall be considered for determination of tariff.
- (iii) Where equity invested in foreign currency, it shall be designated in Indian rupee as on the date of each investment.
- (iv) The premium raised by the transmission licensee while issuing share capital and investment of internal resources created out of its free reserve, for funding the project, shall be reckoned as paid up 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 transmission system.
- (v) The debt-equity ratio admitted by the Commission shall be taken for determination of tariff.
- (vi) Any expenditure incurred or projected to be incurred as admitted by the Commission as additional capital expenditure for determination of tariff and renovation and modernization expenditure for life extension shall be serviced as per this regulation.

Computation of Tariff

14. Annual fixed cost

The tariff for transmission of electricity shall comprise of charges for recovery of annual fixed cost consisting of the components specified below:

- (a) Return on equity
- (b) Interest of loan capital
- (c) Depreciation
- (d) Interest on working capital
- (e) Operation and maintenance expenses

(a) Return on equity

(1) The return on equity shall be computed in rupee terms on equity base, determined under Regulation 13 of these Regulations.

(2) (a) The return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per sub-regulation (3) below.

(b) In case of transmission projects commissioned on or after 1st April 2009 an additional return of 0.5% shall be allowed if such projects are completed within the time limit as specified in the CERC (Terms and Conditions of Tariff) Regulations, 2009.

The additional return of 0.5% shall not be admissible if the project is not completed within the time limit specified for reasons whatsoever.

(3) The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate applicable to the transmission licensee as shown below:

For example:

(i) Base rate to be grossed up by the applicable tax rate for the year 2010-11 for filing ARR in FY 2011-12.

(ii) Base rate to be grossed up by the applicable tax rate for the year 2011-12 for filing ARR in FY 2012-13.

Provided that the return on equity with respect to the actual tax rate applicable to the transmission licensee, in line with the provisions of the relevant Finance Acts of the respective year, shall be trued up separately for each year along with the tariff petition for the ensuing year.

(4) Rate of return on equity shall be rounded off to three decimal points and be computed as per the following formula:

Rate of pre-tax return on equity = Base rate (i-t)

where 't' is the applicable tax rate in accordance with sub-regulation (3) above.

Illustration

(i) In case of transmission licensee paying minimum alternate tax (MAT) @ 11.33% or as applicable including surcharge and cess;

Rate of pre-tax return on equity = $15.50 / (1-0.1133) = 17.481 \%$

(ii) In case of transmission licensee paying normal corporate tax @ 33.99% including surcharge as cess;

Rate of pre-tax return on equity = $15.50 / (1-0.3399) = 23.481\%$

(b) Interest on loan capital

- (1) The loan arrived at in the manner indicated in Regulation 13 of these regulations shall be considered as gross normative loan for calculation of interest on loan.
- (2) The normative loan shall be worked out by deducting the cumulative repayment admitted by the Commission at the end of previous financial year from the gross normative loan.
- (3) The repayment for an year shall be deemed to equal to the depreciation allowed for that year.
- (4) Notwithstanding any moratorium period availed by the transmission licensee, the repayment of the loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.
- (5) (a) 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.
(b) 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.
- (6) The transmission licensee shall make every effort to re-finance the loan as long as it results in savings in interest and in such a case, the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the transmission licensee in the ratio of 2:1.
- (7) The changes to the terms and conditions of the loans for such refinance shall be reflected from the date of such re-financing.
- (8) In case of dispute arising out of re-financing of loan, any of the parties may make an application to the Commission in accordance with MSERC (Conduct of Business)

Regulations, as amended from time to time including statutory enactment thereof, for settlement of the dispute. The beneficiary or any transmission customer shall not withhold any payment on account of interest claimed by the transmission licensee during the pendency of any dispute arising out of re-financing of loan.

(c) Depreciation

- (1) The value base for the purpose of depreciation shall be the capital cost of the asset as admitted by the Commission.
- (2) The salvage value of the asset shall be 10% and the depreciation shall be allowed upto maximum of 90% of the capital cost of the asset.
- (3) The depreciation shall be calculated annually based on straight line method and at the rates specified in Appendix I of these Regulations for the assets of the transmission system.
- (4) The remaining depreciation value as on 31st March of the year closing after a period 12 years from the date of commercial operation shall be spread over the balance useful life of the asset.
- (5) The depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for a part of the year, depreciation shall be calculated on a prorata basis for the part of the year.

