



**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION**

Front Block Left Wing, 1<sup>st</sup> Floor, New Administrative Building,  
Lower, Lachumiere, Shillong, Meghalaya 793001

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION  
(MULTI YEAR TARIFF) DRAFT REGULATIONS, 2026**

**Dated 25<sup>th</sup> MAY 2026**

## 1. CHAPTER – 1

### 1.1. SHORT TITLE, SCOPE EXTENT AND COMMENCEMENT

1.1.1. These Regulations shall be called the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2026.

1.1.2. They shall extend to the whole State of Meghalaya.

1.1.3. They shall come into force on the date of their publication in the Official Gazette.

1.1.4. They shall be applicable for the determination of tariff effective from April 1, 2027, in all cases covered under these Regulations.

Provided that for the purpose of review or of truing up of revenues and expenses pertaining to FYs prior to 2027-28, the provisions under MSERC (Multi Year Tariff) Regulations, 2014 and its subsequent amendment shall apply.

1.1.5. They shall be applicable to all existing and future Generating Companies, Transmission Licensees, State Load Despatch Centre (SLDC) and Distribution Licensees and their successors, if any;

1.1.6. They shall supersede the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 and its subsequent amendment.

### 1.2. Definitions

1.2.1. **“Accounting Statement”** means for each financial year, the following statements, namely:

- i. balance sheet, prepared in accordance with the form contained in Part I of Schedule VI to the Companies Act, 1956 as amended from time to time;
- ii. profit and loss account, complying with the requirements contained in Part II of Schedule VI to the Companies Act, 1956 as amended from time to time;
- iii. cash flow statement, prepared in accordance with the Accounting Standard on Cash Flow Statement (AS-3) of the Institute of

- Chartered Accountants of India;
- iv. report of the statutory auditors;
  - v. cost records prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 as amended from time to time;
  - vi. together with notes thereto, and such other supporting statements and information as the Commission may direct from time to time:

Provided further that, in case separate Accounting Statements are not submitted for each licensed business in accordance with the Licensee conditions and for each regulated Business for the Financial Year (FY) 2027-28 onwards, the Petitions filed by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, may be rejected by the Commission after giving the Petitioner a reasonable opportunity of being heard:

Provided further that the Generating Company or Transmission Licensee or SLDC or Distribution Licensee shall submit the Statutory Auditor's comments, observations and notes to Accounts, along with the Accounting Statements, and a summary of the key issues highlighted by the Statutory Auditor and the steps taken to address them:

Provided also that till such time the SLDC is under the Transmission Licensee, separate books of accounts for SLDC and Transmission Licensee shall be maintained by the Meghalaya Power Transmission Corporation Limited and shall be audited and certified by the statutory auditor:

Provided that in case of any local authority engaged in the business of distribution of electricity, the Accounting Statement shall mean the items, as mentioned above, prepared and maintained in accordance with the relevant Acts or Statutes as applicable to such local authority:

Provided further that once the Commission notifies the Regulations

for submission of Regulatory Accounts, the applications for tariff determination and truing up shall be based on the Regulatory Accounts.

- 1.2.2. **“Act”** means the Electricity Act, 2003 (36 of 2003), as amended from time to time;
- 1.2.3. **“Additional Capital expenditure” or “ACE ”** means the capital expenditure incurred or projected to be incurred after the date of commercial operation of the project by the generating company or the transmission licensee or Distribution Licensee or SLDC, as the case may be, in accordance with the provisions of these Regulations;
- 1.2.4. **“Additional Capitalisation”** means the additional capital expenditure admitted by the Commission after prudence check, in accordance with these Regulations;
- 1.2.5. **“Admitted capital cost”** means the capital cost which has been allowed by the Commission for servicing through tariff after due prudence check in accordance with the relevant tariff Regulations;
- 1.2.6. **“Allocation Statement”** means for each financial year, a statement in respect of each of the separate businesses of the Generating Company or Transmission Licensee or Distribution Licensee or SLDC, showing the amounts of any revenue, cost, asset, liability, reserve or provision etc, which has been either:
- i. charged from or to each such Other Business together with a description of the basis of that charge; or
  - ii. determined by apportionment or allocation between different businesses of the licensee including the Licensed Businesses, together with a description on the basis of apportionment or allocation:

Provided that for the purpose of this Regulation, the licensed business of the Distribution Licensee for an area of supply if separated as Distribution business:

Provided further that such allocation statement in respect of a generating station, owned and/or maintained and/or operated by the distribution licensee, shall be maintained in a manner so as to enable tariff determination, stage-wise, Unit wise and/or for the whole generating station.

1.2.7. **“Allotted Transmission Capacity”** means the power transfer in MW between the specified point(s) of injection and point(s) of drawal allowed to a long- term customer or a medium-term customer on the intra-State transmission system under the normal circumstances and the expression "allotment of transmission capacity" shall be construed accordingly:

Provided that the Allotted Transmission Capacity to a long-term transmission customer or a medium-term transmission customer shall be sum of the generating capacities allocated to the long-term transmission customer or the medium-term transmission customer from the generating stations and the contracted power, if any;

1.2.8. **“Applicant”** means a Generating Company or Transmission Licensee or Distribution Licensee or SLDC who has made an application for determination of Aggregate Revenue Requirement and tariff in accordance with the Act and these Regulations and includes a Generating Company or Transmission Licensee or Distribution Licensee or SLDC whose tariff is subject to review by the Commission either on Suo-motu basis or on a petition filed by any interested or affected person or as part of a Truing-up exercise;

1.2.9. **“Aggregate Revenue Requirement”** means the requirement of the Generation Company, Transmission Licensee or Distribution Licensee or SLDC for recovery, through tariffs, of allowable expenses and return on equity pertaining to its Licensed Business, in accordance with these Regulations;

1.2.10. **“Area of Supply”** means the area within which a distribution licensee is authorized by his license to supply electricity;

1.2.11. **“Auditor”** means a person appointed by the Generating Company or Licensee or SLDC qualified for such appointment in accordance with the relevant provisions of the Companies Act or any other law for the time being in force;

1.2.12. **“Authority”** means Central Electricity Authority referred to in Section 70 of the Act;

1.2.13. **“Auxiliary Energy Consumption”** in relation to a period, in the case of generating station means the quantum of energy consumed by auxiliary equipment of the generating station such as the equipment being used for the purpose of operating plant and machinery including switchyard of the generating station and the transformer losses within the generating station and shall be expressed as a percentage of the sum of gross energy generated at the generator terminals of all the Units of the generating station:

Provided further that colony consumption of a generating station shall not be included as part of the auxiliary consumption for the purpose of these Regulations.

1.2.14. **“Availability”** in relation to a thermal generating station for any period means the average of the daily average declared capacities as certified by Meghalaya State Load Dispatch Centre (SLDC) for all the days during that period expressed as a percentage of the installed capacity of the generating station minus normative auxiliary consumption and normative Auxiliary Energy Consumption for Emission Control System in Megawatts (MW), as specified in these Regulations, and shall be computed in accordance with the following formula:

$$\text{Availability} = 10000 \times \sum_{i=1}^N \frac{DC_i}{\{N \times IC \times (100 - AUX_n - AUX_{en})\}} \%$$

Where,

$AUX_n$  – Normative auxiliary energy consumption as a percentage of gross energy generation

$AUX_{en}$  – Normative auxiliary energy consumption for emission control system as a percentage of gross energy generation, wherever applicable;

- DC<sub>i</sub> – Average declared capacity (in ex-bus MW), for the *i*th day of the period i.e. the month or the year, as the case may be, as certified by the concerned load dispatch centre after the day is over;
- IC – Installed Capacity (in MW) of the generating station
- N – Number of days during the period

1.2.15. **“Availability”** in relation to a transmission system for a given period means the time in hours during that period the transmission system is capable of transmitting electricity at its rated voltage expressed in percentage of total hours in the given period and shall be calculated as provided in these Regulations;

1.2.16. **“Bank Rate”** shall mean the Bank Rate declared by the Reserve Bank of India from time to time;

1.2.17. **“Base year”** shall mean the two financial years immediately preceding the first year of the control period.

1.2.18. **“Beneficiary”** in relation to a generating station covered under clause (a) or clause (b) of Sub-section 1 of Section 86 of the Act, means a distribution licensee who is purchasing electricity generated at such generating station by entering into a Power Purchase Agreement either directly or through a trading licensee on payment of capacity charges and energy charges:

Provided that where the distribution licensee is procuring power through a trading licensee, the arrangement shall be secured by the trading licensee through back-to-back power purchase agreement and power sale agreement;

Provided further that beneficiary shall also include any person who has been allocated capacity in any inter- State generating station by the Government of India;

1.2.19. **“Bulk Power Transmission Agreement”** means an executed Agreement that contains the terms and conditions under which a Transmission System

User is entitled to access an intra-State transmission system of a Transmission Licensee;

1.2.20. **“Business Plan”** shall comprise elements as specified in Regulation 2.5 of these Regulations;

1.2.21. **“Capital Cost”** means the capital cost as determined in this Regulation in respect of generating station or transmission system or SLDC or distribution system, as the case may be.

1.2.22. **“Change in law”** means occurrence of any of the following events:

- i. the enactment, bringing into effect, adoption, promulgation, amendment, modification or repeal of any law; or
- ii. adoption, amendment, modification, repeal or re-enactment of any existing Indian law; or
- iii. change in interpretation of any law by a competent Court, Tribunal or Indian Governmental Instrumentality, which is the final authority under law for such interpretation; or
- iv. change by any competent statutory authority, in any consent, approval or licensee.
- v. coming into force or change in any bilateral or multilateral agreement/ treaty between the Government of India and any other Sovereign Government having implication for the hydroelectric project regulated under these Regulations;

1.2.23. **“Commission”** means the Meghalaya State Electricity Regulatory Commission;

1.2.24. **“Competitive Bidding”** means a transparent process for procurement of equipment, services and works in which bids are invited by the project developer by open advertisement covering the scope and specifications of the equipment, services and works required for the project, and the terms and conditions of the proposed contract as well as the criteria by which bids shall be evaluated, and shall include domestic competitive bidding and international competitive bidding;

1.2.25. **“Control Period”** means the period of three years from April 1, 2027 to March 31, 2030, and for every block of three years thereafter, for submission of forecast in accordance with **Chapter-2** of these Regulations.

1.2.26. **“Cut-off Date”** means 31<sup>st</sup> March of the year closing after thirty-six months from the date of commercial operation of the project except in case of integrated mine(s)

1.2.27. **“Day”** means the 24-hour period starting at 00:00 hour;

1.2.28. **“Date of Commercial Operation” (COD)** means in respect of a thermal generating station or hydro generating station or transmission system or communication system shall have the same meaning as defined in the Grid Code, as amended from time to time.

1.2.29. **“Declared Capacity”** means

- a. for a thermal generating station, the capability of the generating station to deliver ex-bus electricity in MW declared by such generating station in relation to any time-block of the day as defined in the Grid Code or whole of the day, duly taking into account the availability of fuel:

Provided that in case of a gas turbine generating station or a combined cycle generating station, the generating station shall declare the capacity for units and modules on gas fuel and liquid fuel separately, and these shall be scheduled separately. Total declared capacity and total scheduled generation for the generating station shall be the sum of the declared capacity and scheduled generation for gas fuel and liquid fuel for the purpose of computation of availability and Plant Load Factor, respectively;

- b. for hydro power generating stations, the ex-bus capacity in MW expected to be available from the generating station for the *i*th day of the month, which the station can deliver for at least three (3) hours, as certified by the Meghalaya State Load Dispatch Centre after the day is over, taking into account the availability of water;

- 1.2.30. **“De-capitalisation”** for the purpose of the tariff under these Regulations, means reduction in Gross Fixed Assets of the project as admitted by the Commission corresponding to inter-unit transfer of assets or the assets taken out from service;
- 1.2.31. **“De-commissioning”** means removal from service of a generating station or a unit thereof or transmission system including communication system or element thereof, after it is certified by the Central Electricity Authority or any other authorized agency, either on its own or on an application made by the project developer or the beneficiaries or both, that the project cannot be operated due to non-performance of the assets on account of technological obsolescence or uneconomic operation or due to environmental concerns or safety issues or a combination of these factors;
- 1.2.32. **“Design Energy”** in relation to a hydro power generating station means the quantum of energy, which could be generated in a 90 per cent dependable year with 95 per cent installed capacity of the generating station;
- 1.2.33. **“Distribution Business”** means the business of operating and maintaining a distribution system for supplying electricity in the area of supply of the Distribution Licensee;
- 1.2.34. **“Distribution Licensee”** means a Licensee, Deemed Distribution Licensee and exempt Licensee authorised to operate and maintain a distribution system for supplying electricity to consumers in its area of supply;
- 1.2.35. **“Distribution Wires / Wheeling Business”** means the Business of operating and maintaining a distribution system for wheeling of electricity in the area of supply of a Distribution Licensee;
- 1.2.36. **“Distribution-Retail Supply Business”** means the Business of sale of electricity other than wheeling by a Distribution Licensee to its consumers in its supply area in accordance with the terms of its license;
- 1.2.37. **“Expected Revenue from Tariff and Charges”** means the revenue estimated to accrue to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee from the Regulated Business at the prevailing tariffs;

- 1.2.38. **“Existing Generating Unit/Station”** means a generating unit/station declared under commercial operation prior to the date of effectiveness of these Regulations;
- 1.2.39. **“Existing Project”** means a project declared under commercial operation prior to the date of effectiveness of these Regulations;
- 1.2.40. **“Expenditure Incurred”** means the fund, whether equity or debt or Grant or combination of all, actually deployed and paid in cash or cash equivalent, for the creation or acquisition of a useful asset and does not include commitments or liabilities for which no payment has been released;
- 1.2.41. **“Extended Life”** means the life of a generating station or unit thereof or transmission system or element thereof beyond the period of useful or operational life, as may be determined by the Commission on case-to-case basis;
- 1.2.42. **“Extra High Tension” (or “EHT”)** means all voltages above 33 kiloVolt;
- 1.2.43. **“Event”** means an unscheduled or unplanned occurrence in the intra-State transmission system including faults, incidents and breakdowns;
- 1.2.44. **“Fees and Charges Regulations”** means the Meghalaya State Electricity Regulatory Commission (Fees & Charges) Regulations, 2017, as amended from time to time.
- 1.2.45. **“Force Majeure Event”** means, with respect to any party, any event or circumstance, which is not within the reasonable control of, and is not due to an act of omission or commission of, that party and which, by the exercise of reasonable care and diligence, could not have been prevented, and without limiting the generality of the foregoing, would include the following events:
- a. acts of God, including but not limited to lightning, storm, action of the elements, earthquakes, flood, torrential rains, drought and natural disaster;
  - b. strikes, lockouts, go-slow, bandh or other industrial disturbances not instigated by any party;
  - c. acts of public enemy, wars (declared or undeclared), blockades,

insurrections, riots, revolution, sabotage, vandalism and civil disturbance;

- d. unavoidable accident, including but not limited to fire, explosion, radioactive contamination and toxic dangerous chemical contamination;
- e. any shutdown or interruption of the grid, which is required or directed by the State or Central Government or by the Commission or the Meghalaya State Load Dispatch Centre;

1.2.46. **"Generation Business"** means the business of production of electricity from a generating station for the purpose of (i) giving supply to any premises or enabling a supply to be so given, or (ii) supply of electricity to any Licensee in accordance with the Act and the rules and Regulations made there-under and, (iii) supply of electricity to any consumer subject to the Regulations made under sub-section (2) of section 42 of the Act;

1.2.47. **"Generating Company"** means any company or body corporate or association or body of individuals, whether incorporated or not, or artificial juridical person, which owns or operates or maintains a generating Station;

1.2.48. **"Generating Station" (or "Station")** means a Station or a Unit thereof for generating electricity, including any building and plant with step-up transformer, switch-gear, switch yard, cables or other appurtenant equipment, if any, used for that purpose and the site thereof; a site intended to be used for a generating Station, and any building used for housing the operating staff of a generating Station, and where electricity is generated by water-power, includes penstocks, head and tail works, main and regulating reservoirs, dams and other hydraulic works, but does not include any sub-Station;

1.2.49. **"Gross Calorific Value" (or "GCV")** in relation to a thermal generating station means the heat produced in kilocalories by complete combustion of one kilogram of solid fuel or one litre of liquid fuel or one standard cubic metre of gaseous fuel, as the case may be;

- 1.2.50. **“Gross Station Heat Rate”** means the heat energy input in kcal required to generate one kWh of electrical energy at generator terminals;
- 1.2.51. **“High Tension” (or “HT”)** means all voltages above and including 11 kiloVolt and up to and including 33 kiloVolt;
- 1.2.52. **“Hybrid Escalation Rate”** means the average annual inflation rate computed based on 60% of Wholesale Price Index (WPI) and 40% of Consumer Price Index (CPI) for the immediately preceding three (3) available years, as notified by the Government of India or any other competent authority authorised to publish such indices.
- 1.2.53. **“Infirm power”** means electricity injected into the grid prior to the commercial operation of a Unit or Block of the generating station;
- 1.2.54. **“Installed Capacity”** means the summation of the name plate capacities of all the units of the generating station, or the capacity of the generating station (reckoned at the generator terminals) as approved by the Commission from time to time;
- 1.2.55. **“Licensee”** means a person who has been granted a licence under Section 14 or exempted under Section 13 of the Act including deemed licensee.
- 1.2.56. **“Low Tension” (or “LT”)** means all voltages below 11 kiloVolt;
- 1.2.57. **“Maximum Continuous Rating” or “MCR”** in relation to a unit of the thermal generating station means the maximum continuous output at the generator terminals, guaranteed by the manufacturer at rated parameters, and in relation to a Block of a combined cycle thermal generating station means the maximum continuous output at the generator terminals, guaranteed by the manufacturer with water or steam injection (if applicable) and corrected to 50 Hz grid frequency and specified site conditions;
- 1.2.58. **“Mid-term Review”** means a review to be undertaken in accordance with provisions of Regulations 2.1.2(a)-second proviso and 2.6.2 (c) of these Regulations;
- 1.2.59. **“New Generating Unit/Station”** means a generating unit/station declared under commercial operation on or after the date of coming into force of these Regulations;

- 1.2.60. **“Normative Annual Plant Availability Factor” or “NAPAF”** in relation to a thermal generating station means the availability factor specified in Regulation 4.14 for thermal generating stations and in relation to a hydro generating station means the availability factor specified in Regulation 4.21 for hydro generating stations;
- 1.2.61. **“Non-Tariff Income”** means income relating to the regulated business other than from tariff, excluding any income from Other Business and, in case of the Retail Supply Business of a Distribution Licensee, excluding income from wheeling and receipts on account of cross-subsidy surcharge and additional surcharge on charges of wheeling;
- 1.2.62. **“Operation and Maintenance expenses” or “O&M expenses”** means in relation to a Generating Company or Transmission Licensee or Distribution Licensee or SLDC, the expenditure incurred on operation and maintenance of the project/ system and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads.
- 1.2.63. **“Original Project Cost”** means the capital expenditure incurred by the Generating Company or the Transmission Licensee or Distribution Licensee or SLDC, as the case may be, within the original scope of the project up to the cut-off date as admitted by the Commission;
- 1.2.64. **“Other Business”** means any business undertaken by the Generating Company, Transmission Licensee or Distribution Licensee, other than the businesses regulated by the Commission;
- 1.2.65. **“Pumped Storage Hydro Generating Station”** means a hydro generating station which generates power through energy stored in the form of water energy, pumped from a lower elevation reservoir to a higher elevation reservoir;
- 1.2.66. **“Petitioner”** means a Generating Company or Transmission Licensee or Distribution Licensee or SLDC, who has filed a Petition for determination of Tariff or Fees and Charges or for True up in accordance with the Act and these Regulations, and includes a Generating Company or Transmission Licensee or Distribution Licensee or SLDC whose Tariff or Fees and Charges

is subject to a review by the Commission on a Suo-motu basis or as part of a Truing-up exercise;

1.2.67. **“Plant Availability Factor” (or “PAF”)**, in relation to a generating station for any period means the average of the daily declared capacities (DCs) for all the days during the period expressed as a percentage of the installed capacity in MW less the auxiliary energy consumption and auxiliary energy consumption for emission control system as per these regulations;

1.2.68. **“Project”** means:

- i) in the case of a thermal generating station, all components of the thermal generating station and including an integrated coal mine, biomass pellet handling system, pollution control system, and effluent treatment plan, as may be required;
- ii) in the case of a hydro generating station, all components of the hydro generating station including the dam, intake water conductor system, power generating station, as apportioned to power generation; and
- iii) in case of transmission, distribution and SLDC, all components of the transmission system, distribution system and SLDC system, including the communication system, as the case may be.

1.2.69. **“Prudence Check”** means the scrutiny of reasonableness of any cost or expenditure incurred or proposed to be incurred in accordance with these regulations by the generating company or transmission licensee or distribution licensee or SLDC, as the case may be;

1.2.70. **“Rated Voltage”** means the manufacturer’s design voltage at which the transmission system is designed to operate or such lower voltage at which the line is charged, for the time being, in consultation with Transmission System Users;

1.2.71. **“Regulated Business”** means any electricity business, which is regulated by the Commission.

1.2.72. **“Run-of-river generating station”** means a hydro generating station, which does not have upstream pondage;

- 1.2.73. **“Run-of-river generating station with pondage”** means a hydro generating station with sufficient pondage for meeting the diurnal variation of power demand;
- 1.2.74. **“Small gas turbine generating station”** means and includes open cycle gas turbine or combined cycle generating stations with gas turbines in the capacity range of 50 MW or below;
- 1.2.75. **“Scheduled Generation” or “SG”** at any time or for any period or time block means schedule of generation in MW ex-bus given by the State Load Dispatch Centre;
- 1.2.76. **“Storage type power station”** means a hydro power generating station associated with large storage capacity to enable variation in generation of electricity according to demand;
- 1.2.77. **“Transmission System”** means a line or a group of lines with or without associated sub-station, and includes equipment associated with transmission lines and sub-stations;
- 1.2.78. **“Transmission System User”** means a person who has been allotted transmission capacity rights to access an intra-State transmission system pursuant to a Bulk Power Transmission Agreement, except as provided in the Meghalaya State Electricity Regulatory Commission (Terms & Conditions of Open Access) Regulations, 2012, as applicable and as amended or re-enacted from time to time;
- 1.2.79. **“Unit”** in relation to a thermal generating station other than combined cycle thermal generating station means steam generator, turbine-generator and auxiliaries, or in relation to a combined cycle thermal generating station, means turbine-generator and auxiliaries; and in relation to a hydro generating station means turbine-generator and its auxiliaries;
- 1.2.80. **“Useful life”** in relation to a unit of a generating station, transmission system and distribution system from the date of commercial operation shall mean the following, namely:
- i. Coal/Lignite based thermal generating : 25 years;
  - ii. Gas/Liquid fuel based thermal generating station : 25 years;

- iii. Hydro generating station : 40 years;
- iv. AC and DC sub-station : 25 years;
- v. Gas Insulated Substation (GIS): 25 years
- vi. Transmission line: 35 years;
- vii. Distribution line : 35 years;

1.2.81. “**Year**” means a financial year (FY);

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

### **1.3. Scope of Regulation**

1.3.1. The Commission shall determine tariff within the Multi-Year Tariff framework, for all matters for which the Commission has jurisdiction under the Act, including in the following cases:

- i. Supply of electricity by a Generating Company to a Distribution Licensee:  
Provided that where the Commission believes that a shortage of supply of electricity exists, it may fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a Generating Company and a Distribution Licensee or between distribution licensees, for a period not exceeding one year to ensure reasonable prices of electricity;
- ii. Intra-State transmission of electricity and SLDC charges;
- iii. Intra-State Wheeling of electricity;
- iv. Retail supply of electricity:

Provided that in case of distribution of electricity in the same area by two or more Distribution Licensees, the Commission may, for promoting competition among Distribution Licensees, fix only maximum ceiling of tariff for retail sale of electricity:

Provided further that where the Commission has allowed open access to certain consumers under sub-section (2) of Section 42 of the Act, the

Commission shall determine the wheeling charges, cross subsidy surcharge, additional surcharges and other open access related charges in accordance with these regulations and MSERC (Terms and Conditions of Open Access) Regulations 2012 as applicable and as amended or re-enacted through Orders issued by the Commission from time to time.

- 1.3.2. The Commission may also determine the Rate at which the Distribution Licensee can supply power to other Distribution Licensees in the State.
- 1.3.3. Notwithstanding anything contained in these Regulations, the Commission shall adopt the tariff if such tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government pursuant to Section 63 of the Act.
- 1.3.4. These regulations shall not apply to renewable sources of energy which shall be governed by separate Regulations of the Commission.

PRE PUBLICATION

## 2. CHAPTER – 2- GENERAL GUIDING PRINCIPLES

### 2.1. Multi-Year Tariff framework

2.1.1. The Commission shall determine the tariff for matters covered under clauses (i), (ii), (iii) and (iv) of Regulation 1.3 above under Multi-Year Tariff framework with effect from April 01, 2027.

Provided that the Commission may, either on *Suo-moto* basis or upon application made to it by an applicant, exempt the determination of tariff of a Generating Company or Transmission Licensee or Distribution Licensee or SLDC under the Multi-Year Tariff framework for such period as may be contained in the Order granting such an exemption.

2.1.2. The Multi-Year Tariff framework shall be based on the following elements, for determination of Aggregate Revenue Requirement and expected revenue from tariff and charges for Generating Company, Transmission Licensee, Distribution Business and SLDC:

a) A detailed Business Plan based on the principles specified in these Regulations, for each year of the Control Period, shall be submitted by the applicant for the Commission's approval prior to the beginning of the Control Period:

Provided that the performance parameters, whose trajectories have been specified in this Regulation, shall form the basis of projection of these performance parameters in the Business Plan:

Provided further that a Mid-term Review of the Business Plan for each year of the control period may be sought by the Generating Company, Transmission Licensee, Distribution Licensee and SLDC through an application filed three (3) months prior to the filing of Petition for truing-up for the preceding year and the tariff determination for the subsequent year of the control period.

b) Based on the Business Plan, the applicant shall submit the forecast of Aggregate Revenue Requirement (ARR) for the entire Control Period and expected revenue from existing tariffs for first year of the Control

Period and the Commission shall determine ARR for the entire Control Period and the tariff for the first year of the control period for the Generating Company, Transmission Licensee, Distribution Business and SLDC;

- c) Truing up of previous year's expenses and revenue based on Audited Accounts vis-à-vis the approved forecast and categorization of variation in performance as those caused by factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (uncontrollable factors), shall be undertaken by the Commission:

Provided that once the Commission notifies the Regulations for submission of Regulatory Accounts, the applications for tariff determination and truing up shall be based on Regulatory Accounts.

- d) The mechanism for pass-through of approved gains or losses on account of uncontrollable factors as specified by the Commission in these Regulations;
- e) The mechanism for sharing of approved gains or losses on account of controllable factors as specified by the Commission in these Regulations;
- f) Annual determination of tariff for Generating Company, Transmission Licensee, Distribution Business, SLDC, for each financial year within the Control Period, based on the approved forecast and results of the truing up exercise.

## **2.2. Determination of base line**

- 2.2.1. The base line values (operating and cost parameters) for the base year of the control period shall be determined by the Commission based on historical data, latest audited accounts, estimates for the relevant year and prudence check as may be applied by the Commission, and also the Guidelines for Benchmarking of Operation & Maintenance Norms for Distribution Utilities notified by the Central Electricity Authority on 30<sup>th</sup> January, 2025.

Provided that in case of substantial difference between the estimates earlier provided for determination of base lines values and the actual audited accounts, the Commission may re-determine the base line value for the base year *Suo-moto* or on an application.

### **2.3. Applicability**

2.3.1. The Multi-Year Tariff framework shall apply to applications made for determination of tariff for a Generating Company, Transmission Licensee, Distribution Licensee for Distribution Business and SLDC.

### **2.4. Control Period**

2.4.1. The Control Period under these Regulations shall be of Three (3) financial years. The first application under these Regulations shall be made for the Control Period of three financial years starting from April 01, 2027 and up to March 31, 2030.

### **2.5. Business Plan**

2.5.1. The Generating Company, Transmission licensee, Distribution Licensee and SLDC, shall file a Business Plan *three (3) months prior to the last date of filing of True-Up Petition for the preceding year i.e. 30<sup>th</sup> November of the previous year* for the Control Period of three (3) financial years from 1<sup>st</sup> April 2027 to 31<sup>st</sup> March 2030, which shall comprise but not be limited to detailed category-wise sales and demand projections, power procurement plan, capital investment plan, financing plan and physical targets, in accordance with guidelines and formats, as may be prescribed by the Commission from time to time:

Provided that a mid-term review of the Business Plan/Petition may be sought by the Generating Company, Transmission Licensee, Distribution Licensee and SLDC through an application filed three (3) months prior to the filing of Petition for truing-up for the preceding year and the tariff determination for the subsequent year of the control period.

2.5.2. The Business Plan for the Generating Company shall be for the entire Control Period and shall, interalia contain:

- a. Capital investment plan shall include details of the investments planned by the Generating Company for existing stations along with its cost-benefit analysis, yearly phasing of capital expenditure along with the source of funding, financing plan and corresponding capitalisation schedule. This plan shall be commensurate with R&M schemes and proposed efficiency improvements for various plants of the company;
  - b. The capital investment plan shall show separately, on-going projects that will spill over the entire Control Period, and new projects (along with justification) that will commence in the Control Period but may be completed within or beyond the Control Period;
  - c. The Generating Company shall submit plant-wise details of the capital structure and cost of financing (interest on debt and return on equity), after considering the existing market conditions, terms of the existing loan agreements, risks associated in generation business and creditworthiness;
  - d. Details related to major shut down of machines, if any;
  - e. Trajectory of performance parameters;
- 2.5.3. The Business Plan for the Transmission Licensee shall be for the entire Control Period and shall, *interalia*, contain-
- a. Capital investment plan which should be commensurate with load growth and quality improvement proposed in the business plan along with its cost-benefit analysis. The investment plan should also include yearly phasing of capital expenditure along with the source of funding, financing plan and corresponding capitalisation schedule. The system augmentation/ expansion plan to be submitted; as a part of Capital Investment Plan by the Transmission Licensee shall be consistent with the load growth forecast/ generation evacuation requirement during the Control Period. Further, the Capital Investment Plan shall be in conformity with the plans made by the CEA/ CTU /STU/ Distribution Licensee;

- b. The appropriate capital structure of each scheme proposed and cost of financing (interest on debt) and return on equity, terms of the existing loan agreements, etc;
  - c. Transmission loss reduction trajectory for each year of the Control Period, including details of the measures proposed to be taken for achieving the target loss;
- 2.5.4. The Business Plan for the Distribution Licenses shall be for the entire Control Period and shall, *interalia* contain-
- a. Capital investment plan considering the sales/ demand forecast, power procurement plan, distribution loss trajectory, targets for quality of supply, etc. The capital investment plan shall be consistent with the perspective plan drawn by the Transmission Licensee, and the investment plan should also include yearly phasing of capital expenditure along with the source of funding, financing plan and corresponding capitalisation schedule;
  - b. Sales/demand forecast for each customer category and sub-categories for each year of the Control Period;
  - c. Distribution loss reduction trajectory for each year of the Control Period; including details of the measures proposed to be taken for achieving the target loss;
  - d. The Distribution Licensee shall project the power purchase requirement based on the Merit Order Dispatch principles of all Generating Stations considered for power purchase, details related to availability of power from renewable energy sources and actions proposed for complying with the RPO specified by the Commission under the Meghalaya State Electricity Regulatory Commission (Renewal Energy Purchase Obligation and its Compliance) Regulations, 2018 and its subsequent amendment and the target set, if any, for Energy Efficiency (EE) and Demand Side Management (DSM) schemes.
  - e. Collection efficiency improvement trajectory for each year of the Control Period;

- f. The appropriate capital structure of each scheme proposed and cost of financing (interest on debt and return on equity), terms of the existing loan agreements, etc;
- 2.5.5. The Business Plan for the State Load Despatch Centre shall be for the entire Control Period and shall, *interalia* contain-
- a. Capital Investment Plan including phasing of expenditure and funding pattern;
  - b. Estimated budget for the Control Period;
- 2.5.6. The Applicant shall also submit the details in respect of its manpower planning for the Control Period as part of Business Plan.
- 2.5.7. The Commission shall consider and approve the capital investment plan for which the Generating Company, Transmission Licensee, Distribution Licensee and State Load Despatch Centre, may be required to provide relevant technical and commercial details.
- 2.5.8. The Generating Company, Transmission Licensee, Distribution Licensee and State Load Despatch Centre shall get the Business Plan approved by the Commission.
- 2.6. Accounting statement and filing under MYT**
- 2.6.1. The filing of Tariff Petition under MYT by the Generating Company, Transmission Licensee, State Load Despatch Centre, and Distribution Licensee shall be done on or before 30<sup>th</sup> November prior to the specified control period to the Commission and in compliance with the principles for determination of ARR as specified in these Regulations, in such formats and as may be prescribed by the Commission from time to time. The filing of truing up petitions prior to MYT period shall be done in the manner and at such time as may be decided by the Commission. The filing of truing up of petitions within the MYT period shall be done on or before 30<sup>th</sup> November of each year of the control period.
- 2.6.2. The filing of MYT Petition for the Control Period under these Regulations shall be as under:
- a) MYT Petition shall comprise:

- i. Multi-year Aggregate Revenue Requirement (ARR) for the entire Control Period with year-wise details;
- ii. The ARR Petition comprising the forecast of ARR and category/subcategory wise expected revenue from the sale of power at existing and proposed Tariff or Fees and Charges in case of SLDC and the projected revenue gap, shall be submitted by the Generating Company or Distribution Licensee or Transmission Licensee or SLDC for the first year of the Control Period under these Regulations along with audited/ provisional accounts of the previous year and available data of 6 months in books of Accounts for the current Financial Year along with the projections for each ensuing years of the control period.

