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NOTIFICATIONS BY HEADS OF DEPARTMENTS Etc.

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PUBLIC WORKS NOTIFICATIONS

-x-

TELANGANA STATE ELECTRICITY REGULATORY COMMISSION

TSERC/F.No.E411241/D.No.33.-

**Regulation No.1 of 2023**

**Third Amendment to (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation No.4 of 2005**

**Background**

The erstwhile Commission has notified 'Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity', Regulation No.4 of 2005 on 14.11.2005 (herein after referred to as the 'Principal Regulation'). As per Principal Regulation, the distribution licensee shall file their Aggregate Revenue Requirement (ARR) for Distribution Business and Retail Supply Business along with Filing for Proposed Tariff (FPT) for recovery of ARR for the entire control period and the Commission shall determine ARR and Retail Supply Tariff for the said control period. The Principal Regulation states that the distribution licensee has to claim variations in uncontrollable items of Distribution Business and Retail Supply Business including

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power purchase cost for the year succeeding the relevant year of the control period after netting out the impact of controllable items.

Further, the erstwhile Commission through Regulation No.8 of 2000 notified on 04.09.2000 amended the '*Conduct of Business*' Regulations, 1999 whereunder inter alia Clause 45-B viz., 'Fuel Surcharge Adjustment Formula' has been inserted and thus provided for the distribution licensee to recover from or pay to consumers, as the case may be, variations in power purchase cost through levy of fuel surcharge on a quarterly basis. Further, the said Clause 45-B was amended and substituted by notifying Amendment Regulation No.1 of 2003 on 17.07.2003. This provision enabled the distribution licensee to recover variation of power purchase cost in a timely manner without accumulating it for true-up at the end of the relevant control period. The levy of Fuel Surcharge has been approved by the then Commission upto FY 2012-13 under the said Amendment Regulation. Subsequently, this Amendment Regulation No.1 of 2003 has been repealed vide Regulation No.2 of 2013 notified on 24.06.2014 and the provision empowering the Commission to authorize the levy of Fuel Surcharge Adjustment has been deleted. With the repeal of Regulation No.1 of 2003, the licensees are no longer empowered to recover the variation in power purchase cost through levy of a fuel surcharge.

As per the MYT regulatory framework, the licensees will have to accumulate these variations till the end of respective control period. This stance may militate against the demands of the annual filings frameworks while placing an unacceptably high carrying cost burden on the licensees. Given that the quantum of variation of power purchase cost for each year may be high the then Commission considered that the recovery of such cost variation should also be undertaken annually along with annual Retail Supply Tariff filings. In the context of annual filings for Retail Supply Business and non-availability of any provision for periodic adjustment of Power Purchase Cost variation, an annual true-up is desirable to ensure an equitable burden on both licensees and consumers. Accordingly, the Commission permitted the licensees to include the variation in power purchase cost for a tariff year as an item cost in the succeeding year's ARR relating to Retail Supply Business by notifying the first amendment to the Principal Regulation on 07.03.2014 viz., Regulation No.1 of 2014.

### **Introduction**

Soon after formation of new Telangana State, Telangana State Electricity Regulatory Commission (TSERC) was constituted by the Government of Telangana in terms of the provisions of Schedule XII(C)(3) of the A.P. Reorganisation Act of 2014, read with Section 82 of the Electricity Act, 2003 (Act) vide G.O.Ms.No.3, Energy (Budget) Department, dated 26.07.2014. This Commission having been established under Section 82(1) of the Act, 2003 has notified Regulation No.1 of 2014, on 10.12.2014 being Adoption of previously subsisting Regulations, Decisions, Directions or Order, Licenses and Practice of Directions. Thus, the Principal Regulation and its First Amendment Regulation No.1 of 2014 apply for the Telangana State, till further modification.