(d) Interest on working capital

- (1) The Commission shall determine the working capital requirement which shall cover:
 - (i) receivables equivalent to two months of fixed cost.
 - (ii) maintenance spares at 15% of the operation and maintenance expenses specified in Regulation 19 and
 - (iii) operation and maintenance expenses for one month
- (2) The rate of interest on working capital shall be on the normative basis and shall be equal to the Prime Lending Rate of the State Bank of India as on 1st April of the year in which the transmission system is declared under commercial operation.
- (3) Interest on working capital shall be payable on normative basis notwithstanding that the transmission licensee has not taken a loan for working capital from any outside agency.

(e) Operation and maintenance (O&M) expenses

- (1) O&M expenses shall comprise of the following :
 - (a) salaries, wages, pensionary benefits and other employee costs;
 - (b) administration and general costs;
 - (c) repairs and maintenance costs and
 - (d) other miscellaneous expenses, statutory levies and taxes (except corporate income tax)
- (2) The transmission licensee shall submit all details of O&M expenses as required by the Commission.
- (3) The O&M expenses shall be approved by the Commission based on latest audited accounting statement, business plan submitted by the licensee, actuals for the previous year, prudent check and other factors considered relevant.

15. Computation and payment of transmission charge

- (1) The transmission licensee shall be entitled to recover its fixed cost from the beneficiaries as under:
 - (a) The fixed cost of the transmission system shall be computed on an annual basis, as in Regulation 14, aggregated as appropriate, and recovered on monthly basis as transmission charges from the users.
 - (b) The transmission charge (inclusive of incentive) payable for a calendar month or part thereof shall be:

$$\text{AFC} \times (\text{NDM}/\text{NDY}) \times (\text{TAFM} / \text{NATSAF})$$

Where

AFC	=	Annual Fixed Cost specified for the year in rupees
NATSAF	=	Normative annual transmission system availability factor in percent specified in sub-regulation (1) above
NDM	=	Number of days in the month
NDY	=	Number of days in the year
TAFM	=	Transmission system availability factor for the month in percent as specified in Regulation 18 (2) of these regulations.

- (2) The transmission charges shall be calculated separately for part of the transmission system having different NATSAF and aggregated thereafter according to their sharing by the beneficiaries.

- (3) The transmission licensee shall raise a bill for the transmission charges (inclusive of incentive) for a month based on its estimate of TAFM. Adjustments, if any, shall be made on the basis of TAFM to be certified by the SLDC within 30 days from the last day of the relevant month.

16. Non-tariff income

- (1) All incomes (a) incidental to the transmission business (b) derived by the licensee from sources, including but not limited to profit, from disposal of assets, rents, delayed payment of surcharge, miscellaneous receipts from the beneficiaries and (c) income to licensed business from other business to the transmission licensee shall constitute non-tariff income of the licensee.
- (2) The amount received by the licensee on account of non-tariff income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of the transmission licensee.

17. Other income of the transmission licensee

Where the transmission licensee engages itself in any other business, a portion of the revenue derived from such other businesses shall be treated as income to the extent specified by the Commission under section 41 of the Act.

Chapter – 4

Norms of operation

18. (1) Recovery of capacity charge, energy charge, transmission charge and incentive by transmission licensee shall be based on the achievement of the operational norms specified in this chapter.
- (2) Normative Annual Transmission System Availability Factor (NATSAF) for recovery of transmission charges for the Normative Annual Transmission System availability factor (NATSAF) shall be as under:
- | | | |
|----------------------------|---|-----|
| AC system shall be | - | 98% |
| HVDC bi-pole links | - | 92% |
| HVDS back to back stations | - | 95% |
- (3) Availability Energy Consumption in the Sub-station: The charges for auxiliary energy consumption in AC substation for the purpose of air conditioning, lighting and

consumption in other equipment shall be borne by the transmission licensee and included in the normative O&M expenses.

The charges for auxiliary consumption in HVDC substations shall be borne by the transmission licensee and are to be incurred in the normative O&M expenses.