Provided that the Distribution Licensee, at the time of submission of the MYT Petition, shall propose the ARR for the entire Control Period and shall propose projected category-wise Tariffs for the first year; and in subsequent years of the Control Period, shall submit proposals for Revision of ARR, which shall include category-wise Tariffs for each year of the Control Period from next financial year onwards, in accordance with these Regulations.

Provided that in the event the Petitioner fails to submit category wise Tariff Proposal, then the Commission shall decide category wise tariff in accordance with this Regulation.

Provided further that the performance parameters whose trajectories have been specified in these Regulations shall form the basis of projection for the Aggregate Revenue Requirement for the entire Control Period.

- iii. Application for the Determination of the Aggregate Revenue Requirement and Tariff for Generating Companies, Transmission Licensees, Distribution Wire Business, Retail Supply Business, SLDC by the Commission for each year of the Control Period, at the start of the Control Period:

Provided that the Commission shall also approve the sharing proportion amongst the Transmission System Users of the SLDC Fees and Charges for the Control Period;

- b) From the first year of the Control Period and onwards, the Petition shall comprise:
- i. Truing Up for previous years under Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 in accordance with these Regulations;
  - ii. Revenue from the sale of power at existing tariffs and charges for the ensuing year;
  - iii. Revenue gap for the ensuing year calculated based on ARR approved in the Tariff Order or MYT Order and truing up for the previous year;
  - iv. Application for revision of tariff for the ensuing year, including proposed tariff structures for the various categories of consumers.
- c) In case of Mid-term Review of Business Plan, the Petition shall comprise:
- i. Truing Up for the previous year;
  - ii. Modification of the ARR for the remaining years of the Control Period, if any, with adequate justification for the same;
  - iii. Revenue from the sale of power at existing tariffs and charges for the ensuing year;
  - iv. Revenue gap for the ensuing year calculated based on ARR approved in the MYT order and truing up for the previous year;
  - v. Application for revision of tariff for the ensuing year.

2.6.3. The Generating Company, Transmission Licensee, SLDC and Distribution Licensee shall file separate audited accounting statements with the application for determination of tariff and truing up.

2.6.4. Every Applicant shall also prepare annual reports and statistics, giving an account of its activities during the current and previous year and likely to be undertaken in the remaining years of the MYT Control Period. The report of

activities shall also indicate targets and achievements in respect of various performance parameters.

2.6.5. The Commission may also direct the Applicants to submit the half yearly accounting statements, as the Commission may require for reviewing their financial performance.

2.6.6. In case complete accounting segregation has not been done amongst various Businesses of the restructured business, all business utilities shall have to do so within one year of notification of these Regulations. Till such time there is a complete segregation of audited accounts between Generation, Distribution, Transmission and SLDC Businesses, the application for determination ARR and tariff and truing up for each Business shall be supported by an Allocation Statement that contains the apportionment of costs and revenues to that Business. The Allocation Statement shall also contain the methodology that has been used for the apportionment.

2.6.7. The Commission may also direct the Applicants to submit to the Commission or such other authority, as it may designate in this behalf, such additional information as the Commission may require for the performance of its functions.

2.6.8. The Commission at an appropriate time may specify the forms for preparation of separate regulatory accounts.

## **2.7. Multi-Year Tariff Application**

2.7.1. The applicant shall submit the forecast of Aggregate Revenue Requirement for the entire Control Period and tariff proposal for each year of the Control Period, in such manner, and within such time limit as provided in these Regulations and accompanied by such fee payable, as specified under the Meghalaya State Electricity Regulatory Commission (Fees and Charges) Regulations, 2017, as amended from time to time.

2.7.2. The applicant shall develop the forecast of Aggregate Revenue Requirement using the assumptions relating to the behaviour of individual variables that comprise the Aggregate Revenue Requirement during the Control Period.

2.7.3. The applicant shall develop the forecast of expected revenue from tariff and charges based on the following:

- a) In the case of a Generating Company, prevailing generation tariffs as on the date of making the application, estimates of quantum of electricity to be generated by each Unit/Station and estimates of capacity allocated to Distribution Licensees and Open Access Customers for ensuing financial year within the Control Period;
- b) In the case of a Transmission Licensee, prevailing transmission tariffs as on the date of making the application and estimates of transmission capacity allocated to Transmission System Users for ensuing financial year within the Control Period;
- c) In the case of a Distribution Licensee, based on prevailing retail & wheeling tariffs as on the date of making the application, estimates of quantum of electricity to be supplied to consumers and to be wheeled on behalf of Distribution System Users for ensuing financial year within the Control Period;
- d) In case of SLDC, based on Fee and Charges as applicable on the date of making the application and allocated transmission capacity to users of intra State Transmission System. Prevailing tariffs as on the date of making the application.

2.7.4. Applicants shall submit a soft copy of the above model with all the formulas and linkages along with its MYT petition and petition for true up of previous year and tariff determination.

2.7.5. Based on the forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges, the Generating Company, Transmission Licensee, Distribution Licensee for the Distribution Business and SLDC, shall propose the tariff that would meet the gap, if any, in the Aggregate Revenue Requirement.

2.7.6. The applicant shall provide full details supporting the forecast, including but not limited to details of past performance, proposed initiatives for achieving efficiency or productivity gains, technical studies, contractual arrangements

and/or secondary research, to enable the Commission to assess the reasonableness of the forecast.

2.7.7. If the Petition is not filed within the specified timelines and/or data sought by the Commission for processing the Petition is not submitted within the stipulated time, then the corresponding revenue loss and associated carrying cost due to consequential delay in issue of the Order, shall not be allowed to the Generating Company or Transmission Licensee or Distribution Licensees or SLDC, as the case may be. In the event of delay in filing of the ARR and truing-up, one month beyond the scheduled date of submission of the petition, the Commission shall initiate suo-moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the Tariff Policy.

2.7.8. Along with the Petition for determination of Tariff or Fees and Charges and Truing up under these Regulations, the Petitioner shall submit consolidated statement of the status of the adherence of prevailing Regulations and / or the directives of the Commission in the earlier Orders (including Tariff as well as Non-Tariff Orders) along with the justification of non-compliance, if any:

Provided that, in case of non-adherence of the prevailing Regulations and/ or directives of the Commission, with unsatisfactory justification, the Commission may consider applying disincentive per default as per sole discretion of the Commission at the time of approval of the ARR;

2.7.9. On receipt of application, the Commission shall either:

- a) issue an Order approving the ARR for the entire Control Period and the tariff for the first year of the Control Period, subject to such modifications and conditions as it may specify in the said Order; or
- b) reject the application for reasons to be recorded in writing, as the Commission may deem appropriate:

Provided that the applicant shall be given a reasonable time for being heard before rejecting their application.

## 2.8. Specific trajectory for certain variables

- 2.8.1. While approving the Business Plan/MYT Petition, the Commission shall stipulate a trajectory for the variables, which shall include, but not limited to;
- a. **In case of Generating Stations:** Operation & Maintenance expenses, target plant load factor, Generating station's Availability, Auxiliary consumption, etc.
  - b. **In case of Transmission Licensee:** Transmission losses, Transmission system availability, Operation & Maintenance expenses, etc.
  - c. **In case of Distribution Licensee:** Supply availability, Wires availability, Operation & Maintenance expenses, Distribution losses, Collection efficiency etc.;

Provided further that this trajectory should provide for sharing of gains and losses with the consumers on account of superior and inferior performance as against the targets prescribed.

Provided that the Generating Company, Transmission Licensee, Distribution Licensee and SLDC may seek a review of the trajectory at the time of mid-term review of Business Plan.

## 2.9. Truing Up

- 2.9.1. Where the Aggregate Revenue Requirement and expected revenue from tariff and charges of a Generating Company or Transmission Licensee or Distribution Licensee or SLDC is covered under a Multi-Year Tariff framework, then such Generating Company or Transmission Licensee or Distribution Licensee or SLDC, as the case may be, shall be subject to truing-up of capital cost and additional capital expenditure (ACE) during the Control Period, in accordance with these Regulations.
- 2.9.2. The Generating Company or Transmission Licensee or Distribution Licensee or SLDC shall file an Application for Truing up of capital cost and ACE of the previous year and determination of tariff for the ensuing year, within the time limit specified in these Regulations:

Provided that the Generating Company or Transmission Licensee or Distribution Licensee or SLDC, as the case may be, shall submit to the Commission information in such form as may be prescribed by the Commission, together with the Audited Accounts including audit report by statutory auditor appointed by CA&G, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges:

Provided further that once the Commission notifies the Regulations for submission of Regulatory Accounts applications for tariff determination and truing up shall be based on the Regulatory Accounts.

2.9.3. The scope of the truing up shall be a comparison of the performance of the Generating Company or Transmission Licensee or Distribution Licensee or SLDC with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise the following:

- a) Comparison of actual capital investment and additional capitalisation expenditure (ACE) with the approved values, subject to prudence check;
- b) Consideration of variations in capital expenditure arising from uncontrollable factors such as Force Majeure events, Change in Law, changes in taxes and duties, geological surprises, forest clearances, and similar circumstances beyond the control of the utility;

Provided further that the incremental expenditure incurred by the licensees under proviso of “Change in Law” is subjected to be allowed only after prudence check and discretion of the Commission on case-to-case basis.

- c) Review of compliance with directives of the Commission, if any, related to capital investment.
- d) a comparison of the audited performance of the applicant for the

previous financial year with the approved forecast for such previous financial year, subject to the prudence check including pass-through of impact of uncontrollable factors;

e) Other relevant details, if any.

2.9.4. Operation & Maintenance (O&M) expenses including employee cost, administrative & general expenses, and repairs & maintenance expenses shall not be subject to true-up.

Provided any variations, whether favourable or adverse, shall be shared as per Regulation 2.12.

Provided, the Commission, for reasons recorded in writing by the licensee or generating company or SLDC, may allow any abnormal or exceptional expenditure during a year on account of change in law or force majeure beyond the control of the company, subject to due diligence based on the submission of all requisite supporting documents including Board Approval and Statutory Auditor's certificate.

2.9.5. In respect of the expenses incurred by the Generating Company, Transmission Licensee, Distribution Licensee and SLDC during the year for controllable and uncontrollable parameters, the Commission shall carry out a detailed review of performance of an applicant vis-a-vis the approved forecast as part of the truing up.

2.9.6. Upon completion of the truing up under second proviso of Regulation 2.9.2 above, the Commission shall attribute any variations or expected variations in performance for variables specified under Regulation 2.10 below, to factors within the control of the applicant (controllable factors) or to factors beyond the control of the applicant (uncontrollable factors):

Provided that any variations or expected variations in performance, for variables other than those specified under Regulation 2.10.1 below shall be attributed entirely to controllable factors.

2.9.7. Upon completion of the Truing Up, the Commission shall pass an order recording:

a) The revised capital cost and ACE to be considered for tariff purposes,

after prudence check;

- b) the approved aggregate gain or loss to the Generating Company or Transmission Licensee, Distribution Licensee and SLDC on account of controllable factors, and the amount of such gains or such losses that may be shared in accordance with Regulation 2.12 of these Regulations;
- c) Components of approved cost pertaining to the uncontrollable factors, which were not recovered during the previous year, shall be pass through as per Regulation 2.11 of these Regulations;
- d) Tariff determined for the ensuing year.

## **2.10. Controllable and uncontrollable factors**

2.10.1. Some illustrative variations or expected variations in the performance of the applicant, which may be attributed by the Commission to “**Controllable Factors**” include, but are not limited to, the following:

- a. Variations in capitalisation on account of time and/or cost overruns/inefficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;
- b. Plant availability factor
- c. Heat Rate
- d. Auxiliary Energy Consumption
- e. Secondary Fuel Oil Consumption (SFC)
- f. Variation in Interest and Finance Charges, Return on Equity, and Depreciation on account of variation in capitalisation, as specified in clause (a) above;
- g. Variation in O&M Expenses (excluding salary and terminal liabilities with regard to employees on account of changes in pay scales or dearness allowance etc due to inflation)
- h. Intra State Transmission and Distribution loss
- i. Interstate and inter Discom (if any) energy sales;

- j. Working capital requirements;
- k. Return on Equity
- l. Quality of supply as per Standard of Performance unless exempted
- m. Collection efficiency by any distribution licensee
- n. Assessed Billing
- o. Failure to meet the standards specified in the Meghalaya State Electricity Regulatory Commission (Standard of Performance) Regulations, 2012 and its subsequent amendment or re-enactment, except where exempted in accordance with those Regulations;
- p. Bad debts;

2.10.2. For the purpose of these Regulations, the term “**Uncontrollable Factors**” shall comprise of the following factors, which were beyond the control of the applicant, and could not be mitigated by the applicant:

- a) Delay in statutory clearances for land acquisition
- b) Force Majeure events;
- c) Change in law, judicial pronouncements and Orders of the Central Government, State Government or Commission;
- d) Salary and terminal liabilities with regard to employees on account of changes in pay scales or dearness allowance etc. due to inflation
- e) Fuel Price
- f) GCV of Fuel
- g) Variation in the price of fuel and/ or price of power purchase according to the FPPPA formula approved by the Commission from time to time;
- h) Inter-state Transmission Charges and Intra-state Transmission Charges for DISCOM
- i) Power Purchase Cost

- j) Surplus Power Sale
- k) Power Purchase Quantum (MUs)
- l) Pension Liability
- m) Variation in the number or mix of consumers or quantities of electricity supplied to consumers:

Provided that where there is more than one Distribution Licensee within the area of supply of the applicant, any variation in the number or mix of consumers or in the quantities of electricity supplied to consumers within the area served by two or more such Distribution Licensees, on account of migration from one Distribution Licensee to another, shall be attributable to controllable factors: Provided further that if any consumer or category of consumers within the area of supply of the applicant is eligible for open access under sub-section (3) of Section 42 of the Act, then any variation in the number or mix of such consumers or quantities of electricity supplied to such eligible consumers shall be attributable to controllable factors;

- n) Inter State Transmission loss
- o) Intra State Transmission loss (for Distribution licensee)
- p) Variation in freight rates
- q) Variation in market interest rates for long-term loans subject to prudence check / refinancing options etc;
- r) Taxes and Statutory levies;
- s) Taxes on Income:

Provided that where the applicant or any interested or affected party believes, for any variable not specified above, that there is a material variation or expected variation in performance for any financial year on account of uncontrollable factors, such applicant or interested or affected party may apply to the Commission for

inclusion of such variable at the Commissions discretion, under this Regulation for such financial year.

**2.11. Mechanism for pass through of gains or losses on account of uncontrollable factors**

2.11.1. The approved aggregate gain or loss to the Generating Company or Transmission Licensee or Distribution Licensee or SLDC on account of uncontrollable factors shall be passed through as an adjustment in the tariff of the Generating Company or Transmission Licensee or Distribution Licensee or SLDC over such period as may be specified in the Order of the Commission passed under these Regulations.

2.11.2. The Generating Company or Transmission Licensee or Distribution Licensee or SLDC shall submit such details of the variation between expenses incurred and revenue earned and the figures approved by the Commission, in the prescribed format to the Commission, along with the detailed computations and supporting documents as may be required for verification by the Commission.

2.11.3. Nothing contained in this Regulation 2.10 shall apply in respect of any gain or loss arising out of variations in the price of fuel and power purchase, which shall be dealt with as specified by the Commission from time to time.

**2.12. Mechanism for sharing of gains or losses on account of controllable factors**

2.12.1. The approved aggregate gain to the Generating Company or Transmission Licensee or Distribution Licensee or SLDC on account of controllable factors shall be dealt with in the following manner:

- a) Two-third of the amount of such gain shall be passed on as a rebate in tariffs to the consumer(s)/ beneficiary(ies) over such period as may be stipulated in the Order of the Commission; and
- b) The balance One-Third amount of such gain shall be retained by the Generating Company or the Licensee or SLDC.

2.12.2. The approved aggregate loss to the Generating Company or Transmission Licensee or Distribution Licensee or SLDC on account of controllable factors shall be dealt with in the following manner:

- a) One-third of the amount of such loss may be passed on as an additional charge in tariffs to the consumer(s)/ beneficiary(ies) over such period as may be stipulated in the Order of the Commission; and
- b) The balance two-third amount of loss shall be absorbed by the Generating Company or Licensee or SLDC.

### **2.13. Determination of Tariff**

2.13.1. The proceedings to be held by the Commission for determination of tariff shall be in accordance with the MSERC (Conduct of Business) Regulations, 2007, as amended from time to time or as re-enacted.

2.13.2. Notwithstanding anything contained in these Regulations, the Commission shall at all times have the authority, either on *suo motu* basis or on a Petition filed by any interested or affected Party, to determine the tariff, including terms and conditions thereof, of any Generating Company or Transmission Licensee or Distribution Licensee or SLDC:

Provided that such determination of tariff may be pursuant to an agreement or arrangement or otherwise whether or not previously approved by the Commission and entered into at any time before or after the applicability of these Regulations.

2.13.3. Notwithstanding anything contained in these Regulations, the Commission shall adopt the tariff, if such tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government:

Provided that the applicant shall provide such information as the Commission may satisfy itself that the guidelines issued by the Central Government have been duly followed.

## **2.14. Determination of Generation Tariff**

2.14.1. The Commission shall determine the tariff for generation of electricity, in accordance with the terms and conditions contained in **Chapter 4** of these Regulations.

### **2.14.2. Existing generating station:**

- i. Where the Commission has, at any time prior to the date of effectiveness of these Regulations, approved a power purchase agreement or arrangement between a Generating Company and a Distribution Licensee or has adopted the tariff contained therein for supply of electricity from an existing generating Unit/Station, the tariff for supply of electricity by the Generating Company to the Distribution Licensee shall be in accordance with tariff mentioned in such power purchase agreement or arrangement for such period as may be so approved or adopted by the Commission.
- ii. Whereas on the date of effectiveness of these Regulation the power purchase agreement or arrangement between the generating company and a distribution licensee for supply of electricity from an existing generating station has not been approved by the Commission all the tariff contained therein has not been adopted by the Commission or where there is no power purchase agreement or arrangement the supply of electricity to such distribution license after the date of effectiveness of these Regulation shall be in accordance of a power purchase agreement approved by the Commission.

Provided that an application for approval for such power purchase agreement or arrangement shall be made by the distribution licensee to the Commission within a period of three months from the date of notification of these regulations.

Provided further that the supply of electricity shall be allowed to continue under present agreement or arrangement as the case may be until such time as the Commission approves of such power purchase agreement (PPA). In the event that the Commission rejects the said

PPA or arrangement, for reasons duly recorded in writing, the supply of electricity shall be discontinued forthwith.

**2.14.3. New generating stations:**

- i. The tariff for the supply of electricity by a Generating Company to a Distribution Licensee from a new generating Unit/Station shall be in accordance with tariff as per power purchase agreement approved by the Commission.

**2.14.4. Own generation:**

- i. Where the Distribution Licensee also undertakes the business of generation of electricity, the transfer price at which electricity is supplied by the Generation Business of the Distribution Licensee to his Retail Supply Business shall be determined by the Commission.
- ii. The Distribution Licensee shall maintain separate records for the Generation Business and shall maintain an Allocation Statement so as to enable the Commission to clearly identify the direct and indirect costs relating to such business and return on equity accruing to such business:

Provided that once the Commission notifies the Regulations for submission of Regulatory Accounts, the applications for tariff determination and truing up shall be based on the Regulatory Accounts.

- iii. The Distribution Licensee shall submit, along with the separate application for determination of tariff for retail supply of electricity, the information required under Chapter 4 of these Regulations relating to the Generation Business.

**2.15. Determination of Tariff for Transmission, Distribution and SLDC Business**

- 2.15.1. The Commission shall determine the tariff for Transmission Business, Distribution Business based on an application made by the Licensee in accordance with the procedure contained in these Regulations.

2.15.2. The Commission shall determine the tariff for:

- a) Transmission of electricity, in accordance with the terms and conditions contained in **Chapter 5** of these Regulations;
- b) Distribution Business, in accordance with the terms and conditions contained in **Chapter 6** of these Regulations;
- c) SLDC Business, in accordance with the terms and conditions contained in **Chapter 7** of these Regulations.

## **2.16. Filing Procedure**

2.16.1. The applicant shall file the petition for approval of truing up of previous year and tariff for ensuing financial year on or before 30<sup>th</sup> November each year provided that MYT petition for FY 2027-28 to FY 2029-30 shall be filed along with the business plan. The applicant shall provide, based on the Business Plan, as part of his application to the Commission, in such formats as may be prescribed by the Commission from time to time, full details of his calculation of the Aggregate Revenue Requirement and expected revenue from tariff and charges, and thereafter, he shall furnish such further information or particulars or documents as the Commission or the Secretary or any Officer designated for the purpose by the Commission may reasonably require to assess such calculation:

Provided that the information should be based on audited accounts and in case audited accounts of previous year is not available audited accounts for the year immediately preceding the previous year should be filed along with the unaudited accounts for the previous year.

Provided that the application shall be accompanied where relevant, by a detailed tariff revision proposal showing category-wise tariff and how such revision would meet the gap, if any, in Aggregate Revenue Requirement for the respective year of the Control Period:

Provided further that the Commission may specify additional/alternative formats for details to be submitted by the applicant, from time to time, as it

may reasonably require for assessing the Aggregate Revenue Requirement and for determining the tariff.

Provided that a Commission may seek any further information, particular and documents including audited accounts to assess the petitioner's calculation.

Provided that in case of non-submission of tariff petition within the time allowed by the Commission the Commission may consider the matter suo moto.

Provided that the Petitioner shall make available a hard copy and soft copy of the complete Petition along with all regulatory filings, information, particulars and documents to the Commission.

2.16.2. Upon receipt of a complete application accompanied by all requisite information, particulars and documents in compliance with all the requirements specified in these Regulations, the application shall be deemed to be received and the Commission or the Secretary or the designated Officer shall intimate to the applicant that the application is registered and ready for publication.

Provided that the Commission may reject the petition if such petition is not in accordance with the provision of the act, rules and regulations made there under in accordance with conduct of business regulation.

2.16.3. If the applicant fails to respond to any suggestion / objection within the given time, it will be construed that the applicant has no response / comments to offer and the Commission shall proceed to decide the matter in a manner as it deems fit and fair.

2.16.4. The Commission may consider granting extra time to the applicant to file their response / comments, provided the reasons for such extension of time are found reasonable.

### **2.17. Hearing on the application**

2.17.1. The Commission shall initiate a proceeding on the revenue calculations and tariff proposals given by the applicant and may hold public hearing(s) to decide on such revenue calculations and tariff proposals.

2.17.2. The procedure for public hearing of the tariff application shall be in the manner as specified by the Commission.

### **2.18. Order of the Commission**

2.18.1. Within a period of 120 days from the date of acceptance of the tariff application and after considering the proceedings of the hearing(s) as well as suggestions / objections received in response to the public notice, the Commission shall issue the tariff order, communicating its decisions on the aggregate revenue requirement, revenue calculations and Tariff proposals to the generating company or the licensee or SLDC as the case may be.

2.18.2. Tariff will come into force with effect from the date as specified in the Tariff order.

2.18.3. The Commission shall forward within 7 days of passing the order, a copy of the order to the State Government, the Central Electricity Authority, the concerned generating company or licensee or SLDC and other authorities, as may be necessary.

2.18.4. The Commission shall post the tariff order in its website.

2.18.5. The tariff order shall, unless amended or revised, continue to be in force for such period as may be specified in the Tariff order.

### **2.19. Publication of Tariff Order**

2.19.1. The generating company or the licensee or SLDC shall publish the tariff approved by the Commission in two newspapers having wide circulation in the area of supply as the Commission may direct.

2.19.2. Copies of the Company's tariff notification shall be made available by the generating company or licensee to any person on payment of fee.

## **2.20. Review of Tariff Order**

2.20.1. All applications for review of the tariff shall be in the form of petition accompanied by the prescribed fee. A petition for review of tariff can be admitted by the Commission under the following conditions:

- a) the review petition is filed within sixty days from the date of the tariff order, and / or
- b) there is an error apparent on the face of the record.

2.20.2. On being satisfied that there is a need to review the tariff of any generating company or the licensee or SLDC, the Commission may on its own initiate process of review of the tariff of any generating company or the licensee or SLDC. The Commission may also, in its own motion review any tariff order to correct any clerical error or any error apparent on the face of the record.

## **2.21. Amendment to Tariff**

2.21.1. No tariff or part of any tariff may be ordinarily amended, more frequently than once in any financial year, except Fuel and Power Purchase Price Adjustment (FPPPA) based on the formulae approved by the Commission from time to time.

Provided that the consequential orders, which the Commission may issue to give effect to the subsidy by the State Government shall not be construed as amendment of the tariff notified.

## **2.22. Adherence to Tariff Order**

2.22.1. If any Generating Company or Transmission Licensee or Distribution Licensee or SLDC recovers a price or charge exceeding the tariff determined under Section 62 of the Act and in accordance with these Regulations, the excess amount shall be payable to the person who has paid such price or charge, along with interest equivalent to the Bank Rate of the Reserve Bank of India without prejudice to any other liability incurred by such Generating Company or Transmission Licensee or Distribution Licensee or SLDC.

2.22.2. The Transmission Licensee or Distribution Licensee or SLDC shall submit periodic returns as maybe required by the Commission, containing operational and cost data to enable the Commission to monitor the implementation of its Order.

### **2.23. Subsidy Mechanism**

2.23.1. With effect from the first day of April 2027, if the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the Commission, the State Government shall, notwithstanding any direction which may be given under Section 108 of the Act, pay in advance the amount to compensate the Distribution Licensee/person affected by the grant of subsidy, as a condition for the Licensee or any other person concerned to implement the subsidy provided for by the State Government, in the manner specified in these Regulations:

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in these Regulations and the tariff fixed by the Commission shall be applicable from the date of issue of orders by the Commission in this regard.

### **2.24. Annual determination of tariff**

2.24.1. The Commission shall determine the tariff and Charges of a Generating Company or Transmission Licensee or Distribution Licensee or SLDC covered under a Multi-Year Tariff framework for each financial year during the Control Period, at the commencement of such financial year, having regard to the following:

2.24.2. The approved forecast of Aggregate Revenue Requirement including the incentive available for the Generating Company or Transmission Licensee or Distribution Licensee or SLDC and expected revenue from tariff and charges for such financial year, including modifications approved at the time of mid-term review, if any; and

2.24.3. Subject to the provisions of this Regulation, approved gains and losses to be passed through in tariffs, following the Truing Up of previous year.

### 3. CHAPTER – 3 - FINANCIAL PRINCIPLE

#### 3.1. Debt-Equity Ratio

3.1.1. For a project declared under commercial operation on or after 01.04.2027, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission, after prudence check for determination of Tariff:

Provided that the generating company or the transmission licensee or the distribution licensee or the SLDC shall substantiate such investment of equity and debt through documentary evidence:

Provided further that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the generating company or the transmission licensee or the distribution licensee or the SLDC;

Provided also that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff.

Provided also that equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

Provided also that any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio.

Explanation:- The premium, if any, raised by the generating company or the transmission licensee or the distribution licensee or SLDC, as the case may be, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of 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.

3.1.2. The generating company or the transmission licensee or the distribution licensee or SLDC, as the case may be, shall submit the resolution of the Board of the company or the approval of the competent authority in other cases regarding the infusion of funds from internal resources in support of the

utilization made or proposed to be made to meet the capital expenditure of the generating station or the transmission system including communication system, as the case may be.

- 3.1.3. In case of the generating station and the transmission system declared under commercial operation prior to 01.04.2027, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.03.2027 shall be considered.

Provided that in the event of retirement, replacement, or de-capitalisation of assets, the equity and debt components shall be reduced proportionately, based on the originally approved capital structure or actuals if lower and supported by documentary evidence.

- 3.1.4. In the case of the generating station and the transmission system, including communication system declared under commercial operation prior to 01.04.2027, but where debt: equity ratio has not been determined by the Commission for determination of tariff for the period ending 31.03.2027, the Commission shall approve the debt:equity ratio in accordance with Regulation 3.1.1 of this Regulation.
- 3.1.5. Any expenditure incurred or projected to be incurred on or after 01.04.2027 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernization expenditure for life extension shall be serviced in the manner specified under Regulation 3.1.1 of this MYT Regulation.

## **3.2. Capital Cost and capital structure**

- 3.2.1. Capital cost of a new project shall include the following:

- a) The actual expenditure incurred or projected to be incurred on the date of commercial operation of the project.
- b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed and, in the event actual equity is in excess of 30% on a pari-passu basis, by treating the excess equity over and above 30% of the funds deployed as a normative loan, or (ii) being equal to the actual amount of the loan in the event of actual

- equity being less than 30% of the funds deployed;
- c) Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period;
  - d) Interest during construction and incidental expenditure during construction as computed in accordance with these regulations;
  - e) Capitalised initial spares subject to the ceiling rates in accordance with these regulations;
  - f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with these regulations;
  - g) Adjustment of revenue due to the sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 4.6 and 4.25 of these regulations;
  - h) Adjustment of revenue earned by the transmission licensee by using the assets before the date of commercial operation;
  - i) Capital expenditure on account of emission control system necessary to meet the revised emission standards and sewage treatment plant;
  - j) Expenditure on account of the fulfilment of any conditions for obtaining environment clearance for the project;
  - k) Expenditure on account of change in law and force majeure events;
  - l) Expenditure required to enable flexible operation of the generating station at lower loads.
  - m) Scrutiny of cost estimates by the Commission shall be limited to reasonableness of the capital cost, financial plan and interest during construction period, use of efficient technology and in such other matters for determination of tariff.
  - n) In case of any abnormal delay in execution of the project causing cost and time overrun attributable due to failure of the utility/licensee the Commission may not approve the full capitalization of the interest and overhead expenditures.
  - o) Where the power purchase agreement or bulk power transmission agreement provides for a ceiling of capital cost, the capital cost to be considered shall not exceed such ceiling.

