CHHATTISGARH STATE ELECTRICITY REGULATORY COMMISSION

EXPLANATORY MEMORANDUM

ON

Draft Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for determination of Multi-Year Tariff) Regulations, 2025

September, 2025

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1 Introduction

1.1 Background & Regulatory Framework

As per Section 86 (1) (a) of the Electricity Act, 2003 ("EA 2003" or "the Act"), the State Electricity Regulatory Commissions (SERCs or Commissions) have been assigned the function of determining the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State.

The EA 2003, as amended from time to time, requires the appropriate Commission to be guided by **Multi-Year Tariff (MYT) principles** and the **principles and methodologies specified by the Central Electricity Regulatory Commission (CERC) for determination of the tariff applicable to Generating Companies and Transmission Licensees**, while specifying the Terms and Conditions for determination of tariff.

Section 61 of the EA 2003 stipulates:

> *"61. The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so,* ***shall be guided by the following****, namely:-*
>
> *(a) The* ***principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees****;*
>
> *(b) The generation, transmission, distribution and supply of electricity are conducted on commercial principles;*
>
> *(c) The factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments;*
>
> *(d) Safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner;*
>
> *(e) The principles rewarding efficiency in performance;*
>
> *(f)* ***Multi year tariff principles****;*
>
> *(g) That the tariff progressively reflects the cost of supply of electricity and also reduces cross-subsidies in the manner specified by the Appropriate Commission;*
>
> *(h) The promotion of co-generation and generation of electricity from renewable sources of energy;*
>
> *(i) The National Electricity Policy and tariff policy"* ***(emphasis added)***

As per provisions of the EA 2003 and the Tariff Policy, 2016, the Commission notified the Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for determination of tariff according to Multi-Year Tariff principles and Methodology and Procedure for determination of Expected revenue from Tariff and Charges) Regulations, 2021 (hereinafter referred as 'CSERC MYT Regulations, 2021') for determination of tariff for the Generating Company, Licensees, and CSLDC for the 3-year Control Period from FY 2022-23 to FY 2024-25.

Subsequently, vide Order dated 24 October 2024, the Commission directed the Licensees and Generating Companies to file the Tariff Petition for FY 2025-26 along with the true-up Petition for FY 2023-24 in accordance with the provisions of the Act and broadly following the principles specified in prevailing MYT Regulations, 2021. Thus, the Control Period of the CSERC MYT Regulations, 2021 was extended to include FY 2025-26.

The current MYT Control Period is thus, coming to an end on 31st March 2026, hence, CSERC has framed the draft Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for determination of Multi-Year Tariff) Regulations, 2025 [hereinafter referred as 'CSERC MYT Regulations, 2025'] covering the Generation Business, Transmission Business, Distribution Wires Business, Retail Supply Business, and SLDC for the next MYT Control Period commencing from April 1, 2026.

These Regulations shall be applicable for determination of tariff under Section 62 and for fees and charges of SLDC as per Section 32 (3) of the Act for FY 2026-27 to FY 2029-30, and will remain in effect until these Regulations are superseded by new Regulations.

The rationale for the changes proposed in the draft CSERC MYT Regulations, 2025 have been elaborated in this Explanatory Memorandum. In cases where no change is proposed, the same has not been explicitly mentioned. Generally, only the clauses where any significant addition/modification is proposed in the Draft CSERC MYT Regulations, 2025 have been discussed in this Explanatory Memorandum.

It may be noted that the Commission had published the Draft CSERC MYT Regulations, 2024 in June 2024 and invited comments and suggestions on the same. The comments and suggestions have been received. Changes have not been made based on these comments and suggestions, which shall be incorporated in a holistic manner as appropriate, after receipt of comments and suggestions on the Draft CSERC MYT Regulations, 2025. It is clarified that stakeholders who have already submitted their comments and suggestions on the Draft CSERC MYT Regulations, 2024 do not have to re-submit the same, and the inputs submitted earlier shall be considered, while finalising the CSERC MYT Regulations, 2025. However, such stakeholders are free to submit any new or additional comments and suggestions, based on the draft CSERC MYT Regulations, 2025.

In the draft CSERC MYT Regulations, 2025 and the present Explanatory Memorandum, the Commission has introduced the definition of Battery Energy Storage Systems (BESS)

and a new Chapter on Battery Energy Storage Systems (BESS), and has made corresponding changes in the Regulations for the same as well as for the change in the Financial Years and Control Period. In addition, certain typographical errors and cross-references have been corrected in the CSERC MYT Regulations, 2025.

The Explanatory Memorandum is organised in the following Chapters:

Chapter 1: Introduction

Chapter 2: General Principles

Chapter 3: Financial Principles

Chapter 4: Generation

Chapter 5: Determination of Input Price of Coal/Lignite from Integrated Mine

Chapter 6: Transmission

Chapter 7: Distribution Wheeling Business

Chapter 8: Retail Supply Business

Chapter 9: SLDC

Chapter 10: Battery Energy Storage Systems

Chapter 11: Miscellaneous Provisions

2 General Principles

The Commission has modified certain definitions and has also introduced some new definitions to provide clarity to certain existing and new terms that are referred to in these Regulations.

2.1 DEFINITIONS

a) **Regulation 3.6 of CSERC MYT Regulations, 2021: Annual Target Quantity or ATQ**

"ATQ in respect of an integrated mine(s) means the quantity of coal to be extracted during a year from such integrated mine(s) as specified in the Mining Plan."

Rationale for Modification

The definition of ATQ has been modified in line with the definition specified in CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

"ATQ' in respect of an integrated mine(s) means the quantity of coal to be extracted during a year from such integrated mine(s) ***corresponding to 85% of the quantity*** *specified in the Mining Plan."*

b) **Regulation 3.9 of CSERC MYT Regulations, 2021: Auxiliary energy consumption in generating station or AUX**

"AUX in relation to a period in case of a 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 transformer losses within the generating station, expressed as a percentage of the sum of gross energy generated at the generator terminals of all the units of the generating station:

Provided that, auxiliary energy consumption shall not include energy consumed for supply of power to housing colony and other facilities at the generating station and the power consumed for construction works at the generating station….."

Rationale for Modification

The definition of AUX has been modified in line with CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

"AUX in relation to a period in case of a 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 transformer losses within the generating station, expressed as a percentage of the sum of gross energy generated at the generator terminals of all the units of the generating station:

Provided that, auxiliary energy consumption shall not include energy consumed for supply of power to housing colony and other facilities at the generating station and the power consumed for construction works at the generating station:

***Provided further that, auxiliary energy consumption for compliance with revised emission standards, sewage treatment plant and external coal handling plant (jetty and associated infrastructure) shall be considered separately**."*

c) Addition of definition of "Battery Energy Storage Systems"

Rationale for Modification

The definition of Battery Energy Storage Systems has been incorporated, in view of the incorporation of a new Chapter for the same.

Proposed Regulation in CSERC MYT Regulations, 2025

***"Battery Energy Storage Systems"** or **"BESS Project"** shall mean the system(s)/projects utilizing methods and technologies such as electrochemical batteries (Lead Acid, Li-ion, solid state batteries, flow batteries, etc.), providing a facility that can store chemical energy and deliver the stored energy in the form of electricity, including but not limited to ancillary facilities (grid support., for example);"*

d) Regulation 3.14 of CSERC MYT Regulations, 2021: Change in Law

"Change in Law" means occurrence of any of the following events:

(1) the enactment, bringing into effect, adoption, promulgation, amendment, modification or repeal of Indian law; or

(2) change in interpretation of Indian law by a competent court, Tribunal or Indian Governmental Instrumentality which is the final authority under law for such interpretation; or

(3) change by any competent statutory authority, in any condition or covenant of any consent or clearance or, approval or license available or obtained for the project.

(4) *coming into force or change in any bilateral or multilateral agreement or treaty between the Government of India and any other Sovereign Government having implication for the generating station or the licensees regulated under these regulations."*

Rationale for Modification

The definition of Change in Law has been modified in line with CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

"Change in Law" *means occurrence of any of the following events:*

(1) *the enactment, bringing into effect, adoption, promulgation, amendment, modification or repeal of Indian law; or*

(2) adoption, amendment, modification, repeal or re-enactment of any existing Indian law;

(3) *change in interpretation of Indian law by a competent court, Tribunal or Indian Governmental Instrumentality, which is the final authority under law for such interpretation; or…*"

e) Regulation 3.16 of CSERC MYT Regulations, 2021: Control Period

"Control Period" *means a multi-year period fixed by the Commission, from 1st April 2022 and up to 31st March 2025."*

Rationale for Modification

The definition of Control Period has been modified in line with the approach of specifying a 4-year Control Period, that will end in FY 2029-30. This will ensure that there will be a lag of 1-year between the CSERC Tariff Regulations and the CSERC MYT Regulations. While framing the MYT Regulations for the next Control Period from FY 2030-31, the Commission will be able to be guided by the CERC (Terms and Conditions of Tariff) Regulations, 2029.

Proposed Regulation in CSERC MYT Regulations, 2025

"Control Period" *means a multi-year period fixed by the Commission, from 1st April 2026 and up to 31st March 2030".*

f) Regulation 3.17 of CSERC MYT Regulations, 2021: Cut-off Date

*"**Cut-off Date**" means the last day of the calendar month after thirty six months from the*

date of commercial operation of the project except in case of integrated mine(s).”

Rationale for Modification

The definition of Cut-off date has been modified in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

*“**Cut-off Date”** means the last day of the **financial year closing** after thirty-six months from the date of commercial operation of the project except in case of integrated mine(s).”*

g) **Regulation 3.19 of CSERC MYT Regulations, 2021: Date of Commercial Operation or COD**

4th Proviso of Regulation 3.19 specifies

“Provided further that in cases wherein COD of the mine occurred before these regulations came into force, the COD shall be deemed on compliance of the conditionality specified in clause (iii) above and prior notice shall not be required.”

Rationale for Modification

The above proviso has been deleted as there is no possibility of mine coming up prior to any Regulations being in place, as the CSERC MYT Regulations, 2021 specified the framework for determination of Input Price of Coal/Lignite from Integrated Mine.

h) **Regulation 3.28 of CSERC MYT Regulations, 2021: Expenditure Incurred**

*“**Expenditure Incurred**” means the fund, whether the equity or debt or both, actually deployed and paid in cash or cash equivalent, for creation or acquisition of a useful asset and does not include commitments or liabilities for which no payment has been released;*

Provided any subsequent payment for creation or acquisition of the assets shall be considered as expenditure incurred from the date of its release”

Rationale for Modification

The definition of Expenditure Incurred has been modified for greater clarity by considering all the probable sources of funding for capital expenditure.

Proposed Regulation in CSERC MYT Regulations, 2025

*“**Expenditure Incurred**” means the fund, whether equity or debt **or grant or Consumer Contribution or a combination thereof**, actually deployed and paid in cash or cash equivalent, for creation or acquisition of a useful asset and does not include commitments or liabilities for which no payment has been released;….”*

i) Addition of definition of "Extended Life"

Rationale for Modification

The definition of Extended Life has been incorporated in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

""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".

j) Regulation 3.31 of CSERC MYT Regulations, 2021: Force Majeure

""Force Majeure" means any event which is beyond the control of the intra-state user involved which they could not foresee or with reasonable amount of diligence could not have foreseen or which could not be prevented and which substantially affect the performance by either agency such as but not limited to

(i) Acts of God, natural phenomena including but not limited to floods, droughts, earthquakes and epidemics etc.

(ii) Acts of any Government, domestic or foreign including but not limited to war declared or undeclared, hostilities, priorities, quarantines, embargoes, lockdown etc.

(iii) Riot or civil commotion

(iv) Grid's failure not attributable to agencies involved."

Rationale for Modification:

The definition of Force Majeure has been modified in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

***""Force Majeure"** means the events or circumstances or combination of events or circumstances, which is beyond the control of the intra-State user involved, which they could not foresee or with reasonable amount of diligence could not have foreseen or which could not be prevented, and which substantially affects the performance of the Parties such as but not limited to:*

(i) *acts of God, including lightning, fire and explosion, floods, volcanic eruption, landslide, cyclone, geological surprises, droughts, earthquakes, epidemics, lockdown; or*

(ii) *any act of war, invasion, armed conflict or act of a foreign enemy, blockade, embargo, revolution, riot, insurrection, terrorist or military action; or*

(iii) *strikes and industrial disturbances having a State-wide or extensive impact in the area of supply of a Licensee, but excluding strikes and industrial disturbances in the Licensee's own organization;*

(iv) *grid failure not attributable to agencies involved"*

k) Regulation 3.44 of CSERC MYT Regulations, 2021:

"Landed Fuel Cost" *means the total cost of coal (including biomass in case of cofiring), lignite or the gas delivered at the unloading point of the generating station and shall include the base price or input price, washery charges wherever applicable, transportation cost (overseas or inland or both) and handling cost, charges for third party sampling and applicable statutory charges.*

Rationale for Modification

The definition of 'Landed Fuel Cost' has been modified to exclude the 'demurrage charges incurred on imported coal' in line with the present practice adopted by the Commission.

Proposed Regulation in CSERC MYT Regulations, 2025

*"**Landed Fuel Cost**" means the total cost of coal (including biomass in case of cofiring), lignite or the gas delivered at the unloading point of the generating station and shall include the base price or input price, washery charges wherever applicable, transportation cost (overseas or inland or both) and handling cost, charges for third party sampling and applicable statutory charges, **and excluding demurrage charges incurred on imported coal, if any**;"*

l) Regulation 3.48 of CSERC MYT Regulations, 2021: Medium Term

*""**Medium-Term"** means any period exceeding four months and up to 7 years"*

Rationale for Modification

The definition of Medium-Term has been modified in line with the present framework in the country.

Proposed Regulation in CSERC MYT Regulations, 2025

*""**Medium-Term**" means any period exceeding **1 year** and up to 7 years"*

m) Addition of definition of "Short-Term"

Rationale for Modification

The definition of Short-Term has been added in line with the present framework in the country, as the same is not defined in the existing CSERC MYT Regulations, 2021.

Proposed Regulations in CSERC MYT Regulations, 2025

*""**Short-Term**" means any period exceeding 1 month and up to 1 year"*

n) Regulation 3.81 of CSERC MYT Regulations, 2021: Useful Life

*""**Useful Life**" in relation to a unit of a generating station, transmission and distribution system from the COD shall mean the following, namely:-*

(a)	*Coal based thermal generating station*	*25 years*
(b)	*AC and DC sub-station*	*25 years*
(c)	*Hydro generating station including pumped storage hydro generating stations*	*40 years*
(d)	*Transmission or distribution line*	*35 years*
(e)	*Integrated mine*	*20 years or as per Mining Plan, whichever is lower."*

Rationale for Modification

The definition of Useful Life has been modified in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

*""**Useful Life**" in relation to a unit of a generating station, transmission and distribution system from the COD shall mean the following, namely:*

(a)	*Coal/lignite-based thermal generating station*	*25 years*
(b)	***Gas/Liquid fuel-based thermal generating station***	***25 years***
(c)	*AC and DC sub-station*	*25 years*
(d)	***Gas Insulated Sub-station***	***25 years***
(e)	*Hydro generating station including pumped storage hydro generating stations*	*40 years*
(f)	*Transmission **line** or distribution line*	*35 years*

(g)	***Optical Ground Wire (OPGW)***	***15 years***
(h)	***IT system, SCADA and Communication system excluding OPGW***	***7 years***
(i)	*Integrated mine*	***As per the Mining Plan**:*

***Provided that, in the case of coal/lignite based thermal generating stations and hydro generating stations, the Operational Life may be 35 years and 50 years, respectively**."*

2.2 Procedure for Filing Petition

a) Regulation 5.7(b)(i) of CSERC MYT Regulations, 2021

"i. For Generation, Transmission, and SLDC business - Truing up for preceding year(s).

The STU/transmission licensee shall also file proposal for determination of transmission charges for the short term open access customers along with true-up petition."

Rationale for Modification

Regulation 5.7(b)(i) has been further elaborated, in line with the present practice, for more clarity.

Proposed Regulation in CSERC MYT Regulations, 2025

"i. For Generation, Transmission, and SLDC business - Truing up for preceding year(s).

***Provided that**, the STU/transmission licensee shall also file proposal for determination of transmission charges **for the ensuing year** for the short-term open access customers along with true-up Petition:*

***Provided further that, the SLDC shall also file proposal for determination of System Operation Charges (SOC) and Market Operation Charges (MOC) for the ensuing year along with the true-up Petition**."*

b) Regulation 5.7(b)(ii) of CSERC MYT Regulations, 2021

"ii. For Distribution Wire and Retail Supply Business

1. The truing up petition for preceding year(s).
2. Revised power purchase quantum/cost (if any), with details thereof for the ensuing year.
3. Revenue from existing tariffs and charges and projected revenue for the

ensuing year.

4. *Application for re-determination of ARR for the ensuing year along-with retail tariff proposal."*

Rationale for Modification

Regulation 5.7(b)(ii) has been further elaborated, in line with the present practice, for more clarity.

Proposed Regulation in CSERC MYT Regulations, 2025

"ii. For Distribution Wire and Retail Supply Business

1. *The truing up petition for preceding year(s);*
2. ***Revised category-wise sales projections for the ensuing year;***
3. *Revised power purchase quantum/cost (if any), with details thereof, for the ensuing year;*
4. ***Revised Aggregate Revenue Requirement for the ensuing year on account of revision in the power purchase cost;***
5. *Projected revenue from existing tariffs and charges for the ensuing year;*
6. ***Projected cumulative revenue gap/surplus for the ensuing year;***
7. *Application for re-determination of ARR for the ensuing year along-with retail tariff proposal* ***for meeting the revised Aggregate Revenue Requirement for the ensuing year, along with the cumulative revenue gap/surplus after true-up of previous year.****"*

c) Regulation 5.7(c) of CSERC MYT Regulations, 2021

"A generating company shall submit, generating station wise performance data, except for true up for such years, for which tariff order itself provided for determination of single part tariff."