19. Allocation of Annual Transmission Service charge

- (1) The annual transmission service charge arrived at as per Regulation 15 shall be divided between the beneficiaries of the transmission system on a monthly basis based on allotted transmission capacity or contracted capacity as the case may be.
- (2) For intra-state transmission system, the monthly transmission charges shall be pooled for sharing by long-term transmission customers in accordance with the following formula:

The transmission charges for intra-state system payable for a month by a long-term transmission customer of that transmission system

$$= \left[\sum_{i=1}^n \left(\frac{TC_i}{12} \right) \right] \times \frac{CL}{SCL}$$

Where,

TC _i	=	Annual transmission service charges for the ith project in the state computed in accordance with these regulations
n	=	Number of projects in the state
CL	=	Allotted transmission capacity to the long-term transmission customer
SCL	=	Sum of the allotted transmission capacities to all the long-term transmission customers of the State Transmission System

- (3) In the case of short-term open access customers, the charges payable shall be calculated in accordance with the following formula:

$$ST - Rate = 0.25 \times [ATSC / AV - CAP] / 365;$$

Where:

ST-RATE is the rate for short term open access customer in Rs. per MW per day

ATSC is annual transmission service charge;

AV-CAP means the average capacity in MW served by the transmission system of the transmission licensee in the last financial year and shall be the sum of the generating capacities connected to the transmission system and the contracted capacities of other transactions handled by the system of the transmission licensee.

- (4) 25% of the charges collected from the short-term open access customer shall be retained by the transmission licensee and the balance 75% shall be adjusted towards the reduction of the transmission service charges payable by the beneficiaries.
- (5) The transmission charges corresponding to any plant capacity for which a beneficiary has not been identified and contracted shall be paid by the concerned generating company.

20. Norms of operation to be ceiling norms

The norms of operation specified in these regulations shall be the ceiling norms and shall not preclude the transmission licensee and the beneficiaries and / or the long-term transmission customers from agreeing to the improved norms of operation and in case the improved norms are agreed to, such norms shall be applicable for determination of tariff.

21. Deviation from norms

The tariff for transmission of electricity may also be fixed in deviation to the norms specified in these regulations subject to:

- (i) The tariff determined in deviation of norms specified shall not exceed the tariff calculated on the basis of norms specified in the regulations.
- (ii) Any deviation shall come into effect only after approval by the Commission, for which an application shall be made by the transmission licensee.

22. Foreign Exchange Rate Variation

- (1) The transmission licensee may hedge foreign exchange exposure in respect of interest on foreign currency loan and repayment of foreign loan taken for the transmission system, in part or full at the discretion of the transmission licensee.
- (2) Every transmission licensee shall recover the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt, in the relevant year on an

- year to year basis, as expense for 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.
- (3) To the extent the transmission licensee is unable to hedge the foreign exchange exposure, the extra 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 transmission licensee or its suppliers or contractors.
 - (4) The transmission licensee shall recover the cost of hedging and foreign exchange rate variation on year to year basis as income or expense in the period in which it arises.

23. Tax on income

- (1) Tax on income streams of the transmission licensee shall not be recovered from the beneficiaries or the long term customers.
- (2) The deferred liability, excluding fringe benefit tax upto 31st March 2009 when ever it materializes, shall be recoverable directly from the beneficiaries and the long-term customers.

24. Billing and payment of charges

Bills shall be raised for capacity charge, energy charge and the transmission charge by the transmission licensee on a monthly basis in accordance with these regulations and payments shall be made by the beneficiaries or the transmission customers directly to the transmission licensee.

25. Late payment surcharge

In case the payment of any bill for charges payable under these Regulations is delayed by a beneficiary or a transmission customer beyond a period of 60 days from the date of billing, a late payment surcharge at the rate of 1.25% per month shall be levied by the transmission licensee.

26. Rebate

- (1) The transmission licensee shall allow a rebate of 2% for payment of bills through letter of credit on presentation.

- (2) Where payments are made by any other mode, other than through letter of credit, within a period of one month of presentation of bills, the transmission licensee shall allow a rebate of 1%.