3.2.2. The Capital cost of an existing project shall include the following:

- a) Capital cost admitted by the Commission prior to 1.4.2027 duly trued up by excluding liability, if any, as on 1.4.2027;
- b) Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;
- c) Capital expenditure on account of renovation and modernisation as admitted by this Commission in accordance with these regulations;
- d) Expenditure required to enable flexible operation of the generating station at lower loads;
- e) Expenditure on account of change in law and force majeure events;

3.2.3. The capital cost may include capitalized initial spares subject to the ceiling rates, as a percentage of the original Plant and Machinery cost as on the cut-off date, as specified below:

<b>Asset Type</b>	<b>Ceiling Norm (%)</b>
(a) Coal-based / Lignite-fired Thermal Generating Stations	4.00%
(b) Gas Turbine / Combined Cycle Thermal Generating Stations	4.00%
(c) Hydro Generating Stations (including Pumped Storage Hydro Stations)	4.00%
(d) Battery Energy Storage System	1.00%
(d) Transmission System:	
(i) Transmission Line	1.00%
(ii) Transmission Sub-station	
• Green Field	4.00%
• Brown Field	6.00%
(iii) Series Compensation Devices and HVDC Station	4.00%
(iv) Gas Insulated Sub-station (GIS):	
• Green Field	5.00%
• Brown Field	7.00%
(v) Communication System	3.50%
(vi) Static Synchronous Compensator	6.00%

Provided that:

Where the generating station has any transmission equipment forming part of the generation project, the ceiling norms for initial spares for such equipment shall be as per the ceiling norms specified for the transmission system under these regulations.

Once the transmission project is commissioned, the cost of initial spares shall be restricted based on the Plant and Machinery cost corresponding to the transmission project at the time of truing up:

For the purpose of computing the cost of initial spares, the Plant and Machinery cost shall be considered as the project cost as on the cut-off date, excluding IDC, IEDC, Land Cost, and the Cost of Civil Works. The transmission licensee shall submit the break-up of head-wise IDC and IEDC in its tariff application.

3.2.4. The following shall be excluded or removed from the capital cost of the existing and new project:

- (a) The assets forming part of the project, but not in use, as declared in the tariff petition;
- (b) Decapitalisation of Asset after the date of commercial operation on account of replacement or removal on account of obsolescence or shifting from one project to another project:

Provided that unless shifting of an asset from one project to another is of permanent nature, there shall be no de-capitalization of the concerned assets;

Provided that in case replacement of transmission asset is recommended by State Transmission Utility, such asset shall be decapitalised only after its redeployment;

- (c) Any capitalization done by mere book entries/presentation in the financial statements in order to comply with any statute / Rules etc. and not in accordance with the Capital Expenditure approved under these Regulations;
- (d) In case of hydro generating station, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State government by following a two-stage transparent process of bidding; and
- (e) The proportionate cost of land of the existing generation or transmission project, as the case may be, which is being used for generating power

from generating station based on renewable energy as may be permitted by the Commission:

Provided that any Consumer Contribution or grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation.

3.2.5. The capital cost admitted by the Commission after prudence check shall form the basis for determination of tariff:

- a) Scrutiny of the capital expenditure, in the light of the capital cost of similar projects based on past historical data, wherever available, reasonableness of the financing plan, interest during construction, incidental expenditure during construction, use of efficient technology, cost over-run and time over-run, procurement of equipment and materials through competitive bidding and such other matters as may be considered appropriate by the Commission:

Provided that, while carrying out the prudence check, the Commission shall also examine whether the generating company or transmission company or distribution company or SLDC has been prudent in its judgments and decisions in execution of the project.

Provided that the assets forming part of the project but not put to use or not in use, shall be taken out of the capital cost.

Provided that the project cost already admitted by the Commission for the purpose of tariff determination shall be considered as original project cost.

Provided also that the Generating Company or Transmission Licensee or Distribution Licensee or SLDC shall submit documentary evidence in support of its claim of assets being put to use.

Provided also that the Commission may undertake a sample check to verify the assets put to use as submitted by the Generating Company or

Transmission Licensee or Distribution Licensee or SLDC, as the case may be, independent of the tariff determination process.

Provided also that any capital expenditure incurred based on the specific requirement of a Generating Company or Transmission Licensee or Distribution Licensee or SLDC shall be substantiated with necessary documentary evidence of such request and undertaking received.

- b) The approved Capital Cost shall be considered for determination of tariff and if sufficient justification is provided for any escalation in the Capital Cost, the same may be considered by the Commission subject to the prudence check.
- c) Where the power purchase agreement entered into between the generating company and the beneficiaries provides for the ceiling of actual capital expenditure, the Commission shall take into consideration such ceiling for prudence check.

3.2.6. The Generating Company or Transmission Licensee, or Distribution Licensee or SLDC, as the case may be, shall submit asset-class wise, item-wise insurance details of all insured assets at the time of filing the Petition. The Commission shall allow such insurance expenses, which shall be trued up based on details of the year wise actuals along with appropriate justification for incurring the same and along with confirmation that the same is not claimed as a part of additional capitalisation or consumption of stores and spares and renovation and modernization subject to prudence check by the Commission.

Provided that in case of self-insurance, the insurance premium considered shall not exceed 0.12% of the Gross Fixed Assets (GFA) of the assets insured for Generation, Transmission, Distribution, or SLDC, as the case may be.

Provided that the self-insurance premium shall be transferred to a separate fund for utilization to meet the claims, and the expenditure incurred or amount utilized from the self-insurance fund shall be made available to the Commission as and when directed.

3.2.7. Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall submit the following pertaining to all new schemes:

- a) Scope and Objective;
- b) Purpose of investment;
- c) Cost-benefit analysis;
- d) Broad Technical Specifications of the proposed investment and supporting details;
- e) Board Approval and Sanction letter of the concerned authorities
- f) Capital Structure;
- g) Capitalization Schedule;

Provided further that Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall be required to ensure that the procurement of the assets have been undertaken in a competitive and transparent manner. Further, the assets so capitalized as a part of the approved capital investment plan under these Regulations should necessarily be geo-tagged and properly recorded in Fixed Asset Register (FAR) for allowance of the capitalization of the same by the Commission:

Provided further that regarding the assets already capitalized as on April 01, 2025, Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall prepare and submit to the Commission a time-bound plan to undertake the geo-tagging in phased manner, preferably within the Control Period, along with the MYT Petition, in accordance with the directive issued by the Commission from time to time in its Tariff Orders:

Provided further that Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, must provide access of the details of geotagging to the Commission.

3.2.8. The Commission shall issue guidelines for verifying the capital cost of hydro projects by an independent agency or expert and in such case the capital cost as vetted by such agency may be considered by the Commission after

prudence check and reasonability of the expenses while determining the tariff. Scrutiny of projects not controlled by State or Central Government may be done as per State and Central Commission's Regulations, Tariff policy and notification issued by the Government of India in this regard.

3.2.9. In case the actual capital cost is lower than the approved capital cost, then the actual capital cost will be considered for determination of tariff of the Generating Company or Transmission Licensee or Distribution Licensee or SLDC.

3.2.10. The actual capital expenditure on COD for the original scope of work based on audited accounts of the Company limited to original cost may be considered subject to the prudence check by the Commission.

3.2.11. Impact of revaluation of assets shall be permitted during the Control Period, provided it does not result in increase in tariff of Generating Company, Transmission Licensee, SLDC and Distribution Licensee. Any benefit, as may be allowed by the Commission, from such revaluation shall be passed on to persons sharing the capacity charge in case of a Generating Company and to long-term intra-State open access customers of transmission licensee or distribution licensee, or retail supply consumers in case of distribution licensees, at the time of annual truing up.

3.2.12. Any expenditure on replacement, renovation and modernization or extension of life of old fixed assets, as applicable to Generating Company, Transmission Licensee, SLDC and Distribution Licensee, shall be considered after writing off the net value of such replaced assets from the original capital cost and will be calculated as follows:

$$\text{Net Value of Replaced Assets} = \text{OCFA} - \text{AD} - \text{CC};$$

Where;

OCFA: Original Capital Cost of Replaced Assets;

AD: Accumulated depreciation pertaining to the Replaced Assets;

CC: Total Consumer Contribution pertaining to the Replaced Assets, if

any

Provided that in case the original capital cost of the replaced asset is not available for reasons beyond the control of utility, it shall be considered by the Commission based on information and documents acceptable to the Commission:

Provided further that the amount of insurance proceeds received, if any, towards damage to any asset requiring its replacement shall be first adjusted towards outstanding actual or normative loan; and the balance amount, if any, shall be utilised to reduce the capital cost of such replaced asset, and any further balance amount shall be considered as Non-Tariff Income.

3.2.13. The generating company or transmission licensee or distribution licensee or SLDC shall furnish the capital cost for execution of the existing and new projects, as per formats specified by the Commission, along with tariff petition for the purpose of creating a database of benchmark Capital cost of various components.

### **3.3. Additional Capitalisation within the original scope and up to the cut-off date**

3.3.1. The following capital expenditure, actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to the prudence check:

- a) Due to Un-discharged liabilities within the original scope of work;
- b) On works within the original scope of work, deferred for execution;
- c) To meet award of arbitration and compliance of final and unappealable order or decree of a court arising out of original scope of works;
- d) On account of change in law or compliance with any existing law which is not provided for in the original scope of work;
- e) On procurement of initial spares included in the original project costs subject to the ceiling norm specified;
- f) For uninterrupted and timely development of Hydro projects, expenditure incurred towards developing local infrastructure in the

vicinity of the power plant not exceeding Rs.10 lakh/MW shall be considered as part of capital cost and in case the same work is covered under budgetary support provided by Government of India, the funding of such works shall be adjusted on receipt of such funds;

Provided that such expenditure shall be allowed only if the expenditure is incurred through Indian Governmental Instrumentality.

- g) Any additional works/services, which have become necessary for efficient and successful operation of a generating station or a transmission system or a distribution system or SLDC but not included in the original capital cost:

Provided that original scope of work along with estimates of expenditure shall be submitted as a part of Business Plan:

Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation of the generating Unit/Station or transmission system or distribution system or SLDC.

Provided further that the assets forming part of the project but not put to use, shall not be considered.

Provided that, in case of any replacement of assets, the additional capitalization shall be worked out after adjusting the gross fixed assets and cumulative depreciation of the assets replaced on account of de-capitalization and consumer contribution if any; and

- h) Force Majeure events.

3.3.2. Impact of additional capitalization on tariff, as the case may be, shall be considered during Truing Up of each financial year of the Control Period.

3.3.3. The generating company or the transmission licensee or distribution licensee or SLDC, as the case may be shall submit the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution.

**3.4. Additional Capitalisation within the original scope and after the cut-off date**

3.4.1. The additional capital expenditure incurred or projected to be incurred in respect of an existing project or a new project on the following counts, within the original scope of work and after the cut-off date, may be admitted by the Commission, subject to prudence check:

- a) Liabilities to meet award of arbitration or for compliance with the directions or order of any statutory authority, or order or decree of any court of law;
- b) Change in law or compliance with any existing law which is not provided for in the original scope of work;
- c) Payment made towards liability admitted for works within the original scope executed prior to the cut-off date;
- d) Force Majeure events;
- e) Works within the original scope executed after the cut-off date and admitted by the Commission, to the extent of actual payments made.

3.4.2. In case of replacement of assets deployed under the original scope of the existing project after the cut-off date, the additional capitalization may be admitted by the Commission after making necessary adjustments in the gross fixed assets and the cumulative depreciation, subject to prudence check, on the following grounds:

- a) The useful life of asset is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these Regulations;
- b) The replacement of the asset or equipment is necessary on account of a change in law or Force Majeure conditions;
- c) The replacement of such asset or equipment is necessary on account of obsolescence of technology;
- d) The replacement of such asset or equipment has otherwise been allowed by the Commission;

- e) The Additional expenditure, excluding recurring expenses covered under O&M expenses, involved in relation to the renewal of lease of leasehold land, on a case-to-case basis.

Provided that, any claim of additional capitalization with respect to the replacement of assets under the original scope and on account of obsolescence of technology, less than Rs. 10 lakh shall not be considered as part of capital cost and shall be met through normative O&M expenses.

### **3.5. Additional Capitalisation beyond the original scope**

3.5.1. The capital expenditure, in respect of the existing generating station or the transmission system, including the communication system or distribution system or SLDC, incurred or projected to be incurred on the following counts beyond the original scope, may be admitted by the Commission, subject to prudence check:

- a) Liabilities to meet award of arbitration or for compliance of order or directions of any statutory authority, or order or decree of any court of law;
- b) Change in law or compliance with any existing law;
- c) Force Majeure events;
- d) Need for enhanced security and safety of the plant as advised or directed by appropriate Indian Government Instrumentality or statutory authorities responsible for national or internal security;
- e) Any liability for works executed prior to the cut-off date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;
- f) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments; and

3.5.2. Any claim of additional capitalisation less than Rs. 10 lakhs shall not be considered under Clause (1) of this regulation and shall be met through normative O&M expenses.

3.5.3. In case of de-capitalisation of assets of a generating company or the transmission licensee or distribution licensee and SLDC, as the case may be, the original cost of such asset as on the date of de-capitalisation shall be deducted from the value of gross fixed asset and corresponding loan as well as equity shall be deducted from outstanding loan and the equity respectively in the year such de-capitalisation takes place with corresponding adjustments in cumulative depreciation and cumulative repayment of loan, duly taking into consideration the year in which it was capitalised:

Provided that in cases where an asset forming part of a scheme is de-capitalised and wherein the historical value of such asset is not available, the value of de-capitalisation shall be computed by de-escalating the value of the new asset by 5% per year until the year of capitalisation of the old asset subject to a minimum of 10% of the replacement cost of the asset.

### **3.6. De-capitalisation of Assets**

3.6.1. In case of de-capitalisation of assets of a generating company or the transmission licensee or distribution licensee or SLDC, as the case may be, the original cost of such asset as on the date of de-capitalisation shall be deducted from the value of gross fixed asset and corresponding loan as well as equity shall be deducted from outstanding loan and the equity respectively in the year such de-capitalisation takes place with corresponding adjustments in cumulative depreciation and cumulative repayment of loan, duly taking into consideration the year in which it was capitalised:

Provided that in cases where an asset forming part of a scheme is de-capitalised and wherein the historical value of such asset is not available, the value of de-capitalisation shall be computed by de-escalating the value of the new asset by 5% per year until the year of capitalisation of the old asset subject to a minimum of 10% of the replacement cost of the asset.

### **3.7. Interest during Construction and Incidental Expenditure during Construction (IEDC) for both New Construction or Renovation and Modernisation**

3.7.1. Interest during Construction

(i) Interest during construction (IDC) shall be computed considering the actual loan and normative loan after taking into account the prudent phasing of funds up to actual COD:

Provided that IDC on a normative loan corresponding to excess equity over 30% of funds deployed shall be allowed only in cases where the actual infusion of equity on a pari-passu basis is more than 30% of total funds deployed and shall be computed on a quarterly basis;

Provided further that in case IDC on normative loan is to be allowed prior to infusion of actual loan, rate of interest for computing such IDC shall be equal to 1-year SBI MCLR as prevailing on 1<sup>st</sup> April of the respective year;

Provided further that IDC on normative loan, post infusion of actual loan shall be computed based on WAROI for that respective quarter.

(ii) In case of additional costs on account of IDC due to delay in achieving the SCOD, the generating company or the transmission licensee as the case may be, shall be required to furnish detailed justifications with supporting documents for such delay including prudent phasing of funds;

Provided that if the delay is not attributable to the generating company or the transmission licensee as the case may be, and is due to uncontrollable factors, IDC may be allowed after due prudence check:

Provided further that only IDC on actual loan may be allowed beyond the SCOD to the extent, the delay is found beyond the control of generating company, the transmission licensee, as the case may be, after due prudence and taking into account prudent phasing of funds.

### 3.7.2. Incidental Expenditure during Construction (IEDC):

(i) Incidental expenditure during construction shall be computed from the zero date and after taking into account pre-operative expenses up to SCOD:

Provided that any revenue earned during construction period up to SCOD on account of interest on deposits or advances or any other receipts may be taken into account for reduction in incidental expenditure during construction.

(ii) In case of additional costs on account of IEDC due to delay in achieving the SCOD, the generating company or the transmission licensee as the case may be, shall be required to furnish detailed justification with, supporting documents for such delay including the details of incidental expenditure during the period of delay and liquidated damages recovered or recoverable corresponding to the delay:

Provided that if the delay is not attributable to the generating company or transmission licensee or distribution licensee or SLDC, as the case may be, and is due to uncontrollable factors including on account of change in law and force majeure, IEDC may be allowed after due prudence check:

Provided further that where the delay is attributable to an agency or contractor or supplier engaged by the generating company or the transmission licensee, the liquidated damages recovered from such agency or contractor, or supplier shall be taken into account for computation of capital cost.

(iii) In case the time over run beyond SCOD is not admissible after due prudence, the increase of capital cost on account of cost variation corresponding to the period of time over run may be excluded from capitalization irrespective of price variation provisions in the contracts with supplier or contractor or the generating company or the transmission licensee.

### **3.8. Consumer Contribution, Deposit Work and Grant**

3.8.1. The following nature of work carried out by the Generating company, Transmission Licensee, Distribution Licensee and SLDC shall be classified under this category:

- a) Works after obtaining a part or all of the funds from the users in the context of deposit works;
- b) Capital works undertaken by utilizing grants received from the State and Central Governments, including funds under various schemes;
- c) Any other grant of similar nature and such amount received without any obligation to return the same and with no interest costs attached to such subvention.

3.8.2. Principles for treatment of the expenses on such capital expenditure shall be as follows:

- a) Normative O&M expenses as specified in these Regulations shall be allowed.
- b) Provisions related to Depreciation as specified in Regulation 3.14, shall be applicable to the extent of financial support, including the loan and equity contribution, provided by the Licensee or SLDC or Generating Company, as the case may be. The depreciation shall not be allowed on the assets funded through Consumer Contribution or Capital Grants/Subsidies.
- c) Provisions related to return on equity, as specified in Regulation 3.10, shall be applicable to the extent of normative debt : equity mix of 70:30 or actual equity, whichever is less, on the contribution made by the Licensee or SLDC or Generating Company, as the case may be.

### **3.9. Operation and Maintenance**

3.9.1. Operation and Maintenance (O&M) expenses shall comprise the following:-

- a) salaries, wages, pension contribution and other employee costs;
- b) administrative and general expenses including insurance charges, if any;
- c) repairs and maintenance expenses;

3.9.2. The Generating company, Distribution Licensee, Transmission Licensee and SLDC shall submit the O&M expenses for the control period as laid down in the multiyear tariff filing procedure. The O&M expenses for the base year for Generating company, Distribution Licensee, Transmission Licensee and SLDC will be approved by the Commission taking into account the latest approved O&M expenses for last three (3) years upto base year subject to prudence check and any other factors considered appropriate by the Commission.

Further, for the purpose of determining the normative O&M expenses for the Control Period, the Commission shall consider the Average of the actual O&M expenses incurred during the last three (3) financial years, duly adjusted for abnormal or non-recurring items, and escalate the same at an appropriate

escalation factor year-on-year up to 31<sup>st</sup> March 2027 to arrive at the Base Year O&M expenses, which shall be further escalated for the control period with appropriate Hybrid inflation factor as discussed below.

3.9.3. The O&M expenses for the n<sup>th</sup> year of the control period shall be approved based on the formula given below:-

$$\text{O\&M}_n = \text{R\&M}_n + \text{EMP}_n + \text{A\&G}_n :$$

Where –

O&M<sub>n</sub> = Operation and Maintenance expense for the n<sup>th</sup> year;

EMP<sub>n</sub> = Employee Costs for the n<sup>th</sup> year;

A&G<sub>n</sub> = Administrative and General Costs for the n<sup>th</sup> year

R&M<sub>n</sub> = Repair and Maintenance Costs for the n<sup>th</sup> year

3.9.4. The above components shall be computed in the manner specified below:

$$\text{EMP}_n = (\text{EMP}_{n-1}) \times (1 + \text{hybrid inflation})$$

$$\text{R\&M}_n = (\text{R\&M}_{n-1}) \times (1 + \text{hybrid inflation})$$

$$\text{A\&G}_n = (\text{A\&G}_{n-1}) \times (1 + \text{hybrid inflation})$$

Where –

- EMP<sub>n-1</sub> - Employee Costs for the (n-1)<sup>th</sup> year;
- R&M<sub>n-1</sub> - Repair and Maintenance Costs for the (n-1)<sup>th</sup> year;
- A&G<sub>n-1</sub> - Administrative and General Costs for the (n-1)<sup>th</sup> year;
- CPI inflation - is the average increase in the Consumer Price Index (CPI) for immediately preceding three years;
- WPI inflation - is the average increase in the Wholesale Price Index (CPI) for immediately preceding three years;
- Hybrid Escalation Rate – is the average increase in the Hybrid inflation Index for last three years considering 60% of Consumer Price Index (CPI) and 40% of Wholesale Price Index (WPI) for EMP<sub>n</sub> A&G<sub>n</sub> and R&M<sub>n</sub>.

Provided further that the Commission may adopt methodologies recommended by Central Electricity Authority under the Guidelines for Benchmarking of Operation and Maintenance Norms for Distribution Utilities.

- 3.9.5. Hybrid Inflation factor will be determined by the Commission based on actual WPI-CPI figures published by the Office of Economic Advisor of Government of India, subject to prudence check.

Provided that the Pension liability, statutory charges like Legal fees or Consultancy fees or taxes (except corporate income tax) shall be allowed separately subject to prudence check. The Pension liability will mainly be passed on actuarial basis, for which the Generating Company/ Transmission licensee/Distribution licensee/SLDC shall submit the proper actuarial assessment. Additionally, the pension liabilities pertaining to the past period till the applicable financial year will be passed on to the consumers, in accordance with the directions issued by the Commission in the relevant Tariff Order.

Provided further that the Generating Company/ Transmission licensee/Distribution licensee/SLDC shall submit the assessment of the Statutory charges expenses also, which shall be trued up based on the details of year-wise actual expenses incurred and audited with appropriate justification along with its estimated expenses for tariff years;

- 3.9.6. The impact of Wage Revision due to Pay Commission revision, if any, during the Control Period, may be considered at the time of true-up for any Year, based on documentary evidence and justification to be submitted by the utilities. Any provisioning of wage revision expenses shall not be considered as actual expenses at the time of true-up, instead only the expenses as actually incurred may be considered.

### **3.10. Return on Equity**

- 3.10.1. Return on Equity shall be allowed in two parts viz. Base Return on Equity, and Additional Return on Equity linked to actual performance.

Provided further that Additional Return on Equity shall be trued-up for respective year based on actual performance substantiated by documentary evidence, after prudence check by the Commission.

Provided further that the Commission may conduct a third-party verification of the performance parameters based on which the additional Return on Equity is being allowed.

3.10.2. Return on equity shall be computed in rupee terms, on the equity base determined in accordance with Regulation 3.1 of these regulations for the assets put to use for the Generating Company / Distribution Licensee/ Transmission Licensee/ SLDC.

3.10.3. Return on equity for existing project shall be computed at the base rate of 14.00% for thermal generating station, transmission system including communication system and run-of-river hydro generating station, storage type hydro generating stations, pumped storage hydro generating stations and run-of-river generating station with pondage, SLDC and distribution system;

3.10.4. Return on equity for new project achieving COD on or after 01.04.2027 shall be computed at the base rate of 15.00% for the SLDC and transmission system including the communication system and at the base rate of 15.50% for Thermal generating station, run-of-river hydro generating station and Distribution Business, and at the base rate of 17.00% for storage type hydro generating stations, pumped storage hydro generating stations and run-of-river generating station with pondage;

Provided that return on equity in respect of additional capitalization beyond the original scope, including additional capitalization on account of the emission control system, Change in Law, and Force Majeure shall be computed at the base rate of one-year marginal cost of lending rate (MCLR) of the State Bank of India plus 350 basis points as on 1<sup>st</sup> April of the year, subject to a ceiling of 14%.

3.10.5. Such return on equity shall be calculated on the post-tax basis (without any penalty and interest levied for delayed payment of income tax) and actual income tax liability related to the core business only will be allowed separately on actual payment basis subject to final assessment duly certified by the statutory /tax auditor.

Provided that in case Generating Company or Transmission Licensee or SLDC or Distribution Licensee claims Return on Equity at a rate lower than the normative rate specified above for any particular year, then such claim for lower Return on Equity shall be unconditional.

Provided further that such claim for lower Return on Equity shall be allowed subject to the condition that the reduction in Return on Equity shall be foregone permanently for that year and shall not be allowed to be recouped at the time of true-up as applicable.

### **3.11. Provisions for Incentive Framework**

#### **3.11.1. Thermal Generating Station**

##### **a. Incentive for Generation Above Target PLF**

- 1) Incentive shall be payable at a flat rate of 50.0 paise/kWh for actual energy generation in excess of ex-bus energy corresponding to the target Plant Load Factor (PLF).
- 2) The incentive amount shall be computed and billed on a monthly basis based on the cumulative Plant Load Factor achieved in the respective month of the year, subject to adjustment at the end of the year.

Provided that the gains shall be shared in accordance with Regulation 2.12.

#### **3.11.2. Hydro Generating Station**

The incentive framework for hydro generating stations shall be as specified under Regulation 4.20.2 (6) of these Regulations.

Provided that the gains shall be shared in accordance with Regulation 2.12

#### **3.11.3. Transmission Licensee**

In case of Transmission Licensee, with effect from April 01, 2027, the additional incentive shall be allowed at time of truing up based on Transmission Availability, subject to the following formula and based on Regulation 5.9.4:

$$\text{Incentive} = \text{Annual Transmission Charges (for the year)} \times ((\text{Actual Availability} - \text{Normative Availability}) \div \text{Normative Availability})$$

Where, Annual transmission charges shall correspond to intra-state assets and/or for a particular inter-state asset, as the case may be.

Provided that the gains shall be shared in accordance with Regulation 2.12.

#### **3.11.4. Distribution Licensee**

- a. In case of Distribution Wire Business, with effect from April 01, 2027, an additional Incentive will be applicable at the time of truing up, for reducing distribution loss levels beyond loss trajectory provided by the Commission as per the Regulation 6.15.4.
- b. In case of Retail Supply Business, with effect from April 01, 2027, an additional rate of Return on Equity on achievement of certain specified target performance parameters including overall collection efficiency (where smart metering is not implemented), percentage of assessed bills over total bills, shall be trued-up as per the trajectory provided by the Commission in the respective MYT Orders.
- c. In case of the Distribution Retail Supply Business, the Performance Linked Return on Equity considered in MYT Order shall be provided at the time of true-up, as per the following schedule:

Performance Parameter	Range	Incentive in Performance linked RoE
Collection Efficiency	> 99.75%	0.50% of RoE
	< 99.75% and > 99.50%	0.25% of RoE
Assessed Billing	< 1.25%	0.50% of RoE
	1.25% and < 1.50%	0.25% of RoE

Provided that the gains, if any, shall be shared in accordance with Regulation 2.12.

#### 3.11.5. SLDC

In case of SLDC, with effect from April 01, 2027, an additional rate of Return on Equity shall be trued-up, subject to the following:

- a. Target Availability of SCADA System shall be 98.00% and for every 0.50% overachievement in Availability, rate of return shall be increased by 0.25%, subject to ceiling of additional rate of Return on Equity of 0.50%;
- b. Target Availability of the Website, Web based Scheduling system and Web based STOA websites shall be 98.00% and for every 0.50% overachievement in Availability, rate of return shall be increased by 0.25%, subject to ceiling of additional rate of Return on Equity of 0.50%;
- c. Additional rate of Return on Equity of 0.50% shall be allowed for timely issuance of monthly State Energy Account Statement and monthly State

Transmission Loss Statement, for which time may be specified by the Commission from time to time;

- d. Additional rate of Return on Equity of 0.50% shall be allowed, if the total value of capital investment works capitalized in a financial year exceeds 80% of the approved capitalization of approved capital investment works.

Provided that the incentives shall be shared in accordance with Regulation 2.12.

3.11.6. The premium, if any, received by Generating Company or Transmission Licensee or SLDC or Distribution Licensee, while issuing share capital shall be treated as a paid-up capital for the purpose of computing return on equity, provided the same is utilized for meeting capital expenditure and is within the ceiling of 30% of capital cost approved by the Commission.

3.11.7. Internal resources created out of free reserves and utilized for meeting capital expenditure shall also be treated as a part of equity.

Provided such internal resources are within the ceiling of 30% of capital cost approved by the Commission.

3.11.8. Assets funded by consumer contributions; capital subsidies/Govt. grants shall not form part of the capital base for the purpose of calculation of Return on Equity.

### **3.12. Provisions for Penalty Framework**

#### **3.12.1. Generating station**

- a. In case of a new generation, the rate of Return on Equity shall be reduced by 1.00%, if generating station is found to be declared under commercial operation without commissioning of any of the Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the SLDC.

The period of such reduction of RoE shall be till the above systems are put in place.

- b. In case of existing generating station, as and when any of the requirements under Regulation 3.12.1 (a) of these Regulations are found lacking based on the report submitted by the SLDC, rate of Return on Equity shall be reduced by 1.00% per year at the time of true-up, for the period for which the deficiency continues.

Provided that the losses, if any, shall be shared in accordance with Regulation 2.12.

### 3.12.2. Transmission Licensee

In case of Transmission Licensee, with effect from April 01, 2027, the additional Penalty of 10% over and above under recovery towards Annual Transmission Charges shall be levied at time of truing up, if the actual availability is less than the normative availability, based on Transmission Availability, subject to the following formula and based on Regulation 5.9.4:

$$\text{Penalty} = \text{Annual Transmission Charges (for the year)} \times 0.1 \times ((\text{Actual Availability} - \text{Normative Availability}) \div \text{Normative Availability})$$

Where, Annual transmission charges shall correspond to intra-state assets and/or for a particular inter-state asset, as the case may be.

Provided that the losses, if any, shall be shared in accordance with Regulation 2.12.

### 3.12.3. Distribution Licensee

- a. In case of Distribution Wires Business, with effect from April 01, 2027, a Penalty will be applicable at the time of truing up, in case the distribution loss levels is beyond loss trajectory provided by the Commission as per the Regulation 6.9.4.
- b. In case of the Distribution Retail Supply Business, the Performance Linked Return on Equity considered in MYT Order shall be retained at the time of true-up, as per the following schedule, subject to the maximum reduction linked to performance parameters of 0.75%:

Performance Parameter	Range	Reduction in Performance linked RoE
Collection Efficiency	> 99%	0.00%
	< 99% and > 95%	Reduction of 0.25% of RoE

Performance Parameter	Range	Reduction in Performance linked RoE
	< 95%	Reduction of 0.75% of RoE
Assessed Billing	< 1.5%	0.00%
	1.50% and < 5.00%	Reduction of 0.25% of RoE
	> 5.00%	Reduction of 0.75% of RoE

Provided that the losses, if any, shall be shared in accordance with Regulation 2.12.

### 3.13. Interest and finance charges on loan capital

3.13.1. The loans arrived at in the manner indicated in Regulation 3.1 on the assets put to use shall be considered as gross normative loan for calculation of interest on loan:

Provided that in case of retirement or replacement or de-capitalization of assets, the loan capital approved as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of such assets based on documentary evidence.

3.13.2. The normative loan outstanding as on 01.04.2027, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.03.2027, from the gross normative loan.

3.13.3. The repayment for each year of the control period shall be deemed to be equal to the depreciation allowed for that year. In case of de-capitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis, and the adjustment should not exceed cumulative depreciation recovered up to the date of de-capitalization of such assets.

3.13.4. The interest and finance charges attributable to capital work in progress shall be excluded.

Provided that neither penal interest nor overdue interest shall be allowed for computation of tariff.

3.13.5. The Generating Company or the Transmission Licensee or the Distribution Licensee or SLDC as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event 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 Generating

Company or the Transmission Licensee or the Distribution Licensee or the SLDC, as the case may be, in accordance with the Regulation 2.12.