Rationale for Modification

Regulation 5.7(c) has been modified in line with the present practice, for more clarity.

Proposed Regulation in CSERC MYT Regulations, 2025

"The generating company shall submit generating station-wise performance data along with the true-up Petition."

d) Regulation 5.7(d) of CSERC MYT Regulations, 2021

2nd Proviso of Regulation 5.7(d) specifies as under:

"Provided also that a Petition may be filed at any time during the Control Period in case of variation in uncontrollable factors that may result in sudden, steep, and sustained increase in tariff."

Rationale for Modification

The above said clause has been deleted as tariff is being determined annually, and major variation is addressed through the FPPAS mechanism, hence there is no requirement for this proviso.

e) Regulation 7.2(a) of CSERC MYT Regulations, 2021: Capital Investment Plan (CIP)

"The capital investment plan shall show separately, on-going projects that will spill over into the Control Period, and such new projects (along with justification) which will commence in the Control Period but may be completed within or beyond the Control Period. The capital investment plan shall contain the scheme details, justification for the work, capitalization schedule, capital structure and cost benefit analysis, if applicable."

Rationale for Modification

The clause 7.2(a) has been modified with the addition of item-wise break-up of capital cost and approval of the competent authority for the scheme, to ensure that all relevant information is provided in the CIP.

Proposed Regulation in CSERC MYT Regulations, 2025

7.3.(a) "The capital investment plan shall show separately, on-going projects that will spill over into the Control Period, and such new projects (along with justification) which will commence in the Control Period but may be completed within or beyond the Control Period.

*7.3.(b) The capital investment plan shall contain the scheme details, **item-wise break-up of capital cost,** justification for the work, capitalization schedule, capital structure, cost-benefit analysis, **and approval of the competent authority for the schemes, as** applicable."*

f) Regulation 10.4(a) of CSERC MYT Regulations, 2021: Truing Up

"A comparison of the audited performance of the applicant for the previous financial year(s) with the approved forecast for such previous financial year(s), subject to the prudence check including pass-through of impact of all uncontrollable factors."

Rationale for Modification

Regulation 10.4(a) has been modified for more clarity in accordance with the specified framework.

Proposed Regulations in CSERC MYT Regulations, 2025

"A comparison of the audited performance of the applicant for the previous financial year(s) with the approved forecast for such previous financial year(s), subject to the prudence check including ***sharing of gains/losses on account of controllable factors and*** *pass-through of impact of all uncontrollable factors."*

g) Regulation 11.1 of CSERC MYT Regulations, 2021: Un-Controllable Factors

"*For the purpose of this Regulation, the term "uncontrollable factors" shall comprise of the following factors, but not limited to, which were beyond the control of the applicant, and could not be mitigated by the applicant:*

(a) Force Majeure events;
(b) Change in law,
(c) Judicial pronouncements,
(d) Fuel prices;
(e) Sales mix
(f) quantum of Sales;
(g) Cost of power purchase;
(h) Cost on account of inflation;
………"

Rationale for Modification

Regulation 11.1(g) has been modified from 'cost of power purchase' to 'power purchase rate' as only the power purchase rate is uncontrollable, with the cost of power purchase depending on the rate and quantum, where quantum also depends on losses, which is a controllable factor.

Proposed Regulations in CSERC MYT Regulations, 2025

"*For the purpose of this Regulation, the term "uncontrollable factors" shall comprise of the following factors, but not limited to, which were beyond the control of the applicant, and could not be mitigated by the applicant:*

(a) Force Majeure events;
(b) Change in law,
(c) Judicial pronouncements,
(d) Fuel prices;

(e) *Sales mix*

(f) *quantum of Sales;*

(g) ***Power purchase rate;***

(h) *Cost on account of inflation;*

………"

h) Regulation 11.2 of CSERC MYT Regulations, 2021: Controllable Factors

11.2. "For the purpose of this Regulation, the term "Controllable factors" shall comprise of the following:

(a) *Capitalization on account of cost overruns in the implementation of a CIP not attributable to an approved change in scope of such project, change in statutory levies or circumstances beyond control of the generating company or the licensee, as the case may be.*

(b) *Generation performance parameters like PLF, SHR, Auxiliary consumption, PAF etc;*

(c) *Energy losses computed in accordance to Regulation* ***Error! Reference source not found.****;*

(d) *Maintenance & General (M&G) expenses;*

(e) *Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted;*

(f) *Variation in Wires Availability and Supply Availability."*

Rationale for Modification

Interest on working capital (IoWC) has been added as a controllable factor in Regulation 11.2 as the Commission allows normative IoWC, and the actual IoWC could be higher or lower than the normative IoWC, reflecting the efficiency of the regulated entity.

Proposed Regulations in CSERC MYT Regulations, 2025

11.2. "*For the purpose of these Regulations, the term "Controllable factors" shall comprise the following:*

(a) Capitalization on account of cost overruns in the implementation of a project not attributable to an approved change in scope of such project, change in statutory levies, or circumstances beyond control of the generating company or the licensee, as the case may be;

(b) Generation performance parameters like Plant Availability Factor, Station Heat Rate,

Auxiliary consumption, etc;

(c) *Energy losses computed in accordance with Regulation* ***Error! Reference source not found.****;*

(d) *Maintenance & General (M&G) expenses;*

(e) *Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted;*

(f) Interest on working capital;

(g) *Variation in Wires Availability and Supply Availability."*

i) Regulation 13 of CSERC MYT Regulations, 2021: Mechanism for sharing of gains or losses on account of controllable factors

" 13.1 The mechanism for sharing of aggregate net gain on account of over achievement in reference to the target set in tariff order for efficiency linked controllable items and energy losses computed in accordance to Regulation ***Error! Reference source not found.*** *shall be passed on to the beneficiary / consumer(s) and retained by the generating company or the licensee or SLDC, as the case may be, in the ratio of 2:1 or as may be specified in the Order of the Commission passed under this Regulation.*

13.2 The mechanism for sharing of aggregate net loss on account of under achievement in reference to the target set in tariff order for efficiency linked controllable items and energy losses computed in accordance to Regulation ***Error! Reference source not found.*** *shall be passed on to the beneficiary / consumer(s) and by the generating company or the licensee, as the case may be, in the ratio of 1:2 or as may be specified in the Order of the Commission passed under this Regulation."*

Rationale for Modification

In the CSERC MYT Regulations, 2015 the sharing ratio for gains and losses was specified as 1:1, which was modified to 2:1 ratio for sharing of gains between the beneficiary and the utility, while losses were shared in the ratio of 1:2 ratio between the beneficiary and utility.

It should be noted that for the generation business, unlike the Transmission business and Distribution business, the sharing of gains and losses is worked out by the Commission in a unique and exhaustive way wherein the different components of ARR are evaluated against multiple norms of operation. Therefore, the sharing of gains and losses for the generation business may be different from that adopted for the Transmission business and Distribution business.

The Commission has retained the sharing ratio as 2:1 for the Transmission business and Distribution business, in line with the ratio stipulated in the MoP Rules for sharing of gains and losses in relation to AT&C losses. For the generation business, it may be noted that CERC has specified the sharing ratio for gains and losses as 1:1. However, unlike the approach adopted by CERC, which undertakes true-up for all components of the ARR, this Commission determines and undertakes true-up for only the Energy Charge Rate (ECR) portion of the ARR in respect of certain generating stations, without any control on other components of AFC. At the same time, for the State Generating Company, which supplies the entire generation to the State Distribution Licensee, all the components of the ARR are shared in a unique manner. Therefore, these two categories of generating stations need to be considered differently.

In view of the above, the Commission finds it prudent and rational to specify the ratio for sharing of gains and losses as 1:1 for the generating stations that are supplying entire power to the State distribution licensee under Section 62 of the Act, at the rate determined by this Commission and which are subjected to true-up of all the components of ARR under these Regulations.

Hence, the sharing ratio for gains and losses has been retained as 2:1 between the generating companies, licensees, SLDC and the beneficiaries, with the proviso that in case of generating companies supplying their entire generation to the distribution licensees of the State, the sharing ratio shall be 1:1.

The phrase "or as may be specified in the Order of the Commission passed under this Regulation" has been deleted, as the sharing ratio has been specified in the Regulations itself.

Proposed Regulations in CSERC MYT Regulations, 2025

"13.1 The mechanism for sharing of aggregate net gain on account of over achievement in reference to the target set in tariff order for efficiency linked controllable items and energy losses computed in accordance to Regulation ***Error! Reference source not found.*** *shall be passed on to the beneficiary / consumer(s) and retained in the ratio of 2:1 by the generating company or the licensee or SLDC, as the case may be:*

Provided that, in the case of generating stations supplying their entire generation to the distribution licensees of the State, the gains shall be shared in the ratio of 1:1 between the generating stations and the distribution licensees.

13.2 The mechanism for sharing of aggregate net loss on account of under achievement in reference to the target set in tariff order for efficiency linked controllable items and energy losses computed in accordance to Regulation ***Error! Reference source not found.*** *shall be passed on to the beneficiary / consumer(s) and retained in the ratio of 1:2 by the generating company or the licensee, as the case may be:*

Provided that, in the case of generating stations supplying their entire generation to the distribution licensees of the State, the gains shall be shared in the ratio of 1:1 between the generating stations and the distribution licensees."

j) Regulation 16 of CSERC MYT Regulations, 2021: Subsidy Mechanism

"16.1 If the State Government decides to subsidize any consumer or class of consumers, it shall release subsidy in advance, as per the provisions of Section 65 of the Act, to compensate the licensee.

16.2 To determine tariff applicable for each of the subsidized consumer as per the directives of the State Government, the Commission shall initially determine the tariff, without considering the subsidy committed by the State Government and finally subsidized tariff shall be arrived at after considering the committed subsidy by the State Government."

Rationale for Modification

The subsidy mechanism has been modified in accordance with the present practice and Rule 15 of Electricity (2nd Amendment) Rules, 2023 notified by the MoP.

Proposed Regulations in CSERC MYT Regulations, 2025

"16.1 The Commission shall determine the full-cost tariff applicable for each consumer category without considering any subsidy committed by the State Government.

16.2 If the State Government decides to subsidize any consumer or class of consumers, it shall release subsidy in advance, as per the provisions of Section 65 of the Act, to compensate the licensee.

16.3 The accounting of the subsidy payable under Section 65 of the Act shall be done by the distribution licensee, in accordance with the Standard Operating Procedures issued by the Central Government, in this regard.

16.4 A quarterly report shall be issued by the Commission for each distribution licensee in its jurisdiction, giving findings whether demands for subsidy were raised by the distribution licensee in the relevant quarter based on accounts of the energy consumed by the subsidised category and consumer category-wise per unit subsidy declared by the State Government, the actual payment of subsidy in accordance with Section 65 of the Act and the gap in subsidy due and paid as well as other relevant details.

16.5 The quarterly report shall be submitted by the distribution licensee within thirty days from end date of the respective quarter and the Commission shall examine the report, and issue it with corrections, if any, in accordance with Regulation 16.4, within thirty days of the submission.

16.6 In case the subsidy has not been paid in advance, then the Commission shall issue Order for implementation of tariff without subsidy, in accordance with the provisions of Section 65 of the Act.

16.7 If subsidy accounting and the raising bills for subsidy is not found in accordance with the Act or Rules or Regulations issued there under, the Commission shall take appropriate action against the concerned officers of the distribution licensee for non-compliance as per provisions of the Act."

3 Financial Principles

This Chapter of the Explanatory Memorandum elaborates the rationale and justification for the changes proposed to the Financial Principles.

3.1 Incorporation of Regulation 17 in CSERC MYT Regulations, 2025

Rationale for Modification

This Regulation has been incorporated to provide the framework to the Commission to ensure financial prudence in terms of revenue, revenue expenditure, and capital expenditure.

Proposed Regulations in CSERC MYT Regulations, 2025

"17. FINANCIAL PRUDENCE

17.1 The generating company or licensee or SLDC shall manage its finances in an optimum and prudent manner.

17.2 In determining the ARR and Tariff of the generating company or licensee or SLDC, the Commission shall assess the financial prudence exercised with regard to the following factors:

(a) revenue;

(b) revenue expenditure;

(c) capital expenditure:

Provided that, the Commission may disallow a part of the Aggregate Revenue Requirement, as an efficiency measure, if it finds the exercise of such prudence to have been deficient.

17.3 The financial prudence with respect to revenue shall be assessed in terms of the following parameters:

(a) whether category-wise sales projections are based on realistic estimates, and adequate justification has been provided for any anomalous increase in sales projected by the distribution licensee;

(b) whether projected generation is based on realistic estimates, and adequate justification has been provided for any anomalous increase in generation projected by the generating company;

(c) billing efficiency measured as a percentage of the units billed by the generating company or licensee to the total units injected into the transmission or distribution system, as the case may be;

(d) collection efficiency measured as a percentage of the amount collected by the generating company or licensee to the total amount billed;

(e) reduction in arrears receivable from beneficiaries/consumers;

(f) percentage of metered consumers and metered consumption out of the total, in the case of distribution licensee;

(g) percentage of bills raised on the basis of assessed consumption out of the total number of bills raised by the distribution licensee;

(h) whether revenue collected is in line with the projections made in the Petition and approved by the Commission.

17.4 The financial prudence with respect to revenue expenditure shall be assessed in terms of the following parameters:

(a) monitoring of the revenue expenditure as against the revenue earned, such that the expenses and payment obligations of the generating company or licensee to other entities are met in a timely manner;

(b) mechanism put in place for monitoring adherence to the approved revenue expenditure, including schedule of interest payments for long-term loans and working capital;

(c) transparent method of power procurement, with the objective of optimising the power purchase expenses;

(d) optimum purchase of power considering factors such as requirement of power, Merit Order Despatch, potential for earning additional net revenue based on the differential between the rate for purchase of power from different sources and the market rate for sale of surplus power, if any:

Provided that, in case the excess of revenue expenditure over the revenue earned exceeds 5%, the generating company or licensee shall submit detailed justification for the mismatch along with its Petition for True-up, including a comparison of the revenue expenditure and revenue estimated in the Petition with the amounts approved by the Commission and with the actual amount of revenue expenditure and revenue, under key heads:

Provided further that, the generating company or licensee shall submit a detailed cash flow statement for the respective Business showing the various sources of revenue, the actual amount of cash collected against the amount billed to different consumer categories for sale of electricity, the comparison of the actual revenue expenditure and capital expenditure with the projected and approved revenue expenditure and capital expenditure:

Provided also that, in case its payment obligations to other entities are not regularly met, the generating company or licensee shall provide justification for such shortfall with reference to its cash flow statement:

17.5 The financial prudence with respect to capital expenditure shall be assessed in terms of the following parameters:

(a) whether projected capital expenditure and capitalisation are based on realistic estimates, and adequate justification has been provided for any anomalous increase in capital expenditure and capitalisation projected by the generating company or licensee;

(b) mechanism put in place for monitoring the physical progress of projects with respect to their original schedule;

(c) optimum drawal of loans in accordance with the physical progress of the capital expenditure schemes, and efficient utilisation of such loans;

(d) in case the actual capital expenditure or capitalisation exceeds 10% of that approved by the Commission, the generating company or licensee shall submit detailed justification for such excess along with its Petition for True-up.

(e) in case any scheme has not been commenced during the year despite the Commission's approval, detailed justification shall be submitted along with the Petition for True-up."

3.2 Regulation 17.1(ii) of CSERC MYT Regulations, 2021: Debt Equity Ratio

"For an investment made on or after the date of transfer or 31st March 2022 whichever is later, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan."

Rationale for Modification

The Regulation 17.1(ii) has been deleted as it is already addressed in the 1st proviso of the Regulations.

3.3 Regulation 18.1(b)(ii) and (iii) of CSERC MYT Regulations, 2021: IDC

"ii. In case of additional costs on account of IDC due to delay in achieving the SCOD, the generating company or STU/ transmission licensee or distribution licensee or SLDC as the case may be, shall be required to furnish detailed justifications with supporting documents for such delay including prudent phasing of funds:

iii. Provided that if the delay is not attributable to the generating company or STU/ transmission licensee or the distribution licensee or SLDC as the case may be, and is due to uncontrollable factors as specified in Regulation ***Error! Reference source not found.*** *of this regulation, IDC may be allowed after due prudence check:*

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

Rationale for Modification

The CSERC MYT Regulations, 2021 provides for the scenario wherein the delay is not attributable to the Utility. Hence, for completeness, the framework for allowance of IDC in case of the scenario wherein the delay is attributable to the Utility has also been specified.

Proposed Regulations in CSERC MYT Regulations, 2025

"ii. In case of additional costs on account of IDC due to delay in achieving the SCOD, the generating company or STU/ transmission licensee or distribution licensee or SLDC as the case may be, shall be required to furnish detailed justification with supporting documents for such delay including prudent phasing of funds:

Provided that, if the delay is attributable entirely to the generating company or STU/ transmission licensee or the distribution licensee or SLDC as the case may be, IDC may be entirely disallowed after due prudence check:

Provided further that, if the delay is not attributable to the generating company or STU/ transmission licensee or the distribution licensee or SLDC as the case may *be, and is due to uncontrollable factors as specified in Regulation* ***Error! Reference source not found.****, IDC may be allowed after due prudence check:*

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

3.4 Regulation 18.1(c)(ii) and (iii) of CSERC MYT Regulations, 2021: IEDC

"ii. In case of additional costs on account of IEDC due to delay in achieving the SCOD, the generating company or STU/ transmission licensee or distribution licensee or SLDC 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 STU/ transmission licensee or the distribution licensee or SLDC as the case may be, and is due to uncontrollable factors as specified in Regulation ***Error! Reference source not found.****, 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 STU/ transmission licensee or distribution licensee or SLDC, the liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost."

