

No- CEA-EC-11-47/1/2024-FCA Division/1142

भारत सरकार

विद्युत मंत्रालय

केन्द्रीय विद्युत प्राधिकरण

वित्तीय एवं वाणिज्यिक मूल्यांकन प्रभाग

Sewa Bhawan, New Delhi-66

दिनांक: 24.01.2025

विषय: उपभोक्ताओं को टैरिफ के झटके से बचाने के लिए वैकल्पिक तंत्र (जैसे आवधिक ईंधन और विद्युत क्रय समायोजन अधिभार के बजाय टैरिफ के साथ एक समान अधिभार लगाना (Alternate Mechanism (such as imposing a uniform surcharge along with the tariff, instead of periodical Fuel and Power Purchase Adjustment Surcharge) to avoid tariff shock to the consumers)

The undersigned is directed to refer to discussion in the meeting taken by Hon'ble Minister of Power on 10.10.2024 to discuss proposed amendments in Rule 14 of Electricity (Amendment) Rules 2022 regarding timely recovery of power purchase cost by distribution licensee, where CEA was advised to submit a proposal on Alternate Mechanism such as imposing a uniform surcharge along with the tariff, instead of periodical Fuel and Power Purchase Adjustment Surcharge to avoid tariff shock to the consumers.

2. The proposal was discussed in meetings taken by Chairperson, CEA with the members of the Committee constituted by MoP for suggesting amendment to Rule 14 of Electricity (Amendment) Rules 2022 on 13.11.2024 and 20.01.2025. The Committee has members from Distribution Licensees like Assam Power Distribution Company Ltd, Southern Bihar Power Distribution Company Ltd., Maharashtra State Electricity Distribution Company Ltd, Tata Power Delhi, Tamil Nadu Power Distribution Company Ltd, and Uttar Pradesh Power Corporation Ltd, and PRAYAS. Besides, draft proposal was uploaded in CEA website for public comments.

3. Based on discussions in the meeting and comments received from stakeholders, draft alternative mechanism for implementation of Fuel & Power Purchase Adjustment Surcharge (FPPAS) has been prepared and the same is enclosed. The consequential

amendment in Rule 14 of Electricity (Amendment) Rules 2022 (highlighted in yellow colour) is also enclosed.

4. This issues with the approval of Chairperson, CEA.

Encl.: As above.

S. Praveen 24/01/25
(Praveen Kumar Sahukari)

Deputy Director

To

Chief Engineer (R&R), Ministry of Power, New Delhi

Copy to:

1. PPS to Chairperson/Member (E&C), CEA
2. CMD, TANGEDCO, Tamil Nadu
3. CMD, APDCL, Assam
4. CMD, MSEDCL, Maharashtra
5. MD, Southern Bihar Power Distribution Company Ltd., Bihar
6. CMD, UPPCL, Uttar Pradesh
7. CEO, Tata Power Delhi Distribution Limited, New Delhi
8. Coordinator, Prayas (Energy Group), Pune

Background Note on Alternate Mechanism such as imposing a surcharge along with the tariff, instead of periodical Fuel and Power Purchase Adjustment Surcharge

1. Introduction: Fuel and Power Purchase Adjustment Surcharge

DISCOMs recover revenue from consumers through tariffs approved by the SERCs. The tariffs are determined on the basis of anticipated costs approved for the year. However, there are often deviations between approved costs and actual costs incurred. The difference between the actual and approved costs, especially power procurement costs which constitute more than 75% of the expenses of distribution companies, can be significant. The deviations could be due to reasons beyond the control of the DISCOM and the generating companies it contracts power from.

In order to enable periodic revenue recovery to address cost variations during the year, DISCOMs levy a fuel surcharge in consumer bills. Marked over and above the base fixed and energy charges levied on each category, this charge is collected on a per-unit basis every month.

Given the increasing uncertainty in power procurement, volatility in prices and the precarious financial position of many distribution companies, levy of fuel surcharge plays an important role. This is because it aids recovery of costs on a monthly or quarterly basis. In the absence of a fuel surcharge levy, the costs would eventually be recovered through consumer tariffs, approved by the regulator at the end of the year along with the relevant carrying cost. Thus, periodic recovery of costs through fuel surcharge can also reduce tariff impact by avoiding carrying costs. Periodic deviation in costs would also create working capital pressure for the DISCOMs. Fuel surcharges, would therefore contribute to the maintenance of the financial health of DISCOMs.

