

NOTIFICATION (DRAFT)

ELECTRICITY ACT, 2003

No. MERC/Legal/2017/_____. In exercise of the powers conferred under Sections 86(3) and 181 of the Electricity Act, 2003 and all other powers enabling it in this behalf, and after previous publication, the Maharashtra Electricity Regulatory Commission makes the following Regulations to amend the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015 ('the principal Regulations'), namely:

1 Short title and commencement

1.1. These Regulations may be called the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) (First Amendment) Regulations, 2017.

1.2. These Regulations shall come into force from the date of their publication in the *Official Gazette*.

2. Amendment to Regulation 2.1 (10)

Regulation 2.1 (10) of the principal Regulations shall be substituted by the following:

“Base Rate” shall mean the one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India from time to time;”

3. Amendments to Regulation 45.1 (a) to (d)

Regulation 45.1 (a) to (d) of the principal Regulations applicable to Generating Stations that have achieved commercial operations prior to 26 August, 2005 shall be substituted by the following:

“45.1...(a) The Operation and Maintenance expenses for Generating Stations which achieved COD before the date of coming into effect of the MERC (Terms and Conditions of Tariff) Regulations, 2005, shall be computed in accordance with this Regulation.

(b) The Operation and Maintenance expenses, excluding water charges and including insurance, shall be derived on the basis of the Final Trued-up Operation and Maintenance expenses after adding/deducting the sharing of efficiency gains/losses, for the year ending March 31, 2016, excluding abnormal expenses, if any, subject to prudence check by the Commission, and shall be considered as the Base Year Operation and Maintenance expenses.

(c) The Operation and Maintenance expenses for each subsequent year shall be determined by escalating these Base Year expenses of FY 2015-16 by an inflation

factor with 50% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the past five financial years as per the Office of Economic Advisor of Government of India and 50% weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past five financial years as per the Labour Bureau, Government of India, as reduced by an efficiency factor of 1% or as may be stipulated by the Commission from time to time, to arrive at the permissible Operation and Maintenance expenses for each year of the Control Period:

Provided that, in the Truing-up of the O&M expenses for any particular year of the Control Period, an inflation factor with 50% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the past five financial years (including the year of Truing-up) and 50% weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past five financial years (including the year of Truing-up), as reduced by an efficiency factor of 1% or as may be stipulated by the Commission from time to time, shall be applied to arrive at the permissible Operation and Maintenance Expenses for that year.”

4. Amendments to Regulation 47.1 (a) to (d)

Regulation 47.1 (a) to (d) of the principal Regulations applicable to existing Hydro Generating Stations shall be substituted by the following:

“47.1...(a) The Operation and Maintenance expenses, including insurance, shall be derived on the basis of the Final Trued-up Operation and Maintenance expenses, after adding/ deducting the sharing of efficiency gains/ losses, for the year ending March 31, 2016, excluding abnormal expenses, if any, subject to prudence check by the Commission, and shall be considered as the Base Year Operation and Maintenance expenses.

(b) The Operation and Maintenance expenses for each subsequent year and in the Truing-up of the respective years of the Control Period shall be determined in the same manner as specified in Regulation 45.1 (c).

(c) The Operation and Maintenance expenses incurred by the Generating Company on its housing colonies and related expenses, including medical and other facilities, and on their operating staff shall be excluded from (a) and (b) above and allowed separately, subject to prudence check.”

5. Amendments to Regulation 47.2 (a) to (b)

Regulation 47.2 (a) to (b) of the principal Regulations applicable to new Hydro Generating Stations shall be substituted by the following:

“47.2 ...(a) The Operation and Maintenance expenses shall be fixed at 2% of the original Project cost (excluding the cost of rehabilitation and resettlement works) for the first year of commercial operation, which shall be considered as the Base Year Operation and Maintenance expenses.

(b) The Operation and Maintenance expenses for each subsequent year and in the Truing-up of the respective years of the Control Period shall be determined in the same manner as specified in Regulation 45.1 (c).”

6. Amendments to Regulations 72.1 to 72.5

Regulations 72.1 to 72.5 of the principal Regulations applicable to Distribution Wire Business of Distribution Licensees shall be substituted by the following:

“72.1 The Operation and Maintenance expenses for the Distribution Wires Business shall be computed in accordance with this Regulation.