Rationale for Modification

The CSERC MYT Regulations, 2021 provides for the scenario wherein the delay is not attributable to the Utility. Hence, for completeness, the framework for allowance of IEDC in case of the scenario wherein the delay is attributable to the Utility has also been specified.

Proposed Regulations in CSERC MYT Regulations, 2025

"ii. In case of additional costs on account of IEDC due to delay in achieving the SCOD, the generating company or STU/ transmission licensee or distribution licensee or SLDC 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 attributable entirely to the generating company or STU/ transmission licensee or distribution licensee or SLDC as the case may be, IEDC may be entirely disallowed after due prudence check:

Provided further that, if the delay is not attributable to the generating company or STU/ transmission licensee or distribution licensee or SLDC as the case may be, and is due to uncontrollable factors as specified in Regulation ***Error! Reference source not found.****, IEDC may be allowed after due prudence check:*

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

3.5 Regulation 18.1(f) of CSERC MYT Regulations, 2021: Capital Cost and Capital Structure

"Additional capital expenditure determined under Regulation ***Error! Reference source not found.****:*

Provided that the assets forming part of the project, but not in use shall be taken out of the capital cost"

Rationale for Modification

Regulation 18.1(f) has been modified for greater clarity, to address situations wherein the asset is not put to use though it may be charged/commissioned.

Proposed Regulation in CSERC MYT Regulations, 2025

"Additional capital expenditure determined under Regulation ***Error! Reference source not found.****:*

Provided that, the assets forming part of the project, but not ***put to use or not*** *in use, shall be excluded from the capital cost."*

3.6 Addition of Regulation 19.3 in the CSERC MYT Regulations, 2025

Rationale for Modification

There may be situations where the asset is not put to use though it may be charged/commissioned. The Utility has to ensure that the asset is put to use when commissioned. If the entire capital cost is allowed to be recovered, irrespective of when the asset is actually put to use, there will be no pressure on the Utility to put the asset to use as soon as it is charged/commissioned. Further, reducing the capital cost to the extent of accumulated depreciation for the period the assets remain unutilized, will incentivize the Utility to ensure that the asset is actually put to use at the earliest.

Proposed Regulations in CSERC MYT Regulations, 2025

"19.3 The capital cost of the concerned asset/s shall be considered after deducting the amount of accumulated depreciation computed for the period the assets remain unutilised, for the purpose of tariff determination, in the following instances:

(a) The asset/s have become part of the asset base of the regulated business after lapse of time with respect to the COD of the asset;

*(b) If the asset has not been put to use for the regulated business after COD***"**

3.7 Regulation 18.4 of CSERC MYT Regulations, 2021: Initial Spares

The capital cost may also include capitalized initial spares…

*"**Transmission system or Distribution system***

Initial spares shall be capitalized as a percentage of the original capital cost, subject to following ceiling norms:

i.	*Transmission or distribution line*	*- 0.50%*
ii.	*Transmission or distribution substation*	*- 1.00%*
iii.	*Series/parallel compensation devices and HVDC Station*	*- 3.50%*
iv.	*Gas insulated sub-station*	*- 3.50%"*

Rationale for Modification

The ceiling norms for initial spares allowed as a percentage of the original capital cost have been revised in accordance with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulations in CSERC MYT Regulations, 2025

"Transmission system or Distribution system

i.	***Transmission or distribution line***	***- 1.00%***
ii.	***Transmission or distribution substation***	***- 4.00%***
iii.	***Series/parallel compensation devices and HVDC Station***	***- 4.00%***
iv.	***Gas insulated sub-station***	***- 3.50%***
v.	***Communication system***	***- 3.50%."***

3.8 Regulation 18.5 of CSERC MYT Regulations, 2021: Capital Cost and Capital Structure

"Any expenditure on replacement, renovation and modernization or extension of life of old fixed assets, as applicable to generating company, transmission licensee and distribution licensee, shall be considered after writing off the GFA of such replaced assets from the original capital cost and the accumulated depreciation on the asset from the total accumulated depreciation"

Rationale for Modification

A proviso has been added to the above Regulation to address the situation wherein insurance proceeds are received towards damage of any asset.

Proposed Regulations in CSERC MYT Regulations, 2025

"19.7 Any expenditure on replacement, renovation and modernization or extension of life of old fixed assets, as applicable to generating company, transmission licensee and distribution licensee, shall be considered after writing off the GFA of such replaced assets from the original capital cost and the accumulated depreciation on the asset from the total accumulated depreciation:

Provided 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*."*

3.9 Regulation 18.6 of CSERC MYT Regulations, 2021

"In case of de-capitalisation of assets of a generating company or the licensee, 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, duly taking into consideration the year in which it was capitalised."

Rationale for Modification

A proviso has been added to the above Regulation in accordance with the CERC (Terms and Conditions of Tariff) Regulations, 2024, to address the situation where the historical cost of the de-capitalised asset is not available.

Proposed Regulations in CSERC MYT Regulations, 2025

"19.8 *In case of de-capitalisation of assets of a generating company or the licensee, 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 in which, such de-capitalisation takes place, 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."

3.10 Addition of Regulation 19.10 to CSERC MYT Regulations, 2025

Rationale for Modification

Regulation 19.10 has been added to provide greater clarity in situations where revaluation of asset is done.

Proposed Regulations in CSERC MYT Regulations, 2025:

"19.10 ***The impact of revaluation of assets shall be permitted provided it does not result in increase in Tariff of the generating company or licensee:***

Provided that, any benefit from such revaluation shall be passed on to the beneficiaries of the generating company or licensee, at the time of tariff determination or truing-up, as the case may be."

3.11 Regulation 19.2(x) of CSERC MYT Regulations, 2021: Additional Capitalisation

"Any investment of more than Rs. 1 Crore which is considered indispensable by the Commission for running the thermal generating station:

Provided that any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, heat convectors, computer, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff and/or fees and charges as the case maybe."

Rationale for Modification

The above said clause has been modified for greater clarity in accordance with the CERC (Terms and Conditions of Tariff) Regulation, 2024. The investment value of Rs. 1 Crore has been modified to Rs. 30 Lakh, for ensuring greater discipline.

Proposed Regulations in CSERC MYT Regulations, 2025

"*x. Any investment of more than* ***Rs. 30 lakh of capital nature or spares****, which is considered indispensable by the Commission for running the thermal generating station:*

Provided that the generating company or licensee shall submit the details of such capitalisation at the time of true-up and the Commission may allow the same after prudence check:

Provided further that, any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, heat convectors, computer, mattresses, carpets, etc., brought after the cut-off date shall not be considered for additional capitalization for determination of tariff and/or fees and charges as the case maybe."

3.12 Regulation 19.3 of CSERC MYT Regulations, 2021: Additional Capitalisation

"In case of replacement of assets deployed under the original scope of the existing project after 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:…"

Rationale for Modification

The Regulation has been modified for greater clarity to reflect the fact that replacement of assets will have a corresponding impact on equity and debt as well. Further, additional capitalization less than Rs. 20 lakh for replacement of assets has been considered under normative O&M expenses, in line with CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

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

a. The useful life of the assets 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 change in law or compliance of law or Force Majeure conditions;

c. The replacement of such asset or equipment is necessary on account of obsolescence of technology; and

d. The replacement of such asset or equipment has otherwise been allowed by the Commission:

Provided that, any claim of additional capitalisation less than Rs. 20 Lakh with respect to the replacement of assets under the original scope and on account of obsolescence of technology, shall not be considered as part of capital cost, and shall be met through normative O&M expenses."

3.13 Addition of Regulation 20.4

Rationale for Modification

Regulation 20.4 has been added to address the basic requirements for pass through of capitalization, in accordance with the Electricity (2nd Amendment) Rules, 2023.

Proposed Regulation in CSERC MYT Regulations, 2025:

"Pass-through of costs associated with assets created by the generating company, licensee or SLDC, shall be subject to the following conditions:

a. the asset has been created in accordance with the capital investment plan approved by the Commission;

b. ***the asset has been procured in competitive and transparent manner;***

c. ***the asset is geo-tagged and properly recorded in Fixed Asset Register."***

3.14 Regulation 21 of CSERC MYT Regulations, 2021: Renovation and Modernisation

"21.1 The generating company or the transmission licensee/STU or the distribution licensee, as the case may be, for meeting the expenditure on renovation and modernization for the purpose of extension of life beyond the useful life of the generating station or a unit thereof or the transmission system or the distribution system, 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, and any other information considered to be relevant by the generating company or the transmission licensee or the distribution licensee.

21.2 Where the generating company or the transmission licensee or the distribution licensee, as the case may be, makes an application for approval of its proposal for renovation and modernization, the approval shall be granted after due consideration of reasonableness of the cost estimates, financing plan, schedule of completion, interest during construction, use of efficient technology, cost-benefit analysis, and such other factors as may be considered relevant by the Commission"

Rationale for Modification

Regulations 21.1 and 21.2 have been modified in accordance with the CERC (Terms and Conditions of Tariff) Regulations, 2024. Further, the applicability of Renovation and Modernisation to Transmission has been deleted, in accordance with the CERC (Terms and Conditions of Tariff) Regulations, 2024. The reference to 'distribution licensee' has been removed, as Renovation and Modernisation is not applicable to Distribution business.

Proposed Regulations in CSERC MYT Regulations, 2025

"22.1 *The generating company intending to undertake renovation and modernisation* ***of the generating station or Unit*** *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,* ***specific Board approval****, and any other information considered to be relevant by the generating company or the transmission licensee or the distribution licensee:*

Provided that, the generating company making the application for renovation and modernisation shall not be eligible for Special Allowance under Regulation 23 for that particular generating station or Unit:

Provided further that, the generating company intending to undertake renovation and modernisation shall seek the consent of the beneficiary/ies for such renovation and modernisation and submit the response of the beneficiary/ies along with the Petition.

22.2 Where the generating company makes an application for approval of its proposal for renovation and modernisation, the approval shall be granted after due consideration of reasonableness of the cost estimates, financing plan, schedule of completion, interest during construction, use of efficient technology, cost-benefit analysis, ***expected duration of life extension, the response of the beneficiaries****, and such other factors as may be considered relevant by the Commission****."***

3.15 Regulation 21.4 of CSERC MYT Regulations, 2021: Special Allowance for coal based thermal generating stations

"In case the generating station other than HTPS decides to operate any of its coal-based thermal generating unit(s) which has completed useful life without investment in 'Renovation & Modernisation' and meets the operational performance benchmark in accordance with the norms specified in this regulation then such generating station shall be eligible for annual 'special allowance' @ Rs. 9.5 lakh/ MW/ year. In case of HTPS, the special allowance may be decided in the tariff petition/Capital investment plan."

Rationale for Modification:

Regulation 21.4 has been modified in accordance with the CERC (Terms and Conditions of Tariff) Regulations, 2024. The Special Allowance has been increased to Rs. 10.75 lakh/MW/year from Rs. 9.5 lakh/MW/year, and the exception for HTPS has been deleted, as the same is no longer required. Further, a proviso has been introduced to the effect that the generating company may claim a maximum of 50% of the Special Allowance at the time of tariff determination, with the liberty to claim the balance 50% at the time of true-up for the respective year, in order to keep the tariff impact in check.

Proposed Regulations in CSERC MYT Regulations, 2025:

"*In case the generating station decides to operate any of its coal-based thermal generating unit(s), which has completed Useful Life without investment in 'Renovation and Modernisation' and meets the operational performance benchmark in accordance with the norms specified in these Regulations, then such generating station shall be eligible for annual 'Special Allowance' @* ***Rs. 10.75 lakh/ MW/ year as compensation for meeting the requirement of expenses towards any additional capital expenditure covered in Regulations 20 and 22, except for capital expenditure arising out of change in law, award of arbitration or for compliance of the directions or order of any statutory authority, or order or decree of any court of law, and force majeure, after completion of 25 years from the date of commercial operation of the generating station or a unit thereof:***

Provided that, no upward revision of the capital cost shall be allowed and the applicable operational norms shall not be relaxed but the Special Allowance shall be included in the annual fixed cost:

Provided further that, a maximum of fifty percent of Special Allowance may be allowed at the time of tariff determination, with the generating company having the liberty to claim the balance fifty percent of Special Allowance at the time of true-up for the respective year:

Provided also that the Special Allowance may be carried over from one year to another within the Control Period, depending on the status of capital works:

Provided also that Special Allowance shall not be available for a generating station or Unit thereof for which Renovation and Modernisation has been undertaken and the expenditure has been admitted by the Commission before the 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."

3.16 Regulation 23 of CSERC MYT Regulations, 2021: Return on Equity

"23.1 Base rate for Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulation 17. Return on equity shall be computed at the rate of 14.0% for Generation and Transmission and SLDC.

23.2 Distribution: Base rate for Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulation 17. Return on equity shall be computed at the rate of 16.0%.

23.3 The ROE shall be grossed up at the time of tariff by MAT rate for the year in which tariff is being determined, subject to the condition that MAT / Corporate tax has been paid for last three consecutive years for regulated business filed petition under these Regulations. In such case, Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of return on equity = Base rate / (1-MAT Rate)

At the time of True up, the income tax shall be pass through on actual basis, subject to ceiling as following:

= Average Permissible Equity X Base Rate of Return X ((t/ (1-t))

Where "t" is the actual tax rate for the year. The tax rate shall be calculated without considering the delay payment surcharge received or receivable during the said financial year by generating company or licensee as the case may be."

Rationale for Modification

The RoE rate has been revised to 15.5% for the generating company and transmission line, i.e., at the same level as specified in CERC (Terms and Conditions of Tariff) Regulations, 2024, in accordance with Rule 20 of Electricity (2^{nd} Amendment) Rules, 2023 notified by the MoP, which stipulates that the RoE has to be specified at the same level as specified by CERC. The RoE for Distribution Wires business kept same as RoE for transmission, as this is also a similar wires business.

The RoE for Retail Supply business has been retained @16% to reflect the slightly higher risk, in accordance with Rule 20 of Electricity (2^{nd} Amendment) Rules, 2023.

The RoE in respect of additional capitalization against emission control system, change in law, etc., has been specified in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Enabling provisos have been incorporated, to address situations where the Petitioner voluntarily seeks lower RoE.

Further, the grossing up of RoE, i.e., Regulation 23.3 of CSERC MYT Regulations, 2021, has been deleted, based on the actual approach adopted by the Commission. The Income Tax recovery shall be allowed separately at actuals.

Proposed Regulation in CSERC MYT Regulations, 2025

"25.1 Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulation 17 ***at the rate of 15.5% for generating company, transmission licensee, distribution wires business, and SLDC.***

25.2 Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulation 17 at the rate of 16.0% for retail supply business.

25.3 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 1st April of the year, subject to a ceiling of 14%.

25.4 In case the generation company or licensee or SLDC 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 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."

3.17 Regulation 24.5 of CSERC MYT Regulations, 2021: Interest and Finance Charges on Loan Capital

"The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

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

Provided further that if the generating station or the licensee, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the licensee as a whole shall be considered:

Provided further, in case of new generating station or the licensee commencing its operation after the date of effectiveness of this Regulation, and which don't have actual loan portfolio, the rate of interest shall be considered on normative basis and shall be equal to the Marginal Cost of Fund based Lending Rate (MCLR - one year tenor) of State Bank of India plus 150 basis points as applicable on the date of COD."

Rationale for Modification

A proviso has been introduced to address the situation wherein the Petitioner does not have any actual loan as a whole, in line with the approach specified in CERC (Terms and Conditions of Tariff) Regulations, 2024. The approach for computing the interest rate at the time of truing up has also been clarified, by adding another proviso.

Proposed Regulations in CSERC MYT Regulations, 2025

"26.5 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

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

Provided further that, if the generating station or the licensee, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the licensee as a whole shall be considered:

Provided also that, in case the generating company or licensee does not have actual loan portfolio as a whole, the rate of interest shall be considered on normative basis and shall be equal to the Marginal Cost of Fund based Lending Rate (MCLR - one year tenor) of State Bank of India as applicable on 1st April of the relevant financial year:

Provided also that, in case of new generating station or the licensee commencing its operation after the date of effectiveness of this Regulation, and which does not have actual loan portfolio, the rate of interest shall be considered on normative basis and shall be equal to the Marginal Cost of Fund based Lending Rate (MCLR - one year ***tenor) of State Bank of India as applicable on 1st April of the relevant financial year:***

Provided also that, at the time of true-up, the interest rate shall be the weighted average rate of interest for the year under consideration."

3.18 Regulation 24.8 of CSERC MYT Regulations, 2021: Interest and Finance Charges on Loan Capital

"……..

Provided that the beneficiary shall not withhold any payment on account of the interest *claimed by the generating company or the licensee during the pendency of any dispute arising out of re-financing of loan.*

Rationale for Modification

The above 4th proviso to Regulation 24.8 has been deleted, as it is not relevant, with the cost of re-financing being allowed to be recovered only after the Commission's approval in the true-up.

3.19 Regulation 25 of CSERC MYT Regulations, 2021: Depreciation

"25.1 The value base for the purpose of depreciation shall be the capital cost of the asset as admitted by the Commission:

…….

***25.6** Depreciation shall be calculated annually based on Straight Line Method and at rates as specified in Appendix-I to this regulation for the assets of the generating station, transmission system, distribution system and SLDC and Appendix –I (A) for integrated coal mine:*

Provided that, in case of the existing projects, the balance depreciable value as on 01.04.2022 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.03.2022 from the gross depreciable value of the assets.

Provided that in those cases where the capital investment plan has been approved by the Commission and the depreciation rates as provided in this Regulation are insufficient for the repayment of loan, the rate of depreciation shall be decided by the Commission at the time of issuance of tariff order, subject to prudence check.