2. Present Practice of Fuel and Power Purchase Adjustment Surcharge Recovery

Across States, there has been a wide variety of practices in the determination and recovery of the fuel surcharge. In order to bring uniformity in recovery of Fuel and Power Purchase Adjustment Surcharge among the States, Ministry of Power vide Gazette Notification dated 29.12.2022 notified Electricity (Amendment) Rules 2022 and introduced Rule 14 titled "Timely Recovery of Power Purchase Cost by Distribution Licensee". Salient provisions of the Rules are as under:

- i. Rules provide for a formula and procedure for automatic pass through of Fuel and Power Procurement Adjustment Surcharge [FPPAS]
- ii. Appropriate Regulatory Commissions are required to specify price adjustment formula for automatic pass through of fuel and power purchase cost variation as per formula specified in the Rules.
- iii. FPPAS Adjustment shall be carried out on monthly basis.
- iv. If $FPPAS \leq 5\%$, 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee shall be levied automatically using the formula. If $FPPAS > 5\%$, 5% fuel and power purchase adjustment surcharge shall be recoverable automatically and 90% of the balance fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the State Commission during true up.

Since then,

- i. SERCs of **25** States/UTs out of **36** have issued regulations in line with Rule 14 of the Electricity (Amendment) Rules, 2022.
- ii. SERCs of **33** States/ UTs have allowed automatic adjustment of FPPCA charges.
- iii. SERCs of **3** States/ UTs (Tamil Nadu, Uttar Pradesh, and West Bengal) do not allow automatic adjustment of fuel and power purchase cost.
- iv. The computation formula of **18** states is as per the formula in Rule 14 of the Electricity (Amendment) Rules, 2022.
- v. SERCs of 25 States/UTs have monthly pass - through provision.

3. Amendment in Rule 14 of Electricity (Amendment) Rules 2022

Ministry of Power had constituted a committee under Chairperson, CEA with representatives from States to propose amendment in Rule 14, so that all prudent FPPAS costs are made pass through.

The Committee had proposed certain amendments in Rule 14 of Electricity (Amendment Rules) 2022 on Timely recovery of power purchase costs by distribution licensee. One of the amendments proposed was creation of FPPAS Stabilization Fund to avoid tariff shock to consumers. It was proposed that any negative FPPAS in monthly billing cycle will not be adjusted in the bills of consumers and will be accumulated in the FPPAS Stabilization Fund. Such carry forward of negative FPPAS will be continued till the negative FPPAS becomes 20 % of monthly tariff revenue approved by the Appropriate Commission. Any positive FPPAS exceeding 10% of average billing rate approved by the Appropriate Commission will be adjusted from FPPAS stabilization Fund.

Hon'ble Minister of Power took a meeting on 10.10.2024 to review the proposed amendments in Rule 14 of Electricity (Amendment Rules) 2022 on Timely recovery of power purchase costs by distribution licensee. It was observed that to avoid tariff shock to the consumers, the possibility of an alternate Mechanism such as imposing a uniform surcharge along with the tariff, instead of periodical Fuel and Power Purchase Adjustment Surcharge may be explored. The SERCs may decide the Fuel Adjustment Surcharge (FAS) based on previous years' data subject to a ceiling. The FAS can be collected in FPPAS fund to take care of any variations in tariff due to change in Fuel price etc. In such a scenario, no separate Fuel and Power Purchase Adjustment Surcharge (FFPPAS) pass through mechanism may be required. It was directed to submit a report to Ministry of Power.

4. Variation in FPPAS in States

Gujarat

FY22

FY23

FY22	Actual FAC (Rs. Cr)	Revenue Rs. Cr	Actual FAC (in percentage)
Apr-21	251	4,664	5.39%
May-21	251	4,664	5.39%
Jun-21	251	4,664	5.39%
Jul-21	75	4,704	1.59%
Aug-21	75	4,704	1.59%
Sep-21	75	4,704	1.59%
Oct-21	449	4,723	9.51%
Nov-21	449	4,723	9.51%
Dec-21	449	4,723	9.51%
Jan-22	922	4,929	18.70%
Feb-22	922	4,929	18.70%
Mar-22	922	4,929	18.70%
Total	5090	57,057	8.92%

FY23	Actual FAC (Rs. Cr)	Revenue Rs. Cr	Actual FAC (In percentage)
Apr-22	669	5,146	13.00%
May-22	669	5,146	13.00%
Jun-22	669	5,146	13.00%
Jul-22	1,288	5,846	22.03%
Aug-22	1,288	5,846	22.03%
Sep-22	1,288	5,846	22.03%
Oct-22	1,320	4,761	27.73%
Nov-22	1,320	4,761	27.73%
Dec-22	1,320	4,761	27.73%
Jan-23	1,409	5,592	25.20%
Feb-23	1,409	5,592	25.20%
Mar-23	1,409	5,592	25.20%
Total	14058	64,035	21.95%