3.13.6. In case any moratorium period is availed of in any loan by the generating company or transmission licensee or SLDC or Distribution Licensee, as the case may be, depreciation provided for in the tariff during the years of moratorium shall be treated, as repayment during those years and interest on loan capital shall be calculated accordingly.

3.13.7. The rate of interest shall be the weighted average rate of interest calculated based on the actual loan portfolio at the beginning of each year applicable to the Generating Company or the Transmission Licensee or the Distribution Licensee or the SLDC:

Provided further that if there is no actual long-term loan for a particular year but normative long-term loan is still outstanding, the last available weighted average rate of interest for actual long-term loan shall be considered:

Provided also that if Generating Company or the Transmission Licensee or the Distribution Licensee or the SLDC as the case may be, does not have actual long-term loan even in the past, the weighted average rate of interest of the Generating Company or the Transmission Licensee or the Distribution Licensee or the SLDC as a whole shall be considered;

Provided also that if the entity as a whole does not have actual long-term loan, then the Base Rate i.e., one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India on 1<sup>st</sup> April of the respective year shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.

### **3.14. Depreciation**

3.14.1. For the purpose of tariff determination, depreciation shall be computed in the following manner.

3.14.2. The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:

The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such

modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited.

Provided also that the depreciation already charged after the date of the Transfer Scheme, shall not be restated.

Provided also that Generating Company or Transmission Licensee or SLDC or Distribution Licensee, shall submit all such details or documentary evidence, as may be required under these Regulations and as stipulated by the Commission, from time to time, to substantiate the above claims:

3.14.3. Consumer contribution or capital subsidy/ grant etc. shall be excluded from the asset value for the purpose of depreciation.

3.14.4. For new assets, the approved/accepted cost for the asset value shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed but not later than the date of commercial operation.

3.14.5. Generation Company or Transmission Licensee or SLDC or Distribution Licensee shall submit the depreciation computations separately for assets added up to March 31, 2027 and assets added on or after April 01, 2027.

3.14.6. The salvage value of the assets shall be considered at 10% and depreciation shall be allowed upto maximum of 90 % of the capital cost of the asset.

Provided that Generating Company or Transmission Licensee or SLDC or Distribution licensee shall submit certification from the Statutory Auditor for the capping of depreciation at ninety per cent of the allowable capital cost of the asset;

Provided that any depreciation disallowed on account of lower availability of the generating station or generating unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life and the extended life.

Provided also that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable.

Provided that Land other than the land held under lease and the land for reservoir in case of hydro generating station is not a depreciable asset and its cost shall be excluded from the capital cost while computing the depreciable value of the asset.

3.14.7. Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro-rata basis.

3.14.8. Depreciation shall be calculated as per straight-line method annually over the useful life of the asset at the rates specified by the CERC up to 31<sup>st</sup> March of the 12<sup>th</sup> year from the date of commercial operation of the asset. From 1<sup>st</sup> April of 13<sup>th</sup> year from the commercial date of operation of the asset, the remaining depreciable value if any out of the 90% of the capital cost of the asset shall be equally spread over the balance useful life of the asset.

Provided further that, in case of any life extension program taken up with approval of the Commission after the cut-off date, depreciation on the additional capex incurred and duly capitalized will be charged uniformly over the balance useful life of such assets as extended.

3.14.9. In the case of the existing projects, the balance depreciable value as on 01.04.2027 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.03.2027 from the gross depreciable value of the assets.

3.14.10. In case of de-capitalization of assets in respect of generating station or unit thereof or distribution licensee or SLDC or transmission system or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the decapitalized asset during its useful services.

### **3.15. Interest on Working Capital**

#### **3.15.1. Generation**

(i) In case of coal based/oil-based/lignite-fired generating stations, working capital shall cover:

- Cost of coal or lignite for one (1) month for pit-head generating

stations and one and a half (1½) months for non-pit-head generating stations, corresponding to target availability; plus

- Cost of oil for one (1) month corresponding to target availability; plus
- Cost of secondary fuel oil for two (2) months corresponding to target availability; plus
- Normative Operation and Maintenance expenses for one (1) month; plus
- Maintenance spares at 20% of operation and maintenance expenses; plus
- Receivables for sale of electricity equivalent to 45 days of the sum of annual fixed charges and energy charges calculated on target availability:

Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations.

(ii) In case of Gas Turbine/Combined Cycle generating stations, working capital shall cover:

- Fuel cost for one (1) month corresponding to target availability factor, duly taking into account the mode of operation of the generating station on gas fuel and /or liquid fuel; plus
- Liquid fuel stock for fifteen (15) days corresponding to target availability; plus
- Normative Operation and maintenance expenses for one (1) month; plus
- Maintenance spares at 15% of operation and maintenance expenses; plus
- Receivables equivalent to 45 days of capacity charge and energy charge for sale of electricity equivalent calculated on normative plant availability factor, duly taking into account mode of operation of the

generating station on gas fuel and liquid fuel:

Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations.

(iii) In case of hydro power generating stations, working capital shall cover:

- Normative Operation and maintenance expenses for one (1) month;
- Maintenance spares at 15% of operation and maintenance including security expenses; and
- Receivables equivalent to 45 days of annual fixed cost:

Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations.

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 Petition is filed plus 350 basis points.

### 3.15.2. Transmission

(i) The Transmission Licensee shall be allowed interest on the estimated level of working capital for the financial year, computed as follows:

- Normative Operation and maintenance expenses for one month; plus
- Maintenance spares at @15% of operation and maintenance expenses; plus
- Receivables equivalent to 45 days of transmission charges calculated on target availability level; minus
- Amount held as security deposits in cash, if any, from Transmission

System Users.

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 Petition is filed plus 350 basis points.

### 3.15.3. Distribution Business

(i) The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Distribution Business for the financial year, computed as follows:

- Normative Operation and maintenance expenses for one month; plus
- Maintenance spares at @15% of operation and maintenance expenses; plus
- Receivables equivalent to 45 days of the expected revenue from charges for use of Distribution at the prevailing tariffs; minus
- Amount held as security deposits in cash, if any, from Distribution System Users (for Distribution Wires Business) / Amount held as security deposits in cash from retail supply consumers and One month equivalent of cost of power purchased, including the Transmission Charges, SLDC Charges and STU Charges, based on the annual power procurement plan: (for Retail Supply of Electricity).

Provided that in case of power procurement from own Generating Stations of the Retail Supply Business, no amount shall be reduced from working capital requirement towards payables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations.

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 Petition is

filed plus 350 basis points.

#### 3.15.4. SLDC Business

(i) The SLDC shall be allowed interest on the estimated level of working capital for the financial year, computed as follows:

- Normative Operation and maintenance expenses for one month; plus
- Maintenance spares at 15% of operation and maintenance expense; plus
- Receivables equivalent to 15 days of the expected revenue from levy of Annual Fixed Charges approved by the Commission.

3.15.5. Provided in case of truing up, the Commission will approve the Normative Interest on Working Capital or the Actual Interest on Working Capital, whichever is lesser.

3.15.6. Interest on working capital shall be payable on a normative basis, notwithstanding that the generating company or the transmission licensee or distribution licensee or SLDC has not taken a loan for working capital from any outside agency.

#### 3.16. Tax on income

3.16.1. The Commission in its MYT Order shall provisionally approve Income Tax payable for each year of the Control Period, if any, based on the actual Income Tax paid as per latest Audited Accounts available for the applicant, subject to prudence check.

3.16.2. Variation between Income Tax actually paid and approved, if any, on the income stream of the regulated business of Generating Companies, Transmission Licensees, SLDC and Distribution Licensees shall be reimbursed to/recovered from the Generating Companies, Transmission Licensees, SLDC and Distribution Licensees, based on the documentary evidence submitted at the time of truing up of each year of the Control Period, subject to prudence check.

3.16.3. Under-recovery or over-recovery of any amount from the beneficiaries or the consumers on account of such tax having been passed on to them shall be

adjusted every year on the basis of income-tax assessment under the Income-Tax Act, 1961, as certified by the statutory auditors. The Generating Company, or the Transmission Licensee or Distribution Licensee or SLDC, as the case may be, may include this variation in its truing up Petition:

Provided that tax on any income stream other than the core business shall not be a pass-through component in tariff and tax on such other income shall be borne by the Generating Company or Transmission Licensee or the Distribution Licensee or SLDC, as the case may be.

3.16.4. In case any tax paid against income/ services under other sources or non-tariff income which are considered in ARR, such taxes will also be passed through tariff.

3.16.5. Income tax for Generating Company or Transmission Licensee or SLDC or Distribution Licensee for the regulated business shall be allowed on Return on Equity, through the tariff charged to the Beneficiary/ies, subject to the conditions stipulated in Regulation 3.10 of these Regulations:

Provided that no Income Tax shall be considered on the amount of efficiency gains and incentive approved by the Commission, irrespective of whether or not the amount of such efficiency gains and incentive are billed separately:

Provided further that no Income Tax shall be considered on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business, as well as on the income from any source that has not been considered for computing the Aggregate Revenue Requirement:

Provided also that the Income Tax shall be computed for the Generating Company as a whole, and not Unit-wise/Station-wise.

3.16.6. The rate of Return on Equity for the tariff year shall be grossed up with the effective actual tax rate of the previous financial year and shall be rounded off to two decimal places and shall be computed as per the formula given below:

$$\text{Rate of pre-tax return on equity} = \text{Rate of Return on Equity} / (1-t),$$

Where “t” is the actual tax rate including surcharge and cess.

Provided that in case the Generating Company or Licensee or SLDC for the regulated business has not paid any Income Tax for respective year, the Tax Rate shall be considered as zero at the time of Truing-up, subject to prudence check.

**3.17. Rebate, Incentive and Penalties for Payment of Bills:**

3.17.1. For payment of bills of generation tariff or transmission charges through Letter of Credit or otherwise or through National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS), within 7 days of presentation of bills, by the Generating Company or the Transmission Licensee, as the case may be, a rebate of 0.5 % on billed amount, excluding the taxes, cess, duties, etc., shall be allowed.

Provided that in case a different Rebate mechanism is provided in the PPA, the same shall be governed by the provisions of the PPA.

Explanation: In case of computation of '7 days', the number of days shall be counted consecutively without considering any holiday. However, in case the last day or 7<sup>th</sup> day is an official holiday, the day for the purpose of Rebate shall be construed as the immediate succeeding working day (as per the official State Government's calendar, where the Office of the Authorised Signatory or Representative of the Beneficiary, for the purpose of receipt or acknowledgement of Bill is situated).

3.17.2. Where payments are made subsequently through opening of Letter of Credit or otherwise or through NEFT/ RTGS, on any day after 7 days but within a period of 15 (fifteen) days of presentation of bills by the Generating Company or the Transmission Licensee, as the case may be, a rebate of 0.25% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed.

3.17.3. For payment of bills of retail Tariff by the consumers, a rebate @ 0.50 % shall be allowed for payment within 7(seven) days from the date of bill. For consumers having prepaid meters will be allowed a rebated of 1.50 %.

3.17.4. All rebates or incentives earned by the Generating Company or the Transmission Licensee or the Distribution Licensee or SLDC shall be considered under its Non-Tariff Income, while all rebates or incentives given

by the Generating Company or ESSD or Licensee or SLDC shall be allowed as an expense for the Generating Company or Licensees or SLDC.

3.17.5. Penalties and compensation payable by the Licensee to any party for failure to meet any Standards of Performance or for damages, as a consequence of the Orders of the Commission, Courts, Consumer Grievance Redressal Forum, and Ombudsman, etc., shall not be allowed to be recovered through the ARR. The Distribution Licensee shall maintain separate details of such penalties and compensation paid or payable by the Licensee, if any, and shall submit them to the Commission along with its Petition.

### **3.18. Delayed Payment Surcharge**

3.18.1. In case the payment of bills of generation tariff or transmission charges by the beneficiary or beneficiaries is delayed beyond a period of 15 days from the date of billing, Delayed Payment Charge at the Base Rate of Delayed Payment Charge shall be payable on the payment outstanding for the first month of default, notwithstanding anything to the contrary as may have been stipulated in the Agreement or Arrangement with the Beneficiaries.

Provided that the 'Base Rate of Delayed Payment Charge' shall mean the one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India, as applicable on the 1<sup>st</sup> April of the financial year in which the period lies, plus five percent and in the absence of MCLR, any other rate as specified by the Commission from time to time;

Provided further that if the period of default lies in two or more financial years, the aforementioned 'Base Rate of Delayed Payment Charge' shall be calculated separately for the periods falling in different years;

Provided that the rate of Delayed Payment Charge for the successive months of default shall increase by 0.5 percent for every month of delay subject to the condition that the Delayed Payment Charge shall not be more than three percent higher than the Base Rate of Delayed Payment Charge at any time;

Provided further that the rate at which Delayed Payment Charge shall be payable, shall not be higher than the rate of Late Payment Surcharge specified in the Agreement, if any.

- 3.18.2. In case the payment of bills of retail Tariff by the consumers is delayed beyond due date, Delayed Payment Charge on the billed amount shall be levied as per Meghalaya State Electricity Regulatory Commission (Electricity Supply Code) (1 of 2026) Regulations, 2026 and its amendments from time to time.
- 3.18.3. Such Delayed Payment Charge and Interest on Delayed Payment earned by the Generating Company, or the Licensee shall not be considered under its Non-Tariff Income.
- 3.18.4. All payments by a Distribution Licensee to a Generating Company for power procured from it or by a user of a transmission system to a Transmission Licensee shall be first adjusted towards Delayed Payment Charge and thereafter, towards monthly charges, starting from the longest overdue bill.
- 3.18.5. All the bills payable by a Distribution Licensee to a Generating Company or a Transmission Company shall be time tagged with respect to the date and time of submission of the bill and the payment made by the Distribution Licensee shall be adjusted first against the oldest bill and then to the second oldest bill and so on, so as to ensure that payment against a bill is not adjusted unless and until all bills older than it have been paid for;
- Provided that any adjustment towards Delayed Payment Charge shall be done in the manner as specified in Regulation 3.18.1.

### **3.19. Foreign Exchange Rate Variation**

- 3.19.1. The Generating Company or the Transmission Licensee or the Distribution Licensee or SLDC, as the case may be, may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the generating station or the transmission system or distribution system or SLDC, in part or full, at the discretion of the Generating Company or the Transmission Licensee or the Distribution Licensee or SLDC.
- 3.19.2. If the petitioner enters into hedging arrangement(s) based on its approved hedging policy, the petitioner shall communicate to the beneficiaries concerned, of entering into such arrangement(s) within thirty days.
- 3.19.3. Every Generating Company or Transmission Licensee or Distribution Licensee or SLDC shall recover the cost of hedging of foreign exchange rate variation

corresponding to the normative foreign debt, in the relevant year on a year-to-year basis as expense in 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.

3.19.4. To the extent the Generating Company or the Transmission Licensee or the Distribution Licensee or SLDC is not able 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 Generating Company or the Transmission Licensee or the Distribution Licensee or SLDC or its suppliers or contractors.

### **3.20. Recovery of cost of hedging Foreign Exchange Rate Variation**

3.20.1. Every Generating Company or Transmission Licensee or Distribution Licensee or SLDC 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.

3.20.2. Recovery of the cost of hedging or foreign exchange rate variation shall be made directly by the generating company or the transmission licensee or distribution licensee or SLDC, as the case may be, from the beneficiaries or the long-term customers, as the case may be, without making any application before the Commission:

Provided that in case of any objections by the beneficiaries or the long-term customers, as the case may be, to the amounts claimed on account of the cost of hedging or foreign exchange rate variation, the generating company or the transmission licensee or the distribution licensee or SLDC, as the case may be, may make an appropriate application before the Commission for its decision.

### **3.21. Income from Other Business**

3.21.1. The generation company, licensees and SLDC may engage in any other business for optimum utilization of their assets with prior intimation to the Commission.

Provided that the licensee shall follow a reasonable basis for allocation of all joint and common costs between the core/licensed business and the other business and shall submit the allocation statement as approved by the Board

of Directors to the Commission along with his application for determination of tariff;

Provided further that where the sum total of the direct and indirect costs of such other business exceeds the revenues from such other business or for any other reason, no amount shall be allowed to be added to the aggregate revenue requirement of the generation company or the licensees, as the case may be, on account of such other business.

Provided any gains from such other business shall be shared in accordance with Regulation 3.12.

## 4. CHAPTER – 4 - GENERATION

### 4.1. Applicability

4.1.1. This Chapter shall apply for determining the tariff for supply of electricity to a Distribution Licensee from conventional sources of generation and hydro generating stations other than renewable energy sources:

Provided that determination of tariff for supply of electricity to a Distribution Licensee from Renewable Energy sources of generation shall be in accordance with terms and conditions as stipulated in the relevant Regulations/Orders of the Commission.

4.1.2. The Commission shall be guided by the Regulations contained in this Chapter in determining the tariff for supply of electricity by a Generating Company to a Distribution Licensee in the following cases:

- a) where such tariff is pursuant to a power purchase agreement or arrangement entered into subsequent to the date of effectiveness of these Regulations; or where such tariff is pursuant to a power purchase agreement or arrangement entered into prior to the date of effectiveness of these Regulations and either the Commission has not previously approved such agreement/arrangement, or the agreement/arrangement envisages that the tariff shall be based on the MSERC Tariff Regulations; or

- b) where the Distribution Licensee is engaged in the business of generation of electricity, in determining the transfer price at which electricity is supplied by the Generation Business of the Distribution Licensee to its Retail Supply Business:

Provided that the Commission may deviate from the norms contained in this Chapter or specify alternative norms for particular cases, where it so deems appropriate, having regard to the circumstances of the case:

Provided further that the reasons for such deviation(s) shall be recorded in writing.

- 4.1.3. Notwithstanding anything contained in this Chapter, the Commission shall adopt the tariff if such tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government.

#### **4.2. Petition for determination of generation tariff**

- 4.2.1. A Generating Company is required to file a Petition for determination of tariff for supply of electricity to Distribution Licensees in accordance with the provisions of Chapter 2 of these Regulations.

- 4.2.2. Tariff in respect of a Generating Station under these Regulations may be determined Stage-wise, Unit-wise or for the whole Generating Station. The terms and conditions for determination of tariff for Generating Stations specified in this chapter shall apply in like manner to Stages or Units or for the Generating Station, as the case may be.

- 4.2.3. Where the tariff is being determined for a Stage or Unit of a Generating Station, the Generating Company shall adopt a reasonable basis for allocation of capital cost relating to common facilities and allocation of joint and common costs across all Stages or Units, as the case may be:

Provided that the Generating Company shall maintain an Allocation Statement providing the basis for allocation of such costs, which shall be duly audited and certified by the statutory auditors and submit such audited and certified

statement to the Commission along with the application for determination of tariff.

- 4.2.4. A Generating Company may file a Petition for determination of provisional tariff in advance of the anticipated Date of Commercial Operation of the Unit or Stage or Generating Station as a whole, as the case may be, based on the capital expenditure actually incurred up to the date of making the Petition or a date prior to making of the Petition, duly audited and certified by the statutory auditors and the provisional tariff shall be charged from the date of commercial operation of such Unit or Stage or Generating Station, as the case may be.
- 4.2.5. A Generating Company shall file a fresh Petition in accordance with these Regulations, for determination of final tariff based on actual capital expenditure incurred up to the date of commercial operation of the Generating Station duly certified by the statutory auditors based on Annual Audited Accounts.
- 4.2.6. Any difference in provisional tariff and the final tariff determined by the Commission and not attributable to the Generating Company may be adjusted at the time of determination of final tariff for the following year as directed by the Commission.
- 4.2.7. In relation to multi-purpose hydroelectric Projects, with irrigation, flood control and power components, the capital cost chargeable to the power component of the Project only shall be considered for determination of tariff.

### **4.3. SLDC and Connectivity Charges**

- 4.3.1. SLDC and Connectivity charges determined by the Commission and payable by the generating companies shall be considered as expenses.
- 4.3.2. SLDC and Transmission charges paid for the energy sold outside the state shall not be considered as expenses for determining generation tariff.

### **4.4. Non-Tariff Income**

- 4.4.1 The amount of non-tariff income relating to the Generation Business as approved by the Commission shall be deducted from the Annual Fixed Charges in determining the Net Annual Fixed Charges of the Generating Company.

Provided that the Generating Company shall submit full details of its forecast of non-tariff income to the Commission in such form as may be stipulated by the Commission from time to time.

The indicative list of various heads to be considered for non-tariff income is as hereunder:

- (a) Income from sale of scrap;
- (b) Income from statutory investments and interest earned on FDR's/Bank deposits;
- (c) Interest on advances to suppliers/ contractors
- (d) Rental from staff quarters;
- (e) Income from investment of Contingency Reserves
- (f) Rental from contractors;
- (g) Income from hire charges from contractors and others;
- (h) Income from advertisements, etc.;
- (i) Income from sale of tender documents;
- (j) Any other non-tariff income except which have already been considered for sharing of gains.

Provided that the interest earned from investments made out of Return on Equity corresponding to the regulated business of the Generating Company shall not be included in Non-Tariff Income;

Provided further that all supply of electricity by the Generating Company to the housing colonies of its operating staff and for construction works at the generating Station, shall be metered and billed separately.

#### **4.5. Other Income**

- 4.5.1. Income other than income from sale of energy and DSM charges gained shall be grouped as other income. DSM penalties shall not be netted off from other income. The DSM penalties shall be borne by the generating company.

#### **4.6. Sale of Infirm Power**

- 4.6.1. The tariff for the sale of infirm power from the thermal generating station to the distribution licensee shall be in line with Meghalaya State Electricity

Regulatory Commission (Intra-State Deviation Settlement Mechanism and Related Matters) Regulations, 2025 and its subsequent amendments or re-enactments.

Provided that any revenue other than the recovery of fuel cost earned by the generating company from sale of infirm power shall be taken as reduction in capital cost and shall not be treated as revenue.

**4.7. Deviation Settlement Mechanism (DSM) Charges**

- 4.7.1. The Regulation relating to deviation settlement mechanism charges shall be governed in accordance with the Meghalaya State Electricity Regulatory Commission (Intra-State Deviation Settlement Mechanism and Related Matters) Regulations, 2025.

PRE PUBLICATION

## A: THERMAL POWER GENERATING STATION

### 4.8. Renovation and Modernization

- 4.8.1. The generating company for meeting the expenditure on renovation and modernization (R&M) for the purpose of extension of life beyond the useful life of the generating station or a unit thereof, shall make an application before the Commission for approval of the proposal with a detailed project report giving complete scope, justification, cost-benefit analysis, estimated life extension from a reference 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 beneficiaries and any other information considered to be relevant by the generating company.
- 4.8.2. In case of a coal based / lignite based fired thermal generating station, the generating company may, at its discretion, avail of a 'special allowance' in accordance with norms specified in clause 4.8.6, as a compensation for meeting the requirement of expenses including renovation and modernization beyond the useful life of the generation station or a unit thereof. In such an event, revision of capital cost shall not be considered, and the applicable operational norms shall not be relaxed but the special allowance shall be included in the annual fixed cost.

*Note:*

*The above option shall not be available for a generating station or a unit for which renovation and modernization has been undertaken and the expenditure has been admitted by the Commission before commencement of these regulations or for a generating station or unit which is in a depleted condition or operating under relaxed operational and performance norms.*

- 4.8.3. Where generating company makes an application for approval of its proposal for renovation and modernization the Commission shall give its approval after due consideration of reasonableness of cost estimates, financing plan, schedule of completion, interest during construction, use of

efficient technology, cost-benefit analysis and such other factors which the Commission may consider relevant.

- 4.8.4. In the case of gas/ liquid fuel based open/ combined cycle thermal generating station after 25 years of operation from the date of commercial operation, any additional capital expenditure which has become necessary for the renovation of gas turbines/ steam turbines or additional capital expenditure necessary due to obsolescence or the nonavailability of spares for efficient operation of the stations may be allowed subject to a prudence check:

Provided that any expenditure included in the renovation and modernization (R&M) on consumables and cost of components and spares, which is generally covered in the O&M expenses during the major overhaul of gas turbines shall be suitably deducted from the expenditure to be allowed after prudence check.

- 4.8.5. Any expenditure incurred or projected to be incurred and admitted by the Commission after prudent check, based on estimates for renovation and modernization already recovered from original project cost, shall form the basis for determination of tariff.
- 4.8.6. A generating company, opting for sub-regulation 4.8.2 above, for a coal based / lignite fired thermal station shall be allowed special allowance @ Rs. 5 lakhs / MW / year in FY 2027-28 and thereafter applying hybrid escalation rate every year during the tariff period, unit wise from the next financial year from the respective date of completion of useful life with reference to the date of commercial operation of the respective unit of generating station.

#### **4.9. Components of Tariff**

- 4.9.1. Tariff for sale of electricity from a thermal power generating station shall comprise of two parts, namely, the recovery of annual capacity (fixed) charges and energy (variable) charges to be worked out in the manner provided hereinafter.
- i. The fixed cost of a generating station eligible for recovery through annual capacity charges shall consist of:

- a) Return on equity as may be allowed;
- b) Interest on Loan Capital;
- c) Operation and maintenance expenses;
- d) Interest on Working Capital;
- e) Depreciation as may be allowed.
- f) Taxes on Income
- g) Cost of secondary fuel oil (for coal based and lignite fired generating stations only)
- ii. The energy charges shall cover primary fuel charges;
- iii. The annual capacity charges recoverable shall be worked out by deducting other income from the total annual expenses.

#### **4.10. Operation & Maintenance Expenses**

4.10.1. Operation and Maintenance Expenses (O&M Expenses) shall mean the total of all expenditure under the following heads:-

- a) Employee Cost;
- b) Repairs and Maintenance; and
- c) Administration and General Expenses.

4.10.2. The generating company shall prepare a budget for Operation and Maintenance Expenses indicating for each head of account actual expenditure of the last year, estimate for the current year and projection for the next year as per Regulation 3.9 specified in this Regulation and submit it to the Commission along with the tariff petition.

4.10.3. The generating company shall provide adequate explanations for the basis of allocation of Operation and Maintenance expenditure among the generating stations.

4.10.4. The Commission shall verify the budget estimates and projections and allow the amount depending on its views about the reasonableness of the projections. The O&M expenses for the first year of the control period shall be approved by the Commission with prudence check in accordance with Regulation 3.9 of this regulation.

4.10.5. In verifying the budget for operation and maintenance the generating company may be guided by the norms as laid down by the Commission and subsequent amendments from time to time.

#### **4.11. Computation and payment of capacity charge and energy charge for thermal generating stations**

##### 4.11.1. Capacity Charge:

(1) The fixed cost of a thermal generating station shall be computed on annual basis, based on norms specified under these regulations, and recovered on monthly basis under capacity charge.

The total capacity charge payable for a generating station shall be shared by its beneficiaries as per their respective percentage share / allocation in the capacity of the generating station. The capacity charge shall be recovered in two parts, viz., Capacity Charge for Peak Hours of the month and Capacity Charge for Off- Peak Hours of the month as follows:

(2) The Capacity Charge payable to a thermal generating station for a calendar month shall be calculated in accordance with the following formulae:

Capacity Charge for the Month (CC<sub>n</sub>) = Capacity Charge for Peak Hours of the Month (CC<sub>pn</sub>) + Capacity Charge for Off-Peak Hours of the Month (CC<sub>opn</sub>)

Where,

CC<sub>p1</sub> = [(0.20 x AFC) x (1/12) x (PAFM<sub>p1</sub>/NAPAF) subject to ceiling of {(0.20 x AFC) x (1/12)}]

CC<sub>p2</sub> = [(0.20 x AFC) x (1/6) x (PAFM<sub>p2</sub>/NAPAF) subject to ceiling of {(0.20 x AFC) x (1/6)}] – CC<sub>p1</sub>

CC<sub>p3</sub> = [(0.20 x AFC) x (1/4) x (PAFM<sub>p3</sub>/NAPAF) subject to ceiling of {(0.20 x AFC) x (1/4)}] – (CC<sub>p1</sub> + CC<sub>p2</sub>)

CC<sub>p4</sub> = [(0.20 x AFC) x (1/3) x (PAFM<sub>p4</sub>/NAPAF) subject to

ceiling of  $\{(0.20 \times AFC) \times (1/3)\}$  -  $(CCp1+CCp2+CCp3)$

CCp5=  $[(0.20 \times AFC) \times (5/12) \times (PAFMp5/NAPAF)]$  subject to ceiling of  $\{(0.20 \times AFC) \times (5/12)\}$  -  $(CCp1+CCp2+CCp3+CCp4)$

CCp6=  $[(0.20 \times AFC) \times (1/2) \times (PAFMp6/NAPAF)]$  subject to ceiling of  $\{(0.20 \times AFC) \times (1/2)\}$  -  $(CCp1+CCp2+CCp3+CCp4+CCp5)$

CCp7=  $[(0.20 \times AFC) \times (7/12) \times (PAFMp7/NAPAF)]$  subject to ceiling of  $\{(0.20 \times AFC) \times (7/12)\}$  -  $(CCp1+CCp2+CCp3+CCp4+CCp5+CCp6)$

CCp8=  $[(0.20 \times AFC) \times (2/3) \times (PAFMp8/NAPAF)]$  subject to ceiling of  $\{(0.20 \times AFC) \times (2/3)\}$  -  $(CCp1+CCp2+CCp3+CCp4+CCp5+CCp6+CCp7)$

CCp9=  $[(0.20 \times AFC) \times (3/4) \times (PAFMp9/NAPAF)]$  subject to ceiling of  $\{(0.20 \times AFC) \times (3/4)\}$  -  $(CCp1+CCp2+CCp3+CCp4+CCp5+CCp6+CCp7+CCp8)$

CCp10=  $[(0.20 \times AFC) \times (5/6) \times (PAFMp10/NAPAF)]$  subject to ceiling of  $\{(0.20 \times AFC) \times (5/6)\}$  -  $(CCp1+CCp2+CCp3+CCp4+CCp5+CCp6+CCp7+CCp8+CCp9)$

CCp11=  $[(0.20 \times AFC) \times (11/12) \times (PAFMp12/NAPAF)]$  subject to ceiling of  $\{(0.20 \times AFC) \times (11/12)\}$  -  $(CCp1+CCp2+CCp3+CCp4+CCp5+CCp6+CCp7+CCp8+CCp9+CCp10)$

CCp12=  $[(0.20 \times AFC) \times (PAFMp12/NAPAF)]$  subject to ceiling of  $\{(0.20 \times AFC)\}$  -  $(CCp1+CCp2+CCp3+CCp4+CCp5+CCp6+CCp7+CCp8+CCp9+CCp10+CCp11)$

CCop1=  $(0.80 \times AFC) \times (1/12) \times (PAFMop1/NAPAF)$  subject to ceiling of  $\{(0.80 \times AFC) \times (1/12)\}$

CCop2=  $[(0.80 \times AFC) \times (1/6) \times (PAFMop2/NAPAF)]$  subject to ceiling of  $\{(0.80 \times AFC) \times (1/6)\}$  -  $CCop1$

CCop3=  $[(0.80 \times AFC) \times (1/4) \times (PAFMop3/NAPAF)]$  subject to

ceiling of  $\{(0.80 \times AFC) \times (1/4)\} - (CCop1 + CCop2)$

$CCop4 = [(0.80 \times AFC) \times (1/3) \times (PAFMop4/NAPAF)]$  subject to ceiling of  $\{(0.80 \times AFC) \times (1/3)\} - (CCop1 + CCop2 + CCop3)$

$CCop5 = [(0.80 \times AFC) \times (5/12) \times (PAFMop5/NAPAF)]$  subject to ceiling of  $\{(0.80 \times AFC) \times (5/12)\} - (CCop1 + CCop2 + CCop3 + CCop4)$

$CCop6 = [(0.80 \times AFC) \times (1/2) \times (PAFMop6/NAPAF)]$  subject to ceiling of  $\{(0.80 \times AFC) \times (1/2)\} - (CCop1 + CCop2 + CCop3 + CCop4 + CCop5)$

$CCop7 = [(0.80 \times AFC) \times (7/12) \times (PAFMop7/NAPAF)]$  subject to ceiling of  $\{(0.80 \times AFC) \times (7/12)\} - (CCop1 + CCop2 + CCop3 + CCop4 + CCop5 + CCop6)$

$CCop8 = [(0.80 \times AFC) \times (2/3) \times (PAFMop8/NAPAF)]$  subject to ceiling of  $\{(0.80 \times AFC) \times (2/3)\} - (CCop1 + CCop2 + CCop3 + CCop4 + CCop5 + CCop6 + CCop7)$

$CCop9 = [(0.80 \times AFC) \times (3/4) \times (PAFMop9/NAPAF)]$  subject to ceiling of  $\{(0.80 \times AFC) \times (3/4)\} - (CCop1 + CCop2 + CCop3 + CCop4 + CCop5 + CCop6 + CCop7 + CCop8)$

$CCop10 = [(0.80 \times AFC) \times (5/6) \times (PAFMop10/NAPAF)]$  subject to ceiling of  $\{(0.80 \times AFC) \times (5/6)\} - (CCop1 + CCop2 + CCop3 + CCop4 + CCop5 + CCop6 + CCop7 + CCop8 + CCop9)$

$CCop11 = [(0.80 \times AFC) \times (11/12) \times (PAFMop12/NAPAF)]$  subject to ceiling of  $\{(0.80 \times AFC) \times (11/12)\} - (CCop1 + CCop2 + CCop3 + CCop4 + CCop5 + CCop6 + CCop7 + CCop8 + CCop9 + CCop10)$

$CCop12 = [(0.80 \times AFC) \times (PAFMop12/NAPAF)]$  subject to ceiling of  $(0.80 \times AFC) - (CCop1 + CCop2 + CCop3 + CCop4 + CCop5 + CCop6 + CCop7 + CCop8 + CCop9 + CCop10 + CCop11)$

Provided that in case generating station or unit thereof is under shutdown due to Renovation and Modernisation or installation

of emission control system, as the case may be, the generating company shall be allowed to recover O&M expenses and interest on loan only.