Provided that in the case where additional capital investment is approved by the commission for a plant at the end of its useful life or after its useful life is already over, the recoverable depreciation in respect of additional capital investment, shall be spread over the balance projected physical life as submitted by the generation company or the licensee in the capital investment plan after prudence check by the Commission.

Provided that until a Government company or any authority or corporation is notified for operating the SLDC, the depreciation shall be calculated as applicable for the STU under these Regulations.

Provided further the balance depreciable value as on the date of transfer shall be worked out by deducting the cumulative depreciation from the gross depreciable value of the assets appearing in the books of accounts of the SLDC for the SLDC as on the date of transfer.

25.7 Depreciation shall be chargeable from the first year of commercial operation. The depreciation shall be computed on the average asset base during the year:

*Provided that for the new generating station or unit, assets of transmission licensee or assets of distribution licensee or SLDC, as the case may be, the depreciation on such new assets shall be charged on day-wise pro-rata basis during the first year the asset has been declared under commercial operation. For subsequent years, the depreciation shall be computed on the average asset base during the year.”***.**

Rationale for Modification

The depreciation rates applicable for existing assets has been continued as specified in the CSERC MYT Regulations, 2021, in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024. The depreciation rates applicable for new assets has been specified lower in accordance with the CERC (Terms and Conditions of Tariff) Regulations, 2024, to reflect the longer repayment period available for new assets.

Further, in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024, it has been specified that once the asset is depreciated up to 70% or actual debt component, the remaining depreciable value shall be spread over the balance Useful Life of the asset. It has been specified that the Petitioner shall submit the necessary documentary evidence for its claims of depreciation.

In line with the CERC (Terms and Conditions of Tariff) Regulations, 2024 and to clarify the existing approach, it has also been specified that any depreciation disallowed due to lower Availability, shall not be allowed to be recovered at a later stage during the Useful Life or Extended Life.

In the CSERC MYT Regulations, 2021, the Commission had allowed Advance Against Depreciation (AAD) to facilitate loan repayment. However, the CERC has discontinued the practice of allowing AAD, and other SERCs are also not allowing AAD, hence the provisions allowing AAD have been deleted.

A new clause has been introduced to address the depreciation of emission control systems has been added, consistent with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulations in CSERC MYT Regulations, 2025

"27.1. The value base for the purpose of depreciation shall be the capital cost of the asset as admitted by the Commission:

Provided that, the capital cost shall not include funds from grant or consumer contribution received for funding of fixed asset as specified in Regulation 23.

27.2. The salvage value of the asset except for IT equipment and software shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:

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

27.3. Land other than the land held under lease and the land for reservoir in case of hydro generating station and the land for ash-bund for thermal power stations shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset:

Provided that, subject to specific provisions, the land for integrated mine shall also be considered for depreciation.

27.4. Depreciation ***for existing assets commissioned before 31.03.2026*** *shall be calculated annually based on Straight Line Method and at rates as specified in Appendix-I to these Regulations:*

Provided that, the generating company or licensee or SLDC shall ensure that once the individual asset is depreciated to the extent of seventy percent or actual debt component, whichever is higher , remaining depreciable value as on 31st March of the year closing shall be spread over the balance Useful Life of the asset:

Provided further that, the generating company or licensee or SLDC shall submit all such details or documentary evidence as may be required, to substantiate the above claims.

27.5. In case of the existing projects, the balance depreciable value as on 01.04.2026 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.03.2026 from the gross depreciable value of the assets.

27.6. ***Depreciation for new assets commissioned on or after 01.04.2026 shall be calculated annually based on Straight Line Method and at rates as specified in Appendix-II to these Regulations:***

Provided that, the generating company or licensee or SLDC shall ensure that once the individual asset is depreciated to the extent of seventy percent or actual debt component, whichever is higher, remaining depreciable value as on 31st March of the year closing shall be spread over the balance Useful Life of the asset:

Provided further that, the generating company or licensee or SLDC shall submit all such details or documentary evidence as may be required, to substantiate the above claims.

27.7. ***The generating company or licensee or SLDC shall submit the depreciation computations separately for assets added up to March 31, 2026 and assets added on or after April 1, 2026.***

27.8. Any depreciation disallowed on account of lower availability of the generating station or unit or transmission system, as the case may be, shall not be allowed to be recovered at a later stage during the Useful Life or the Extended Life.

27.9. Depreciation allowed for each year of the Control Period from FY 2026-27 to FY 2029-30 shall be deemed to be equal to the loan repayment, up to the ceiling of seventy percent of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy percent of the asset cost.

27.10. In cases where additional capital investment is approved by the Commission for a plant at the end of its useful life or after its useful life is already over, the recoverable depreciation in respect of additional capital investment, shall be spread over the balance projected ***Operational Life or fifteen years, whichever is lower, in case of generation company, and spread over the balance projected Operational Life or ten years, whichever is lower, in case of or the licensee****, after prudence check by the Commission..*

27.11. Until a Government company or any authority or corporation is notified for operating the SLDC, the depreciation shall be calculated as applicable for the STU under these Regulations:

Provided that, the balance depreciable value as on the date of transfer for the SLDC shall be worked out by deducting the cumulative depreciation from the *gross depreciable value of the assets appearing in the books of accounts of the SLDC as on the date of transfer.*

27.12. *Depreciation shall be chargeable from the first year of commercial operation. and shall be computed on the average asset base during the year:*

Provided that, for the new generating station or unit, assets of transmission licensee or assets of distribution licensee or SLDC, as the case may be, the depreciation on such new assets shall be charged on day-wise pro-rata basis during the first year the asset has been declared under commercial operation:

Provided further that, for subsequent years, the depreciation shall be computed on the average asset base during the year.

27.13. ***Depreciation of the emission control system of an existing generating station that is yet to complete its useful life or a new generating station or unit thereof where the date of operation of the emission control system is subsequent to the date of commercial operation of the generating station or unit thereof, shall be computed annually from the date of operation of such emission control system based on the straight-line method at rates specified in Appendix-I to these Regulations:***

Provided that, the remaining depreciable value as on 31st March of the year closing in which, the emission control system is depreciated to the extent of seventy percent, shall be spread over the balance Operational Life of generating station:

Provided further that, in case the date of operation of the emission control system is after the 20th year of commercial operation of the generating station or unit thereof, but before the completion of the Useful Life of the generating station, the depreciation on emission control system shall be computed annually from the date of operation of such emission control system based on the straight-line method, with a salvage value of 10% and the depreciable value shall be recovered till the Operational Life of the generating station.

Provided also that, in case the date of operation of the emission control system is subsequent to the date of completion of Useful Life of generating station, depreciation of emission control system shall be computed annually from the date of operation of such emission control system based on the straight-line method, with a salvage value of 10% and recovered over ten years or a period

***mutually agreed by the generating company and the beneficiary/ies, whichever is higher**.”*

3.20 Regulation 26 of CSERC MYT Regulations, 2021: Interest on Working Capital

“26.1 The working capital shall include:

(a) For coal based thermal generating stations:

i. Cost of coal, if applicable, for 10 days for pit- head generating stations 20 days for non-pit-head generating stations, for generation corresponding to the normative annual plant availability factor; plus.

ii. Advance payment for 30 days towards cost of coal for generation corresponding to the normative annual plant availability factor.

iii. Cost of secondary fuel oil for one months for generation corresponding to the normative annual plant availability factor, and in case of use of more than one secondary fuel oil, cost of fuel oil stock for the main secondary fuel oil; plus

iv. O&M expenses for 15 days; plus

*v. Maintenance spares @ 20% of M&G expenses specified in Regulation **Error! Reference source not found.**; plus*

vi. Receivables equivalent to 45 days of capacity charges and energy charges for sale of electricity calculated on the normative annual plant availability factor.

Provided further that upon COD of the emission control systems the following component shall be considered additionally.

a. Cost of limestone or reagent towards stock for 20 days corresponding to the normative annual plant availability factor;

b. Advance payment for 30 days towards cost of reagent for generation corresponding to the normative annual plant availability factor;

c. Receivables equivalent to 45 days of supplementary capacity charges and supplementary energy charges for sale of electricity calculated on the normative annual plant availability factor;

d. O&M expenses in respect of emission control system for 7 days;

e. Maintenance spares @ 20% of O&M expenses in respect of emission control system."

(b) For Hydro generating station:

i. O&M expenses for 15 days; plus

ii. Maintenance spares @ 20% of Maintenance and General expenses specified in Regulation 39.5.1 or 39.5.2 as the case may be; plus

iii. Receivables equivalent to 45 days of fixed cost.

(c) For Transmission business:

i. O&M expenses for 15 days ; plus

ii. Maintenance spares @ 20% of Maintenance and General expenses specified in Regulation ***Error! Reference source not found.****; plus*

iii. Receivables equivalent to 45 days of fixed cost.

(d) For Distribution Wheeling Business:

i. O&M expenses for 15 days; plus

ii. Maintenance spares @ 20% of Maintenance and General expenses specified in Regulation ***Error! Reference source not found.****; plus*

iii. One (1) month equivalent of the revenue from charges for use of Distribution Wires at the prevailing tariff;

(e) For Retail Supply of Electricity:

i. O&M expenses for 15 days; plus

ii. Maintenance spares @ 20% of Maintenance and General expenses specified in Regulation ***Error! Reference source not found.****; plus*

iii. Receivables equivalent to 15 days of the revenue from sale of electricity at the prevailing tariffs within state;

(f) For SLDC business:

i. O&M expenses for 15 days; plus

ii. Maintenance spares @ 20% of Maintenance and General expenses specified in Regulation ***Error! Reference source not found.****; plus*

Receivables equivalent to 45 days of system operation charges and market operation charges as approved by the Commission.

26.2 At the time of True-Up, the receivables for the computation of working capital requirement of the generating company, STU/transmission licensee, distribution licensee and SLDC will be determined equivalent to 45 days of actual revenue billed and the receivables for the computation of working capital requirement of the distribution will be determined equivalent to 15 days of actual revenue billed.…"

Rationale for Modification

Regulation 26.1.(a).(i) has been aligned with CERC (Terms and Conditions of Tariff) Regulations, 2024, to reflect the maximum coal stock storage capacity. In the other clauses, it has been clarified that normative O&M expenses shall be considered. Regulation 28.2 has been revised to enhance clarity by differentiating between receivables for wheeling business and retail supply business, as their IoWC norms vary.

Regulation 28.2 has been incorporated to clarify that at the time of true-up, the revised normative values shall be considered for computing the working capital requirement.

Further, as interest on working capital has been specified as a controllable parameter, the Commission has specified that at the time of truing-up, the variation between the normative interest on normative working capital and the actual interest on actual working capital incurred by the generating company, licensee and SLDC, shall be shared in accordance with the Regulations.

Proposed Regulation in CSERC MYT Regulations, 2025

"28.1 The normative working capital shall comprise:

a) For coal-based thermal generating stations:

i. Cost of coal, if applicable, for 10 days for pit-head generating stations and 20 days for non-pit-head generating stations, for generation corresponding to the normative annual plant availability factor ***or the maximum coal stock storage capacity, whichever is lower****; plus*

ii. Advance payment for 30 days towards cost of coal for generation corresponding to the normative annual plant availability factor; plus

iii. Cost of secondary fuel oil for one month for generation corresponding to the normative annual plant availability factor, and in case of use of more than one secondary fuel oil, cost of fuel oil stock for the main secondary fuel oil; plus

iv. ***Normative*** *O&M expenses for 15 days; plus*

v. *Maintenance spares @ 20% of M&G expenses specified in Regulation **Error! Reference source not found.**.1; plus*

vi. *Receivables equivalent to 45 days of capacity charges and energy charges for sale of electricity calculated on the normative annual plant availability factor:*

Provided further that, upon COD of the emission control systems the following component shall be considered additionally:

a. *Cost of limestone or reagent towards stock for 20 days corresponding to the normative annual plant availability factor; plus*

b. *Advance payment for 30 days towards cost of reagent for generation corresponding to the normative annual plant availability factor; plus*

c. *Receivables equivalent to 45 days of supplementary capacity charges and supplementary energy charges for sale of electricity calculated on the normative annual plant availability factor; plus*

d. ***Normative** O&M expenses in respect of emission control system for 7 days; plus*

e. *Maintenance spares @ 20% of O&M expenses in respect of emission control system.*

b) For Hydro generating station:

i. ***Normative** O&M expenses for 15 days; plus*

ii. *Maintenance spares @ 20% of Maintenance and General expenses specified in Regulation 41.5.ii.2 or 41.5.iv as the case may be; plus*

iii. *Receivables equivalent to 45 days of annual fixed cost.*

c) For Transmission business:

iv. ***Normative** O&M expenses for 15 days; plus*

v. *Maintenance spares @ 20% of Maintenance and General expenses specified in Regulation **Error! Reference source not found.**; plus*

vi. *Receivables equivalent to 45 days of **Transmission Charges**.*

d) For Distribution Wheeling Business:

iv. ***Normative** O&M expenses for 15 days; plus* *v. Maintenance spares @ 20% of Maintenance and General expenses specified in Regulation **Error! Reference source not found.**; plus*

vi. One (1) month equivalent of the revenue from charges for use of Distribution Wires at the prevailing tariff;

e) For Retail Supply of Electricity:

*iv. **Normative** O&M expenses for 15 days; plus*

*v. Maintenance spares @ 20% of Maintenance and General expenses specified in Regulation **Error! Reference source not found.**; plus*

vi. Receivables equivalent to 15 days of the revenue from sale of electricity at the prevailing tariffs within state;

f) For SLDC business:

*iii. **Normative** O&M expenses for 15 days; plus*

*iv. Maintenance spares @ 20% of Maintenance and General expenses specified in Regulation **Error! Reference source not found.**.ii; plus*

v. Receivables equivalent to 45 days of system operation charges and market operation charges as approved by the Commission.

28.2 At the time of true-up, the working capital requirement for generating company, licensee, and SLDC shall be computed based on the revised normative values of the various components of working capital approved after true-up:

*Provided that, at the time of true-Up, the receivables for the computation of working capital requirement of the generating company, STU/transmission licensee, **distribution wheeling business**, and SLDC will be determined equivalent to 45 days of actual revenue billed and the receivables for the computation of working capital requirement of the **retail supply business** will be determined equivalent to 15 days of actual revenue billed.*

28.3 The cost of fuel in cases covered under sub-clause (a) of Regulation 28.1 shall be based….

*28.5 **At the time of truing-up, the variation between the normative interest on normative working capital and the actual interest on actual working capital incurred by the generating company, licensee and SLDC, shall be shared in accordance with Regulation 13 of these Regulations.***

28.6 Notwithstanding the provisions of these Regulations, the receivables to be considered for computation of working capital for the generating company, STU/transmission licensee and SLDC,…”

3.21 Regulation 27 of CSERC MYT Regulations, 2021: Tax on Income

“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 distribution licensee or SLDC as the case may be. However, any tax paid against income/services from sale of energy or under other sources or non-tariff income which are considered in ARR, such taxes will also be passed though tariff.”

Rationale for Modification

Regulation 27 has been modified to align with the current practice of passing through income tax at actuals, rather than grossing up Return on Equity (RoE). Further, as the Commission does not consider delayed payment charges as income, it has been specified that tax on such charges shall not be passed through. Furthermore, it has been specified that refunds on income tax received will be passed through during the true-up process for the relevant year, following the established approach.

Proposed Regulation in CSERC MYT Regulations, 2025

“29.1 ***Any tax paid against income/services from sale of energy or under other sources or Non-Tariff Income which are considered in ARR, shall be passed through tariff at actuals, subject to prudence check.***

29.2 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 licensee or SLDC as the case may be.

29.3 ***Income Tax on late payment surcharge earned by the generating company or licensee or SLDC shall not be allowed as pass-through in the tariff.***

29.4 Any refund of Income Tax received by the generating company or licensee or SLDC shall be passed through at the time of true-up for the year under consideration*.”*

3.22 Regulation 31 of CSERC MYT Regulations, 2021: Recovery of Cost of Hedging Foreign Exchange Rate Variation

““Every generating company and/or the transmission licensee and/or the distribution licensee and/or SLDC recover the cost of hedging and foreign exchange rate variation on year-to-year basis as income or expenses in the period in which it arises, from beneficiaries.”

Rationale for Modification

This Regulation has been deleted, as the same is already specified in Regulation 30.2 of the existing Regulations.

3.23 Regulation 32 of CSERC MYT Regulations, 2021: Carrying Cost or Holding Cost

“The Commission shall compute carrying cost/ holding cost as the case may be for a particular year, at the rate equal to the rate of interest rate as allowed for computation of Interest on Working Capital Loan for the said year.”

Rationale for Modification

Regulation 32 has been modified to align with the current practice of computing carrying/(holding) cost for the current year and ensuing year at the same rate of interest considered in the truing up for Interest on Working Capital for the previous year.

Proposed Regulation in CSERC MYT Regulations, 2025

“*The Commission shall compute carrying cost/ holding cost, as the case may be, for a particular year at the rate equal to the actual interest rate allowed for computation of Interest on Working Capital at the time of true-up for the said year:*

Provided that the same rate of interest shall be considered for the current year and ensuing year, while computing the carrying/holding cost to be recovered in the ensuing year"

3.24 Regulation 33 of CSERC MYT Regulations, 2021: Billing and Payment of Charges

“ ……….

33.5 In case, the State Govt. does not pay the due amount of subsidy in time and in cash for the retail supply consumers, the CSPDCL / distribution licensee shall issue the bill on the basis of the tariff determined by the Commission.”

Rationale for Modification:

Regulation 33.5 of the CSERC MYT Regulations, 2021 has been deleted, as this aspect is addressed in a separate clause in line with the MoP Rules.

