

KARNATAKA ELECTRICITY REGULATORY COMMISSION
No.16, C-1, Miller Tank Bed Area, Vasanthanagar, Bengaluru-560052

NOTIFICATION
No.B/5/12/2807, Bengaluru, dated 23.02.2023

Karnataka Electricity Regulatory Commission (Fuel and Power Purchase Cost Adjustment) (First Amendment) Regulations, 2023

PREAMBLE:

- (1) The Karnataka Electricity Regulatory Commission, in exercise of the powers conferred under Section 56 of the Karnataka Electricity Reform Act, 1999 and Section 181 and Section 62(4) of the Electricity Act, 2003 (Central Act No.36 of 2003) had notified the KERC (Fuel and Power Purchase Cost Adjustment) Regulations, 2022 notified on 21.10.2022 and published in the Karnataka Gazette on 05th of November, 2022.
- (2) Further, the Karnataka Electricity Regulatory Commission has issued order dated 22.12.2022, in the matter of removal of difficulties in implementing the provisions of KERC (Fuel and Power Purchase Cost Adjustment) Regulations, 2022.
- (3) In exercise of the powers conferred by Section 176 of the Electricity Act, 2003 (36 of 2003), the Central Government has amended the Electricity Rules, 2005 namely Electricity (Amendment) Rules, 2022, vide notification dated 29th December, 2022.
- (4) Rule 14 of the Electricity (Amendment) Rules, 2022 specifies as follows;

14. Timely recovery of power purchase costs by distribution licensee:

The Appropriate Commission shall within ninety days of publication of these rules, specify a price adjustment formula for recovery of the costs, arising on account of the variation in the price of fuel, or power purchase costs and the impact in the cost due to such variation shall be automatically passed through in the consumer tariff, on a monthly basis, using this formula and such monthly automatic adjustment shall be trued up on annual basis by the Appropriate Commission:

Provided that till such a methodology and formula is specified by the Appropriate Commission, the methodology and formula specified in the Schedule-II annexed to these rules shall be applicable:

Provided further that the existing methodology and the formula specified by the Appropriate Commission shall suitably be amended in accordance with these rules, to implement the automatic pass through of fuel and power purchase adjustment surcharge, on a monthly basis:

Provided also that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within the time

line, specified by the Appropriate Commission, 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 recovery the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited and the true up of fuel and power purchase adjustment surcharge by the Appropriate Commission, for any financial year, shall be completed by 30th June of the next financial year.

- (5) Whereas, the Karnataka Electricity Regulatory Commission has already notified the methodology and formula for computation of difference in fuel and power purchase cost on a quarterly basis, including transmission charges, to be recovered / refunded in the KERC (Fuel and Power Purchase Cost Adjustment) Regulations, 2022. Whereas the Electricity (Amendment) Rules, 2022 provide for implementing automatic pass through of fuel and power purchase adjustment costs in the consumer tariff, on monthly basis.
- (6) To implement the provisions of the Electricity (Amendment) Rules, 2022, in the matter of automatic pass through on a monthly basis, the Karnataka Electricity Regulatory Commission is required to amend the relevant provisions of KERC (Fuel and Power Purchase Cost Adjustment) Regulations, 2022.
- (7) Accordingly, in exercise of the powers conferred under Section 56 of the Karnataka Electricity Reform Act, 1999 and Section 181 and Section 62(4) of the Electricity Act, 2003 (Central Act No.36 of 2003) and clause-10 of KERC (Fuel and Power Purchase Cost Adjustment) Regulations, 2022, the Karnataka Electricity Regulatory Commission had proposed to amend the KERC (Fuel and Power Purchase Cost Adjustment) Regulations, 2022.
- (8) Whereas the Karnataka Electricity Regulatory Commission had published the draft Amendments to KERC (Fuel and Power Purchase Cost Adjustment) Regulations, 2023 in the official gazette of Karnataka vide Notification No.B/5/12, Bengaluru, dated 12.01.2023, as required under sub section (3) of section 181 of the Electricity Act, 2003, inviting objections / suggestions / views / comments, if any, from the stake holders. The draft amendments were also hosted on the Commissions website www.karnataka.gov.in/kerc duly publishing the notices in the newspapers for the information of public / interested persons. The Commission also held a Public Hearing on 23.02.2023 in the matter.

And whereas the Commission had considered the objections / suggestions received from the stake holders.

Now, in exercise of the powers conferred under Section 56 of the Karnataka Electricity Reforms Act, 1999 and Section 181 and Section 62(4) of the Electricity Act, 2003

(Central Act No.36 of 2003) and all other powers enabling in this behalf, the Karnataka Electricity Regulatory Commission, hereby makes the following Regulations;

1. Short title and commencement:

- (i) These Regulations shall be called **KERC (Fuel and Power Purchase Cost Adjustment) (First Amendment) Regulations, 2023.**
- (ii) These Regulations shall come into effect from the date of their publication in the official gazette.