27. Application fee and publication expenses

The application filing fee and expenses incurred on publication of notices in respect of the application for approval of tariff, may, at the discretion of the Commission, be allowed to be recovered by the transmission licensee directly from the beneficiaries / customers.

Chapter – 5

Wheeling of electricity

28. The regulations contained in this chapter apply for determination of tariff / charges payable for wheeling of electricity by a distribution licensee to:
- (a) a distribution system user who has been allowed open access to the distribution system of a distribution licensee
 - (b) a consumer or a class of consumers allowed to receive supply from a person other than a distribution licensee
 - (c) a distribution system user who is directly connected to a transmission system need not pay any tariff.
29. Every distribution licensee shall maintain separate records in respect of open access transactions and shall prepare an allocation statement to enable the Commission to determine tariff for each category of consumers specified in Regulation 28.
30. Every distribution licensee shall submit a separate application to the Commission for determination of tariff for wheeling of electricity. The application shall contain the forecast based on reasonable assumption of the underlying financial and operational parameters based on the business plan submitted to the Commission.
31. The wheeling charges of a distribution licensee shall provide for recovery of the ARR relating to the distribution business for a FY as reduced by the amount of non-tariff income and income from other business.

32. Computation of the ARR

The ARR for wheeling charges shall be computed on the same lines as in Regulation 14 of these regulations. The ARR for wheeling charges shall be used for determination of tariff for wheeling business.

33. Income from wheeling charges

The income derived from wheeling charges, as approved by the Commission shall be deducted from the ARR of the distribution licensee.

34. In the case of utilisation of inter-state transmission system, in addition to the intra-state transmission system and / or distribution system, the transmission charges and / or wheeling charges shall be payable for the use intra-state system, in addition to the charges for utilisation of inter-state transmission system.

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Open access charges

35. The Commission shall follow the guidelines issued by the CERC as amended from time to time in fixing the charges for open access customers.

36. The charges for use of the transmission and / or distribution system by an open access customer shall be regulated as under:

(1) Open access customers connected to the transmission / distribution system shall pay the transmission charges and / or wheeling charges and any other applicable charges as determined by the Commission from time to time and notified through a relevant tariff order or otherwise and as per the conditions stipulated therein;

Provided that the wheeling charges so payable shall be subject to a minimum level, as fixed by the Commission in the orders issued by it.

(2) (a) If the open access customer avails the transmission and / or distribution system for delivery of electricity to consumers premises in the area of supply of a distribution licensee, he shall pay the licensee the (cross subsidy) surcharge as determined by the Commission from time to time under section 42 (2) of the Act;

(b) No (cross subsidy) surcharge shall be payable if the open access is provided to a person who has established a captive generating plant for carrying the electricity to the distribution of his use.

- (3) The open access customers shall also be liable to pay an additional surcharge on charges of wheeling, as may be specified by the Commission from time to time to him, under section 42 (4) of the Act, in case open access is sought for receiving supply from a person other than a distribution licensee of such consumer's area of supply towards meeting the fixed cost of the distribution licensee arising out of his obligation to supply.
- (4) When an electrical plant or electrical line is to be constructed by the licensee in order to extend power supply to an open access customer, the licensee may recover such expenditure from the use as specified by the Commission.
- (5) If the network augmentation is required for providing open access to the customer, the licensee shall carryout such augmentation only if:
 - (a) the transmission licensee can recover, within a reasonable time the costs, capital investment and a reasonable return on capital investment in respect of such augmentation; and
provided the licensee has issued a notice to the open access user to make a capital contribution towards such network augmentation.
 - (b) the licensee has the capacity to raise funds to finance such capital expenditure.
- (6) Scheduling and system operation charges shall be payable by all open access customers for scheduling by the SLDC. Such charges shall be governed by relevant regulations issued by the Commission, as amended from time to time.

37. Payment terms and conditions

- (1) In the case of long term / short term users, the distribution licensee shall bill a customer for open access charges and the open access customers shall pay such charges in accordance with the procedures laid down in the open access agreement between the licensee and the customer.
- (2) The distribution licensee shall make an arrangement with the concerned transmission licensee (s) in order to pass on the transmission charges so collected from the customer to the transmission licensee.
- (3) The SLDC shall assist / advise the distribution licensee in the matter of energy accounting and allocation.
- (4) All open access customers shall pay the charges in accordance with the open access, agreement from the date of commencement of open access as specified in

the agreement, irrespective of whether such open access is used or not from such date, unless the failure to provide open access is due to the default of the licensee whose network is being used for open access.