4 Generation

4.1 ANNUAL FIXED CHARGES

Regulation 37 of CSERC MYT Regulations, 2021

“ Annual Fixed Charges

37.1 The Annual fixed cost(AFC) of a generating station of a generating station shall consist

…

NOTE:

1. Non-Tariff Income as specified in the Regulation 41, shall be subtracted from the sum of above (a to e) to arrive at AFC.

2. The SLDC charges shall be recovered in accordance with fees and charges determined in accordance with provisions of Chapter 9 of this regulation.

….”

Rationale for Modification

Point (1) of the Note has been omitted as the deduction of Non-Tariff Income to arrive at AFC is already specified in the components of the ARR.

Proposed Regulation in CSERC MYT Regulations, 2025

“38. Annual Fixed Cost

38.1. The annual fixed cost (AFC) of a generating station shall consist of the following components:…

NOTE:

1. The SLDC charges shall be recovered in accordance with fees and charges determined in accordance with provisions of Chapter 9 of these Regulations.…”

4.2 OPERATION AND MAINTENANCE (O&M) EXPENSES

Regulation 40.5 of CSERC MYT Regulations, 2021

“40.5.1 Human Resource (HR) Expenses

………

40.5.2 Maintenance and General (M&G) Expenses

40.5.2.1 Thermal Generating Station

Maintenance and General (M&G) expenses for generating company shall include:

a) Administrative and General (A&G) expenses;

b) Repair and Maintenance (R&M) expenses

the year wise projections for M&G expenses for the control period with annual escalation of 3.5% are as under

(in Rs. Lakh/MW)

Year	***200/210/250 MW Series***	***300/330/350 MW Series***	***500 MW Series***	***600 MW Series***	***800 MW & above***
FY 2022-23	*18.65*	*15.69*	*12.73*	*11.46*	*10.31*
FY 2023-24	*19.30*	*16.24*	*13.18*	*11.86*	*10.67*
FY 2024-25	*19.97*	*16.80*	*13.64*	*12.28*	*11.05*

…"

Rationale for Modification

The underlying principle for specifying the principles for HR expenses has not been changed. Only the base year reference has been changed to FY 2025-26 and the actual 5-year period prior to the base year has been changed to FY 2020-21 to FY 2024-25, to reflect the relevant years.

As regards the normative M&G expenses, the escalation rate has been revised to 5.25% from 3.5%, in line with the escalation rate specified in the CERC (Terms and Conditions of Tariff) Regulations, 2024. The base year for CPI has been revised to 2016 for O&M expenses for all businesses.

In continuation of the approach adopted while framing the CSERC MYT Regulations, 2021, the M&G norms have been specified considering 90% of the O&M norms specified in the CERC (Terms and Conditions of Tariff) Regulations, 2024, and considering the weightage of M&G expenses as 56.7% of such O&M norms.

Additional sub-clauses have been added in Regulation 41.5.vi regarding treatment of maintenance spares exceeding value of Rs. 15 lakh.

Proposed Regulation in CSERC MYT Regulations, 2025

"41.5. Operation and Maintenance (O&M) Expenses

(i) Human Resource (HR) Expenses

……..

(ii) Maintenance & General (M&G) Expenses

41.5.ii.1. Thermal Generating Station:

a) Maintenance and General (M&G) expenses for the generating company shall comprise:

i) Administrative and General (A&G) expenses;

ii) Repair and Maintenance (R&M) expenses.

b) The year-wise normative M&G expenses for the Control Period with annual escalation of 5.25%, are as under:

(Rs. Lakh/MW)

Year	***200/210/250 MW Series***	***300/330/350 MW Series***	***500 MW Series***	***600 MW Series***	***800 MW & above***
FY 2026-27	*23.13*	*19.24*	*15.36*	*14.57*	*13.11*
FY 2027-28	*24.35*	*20.25*	*16.17*	*15.34*	*13.80*
FY 2028-29	*25.62*	*21.32*	*17.02*	*16.15*	*14.53*
FY 2029-30	*26.97*	*22.44*	*17.91*	*16.99*	*15.29*

…………………………….

d) The O&M expenses on account of emission control system in coal based thermal generating station shall be 2% of the admitted capital expenditure (excluding IDC and IEDC) as on its date of commercial operation, which shall be escalated annually @5.25% during the Control Period subject to true up as above.

…

e) Maintenance spares valued up to Rs. 15 lakh shall be considered under normative M&G expenses.

f) Maintenance spares exceeding Rs. 15 lakh shall only be considered for reimbursement at the time of truing up with appropriate justification for incurring the *same and substantiating that the same is not claimed as a part of additional capitalisation or consumption of stores and spares and renovation and modernization:*

Provided that, reimbursement of maintenance spares shall be allowed only after the normative M&G is exhausted:

Provided further that, the reimbursement shall not be applicable in case of plants availing special allowance or the plants, which have not completed minimum ten years from COD..”

4.3 NON-TARIFF INCOME

Regulation 41 of CSERC MYT Regulations, 2021

“41.1 Any income incidental to the business of the generating company derived from sources,

…………..

41.2 The amount of Non-Tariff Income relating to the generation business as approved by the Commission shall be deducted from the Annual Fixed Cost in determining the Annual Fixed Charge of the generation station:

Provided that the generation 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.

Provided further Non-tariff Income for the integrated mine shall be considered as per provisions of the Chapter 5 of these Regulations.”

Rationale for Modification

A proviso has been added to Clause 41.2 for greater clarity in line with the present practice.

Proposed Regulation in CSERC MYT Regulations, 2025

“42.1. Any income incidental to the business of the generating company derived from sources,…

42.2. The amount of Non-Tariff Income relating to the generation business as approved by the Commission shall be deducted for determining the Annual Fixed Cost of the generation station:

Provided that, the generation 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:

***Provided further that the generating company shall submit full details of actual component-wise Non-Tariff Income during each year of the Control Period to the Commission along with its true-up Petition**:*

Provided also that, Non-Tariff Income for the integrated mine shall be considered as per provisions of Chapter 5 of these Regulations."

4.4 INCOME FROM OTHER BUSINESS

Regulation 42 of CSERC MYT Regulations, 2021

"Where the generating company is engaged in any other business including merchant sale of coal from integrated mines, the income earned by using the asset of the generating company then income from such business shall be shared between generator and beneficiary in following manner:

a) Amount equal to two-third of the income from such other business shall be deducted from the Aggregate Revenue Requirement

b) Amount equal to one third of income from such other business shall be retained by generator.

Rationale for Modification

This Regulation has been omitted as it is not aligned with Section 41 and Section 51 of the Electricity Act, 2003, and the Other Business of the Generating Company is not regulated. Additionally, there is an overlap since merchant sale of coal by an integrated mine is also considered as Non-Tariff Income of the coal mining business.

4.5 NORMS OF OPERATION FOR THERMAL GENERATING STATION

a) NORMATIVE ANNUAL PLANT AVAILABILITY FACTOR (NAPAF)

Regulation 43.1 of CSERC MYT Regulations, 2021

"43.1 Normative Annual Plant Availability Factor (NAPAF) for recovery of fixed charges:-

a) All thermal generating stations except HTPS and ABVTPS – 85%

b) For Hasdeo Thermal Power Station Korba (HTPS) and ABVTPS, the NAPAF is as follows:

FY	*2022-23*	*2023-24*	*2024-25*
HTPS	*79%*	*78%*	*76.5%*
ABVTPS	*79%*	*82%*	*85%*

Provided that for the purpose of sharing of gains, no gains shall be allowed to be retained by CSPGCL for HTPS and ABVTPS, for NAPAF, below 80% and 85% respectively."

Rationale for Modification

The norm for ABVTPS has been specified at 85% for FY 2024-25 in the CSERC MYT Regulations, 2021, in line with the NAPAF for other Stations, hence, there is no requirement to specify relaxed NAPAF norms for ABVTPS in the CSERC MYT Regulations, 2024.

Further, the NAPAF for HTPS was specified as 76.5% for FY 2024-25. The Commission has retained the same NAPAF for all years of the Control Period from FY 2026-27 to FY 2029-30, as HTPS is an old plant and improvement in NAPAF cannot be expected, while at the same time, allowing further reduction in NAPAF is also not appropriate.

Proposed Regulation in CSERC MYT Regulations, 2025

"43.1. Normative Annual Plant Availability Factor (NAPAF) for recovery of fixed charges:-

a) All thermal generating stations except HTPS – 85%

b) For Hasdeo Thermal Power Station Korba (HTPS), the NAPAF shall be as follows:

FY	***2026-27***	***2027-28***	***2028-29***	***2029-30***
HTPS	*76.5%*	*76.5%*	*76.5%*	*76.5%*

Provided that for the purpose of sharing of gains, no gains shall be allowed to be retained by CSPGCL for HTPS for NAPAF below 80%."

b) GROSS STATION HEAT RATE

Regulation 43.3 of CSERC MYT Regulations, 2021

"A. Existing Thermal Generating Station

(a) Existing Coal-based Thermal Generating Stations, other than HTPS:

200/210/250 MW Sets	*300 MW/500 MW Sets (sub-critical)*
2430 kCal/kWh	*2390 kCal/kWh*

(b) Hasdeo Thermal Power Station Korba (4 x 210 MW), the GSHR shall be 2650 kCal/kWh

………..

B. New generating station achieving COD on or after 01.04.2022 and any existing generating station for which norms of operation have not been finalized by this Commission for determination of tariff

Coal-based Thermal Generating Stations: l.05 X Design Heat Rate (KCal/kWh)

Where the Design Heat Rate of a unit means the unit heat rate guaranteed by the supplier at conditions of 100% MCR, zero percent make up, design coal and design cooling water temperature/ back pressure:
Provided that the design heat rate shall not exceed the following maximum design unit heat rates depending upon the pressure and temperature ratings of the units:

Pressure Rating (Kg/cm2)	*150*	*170*	*170*	*247*	*247*	*270*	*270*
SHT/RHT (0C)	*535/535*	*537/537*	*537/565*	*537/565*	*565/593*	*593/593*	*600/600*
Type of BFP	*Electrical Driven*	*Turbine Driven*	*Turbine Driven*	*Turbine Driven*	*Turbine Driven*	*Turbine Driven*	*Turbine Driven*
Max Turbine Cycle Heat rate (kCal/kWh)	*1955*	*1950*	*1935*	*1900*	*1850*	*1810*	*1800*
Min. Boiler Efficiency							
Sub-Bituminous Indian Coal	*0.86*	*0.86*	*0.86*	*0.86*	*0.86*	*0.865*	*0.865*
Bituminous Imported Coal	*0.89*	*0.89*	*0.89*	*0.89*	*0.89*	*0.895*	*0.895*

Max Design Unit Heat Rate (kCal/kWh)							
Sub-Bituminous Indian Coal	*2273*	*2267*	*2250*	*2222*	*2151*	*2105*	*2081*
Bituminous Imported Coal	*2197*	*2191*	*2174*	*2135*	*2078*	*2034*	*2022*

Provided further that in case pressure and temperature parameters of a unit are different from above ratings, the maximum design unit heat rate of the nearest class shall be taken:

Provided also that where unit heat rate has not been guaranteed but turbine cycle heat rate and boiler efficiency are guaranteed separately by the same supplier or different suppliers, the unit design heat rate shall be arrived at by using guaranteed turbine cycle heat rate and boiler efficiency:…"

Rationale for Modification

The CERC has reduced the Gross Station Heat Rate (SHR) for existing 200/250 MW Sets and 300/500 MW Sets by 15 kcal/kWh, and the Commission has adopted the same norms for existing Thermal Generating Stations.

The Formula for computing SHR of 500 MW and above sets of coal-based thermal generating stations achieving COD after on or after 01.04.2026and any existing generating station for which norms of operation have not been finalized by the Commission for determination of tariff has been introduced in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024. Similarly, the ceiling Design Heat Rate norm for 260 kg/cm^2 pressure rating has been specified and Provisos have been added to Regulation 43.3 (B) in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

*"**43.3. Gross Station Heat Rate***

A. Existing Thermal Generating Station

(a) Existing Coal-based Thermal Generating Stations, other than HTPS:

200/210/250 MW Sets	*300 MW/500 MW Sets (sub-critical)*
2415 kcal/kWh	*2375 kcal/kWh*

(b) For Hasdeo Thermal Power Station (4 x 210 MW), the Gross Station Heat Rate shall be 2650 kcal/kWh

………

B. New coal-based thermal generating station achieving COD on or after 01.04.2026 and any existing generating station for which norms of operation have not been finalized by the Commission for determination of tariff

For 200 – 300 MW sets: 1.05 x Design Heat Rate (kcal/kWh)

For 500 MW sets and above: 1.045 x Design Heat Rate (kcal/kWh)

Where the Design Heat Rate of a unit means the unit heat rate guaranteed by the supplier at conditions of 100% MCR, zero percent make up, design coal and design cooling water temperature/ back pressure:

Provided that, the design heat rate shall not exceed the following maximum design unit heat rates depending upon the pressure and temperature ratings of the units:

Pressure Rating (kg/cm2)	*150*	*170*	*170*	*247*	*247*	*260*	*270*	*270*
SHT/RHT (0C)	*535/535*	*537/537*	*537/565*	*537/565*	*565/593*	*593/593*	*593/593*	*600/600*
Type of BFP	*Electrical Driven*	*Turbine Driven*	*Turbine Driven*	*Turbine Driven*	*Turbine Driven*	*Turbine Driven*	*Turbine Driven*	*Turbine Driven*
Max Turbine Cycle Heat rate (kcal/kWh)	*1955*	*1950*	*1935*	*1900*	*1850*	*1814*	*1810*	*1800*
Min. Boiler Efficiency								
Sub-Bituminous Indian Coal	*0.86*	*0.86*	*0.86*	*0.86*	*0.86*	*0.86*	*0.865*	*0.865*
Bituminous Imported Coal	*0.89*	*0.89*	*0.89*	*0.89*	*0.89*	*0.895*	*0.895*	*0.895*
Max Design Unit Heat Rate (kcal/kWh)								
Sub-Bituminous Indian Coal	*2273*	*2267*	*2250*	*2222*	*2151*	*2109*	*2105*	*2081*

Bituminous Imported Coal	*2197*	*2191*	*2174*	*2135*	*2078*	*2109*	*2034*	*2022*

.

Provided further that, in case design turbine cycle heat rate and boiler efficiency are better than these values, the same shall be considered for calculation of design unit heat rate:

Provided also that, in case pressure and temperature parameters of a unit are different from above ratings, the maximum design unit heat rate of the nearest class shall be taken:

Provided also that, where unit heat rate has not been guaranteed but turbine cycle heat rate and boiler efficiency are guaranteed separately by the same supplier or different suppliers, the unit design heat rate shall be arrived at by using guaranteed turbine cycle heat rate and boiler efficiency:

Provided also that, where the boiler efficiency is lower than 0.86 for Sub-bituminous Indian coal and 0.89 for bituminous imported coal, the same shall be considered as 0.86 and 0.89 for Sub-bituminous Indian coal and bituminous imported coal, respectively, for computation of station heat rate*…"*

c) SECONDARY FUEL OIL CONSUMPTION

Regulation 43.4 of CSERC MYT Regulations, 2021

"Coal-based generating stations except HTPS shall be: 0.50 ml/kWh

For HTPS: 0.80 ml/kWh

Rationale for Modification

Secondary Fuel Oil Consumption norms for coal-based generating stations with wall (front/rear/sides) fired boilers have been incorporated in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

"43.4. Coal-based generating stations, except HTPS: 0.50 ml/kWh

For HTPS: 0.80 ml/kWh

For coal-based generating stations with wall (front/rear/sides) fired boilers: 1.00 ml/kWh."

d) AUXILIARY ENERGY CONSUMPTION

Regulation 43.5 of CSERC MYT Regulations, 2021

"Auxiliary Energy Consumption

(a) Coal-based generating stations except for HTPS:

		With Natural Draught cooling tower or without cooling tower
(i)	*200/250 MW series*	*8.50%*
(ii)	*300/500 MW and above*	
	Steam driven boiler feed pumps	*5.25%*
	Electrically driven boiler feed pumps	*7.75%*

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

………….

(b) Considering for the Hasdeo Thermal power stations (HTPS) of CSPGCL is fixed at 9.70%.

(c) Norms of Auxiliary energy consumption for emission control system (AUXen) of thermal generating stations:

Name of Technology	*AUXen (as % of gross generation)*
(1) For reduction of emission of sulphur dioxide:	
a) Wet Limestone based FGD system (without Gas to Gas heater)	*1.0%*
b) Lime Spray Dryer or Semi dry FGD System	*1.0%*
c) Dry Sorbent Injection System (using Sodium bicarbonate)	*NIL*
d) For CFBC Power (furnace injection)	*NIL*
e) Sea water based FGD system (without Gas to Gas heater)	*0.7%*
(2) For reduction of emission of oxide of nitrogen:	

a) Selective Non-Catalytic Reduction system	*NIL*
b) Selective Catalytic Reduction system	*0.2%*

Provided that where the technology is installed with "Gas to Gas" heater, AUXen specified above shall be increased by 0.3% of gross generation."

Rationale for Modification

The norm of Auxiliary energy consumption of electrically driven boiler feed pumps of Coal-based generating stations except HTPS has been specified as 8.00%, in line with CERC (Terms and Conditions of Tariff) Regulations, 2024.

The norms of Auxiliary energy consumption for Sea water based FGD systems (without Gas to Gas heaters) has been specified as 1.0% in line with these Regulations.

Proposed Regulation in CSERC MYT Regulations, 2025

"43.5. Auxiliary Energy Consumption

(a) Coal-based generating stations except HTPS:

Sl.	*Generating Station*	*With Natural Draught cooling tower or without cooling tower*
(i)	*200/250 MW series*	*8.50%*
(ii)	*300/500 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:*

……….