Where,

CCm= Capacity Charge for the Month;

CCP= Capacity Charge for the Peak Hours of the Month;

CCop= Capacity Charge for the Off-Peak Hours of the Month;

CCpn= Capacity Charge for the Peak Hours of nth Month;

CCopn= Capacity Charge for the Off-Peak of nth Month;

AFC = Annual Fixed Cost;

PAFMpn= Plant Availability Factor achieved during Peak Hours up to the end of nth Month;

PAFMopn= Plant Availability Factor achieved during Off-Peak Hours up to the end of nth Month;

NAPAF= Normative Annual Plant Availability Factor.

- (3) Normative Plant Availability Factor for "Peak" and "Off-Peak" Hours in a month shall be equivalent to the NAPAF specified in Clause (A) of Regulation 4.14.2 of these regulations. The number of hours of "Peak" and "Off-Peak" periods during a day shall be four and twenty, respectively. The hours of Peak and Off-Peak periods during a day shall be declared by the concerned SLDC at least a week in advance:

Provided that SLDC, after duly considering the comments of the concerned stakeholders, shall declare Peak Hours in such a way as to coincide with the Peak Hours and High Demand Season of the State:

Provided that any under-recovery or over-recovery of Capacity Charge as a result of underachievement or over-achievement, vis-à-vis the NAPAF in Peak and Off-Peak Hours of a Season (High Demand Season or Low Demand Season, as the case may be) shall

not be adjusted with under-achievement or over-achievement, vis-à-vis the NAPAF in Peak and Off-Peak Hours of the other Season:

Provided that within a Season, the shortfall in recovery of Capacity Charge for cumulative Off-Peak Hours derived based on NAPAF, shall be allowed to be offset by over-achievement of PAF, if any, and consequent notional over-recovery of Capacity Charge for cumulative Peak Hours in that Season:

Provided further that within a Season, the shortfall in recovery of Capacity Charge for cumulative Peak Hours derived based on NAPAF, shall not be allowed to be offset by over-achievement of PAF, if any, and consequent notional over recovery of Capacity Charge for cumulative Off-Peak Hours in that Season:

Provided also that full Capacity Charges shall be recoverable at target availability specified in Regulations 4.14.2, and recovery of Capacity Charges below the level of Target Availability shall be on pro-rata basis, irrespective of the reasons for the lower Availability, and no part of the Capacity Charges shall be recoverable except to the extent of Availability:

Provided that at zero availability, no Capacity Charges shall be payable.

(4) The Plant Availability Factor for a Month 'PAFM' shall be computed in accordance with the following formula:

$$PAFM = 10000 \times \sum_{i=1}^n \frac{DC_i}{\{N \times IC \times (100 - AUX_n - AUX_{en})\}} \%$$

Where,

- AUX<sub>n</sub> – Normative auxiliary energy consumption as a percentage of gross energy generation
- AUX<sub>en</sub> – Normative auxiliary energy consumption for emission control system as a percentage of gross energy generation, wherever applicable;
- DC<sub>i</sub> – Average declared capacity (in ex-bus MW), for the i<sup>th</sup> day of the period i.e. the month or the year, as the case may be, as certified by the

concerned load dispatch centre after the day is over;

- IC – Installed Capacity (in MW) of the generating station  
n – Number of days during the period

Note: DC<sub>i</sub> and IC shall exclude the capacity of generating units not declared under commercial operation. In case of a change in IC during the concerned period, its average value shall be taken.

#### 4.12. Computation and Payment of Supplementary Capacity Charge for Coal or Lignite based Thermal Generating Stations:

(1) The fixed cost of the emission control system shall be computed on an annual basis based on the norms specified under these regulations and recovered on a monthly basis under a supplementary capacity charge. The total supplementary capacity charge payable for a generating station shall be shared by its beneficiaries as per their respective percentage share or allocation in the capacity of the generating station.

(2) The Supplementary Capacity Charge payable to a coal or lignite generating station for a calendar month shall be calculated in accordance with the following formulae:

$$SCC1 = (AFCe) \times (1/12) \times (PAFM1/NAPAF) \text{ subject to ceiling of } \{(AFCe) \times (1/12)\}$$

$$SCC2 = [(AFCe) \times (1/6) \times (PAFM2/NAPAF) \text{ subject to ceiling of } \{(AFCe) \times (1/6)\}] - SCC1$$

$$SCC3 = [(AFCe) \times (1/4) \times (PAFM3/NAPAF) \text{ subject to ceiling of } \{(AFCe) \times (1/4)\}] - (SCC1 + SCC2)$$

$$SCC4 = [(AFCe) \times (1/3) \times (PAFM4/NAPAF) \text{ subject to ceiling of } \{(AFCe) \times (1/3)\}] - (SCC1 + SCC2 + SCC3)$$

$$SCC5 = [(AFCe) \times (5/12) \times (PAFM5/NAPAF) \text{ subject to ceiling of } \{(AFCe) \times (5/12)\}] - (SCC1 + SCC2 + SCC3 + SCC4)$$

$$SCC6 = [(AFCe) \times (1/2) \times (PAFM6/NAPAF) \text{ subject to ceiling of } \{(AFCe) \times (1/2)\}] - (SCC1 + SCC2 + SCC3 + SCC4 + SCC5)$$

$$SCC7 = [(AFCe) \times (7/12) \times (PAFM7/NAPAF) \text{ subject to ceiling of } \{(AFCe) \times (7/12)\}] - (SCC1 + SCC2 + SCC3 + SCC4 + SCC5 + SCC6)$$

$$SCC8 = [(AFCe) \times (2/3) \times (PAFM8/NAPAF) \text{ subject to ceiling of } \{(AFCe) \times (2/3)\}] - (SCC1 + SCC2 + SCC3 + SCC4 + SCC5 + SCC6 + SCC7)$$

$$SCC9 = [(AFCe) \times (3/4) \times (PAFM9/NAPAF) \text{ subject to ceiling of } \{(AFCe) \times (3/4)\}] - (SCC1 + SCC2 + SCC3 + SCC4 + SCC5 + SCC6 + SCC7 + SCC8)$$

$SCC10 = [(AFCE) \times (5/6) \times (PAFM10/NAPAF)]$  subject to ceiling of  $\{(AFCE) \times (5/6)\} - (SCC1 + SCC2 + SCC3 + SCC4 + SCC5 + SCC6 + SCC7 + SCC8 + SCC9)$

$SCC11 = [(AFCE) \times (11/12) \times (PAFM11/NAPAF)]$  subject to ceiling of  $\{(AFCE) \times (11/12)\} - (SCC1 + SCC2 + SCC3 + SCC4 + SCC5 + SCC6 + SCC7 + SCC8 + SCC9 + SCC10)$

$SCC12 = [(AFCE) \times (PAFM12/NAPAF)]$  subject to ceiling of  $(AFCE) - (SCC1 + SCC2 + SCC3 + SCC4 + SCC5 + SCC6 + SCC7 + SCC8 + SCC9 + SCC10 + SCC11)$

Provided that in case of the generating station or unit thereof under shutdown due to Renovation and Modernisation, the generating company shall be allowed to recover O&M expenses and interest on the loan in respect of the emission control system only.

Where,

SCCn= Supplementary Capacity Charge for the nth Month;

AFCE = Annual Fixed Cost of the emission control system;

PAFMn= Plant Availability Factor achieved up to the end of nth Month;

NAPAF= Normative Annual Plant Availability Factor.

- (3) Normative Plant Availability Factor for a month for the purpose of Supplementary Capacity Charge shall be considered in the manner specified in Clause (3) of Regulation 4.11.1 of these regulations. The PAFM shall be worked out in accordance with Clause (4) of Regulation 4.11.1 of these regulations.

#### **4.13. Computation and Payment of Energy Charge for Thermal Generating Stations and Supplementary Energy Charge for Coal or Lignite based Thermal Generating Stations:**

- (1) The energy charge shall cover the primary fuel cost and secondary fuel cost and limestone consumption cost (where applicable) and shall be payable by every beneficiary for the total energy scheduled to be supplied to such beneficiary during the calendar month on ex-power plant basis, at the energy charge rate of the month (with fuel and limestone price adjustment). The total Energy charge payable to the generating company for a month shall be:

= (Energy charge rate in Rs./kWh) x {Scheduled energy (ex-bus) for

the month in kWh}

- (2) The supplementary energy charge on account of the emission control system shall cover the differential energy charges due to auxiliary energy consumption and cost of reagent consumption and shall be payable by every beneficiary for the total energy scheduled to be supplied to such beneficiary during the calendar month on an ex-power plant basis, at the supplementary energy charge rate of the month. The total supplementary energy charge payable to the generating company for a month shall be:

Supplementary Energy Charges = (Supplementary energy charge rate in Rs./kWh) x {Scheduled energy (ex-bus) for the month in kWh}

- (3) Energy charge rate (ECR) and Supplementary Energy charge rate in Rupees per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formulae:

- (a) For coal based and lignite fired stations

$$ECR = \left[ \left\{ (SHR - SFC \times CVSF) \times LPPF / CVPF \right\} + (SFC \times LPSFi) + (LC \times LPL) \right] \times 100 / (100 - AUX)$$

- (b) Supplementary ECR for coal and lignite based thermal generating stations:

$$\text{Supplementary ECR} = (\Delta ECR) + \left[ (SRC \times LPR / 10) / (100 - (AUX_n + AUX_{en})) \right]$$

- (c) For gas and liquid fuel-based stations

$$ECR = SHR \times LPPF \times 100 / \{CVPF \times (100 - AUX)\}$$

Where,

AUX – Normative auxiliary energy consumption in percentage.

CVPF – (a) Weighted Average Gross calorific value of coal considering GCV as per CERC Regulation, in kCal per kg for coal-based stations less 85 Kcal/Kg on account of variation during storage at generating station;

(b) Weighted Average Gross calorific value of primary fuel as received, in kCal per kg, per litre or per standard cubic meter, as applicable for lignite, gas and liquid fuel-based stations;

(4) In case of blending of fuel from different sources, the weighted average Gross Calorific Value of primary fuel shall be arrived in proportion to blending ratio:

Provided also that any refund of taxes and duties along with any amount received on account of penalties from fuel supplier shall have to be adjusted in fuel cost:

Provided also that the Energy Charges, for the purpose of billing/Fuel Surcharge shall be worked out Station-wise/Unit-wise based on weighted average rate based on scheduled generation from each Unit.

Provided also that where biomass fuel is used for blending with coal, the landed cost of biomass fuel shall be worked out based on the delivered cost of biomass at the unloading point of the generating station, inclusive of taxes and duties as applicable:

Provided also that the energy charge rate of the blended fuel shall be worked out considering consumption of biomass based on blending ratio as specified by Authority or actual consumption of biomass, whichever is lower:

Provided also that the Generating Company may opt for higher blending ratio subject to techno-economic viability and the benefits in terms of lower tariff being entirely passed through to the beneficiaries, and loss, if any, being entirely borne by the Generating Company.

#### **4.14. Norms of Operation**

4.14.1. Recovery of capacity charge, energy charge and incentive by the generating company shall be based on the achievement of the operational norms.

The norms of operation as given below shall apply to thermal generating stations

4.14.2. Normative Annual Plant Availability Factor (NAPAF)

(a) All Thermal generating station - 85 %

(b) Lignite fired generating station using Circulatory Fluidized Bed  
Combustion (CFBC) Technology

(i) First three years from COD - 68.50 %

(ii) From next year after completion of 3 years of COD - 75 %

4.14.3. Gross Station Heat Rate

i. Coal-based thermal power generating stations,

200-300 MW Sets 2,415 kCal/kWh

500 MW Sets (Sub-critical) 2,375kCal/kWh

**Note 1**

In respect of 500 MW and above units where the boiler feed pumps are electrically operated, the gross station heat rate shall be 40 kCal/kWh lower than the gross station heat rate specified above.

**Note 2**

For the generating stations having combination of 200/210/250 MW and above sets and 500 MW and above sets, the normative gross station heat rate shall be the weighted average gross station heat rate of the combinations.

**Note 3**

The normative gross station heat rate above is exclusive of the compensation specified as per the Grid Code. The generating company shall, based on the unit loading factor, consider the compensation in addition to the normative gross heat rate above.

**Note 4**

The gross station heat rate for the unit capacity of less than 200 MW sets, shall be dealt with on a case-to-case basis.

4.14.4. Secondary fuel oil consumption

(i) Coal-based generating stations - 0.5 ml/ kwh

(ii) For Coal-based generating stations with wall (front/rear/sides) fired  
boilers: - 1.0 ml/ kWh

(iii) For Lignite-fired generating stations (Pulverised and CFBC) – 1.0 ml/kWh

(iv) For Generating Stations based on Coal Rejects: 2.0 ml/ kWh

#### 4.14.5. Auxiliary Energy Consumption

(a) Coal-based generating stations with natural draft cooling tower or without cooling tower:

(i) 200 – 300 MW series - 8.5%

(ii) 500 MW and above

Steam driven boiler feed pumps - 5.25%

Electricity driven boiler feed pumps - 8.00%

(iii) 600 MW and above

Steam driven boiler feed pumps - 5.25%

Electrically driven boiler feed pumps - 8.00%

Provided that for thermal generating stations with induced draft cooling towers and where ball and tube-type coal mill is used, the norms shall be further increased by 0.5% and 0.8%, respectively.

Provided further that Additional Auxiliary Energy Consumption as follows shall be allowed for plants with Dry Cooling Systems;

(i) Direct cooling air cooled condensers with mechanical draft fans – 1.0%

(ii) Indirect cooling system employing jet condensers with pressure recovery turbine and natural draft tower – 0.5%

Note: The auxiliary energy consumption for the unit capacity of less than 200 MW sets shall be dealt with on a case-to-case basis.

(b) Gas turbine / combined cycle generating stations:

(i) Combined cycle - 2.75%

(ii) Open cycle - 1.0%

Provided that where the gas based generating station is using electric motor driven Gas Booster Compressor, the Auxiliary Energy Consumption in case of Combined Cycle mode shall be 3.30% (including the impact of air-cooled condensers for Steam Turbine Generators);

(c) Lignite fired thermal generating stations:

i. All generating stations with 200 MW sets and above:

The auxiliary energy consumption norms shall be 0.5% more than the auxiliary consumption norms of coal-based generating stations as in (4.14.5) (a) above.

For lignite fired stations using CFBC technology the auxiliary consumption norm shall be 1.5% more than the auxiliary consumption norms of coal based generating stations as above.

## **B: HYDRO POWER GENERATING STATION**

### **4.15. Capital cost**

- 4.15.1. The actual capital expenditure on the date of commercial operation in the case of new investment shall be subject to prudence check by the Commission.
- 4.15.2. Scrutiny of cost estimates by the Commission shall be limited to the reasonableness of the capital cost, financial plan, and interest during construction period, use of efficient technology, and such other matters for determination of tariff.
- 4.15.3. In case of any abnormal delay in execution of the project causing cost and time overruns attributable due to the failure of the utility, the Commission may not approve the full capitalization of interest and overhead expenses.
- 4.15.4. Where power purchase agreement entered into between generating company and the beneficiary provides for a ceiling of actual expenditure, the capital expenditure to be considered shall not exceed such ceiling.
- 4.15.5. The capital cost may include capitalized initial spares up to 4 % of original Project cost.
- 4.15.6. The project cost already admitted by the Commission for purpose of tariff determination shall be considered as the original project cost.
- 4.15.7. The Commission shall issue guidelines for:
- a. Verifying the capital cost of Hydroelectric projects by an independent agency or expert and in such a case, the capital cost as vetted by such agency or expert may be considered by Commission after prudence check while determining the tariff for hydro generating station.
  - b. Scrutiny and approval of commissioning schedule for hydroelectric power projects of a developer, not being a state controlled or owned company as envisaged in the tariff policy, as amended in GOI Resolution No. 23/2/2005-R&R (Vol IV) dated 31.3.2008.

- c. In case the site of a hydro generating station is awarded to a developer (not being a state controlled or owned company), by a State Government by following a two-stage transparent process of bidding, any expenditure incurred or committed to be incurred by the project developer for getting the project site allotted shall not be included in the capital cost.

Provided the capital cost in case of such hydro station shall include:

- i. Cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and
- ii. Cost of the developer's contribution towards the local area development as per the government's policy.
- iii. For uninterrupted and timely development of Hydro projects, expenditure incurred towards developing local infrastructure in the vicinity of the power plant not exceeding Rs. 10 lakh/MW shall be considered as part of the Capital cost, and in case the same work is covered under budgetary support provided by the Government of India, the funding of such works shall be adjusted on receipt of such funds: Provided that such funds shall be allowed only if the funds are spent through Indian Governmental Instrumentality;

4.15.8. Any additional applicable Regulations, as considered appropriate by the Commission, shall be governed by the provisions specified in Clause 3.2.

#### **4.16. Renovation and Modernization**

4.16.1. The generating company for meeting the expenditure on renovation and modernization (R&M) for the purpose of extension of life beyond the originally recognized useful life of the generating station or a unit thereof for the purpose of tariff, shall make an application before the Commission for in-

principle approval giving complete scope, justification, cost benefit analysis, estimated life extension from a reference 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 beneficiaries and any other information considered to be relevant by the generating company.

Provided further that the generating company intending to undertake renovation and modernization (R&M) shall seek the consent of the beneficiaries for such renovation and modernization (R&M) and submit the response of the beneficiaries along with the Petition.

- 4.16.2. Where generating company makes an application for approval of its proposal for renovation and modernization the Commission shall give its approval after due consideration of reasonableness of cost estimates, financing plan, schedule of completion, interest during construction, use of efficient technology, cost benefit analysis and such other factors which the Commission may consider relevant.
- 4.16.3. Any expenditure incurred or projected to be incurred and admitted by the Commission after prudent check, based on estimates for renovation and modernization already recovered from original project cost, shall form the basis for determination of tariff.

#### **4.17. Components of tariff**

- 4.17.1. Tariff for supply of electricity from a hydro power generating station shall comprise two parts, namely, annual capacity charges and energy charges to be in the manner provided hereinafter.
- 4.17.2. The fixed cost of a generating station eligible for recovery through annual capacity charges shall consist of:
- (a) Return on equity as may be allowed
  - (b) Interest on Loan Capital;
  - (c) Operation and maintenance expenses;
  - (d) Interest on Working Capital;

(e) Depreciation as may be allowed by the Commission;

(f) Taxes on Income

4.17.3. The annual capacity charges recoverable shall be worked out by deducting other income from the total expenses.

#### **4.18. Interest and finance charges on loan capital**

4.18.1. Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of loan repayment, terms and conditions of loan agreements, bond or debenture and the lending rate prevailing therein.

Provided that the outstanding loan capital shall be adjusted to be consistent with the loan amount determined in accordance with Regulation 3.1.1.

4.18.2. The interest and finance charges attributable to Capital Work in Progress shall be excluded.

4.18.3. The generating company shall make every effort to swap loans as long as it results in net benefit to the beneficiaries. The costs associated with such swapping shall be borne by the beneficiaries.

4.18.4. The changes to the loan terms and conditions shall be reflected from the date of such swapping and benefit shared between the beneficiaries and the generating company in accordance with Regulation 2.12.

4.18.5. In case any moratorium period is availed of by the generating company, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

4.18.6. Any additional applicable Regulations, as considered appropriate by the Commission, shall be governed by the provisions specified in Clause 3.13.

#### **4.19. Operation and maintenance expenses**

4.19.1. For Existing Generating Stations: The following operations and maintenance expenses norms shall be applicable for hydro generating stations which have been operational for three or more years as on 01.04.2027:

Rs. in Lakhs

Sl. No	Name of the Station	FY 2027-28	FY 2028-29	FY 2029-30
1	Old Station	5182.47	5323.93	5469.25
2	Myntdu Leshka	4909.71	5043.72	5181.39
3	New Umtru	2374.04	2438.84	2505.41
4	Lakroh	111.13	114.16	117.27

4.19.2. In the case of the hydro generating stations declared under commercial operation on or after 01.04.2027, operation and maintenance expenses of the first year of operation shall be fixed at 2% of the original project cost (excluding the cost of rehabilitation & resettlement works, IDC and IEDC). The Operation and Maintenance expenses for the subsequent years shall be determined by applying the hybrid escalation rate on year-on-year basis.

4.19.3. In the case of hydro generating stations which have not completed a period of three (3) years as on 01.04.2027, operation and maintenance expenses for FY 2027-28 shall be determined by applying the hybrid escalation rate on the applicable operation and maintenance expenses as on 31.03.2027. The operation and maintenance expenses for subsequent years of the tariff period shall be determined by applying the hybrid escalation rate on year-on-year basis.

4.19.4. The Security Expenses, Capital Spares and Insurance expenses for hydro generating stations shall be allowed separately after prudence check:

Provided that the generating station shall submit an assessment of the security requirement, capital spares and insurance expenses along with its estimated expenses, which shall be tried up based on the details of year-wise actual capital spares consumed, actual insurance and security expenses incurred with appropriate justification.

4.19.5. Pension Liability shall be paid for the past period in line with the Commission's Order dated 25.03.2026 till FY 2033. Adjustment, if any shall be made on account of differential Actuarial Valuation only.

#### **4.20. Computation and payment of capacity charge and energy charge for Hydro generating stations.**

##### **4.20.1. Capacity Charges**

(1) The fixed cost of a hydro generating station shall be computed on annual basis, based on norms specified under these Regulations, and shall be recovered on monthly basis under capacity charge (inclusive of incentive) and energy charge, which shall be payable by the beneficiaries in proportion to their respective allocation in the saleable capacity of the generating station, that is, in the capacity excluding the free power to the home State:

The Annual Fixed Cost (AFC) shall be apportioned equally between Capacity Charge and Energy Charge, with 50% of the AFC allocated towards recovery through Capacity Charge and the remaining 50% allocated towards recovery through Energy Charge.

Provided that during the period between the date of commercial operation of the first unit of the generating station and the date of commercial operation of the generating station, the annual fixed cost shall provisionally be worked out based on the latest estimate of the completion cost for the generating station, for the purpose of determining the capacity charge and energy charge payment during such period.

(2) The capacity charge payable to a hydro generating station for a calendar month shall be:

$$\text{AFC} \times 0.5 \times \text{NDM} / \text{NDY} \times (\text{PAFM} / \text{NAPAF}) \text{ (in Rupees)}$$

Where,

AFC – Annual fixed cost specified for the year, in Rupees.

NAPAF – Normative annual plant availability factor in percentage

NDM – Number of days in the month

- NDY – Number of days in the year  
PAFM – Plant availability factor achieved during the month, in percentage;

(3) The PAFM shall be computed in accordance with the following formula:

$$\text{PAFM} = 10000 \times \sum_{i=1}^N \frac{DC_i}{\{N \times IC \times (100 - AUX)\}} \%$$

Where,

- AUX – Normative auxiliary energy consumption in percentage.  
DC<sub>i</sub> – Declared capacity (in ex-bus MW) for the <sup>i</sup>th day of the Month which the station can deliver for at least three (3) hours, as certified by the nodal load dispatch center after the day is over.  
IC – Installed Capacity (in MW) of the complete generating station  
N – Number of days in the month.

Note: The SLDC shall maintain record of PAFM and issue certificate on monthly basis to enable generating Company to raise bill on MePDCL. Recovery of capacity charge shall be restricted to maximum 50% of AFC.

#### 4.20.2. Energy Charges

(1) The energy charge shall be payable by every beneficiary for the total energy scheduled to be supplied to the beneficiary, excluding free energy, if any, during the calendar month, on ex-bus basis, at the computed energy charge rate. Total Energy charge payable to the generating company for a month shall be:

$$\text{Energy Charges} = (\text{Energy charge rate in Rs. / kWh}) \times \{\text{Scheduled energy (ex-bus) for the month in kWh}\} \times (100 - \text{FEHS}) / 100.$$

(2) Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis, for a hydro generating station, shall be determined up to three decimal places based on the following formula, subject to the provisions of clause (4):

$$\text{ECR} = \text{AFC} \times 0.5 \times 10 / \{\text{DE} \times (100 - \text{AUX}) \times (100 - \text{FEHS})\}$$

Where,

AFC = Annual fixed cost specified for the year, in Rs. Cr.

DE = Annual design energy (in MU) specified for the hydro generating station, subject to the provision in this Regulation.

FEHS = Free energy (in MU) for home State as fixed from time to time, by competent authority.

- (3) In case the saleable scheduled energy (ex-bus) of a hydro generating station during a year is less than the saleable design energy (ex-bus) for reasons beyond the control of the generating station, the generating station may directly recover the shortfall in energy charges in six equal interest-free monthly instalments after adjusting for DSM Energy in the immediately following year and shall be subject to truing up at the end of the tariff period:

Provided that in case actual generation from a hydro generating station is less than the design energy for a continuous period of four years on account of hydrology factor, the generating station shall approach the Central Electricity Authority with relevant hydrology data for revision of design energy of the station.

- (4) Any shortfall in the energy charges on account of saleable scheduled energy (ex-bus) being less than the saleable design energy (ex-bus) during the tariff period FY 2027-30, which was beyond the control of the generating station, and which could not be recovered during the said tariff period shall be recovered in accordance with clause (3) of this Regulation.
- (5) In case the energy charge rate (ECR) for a hydro generating station, as computed in sub-clause (2) above, exceeds one hundred and thirty paise

per kWh, and the actual saleable energy in a year exceeds  $\{DE \times (100 - AUX) \times (100 - FEHS) / 10000\}$  MWh, the Energy charge for the energy in excess of the above shall be billed at one hundred and thirty paise per kWh only:

- (6) In addition to the above, an incentive shall be payable to a ROR Hydro generating station @ 50 paise/ kWh corresponding to the saleable scheduled energy during peak hours of the day in excess of average saleable scheduled energy during the day (24 hours).

Provide any gain on account of sub clause (6) shall be shared in accordance with Regulation 2.12

#### **4.21. Norms of operation**

The norms of operation shall be as under:

##### 4.21.1. Normative annual plant availability factor (NAPAF):

1. The following normative annual plant availability factor (NAPAF) shall apply to hydro generating station:
  - (a) Storage and Pondage type plants with head variation between Full Reservoir Level (FRL) and Minimum Draw Down Level (MDDL) of up to 8%, and where plant availability is not affected by silt: 90%;
  - (b) In case of storage and pondage type plants with head variation between full reservoir level and minimum draw down level is more than 8% and when plant availability is not affected by silt, the month-wise peaking capability as provided by the project authorities in the DPR (approved by Central Electricity Authority (CEA) or the State Government) shall form basis of fixation of NAPAF;
  - (c) Pondage type plant where plant availability is significantly affected by silt ..... 85%
  - (d) Run -of- River type plants: NAPAF to be determined plant-wise, based

on 10- day design energy data, moderated by past experience where available / relevant.

**Note:**

(i) A further allowance may be made by the Commission under special circumstances, eg. Abnormal silt problem or other operating conditions and known plant limitations.

(ii) A further allowance of 5 % may be allowed for difficulties in the Northeast Region.

(iii) In case of new hydroelectric project, the developer shall have the option of approaching the Commission in advance for further above norms.

(e) Based on the above, the Normative annual plant availability factor (NAPAF) of the hydro generating stations already in operation shall be as follows: -

Station	Type of Plant	Plant Capacity No. of Units x MW	NAPAF (%)
Umiam Stage-I	Storage	4x9 MW	59.83
Umiam Stage-II	Pondage	2x10 MW	85.00
Umiam Stage-III	Pondage	2x30 MW	63.67
Umiam Stage-IV	Pondage	2x30 MW	61.79
Sonapani MHP	ROR	1x1.5 MW	45.00
Leshka HEP	ROR	3x42 MW	39.00
New Umtru HEP	Pondage	2x20 MW	62.60
Lakroh MHP	ROR	1x1.5 MW	85.00
Ganol SHP	ROR	3x7.5 MW	45.00

Station	Type of Plant	Plant Capacity No. of Units x MW	NAPAF (%)
Riangdo SHP		3 MW	68.19

#### 4.21.2. Auxiliary energy consumption (AEC)

Type of Station	AEC	
	Installed Capacity above 200 MW	Installed Capacity up to 200 MW
<b>Surface</b>		
Rotating excitation	0.7%	0.7%
Static	1.0%	1.2%
<b>Underground</b>		
Rotating excitation	0.9%	0.9%
Static	1.2%	1.3%

#### 4.22. Transformation losses

4.22.1. From generation voltage to transmission voltage 0.5% of energy generated.

#### 4.23. Connectivity and SLDC Charges

4.23.1. Connectivity charges and SLDC charges as determined by the Commission shall be considered as expenses. SLDC and transmission charges paid for energy sold outside the state shall not be considered as expenses for determining generation tariff.

#### 4.24. Other income

4.24.1. All Income other than income from sale of energy and net DSM charges gained (after introduction of intra-state ABT) shall be grouped as other income in accordance with Regulation 3.21. DSM penalties shall not be netted off from other income. The DSM penalties shall be borne by the generating company.

#### 4.25. Sale of Infirm Power

The tariff for the sale of infirm power from the hydro generating station to the distribution licensee shall be in line with Meghalaya State Electricity Regulatory Commission (Intra-State Deviation Settlement Mechanism and

Related Matters) Regulations, 2025 and its subsequent amendments or re-enactments.

Provided that any revenue other than the recovery of fuel cost earned by the generating company from sale of infirm power shall be taken as reduction in capital cost and shall not be treated as revenue.

**4.26. Incentive for completion of hydroelectric power generating stations ahead of schedule**

- 4.26.1. In case of commissioning of a hydroelectric power generating station or a unit thereof ahead of schedule, the generating station shall become eligible for incentive of an amount equal to the pro-rata amount of reduction in interest during construction achieved by such commissioning, ahead of schedule.

Provided the hydro generating station shall obtain the Commission's approval of project calendar, prior to its implementation for the purpose of claiming the incentive (s).