Clause No.	As Existing	As proposed
2(i) b.	" Billing quarter " means the period of three months commencing from the beginning of a calendar month during which FPPCA is proposed to be recovered;	" Billing month (nth month) " means the month in which billing of FPPCA is proposed to be charged by the distribution licensee for the power supplied by the generators / energy exchanges / traders / other agencies during the second preceding month of the billing month [(n-2) th month];
2(i) e.	" Fuel and Power Purchase Cost Adjustment " (FPPCA) means the charges as determined in these Regulations for recovery in a billing quarter on the basis of the net change in the cost of fuel and power purchase cost by considering the amount realized from sale of power through Energy Exchanges or other Agencies, in the second quarter preceding the billing quarter.	" Fuel and Power Purchase Cost Adjustment " (FPPCA) means the difference in cost, as computed and determined in accordance with the provisions of these Regulations, for recovery or refund in a billing month on the basis of the net change in the cost of fuel and power purchase incurred in the month in which power is supplied [(n-2) th month], with reference to the approved power purchase costs in the relevant Tariff Orders, including inter-state and intra-state transmission charges, CGS DSM charges and amounts paid on account of orders of KERC/CERC/APTEL/High Court/Supreme Court.
3.	Collection of Fuel and Power Purchase Cost Adjustment (FPPCA)	Collection / refund of Fuel and Power Purchase Cost Adjustment (FPPCA)
3.1	Every Distribution Licensee shall collect Fuel and Power Purchase Cost Adjustment from its	Every Distribution Licensee shall compute and collect / refund FPPCA from / to its consumers

	<p>consumers during a billing quarter in accordance with the provisions in these Regulations, as part of the tariff payable by the Consumer.</p> <p>Explanation: The first billing quarter shall commence from 1st January, 2023.</p> <p>Provided that, where the FPPCA in any billing quarter exceeds ten paise per unit or any other limit fixed by the Commission in the Tariff Order applicable for the relevant year, the distribution licensee shall not recover FPPCA in excess of ten paise per unit or the limit fixed by the Commission without the prior approval of the Commission.</p> <p>Provided that, where the amount of FPPCA is negative in any billing quarter, the savings in FPPCA in excess of ten paise per unit or any other limit fixed by the Commission in the Tariff Order applicable for the relevant year, the distribution licensee shall not pass on the negative FPPCA in excess of ten paise per unit or the limit fixed by the Commission, without the prior approval of the Commission.</p>	<p>during a billing month in accordance with the provisions in these Regulations, as part of the tariff payable by the consumers.</p> <p>Explanation: The first billing month shall commence from 1st March, 2023.</p> <p>Provided that, the Receivable and payable amount for under draw and over drawl of energy (energy balancing), across the distribution licensees, shall not be considered for arriving the total power purchase cost.</p>
3.2	The Distribution Licensee shall commence billing of FPPCA from the first meter reading date of the billing quarter.	The Distribution Licensee shall commence billing of FPPCA from the first meter reading date of the billing month.
4.1	Distribution Licensees shall determine the per unit Fuel and Power Purchase Cost Adjustment recoverable from consumers on the basis of the variation in the fuel and power purchase cost on energy purchased from	Distribution Licensees shall determine the per unit Fuel and Power Purchase Cost Adjustment recoverable from consumers on the basis of the variation in the fuel and power purchase cost on energy purchased from

	Generators as specified in Clause 5 of these Regulations duly considering the amount realized from the sale of purchased power through Energy Exchanges or other Agencies.	Generators as specified in Clause 5 of these Regulations duly considering the incremental gain or loss incurred on the sale of purchased power through Energy Exchanges or Other Agencies over the actual average power purchase cost incurred for the relevant month.
4.3	The computation of FPPCA as provided in these Regulations shall ordinarily be completed by the distribution licensees within 45 days before the commencement of each billing quarter.	The computation of FPPCA as provided in these Regulations shall be completed by the distribution licensees before the commencement of each billing month.
4.4 New Clause	---	<p>The Distribution Licensee shall pass an order for recovery / refund of FPPCA for each billing month before the commencement of billing month.</p> <p>The Distribution Licensee shall submit the copy of the order along with all the relevant documents and data in the formats prescribed in these Regulations to the Commission before 15th day of the respective billing month.</p> <p>The Commission shall true-up the FPPCA orders issued by the distribution licensee for the revenue recovered / refunded for the period under consideration, on half yearly basis or on any other basis as may be deemed fit, with reference to the documents submitted to the Commission and any additional data that is required to be supplied by the distribution licensee as per the directions of the Commission for the purpose of issuing true-up orders.</p> <p>The distribution licensee shall</p>

		<p>implement the true-up orders of the Commission.</p> <p>The Commission shall indicate the periodicity of charging the difference in FPPCA, if any, determined in the truing-up process, along with the FPPCA determined by the distribution licensee for the relevant billing month.</p>
4.5 New	---	<p>In case the distribution licensee fails to compute and charge FPPCA for any billing month, except in case of any force majeure conditions, its right for recovery of costs on account of FPPCA shall be forfeited and in such cases, the right to recovery the FPPCA determined during true-up shall also be forfeited.</p> <p>Provided that the distribution licensee may decide, FPPCA or part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to consumers. But the carry forward of FPPCA shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total FPPCA for a billing month, including any carry forward of FPPCA of the previous month, exceeds twenty percent of variable component of approved fuel and power purchase cost.</p>
4.6 New Clause	---	<p>The State Load Dispatch Center shall publish the reconciled energy account, distribution licensee-wise, for the power supplied for each of the months, within 10th day of the subsequent month.</p>