The distribution licensees have requested the Commission to provide mechanism of automatic pass through of fuel and power purchase cost adjustment in the tariffs in accordance with the Electricity (Timely Recovery of Costs due to Change in Law) Rules, 2021, dated: 22.10.2021, notified by Ministry of Power, Government of India. The distribution licensees further requested to consider the sales and revenue from sale of power to consumers as uncontrollable item.

The Commission in order to place a mechanism for timely recovery of the change in fuel cost by automatically adjusting tariffs has decided to provide for automatic pass through of fuel cost adjustment charges in the tariffs in a timely manner and to treat the sales and revenue from sale of power as uncontrollable items.

Accordingly, the Commission, in exercise of powers conferred on it under clauses (zd), (ze) and (zf) of section 181(2) read with section 61, 62 of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in that behalf, after previous publication, hereby amends the Principal Regulation as under:

1. **Short title, Extent and Commencement:**
  - a. This Regulation shall be called the Telangana State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Third Amendment Regulation, 2023.
  - b. This Regulation extends to the whole of Telangana State.
  - c. This Regulation shall come into force with effect from 1<sup>st</sup> April 2023.

2. **The second table in subclause 10.4 of Principal Regulation is substituted with the following table**

<b>Retail Supply Business</b>	
<b>ARR Item</b>	<b>“Controllable”/“Uncontrollable”</b>
Cost of Power Purchase	Uncontrollable
Sale of Power to the Consumers	Uncontrollable
Revenue from Sale of Power from consumers	Uncontrollable

3. **Sub-clause 12.4 of Principal Regulation shall be substituted with the following:**

12.4 The distribution licensee shall be entitled to recover or refund, as the case may be, the charges on account of Fuel Surcharge Adjustment/ Fuel Cost Adjustment (FCA) as per the procedure stipulated in this Regulation.

4. **The following subclauses shall be inserted after subclause 12.4 in Principal Regulation**

**12.5 Fuel Surcharge Adjustment(FSA)/Fuel Cost Adjustment(FCA)**

12.5.1 The distribution licensee shall be entitled to recover or shall refund, as the case may be, the charges on account of Fuel Surcharge Adjustment (FSA)/Fuel Cost Adjustment (FCA) as per the following procedure:

**12.5.2 Collection of FCA charges**

- a. Every distribution licensee shall levy the FCA charges on its consumers as per the voltage level on the consumed units (in kWh) during the billing month in accordance with the provisions in this Regulation as a part of the retail supply tariff payable by a consumer;

*Example: The FCA charges calculated for N<sup>th</sup> month shall be levied on the units consumed during (N+2<sup>nd</sup>) month and shall be included in bills to be issued in (N+3<sup>rd</sup>) month.*

- b. The maximum amount of FCA charges that can be levied on the consumers as per this Regulation without the prior approval of the Commission is Rs.0.30 per unit (in kWh):  
 Provided that where the FCA charges in any billing month exceeds Rs.0.30 per unit, the distribution licensee shall not recover FCA charges in excess of Rs.0.30 per unit without prior approval of the Commission:  
 Provided further that where the amount of FCA charges is negative, the entire savings in FCA charges shall be passed on to the consumers.
- c. FCA charges shall be passed on to all categories of consumers except LT-V Agricultural consumers and distribution licensee shall claim the FCA charges of LT-V Agricultural consumers from the Government of Telangana. Such claims if not received from the Government of Telangana shall not be allowed in annual true up filings.
- d. In the event of failure of distribution licensees in passing over the FCA charges within the timelines, such claims shall not be allowed in the process of passing through of gains and losses on variations in uncontrollable items of ARR if FCA charges is positive and shall be reduced from the ARR of the ensuing tariff year if the FCA charges is negative.
- e. For all consumer categories including those for which the billing is being done on kVAh basis, FCA charge shall be billed on the electrical energy recorded in kWh.