72.2 The Operation and Maintenance expenses shall be derived on the basis of the Final Trued-up Operation and Maintenance expenses after adding/deducting the sharing of efficiency gains/losses, for the year ending March 31, 2016, excluding abnormal expenses, if any, subject to prudence check by the Commission, and shall be considered as the Base Year Operation and Maintenance expenses.

72.3 The Operation and Maintenance expenses for each subsequent year shall be determined by escalating these Base Year expenses for FY 2015-16 by an inflation factor with 30% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the past five financial years as per the Office of Economic Advisor of Government of India and 70% weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past five financial years as per the Labour Bureau, Government of India, as reduced by an efficiency factor of 1% or as may be stipulated by the Commission from time to time, to arrive at the permissible Operation and Maintenance expenses for each year of the Control Period:

Provided that, in the Truing-up of the Operation and Maintenance expenses for any particular year of the Control Period, an inflation factor with 30% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the past five financial years (including the year of Truing-up) and 70% weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past five financial years (including the year of Truing-up), as reduced by an efficiency factor of 1% or as may be stipulated by the Commission from time to time, shall be applied to arrive at the permissible Operation and Maintenance Expenses for that year.

72.4 In the case of a Deemed Distribution Licensee whose tariff is yet to be determined by the Commission till the coming into force of these Regulations, the Commission may determine the Operation and Maintenance expenses on a case to case basis.”

7. Amendments to Regulations 81.1 to 81.5

Regulations 81.1 to 81.5 of the principal Regulations applicable to Retail Supply Business of Distribution Licensees shall be substituted by the following:

“81.1 The Operation and Maintenance expenses for the Retail Supply Business shall be computed in accordance with this Regulation.

81.2 The Operation and Maintenance expenses shall be derived on the basis of the Final Trued-up Operation and Maintenance expenses after adding/deducting the sharing of efficiency gains/losses, for the year ending March 31, 2016, excluding abnormal expenses, if any, subject to prudence check by the Commission, and shall be considered as the Base Year Operation and Maintenance expenses.

81.3 The Operation and Maintenance expenses for each subsequent year and in the Truing-up of the respective years of the Control Period shall be determined in the same manner as specified in Regulation 72.3.

81.4 In the case of a Deemed Distribution Licensee whose tariff is yet to be determined by the Commission till the coming into force of these Regulations, the Commission may determine the Operation and Maintenance expenses on a case to case basis.”

8. Amendments to Regulations 93.1 to 93.4

Regulations 93.1 to 93.4 of the principal Regulations applicable to the Maharashtra State Load Despatch Centre shall be substituted by the following:

“93.1 The Operation and Maintenance expenses for the MSLDC shall be computed in accordance with this Regulation.

93.2 The Operation and Maintenance expenses shall be derived on the basis of the Final Trued-up Operation and Maintenance expenses after adding/deducting the sharing of efficiency gains/losses, for the year ending March 31, 2016, excluding abnormal expenses, if any, subject to prudence check by the Commission, and shall be considered as the Base Year Operation and Maintenance expenses.

93.3 The Operation and Maintenance expenses for each subsequent year shall be determined by escalating these Base Year expenses for FY 2015-16 by an inflation factor with 20% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the past five years as per the Office of the Economic Advisor, Government of India and 80% weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) for the past five years as per the Labour Bureau, Government of India, as reduced by an efficiency factor of 1% or as may be stipulated by the Commission from time to time, to arrive at the permissible Operation and Maintenance expenses for each year of the Control Period:

Provided that, in the Truing-up of the Operation and Maintenance expenses for any particular year of the Control Period, an inflation factor with 20% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the past five years (including the year of Truing-up) and 80% weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past five years (including the year of Truing-up), as reduced by an efficiency factor of 1% or as may be stipulated by the Commission from time to time, shall be applied to arrive at the permissible Operation and Maintenance Expenses for that year.”

Mumbai,
dated ___ October 2017.

Secretary,
Maharashtra Electricity Regulatory Commission.

Note.—The Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015 were notified in the Official Gazette on 8 December, 2015.