- (5) In the case of surrender of whole or part of the contracted capacity or reduction / cancellation of the capacity allotted, the open access customer shall pay the charges towards compensation for the portion of the capacity surrendered as may be specified by the Commission.

(6) Payment by existing open access customers other than distribution licensees

All existing open access customers, other than distribution licensees, shall pay transmission charges, wheeling charges and other charges as may be determined by the Commission from time to time and / or as per the terms and conditions of the agreement.

38. The open access customers shall pay transmission charges and operating charges as under:

(1) Transmission charges

A. Long-term open access

- (1) The transmission charges for use of inter-state transmission system shall be recovered from long-term access customers in accordance with terms and conditions of tariff specified by the Central Electricity Regulatory Commission from time to time.
- (2) If the state network is being used in the open access as a part of inter-state transmission for conveyance of electricity across the territory of an intervening of state as well as conveyance within a state, which is incidental to such inter-state transmission of electricity, recovery of charges for such state network and the terms and conditions thereof shall be in accordance with the regulations as may be specified by the Commission under section 36 of Act for intervening transmission facilities, if such charges and terms and conditions cannot be mutually agreed to by the licensees.

- (3) Any disagreement on transmission charges for such state network, as specified above, shall not be the sole reason for denying access and either party may approach the Commission for determination of transmission charges for such state network.

B. Short- term open access

- (1) The transmission charges at the following rates shall be payable by the short term open access customer for the energy approved for transmission at the point or points of injection.

Type of transmission	Transmission charges (Total) (Rs/mWh)
(a) bilateral, inter-regional	80
(b) bilateral between adjacent regions	160
(c) bilateral, wheeling through one or more intervening regions	240

- (2) Intra-state entities shall pay transmission charges for use of the state network as fixed by the state Commission in addition to the charges specified under sub-regulation (1) above.
- (3) In case the State Commission has not determined the transmission charges, the charges for use of respective state network shall be payable at the rate of Rs. 80/mWh for electricity transmitted.
- (4) The transmission charges payable for use of state network shall be communicated to the RLDC concerned who shall display these rates on its website.
- (5) The transmission charges payable for use of state network shall not be revised retrospectively.

(2) Operating charges

- (1) The operating charges at the rate of Rs. 2000/- per day or part of the day for each bilateral transaction for the RLDC involved and at the rate of Rs. 2000/- per day or part of the day for each SLDC involved shall be payable.
- (2) The operating charges shall be payable by the power exchange at Rs. 5000/- per day to the National LDC for each state involved and Rs. 2000/- per day for the SLDC involved for each point of transaction.

- (3) All buyers within a state shall be clubbed together and all sellers in a state shall be clubbed together by the power exchange (with necessary coordination with the SLDC) and each of the groups shall be counted as a single entity for levy of operating charges and for scheduling.
- (4) For levy of operating charges for SLDC and levy of intra-state transmission charges, each point of injection or drawal in the state network shall be counted separately.
Note: (1) Operating charges include fee for scheduling system operation and collection and disbursement charges.
(2) The operating charges collected by the STU shall be in addition to the fees and charges specified by the Commission under sub-section (4) of section 28 of the Act.
- (5) The transmission charges for use of state network and operating charges for SLDC shall be settled directly by the power exchange with the SLDC.

39. Fees and charges for RLDC and SLDC

- (1) Fees and charges for RLDC, including charges for unified load despatch and communication scheme, shall be payable by the long-term and the short-term customers, as may be specified by the Central Electricity Regulatory Commission.
- (2) The fees and charges for the SLDC shall be payable as applicable or as specified by the MSERC.