### 12.5.3 Computation of FCA charges

- a. The distribution licensee shall determine the per unit (in kWh) FCA charges recoverable from consumers on the basis of formula as given below:

$FCA_{EHT} = \{(PPC_{act} - PPC_{app}) + Z\} / (1 - L_{EHT})$  for EHT consumers;

$FCA_{33\text{ kV}} = \{(PPC_{act} - PPC_{app}) + Z\} / (1 - L_{33\text{ kV}})$  for 33 kV consumers;

$FCA_{11\text{ kV}} = \{(PPC_{act} - PPC_{app}) + Z\} / (1 - L_{11\text{ kV}})$  for 11 kV consumers;

$FCA_{LT} = \{(PPC_{act} - PPC_{app}) + Z\} / (1 - L_{LT})$  for Low Tension consumers;

Where,

$FCA_{EHT}$  = FCA in Rupees per unit to be levied on consumers availing power supply at a voltage level of 132 kV and above;

$FCA_{33\text{ kV}}$  = FCA in Rupees per unit to be levied on consumers availing power supply at a voltage level of 33 kV;

- $FCA_{11\text{ kV}}$  = FCA in Rupees per unit to be levied on consumers availing power supply at a voltage level of 11 kV;
- $FCA_{LT}$  = FCA in Rupees per unit to be levied on consumers availing power supply at Low Tension (230 Volt at Single Phase and 415 Volt at 3-Phase);
- $PPC_{act}$  = Actual average power purchase cost including interstate transmission charges for the month in Rs/unit and is worked out by using the formula:  
 $(TPPC_{act} \text{ in million rupees}) / (TPPU_{act} \text{ in MU})$ ;  
 Where,  
 $TPPC_{act}$  = Actual Total Power Purchase Cost (with fixed cost least of actuals and approved in Tariff order) from approved sources including interstate transmission charges ( $TPPC_{act}$ );  
 $TPPU_{act}$  = Actual Total Power Purchase Units ( $TPPU_{act}$ ) shall be arrived by grossing up the approved distribution and transmission losses on the actual metered sales plus agriculture sales (either approved agriculture sales or assessed agriculture sales whichever is less);
- $PPC_{app}$  = Approved average power purchase cost including interstate transmission charges for the month as per tariff order in Rs/unit;
- $Z$  = Variation in actual FCA charges collected and allowable FCA charges for any previous billing month which has not been factored earlier or Any variations observed by Commission during post facto validation of the data furnished by distribution licensee for any month or any variations in variable costs that would be noticed by the distribution licensees subsequent to incorporation of FCA for a billing month;
- $L_{EHT}$  = Transmission losses percentage at 132 kV level and above as approved in relevant tariff orders;
- $L_{33\text{ kV}}$  = Transmission and Distribution (T&D) losses percentage up to 33 kV level as approved in relevant tariff orders;
- $L_{11\text{ kV}}$  = T&D losses percentage up to 11 kV level as approved in relevant tariff orders;

$L_{LT} =$  T&D losses percentage up to LT level as approved in relevant tariff orders;

- b. For computing the FCA charges, the transmission losses in intra-state transmission network and distribution losses in distribution network of concerned distribution licensee to be considered shall be the losses as approved by the Commission in the relevant MYT Transmission and Wheeling tariff orders.
- c. While calculating the actual power purchase cost, the actual power purchased units shall be arrived by grossing up the sales i.e., actual metered sales plus agriculture sales (either approved or assessed agriculture sales whichever is less) with approved transmission and distribution losses in the relevant MYT Transmission and Wheeling tariff orders.
- d. For arriving the actual Power purchase cost fixed cost of each Generating Station as approved in Retail Supply tariff order or actual fixed cost paid to each generating station, whichever is less, shall be considered.
- e. The distribution licensee shall compute the monthly FCA charges as per the procedure mentioned in this Regulation and publish in the newspapers duly displaying the FCA charges within 45 days after completion of the particular month. Beyond 45 days such claims shall not be allowed.

