

**HARYANA ELECTRICITY REGULATORY COMMISSION**  
**PANCHKULA, HARYANA**

ORDER DATED: 1/12/2006

<b>Shri Bhaskar Chatterjee</b>	<b>Chairman</b>
<b>Er. T. R. Dhaka</b>	<b>Member</b>
<b>Shri T. S. Tewatia</b>	<b>Member</b>

In the matter of filing of combined Fuel Surcharge Adjustment (FSA) calculations for FY 2003-04, FY 2004-05, FY 2005-06 and first half of FY 2006-07 by Haryana Power Generation Corporation Ltd (HPGCL) for its bulk supply / trading business and UHBVNL & DHBVNL for their Distribution and Retail Supply business.

**ORDER**

This order relates to filing of combined Fuel Surcharge Adjustment (FSA) calculations for FY 2003-04, FY 2004-05, FY 2005-06 and first half of FY 2006-07 by HPGCL, UHBVNL & DHBVNL.

**1. Background**

HPGCL is a deemed trading licensee for intra – state trading in electricity in Haryana under 5<sup>th</sup> proviso to Section 14 of the Electricity Act, 2003 while Uttar Haryana Bijli Vitran Nigam Ltd. (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam (DHBVNL) are the Distribution licensees in the Northern & Southern circles of Haryana respectively holding License No. DRS – 1 (UHBVNL) and DRS – 2 of 2004 (DHBVNL).

HPGCL has filed applications soliciting approval of the Commission for levying fuel surcharge towards recovering the increased cost of power purchased from various sources. The FSA relates to bulk supply / trading business to be recovered from its two customers viz. UHBVNL & DHBVNL. Subsequently, the two distribution companies also filed FSA applications to recover the FSA amount to be passed on to them by HPGCL from the various categories of consumers to which they are selling power. The

filings have been submitted in accordance with the provisions of the Haryana Electricity Regulatory Commission (Tariff) Regulations, 1999 (referred hereinafter as “Tariff Regulations”). Regulation 4(2) specifies the formula to be used for calculating the FSA.

## 2. HPGCL’s FSA filing

The Commission’s tariff regulations provide that the calculation of the total adjustment is to begin with the purchased power costs determined for the licensee’s current tariff. In this case, the Commission had determined the ARR and Bulk Supply tariff (including transmission losses) for which FSA has been sought. HPGCL therefore has begun with the purchased power costs and normative losses approved by the Commission in its Order(s) HPGCL has estimated, following the formula prescribed by the Commission in the Tariff Regulations, that it is entitled to recover as under:

**Table – 1 HPGCL’s FSA Claims**

<b>YEAR</b>	<b>Rs. Million</b>
FSA for FY 2003-04	(-) 1162.60
FSA for FY 2004-05	3573.60
FSA for FY 2005-06	8291.41
Trading Business FSA (arrears)	<b>10703</b>
(Less) FSA to be taken over by State Govt.	(-) 3915.56
(Less) Refunds from NTPC	(-) 292.85
FSA Recoverable (FY 2003-04 to FY 2005-06)	<b>6494.60</b>
FSA for FY 2006-07 (1 <sup>st</sup> Quarter)	<b>1730.44</b>
FSA for FY 2006-07 (2 <sup>nd</sup> Quarter)	<b>3501.00</b>
<b>Total FSA Recoverable</b>	<b>11726.04</b>

The claimed adjustment is the difference between:

- (a) The total cost of the power that HPGCL would have purchased for its actual sales and the power loss level allowed by the Commission, using HPGCL’s actual average cost of power; and
- (b) The aggregate power purchase cost for allowed levels of sales in the ARR Order(s) of the Commission.

For (a), HPGCL has used its actual monthly sales volume and the power loss figure approved by the Commission in the ARR Orders. To calculate the actual cost of power, it has tabulated monthly volume of actual power purchase from different sources and their costs.

For (b), HPGCL has used the purchased power costs in the Commission-approved ARR for the relevant years. The cost has been arrived at by multiplying the volume derived above with the Commission approved average rate of power per unit for each source.

For recovery of FSA, HPGCL in its filing has proposed that the FSA amount should be allowed to be recovered from UHBVNL & DHBVNL by raising the supplementary bills based on the revised energy charges due to revision in the purchase rate of power.

### **3. UHBVNL & DHBVNL's FSA filing**

The distribution licensee(s) (UHBVNL & DHBVNL) have proposed to recover the FSA amount as claimed by HPGCL during FY 2006-07 by increasing the rates for all consumer classes except Agriculture Pump set consumers. The FSA claim relates to arrears since FY 2003-04 and current period i.e. 1<sup>st</sup> half of FY 2006-07. The licensees have exempted agriculture tube well consumers, while per unit FSA in case of domestic consumers is proposed at an average rate to be recovered over a period of twelve months.