40. Payment of transmission charges and fees

- (1) (a) The transmission charges, in respect of long-term customer, shall be payable directly to the transmission licensee.
(b) The STU may be designated by the Commission as agency for the purpose of collection and disbursing the transmission charges for intra-state transmission system.
(c) The STU shall enter into agreements with long-term customers and short-term customers for collection of transmission charges and with transmission licensees, whose system is being used, for disbursement of transmission charges as received, prorata to the transmission charges payable to the transmission licensees and the CTU / STU.

(d)The STU shall be entitled to reimbursement of reasonable costs incurred by it in collecting of other transmission charges of the transmission licensees, as specified by the Commission.

41. Default in payment of short term open access charges

- (1) In case of default in payment of fee or the charges specified under these regulations, the State Transmission Utility may, in its discretion, decide not to schedule the transaction or to cancel scheduling of already scheduled transaction or not to entertain any application of such persons in future until such time the default is rectified.
- (2) Notwithstanding the above, the person committing default in payment shall pay simple interest at the rate of 0.04% for each day of default.

42. Unscheduled inter-change (UI) charges

- (1) All transactions of state utilities and for inter-state entities scheduled by State Transmission Utility under these regulations, shall be accounted for and included in the respective day ahead net interchange schedules of concerned regional entity issued by the RLDC.
- (2) The State Transmission Utility designated for the purpose of collection / disbursement of UI charges from / to intra state entities shall be responsible for timely payment of the state's composite dues to regional poll account.
- (3) Any mismatch between the scheduled and actual drawal at drawal points and scheduled ad the actual injection and injection points for intra-state entities shall be determined by the SLDC and covered in the intra state UI accounting scheme.
- (4) Unless otherwise specified by the State Commission, UI rate for intra-state entity shall be 105% (for over drawal or under generation) and 95% (for under drawals and or over generation) of UI rate at the periphery of the regional entity.
- (5) No charges other than those specified under this regulation shall be payable by any person granted short term open access under these regulations.

43. Under utilisation

In case an open access user anticipates under utilisation of the capacity contracted, the user may surrender fully or part thereof with a reasonable advance notice.

44. Reactive energy charges

- (1) No separate energy accounting for short term open access transaction shall be carried out at inter-state level.
- (2) In state utility designated for the purpose shall be responsible for timely payment of state's composite dues to the regional reactive energy account in accordance with the provisions of the grid code.
- (3) The reactive energy drawals and injection by intra-state entities shall be governed by the regulations applicable within the state.

45. Transmission losses

- (1) The buyers and sellers of electricity shall absorb apportioned energy losses in transmission system as estimated by the SLDC as per the guidelines issued.
- (2) The energy losses shall be accounted for by providing a differential between schedule at the points of supply, inter-utility transfer and drawal of electricity.
- (3) The applicable transmission losses for the regional transmission system as well as state network shall be declared in advance and shall not be revised respectively.

46. Collection and disbursement of transmission charges and operating charges

- (1) The transmission charges and operating charges payable by the persons allowed short term access shall be collected and disbursed by the State Transmission Utility.
- (2) In the event of underutilization of the capacity contracted under open access by the user, the capacity surrendered could be used to meet the requirements of other applicant (s), and the surrendered capacity shall either be reduced or the capacity allocated to the open access user may be cancelled.
- (3) In the event of user's surrender of whole or part of the contracted capacity under sub-regulation (1) or reduction or cancellation under sub-regulation (2) above, the user shall pay compensatory charges to the concerned licensee as under:
 - (a) an amount equivalent to 50% of current application fee for long-term or short-term users, as the case may be, if the entire capacity surrendered or reduced / cancelled capacity is fully reallocated to other applicants within the notice period given by the user or the licensee, as the case may be.

- (b) If the capacity surrendered or reduced / cancelled could not be fully reallocated to other applicants within the notice period, in such case:
 - (i) In the case of long-term user, the user shall, as a one-time exit fee, pay 25% of the transmission charges and / or wheeling charges, as the case may be, and the scheduling and system operation charges in force at that point of time, on the capacity that could not be re-allotted for the remaining term of agreement; and
- (c) In case of short-term users, the user shall bear the full transmission charges and / or wheeling charges, as the case may be, and also the scheduling and system operation charges, in force at that point of time applied on the capacity that could not be re-allotted for the remaining term of agreement.

Secretary
Meghalaya State Electricity Regulatory Commission.