#### 12.5.4 Accounting and Billing of FCA charges

- a. The distribution licensees shall indicate the FCA charges and amount separately in the consumer bills and record the amount of FCA charges collected under a separate head of account in its books of accounts.
- b. The FCA charges determined as per formula provided in this Regulation shall be in Rupees per unit rounded off up to two decimal places.
- c. All documents to be furnished to the Commission for post facto approval and approval of FCA above the ceiling price shall be duly signed by authorised representative of the distribution licensee duly certified by a Chartered Accountant.

#### 12.5.5 Information and Publication of FCA charges

- a. The gist of FCA charges computation should be widely publicized by the distribution licensee in two (2) English, two (2) Telugu and One (1) Urdu leading daily newspapers having wide circulation in their areas of supply for information to consumers, apart from placing in its official website.
- b. Calculations of the FCA charge in Rupees/kWh for the particular month shall be displayed by the distribution licensee in its website for the information of the consumers, which shall remain on the website till passing through of gains and losses on variations in uncontrollable items of ARR of particular year is completed.

- c. If FCA to be recovered is more than ceiling price, Licensees shall levy FCA up to ceiling price on its consumers and shall approach the Commission for approval of FCA charges over and above the ceiling price.
- d. If FCA charges to be refunded, distribution licensee shall refund total FCA charges without any ceiling price and shall approach the Commission for approval of FCA charges.

#### 12.5.6 Post-facto and other approvals by the Commission

- a. The distribution licensee shall file with the Commission, the detailed computations of FCA charges and supporting documents as may be required for verification by the Commission after completion of the quarter.
- b. The Commission will prudently verify the calculations and relevant information submitted by the distribution licensee and determine the FCA charges of each month in that quarter as per the procedure stipulated in 'Conduct of Business' Regulations, 2015 [Regulation No.2 of 2015] as amended from time to time.
- c. The distribution licensee, after completion of audited annual accounts, shall file the true up petition for passing through of gains and losses by claiming variations in "uncontrollable" items in the ARR for the year and also submit details of FCA charges already passed on to the consumers along with the true up petition to the Commission. In case of failure of distribution licensee in filing of true ups of uncontrollable items, the distribution licensee shall not claim the FCA charges in the consumers bill till the true-up petitions for claiming the variations in uncontrollable items are filed.

#### 12.5.6 Timelines

The distribution licensee shall compute the FCA charges of N<sup>th</sup> month, publish and display the FCA charges in the official websites of distribution licensee by 15<sup>th</sup> of (N+2<sup>nd</sup>) month. The FCA charges calculated for N<sup>th</sup> month shall be levied on the units (in kWh) consumed during (N+2<sup>nd</sup>) month and shall be included in bills to be issued in (N+3<sup>rd</sup>) month. After completion of a quarter year, the distribution licensee shall file before the Commission, the detailed computations of FCA charges and supporting documents as may be required for verification by the Commission within 60 days from the last day of the quarter for post-facto approval of the Commission.

### **5. Repeal and Savings**

- 5.1 The Telangana State Electricity Regulatory Commission (Adoption), Regulation, 2014 (Regulation No.1 of 2014, dated 10.12.2014) to the extent relating to Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity, First Amendment Regulation, 2014 (Regulation No.1 of 2014, dated 07.03.2014) stands repealed.
- 5.2 Anything done or any action taken or purported to have been done or taken including any rule, notification inspection, order or notice made or issued or any appointment, confirmation or declaration made or any license, authorisation, permission, authorisation or exemption granted or any document or instrument executed, or any direction given under the repealed regulation shall, in so far as it is not inconsistent with the provisions of this regulation, be deemed to have been done or taken under the corresponding provisions of this Regulation and shall not be invalid by virtue of such repeal.

### **(BY ORDER OF THE COMMISSION)**

Hyderabad,  
18.01.2023.

NAGARAJ NARAM,  
*Commission Secretary (FAC).*