### **4. Commission's observation and decision**

The Commission carefully examined the claim submitted by HPGCL, UHBVNL & DHBVNL with regard to Fuel Surcharge Adjustment (FSA). It is observed that during the FSA period under consideration the licensees have made short – term power purchases including UI draws at a rate much higher than the average rate(s) in the ARR Orders. **The Commission is concerned about the non – economic pattern of purchasing and directs HPGCL to explain reliance on expensive short-term suppliers and establish that these high cost purchases were unavoidable given the allowed level of losses. In case the Commission is not convinced with the justification establishing economic dispatch ex-post, it may resort to re – allocation of the power purchase volume and**

**cost thereto from un – approved sources on merit order basis and adjust the difference in the next FSA.**

Barring the first half of FY 2006-07 claim of FSA other claims beginning from FY 2003-04 were scrutinized by the Commission to find whether they are time barred or not.

Section 56(2) of the Electricity Act 2003 provides that, “Notwithstanding anything contained in any other law for the time being in force, no sum due from any consumer, under this section shall be recoverable after the period of two years from the date when such sum became first due unless such sum has been shown continuously as recoverable as arrear of charges for electricity supplied ...”

It is evident from the above that no amount due can be realized after the period of two years from the date when such sum became first due unless such sum has been shown continuously as recoverable as arrears of charges. However, in the instant case the licensee can raise no demand unless the Commission approves it. Consequently, the request of the licensee is not time barred.

As far as FSA formula is concerned, Regulation 4(1) (2) of the Haryana Electricity Regulatory Commission (Tariff) Regulations, 1999 lays down the form (formula) and provides that, unless otherwise agreed by the Commission FSA shall be in the form specified in the above-mentioned regulation.

The Managing Director (UHBVNL) with concurrence of DHBVNL, vide memo no. Ch-16/SE/RA/N/F-54/Vol III ,Ch-17/SE/RA/N/F-54/Vol III & Ch-18/SE/RA/N/F-54/Vol III all dated 13/10/2006, submitted proposals on FSA as mentioned below:

1. Combined FSA filing by the power utilities.
2. Adhoc FSA to be recovered from the start of the quarter.
3. Distribution companies to recover FSA from all consumer categories except Agriculture.

The Commission has taken note of the prayer made by UHBVNL & DHBVNL regarding not subjecting the agriculture consumers to FSA. The Commission is not subjecting the Agriculture Pump set Consumers to FSA as the incidence of the increase in cost of delivered power in their case is to borne by the State Government as additional subsidy. As far as the proposal of combined FSA filing of the power utilities is concerned, the Commission has no objections provided they are filed timely and quarterly. The proposal of adhoc FSA to be recovered from the start of the quarter is not acceptable, as the endeavour of the Commission is to approve a realistic power purchase cost after taking into consideration the anticipated escalations during the year. Hence, incidence of FSA, if any, is likely to be bare minimum.

For the purpose of present FSA calculations, the Commission has considered the amount as presented in the table below, subject to the audited accounts of HVPNL (prior to 10<sup>th</sup> June 2005 they were handling the bulk supply business) and HPGCL.

**Net Fuel Surcharge Adjustment Recoverable (Rs. Million)**

FY 2003-04 to FY 2005-06(Arrears)	6494.60
FY 2006-07 (1 <sup>st</sup> Quarter)	1607.04
FY 2006-07 (2 <sup>nd</sup> Quarter)	3448.00
<b>Total</b>	<b>11549.64</b>

The FSA (1<sup>st</sup> Quarter FY 2006-07) of Rs. 1730.44 million claimed by HPGCL includes Rs.500.46 million on account of FPA claimed by HPGCL (generation) for the same period. As per Commission's estimates the amount works out to Rs.377.06 million, hence the difference has been accordingly adjusted. Similarly, FSA for the 2<sup>nd</sup> Quarter FY 2006-07 works out to Rs. 3448 million, which has been allowed as against the claim of Rs. 3501 million.

The Commission reiterates its observation in its Fuel Surcharge Adjustment order dated 27/07/2000 (page no. 9 para 6) i.e. "An FSA is intended to be an expeditious and largely

mechanical proceeding ...”. The purpose of FSA is defeated if the licensees neglect to adjust timely and quarterly the over / under expenditure in respect to power purchase cost. As an exception, a multi – period FSA amounting to Rs. 11549.6 million is approved.

Recovery of the FSA amount approved by the Commission will improve the financial position of the Haryana power utilities and spur them to higher levels of investments & efficiency.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 1<sup>st</sup> day of December 2006.

Date: 1<sup>st</sup> December, 2006

Place: Panchkula

**T. S. Tewatia**  
**(Member)**

**T. R. Dhaka**  
**(Member)**

**Bhaskar Chatterjee**  
**(Chairman)**