(b) For HTPS: 9.70%

(c) Norms of Auxiliary energy consumption for emission control system (AUXen) of thermal generating stations:

Name of Technology	*AUXen (as % of gross generation)*
(1) For reduction of emission of sulphur dioxide:	
a) Wet Limestone based FGD system (without Gas to Gas heater)	*1.0%*
b) Lime Spray Dryer or Semi dry FGD System	*1.0%*
c) Dry Sorbent Injection System (using Sodium bicarbonate)	*NIL*
d) For CFBC Power (furnace injection)	*NIL*
e) Sea water based FGD system (without Gas to Gas heater)	***1.0%***
(2) For reduction of emission of oxide of nitrogen:	
a) Selective Non-Catalytic Reduction system	*NIL*
b) Selective Catalytic Reduction system	*0.2%*

Provided that, where the technology is installed with "Gas to Gas" heater, AUXen specified above shall be increased by 0.2% of gross generation."

e) TRANSIT AND HANDLING LOSSES

Regulation 43.6 of CSERC MYT Regulations, 2021

"Transit and handling losses for coal based generating stations except for DSPM for the

…

Provided that the above norms shall be applicable for domestic coal and/or washed coal, in case of imported, the normative transit and handling losses shall be 0.15%

Provided further that for the procurement of coal on delivery basis, no transit and handling loss shall be allowed.

…………..."

Rationale for Modification

Normative transit and handling losses for imported coal have been aligned with the CERC (Terms and Conditions of Tariff) Regulations, 2024. Additionally, provisos have been incorporated for pit-head stations procuring coal from non-pit-head sources and transported by rail, as well as for non-pit head multi-modal transportation of coal to the generating station. These provisions are also in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

"43.6. Transit and handling losses

a) Transit and handling losses for coal based generating stations except DSPM for the

…

Provided further that, the above norms shall be applicable for domestic coal and/or washed coal, and in case of imported coal, the normative transit and handling losses shall be ***0.20%:***

Provided also that, in the case of pit-head stations, if coal is procured from sources other than the pit-head mines, which is transported to the generating station through rail, transit and handling losses applicable for non-pit head stations shall apply:

Provided also that, the normative transit and handling losses shall be 1.00% for non-pit head multi-modal transportation of coal up to the generating station (using two or more than modes of transport involving multiple trans-shipments):

Provided also that, for the procurement of coal on delivery basis, no transit and handling loss shall be allowed …"

f) NORMS FOR CONSUMPTION OF REAGENT

Regulation 43.8 of CSERC MYT Regulations, 2021

"Norms for consumption of reagent:

(1) The normative consumption of specific reagent for various technologies for reduction

……….

Provided further that the limestone purity shall not be less than 85% or as decided by Commission in tariff order after prudence check.

……………"

Rationale for Modification

The existing proviso has been modified to align with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

"43.8. Norms for consumption of reagent

(1) The normative consumption of specific reagent for various technologies for reduction

...

Provided further that, the limestone purity shall not be less than 85%*;..*"

4.6 SHARING OF CDM AND / OR PAT BENEFITS

Regulation 47 of CSERC MYT Regulations, 2021

"The proceeds of carbon credit from approved CDM and/or PAT project shall be shared in the following manner, namely-

(a) 100% of the gross proceeds on account of CDM and/or PAT to be retained by the project developer in the first year after the date of commercial operation of the generating station;

(b) For the second year, the share of the beneficiaries shall be 10% which shall be progressively increased by 10% every year till it reaches 50%, thereafter the proceeds shall be shared in equal proportion, by the generating company and the beneficiaries."

Rationale for Modification

This Regulation has been modified in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024 and now encompasses the transmission system as well.

Proposed Regulation in CSERC MYT Regulations, 2025

*"**47. Sharing of CDM Benefits***

The proceeds of carbon credit from approved emission reduction projects under Clean Development Mechanism (CDM) shall be shared in the following manner, namely-

(a) 100% of the gross proceeds on account of CDM to be retained by the project developer in the first year after the date of commercial operation of the generating station ***or the transmission system****;*

(b) For the second year, the share of the beneficiaries shall be 10%, which shall be progressively increased by 10% every year till it reaches 50%, whereafter the proceeds shall be shared in equal proportion by the generating company ***or the transmission system, as the case may be****, and the beneficiaries."*

5 Determination of Input Price of Coal and Lignite from Integrated Mine

5.1 The Clauses in this Chapter have to been modified to clearly include 'lignite' along with coal, based on the CERC (Terms and Conditions of Tariff) Regulations, 2024.

5.2 INPUT PRICE OF COAL AND LIGNITE FOR ENERGY CHARGE

Regulation 49 of CSERC MYT Regulations, 2021

"Input Price of coal and lignite for energy charges:

49.1 Where the generating company has the arrangement for supply of coal from the

………

49.3 Provided, if Commercial operation date of any integrated mine occurred before the notification of these regulations, input price of coal supplied from such mine shall also be determined by the Commission as per provisions of these regulations.

49.4 Provided further that the difference between the input price of coal determined under these regulations and the input price of coal so adopted prior to such determination, for the quantity of coal billed, shall be adjusted appropriately.

……….."

Rationale for Modification

Clause 49.3 has been omitted as such a situation cannot arise now. Provisions related to lignite have been incorporated in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024. A proviso concerning the calculation of carrying cost in the event of delayed Petition has been introduced.

Proposed Regulation in CSERC MYT Regulations, 2025

"49. Input Price of coal and lignite for energy charge

49.1. Where the generating company has the arrangement for supply of coal ***or lignite*** *from the integrated mine(s) allocated to it, for use in one or more of its generating stations as end*

……….

49.2. The generating company shall, after the date of commercial operation of the integrated mine(s), till the input price of coal is determined by the Commission under these Regulations, adopt the notified price of Coal India Limited commensurate with the grade of the coal from the integrated mine(s) or the estimated price available in the investment approval, whichever is lower, as the input price of coal for the generating station:

Provided that, the difference between the input price of coal determined under these Regulations and the input price of coal so adopted prior to such determination, for the quantity of coal billed, shall be adjusted in accordance with Regulation 49.4.

49.3. The generating company shall, after the date of commercial operation of the integrated mine(s), till the input price of lignite is determined by the Commission under these Regulations, fix the input price of lignite for the generating station at the last available pooled lignite price as determined by the Commission for transfer price of lignite or the estimated price available in the investment approval, whichever is lower:

Provided that, the difference between the input price of lignite determined under these Regulations and the input price of lignite so fixed prior to such determination, for the quantity of lignite billed, shall be adjusted in accordance with Regulation 49.4.

49.4. In case of excess or short recovery of input price under Regulation 49.2 of this Regulation, the generating company shall refund the excess amount or recover the shortfall amount, as the case may be, with simple interest at the rate equal to the rate allowed for computation of Interest on Working Capital Loan for the said year in instalments as may be decided by the Commission:

Provided that, such interest shall be payable till the date of issuance of the Order and no interest shall be allowed or levied during the period of instalments:

Provided further that, in case there is a delay in filing the Petition for determination of input price as per the timelines specified under Regulation 5.10 of these Regulations, no carrying cost shall be allowed to the generating company or the mining company for such delay and in such cases the carrying cost at the simple interest rate of 1-year SBI MCLR plus 100 basis points shall be allowed from the date of filing of the Petition."

5.3 INPUT PRICE OF COAL OR LIGNITE

Regulation 52 of CSERC MYT Regulations, 2021

"52.1 Input price of coal or lignite from the integrated mine(s) shall be determined based on the following components:

I) Run of Mine (ROM) Cost; and

Il) Additional charges:

a. crushing charges;

b. transportation charge within the mine up to the washery end or coal handling plant associated with the integrated mine, as the case may be;

c. handling charges at mine end;

d. washing charges; and

e. transportation charges beyond the washery end or coal handling plant, as the case may be, and up to the loading point:

Provided that in cases where the transportation is in two stages i.e. from mine to the storage yard and then from the yard to the plant, the transportation charge shall imply cumulative of the two.

Provided that one or more components of additional charges may be applicable in case of the integrated mine(s), based on the scope and nature of the mining activities;

52.2 Statutory Charges, as applicable, shall be allowed."

Rationale for Modification

A proviso addressing the computation of input price of lignite has been incorporated, in line with the CERC (Terms and Conditions of tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

"52.1. Input price of coal or lignite from the integrated mine(s) shall be determined based on the following components:

I) Run of Mine (ROM) Cost; and

II) Additional charges:

a. crushing charges;

b. transportation charge within the mine up to the washery end or coal handling plant associated with the integrated mine, as the case may be;

c. handling charges at mine end;

d. washing charges; and

e. transportation charges beyond the washery end or coal handling plant, as the case may be, and up to the loading point:

Provided that, in cases where the transportation is in two stages, i.e., from mine to the storage yard and from the storage yard to the plant, the transportation charge shall be cumulative for both stages:

Provided further that, one or more components of additional charges may be applicable in case of the integrated mine(s), based on the scope and nature of the mining activities:

***Provided also that, the input price of lignite shall be computed based on Run of Mine (ROM) Cost based on the technology such as bucket excavator-conveyor or belt-spreader or its combination and handling charges, if any**.*

*52.2. Statutory Charges, as applicable, shall be allowed **at actuals, subject to prudence check**."*

5.4 RUN OF MINE COST FOR LIGNITE

Rationale for Modification

The method of computation of Run of Mine cost for lignite has been incorporated, in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

"53.3 Run of Mine Cost of lignite in case of integrated mine for lignite shall be worked out as under:

ROM Cost = [(Annual Extraction Cost / ATQ or actual production, whichever is higher) + Mining Charge];

Where,

(i) Annual Extraction Cost is the cost of extraction of lignite as computed in accordance with Regulation 57 of these Regulations;

(ii) Mining Charge is the charge per tonne of lignite paid by the generating company to the Mine Developer and Operator engaged by the generating company for mining, wherever applicable."

5.5 INTEREST ON WORKING CAPITAL

Rationale for Modification

The components of Interest on Working Capital for lignite have been incorporated, in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

"61.2 The working capital of the integrated mine(s) of lignite shall cover:

(i) Input cost of lignite stock for 7 days of production corresponding to the Annual Target Quantity for the relevant year; plus

(ii) Consumption of stores and spares including explosives, lubricants and fuel @ 20% of O&M expenses, excluding mining charge of Mine Developer and Operator and annual charges of the agency other than Mine Developer and Operator, engaged by the generating company; plus

(iii) O&M expenses for 15 days, excluding mining charge of Mine Developer and Operator and annual charges of the agency other than Mine Developer and Operator, engaged by the generating company."

5.6 RECOVERY OF INPUT CHARGES

Regulation 64 of CSERC MYT Regulations, 2021

"64.1 The input charges of coal or lignite shall be recovered as under:

Input Charges = [Input Price x Quantity of coal or lignite supplied] +
Statutory charges, as applicable;"

Rationale for Modification

New clauses have been incorporated for comparison of the input price of captive coal/lignite mines allocated through auction route with the price of comparative grade of Coal India Limited (CIL) coal, in line with the CERC (Terms and Conditions of Tariff) Regulations, 2024.

Proposed Regulation in CSERC MYT Regulations, 2025

"64.1 The input charges of coal or lignite shall be recovered as under:

Input Charges = [Input Price x Quantity of coal or lignite supplied] +

Statutory charges, as applicable:

64.2 ***The generating company, in case of integrated mine(s) allocated through auction route under Coal Mines (Special Provisions) Act, 2015, shall work out the comparative energy charge rate based on the input price of coal and notified price of Coal India Limited for the commensurate grade of coal for every month from the date of commercial operation of integrated mine(s) and share the same with beneficiary(ies).***

Provided that,

a) If the energy charge rate based on the input price of coal or lignite exceeds 20% of the energy charge rate based on the notified price of Coal India Limited for the commensurate grade of coal in a month, prior consent of the beneficiary(ies) shall be required to be obtained by the generating company:

b) where such consents of beneficiaries are not available, the input price of coal from such integrated mine(s) shall be so fixed that the energy charge rate based on the input price of coal from integrated mine(s) does not exceed by more than 20% of the energy charge rate based on the notified price of Coal India Limited for the commensurate grade of coal in a month;

c) ***the energy charge rate based on the input price of coal does not lead to a higher energy charge rate throughout the tenure of the power purchase agreement than that, which would have been obtained as per terms and conditions of the existing power purchase agreement****."*

6 Transmission

6.1 CAPITAL INVESTMENT PLAN

Regulation 72 of CSERC MYT Regulations, 2021

"The transmission licensee shall submit a capital investment plan in the manner specified in Chapter-2 of this Regulation.

Provided that all new Intra-State transmission system costing above a threshold limit Rs. 250 Crores and meeting other conditions as laid out below shall be developed through Tariff Based Competitive Bidding and shall be adopted by the Commission under section 63 of the Electricity Act' 2003 after prudence check in accordance with the relevant Guidelines (and its amendments) issued by the Ministry of Power, Government of India.

The entire Intra-State independent transmission system including any upstream/downstream project shall be designed as single project for inviting bids for development of project through Tariff Based Competitive Bidding.

In case the State Govt/STU intends to develop any Intra-State Transmission System above the threshold limit through cost plus approach due to some specific reasons such as project is of strategic importance or critical nature or project may lead to ownership or interface issues, State Govt, shall decide any such projects of strategic importance or critical in nature and the State Govt/STU shall obtain prior approval of the Commission for the same."

Rationale for Modification

The reference to the State Government has been omitted as the Commission has no regulatory oversight over the State Government, and the STU has to identify projects to be set up under the Tariff-Based Competitive Bidding (TBCB) framework.

Proposed Regulation in CSERC MYT Regulations, 2025

"72.1 The transmission licensee shall submit a capital investment plan in the manner specified in Chapter 2 of these Regulations.

72.2 All new Intra-State transmission system costing above a threshold limit of Rs. 250 Crore and meeting other conditions as laid out below shall be developed through Tariff Based Competitive Bidding (TBCB) and the Transmission Tariff shall be adopted by the Commission under Section 63 of the Electricity Act 2003 after prudence check, in *accordance with the relevant Guidelines (and its amendments) issued by the Ministry of Power, Government of India:*

Provided that the entire Intra-State independent transmission system including any upstream/downstream project shall be designed as single project for inviting bids for development of project through Tariff Based Competitive Bidding.

72.3 In case the STU intends to develop any Intra-State Transmission System above the threshold limit through 'cost plus' approach due to some specific reasons such as project being of strategic importance or critical nature or Project may lead to ownership or interface issues, STU shall obtain prior approval of the Commission for the same."

6.2 COMPUTATION OF ANNUAL CHARGES FOR INTRA-STATE TRANSMISSION NETWORK

Regulation 73 of CSERC MYT Regulations, 2021

"Aggregate Revenue Requirement of transmission licensee shall comprise the following components, viz....

Less:

(1) Non-Tariff Income;

(2) Income from other business, to the extent specified in regulation 74 of this Regulation

NOTE:

1. Non-tariff income as specified in the Regulation 73.7 shall be subtracted from the sum of above (a to e) to arrive at AFC.

2. The Statutory taxes, cess and Duties shall be recoverable on reimbursement basis, as per actual….."

Rationale for Modification

Point (1) of the Note has been omitted as the deduction of Non-Tariff Income to arrive at the ARR of the Transmission Business is already specified in the components of the ARR.

Proposed Regulation in CSERC MYT Regulations, 2025

"73.1 The Aggregate Revenue Requirement of transmission licensee shall comprise the following components, viz.

………

Less:

(1) Non-Tariff Income;

(2) Income from other business, to the extent specified in Regulation 74 of these Regulations.

Note:

1. The Statutory taxes, cess and Duties shall be recoverable on reimbursement basis, as per actual.….”

6.3 OPERATION AND MAINTENANCE (O&M) EXPENSES

Rationale for Modification

The underlying principle for specifying the principles for HR expenses and M&G expenses has not been changed. Only the base year reference has been changed to FY 2025-26 and the actual 5-year period prior to the base year has been changed to FY 2020-21 to FY 2024-25, to reflect the relevant years.

6.4 NON-TARIFF INCOME

Regulation 73.7 of CSERC MYT Regulations, 2021

“ Any income being incidental to the business of the transmission licensee derived from sources, including but not limited to the disposal of assets, income from investments, rents, disposed value of scrap/assets after adjusting its depreciated value of scrap/asset, rental income for using assets which includes receipts against advertisements, interest on advances to suppliers/contractors and any other miscellaneous receipts shall constitute the non-tariff income.

The amount of Non-Tariff Income relating to the transmission business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining annual transmission charges of the transmission licensee:

Provided that the transmission licensee shall submit full details of his forecast of Non-Tariff Income to the Commission along with its application for determination of Aggregate Revenue Requirement.”

Rationale for Modification

A proviso has been added specifying that the transmission licensees must provide complete details of actual component-wise Non-Tariff Income for each year of the Control Period to the Commission along with the true-up Petition.

Proposed Regulation in CSERC MYT Regulations, 2025

"73.7. Non-Tariff Income

a) Any income being incidental to the business of the transmission licensee derived from sources, including but not limited to the disposal of assets, income from investments, rents, disposed value of scrap/assets after adjusting its depreciated value of scrap/asset, rental income for using assets which includes receipts against advertisements, interest on advances to suppliers/contractors and any other miscellaneous receipts shall constitute the Non- Tariff Income.

b) The amount of Non-Tariff Income relating to the transmission business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining annual transmission charges of the transmission licensee:

Provided that, the transmission licensee shall submit full details of his forecast of Non-Tariff Income to the Commission along with its application for determination of Aggregate Revenue Requirement:

***Provided further that, the transmission licensee shall submit full details of actual component-wise Non-Tariff Income during each year of the Control Period to the Commission along with its true-up Petition**."*

7 Distribution Wheeling Business

The CSERC MYT Regulations, 2021 included a separate Chapter for Distribution Wheeling Business, however, in practice, the ARR was not determined separately for the Wires Business and Retail Supply Business. The separate Chapter for Distribution Wheeling Business has been retained, with some modifications, and it is envisaged that in the ensuing MYT Control Period, the Wires ARR and Wheeling Charges will be determined separately for all consumer categories, rather than exclusively for Open Access (OA) consumers.