- 4.26.2. The incentive shall be recovered through tariff in twelve equal monthly instalments during the first year of operation of the generating station.
- 4.26.3. In case of delay in commissioning, interest during construction for the period of delay shall not be allowed to be capitalized for determination of tariff, unless the delay is not attributable to the generating Company.

**4.27. Deviation Settlement Mechanism (DSM) charges**

- 4.27.1. The Regulation relating to deviation settlement mechanism charges shall be governed in accordance with the Meghalaya State Electricity Regulatory Commission (Intra-State Deviation Settlement Mechanism and Related Matters) Regulations, 2025.

**4.28. Scheduling**

- 4.28.1. The methodology for scheduling and dispatch for the generating station shall be as specified in the State Grid Code as amended from time to time.

**4.29. Metering and accounting**

4.29.1. For metering and accounting, the provisions of the State Grid Code shall be applicable, as amended from time to time, shall be applicable.

**4.30. Recovery of statutory charges**

4.30.1. The generating company shall recover the statutory charges imposed by the State and Central Government, such as electricity duty and water cess, by considering normative parameters specified in these Regulations. In case the electricity duty is applied to the auxiliary energy consumption, such amount of electricity duty shall apply to the normative auxiliary energy consumption of the generating station (excluding colony consumption) and apportioned to each of the beneficiaries in proportion to their scheduled dispatch during the month.

**4.31. Rebate**

4.31.1. The Generating Company shall be allowed a rebate for Generation Business, as specified in Regulation 3.17.

**4.32. Late payment surcharge**

4.32.1. The Generating Company shall be allowed a late payment surcharge for Generation Business, as specified in Regulation 3.18.

## 5. CHAPTER – 5- TRANSMISSION

### 5.1. Applicability

5.1.1. This Chapter shall apply to determination of tariff for access and use of the intra-State transmission system in the State of Meghalaya:

Provided that the Commission may deviate from the norms contained in this Part or stipulate alternative norms for particular cases, where it so deems appropriate, having regard to the circumstances of the case:

Provided further that the reasons for such deviation shall be recorded in writing.

5.1.2. The Commission shall be guided by the Regulations contained in this Chapter in specifying the rates, charges, terms and conditions for use of intervening transmission facilities pursuant to an application made in this regard by a Licensee under the proviso to Section 36 of the Act.

### 5.2. Components of tariff

5.2.1. The Annual Transmission Charges for each financial year of the Control Period shall provide for the recovery of the Aggregate Revenue Requirement of the Transmission Licensee for the respective financial year of the Control Period, as reduced by the amount of Non-Tariff Income, income from Other Business and short-term Open Access charges and Income from Other Business, as approved by the Commission:

Provided that in case of competitively awarded transmission system projects in pursuance of Section 63 of the Electricity Act 2003 and in accordance with guidelines for competitive bidding for transmission, the annual transmission charges shall be as per the prevailing notification (Threshold Limit for Development of Intra State Transmission System Projects Through Tariff Based Competitive Bidding (TBCB)) issued by Meghalaya State Electricity Regulatory Commission dated 19<sup>th</sup> December 2023.

5.2.2. The Annual Transmission Charges of the Transmission Licensee shall be determined by the Commission on the basis of an application for determination of Aggregate Revenue Requirement made by the Transmission Licensee in accordance with Chapter-2 of these Regulations.

5.2.3. The Annual Expenditure of the Transmission Licensee shall comprise the following:

- a. Return on equity as may be allowed;
- b. Interest on loan capital;
- c. Depreciation as may be allowed;
- d. Interest on working capital;
- e. Operation and maintenance expenses;
- f. Taxes on Income
- g. Annual License fee

5.2.4. The Annual Transmission Charge of the Transmission Licensee shall be determined after deducting the following components from the Annual Expenditure as determined above:

- a. Transmission charges recovered from Open Access Consumers, if any
- b. Authorised portion of Income/ Revenue from other business engaged in by the Licensee for optimum utilization of assets, if any.

### **5.3. Business Plan**

5.3.1. Each Transmission Licensee shall submit a Business Plan in the manner specified in Chapter-2 of these Regulations.

### **5.4. Capital Investment Plan**

5.4.1. The Transmission Licensee shall submit a detailed capital investment plan, financing plan and physical targets for each year of the Control Period for meeting the requirement of load growth, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval, as a part of the Business Plan to be filed at the beginning of the Control Period:

Provided that the Capital Investment Plan shall be submitted for each year of the Control Period:

Provided further that the Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required including but not limited to the information such as number of bays, name, configuration and location of grid substations, substation capacity (MVA), transmission line length (ckt-km) showing the need for the proposed investments, alternatives considered, cost/benefit analysis and other aspects that may have a bearing on the transmission charges.

5.4.2. The Capital Investment Plan of the Transmission Licensee shall be consistent with the transmission system plan for the intra-State transmission system.

5.4.3. The investment plan shall be accompanied by such information, particulars and documents as may be required showing the need for the proposed investments, alternatives considered, cost/benefit analysis and other aspects that may have a bearing on the transmission charges. The investment plan shall also include capitalisation schedule and financing plan.

5.4.4. The Transmission Licensee shall submit, along with the MYT Petition or along with the True-up Petition, as the case may be, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require for assessing such progress.

## **5.5. Renovation and Modernisation**

5.5.1. A transmission licensee shall make an application before the commission for approval of a proposal for meeting expenditure on renovation and modernization (R&M) for the purpose of extension of life of a unit or the transmission system along with a detailed report containing complete scope, justification, cost benefit analysis, estimated life extension from a reference date, financing package, phasing of expenditure, schedule of completion, reference price level, estimated completed cost including foreign exchange component, if any, record of consultation with beneficiaries and any other information considered to be relevant by the transmission licensee.

5.5.2. Where the transmission licensee makes an application for approval of its proposal for renovation and modernization, the Commission shall accord approval after due consideration of the reasonableness of the cost estimates,

financing package, schedule of completion, interest during construction, use of efficient technology, cost benefit analysis and such other factors as may be considered necessary.

- 5.5.3. Any expenditure incurred or projected to be incurred and admitted by the Commission after prudent check based on estimate for renovation and modernization and life extension, and after deducting accumulated depreciation already recovered from the original project cost, shall form the basis for determination of tariff.

## **5.6. Determination of Transmission tariff**

- 5.6.1. The Transmission Licensee may make an application for fixation of tariff for its Intra-State Transmission System in accordance with the historical performance of such transmission system and on the basis of Order of the Commission on the Business Plan Petition submitted as per Regulation 2.5, in such formats and along with such information which the Commission may require from time to time, complying with provision of Chapter 2 of these Regulations.

## **5.7. Operation and Maintenance Expenses**

- 5.7.1. Operation and Maintenance Expenses or O&M Expenses shall mean the total of all expenditure under the following heads in line with Regulation 3.9 of these Regulations:-

- (a) Employee Cost
- (b) Repairs and Maintenance
- (c) Administration and General Expenses.

- 5.7.2. The Transmission Licensee shall submit O&M expenses budget indicating the expenditure under each head of account showing actual of the last financial year.

- 5.7.3. The actual O&M expenses on the basis of circuit kilometer of transmission lines, transformation capacity and number of bays in substations shall be maintained in the Audited Accounts and submitted by the Transmission

Licensee for approval of the Commission at the time of submission of True-Up Petition as per Tariff Formats.

5.7.4. Norms for Operation and Maintenance expenses for existing Transmission Licensees shall be derived based on the average of the approved Operation and Maintenance expenses for the past three Years ending March 31, 2025, excluding abnormal Operation and Maintenance expenses, if any, subject to prudence check by the Commission:

5.7.5. The norms for O&M expenses for existing and new Transmission Licensees shall be specified on the basis of circuit kilometre of transmission lines, number of Bays and MVA Capacity of Transformers in the substation of the Transmission Licensee, as given below:

**Explanation:** For the purpose of applying normative O&M expenses under these Regulations, a 'Bay' shall mean a set of accessories that are required to connect an electrical equipment such as Transmission Line, Bus Section Breakers, Potential Transformer, Power Transformers, Inter-Connecting Transformers, Capacitors and Transfer Breaker and the feeders emanating from the bus at sub- Station of Transmission Licensee. Further, the Bays referred to shall include only the Bays at the Transmission substation and shall exclude any Bays of the Generating Station switchyard whose maintenance is usually the responsibility of the Generating Company.

Further, for the purpose of applying normative O&M expenses under these Regulations, 'Transformation Capacity' shall be considered as the capacity of the Inter-Connecting Transformer or the Power Transformer as the case may be.

Provided further that at the time of Truing up at the end of the Control Period, the allowable O&M expenses for any Year shall be based on the norms for O&M expenses specified by the Commission in this Regulation and documentary evidence of assets capitalised by the Petitioner, subject to the prudence check of the Commission.

5.7.6. Norms for O&M expenses for the Transmission Licensee shall be:

<b>Voltage Level</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>FY 2029-30</b>
<b>INR Lakh/Bay</b>			
400 kV	169.32	177.24	185.53
220 kV	225.24	235.77	246.80
132 kV	2,607.56	2,729.55	2,857.25
<b>INR Lakh/ckt km</b>			
400 kV	4.83	5.05	5.29
220 kV	228.45	239.14	250.32
132 kV Single circuit (single conductor)	131.14	137.27	143.70
132 kV Double circuit (single conductor)	278.62	291.66	305.30
132 kV Multi circuit (single conductor)	24.10	25.23	26.41
<b>INR Lakh/MVA</b>			
400 kV	804.48	842.12	881.51
220 kV	1,208.85	1,265.40	1,324.60
132 kV	988.79	1,035.05	1,083.47

5.7.7. Increase in O& M expenses due to natural calamities or insurgency or change in law or other factors not within its control may be approved by the Commission.

5.7.8. Pension Liability shall be paid for the past period in line with the Commission's Order dated 25.03.2026 till FY 2033. Adjustment, if any shall be made on account of differential Actuarial Valuation only.

## **5.8. Auxiliary Energy Consumption in the Sub-station**

5.8.1. AC System: The charges for auxiliary energy consumption in the AC sub-station for the purpose of air-conditioning, lighting and consumption in other equipment shall be borne by the transmission licensee and included in the normative operation and maintenance expenses.

## **5.9. Norms of operation**

5.9.1. The norms of operation for the transmission licensee, subject to modifications thereof from time to time shall be as under:

5.9.2. The cost of auxiliary consumption in the sub-station shall be borne by the transmission licensee and considered as part of Normative Operation and Maintenance expenses under the head General and Administration Overhead.

5.9.3. Target Availability of the Transmission System for recovery of full transmission charges. For recovery of Annual Fixed Charges, NATAF shall be 98.00%:

Provided also that, actual outage hours shall be considered for computation of availability up to two tripping per year.

Provided also that in case of outage of a transmission element affecting evacuation of power from a generating station, outage hour shall be multiplied by a factor of 2.

5.9.4. For Incentive, NATAF shall be as under:

1) AC system: 98.50%;

Provided that no Incentive shall be payable for availability beyond 99.75%:

Provided further that actual outage hours shall be considered in line with sub-clause 5.9.3 above.

Provided also that in case of outage of a transmission element affecting evacuation of power from a generating station, outage hours shall be determined in line with sub- clause 5.9.3 above.

## **5.10. Payment of transmission charges by customers**

5.10.1. A transmission licensee shall be allowed to recover his net annual revenue requirement for financial year through transmission charges from long term/medium term OA consumers and distribution licensee (called transmission beneficiaries) as follows:

- Transmission charges which may consist of a fixed charge;
- Connectivity charge, which shall be levied to meet the cost of connecting the customer to the licensee's transmission system;
- Parallel operation charge shall be levied for Captive Power Plant if the plant is connected with the grid.

5.10.2. Transmission charges shall be calculated on a monthly basis.

5.10.3. Transmission charges shall be recovered from distribution licensees and long-term and medium – term open access customers.

5.10.4. Transmission charges payable by short-term open access customers shall be decided by the Commission on annual basis depending upon the period of connectivity, load and transactions may allocate charges accordingly.

### **5.11. Sharing of Transmission Charges**

5.11.1. Annual Transmission Service Charges (ATSC) shall be divided between Beneficiaries of the Transmission System on monthly basis based on the allotted Transmission Capacity or contracted capacity, as the case may be.

5.11.2. If a Transmission System has been created for a particular Long-term Transmission Beneficiary including dedicated transmission line(s) for a generating station, transmission charges for such Transmission System shall be payable by that Long-term Transmission Beneficiaries like distribution licensee(s)/Long-term / Medium Term/ Short Term Open Access consumers.

5.11.3. In case of more than one beneficiary of the transmission system, the monthly transmission charges leviable on each beneficiary shall be computed as per the following formula:

Transmission charges for transmission system payable for a month by the beneficiary of that transmission system=

$$\left[ \frac{TC}{12} * \frac{CL}{SCL} \right]$$

Where,

TC = Annual Transmission Charges computed in accordance with Regulation 5.2.

CL = Allotted Transmission Capacity to the Transmission beneficiary.

SCL = Sum of the Allotted Transmission Capacities to all the beneficiaries of the State transmission system.

5.11.4. The charges determined under these regulations in relation to the communication system forming part of the transmission system shall be

shared by the beneficiaries or long-term customers in accordance with the Sharing Regulations:

Provided that charges determined under these regulations in relation to communication systems other than that of the central portion shall be shared by the beneficiaries in proportion to the capital cost belonging to respective beneficiaries.

5.11.5. Charges for Short-Term Open Access consumers will be the same as Transmission Beneficiaries and shall be in Rs./MW/Day or part thereof.

5.11.6. Short term Open Access charges recovered under Regulation 5.11.5 shall be adjusted in the ARR for subsequent years as part of Non-Tariff Income.

#### **5.12. Transmission losses and treatment thereof**

5.12.1. The Commission shall fix the norm for transmission losses based on the loss reduction plan provided by the licensee.

5.12.2. The Commission shall make a periodical review of the reduction in transmission losses with reference to the norms fixed by it.

5.12.3. In the case of failure to achieve the target for loss reduction, the Commission will not allow the excess over the norm as a pass through.

5.12.4. Only Transmission Losses fixed as provided for in clause 5.12.1 above shall be debited to energy account of customers of the transmission system.

5.12.5. In case the actual transmission losses exceed the approved trajectory for any year, the differential cost of energy corresponding to such excess losses shall be borne by the Transmission Licensee. Such cost shall be shared as per Regulation 2.12.

#### **5.13. Computation and payment of transmission charge for Intra-State Transmission system.**

5.13.1. The fixed cost of the transmission system shall be computed on annual basis, in accordance with norms contained in these regulations, aggregated as appropriate, and recovered on monthly basis as transmission charge from the users, who shall share these charges in the manner specified.

5.13.2. The transmission charge payable for a calendar month for a transmission system or part thereof shall be:

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

Where,

AFC = Annual fixed cost specified for the year, in Rupees

NATAF = Normative annual transmission availability factor, in percent

NDM = Number of days in the month

NDY = Number of days in the year

TAFM = Transmission system availability factor for the month, in % The transmission licensee shall raise the bill for the transmission charge (inclusive of incentive) for a month based on its estimate of TAFM.

*SLDC shall issue certificate on monthly basis for TAFM. TAFM shall be determined by SLDC in line with the CERC Regulations from time to time.*

#### **5.14. Billing**

5.14.1. Monthly bills shall be raised by the transmission licensee upon distribution licensees and open access customers for the transmission charges approved by the Commission and payments shall be made by the transmission customers to the transmission licensee.

## 6. CHAPTER – 6 - DISTRIBUTION BUSINESS

### 6.1. Applicability

6.1.1. This Chapter shall apply to the determination of tariff for Retail supply of electricity by a Distribution licensee to its consumers.

### 6.2. Separation of accounts for Wheeling and Retail supply Business

6.2.1. The distribution licensee shall segregate the accounts of the licensed business into Wheeling Business and Retail Supply Business within the provisions of the Act and submit separate ARR for respective businesses.

6.2.2. The ARR for wheeling business shall be used to determine Wheeling Charges recoverable from open access consumers and the ARR for Retail Supply Business and ARR for Wheeling Business to be used to determine retail supply tariff for sale of electricity to different categories of Consumers of the licensee.

Provided that till such time the accounts are segregated as per provisions of these regulations, the distribution licensee shall prepare an allocation statement to apportion costs and revenues to respective business. The allocation statement shall be approved by the Board of Directors of the distribution licensee and accompanied with an explanation of the methodology which should be consistent over the control period.

Provided further that in case the distribution licensee is unable to submit any separate segregation along with approval of Board of Directors, the Gross Aggregate Revenue Requirement of the Distribution Licensee shall be apportioned between Wheeling Business and Retail Supply Business in accordance with the Allocation Matrix specified as follows:

Particulars	Wires/ Wheeling Business (%)	Retail Supply Business (%)
Power Purchase Expenses including Inter State Transmission Expenses	0%	100%
Intra-State Transmission Charges	0%	100%
SLDC Fees and Charges	0%	100%
Employee Expenses	60%	40%

<b>Particulars</b>	<b>Wires/ Wheeling Business (%)</b>	<b>Retail Supply Business (%)</b>
Administration & General Expenses	50%	50%
Repair & Maintenance Expenses	90%	10%
Depreciation	90%	10%
Interest on Long-term Loan Capital	90%	10%
Interest on Working Capital and on Consumer security deposits (if any)	10%	90%
Bad Debts Written off	0%	100%
Contribution to contingency reserves, if any	100%	0%
Return on Equity	90%	10%
Comprehensive Income (Past Pension Liability)	0%	100%
True-Up Gap	0%	100%
Non-Tariff Income	0%	100%
Sale from Surplus Power	0%	100%

### **6.3. Aggregate revenue requirement for each financial year of the control period**

- 6.3.1. The total annual expenses and return on equity of the distribution licensee on each financial year for the control period shall be worked out on the basis of expenses and return on equity allow in terms of these Regulations.
- 6.3.2. The retail supply tariff of a distribution licensee for each financial year of the control period shall provide recovery of the ARR of a distribution licensee for the control period as provided in the above table which will include both wires/wheeling business and retail supply business and will duly take into account Non-Tariff income, income from sale of surplus power and true up gap of previous year as indicated in the above table.

### **6.4. Business Plan**

- 6.4.1. The Distribution Licensee shall submit a Business Plan with full details as stipulated by the Commission from time to time and in the manner specified in Chapter-2 of these Regulations. The business plan shall comprise among other details like capital investment plan, financing plan and fiscal targets in accordance with the guidelines/formats as may be stipulated by the Commission from time to time.

## **6.5. Capital Investment Plan**

- 6.5.1. The Distribution Licensee shall submit detailed capital investment plan, financing plan and physical targets for each year of the Control Period for meeting the requirement of load growth, reduction in distribution losses, improvement in quality of supply, reliability, metering, consumer services, etc., to the Commission for approval, as a part of the Business Plan. The capital investment plan should be filed at the beginning of the Control Period.
- 6.5.2. The investment plan shall be a least cost plan for undertaking investments on strengthening and augmentation of the distribution system for meeting the requirement of load growth, reduction in distribution losses, improvement of supply, reliability, metering, billing and collection system, etc.
- 6.5.3. The investment plan shall cover all capital expenditure to be undertaken by the distribution licensee in the control period and shall be in such form as may be stipulated by the Commission from time to time.
- 6.5.4. The Distribution Licensee shall be required to ensure optimum investments to enhance efficiency, productivity and meet performance standards prescribed by the Commission.
- 6.5.5. The investment shall be accompanied by such information, particulars and documents as may be required showing the need for the investment, alternatives considered, cost benefit analysis and other aspects which may have a bearing on the wheeling tariff and retail tariff. The investment plan shall also include capitalization schedule and financing plan.
- 6.5.6. The Distribution Licensee shall submit, along with the MYT Petition, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require for assessing such progress.
- 6.5.7. The Commission shall consider and approve the capital investment plan with modification as required. The cost corresponding to the approve investment plan for a given year shall be considered for its revenue requirement.

## **6.6. Capital cost**

- 6.6.1. The approved Capital Investment Plan / Business Plan of the Distribution licensee shall be the basis for determining the annual allowable capital cost for, each financial year for any capital expenditure project initiated on or after April 1<sup>st</sup>, 2027.
- 6.6.2. The capital cost includes the actual capital expenditure till the date of commercial operation of the licensee’s distribution system or part thereof within the scope of project subject to prudence check by the Commission. Scrutiny of the cost estimates by the Commission shall be limited to the reasonableness of the capital cost, financial plan, interest during construction, use of efficient technology, gestation period and such other matters relating to the system prior to the date of commercial operation and as considered by the Commission and as approved for determination of tariff. In case of any abnormal delay in execution of the project causing cost and time overrun attributable to the failure of the utility the Commission may not approve the full capitalization of interest and overhead expenses.
- 6.6.3. For each capital expenditure project, the sum total of annual allowable capital cost from the date of commencement of such project till the date of commissioning shall be the original cost of such project.
- 6.6.4. The provisions of the Statements of Accounting Standards (AS 10); Accounting for Fixed Assets of the Institute or Chartered Accountants & of India shall apply to the extent not inconsistent with these Regulations, in determining the original cost of capital expenditure projects and/or original cost of fixed assets capitalised.
- 6.6.5. The capital cost shall be allowed as provided in Regulation 3.2 of these Regulations.
- 6.6.6. The amount of any contributions made by consumers and Distribution System Users towards works for access to the distribution system of the Distribution Licensee shall be deducted from the original cost for such project for the purpose of calculating the Equity Capital, as provided in these Regulations.

## **6.7. Power procurement guidelines**

- 6.7.1. The Distribution Licensee shall undertake its power procurement during the year in accordance with the power procurement plan for the Control Period, which may include long-term, medium-term and short-term power procurement, approved by the Commission in accordance with these Regulations.
- 6.7.2. Distribution Licensee shall follow the guidelines contained in this Part with respect to:
- a) Procurement of power under any arrangement or agreement with a term or duration exceeding seven (7) years (i.e., long-term power procurement);
  - b) Procurement of power under any arrangement or agreement with a term or duration exceeding one (1) year but not exceeding seven (7) years (i.e., medium-term power procurement); and
  - c) Procurement of power under any arrangement or agreement with a term or duration less than or equal to one (1) year (i.e., short-term power procurement).

## **6.8. Power procurement plan**

- 6.8.1. The Distribution Licensee shall prepare a plan for procurement of power to serve the demand for electricity in its area of supply and submit such plan to the Commission for approval:

Provided that such power procurement plan shall be submitted for the Control Period commencing on April 1<sup>st</sup> of the first year of the respective Control Period:

Provided further that the power procurement plan, approved as a part of the Business Plan, shall be submitted along with the application for determination of tariff.

Provided also that the power procurement plan submitted by the Distribution Licensee may include long-term, medium-term and short-term power procurement sources of power, in accordance with these Regulations. However, the distribution licensee should as far as possible, not plan for short-term purchases except for conditions specified in Regulations 6.4 and

should endeavour to meet its requirement from long term and medium-term power procurement and make a plan accordingly.

6.8.2. The power procurement plan of the Distribution Licensee shall comprise the following:

a) A quantitative forecast of the unrestricted Base load and Peak Load demand for electricity for each tariff category, within its area of supply over the Control Period;

b) An estimate of the quantities of electricity supply from the identified sources of generation and power purchase, including own generation, if any;

c) An estimate of availability of power to meet the base load and Peak load requirement

Provided that estimate should be monthly estimation of demand and supply expressed both in Mega-Watt (MW) as well as in Million Units (MUs).

d) Standards to be maintained with regard to quality and reliability of supply, in accordance with the Meghalaya State Electricity Regulatory Commission (Electricity Supply Code) (1 of 2026) Regulations, 2026, as amended from time to time;

e) Measures proposed to be implemented as regards Renewable Purchase Obligation, (RPO), energy conservation and energy efficiency;

Provided that the utility shall maintain separate records of revenue/ expenditure related to individual DSM schemes/ PAT/ RPO approved by the Commission.

f) The requirement for new sources of power generation and/ or procurement, including augmentation of generation capacity and identified new sources of supply, based on (a) to (e) above;

g) The plan for procurement of power including quantities and cost estimates for such procurement:

Provided that the forecast/ estimate contained in the long-term procurement plan shall be separately stated for peak and off-peak periods, in terms of quantities of power to be procured (in millions of units of electricity) and maximum demand (in MW / MVA):

Provided further that the forecasts/ estimates shall be prepared for each month of the Control Period:

Provided also that the long-term procurement plan shall be a cost-effective plan based on available information regarding costs of various sources of supply.

h) The impact of Open Access;

i) Short-term power procurement proposed shall be in accordance with Regulations 6.10

6.8.3. The forecasts/ estimates shall be prepared using forecasting techniques based on past data and reasonable assumptions regarding the future:

Provided that the forecasts/ estimates shall take into account factors such as overall economic growth, consumption growth of electricity-intensive sectors, advent of competition in the electricity industry, trends in captive power, impact of loss reduction initiatives, improvement in Generating Station Plant Load Factors and other relevant factors.

6.8.4. Where the Commission has stipulated a percentage of the total consumption of electricity in the area of a Distribution Licensee to be purchased from co-generation and renewable sources of energy, the power procurement plan of such Distribution licensee shall include the plan for procurement from such sources at least up to the stipulated level.

6.8.5. The Distribution Licensee shall be required to forward a copy of the power procurement plan to the State Transmission Utility for verification of its consistency with the transmission system plan for the intra-State transmission system, prepared in accordance with the MSERC (Terms and Conditions of Open Access) Regulations, 2012, as amended from time to time;

Provided that the Distribution Licensee may also consult the State Transmission Utility at the time of preparation of the power procurement plan to ensure consistency of such plan with the transmission system plan.

6.8.6. The Distribution Licensee may, as a result of additional information not previously known or available to him at the time of submission of the

procurement plan under Regulation 6.8 above, apply for a modification in the power procurement plan, for the remaining Control Period, as part of the application for Tariff:

6.8.7. The Commission may, as a result of additional information not previously known or available to the Commission at the time of submission of the procurement plan under Regulation 6.8. above, if it so deems, either on suo-motu basis or on an application made by any interested or affected party, modify the procurement plan of the Distribution Licensee, for the remaining Control Period.

6.8.8. The Commission shall review the power procurement plan of the Distribution Licensee, or any proposed modification thereto, and upon such review being completed, the Commission shall either

a) Issue an order approving the power procurement plan, or modifications thereto, subject to such modifications and conditions as it may deem appropriate; or

b) Reject the power procurement plan or application for modification thereto, for reasons recorded in writing, if such plan is not in accordance with the guidelines contained in this Part, and direct the Distribution Licensee to submit a revised plan based on such considerations as it may specify:

Provided that the Distribution Licensee shall be given reasonable opportunity of being heard before rejecting its power procurement plan.

### **6.9. Approval of power purchase agreement/arrangement**

6.9.1. Every agreement or arrangement for power procurement by a Distribution Licensee from a Generating Company or from other source of supply entered into after the date of effectiveness of these Regulations shall come into effect only with the prior approval of the Commission:

Provided that the prior approval of the Commission shall be required in respect of any agreement or arrangement for power procurement by the Distribution Licensee from a Generating Company or Licensee or from any other source of supply on a standby basis:

Provided further that the prior approval of the Commission shall also be required for any change to an existing arrangement or agreement for power procurement, whether or not such existing arrangement or agreement was approved by the Commission.

6.9.2. The Commission shall review an application for approval of power procurement agreement/ arrangement having regard to the approved power procurement plan of the Distribution Licensee and the following factors:

- a) Requirement for power procurement under the approved power procurement plan;
- b) Adherence to a transparent process of bidding in accordance with guidelines issued by the Central Government;
- c) Adherence to the terms and conditions for determination of tariff specified under these Regulations where the process specified in (b) above has not been adopted;
- d) Availability (or expected availability) of capacity in the intra-State transmission system for evacuation and supply of power procured under the agreement/ arrangement;
- e) Need to promote co-generation and generation of electricity from renewable sources of energy.

6.9.3. Where the terms and conditions specified under Chapter 2 of these Regulations are proposed to be adopted, the approval of the power purchase agreement between a Generating Company and Distribution Licensee for supply of electricity from a new Generating Station may comprise of two steps, at the discretion of the applicant

- a) Approval of a provisional tariff, on the basis of an application made to the Commission at any time prior to the application made under clause (b) below; and
- b) Approval of the final tariff, on the basis of an application made not later than three (3) months from the cut-off date.

## **6.10. Additional Short-term power procurement**

- 6.10.1. The Distribution Licensee can undertake additional short-term power procurement during the year, over and above the power procurement plan for the Control Period approved by the Commission, in accordance with this Regulation.
- 6.10.2. The distribution licensee shall submit a rolling quarterly forecast of the quantum of short-term power to be purchased for the year for the Commission's approval. The forecast shall be based on monthly sales forecast, the power available from approved long-term sources of power, merit order dispatch of available sources, banking with other distribution utilities, load curtailment, time of its requirement, availability of short-term power and the expected price. The distribution licensee shall provide the basis for forecast of short-term power procurement price including the criteria for evaluation of alternative options;
- 6.10.3. Where there has been a shortfall or failure in the supply of electricity from any approved source of supply during the financial year, the Distribution Licensee may enter into additional short-term arrangement or agreement for procurement of power (short-term means upto period of one year):
- 6.10.4. Where the Distribution Licensee has identified a new short-term source of supply from which power can be procured at a tariff that reduces its approved total power procurement cost, the Distribution Licensee may enter into a short-term power procurement agreement or arrangement with such supplier without the prior approval of the Commission.
- 6.10.5. The Distribution Licensee may enter into a short-term arrangement or agreement for procurement of power without the prior approval of the Commission when faced with emergency conditions that threaten the stability of the distribution system or when directed to do so by the State Load Despatch Centre to prevent grid failure.
- 6.10.6. Within fifteen (15) days from the date of entering into an agreement or arrangement for short term power procurement for which prior approval is not required, the Distribution Licensee shall provide the Commission, full details of such agreement or arrangement, including quantum, tariff

calculations, duration, supplier details, method for supplier selection and such other details as the Commission may require with regard to such agreement/ arrangement to assess that the conditions specified in this Regulation have been complied with:

Provided that where the Commission has reasonable grounds to believe that the arrangement or agreement entered into by the Distribution Licensee does not meet the criteria specified in sub-Regulation 6.10.2 to sub-Regulation 6.10.4 above, the Commission may disallow any increase in the total cost of power procurement (net of additional revenue) over the approved level arising therefrom or any loss incurred by the Distribution Licensee as a result, from being passed through to consumers.

6.10.7. Subject to the cases specified in sub-Regulation 6.10.2 to sub-Regulation 6.10.4 above, where the Distribution Licensee enters into any agreement or arrangement for short-term power procurement without the approval of the Commission, any increase in the total cost of power procurement (net of additional revenue) over the approved level arising therefrom shall be deemed to be a variation in performance attributable entirely to controllable factors.

6.10.8. The Commission may allow the replacement of costlier long-term power with Short-term power procurement or vice versa, where such substitution demonstrably reduces the overall power purchase cost, by ensuring the proper management of energy portfolio of Distribution licensee and thereby reduction of burden on consumer tariff. This shall be subject to:

- 1) Adequate justification by the Distribution Licensee through comparative cost analysis.
- 2) Assurance of supply reliability and portfolio adequacy.

### **6.11. Treatment of Surplus Power**

6.11.1. The Distribution Licensees shall be allowed to Bank surplus power procured from approved sources of Power Purchase excluding Power Exchanges, in the event of non-remunerative rate in the Power Market.

Provided the Commission shall consider the cost associated with the banking of surplus power, as booked in the audited accounts, at a notional power

purchase rate for the purpose of adjusting the overall power purchase expenses during the true-up process. Accordingly, the Distribution Licensees shall record the cost or revenue arising from banking transactions in their audited accounts. The cost of banking power receivable shall be adjusted against power purchase expenses, while revenue from power exported through banking shall be accounted for under Non-Tariff Income.