FY24			
FY24	Actual FAC (Rs. Cr)	Revenue Rs. Cr	Actual FAC (In percentage)
Apr-23	1464	5993	24.43%
May-23	1464	5993	24.43%
Jun-23	1464	5993	24.43%
Jul-23	659	6356	10.37%
Aug-23	659	6356	10.37%
Sep-23	659	6356	10.37%
Oct-23	381	6104	6.25%
Nov-23	381	6104	6.25%
Dec-23	381	6104	6.25%
Jan-24	187	6282	2.98%
Feb-24	187	6282	2.98%
Mar-24	187	6282	2.98%
Total	8075	74205	10.88%

FY25 (Till Dec)			
FY25	Actual FAC (Rs. Cr)	Revenue Rs. Cr	Actual FAC (In percentage)
Apr-24	418	6348	6.58%
May-24	418	6348	6.58%
Jun-24	418	6348	6.58%
Jul-24	132	7221	1.82%
Aug-24	132	7221	1.82%
Sep-24	132	7221	1.82%
Oct-24	254	6043	4.20%
Nov-24	254	6043	4.20%
Dec-24	254	6043	4.20%
Jan-25			
Feb-25			
Mar-25			
Total	2411	58836	4.10%

Maharashtra

FY22

FY23

FY22	Actual FAC (Rs. Cr)	Revenue (Rs. Cr)	Actual FAC (In percentage)
Apr-21	1057	7,709	13.72%
May-21	1013	7,428	13.64%
Jun-21	1031	7,493	13.77%
Jul-21	1,053	7,422	14.19%
Aug-21	1,084	7,786	13.93%
Sep-21	1,076	7,756	13.87%
Oct-21	1,078	7,877	13.68%
Nov-21	1,020	7,524	13.56%
Dec-21	1,029	7,615	13.51%
Jan-22	995	7,604	13.09%
Feb-22	962	7,379	13.04%
Mar-22	1,066	7,893	13.50%
Total	12465.2	91,485	13.63%

FY23	Actual FAC (Rs. Cr)	Revenue (Rs. Cr)	Actual FAC (In percentage)
Apr-22	1223	8,662	14.11%
May-22	1304	9,082	14.36%
Jun-22	1306	9,721	13.44%
Jul-22	1,169	8,467	13.81%
Aug-22	1,131	8,304	13.63%
Sep-22	1,133	8,267	13.71%
Oct-22	1,104	8,112	13.61%
Nov-22	1,090	8,095	13.47%
Dec-22	1,070	8,026	13.33%
Jan-23	1,123	9,275	12.10%
Feb-23	1,074	8,913	12.05%
Mar-23	1,080	9,278	11.64%
Total	13807	104202	13.25%

FY24			
FY23	Actual FAC (Rs. Cr)	Revenue (Rs. Cr)	Actual FAC (In percentage)
Apr-23	1578	9,371	16.84%
May-23	1717	10,370	16.56%
Jun-23	1787	10,441	17.12%
Jul-23	1,593	9,024	17.66%
Aug-23	1,554	8,976	17.31%
Sep-23	1,588	9,550	16.63%
Oct-23	1,484	9,044	16.41%
Nov-23	1,395	8,529	16.36%
Dec-23	1,368	8,463	16.16%
Jan-24	1,357	8,575	15.83%
Feb-24	1,339	8,447	15.85%
Mar-24	1,422	8,880	16.02%
Total	18183	109668	16.58%

FY25			
FY25	Actual FAC (Rs. Cr)	Revenue (Rs. Cr)	Actual FAC (In percentage)
Apr-24	1585.67	9,734	16.29%
May-24	1713.58	10,208	16.79%
Jun-24	1761.01	10,216	17.24%
Jul-24	1,567	9,271	16.90%
Aug-24	1,488	9,191	16.19%
Sep-24	985	9,079	10.85%
Oct-24			
Nov-24			
Dec-24			
Jan-25			
Feb-25			
Mar-25			
Total	9100.06	57,700	15.77%

5. Levy of Base FPPAS-the case of Gujarat

In their tariff orders, the Gujarat ERC annually approves a fixed fuel surcharge rate (FPPPA) to be charged to consumers on a monthly basis. This practice is not specified in regulations. The fixed fuel surcharge known as the base FPPPA is determined based on average fuel surcharge levied in previous years. With the levy of the base FPPPA, a significant proportion of the fuel surcharge is fixed at the start of the year. An additional amount due to variation in costs is recovered through an incremental fuel surcharge determined on a quarterly basis.