7.1 COMPONENTS OF AGGREGATE REVENUE REQUIREMENT FOR DISTRIBUTION WHEELING BUSINESS

Regulation 79 of CSERC MYT Regulations, 2021

"79.1 The wheeling charges for distribution wheeling business of the distribution licensee shall provide for the recovery of the ARR, as provided in Regulation 89 of this Regulation: and shall comprise of the following:…

Less:

(1) Non-Tariff Income

(2) Income from Other Business, to the extent specified in regulation 84 of this Regulation

NOTE:

1. Non-Tariff Income as specified in the Regulation 83.6, shall be subtracted from the sum of above (a to f) to arrive at AFC.

2. The Statutory Taxes, cess and Duties shall be recoverable on reimbursement basis, as per actual.…"

Rationale for Modification

Point (1) of the Note has been omitted as the deduction of Non-Tariff Income to arrive at ARR of the Wheeling Business is already specified in the components of the ARR.

Proposed Regulation in CSERC MYT Regulations, 2025

"The wheeling charges for distribution wheeling business of the distribution licensee shall provide for the recovery of the ARR, as provided in Regulation 85 of these Regulations, and shall comprise the following:…

Less:

(1) Non-Tariff Income

(2) Income from Other Business, to extent specified in Regulation 84 of these Regulations.

NOTE:

1. The Statutory Taxes, cess and Duties shall be recoverable on reimbursement basis, as per actual.…"

7.2 OPERATION AND MAINTENANCE (O&M) EXPENSES

Rationale for Modification

The underlying principle for specifying the principles for HR expenses and M&G expenses has not been changed. Only the base year reference has been changed to FY 2025-26 and the actual 5-year period prior to the base year has been changed to FY 2020-21 to FY 2024-25, to reflect the relevant years.

7.3 NON-TARIFF INCOME

Regulation 83.6 of CSERC MYT Regulations, 2021

"Any income incidental to the business of the distribution licensee earned from other sources, including but not limited to the disposal of assets, income from investments, rents, disposed value of scrap/assets after adjusting its depreciated value of scrap/asset, rental income for using assets which includes receipts against advertisements, interest on advances to suppliers/contractors, open access charges, parallel operation charges penalties and any other miscellaneous receipts but other than income from sale of energy, shall constitute the non tariff income.

The amount of Non-Tariff Income relating to the distribution wheeling business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining the wheeling charges of distribution wires business of the distribution licensee:

Provided that the distribution licensee shall submit full details of his forecast of Non-Tariff Income to the Commission along with its application for determination of Aggregate Revenue Requirement."

Rationale for Modification

A proviso has been added stipulating that distribution licensees must provide complete details of the actual component-wise Non-Tariff Income for each year of the Control Period to the Commission along with their true-up Petition.

Proposed Regulation in CSERC MYT Regulations, 2025

*"**83.6. Non-Tariff Income***

a) *Any income incidental to the business of the distribution licensee earned from other sources, including but not limited to the disposal of assets, income from investments, rents, disposed value of scrap/assets after adjusting its depreciated value of scrap/asset, rental income for using assets, which includes receipts against advertisements, interest on advances to suppliers/contractors, open access charges, parallel operation charges penalties and any other miscellaneous receipts but other than income from sale of energy, shall constitute the Non-Tariff Income.*

b) *The amount of Non-Tariff Income relating to the distribution wheeling business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining the wheeling charges of distribution wires business of the distribution licensee:*

Provided that, the distribution licensee shall submit full details of his forecast of Non-Tariff Income to the Commission along with its application for determination of Aggregate Revenue Requirement:

***Provided further that, the distribution licensee shall submit full details of actual component-wise Non-Tariff Income during each year of the Control Period to the Commission along with its true-up Petition**."*

8 Retail Supply Business

8.1 COMPONENTS OF ARR

Regulation 88 of CSERC MYT Regulations, 2021

"88.1 The ARR for retail supply business of the distribution licensee for each year of the control period shall comprise of the following, namely:

(1) Power purchase costs

(2) Transmission and SLDC charges

……….

(10) Aggregate Revenue Requirement for distribution wheeling business, as determined under Chapter 6 of this Regulation.

……….."

Rationale for Modification

Sub-clause (10) of the Clause 88.1 is proposed to be omitted, as it is not required, as the Commission intends to determine the Wheeling Charges separately based on the Wires ARR.

8.2 FUEL AND POWER PURCHASE ADJUSTMENT SURCHARGE (FPPAS)

Regulation 93.1 of CSERC MYT Regulations, 2021

"93.1 Amount on account of variation in actual Energy Charge of nth month (due to variation in the Landed price of Coal and Gross Calorific Value of primary fuel on the basis of certificate / test report issued by reputed third party agency after prudence check etc.) vis-à-vis Energy Charge of nth month as approved in tariff order shall be determined on monthly basis by generating stations which are situated within the State and supplying power to distribution licensee of the State and the same shall be recovered through regular monthly bills issued for $(n+2)^{th}$ month as a line item namely fuel and other expenses.

Example –A generating company supplying power to distribution licensee shall raise the FCA for the month of April as a line item in the regular monthly bill in the month of July for the power supplied during month of June."

Rationale for Modification

It has been clarified that for generating stations that do not sell their entire power generation to the distribution licensees of the State, variation in energy charge rate due to variation in fuel price shall be trued-up annually.

Proposed Regulation in CSERC MYT Regulations, 2025

"93.1 Amount on account of variation in actual Energy Charge of nth month (due to variation in the Landed price of Coal and Gross Calorific Value of primary fuel on the basis of certificate / test report issued by reputed third party agency after prudence check etc.) vis-à-vis Energy Charge of nth month as approved in tariff order shall be determined on monthly basis by generating stations, which are situated within the State and supplying power to distribution licensee of the State and the same shall be recovered through regular monthly bills issued for (n+2)th month as a line item namely fuel and other expenses.

Example –A generating company supplying power to distribution licensee shall raise the FCA for the month of April as a line item in the regular monthly bill in the month of July for the power supplied during the month of June:

***Provided that, for generating stations who do not supply their entire power generation to the distribution licensees of the State, variation in energy charge rate due to variation in fuel price shall be trued-up annually**."*

Regulation 93.17 of CSERC MYT Regulations, 2021

"93.17 Computation of Fuel and Power Purchase Adjustment Surcharge:

Formula:

$$\text{Monthly FPPAS for nth Month (\%)} = \frac{(A-B)*C + (D-E)}{\{Z * (1- \text{Distribution losses in\%}/100)\} * ABR}$$

Where,

……………………………

………………………….

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order),

Intra-State losses (in %) = as per Tariff Order."

Rationale for Modification

In the CSERC MYT Regulations, 2021, reference of 'Intra-State transmission loss' was not clearly specified, hence, the term 'Intra-State transmission loss' has been added.

Proposed Regulation in CSERC MYT Regulations, 2025

"93.17 Computation of Fuel and Power Purchase Adjustment Surcharge:

Formula:

$$\text{Monthly FPPAS for nth Month (\%)} = \frac{(A-B)*C + (D-E)}{\{Z * (1- \text{Distribution losses in\%}/100)\} * ABR}$$

Where,

…………….

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order),

Inter-State transmission losses (in %) (as per Tariff Order),

***Intra-State transmission losses (in %) (as per Tariff Order)**."*

8.3 NON-TARIFF INCOME

Regulation 94 of CSERC MYT Regulations, 2021

" Any income being incidental to the business of the distribution licensee derived from sources, including but not limited to the disposal of assets, income from investments, rents, disposed value of scrap/assets after adjusting its depreciated value of scrap/asset, rental income for using assets which includes receipts against advertisements, interest on advances to suppliers/ contractors, parallel operation charges, and any other miscellaneous receipts but other than income from sale of energy, shall constitute the non tariff income."

The distribution licensee shall submit full details of his forecast of Non-Tariff Income to the Commission along with its application for determination of Aggregate Revenue Requirement."

Rationale for Modification

A proviso has been added stipulating that distribution licensees must provide complete details of the actual component-wise Non-Tariff Income for each year of the Control Period to the Commission along with their true-up Petition.

Proposed Regulation in CSERC MYT Regulations, 2025

"94. NON-TARIFF INCOME

94.1 Any income being incidental to the business of the distribution licensee derived from sources, including but not limited to the disposal of assets, income from investments, rents, disposed value of scrap/assets after adjusting its depreciated value of scrap/asset, rental income for using assets which includes receipts against advertisements, interest on advances to suppliers/ contractors, parallel operation charges, and any other miscellaneous receipts but other than income from sale of energy, shall constitute the Non-Tariff Income.

94.2 The distribution licensee shall submit full details of its forecast of Non-Tariff Income to the Commission along with its application for determination of Aggregate Revenue Requirement:

***Provided that, the distribution licensee shall submit full details of actual component-wise Non-Tariff Income during each year of the Control Period to the Commission along with its true-up Petition**."*

8.4 ENERGY LOSSES FOR DISTRIBUTION SYSTEM

Regulation 98 of CSERC MYT Regulations, 2021

"98.1 The energy loss for 33 KV and below voltage level, shall be computed as per relevant provision(s) of the State Grid Code 2011 as amended from time to time. The difference between the energy injected at 33 KV voltage level and the sum of energy sold to all its consumers (retail and open access), at voltage level 33 KV and below shall be the energy loss for the 33KV and below system. The same shall be considered for the gain/ loss at the time of true up…."

Rationale for Modification

A proviso has been introduced for consideration of gain/loss at the time of true up and sharing of the gain/loss between the distribution licensee and consumers in line with the Rule 20 of Electricity (Second Amendment) Rules, 2023.

Proposed Regulation in CSERC MYT Regulations, 2025

"98.1 The energy loss for 33 kV and below voltage level, shall be computed as per relevant provision(s) of the State Grid Code 2011 as amended from time to time.

98.2 The difference between the energy injected at 33 kV voltage level and the sum of energy sold to all its consumers (retail and open access), at voltage level 33 kV and below, shall be the energy loss for the 33 kV and below system:

Provided that, the same shall be considered for the gain/ loss at the time of true up, which shall be quantified on the basis of Average Power Purchase Cost and shared between the distribution licensee and consumers, in the following manner:

i) Two third of the gains shall be passed on to the consumers in tariff and rest shall be retained by the distribution licensee.

***ii) Two-third of the losses shall be borne by the distribution licensee and rest shall be borne by the consumers**….”*

8.5 DETERMINATION OF RETAIL SUPPLY TARIFF

Rationale for Modification

Separate Clause has been incorporated in the CSERC MYT Regulations, 2025 for clarifying the approach for determination of retail supply tariffs based on appropriate cost reflective tariff.

Proposed Regulation in CSERC MYT Regulations, 2025

"99. Determination of Retail Supply Tariff

99.1 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.

99.2 Cost reflective retail supply tariff shall be determined for different consumer categories, and including unrecovered revenue gaps of previous years to the extent proposed to be recovered.

99.3 The Commission shall endeavour to gradually reduce the cross-subsidy between consumer categories with respect to the Cost of Supply in accordance with the provisions of the Act.

99.4 While determining the cost reflective tariff for different categories, the Grants and Consumer Contributions received shall be considered against the respective voltage levels for which such funds have been received.

99.5 While determining the cost reflective tariff for different categories, the Commission may also allocate the power purchased from different sources to different categories and/or voltages as appropriate."

9 SLDC Business

9.1 OPERATION AND MAINTENANCE (O&M) EXPENSES

Rationale for Modification

The underlying principle for specifying the principles for HR expenses and M&G expenses has not been changed. Only the base year reference has been changed to FY 2025-26 and the actual 5-year period prior to the base year has been changed to FY 2020-21 to FY 2024-25, to reflect the relevant years.

9.2 LEVY OF REGISTRATION FEES

Regulation 102.7 of CSERC MYT Regulations, 2021

"a) All generating companies and licensees (excluding those covered in Regulation 2.2) intending to get connected to the intra-state transmission system or distribution system shall register themselves with the SLDC by filing application in the format specified as Appendix-V to this Regulation. The registration will be valid for the period of ten years and thereafter renewal of registration shall be done in the manner as specified above and on payment of fees and charges as decided by the Commission.

Provided that the registration of all generating companies and licensees already registered with the SLDC will be valid for the period often years from the date of registration.

Note: Transfer/change of ownership need to be registered as a fresh in accordance with the Regulation 102.7(a).

b) The application for registration for power generating plant (including captive generating plant) shall be accompanied by fees of Rs l0 lakh for installed capacity of 50 MW and above, or Rs 5 lakh for installed capacity below 50 MW.

Provided that renewable energy based grid connected power generating plant shall be required to register their power generating stations with SLDC on payment of Rs. 2 lakh, (irrespective of the installed capacity). The renewable energy based power generating company shall have to submit a certificate of eligibility as a renewable energy generating plant duly certified by the State Nodal agency i.e. Chhattisgarh Renewable Energy Development Agency (CREDA).

Provided, that the stand-alone generators who avail services of SLDC for energy metering or accounting for the purpose of RE Certificates or any other such purposes as may be mandated by the Commission from time to time shall also be required to get registered with the SLDC. The fee in such cases shall be Rs. 1 lakh irrespective of the installed capacity of the plant.

c) The registration fees for all generating companies and licensees intending to avail services of SLDC shall be Rs. 10 lakh….".

Rationale for Modification

Clause 102.7.(a) of the existing Regulations has been revised to enhance clarity. Slab-wise rates for Registration charges have been introduced to address concerns raised by smaller Renewable Energy (RE) generators. Additionally, a proviso has been added stipulating that Registration Fees for all drawee entities shall adhere to the fee structure specified for varying drawal capacities, applicable to both Renewable Energy and conventional generating stations.

Proposed Regulation in CSERC MYT Regulations, 2025

*"**103.7. Levy of Registration fees**:*

*a) All **Renewable and conventional** generating companies and licensees (excluding those covered in Regulation 2.2 of these Regulations), **and all drawee entities** intending to get connected to the intra-State transmission system or distribution system, shall register themselves with the SLDC **before synchronisation** by filing application in the format specified as **Appendix-VII** to these Regulations.*

b) The registration will be valid for the period of ten years and thereafter renewal of registration shall be done in the manner as specified above and on payment of fees and charges as decided by the Commission:

Provided that, the registration of all generating companies and licensees already registered with the SLDC will be valid for the period of ten years from the date of registration.

Note: Transfer/change of ownership needs to be registered afresh in accordance with Regulation 103.7(a).

c) The application for registration for power generating plant (including captive generating plant) shall be accompanied by fees of Rs 10 lakh for installed capacity of 50 MW and above, or Rs 5 lakh for installed capacity below 50 MW:

Provided that, renewable energy-based grid connected power generating plant shall be required to register their power generating stations with SLDC on payment of ***Registration Charges based on installed capacity as under:***

Installed capacity up to 100 kW:	***Rs. 1,000***
Installed capacity above 100 kW up to 500 kW:	***Rs. 5,000***
Installed capacity above 500 kW up to 1 MW:	***Rs. 10,000***
Installed capacity above 1 MW up to 20 MW:	***Rs. 2,00,000***
Installed capacity above 20 MW up to 50 MW:	***Rs. 4,00,000***
Installed capacity above 50 MW:	***Rs. 5,00,000***

Provided further that, the renewable energy-based power generating company shall have to submit a certificate of eligibility as a renewable energy generating plant duly certified by the State Nodal agency, i.e., Chhattisgarh Renewable Energy Development Agency (CREDA):

Provided also that, the stand-alone generators who avail services of SLDC for energy metering or accounting for the purpose of RE Certificates or any other such purposes as may be mandated by the Commission from time to time, shall also be required to get registered with the SLDC:

Provided also that, the fee in such cases shall be Rs. 1 lakh irrespective of the installed capacity of the plant:

Provided also that the Registration Fees for all drawee entities shall be as per fee structure specified for different drawal capacity for Renewable Energy and conventional generating stations.

d) The registration fees for all licensees intending to avail services of SLDC shall be Rs. 10 lakh….”

10 Battery Energy Storage Systems (BESS)

The underlying principles for specifying the principles for determination of ARR and Tariff for BESS have been incorporated as appropriate, in order to give clarity regarding the same, considering that such investments are expected in the next Control Period.

10.1 APPLICABILITY

Proposed Regulation in CSERC MYT Regulations, 2025

"105.1 The Regulations specified in this Part shall apply to the determination of Tariff for Battery Energy Storage Systems.

105.2 The Commission shall be guided by the terms and conditions contained in this Chapter in determining the tariff for BESS, in the following cases:

a. where the existing Generating company or Transmission Licensee is engaged in the business of Energy Storage of Electricity;

b. where the Energy Storage System Developer (ESSD) has contractual arrangement with existing Generating Company or Transmission Licensee or Distribution Licensee or MSLDC for providing Energy Storage Services to such Utility;

c. where the Distribution Licensee is engaged in the business of Energy of Storage of electricity, in determining the conversion price at which off-peak electricity is converted into peak electricity by the Energy Storage business of the Distribution Licensee to its Retail Supply business;

d. where such Tariff is pursuant to a power purchase agreement or arrangement entered into subsequent to the date of coming into effect of these Regulations; or

e. where such Tariff is pursuant to a power purchase agreement or arrangement entered into prior to the date of coming into effect of these Regulations, and the Commission has approved such agreement or arrangement, and the agreement or arrangement envisages that the Tariff shall be based on the Tariff Regulations prevailing at that time."