6.11.2. Sale of surplus power is defined under uncontrollable factor. However, this being a very important factor to reduce overall power purchase cost, Distribution Licensees shall be allowed to sell surplus power on Power Exchanges/ Short term Bilateral to optimize net power purchase cost for benefit of the state with a vision of reducing the unnecessary tariff burden on the consumers and special incentive is provided as follows:

The Distribution Licensee shall be allowed an incentive at the time of true-up, up to a maximum of 20% of the savings arising from reduction in Net Power Purchase Cost (Total Power Purchase Cost - Revenue from Sale of Surplus Power), in Rs./ kWh, as approved by the Commission in the ARR.

***Illustration:*** *The incentive on account of reduction in Net Power Purchase Cost under this Regulation may be computed in the following manner:*

*Where the actual Net Power Purchase Cost, after adjustment of revenue from sale of surplus power, is lower than the Net Power Purchase Cost approved by the Commission in the ARR, the resultant savings in Rs./kWh may be considered for computation of incentive under this Regulation. Accordingly, the Distribution Licensee may be entitled to an incentive up to 20% of such savings on the actual net power purchase quantum approved by the Commission during true-up, subject to prudence check.*

*For example: Commission approved Net Power Purchase Cost at Rs. 4.5/kWh at CTU/STU interface.*

*Actual procurement cost for 1000 units at CTU/STU interface comes to Rs.5000*

*Surplus power sale for 200 units at CTU/STU interface at the rate of Rs. 8/kWh comes to Rs. 1600*

*Net Power Purchase Cost is Rs. (5000-1600)/800 = Rs. 4.25/kWh*

*Net saving is Rs. 0.25/kWh*

*Total saving is  $800 * 0.25 = \text{Rs. } 200$*

*Incentive 20% =Rs.40 subject to maximum 7p/kWh*

Provided that Distribution licensee shall make sure that all categories of consumers get the sufficient quantum of electricity supplied by it and there is no intentional load shedding to receive the undue advantage of the incentive.

Distribution licensee shall submit monthly report to the Commission for sale of such surplus power and data of load shedding if any during the period of surplus power sale.

## **6.12. Application for Determination of Tariff**

6.12.1. The Distribution licensee shall file an application for determination of tariff for retail supply along with Annual Revenue Requirement (ARR) in the formats specified by the Commission in accordance with the procedure laid down by the Commission.

6.12.2. The application shall contain data for base year, actual and estimated data for the present year and forecasted and target data for all years of the control period based on the business plan.

6.12.3. The application for determination of tariff by the Distribution licensee shall be accompanied with following information besides Aggregate Revenue Requirement:-

- A statement showing current tariff and applicable terms and conditions of tariff.
- A statement showing Demand / Sales projection for different categories of consumers including slab wise consumption with a note on the method adopted to arrive at the projected growth rate.
- Energy requirement details with Aggregate Technical and Commercial loss and sources of procurement of power.
- A statement containing details of revenue realized during the current year category wise and expected revenue at the current

tariff for the ensuing year or the period for which tariff is to be determined.

- A statement showing the subsidy received / receivable from Government at the existing tariff.
- A statement showing the changes in tariff proposed for each category of consumer and the estimated revenue at the revised tariff.
- A statement showing cross subsidy at revised tariff and subsidy committed by the Government, if any.
- Any other information as required by the Commission for determination of tariff for ensuing year.

### **6.13. Implementation of Demand Side Management Measures**

6.13.1. The Distribution Licensee shall endeavour to reduce its self-consumption by implementing Energy Efficiency/Conservation measures which shall include but not limited to Distribution Transformer efficiency improvement schemes, deployment of LED bulbs and deployment of energy efficiency fans (BLDC fans, etc.), deployment of five star rated air conditioning units at its offices and other substations related establishments, schemes for voltage management measures and Power Factor improvement, Energy Efficiency monitoring and analytical hardware and software tools.

6.13.2. The Distribution Licensee shall submit its existing level of own energy consumption and Energy Conservation measure at the beginning of the Control Period and provide the trajectory for the reduction of such own energy consumption through the implementation of Energy Efficiency improvement scheme/plan under Capital Expenditure or Opex Expenditure as part of the MYT Petition along with the target of Energy Efficiency related savings, and monitoring plan in line with principles provided in the Meghalaya State Electricity Regulatory Commission (Demand Side Management) Regulations, 2016 as amended from time to time.

Provided that, the Distribution Licensee shall submit its Energy Efficiency Programmes'/Schemes' Cost Effectiveness Assessment for the expected trajectory.

6.13.3. The Commission shall specify the Energy Conservation Trajectory for the Control Period for the Distribution Licensee and shall review the actual performance at the time of truing-up, subject to prudence check.

#### **6.14. Estimation of Sales**

6.14.1. The accurate projection of category-wise sales is very essential for the assessment of energy input requirement so as to determine the quantum of generation and quantum of energy to be purchased for the correct assessment of revenue requirement for generation and power purchase in the control period.

6.14.2. The licensee may adopt a suitable methodology to arrive at the category wise sales for the current year and estimates for ensuing years based on the past trends. The consumer category wise sales projections shall be backed up by consumer category wise time series data on connected load/contract demand, sales trend, number of consumers and any abnormal increase/decrease which must be adequately explained. The licensee shall submit the basis of the projection with detailed analysis along with the Tariff petition.

6.14.3. The licensee shall submit the restricted demand due to system constraints (in MW), unrestricted demand (in MW) and sale of electricity (in MU) for different categories of consumers in its area of supply for previous year, estimated for the current year and forecast for ensuing year.

Provided where the category-wise unrestricted / restricted demand is not available, these figures may be supplied for the area as a whole. The likely date, by which such data is likely to be available and the steps taken in this regard shall be furnished.

6.14.4. The forecast of the sales based on category/sub-category and each tariff slab within such tariff category/subcategory of consumers for the ensuing year shall be on monthly basis to properly capture the seasonality in demand.

6.14.5. The distribution licensee shall also indicate the particulars of open access consumers, traders and other licensees category wise using its system. The demand and energy wheeled for them shall be shown separately for, supply within the area of supply and supply outside the area of supply.

- 6.14.6. Sale of electricity, if any, to electricity traders or other licensees or persons shall be separately indicated. Sale of electricity, if any, outside the licensees' area shall be indicated separately in accordance with an agreement executed for this purpose. Full details of swapping/banking of power, if any, shall be submitted with the copies of their agreements to the Commission.
- 6.14.7. The licensee shall assess and estimate sales to unmetered category of consumers, on the basis of the consumption norms, sample study or on any other basis determined, or otherwise found reasonable by the Commission.
- 6.14.8. The licensee shall develop a reliable database of each of the consumer categories such as their demand, energy consumption from licensee, captive consumption, new consumer addition under various categories, Energy Conservation and Energy Efficiency measures planned, Increase in penetration consumption from Distributed Energy Resources viz. Rooftop Solar and Electric Mobility, Likely impact of implementation of Demand Side Management (DSM) (if any) etc, so as to facilitate accurate forecasting of energy sales for ensuing year.
- 6.14.9. The licensee shall submit quarterly reports to the Commission regarding sale to different categories as approved and ensure that sale to any category is not unduly restricted.
- 6.14.10. The Commission shall examine the estimate of sales for reasonableness based on growth in number of consumers and consumption and demand of electricity in previous years and anticipated growth in the next year and any other factor, which the Commission may consider relevant and approve sale of electricity to consumers with such modifications as deemed fit.
- 6.14.11. In case additional electricity is required by any particular consumer category not considered by the commission the licensee shall make an application any time during the year, to the Commission for approval. The application shall indicate the need for such change in consumer mix, the additional supply required and the manner in which the licensee proposes to meet the cost of supply for such change of consumer mix.

## 6.15. Distribution Losses

6.15.1. The Licensee shall furnish information on Distribution losses for previous year and Current year and the basis on which such losses have been worked out for ensuing years.

6.15.2. Distribution Loss above and up to a particular voltage level shall be calculated as the difference between the energy initially injected into the distribution system and the sum of energy sold up to that level and energy delivered to next voltage level. It shall be expressed in terms of Distribution Loss up to that level as a percentage of the energy initially injected into the distribution system.

6.15.3. The Licensee shall submit the information on Circle-wise/Division-wise and/or month-wise Distribution loss calculation.

6.15.4. Any over achievement and under achievement of the loss trajectory shall be subject to incentive and penalty framework as specified below: The distribution licensee(s) shall provide a statement to this effect in the true-up.

Provided that the financial impact on account of over or under achievement of Distribution Loss target shall be computed as under:

$$\text{Incentive or (Penalty)} = Q1 * (L1 - L2) * P * 100$$

where,

Q1 = Actual quantum of Energy purchased at Distribution periphery in MU, after accounting for surplus power sales;

L1 = Distribution Loss Target in %;

P = Trued up Net Average Power Purchase Cost (APPC) per unit, after accounting for surplus power sales, at Distribution periphery in Rs./kWh;

$$L2 = (\text{Actual Distribution Loss in \%}) = \left(1 - \frac{Q2}{Q1}\right) * 100$$

Q2 = Actual quantum of Energy Billed in MU.

Provided further that T&D loss although being a controllable factor, any gains/losses arising out of lower T&D losses from the target trajectory shall be shared in accordance with Regulation 2.12 of these Regulations.

6.15.5. The Commission may ask licensee to submit detailed information on voltage wise losses segregated into technical and commercial losses.

6.15.6. The licensee shall also propose a loss reduction programme for the ensuring year as well as for the next three years duly indicating details of the measures proposed for achieving the same. The licensee shall submit the comprehensive Loss Reduction Programme / Strategies for restricting Distribution Loss %, under any national scheme or programme, agreed by the respective State Governments or Distribution licensee and approved by the Central Government.

6.15.7. Based on the information furnished and field studies carried out and the loss reduction program proposed by the licensee, the Commission shall fix suitable targets for reduction of Distribution losses for the period specified by the Commission.

6.15.8. The licensee shall conduct regular energy audit and submit regular energy audit reports for the previous years to substantiate its estimation of energy losses. In case, the licensee is unable to submit energy audit report for previous years, it shall indicate reasons therefore.

6.15.9. In the absence of energy audit reports, the Commission may suo-moto determine the loss levels on the basis of information available.

#### 6.16. AT&C Losses

6.16.1. The licensee shall provide complete information of the total AT & C Losses during the previous year and that projected for the year for which the application is being made, including the basis on which such losses have been worked out.

6.16.2. The percentage AT&C losses shall be calculated as per CEA guideline of “Calculation Methodology for Computation of AT&C Losses” vide letter. No. CEA/DPD/AT&C losses/2017/758-818 dated. 02.06.2017 and “Addendum to AT&C loss calculation Methodology” dated 30.06.23:

	Particulars	Formula/Remarks
A	Input Energy (MU)	Energy Generated - Auxiliary Consumption + Energy Purchased (Gross) - Energy Traded/ Inter State Sales
B	Transmission Losses (MU)	
C	Net Input Energy (MU)	A-B

	<b>Particulars</b>	<b>Formula/Remarks</b>
D	Energy Sold (MU)	Energy Sold to all categories of consumers excluding units of Energy Traded/Inter-State Sales (Open Access / Wheeling units shall not be included)
E	Revenue from Sale of Energy (Rs Cr.)	Revenue from Sale of Energy to all categories of consumers (including Subsidy Booked) but excluding Revenue from Energy Traded /Inter-State Sales
F	Adjusted Revenue from Sale of Energy on Subsidy Received basis (Rs Cr.)	Revenue from Sale of Energy (same as above) minus Subsidy Booked plus Subsidy Received against subsidy booked during the year
G	Opening Debtors for Sale of Energy (Rs Cr.)	Opening debtors for sale of Energy as shown in Receivable Schedule (Without deducting provisions for doubtful debtors). Unbilled Revenue shall not be considered as Debtors.
H	Closing Debtors for Sale of Energy (Rs Cr.)	i) Closing debtors for Sale of Energy as shown in Receivable Schedule (Without deducting provisions for doubtful debts). Unbilled Revenue shall not be considered as Debtors. ii) Any amount written off during the year directly from(i)
I	Adjusted Closing Debtors for sale of Energy (Rs Cr.)	H (i+ii)
J	Collection Efficiency (%)	$(F+G-I)/E * 100$
K	Units Realized (MU)= [Energy Sold * Collection Efficiency]	$D * J/100$
L	Units Unrealized (MU)= [ Net Input Energy-Units Realized]	C-K
M	AT&C Loss (%) = [{Units Unrealized/Net Input Energy} * 100]	$L/C * 100$

6.16.3. The Distribution Licensee as a part of its MYT Petition shall submit the AT&C Loss trajectory agreed by the State Governments and approved by the Central Government under any National Scheme or Programme, or otherwise:

Provided that the Commission may stipulate trajectory for AT&C losses in its Order on the MYT Petition filed by Distribution Licensee.

### **6.17. Estimate of Energy Requirement**

6.17.1. Based on the estimated energy sales and the proposed distribution losses, the Licensee shall determine the quantum of electricity required to meet the estimated sales and shall submit to Commission which may approve the power purchase requirement with such modifications, as it deems fit, for the ensuing year or for the tariff period. Approved retail sales level shall be grossed up by normative level of T&D losses as specified by the Commission in the approved loss trajectory for the purpose of arriving at the quantity of power to be purchased.

## **6.18. Power Purchase Cost**

- 6.18.1. The Licensee shall procure power from approved sources. Additional energy required after taking into account the availability of energy from such approved sources, shall be reasonably estimated well in advance and procurement arrangements made for such long and medium term purchases, by following standard contractual procedures. All such purchases shall only be made with the prior approval of the Commission.
- 6.18.2. For purchase of electricity from sources outside the state, the transmission loss level agreed to in the Power Purchase Agreement (PPA) or worked out from energy accounts of RLDC / SLDC shall be taken into account for purchase of power from such sources.
- 6.18.3. The cost of power purchased from the central generating companies shall be worked out based on the tariff determination by the Central Electricity Regulatory Commission (CERC).
- 6.18.4. Where power is purchased by the licensee from State-owned existing generating stations, the cost of power purchase shall be worked out based on the price determined by the Commission and in case of power purchased from Renewable energy sources the quantum and the cost shall be as per the renewable energy Regulations / Policy approved by the State Commission / Central Commission depending upon their jurisdiction or as per the PPAs approved by the Commission.
- 6.18.5. The cost of power purchase from IPPs shall be considered based on existing Power Purchase Agreement if any, till the agreement period is over.
- 6.18.6. In case of short-term power purchase necessitated based on unprecedented development, the licensee may resort to short term procurement. Distribution Licensees can procure short term power only through prevalent market mechanisms, such as Power Exchanges, competitive bidding on DEEP Portal or through bilateral banking arrangement with other States' Distribution Licensees directly or through trading Licensees. The distribution licensee shall submit a rolling quarterly forecast of the quantum of short-term power to be purchased for the year for the Commission's approval. The forecast shall be based on monthly sales forecast, the power

available from approved long-term sources of power, merit order dispatch of available sources, banking with other distribution utilities, load curtailment, time of its requirement, availability of short-term power and the expected price. The distribution licensee shall provide the basis for forecast of short-term power procurement price including the criteria for evaluation of alternative options.

6.18.7. Further, the variation in actual quantum and price of short-term power vis-a-vis the quantum and price of short-term power approved by the Commission shall be subjected to prudence check by the Commission and shall be adjusted on yearly basis.

6.18.8. For different years under the Control Period, the power purchase cost of Distribution Licensee's shall be estimated on the basis of merit order principle based on a ranking of all approved sources. All power purchase costs will be considered legitimate unless it is established that the merit order principle has been materially violated or power has been purchased at unreasonable rates.

6.18.9. For determining the total power purchase cost of the Distribution Licensee for different years of the Control Period, the Commission shall also consider the renewable purchase obligation of the Distribution Licensee and the tariffs determined by the Commission for different types of renewable sources under relevant regulations/ orders.

### **6.19. Variation in Power Purchase**

6.19.1. Power purchased by the licensee in excess of the approved requirement of power, the Commission shall consider the need for such additional power at the time of truing up of the approved tariff, if it is for reasons beyond the reasonable control of the Distribution Licensee and the resultant financial loss or gain shall be adjusted in subsequent year tariff.

### **6.20. Transmission and Wheeling Charges**

6.20.1. Transmission (Inter and Intra State), Wheeling and other charges payable to the transmission licensee shall be considered as expense and included in the Power Purchase cost.

6.20.2. The inter-state transmission charges shall be estimated as per orders of the Central Electricity Regulatory Commission, the intra-state transmission charges shall be estimated in accordance with the transmission tariffs approved by the Commission, from time to time.

6.20.3. Transmission & wheeling charges paid for energy sold outside the state shall be accounted separately.

6.20.4. The reactive energy charges payable by the distribution licensee to the transmission licensee shall be payable as per MSERC State Grid Code Regulations, 2012, as amended from time to time.

6.20.5. The reactive energy charges paid by the distribution licensee however shall not be recovered through ARR.

#### **6.21. RLDC and SLDC Charges**

6.21.1. Load despatch charges payable to System Operators (National load Despatch Centre, Regional Load Despatch Centre, State Load Despatch Centre etc.) for availing load despatch services shall be estimated in accordance with the Fee & Charges approved by the appropriate Commission, from time to time.

#### **6.22. Deviation Settlement Mechanism (DSM) Charges**

6.22.1. The Regulation relating to deviation settlement mechanism charges shall be governed in accordance with the Meghalaya State Electricity Regulatory Commission (Intra-State Deviation Settlement Mechanism and Related Matters) Regulations, 2025.

#### **6.23. Fuel and Power Purchase Price Adjustment**

6.23.1. The Commission shall allow the recovery or refund, as the case may be, of additional charge for adjustment to tariff on account of change in fuel related costs of electricity generation and purchase of electricity.

6.23.2. The additional charge for adjustment shall be recovered or refunded, as the case may be, on a quarterly basis; and shall be taken as per actuals of the last three months.

6.23.3. “Fuel and Power Purchase Adjustment Surcharge” (FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost,

power purchase cost and transmission charges with reference to cost of supply approved by the Commission.

6.23.4. Fuel and power purchase adjustment surcharge shall be calculated and billed to consumers, automatically, without going through regulatory approval process, on a monthly basis, according to the formula, prescribed in these regulations, subject to true up, on an annual basis, as may be decided by the Commission:

Provided that the automatic pass through shall be adjusted for monthly billing in accordance with this regulations.

6.23.5. Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in (n+2)<sup>th</sup> month, on the basis of actual variation, in cost of fuel and power purchase and Transmission Charges (Interstate as well as intrastate) for the power procured during the n<sup>th</sup> month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year:

Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge (FPPAS) within this time line, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and, in such cases, the right to recover the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.

6.23.6. The distribution licensee may decide, fuel and power purchase adjustment surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to the consumers, but the carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total fuel and power purchase adjustment surcharge for a billing month, including any carry forward of fuel and power purchase adjustment surcharge over the previous month exceeds twenty per cent of variable component of approved tariff.

- 6.23.7. The power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surcharge followed by the subsequent month.
- 6.23.8. In case of carry forward of fuel and power purchase adjustment surcharge, the carrying cost at the rate of State Bank of India Marginal Cost of Funds-based Lending Rate plus one hundred and fifty basis points shall be allowed till the same is recovered through tariff and this carrying cost shall be true up in the year under consideration.
- 6.23.9. Depending upon quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that,
- (i) If fuel and power purchase adjustment surcharge  $\leq 5\%$ , 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee shall be levied automatically using the formula.
  - (ii) If fuel and power purchase adjustment surcharge  $> 5\%$ , 95% fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the State Commission during true up.
- 6.23.10. The distribution licensee shall submit details of the variation between expenses incurred and the fuel and power purchase adjustment surcharge recovered, and the detailed computations and supporting documents, along with the true up petition.
- (i) “Fuel Price and Power Purchase Adjustment” (FPPPA) shall be calculated only in respect of approved source wise power purchase quantum including short term power, if any, for the relevant year. The distribution licensee may resort to drawl of short-term power on TAM, DAM, RTM etc. to meet day to day exigencies provided no other cheaper source of power is available.
  - (ii) For the purpose of recovery of FPPPA, power purchase cost shall include all invoices raised by the approved suppliers of power and credit received by the distribution licensees during the year irrespective of the period to which these pertain for any change in cost in accordance with tariff approved by the Commission. This shall include arrears/refunds, if any, not settled earlier.
  - (iii) In case of negative FPPPA, the credit shall be given to the consumers by setting off the minus figure against the positive figure of FPPPA being

charged from the consumers. In other words, credit of FPPPA shall be given only against FPPPA being charged so that the base tariff determined by the Commission remains unchanged.

(iv) The allowed percentage of transmission and distribution losses for the relevant year allowed by the Commission in the ARR shall be considered for working out FPPPA.

(v) Per unit rate of FPPPA (paise/kWh or paise/kVAh) shall be worked out after rounding off to the nearest paise.

(vi) The distribution licensee shall submit details relating to FPPPA recovery to the Commission for each year in the following format: -

(i)	Approved power purchase volume from approved sources (MU)
(ii)	Approved power purchase cost (Rs. lakh)
(iii)	Actual power purchase volume (MU)
(iv)	Power purchased (MU) from sources not covered under Regulation 6.12.9 giving source wise details and in case of DSM the frequency at which DSM drawls were made (disallowed power purchase).
(v)	Actual cost of power purchase from all sources except (iv) (Rs. lakh)
(vi)	Actual cost of disallowed power purchase relating to (iv) (Rs. lakh)
(vii)	Total FPPA due for recovery for the relevant year (Rs. lakh)
(viii)	Month-wise Actual FPPA recovered for the relevant financial year, till date (Rs. lakh)
(ix)	Under/ over recovered FPPA (vii-viii) (Rs. lakh ).

6.23.11. The distribution licensee shall determine such charge, in accordance with the formula under sub-regulation 6.23.18 below, and after getting the approval of the recover or refund the same, as the case may be, from their respective beneficiaries / consumers.

6.23.12. To ensure smooth implementation of the fuel and power purchase adjustment surcharge mechanism and its recovery, the distribution licensee shall ensure that the licensee billing system is updated to take this into account and a unified billing system shall be implemented to ensure that there is a uniform billing system irrespective of the billing and metering vendor through interoperability or use of open source software as available; and

- 6.23.13. The distribution licensee shall send detail calculation of such charge quarterly to the Commission for scrutiny and approval along with the charge actually recovered / refunded.
- 6.23.14. The licensee shall publish all details including the fuel and power purchase adjustment surcharge formula, calculation of monthly fuel and power purchase adjustment surcharge and recovery of fuel and power purchase adjustment surcharge (separately for automatic and approved portions) on its website and archive the same through a dedicated web address.
- 6.23.15. The distribution licensee shall refund or recover, as the case may be, any difference of such charge already recovered by it and now approved by the Commission.
- 6.23.16. In case of any reduction in power purchase and fuel cost the licensee shall refund the same by adjustment in the monthly bill within 3 (three) months.
- 6.23.17. In case of any dispute, an appropriate petition in accordance with the Meghalaya State Electricity Regulatory Commission (Conduct of Business) Regulations, 2007 as amended from time to time shall be made before the Commission.
- 6.23.18. **Computation formula of Fuel and Power Purchase Adjustment Surcharge:**

$$\text{Monthly FPPAS for } n^{\text{th}} \text{ Month (\%)} = \frac{(A-B)*C + (D-E)}{\{Z * (1 - \text{Distribution losses in\%/100})\} * ABR}$$

Where,

$n^{\text{th}}$  month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in the  $(n-2)^{\text{th}}$  month

A is Total units procured in  $(n-2)^{\text{th}}$  Month (in kWh) from all Sources including Long-term, Medium –term and Short-term Power purchases (To be taken from the bills issued to distribution licensees)

B is bulk sale of power from all Sources in (n-2)<sup>th</sup> Month. (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month)

C is incremental Average Power Purchase Cost= Actual average Power Purchase Cost (PPC) from all Sources in (n-2) month (Rs./ kWh) ( computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs./ kWh)- (from tariff order)

D = Actual inter-state and intra-state Transmission Charges in the (n-2)<sup>th</sup> Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (n-2)<sup>th</sup> Month. = (Approved Transmission Charges/12) (in Rs)

Z = [{Actual Power purchased from all the sources outside the State in (n-2)<sup>th</sup> Month. (in kWh)\* (1 - Interstate transmission losses in % /100) + Power purchased from all the sources within the State (in kWh)}\*(1 - Intra state losses in %) - B]/100 in kWh

ABR = Average Billing Rate for the year (to be taken from the Tariff Order in Rs/kWh)

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order)

Inter-state transmission Losses (in %) = As per Tariff Order

Provided the Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism

Provided further that other charges which include Ancillary Services and Security Constrained Economic Despatch shall not be included in Fuel and Power Purchase Adjustment Surcharge and shall be adjusted though the true-up approved by the Commission.

## **6.24. Return on Equity**

6.24.1. The Distribution Licensee shall be allowed a return on equity for Distribution Business, as specified in these Regulations.

**6.25. Interest and finance charges on loan capital**

6.25.1. The Distribution Licensee shall be allowed Interest and Finance Charges on loan capital for Distribution Business, as specified in these Regulations.

**6.26. Operation and Maintenance Expenses**

6.26.1. Operation and Maintenance Expenses or O&M Expenses shall mean the total of all expenditure under the following heads:

- Employee Cost
- Repairs and Maintenance
- Administration and General Expenses.

6.26.2. The distribution Licensee shall submit to the Commission a statement for O&M expenses indicating under each head of account the actuals of last year, estimates for the current year and projections for the ensuing years. The O&M expenses (in Rs. Cr.) for the control period shall be approved by the Commission taking into account the following norms for the control period and prudence check in accordance with Regulation 3.9 of this regulation.

<b>Particulars</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>FY 2029-30</b>
Employee Expenses	196.44	201.80	207.31
R&M Expenses	7.95	8.17	8.39
A&G Expenses	22.55	23.17	23.80
<b>Total</b>	<b>226.95</b>	<b>233.14</b>	<b>239.51</b>

6.26.3. Pension Liability shall be paid for the past period in line with the Commission's Order dated 26.03.2026 till FY 2033. Adjustment, if any shall be made on account of differential Actuarial Valuation only.

6.26.4. There will be no true up of O&M cost except for any increase in O& M expenses due to natural calamities or insurgency or other factors not within the control of the distribution licensee may be considered by the Commission.

## **6.27. Bad and Doubtful Debts**

6.27.1. The Commission may after the distribution licensee gets the receivables audited, allow a provision for bad debts not exceeding an amount equal to 1 percent receivables in the revenue requirement of the licensee.

## **6.28. Forecast of Revenues**

6.28.1. The revenues of the distribution licensee from the business of the distribution of electricity shall comprise of the following components.

- Revenue from sale of power i.e., tariff income
- Non-tariff income
- Income from cross subsidy surcharge and additional surcharge from open access customer
- Wheeling charges if any recovered from open access consumers.
- Any grant received from the State Government, other than the subsidy meant for any consumer or class of consumers.
- Net income from other business

## **6.29. Non-Tariff Income**

6.29.1. The non-tariff income relating to distribution business, or the retail business as approve by the Commission shall be deducted from the aggregate revenue requirement in calculating the revenue requirement for retail sale of electricity of the distribution licensee. The licensee shall provide full details of his forecast of his non-tariff income to the Commission. The indicative list of various heads of non-tariff income shall be as follows:

- Income from rent of land or buildings or other asset
- Income from sale of scrap
- Income from meter rent
- Income from interest on Fixed Deposits (including contingency reserve investment)
- Income from various customer charges
- Income from investments

- Income from advertisements, sale of tender
- Miscellaneous receipts from consumers
- Trading income
- Rebate on Power Purchase bills
- Service charges, supervision charges for contractual works, etc
- Prior period income
- Interest on staff loans and advances to suppliers/contractor
- Rental from staff quarters
- Rental from contractors
- Income from Insurance claim receipt
- Recovery of theft and pilferage of energy
- Meter/metering equipment/service line rentals
- Any other income excluding which are considered for sharing of gains

Provided, any subsidy or grant or financial support received from State Government pertaining to Financial Restructuring, Loss Recovery, takeover of any loss due to Loan Non-repayment or similar arrangements etc. shall not be considered under the purview of Non-Tariff Income for the purpose of determination of Aggregate Revenue Requirement.

### **6.30. Income from Other Business**

6.30.1. Where the Distribution Licensee has engaged in any Other Business under Section 51 of the Act for optimum utilisation of its assets, an amount equal to one-third of the revenues from such Other Business after deduction of all direct and indirect costs attributed to such Other Business shall be deducted from the Aggregate Revenue Requirement in calculating the revenue requirement from retail sale of electricity of the Distribution Licensee:

Provided that the Distribution Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Distribution Business and the Other Business and shall submit the Allocation Statement, duly audited and certified by statutory auditors, to the Commission along with his application for determination of tariff:

Provided further that once the Commission notifies the Regulations for submission of Regulatory Accounts, the applications for tariff determination and truing up shall be based on the Regulatory Accounts:

Provided further that where the sum total of the direct and indirect costs of such Other Business exceeds the revenues from such Other Business or for any other reason, no amount shall be allowed to be added to the Aggregate Revenue Requirement of the Distribution Licensee on account of such Other Business.

### **6.31. Wheeling Charges**

6.31.1. Wheeling charges payable to a distribution licensee by a customer shall be determined in accordance with the following formula:

$$\text{Wheeling Charges} = (\text{FC}) / (\text{Ew}) \text{ (in Rs./kWh)}$$

Where,

FC= Fixed cost of the Distribution network out of total Annual Revenue Requirement towards wheeling of the distribution licensee in the concerned year in line with the Regulation 6.2.

Ew= Total projected sales to the consumers other than consumers connected to the STU directly

Provided that open access consumers connected to the distribution network shall be liable to pay same wheeling charge on account of open access

6.31.2. Income from wheeling charges from short term open access consumers shall be deducted from the aggregate revenue requirement in calculating revenue requirement and retail tariff.

6.31.3. An Open Access Consumer of distribution licensee shall pay to the Distribution Licensee such Wheeling Charges, on the basis of scheduled energy drawl, as may be determined under the Regulations of the Commission governing Multi-Year Tariff in line with the Regulation 6.31.1 above;

Provided also that any Generating Station embedded within the area of the distribution licensee shall pay to the Distribution Licensee such Wheeling

Charges, on the basis of actual energy being injected for wheeling its power as may be determined under the Regulations of the Commission governing Multi-Year Tariff;

6.31.4. Wheeling Charges shall not be applicable in case a Consumer or Generating Station or Licensee is connected to the Transmission System directly or using dedicated lines owned by the Consumer or Generating Station only if such dedicated lines are used for point-to-point transmission or wheeling of power from Generating station to load centre without any interconnection with distribution system.

### **6.32. Cross-Subsidy Surcharge**

6.32.1. “Cross-subsidy for a consumer category” in the first phase (as defined below) means the difference between the average tariff of that category and the combined average cost of supply per unit. In the second phase (as defined below) means the difference between the average tariff of that category and the combined per unit cost of supply for that category.

6.32.2. The Commission shall determine the tariff to progressively reflect the cost of supply of electricity and also reduce cross subsidies within a reasonable period. To this purpose, in the first phase the Commission shall determine tariff so that it progressively reflects combined average unit cost of supply in accordance with National Tariff Policy. In the second phase, the Commission shall consider moving towards the category-wise unit cost of supply as a basis for determination of tariff.

6.32.3. The amount received by the distribution licensee by way of cross subsidy surcharge shall be considered as non-tariff income and deducted from the aggregate revenue requirement in calculating revenue requirement from retail sale of electricity of such distribution licensee.