5.	Q= Sales computed as per clause 4.2 of these Regulations considering the quantum of energy purchase during the second quarter preceding the billing quarter by excluding the quantum of energy sold through Energy Exchanges or other agencies.	Q= Sales computed as per clause 4.2 of these Regulations considering the quantum of energy purchase during the relevant period by excluding the quantum of energy sold through Energy Exchanges or other agencies.
5.	S= Amount realized from sale of purchased power through Energy Exchanges or Other Agencies.	S= Incremental gain or loss incurred on the sale of purchased power through Energy Exchanges or Other Agencies over the actual average power purchase cost incurred for the relevant month.
5.	Adjustment Factor(Z) for a billing quarter shall include: i) Variation in actual FPPCA collected and allowable FPPCA for any previous billing quarter which has not been factored earlier; ii) Any variations observed by the Commission during post facto validation of the data furnished in quarter; and iii) Any variations in fuel and power purchase cost that would be noticed by the distribution licensees subsequent to incorporation of FPPCA for a billing quarter. This shall be computed as per Format-2 annexed to these Regulations.	Adjustment Factor(Z) for a billing month shall include: i) Variation in actual FPPCA collected and allowable FPPCA for any previous billing month which has not been factored earlier; ii) Any variations observed by the Commission during post facto validation of the data furnished in month ; and iii) Any variations in fuel and power purchase cost that would be noticed by the distribution licensees subsequent to incorporation of FPPCA for a billing month . This shall be computed as per Format-2 annexed to these Regulations.
5	Change in Fuel and Power Purchase Cost [(CFPPC) _{SG,CSG,IPP}] is the difference between the change in the fuel and power purchase cost computed on the basis of Commission approved average fuel and power purchase cost including transmission cost of State and Central owned Generating Stations and Independent Power Producers	Change in Fuel and Power Purchase Cost [(CFPPC) _{SG,CSG,IPP}] is the difference between the change in the fuel and power purchase cost computed on the basis of Commission approved average fuel and power purchase cost including transmission cost of State and Central owned Generating Stations and Independent Power

	having long term PPAs with the distribution licensees as allowed in the Tariff Order pertaining to the relevant period multiplied by the energy supplied and the actual fuel and power purchase cost of State, Central owned generating stations, including the transmission cost and the Independent Power Producers having long term PPAs with the distribution licensee by deducting the amount realized by sale of purchased energy through Energy Exchanges or other Agencies during the relevant period.	Producers having long term PPAs with the distribution licensees as allowed in the Tariff Order pertaining to the relevant period multiplied by the energy supplied and the actual fuel and power purchase cost of State, Central owned generating stations, including the transmission cost and the Independent Power Producers having long term PPAs with the distribution licensee duly considering the incremental gain or loss incurred on the sale of purchased power through Energy Exchanges or Other Agencies over the actual average power purchase cost incurred for the relevant month.
6.3	All documents to be furnished to the Commission for approval of FPPCA for each quarter shall be duly signed by the authorized representative of the distribution licensee and duly certified by a Chartered Accountant.	All documents to be furnished to the Commission, as per Clause 4.4 of these Regulations, for each billing month, shall be duly signed by the authorized representative of the distribution licensee and duly certified by the Chartered Accountant.
7.1	The Distribution Licensee shall furnish to the Commission, its computations of FPPCA for any billing quarter as per the formats specified in these regulations, at least 30 days before the commencement of the billing quarter.	DELETED
7.2	The Distribution Licensee shall publish FPPCA proposed to be collected for a billing quarter in at least one English and one Kannada Newspaper having wide circulation in its area of supply, for information of the consumers. Such publication shall be issued at least one week before the commencement of the billing quarter. Copies of FPPCA assessment shall also be posted on the websites of the Distribution	The Distribution Licensee shall publish all details including FPPCA formula, calculation of monthly FPPCA and recovery of FPPCA (separately for automatic and Commission approved portions) on its website and archive the same through a dedicated web address.

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Name of the Company

Annexure to KERC (Fuel and Power Purchase Cost Adjustment) (First Amendment) Regulations, 2023.

Projected Energy sales for the billing month of _____.

Sl. No.	Month	Actual Total Energy Purchased at Generation Bus including sales in IEX as per SLDC (in MU)	Energy Sales through IEX, bilateral, etc., as per SLDC (in MU)	Net Energy Purchased (3-4) (in MU)	Approved Transmission Loss (%)	Energy at Interface Point [5-(5x6)] (in MU)	Approved Distribution Loss (%)	Projected Retail Sales [7-(7x8)] (in MU)
1	2	3	4	5	6	7	8	9

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