10.2 PETITION FOR DETERMINATION OF BESS TARIFF

Proposed Regulation in CSERC MYT Regulations, 2025

"106.1 Tariff in respect of BESS under these Regulations may be determined Stage-wise, Unit-wise or for the whole BESS:

Provided that the terms and conditions for determination of Tariff for BESS specified in this Chapter shall apply in like manner to Stages or Units or the BESS, as the case may be.

106.2 Where the Tariff is being determined for a Stage or Unit of a BESS, the ESSD 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 ESSD 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 Petition for determination of Tariff.

106.3 The ESSD shall file the Petition for determination of provisional Tariff for new ESS, at least six months prior to the anticipated date of commercial operation of ESS Unit or Stage or System as a whole, as the case may be.

106.4 The ESSD shall file a Petition for determination of provisional Tariff for new ESS based on capital expenditure incurred and projected to be incurred up to the date of commercial operation and additional capital expenditure incurred, duly certified by the statutory auditors:

Provided that the Petition shall contain details of underlying assumptions for the projected capital cost and additional capital cost, wherever applicable.

106.5 In the case of new projects, the ESSD may be allowed provisional Tariff by the Commission from the anticipated date of commercial operation, based on the projected capital expenditure, subject to prudence check.

106.6 If the date of commercial operation is likely to be delayed beyond six months from the date of issue of the order approving the provisional Tariff, the ESSD may submit a Petition for seeking extension of the validity of the applicability of the provisional Tariff, giving details of the present status of completion and justification for the delay in project completion, which may be considered by the Commission after necessary prudence check.

106.7 The ESSD shall file the Petition for determination of final Tariff for ESS within six months from the date of commercial operation of Energy Storage Unit or Stage or System as a whole, as the case may be, based on the audited capital expenditure and capitalisation as on the date of commercial operation:

Provided that in case of more than one Unit in the ESS, such Petition shall be filed for each Unit as and when such Unit achieves COD and without waiting for the COD of the entire Station.

106.8 The final Tariff determination for the new ESS shall be done by the Commission based on prudence check of the audited capital expenditure and capitalisation as on the date of commercial operation.

106.9 Where the actual Capital Cost incurred on year-to-year basis is less than the Capital Cost approved for determination of provisional Tariff by the Commission, by five percent or more, the ESSD shall refund to the Beneficiaries the excess Tariff realised corresponding to excess Capital Cost, along with interest at the Base Rate, as prevalent on the first day of April of the respective Year, plus 150 basis points.

106.10 Where the actual Capital Cost incurred on year-to-year basis is more than the Capital Cost approved for determination of provisional Tariff by the Commission, by five percent or more, the ESSD shall, subject to the approval of the Commission, recover from the Beneficiaries the shortfall in Tariff corresponding to such decrease in Capital Cost, along with interest at the Base Rate, as prevalent on the first day of April of the respective Year, plus 150 basis points.

106.11 The Petition for tariff determination for BESS shall include the details like:

a. Capital Cost of BESS
b. Availability of BESS
c. Conversion Efficiency or Design Round trip Efficiency of the BESS
d. Other technical parameters such as depth of discharge, deration factors, etc.
e. No of Cycles during the useful life
f. Useful life of BESS. Useful life of Battery System and Useful life of Balance of system separately
g. Operation and Maintenance Expenses
h. Design parameters of number of hours of Charging and number of hours of Discharging during 24-hour cycle
i. Charging power arrangement for charging of BESS
j. Rate of charge per minute (Maximum/Minimum) and

k. ***Rate of discharge per minute (Maximum/Minimum)."***

10.3 OPERATING PARAMETERS FOR BESS

Proposed Regulation in CSERC MYT Regulations, 2025

"107.1 Round-trip Efficiency of BESS shall be minimum 75% for each monthly operating period.

$$\textit{Monthly Round Trip Efficiency of BESS} = \frac{\textit{(Monthly Energy Discharged)} \times 100}{\textit{(Monthly Energy consumed for charging)}}$$

107.2 The Normative annual availability of the BESS shall be 95%

Annual Availability of BESS = Mean of the system availabilities of all time blocks during the year in which Beneficiary has scheduled power for charging/discharging the BESS.

$$\textit{Availability in a time block} = \frac{\textit{Actual Injection or Drawal } MU_i \textit{ (A)}}{\textit{Scheduled Injection or Drawal } MU_i \textit{ (B)}} \times 100$$

Where,

i refers to the i^{th} time-block (15 minutes) in the year where MU_i (B)$\neq$ 0;

MU_i(A)= Agreed Despatch Schedule between Licensee or Beneficiary and BESSD, which shall be finally sent to MSLDC for Charging/Discharging in the i^{th} time block, in MU;

MU_i(B)= Despatch Schedule provided by Distribution Licensee or Beneficiary to BESSD for Charging/Discharging in the i^{th} time block, in MU;

Normative Depth of Discharge for BESS shall be 90%;

Battery pack performance degradation shall be considered as 1% per year;

Average Ramp Rate for BESS shall be 75% of rated capacity/minute."

10.4 COMPONENTS OF TARIFF FOR BESS

Proposed Regulation in CSERC MYT Regulations, 2025

"108.1 The Tariff for BESS shall comprise two parts, namely, Capacity Charge and Incentive for Cycle Efficiency above Design Cycle Efficiency.

108.2 The Annual Fixed Charges shall comprise the following components:

a. Operation & Maintenance Expenses;

b. Depreciation;

c. Interest on Loan Capital;

d. Interest on Working Capital;

e. Return on Equity Capital;

Less:

f. Non-Tariff Income.

108.3 Return on Equity

Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulation 18 at the rate of 16.0% for BESS.

108.4 Interest on Loan Capital

The BESS shall be allowed Interest and Finance Charges on loan capital as specified in Regulation 26 of these Regulations.

108.5 Depreciation

The BESS shall be permitted to recover depreciation on the value of fixed assets as specified in Regulation 27 of these Regulations:

Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 15 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets:

Provided further that, Useful life of Battery Pack shall be 12 Years whereas Useful Life balance of system shall be 25 years.

108.6 Operation and Maintenance (O&M) Expenses

The normative O&M expenses in respect of BESS shall be allowed at the rate of one percent of the capital cost as on date of commercial operation, subject to prudence check by the Commission:

Provided that, the O&M expenses allowed under this clause shall be trued up yearly based on actual expenses, and the variation between actual and normative O&M expenses shall be shared in accordance with Regulation 13 of these Regulations.

108.7 Interest on Working Capital

a. The normative working capital for BESS shall comprise:

i. Normative O&M expenses for 45 days; plus

ii. Maintenance spares @ 20% of normative O&M expenses; plus

iii. Receivables equivalent to 45 days of annual fixed cost.

b. Interest on working capital shall be estimated at the rate equal to the Marginal Cost of Fund based Lending Rate (MCLR - one year tenor) of State Bank of India plus 200 basis points prevailing on 30th September of current financial year:

Provided that, during truing-up, the interest on working capital shall be computed at the average actual sanctioned rate of interest during the year.

108.8 Computation and Payment of Capacity Charges

a. The fixed cost of BESS achieving COD after April 1, 2026 shall be computed on annual basis, based on norms specified under these Regulations, and recovered on monthly basis as Capacity Charge.

b. The Capacity Charge shall be payable by the Beneficiaries in proportion to their respective allocation in the saleable capacity of the BESS:

$$\text{Monthly BESS Availability} = \frac{\Sigma \text{ Actual Injection or Drawal MWh (i)(A)} \times 100}{\Sigma \text{ Scheduled Injection or Drawal MWh (i)(B)}}$$

Where,

(i) refers to the ith time-block (15 minutes) in the month where MWh (i) (B)≠ 0;

MWh (i)(A) = Agreed Despatch Schedule between Licensee or Beneficiary and BESS which shall be finally sent to CSLDC for Charging/Discharging in the ith time block in MU;

MWh (i)(B) = Despatch Schedule provided by Distribution Licensee or Beneficiary to BESS for Charging/Discharging in the ith time block, in MU;

Annual Availability of BESS = Mean of the system availabilities of all time blocks during the year in which Beneficiary has scheduled power for charging/discharging the BESS;

The Normative annual availability of the BESS shall be 95%.

c. ***Monthly Capacity Charge payment for BESS linked to Monthly Availability Factor shall be payable as per following formula:***

$CC1=(AFC) x (1/12) x (EAFM1 / NAEAF)$

$CC2=(AFC) x (1/6) x (EAFM2 / NAEAF)$ subject to ceiling of $\{(AFC) x (1/6)\} – \{CC_1\}$

$CC3=(AFC) x (1/4) x (EAFM3 / NAEAF)$ subject to ceiling of $\{(AFC) x (1/4)\} – \{CC_1 + CC_2\}$

$CC4=(AFC) x (1/3) x (EAFM4 / NAEAF)$ subject to ceiling of $\{(AFC) x (1/3)\} – \{CC_1 + CC_2 + CC_3\}$

$CC5=(AFC) x (5/12) x (EAFM5 / NAEAF)$ subject to ceiling of $\{(AFC) x (5/12)\} – \{CC_1 + CC_2 + CC_3 + CC_4\}$

$CC6=(AFC) x (1/2) x (EAFM6 / NAEAF)$ subject to ceiling of $\{(AFC) x (1/2)\} – \{CC_1 + CC_2 + CC_3 + CC_4 + CC_5\}$

$CC7=(AFC) x (7/12) x (EAFM7 / NAEAF)$ subject to ceiling of $\{(AFC) x (7/12)\} – \{CC_1 + CC_2 + CC_3 + CC_4 + CC_5 + CC_6\}$

$CC8=(AFC) x (2/3) x (EAFM8 / NAEAF)$ subject to ceiling of $\{(AFC) x (2/3)\} – \{CC_1 + CC_2 + CC_3 + CC_4 + CC_5 + CC_6 + CC_7\}$

$CC9=(AFC) x (3/4) x (EAFM9 / NAEAF)$ subject to ceiling of $\{(AFC) x (3/4)\} – \{CC_1 + CC_2 + CC_3 + CC_4 + CC_5 + CC_6 + CC_7 + CC_8\}$

$CC10=(AFC) x (5/6) x (EAFM10 / NAEAF)$ subject to ceiling of $\{(AFC) x (5/6)\} – \{CC_1 + CC_2 + CC_3 + CC_4 + CC_5 + CC_6 + CC_7 + CC_8 + CC_9\}$

$CC11=(AFC) x (11/12) x (EAFM11 / NAEAF)$ subject to ceiling of $\{(AFC) x (11/12)\} – \{CC_1 + CC_2 + CC_3 + CC_4 + CC_5 + CC_6 + CC_7 + CC_8 + CC_9 + CC_{10}\}$

$CC12=(AFC) x (EAFM11 / NAEAF)$ subject to ceiling of $\{(AFC) – \{CC_1 + CC_2 + CC_3 + CC_4 + CC_5 + CC_6 + CC_7 + CC_8 + CC_9 + CC_{10} + CC_{11}\}$

Where,

CCn= Capacity Charge for the Month (n);

AFC = Annual Fixed Cost;

EAFMn = Monthly BESS Availability Factor achieved during nth Month;

NAEAF= Normative Annual BESS Availability Factor:

Provided that, the Availability of BESS shall be considered in both Charging and Discharging mode for the computation of Capacity Charge as specified above.

Provided further that, there would be adjustment at the end of the year based on actual generation and actual energy consumed by the BESS during the year.

d. *Incentive for Cycle Efficiency Above Normative Cycle Efficiency*

   i. *Incentive for Cycle Efficiency above Normative Cycle Efficiency shall be payable by every Beneficiary for the total energy scheduled to be supplied to the Beneficiary in excess of the 75% of the energy consumed, at a flat rate equal to the 20 paise per kWh on ex bus basis:*

   Provided that in case the energy generated in a month is less than the 75% of the energy consumed for the month, then the Incentive payable by the Beneficiaries shall be zero.

   ii. *In case of BESS, the quantum of electricity required for charging the batteries shall be arranged by the Beneficiary/ies duly taking into account the transmission losses and distribution losses up to the bus bar of the BESS system, and in return, Beneficiaries shall be entitled to energy during peak hours equivalent to 75% of the energy utilized in charging the Batteries and the BESS shall be under obligation to supply such quantum of electricity during peak hours.*

10.5 BILLING AND PAYMENT OF CHARGES

Proposed Regulation in CSERC MYT Regulations, 2025

"The Billing and Payment of Capacity Charges and Incentives for BESS, shall be done on a monthly basis."

11 Miscellaneous Provisions

11.1 APPLICATION FEE AND THE PUBLICATION EXPENSES

Regulation 109 of CSERC MYT Regulations, 2021

"The application filing fee and the expenses incurred on publication of notices in the application for approval of tariff is allowed to be recovered by the generating company or the transmission licensee/ STU or the distribution licensee, as the case may be, directly from the beneficiaries or the transmission customers, as the case may be:"

Rationale for Modification

Regulation 109 of the CSERC MYT Regulations, 2021 has been modified so that the regulated Utilities can directly recover these costs from its consumers, like CERC regulated Utilities.

Proposed Regulation in CSERC MYT Regulations, 2025

*"**113. Application Fee, Publication Expenses, Licence Fee and Other Statutory Expenses***

*The application filing fee, expenses incurred on publication of notices for approval of tariff, **Licence Fees, and other statutory expenses including expenses incurred on Ombudsman's office** shall be allowed to be recovered at actuals by the generating company or the transmission licensee/ STU or the distribution licensee, as the case may be**, separately through the A&G expenses, without any sharing of gains and losses**:*

***Provided that all necessary details shall be submitted along with the Petition for true-up of expenses and revenue for any particular year**."*

12 Appendix-I

The Depreciation rate for the following items for existing assets has been modified as per CERC (Terms and Conditions of Tariff) Regulations, 2024:

Sr. No.	Asset Particulars	CSERC MYT Regulations, 2021	Draft CSERC MYT Regulations, 2025
1	Batteries	5.28 %	9.5 %
2	Cable duct system	3.34 %	5.28 %
3	Radio and high frequency carrier system	6.33 %	15.00 %
4	Telephone lines and telephones	6.33 %	15.00 %

13 Appendix-II

Depreciation Schedule for New Projects has been proposed in CSERC MYT Regulations, 2025 in line with the CERC (Terms and Conditions for Determination of Tariff) Regulations, 2024, as under:

Depreciation Schedule for New Projects

Sl. No.	Asset Particulars	Depreciation Rate (SLM)
A	Land under full ownership	0.00%
B	Land Under Lease	
A	For investment in the land	3.34%
B	For cost of clearing the site	3.34%
C	Land for reservoir in case of hydro generating station	3.34%
C	Assets purchased new	
A	Plant & Machinery in generating stations	
(i)	Hydro electric	4.22%
(ii)	Steam electric NHRB & waste heat recovery boilers	4.22%
(iii)	Diesel electric and gas plant	4.22%
B	Cooling towers & circulating water systems	4.22%
C	Hydraulic works forming part of the Hydro-generating stations	
(i)	Dams, Spillways, Weirs, Canals, Reinforced concrete flumes and siphons	4.22%

Sl. No.	Asset Particulars	Depreciation Rate (SLM)
(ii)	Reinforced concrete pipelines and surge tanks, steel pipelines, sluice gates, steel surge tanks, hydraulic control valves and hydraulic works	4.22%
D	Building & Civil Engineering works	
(i)	Offices and showrooms	3.34%
(ii)	Containing plant and equipment (incl. thermal or hydro)	3.34%
(iii)	Temporary erections such as wooden structures	100.00%
(iv)	Kutcha roads	100.00%
(v)	Road other than Kutcha Road	3.34%
(vi)	Others	3.34%
E	Transformers, Kiosk, sub-station equipment & other fixed apparatus (including plant foundation)	
(i)	Transformers including foundations having rating of 100 kVA and over	4.22%
(ii)	Other	4.22%
F	Switchgear including cable connections	4.22%
G	Lightning arrestor	
(i)	Station type	4.22%
(ii)	Pole type	4.22%
(iii)	Synchronous condenser	4.22%
H	Batteries	9.50%

Sl. No.	Asset Particulars	Depreciation Rate (SLM)
(i)	Underground cable including joint boxes and disconnected boxes	4.22%
(ii)	Cable duct system	4.22%
I	Overhead lines including cable support systems	
(i)	Lines on fabricated steel operating at terminal voltages higher than 66 kV	4.22%
(ii)	Lines on steel supports operating at terminal voltages higher than 13.2 kV but not exceeding 66 kV	4.22%
(iii)	Lines on steel on reinforced concrete support	4.22%
(iv)	Lines on treated wood support	4.22%
J	Meters	4.22%
K	Self-propelled vehicles	9.50%
L	Air Conditioning Plants	
(i)	Static	4.22%
(ii)	Portable	9.50%
m. (i)	Office furniture and furnishing	6.33%
(ii)	Office equipment	6.33%
(iii)	Internal wiring including fittings and apparatus	6.33%
(iv)	Street Light fittings	4.22%
N	Apparatus let on hire	

Sl. No.	Asset Particulars	Depreciation Rate (SLM)
(i)	Other than motors	9.50%
(ii)	Motors	6.33%
O	Communication equipment	
(i)	Radio and high frequency carrier system	15.00%
(ii)	Telephone lines and telephones	15.00%
(iii)	Fibre Optic/OPGW	6.33%
P	I.T. equipment including Software, UNMS, URTDSM, EMS, Cyber Security System, REMC, WAMS, SCADA System	15.00%
Q	Any other assets not covered above	4.22%

Note: Where life of the particular asset is less than useful life of the project, the useful life of such particular asset shall be considered as per the provisions of the Companies Act, 2013 and subsequent amendments thereto.