6.32.4. The Commission will determine annually the surcharge payable by the open access consumers so as to meet the current level of cross subsidy level in the system according to section 42 (2) of the Act and in accordance with the clause 8.5 of National Tariff policy notified by Ministry of Power Resolution dated 28<sup>th</sup> January 2016 as produced below:

$$S = T - [C / (1 - L/100) + D + R]$$

Where,

S is the surcharge

T is the tariff payable by the relevant category of consumers, including reflecting the Renewable Purchase Obligation

C is the per unit weighted average cost of power purchase by the Licensee, including meeting the Renewable Purchase Obligation

D is the aggregate of transmission, distribution, and wheeling charge applicable to the relevant voltage level

Provided that the component D shall not include Distribution/ wheeling charge for the consumers connected directly to the STU system and not paying wheeling charges to distribution licensee.

L is the aggregate of transmission, distribution, and commercial losses, expressed as a percentage applicable to the relevant voltage level

R is the per unit cost of carrying Regulatory assets if any.

6.32.5. The open access consumers who do not have contract demand with the Distribution Licensee and connected to intra state transmission system shall also pay the cross-subsidy surcharge as may be determined by the Commission. The amount of cross subsidy surcharge shall be paid by all open access consumers to the distribution licensee of the area of supply where such consumers are located. The amount of surcharge shall be so calculated so as to meet the current level of cross subsidy being paid by other consumers taking supply from the distribution licensee.

Provided that consumers having captive generation are not required to pay any cross subsidy surcharge for wheeling their power from the captive plant.

6.32.6. The licensee shall provide the consumer category-wise details of the cross – subsidy received during the year along with the tariff filings.

6.32.7. The distribution licensee shall also submit along with ARR, requisite calculation for determination of cross subsidy surcharge for consideration of the Commission. The cross-subsidy surcharge and additional surcharge shall be payable as determined by the commission from time to time.

### **6.33. Additional Surcharge**

6.33.1. The amount received by distribution licensee by way of additional surcharge from consumers who intends to avail open access to receive supply from a person other than such distribution licensee of his area of supply, shall be considered as non-tariff income and deducted from the aggregate revenue requirement in calculating revenue requirement from retail sale of electricity of such distribution licensee.

6.33.2. The Commission will determine the amount of additional surcharge that is payable by the open access consumer to meet the fixed cost of such distribution licensee arising out of his obligation to supply of electricity according to section 42 (4) of the Act and in accordance with MSERC (Terms and Conditions of Open Access) Regulations 2012 as applicable and as amended through Orders issued by the Commission from time to time. The Additional Surcharge shall be computed based on the net stranded fixed cost attributable to Open Access consumers, in accordance with the methodology specified in this Regulation.

#### **6.33.3. Methodology of Determining Additional Surcharge**

##### **1) Data Requirement**

The Distribution Licensee shall furnish the following month-wise data duly certified by the State Load Despatch Centre and the Statutory Auditor:

- (i) Declared Capacity of contracted thermal generating stations which are tied up in long-term contracts (i.e. CGS and SGS Power generating stations) with the Distribution licensee;
- (ii) Actual Energy scheduled by the Distribution Licensee from the Thermal Generating Stations; and
- (iii) Open Access energy scheduled by consumers;
- (iv) Actual Energy scheduled/drawn by open access consumers including supply from distribution licensee;
- (v) Actual Fixed cost paid to the Thermal Generators (CGS and SGS);
- (vi) Actual Inter-State Transmission charges paid;

(vii) Actual CTU (Inter-State Transmission) Loss%

## 2) Computation of Stranded Capacity

- (i) The Commission shall determine the capacity not availed based on the difference between declared capacity and scheduled energy.
- (ii) The stranded capacity attributable to Open Access shall be determined as the lower of (1) Capacity not availed; and (2) Open Access energy scheduled, i.e.

Stranded Capacity = Minimum of (Capacity not availed, Open Access energy scheduled)

## 3) Stranded Fixed Cost

The Commission shall consider the Stranded fixed cost liability based on the Fixed Cost liability towards Power procurement including interstate transmission based on stranded capacity as determined under Regulation 6.33.3 (2). For Intra State Transmission Services, Open Access Consumers shall pay directly to STU in line with the Regulation 6.20. The Component of Stranded Fixed Cost will be determined as follows:

- (i) Fixed capacity charges of thermal generating stations tied up under long-term or medium-term power purchase agreements, in proportion to the stranded capacity attributable to Open Access; and
- (ii) Fixed Capacity charge of Inter-State Transmission Charges (CTU), which shall be computed in proportion to the stranded inter state open-access capacity at the regional periphery level;

## 4) Adjustment of Demand Charges

The demand charges recovered from Open Access consumers in proportion to open access drawal out of total energy drawal for the relevant period corresponding to the stranded capacity shall be deducted from the total stranded fixed cost to arrive at the net stranded cost.

**5) Determination of Additional Surcharge Rate**

The Additional Surcharge shall be determined by dividing the net stranded cost by the total Open Access energy scheduled during the relevant period, expressed in Rs/kWh.

**6) Periodicity and Review of Additional Surcharge**

- (i) The Additional Surcharge shall be determined on a half-yearly basis.
- (ii) The Distribution Licensee shall submit the required data, duly certified by the State Load Despatch Centre, within forty-five (45) days from the end of each six-month period.
- (iii) The Commission shall undertake true-up of the Additional Surcharge based on actual data.
- (iv) Any surplus or deficit shall be adjusted in the subsequent period, as determined by the Commission.

6.33.4. The Commission shall scrutinize the submissions made by the Distribution Licensee, invite stakeholder comments, and approve the Additional Surcharge for a period not exceeding one year, subject to review and revision based on actual data and market conditions.

Provided that the Additional Surcharge determined by the Commission for the respective consumer categories shall not be more than the per unit fixed cost of power purchase of the Distribution Licensee concerned.

6.33.5. The licensee shall provide the consumer category-wise details of the additional surcharge received during the year along with the tariff filings.

6.33.6. The distribution licensee shall also submit along with ARR, requisite calculation for determination of additional surcharge for consideration of the Commission. The cross-subsidy surcharge and additional surcharge shall be payable as determined by the commission from time to time.

6.33.7. The amount received by the Distribution Licensee by way of Additional Surcharge, as approved by the Commission, shall be considered as non-tariff income and deducted from the Aggregate Revenue Requirement for

determining the Tariff for retail supply of electricity by such Distribution Licensee.

#### **6.34. Revenue at existing tariff**

6.34.1. Revenue from supply of electricity to consumers shall be assessed based on current tariff and quantity of electricity estimated to be sold to them. The revenue shall be calculated category wise.

#### **6.35. Revenue Gap**

6.35.1. For the tariff year, the difference between the net Annual Revenue Requirement and the expected Revenue at the prevailing tariff shall be the 'Revenue Gap'.

6.35.2. The revenue gap shall be bridged by measures such as improvements in internal efficiency, utilization of reserves, tariff changes etc. as may be approved by the Commission.

#### **6.36. Provision of Subsidy**

6.36.1. If the State Government decides to grant any subsidy to any consumer or class of consumers in the tariff determined by the Commission under Section 62 of the Act, the State Government shall, notwithstanding any direction which may be given under Section 108 of the Act, pay in advance and in such manner as may be specified by the Commission, to the party affected by grant of subsidy, such amount as to fully compensate the loss in revenue due to grant of such subsidy.

Provided that no such direction of the State Government shall be operative, if the subsidy payment is not made in accordance with the provisions contained in this regulation and the tariff fixed by the Commission shall be applicable from the date of issue of orders by the Commission in this regard.

#### **6.37. Performance of Distribution Licensee**

6.37.1. The quality of service provided by the distribution licensee to its consumers shall be an important consideration in the tariff process and shall be

judged by the extent of adherence by the licensee to the standards of performance and to various directives issued by the Commission.

6.37.2. The Commission may by separate orders lay down targets for technical and commercial improvement of the system like availability of supply, reduction in transformers failures, reduction in voltage imbalances, reductions in defective meters, improvement in meter reading, collection system and grievance handling system.

### **6.38. Determination of Retail Supply Tariff**

6.38.1. Retail Supply Tariff, applicable to various categories of consumers, is a composite tariff consisting only of Demand/Connection charges and Energy charges and Wheeling charges, determined on the basis of the ARR of Distribution Licensee, as approved by the Commission in the Tariff Order. While determining tariff for retail supply the Commission shall be guided by section 61 and 62 of the Act.

6.38.2. The distribution licensee in the petition shall propose the suitable tariff structures for different categories of consumers. The licensee may further propose KVAh tariff for categories considered appropriate by it for implementation.

6.38.3. The Commission may merge categories and sub-categories to evolve a simple, easy to comprehend and logical tariff structure.

6.38.4. A differential tariff for peak and off peak hours may be designed to promote demand side management. Distribution licensee shall propose peak, off peak and solar hour tariff.

6.38.5. The Commission, shall not, while determining the tariff, show undue preference to any consumer of electricity but may differentiate according to consumer's load factor, voltage, total consumption of electricity during any specified period or time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.

6.38.6. The Commission may rationalize the tariff structure and may introduce incentive/disincentive in the tariff in the interest of environment, consumers and the licensee. A green charge may be considered in tariff of high consumption/high revenue yielding category of consumers for promotion of renewable energy.

6.38.1. The Commission may categorize consumers on the basis of their Load Factor, Power Factor, Voltage, total consumption of electricity during any specified period, or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.

6.38.2. The retail supply Tariff for different consumer categories shall be determined on the basis of the Average Cost of Supply.

### **6.39. Determination of the Demand or Fixed Charges**

6.39.1. The Commission shall determine consumer wise demand/fixed charge in terms of Rs. per kW/KVAh per month basis.

6.39.2. While determining demand/fixed charge Commission will be guided by the recommendation of CEA/FOR/MoP and also the Load Factor and connected load of consumers.

### **6.40. Determination of the Energy Charges and Wheeling Charges**

6.40.1. Energy Charge and Wheeling charge will be determined based on the projected sales of energy to various category of consumers. The Commission will determine the Average Rate based on the approved ARR for the distribution licensee and projected sales.

6.40.2. Wheeling charge shall be determined as per Regulation 6.31.

6.40.3. The Commission will determine Energy Charges for each category of consumers after adjusting Fixed Charge as determined under Regulation 6.39.3 and Wheeling Charge wherever applicable, while ensuring that Cross Subsidy Level remains within +/-20% as per National Tariff Policy on Total Tariff for all category of consumers.

#### **6.41. Time of Day (ToD) Tariff**

6.41.1. The Distribution Licensee shall propose consumer category-wise ToD tariff for consumers of all categories having load of 10 kW and above, along with rebate/penalty under different time slots at the time of Tariff filing.

Provided that any deviation from the MSERC (Electricity Supply Code) (1 of 2026) Regulation 2026 and its subsequent amendments and any other applicable provisions of law shall be accompanied by a detailed justification submitted by the Distribution Licensee.

Provided that Distribution Licensee may propose seasonal ToD tariff in its MYT Petition.

Provided further that such proposal shall be substantiated by a comprehensive data analysis of the consumption patterns of the relevant consumer categories and an assessment of the anticipated impact of the proposed ToD structure.

#### **6.42. Treatment of Load Factor**

6.42.1. The Commission may direct certain class of consumers to maintain load factor at a stipulated level, as may be decided by the Commission, and allow incentive or impose penalty through rebate or surcharge for maintaining load factor above or below the stipulated level, as the case may be.

6.42.2. For the purpose of billing, the load factor of a consumer for a billing month shall be determined in accordance with the following formula:

$$\text{Load Factor (\%)} = \frac{\text{Energy Consumed in Kwh for the billing period} \times 100}{(H - \sum H_i) \times MD + \sum (H_i \times RDi)}$$

Where,

H = Total Hours in the billing period

MD = Maximum Demand for Load Factor Calculation

= Recorded maximum demand in the billing period or 85% of the contract demand whichever is higher

H<sub>i</sub> = The duration involved for ith incidence of interruption / total shed/partial restriction on load in supplying power to the consumer by the licensee as specified under these regulations.

$RD_i$  = Restricted load imposed on the consumer corresponding to  $i$ th incidence or actual drawal during the period of such restriction whichever is higher.

6.42.3. The computation of load factor rebate and surcharge shall exclude that period which is a part of the concerned billing period and when load of the consumer is interrupted/ totally shed / partially restricted because of any fault of the licensee in its system or for non-availability of power with the licensee due to lower supply of electricity from its own generating source or its other suppliers of power or due to imposition of restriction on load by the licensee on drawal of power by its consumer. Such interruption shall also include the interruption caused by the grid failure or automatic under frequency relay tripping or any force majeure event not related to licensee.

6.42.4. For the purpose of load factor calculation as provided in Regulation 6.42.2 of these regulations, the following principles shall be followed:

i) If Maximum Demand (MD) is in KVA, it shall be converted into KW by using the formula:

$$KW = KVA \times PF, \text{ where PF is the power factor.}$$

ii) If  $RD_i$  is in KVA, it shall be converted into KW by using the formula:

$$KW = KVA \times PF, \text{ where PF is the power factor.}$$

iii) PF shall be considered as average power factor of the month when 85% or less of the contract demand is recorded maximum demand.

iv) When maximum demand (MD) represents actual recorded maximum demand, which is higher than 85% of contract demand, PF will be the actual average power factor of the time block corresponding to the period of recording the maximum demand.

v) For total shedding or interruption,  $RD_i$  shall be considered as zero.

Provided further that for industrial consumers who are already cross-subsidizing the other category of consumers shall only be entitled Load Factor.

#### **6.43. Treatment of Power Factor**

6.43.1. The Commission directs certain class of consumers to maintain power factor at a stipulated level, as per MSERC Electricity Supply Code Regulation 2026 and its amendments from time to time, and introduce Power Factor incentive or impose Power Factor penalty through rebate or surcharge at appropriate time through separate Order for maintaining power factor above or below the stipulated level, as the case may be.

6.43.2. Provided the Distribution Licensee shall monitor the Power Factor performance across consumer categories and submit periodic reports to the Commission from time to time and a consolidated report to the Commission at the time of submitting True-Up Petition.

#### **6.44. Smart / Prepaid Metering**

6.44.1. In accordance with the Revamped Distribution Sector Scheme (RDSS) notified by the Ministry of Power, Government of India, and the provisions of Clause 5 of the Electricity (Rights of Consumers) Rules, 2020, the Distribution Licensee shall progressively implement smart meters or prepaid metering infrastructure across consumer categories. All new electricity connections shall be provided with smart meters or prepayment meters. Any deviation from this requirement shall be subject to prior approval of the Commission, with recorded justification.

6.44.2. The Distribution Licensee shall submit a category-wise trajectory for the installation of smart/prepaid meters as part of the Multi-Year Tariff Petition. The Commission shall approve the trajectory in the MYT Order and monitor its implementation. Based on the Licensee's performance against the approved targets, the Commission may allow incentives or impose penalties, as deemed appropriate in the Tariff Order.

6.44.3. The consumers under the prepaid metering scheme shall be exempt from providing security deposits for energy charges and shall not be liable to pay meter rent if they bear the cost of the meter.

6.44.4. Prepaid metering shall enable real-time deduction of charges based on actual consumption, thereby promoting transparency, billing efficiency, and demand-side management. The Licensee shall ensure availability of digital

platforms for recharge and consumption tracking. In areas where vending infrastructure is unavailable, pre-denominated prepaid options may be offered, and any unused balance due to expiry or discontinuation of service shall be refunded to the consumer within the timeframe specified by the Commission.

6.44.5. In case of temporary non-availability of prepaid meters, post-paid meters may be installed, provided that billing is carried out under the applicable prepaid tariff. Such temporary arrangements shall not exceed a period of two years. Beyond this period, if prepaid meters are still not installed, the Licensee shall not be permitted to recover any resulting financial losses through tariffs.

6.44.6. In order to optimize the energy portfolio and reduce the overall power purchase cost, the Commission may permit the Distribution Licensee to substitute costlier long-term power with short-term power procurement, or vice versa. Such substitution shall be allowed only upon submission of a detailed cost-benefit analysis and assurance of supply reliability. The objective shall be to minimize the burden on consumer tariffs through prudent portfolio management.

6.44.7. The Licensee shall submit quarterly reports to the Commission detailing the progress of smart/prepaid meter implementation, consumer category-wise adoption, and the financial impact on tariff and billing efficiency.

## 7. CHAPTER – 7 - SLDC BUSINESS

### 7.1. Applicability

7.1.1. This Chapter shall apply to determination of fees and charges to be levied by the SLDC in the state of Meghalaya, with effect from April 01, 2027, from the users of intra-state transmission system (i.e. Generating Companies, transmission and distribution licensee, trading companies and open access consumers).

### 7.2. Capital Investment Plan

7.2.1. SLDC shall submit a detailed capital investment plan, financing plan and physical targets for each year to the Commission for approval, as a part of the Multi-Year Aggregate Revenue Requirement for the entire Control Period based on the operational requirements prescribed by the Commission and recommendations of various Committees constituted for looking into matters related to strengthening of the State Load Despatch Centres by the Ministry of Power, Government of India or any such other statutory authorities, to the Commission for approval, as a part of the Aggregate Revenue Requirement for the entire Control Period.

7.2.2. SLDC shall submit the Capital Investment Plan as specified in Chapter 2 of these Regulations.

7.2.3. Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects for in-principle clearance of proposed investment schemes for such amount as may be stipulated by the Commission from time to time, and shall be in such form as may be stipulated.

7.2.4. Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required showing the need for the proposed investments, alternatives considered, cost/benefit analysis and other aspects that may have a bearing on the SLDC Fees and Charges.

7.2.5. The Commission shall consider the Capital Investment Plan along with the Aggregate Revenue Requirement for the entire Control Period submitted by

the SLDC taking into consideration the prudence of the proposed expenditure and estimated impact on SLDC Fees and Charges.

- 7.2.6. SLDC shall submit, along with the Petition for determination of Aggregate Revenue Requirement on each year of the control period, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require to assess such progress.

Provided that the computation of incentives on the allowable RoE shall be undertaken as per Regulation 3.11 of these Regulations.

- 7.2.7. SLDC shall be required to ensure that the procurement of the assets have been undertaken in a competitive and transparent manner. Further the assets so capitalized as a part of the approved capital investment plan under these Regulations should necessarily be geo-tagged and properly recorded in Fixed Asset Register (FAR) for allowance of the capitalization of the same by the Commission.

Provided that regarding the assets already capitalized as on April 01, 2026, the SLDC shall prepare and submit to the Commission a time-bound plan to undertake the geotagging in phased manner, preferably within the Control Period, along with the MYT Petition.

Provided further that the SLDC must provide access of the details of geo-tagging to the Commission.

### **7.3. Petition for determination of SLDC Charges**

- 7.3.1. The SLDC shall provide to the Commission, full details of calculations of its Aggregate Revenue Requirement for the ensuing financial year, not later than 30<sup>th</sup> November of the previous year before the commencement of the said ensuing Year.

- 7.3.2. The total annual expenses and return on equity of the SLDC for each financial year of the Control Period shall be worked out on the basis of expenses and return allowed in terms of this Regulations.

- 7.3.3. SLDC shall also file the proposed allocation of charges to all the users of intra State Transmission System being monitored and serviced by it in line with this Regulations. SLDC shall further forward a copy of its petition for determination of Aggregate Revenue Requirement along with the proposal for allocation of charges to all the users of intra State Transmission System being monitored and serviced by it.
- 7.3.4. SLDC shall provide the details of calculation of the expenses and other related information in the formats as specified by the Commission from time to time.
- 7.3.5. SLDC shall also furnish the details of capital investment plan for the Control Period. For capital investment schemes exceeding the amount specified by the Commission, approval of the Commission shall be obtained in respect of each of such schemes prior to commencement of works.
- 7.3.6. The Aggregate Revenue Requirement and other details filed by the SLDC shall be scrutinised and as a result of such scrutiny, the Commission may call for such further information and clarification as may be required.
- 7.3.7. Based on the information furnished by SLDC and after due examination, scrutiny and consultation process, the Commission will approve the Aggregate Revenue Requirement covering the expenses of the SLDC and determine the SLDC Charges.
- 7.3.8. In the event of non-revision of SLDC charges during any year, any variation (shortfall or excess) in recovery of SLDC charges shall be carried forward to the next financial year and adjusted as may be decided by the Commission.
- 7.3.9. The SLDC shall submit periodic returns containing operational and cost data, as may be prescribed by the Commission.

**7.4. Levy and Collection of Charges from Generating Companies, Licensees and LTOA/MTOA beneficiaries**

- 7.4.1. All expenses incurred by SLDC shall be accounted separately. Expenses incurred by SLDC on discharging its functions as specified in Section 32 of the Electricity Act, 2003 shall be recovered from the Generating Companies, Licensees and LTOA/MTOA beneficiaries through Charges.

7.4.2. The SLDC shall recover the following Fees as approved by the Commission from time to time:

- a) Registration or Connection Fees per connection from all users connecting to the Intra-State Transmission System;
- b) Scheduling Fees per day for intra-State short-term Open Access transactions;
- c) Re-scheduling Fees for each revision in schedule after the finalization of schedules by the SLDC on a day-ahead basis or for non-submission of schedule as per State Grid Code requirements;
- d) Short-term Open Access Application Processing Fees;
- e) Any other Fees approved by the Commission from time to time.

7.4.3. The revenue from such Fees shall be considered for adjustment of Annual Fixed Charges in subsequent Years unless the same forms part of the LDC Development Fund.

7.4.4. Charges to be recovered from Generating Companies, Licensees and LTOA/MTOA beneficiaries shall be determined taking into account the following expenses:

- (a) Operation & Maintenance expenses;
  - (b) Depreciation;
  - (c) Regional Load Despatch Centre (RLDC) Fees and North-Eastern Region Power Committee (NERPC) Charges;
  - (d) SCADA upgradation Charges
  - (e) Interest and Finance Charges on Loan Capital & Return on Equity and/or Return on Capital Employed;
  - (f) Interest on working capital;
- minus:
- (g) Non-Tariff Income;
  - (h) Income from Open Access charges.

Provided that depreciation, interest and finance charges on loan capital &

return on equity and/or return on capital employed, interest on working capital for the SLDC shall be allowed in accordance with the provisions specified in Chapter 3 of these Regulations:

Provided further that prior period income/expenses shall be allowed by the Commission at the time of truing up based on audited accounts, on a case to case basis, subject to prudence check.

Provided also that all penalties and compensation payable by SLDC to any party for failure to meet its obligations or for damages, as a consequence of the orders of the Commission shall not be allowed to be recovered whereby the details of penalties and compensation paid or payable, if any, is required to be submitted to the Commission along with the Petition under these Regulations.

Provided also that the SLDC shall maintain separate details of such penalties and compensation paid or payable by the SLDC, if any, and shall submit the same to the Commission along with the Petitions to be submitted under these Regulations.

## **7.5. Operation and Maintenance expenses**

7.5.1. The SLDC shall be allowed an Operation and Maintenance expense for its Business, as specified under Regulations 3.9.

7.5.2. Provision of expenses shall not be considered as actual expenses at the time of true-up, and only expenses as actually incurred shall be considered.

7.5.3. The SLDC may undertake OPEX schemes for system automation, new technology and IT implementation, etc., and such expenses may be allowed over and above normative O&M Expenses, subject to prudence check by the Commission:

Provided that the SLDC shall submit detailed justification, cost benefit analysis, and life-cycle cost analysis of such schemes as against capex schemes, and savings in O&M expenses, if any.

## 7.6. Non-Tariff Income

7.6.1. The amount of Non-Tariff Income relating to the SLDC as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining the Charges of the SLDC:

Provided that the SLDC shall submit full details of its forecast of Non-Tariff Income to the Commission in such form as may be stipulated by the Commission from time to time.

7.6.2. The indicative list of various heads that shall be considered under Non-Tariff Income is as under:

- (a) Income from rent on land or buildings;
- (b) Income from sale of scrap;
- (c) Interest on advances to suppliers/contractors;
- (d) Rental from staff quarters;
- (e) Rental from contractors;
- (f) Income from hire charges from contractors and others;
- (g) Income from Insurance claim receipt;
- (h) Deferred Income from grant, subsidy, etc. as per Annual Accounts;
- (i) Scheduling and System Operation Charges;
- (j) Miscellaneous receipts such as application fees, etc.;
- (k) Excess found on physical verification;
- (l) Interest on investments, fixed and call deposits and bank balances;
- (m) Prior period income,
- (n) Any Other Non-Tariff Income:

Provided that the interest/dividend earned from investments made out of Return on Equity of the SLDC shall not be included in Non-Tariff Income.

### **7.7. RLDC Fees and NERPC Charges**

7.7.1. RLDC Fees and Charges payable by SLDC in accordance with the relevant Orders issued by the CERC from time to time shall be allowed to be recovered by SLDC through the Fees and Charges as approved by the Commission.

7.7.2. The NERPC Charges payable to the NERPC's Secretariat shall be allowed to be recovered by the SLDC through the Fees and Charges as approved by the Commission.

7.7.3. The SLDC shall have to produce documentary proof towards payment of such Charges at the time of Truing up:

Provided that any variation between the approved RLDC Fees and Charges and NERPC Charges and that actually paid by the SLDC shall be considered during the true-up as per audited accounts, subject to prudence check and any other factor considered appropriate by the Commission.

### **7.8. ULDC charges and SCADA upgradation Charges**

7.8.1. ULDC charges as payable by the SLDC in accordance with the relevant Orders for ULDC scheme in the North-Eastern Region issued by the CERC / NERLDC / NERPC from time to time shall be allowed to be recovered by the SLDC through the Fees and Charges as approved by the Commission.

7.8.2. Any expenditure incurred for the SCADA upgradation charges relate to Hardware or Software shall be allowed to be recovered by SLDC through the Fees and Charges as approved by the Commission.

7.8.3. SLDC shall have to produce documentary proof towards payment of such Charges at the time of Truing up.

### **7.9. Load Despatch Centre Development Fund**

7.9.1. The SLDC shall create and maintain a separate fund called 'Load Despatch Centre Development Fund' ("LDCD Fund").

- 7.9.2. All the other income of SLDC like short term open access charges, registration charges, scheduling and operating charges, etc. shall be deposited into LDCD Fund.
- 7.9.3. The SLDC shall be entitled to utilise the money available in the LDCD Fund for creation of new assets, meeting stipulated equity portion in asset creation, margin money for raising loan from the financial institutions and funding of R&D projects.
- 7.9.4. The LDCD Fund shall not be utilized for revenue expenditure except to meet the short fall, if any, in the annual charges allowed by the Commission or to meet the contingency expenses which were not foreseen at the time of making the application for fees and charges and are considered necessary for the efficient power system operation. However, such draws from the said fund shall be recouped from the expenditure allowed by the Commission under the respective heads at the time of truing up.
- 7.9.5. Any asset created by the SLDC out of the money deposited into the LDCD Fund shall not be entitled for return on equity, interest on loan and depreciation on same principles as in case of grant. SLDC shall submit details of such assets in the CAPEX plan.
- 7.9.6. For any excess corpus available in the LDC development fund after utilisation for the purpose of undertaking capital expenditure shall be invested by SLDC in appropriate interest-bearing instruments only preferably government securities and shall not be a market linked product, with the intent to ensure optimum utilisation of the un-utilised funds.

Provided that the income earned through these investments will be passed on to the Beneficiaries as part of the Non-Tariff Income.

Provided further that in case the excess corpus is not invested/utilised by SLDC in appropriate interest-bearing instruments, then the normative interest income, computed at the weighted average Bank Rate, as applicable for the year, shall be included under the Non-Tariff income of the SLDC.

7.9.7. SLDC shall submit the amount accumulated in LDC development fund along with the breakup of sources from where the fund is received. The Commission shall review the LDC development fund every year and issue directions to SLDC for effective utilization of the funds, if required.

**7.10. Basis for collection of SLDC charges**

7.10.1. The annual SLDC charges as determined by the Commission shall be allocated between the Beneficiaries using the intra-State transmission system on the basis of contracted transmission capacity.

Provided further that SLDC shall be entitled to levy and collect fee and charges for any other services rendered to the users and power exchanges as specified in any other regulations.

7.10.2. The Short-term open access customers using the intra-State transmission system shall however pay only such scheduling charges to the SLDC as may be specified by the Commission.

**7.11. Billing of SLDC Charges**

7.11.1. The SLDC shall furnish necessary monthly bills at the rate of one twelfth of the annual charges as approved by the Commission, to the users of intra State Transmission System being monitored and serviced by it for each billing month within seven days after the last day of the preceding month, on the basis of the following formula;

$$\text{SLDC Charges payable for a month} = (\text{SC}/12) * (\text{AC}_i/\text{SAC}_i)$$

Where,

SC = Approved SLDC Aggregate Revenue Requirement for the year;

AC<sub>i</sub> = Actual installed capacity in case of generating stations/long term and medium-term contracted capacities in case of sellers/aggregated allocated capacity and contracted capacity in case of Distribution Licensee/long term contracted capacity in case of buyer for the month 'i';

SAC<sub>i</sub> = Sum of Actual installed capacity in case of generating stations (within Meghalaya), long term and medium-term contracted capacities in case of sellers, aggregated allocated capacity and contracted capacity in case of Distribution Licensee and long-term contracted capacity in case of buyer for the month 'i'.

Provided that for the purpose of billing and collection of the prescribed charges, a fraction of a MW shall be treated as one full MW.

7.11.2. The Beneficiaries shall make payment to the SLDC of the amounts due within fifteen (15) days of the date of receipt of the bill.

7.11.3. Disputes arising out of billing of SLDC charges shall be, as far as possible, settled by mutual negotiations. If the disputes are not resolved through mutual negotiations within sixty (60) days of the receipt of the bills, a penal interest at the rate of one hundred and fifty basis points above the one-year SBI MCLR applicable for 1 year period, as applicable prevailing as on 1st April of the respective financial year shall be payable on the unpaid amounts.

7.11.4. Pending resolution of the dispute, 90% of the bill amount shall be paid under protest within the due date.

## 8. CHAPTER – 8 - MISCELLANEOUS

### 8.1. Power to remove difficulties

- 8.1.1. If any difficulty arises in giving effect to the provisions of these regulations, the Commission may, by order, make such provision not inconsistent with the provisions of the Act or provisions of other regulations specified by the Commission, as may appear to be necessary for removing the difficulty in giving effect to the objectives of these regulations.

### 8.2. Power of relaxation

- 8.2.1. The Commission may in public interest and for reason recorded in writing, relax any of the provision of these Regulations.

### 8.3. Interpretation

- 8.3.1. If a question arises relating to the interpretation of the provisions of these regulations, the decision of the Commission shall be final.

Provision of this Regulation will prevail over other Regulations in case of any inconsistency.

### 8.4. Issue of *Suo-Moto* orders and practice directions:

- 8.4.1. The Commission may, from time to time, issue orders and practice directions in regard to the effective implementation of these regulations and matters incidental or ancillary thereto as the Commission may consider appropriate.

### 8.5. Review of Regulations

- 8.5.1. The Commission at the end of three years from the date of publishing these regulations or even earlier, if considered just, proper and desirable by it considering the circumstances then prevailing shall undertake a comprehensive review of these regulations with the objective of improvement in the principles, procedures and methodologies.

### 8.6. Repeal and Savings

- 8.6.1. 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 to meet or to prevent abuses of the process of the Commission.

- 8.6.2. Nothing in these regulations shall bar the Commission from adopting, in conformity with the provisions of the Act, a procedure, which is at variance with any of the provisions of these regulations, if the Commission, in view of the special circumstances of a matter or 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.
- 8.6.3. Nothing in these regulations shall, expressly or impliedly, bar the Commission dealing with any matter or exercising any power under the Act for which no regulations or codes have been framed, and the Commission may deal with such matters, powers and functions in a manner it thinks fit in the public interest.
- 8.6.4. With the implementation of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations 2026, the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 and its subsequent amendments are hereby repealed.

Provided further that True-up of Tariff Orders issued under the repealed MYT Regulations will be settled under the repealed MYT Regulations.

**Sd/-**

**Secretary**

**Meghalaya State Electricity Regulatory Commission**

**Shillong**