The base FPPPA is determined as the average per unit rate fuel surcharge levied in previous years and is not based on the anticipated deviation in costs by DISCOMs in the current year. If the cost deviations of DISCOMs are more or less the same every year, it could be argued that the introduction of a base FPPPA leads to tariff certainty for consumers.

Base FPPPA specified by Gujarat ERC in last 2 years for State Distribution Licensees are as under:

Recovery Period	Base FPPPA (Rs/unit)
2023-24	2.64
2024-25	2.76

6. FAC Stabilization Fund-the case of Maharashtra

To ensure stabilisation of tariffs to the extent possible, and to minimise the variation in FAC (Fuel Adjustment Charge), Maharashtra ERC has approved creation of FAC Fund with Distribution Licensee which can be built up over a period of time to be used for payment of FAC bills of Generating companies without immediately loading it on consumers. Though this action may not ensure zero FAC for all times, the impact of the same is likely to reduce to a large extent. The concept of FAC fund is given as under:

- i. Negative FAC amount shall be carried forward to the next FAC billing cycle with holding cost.

- ii. Such carried forward negative FAC shall be adjusted against FAC amount for the next month and balance negative amount shall be carried forward to subsequent month with holding cost.
- iii. Such carry forward of negative FAC shall be continued till the accumulated negative FAC becomes 20 % of monthly tariff revenue approved by the Commission in Tariff Order. In case of MSEDCL such limit shall be Rs.1500 crore . Any accumulated amount above such limit shall be refunded to consumers through FAC mechanism.
- iv. In case such FAC Fund is yet to be generated or such generated fund is not sufficient to adjust against FAC computed for given month, then Distribution Licensee can levy such amount to the consumers through FAC mechanism, upon seeking prior approval from the Commission.

In order to maintain transparency in management and use of such FAC Fund, the Distribution Licensee is required to maintain monthly account of such FAC fund and upload it on its website for information of stakeholders.

7. Proposal

Recovery of FPPAS in timely manner is required to ensure financial sustainability of DISCOMs. As the FPPAS varies from month to month, some of the Regulatory Commissions have adopted innovative approaches to stabilize tariff payable by end consumers to the extent possible. After perusal of the models available, it is proposed that a certain percentage of FPPAS, as approved by the State ERC for a financial year, can be collected from the consumers along with the monthly bill and actual FPPAS can be adjusted from the collected amount from the consumers. This will help the consumers to avoid any tariff shock by making the tariff stable to certain extent for a given year, and also help DISCOMs to get paid for FPPAS without waiting for recovery from consumers.

The proposal was discussed in meetings taken by Chairperson, CEA on 13.11.2024 and 20.01.2025 wherein representatives of Assam Power Distribution Company Ltd, Maharashtra State Electricity Distribution Company Ltd, Tata Power Delhi, Tamil Nadu Power Distribution Company Ltd, Uttar Pradesh Power Corporation Ltd, Prayas and

representatives of Ministry of Power. There was broad agreement on the concept. On the implementation issue, one contentious issue was whether such fund collected from consumers to be kept in separate bank account or be kept within account of the distribution licensee with clear tracking/accounting of books of accounts. The rationale cited for keeping such funds in separate bank account is that the such fund is collected in advance from consumers and to be used for adjusting Fuel and Power Purchase Adjustment Surcharge, as and when demand comes, and therefore, distribution licensee does not have any right of access to the fund. On the other hand, distribution licensee present in the meetings, cited that maintaining of separate bank account will cause additional operational costs and difficulty for the distribution licensee. Besides, distribution licensee can utilize such fund for meeting their working capital and thus, any savings in interest in working capital by utilization of such fund could be passed on to consumers by the Regulator. Based on submission made by representatives of distribution licensee, it has been proposed that such base FPPAS collected from consumers shall be maintained by distribution licensee in a separate accounting head called **FPPAS Stabilisation Fund** on notional basis.

The detailed proposal is as under:

- 1) Along with monthly electricity bill, Distribution Licensee shall also collect monthly base Fuel and Power Purchase Adjustment Surcharge (**FPPAS**) from consumers not exceeding **X** % of monthly average billing rate. X shall be calculated based on simple average four values consisting of actual FPPAS of last 3 years' and the proposal/approval for ensuring year as filed by the Distribution Licensee before the State Commission. E.g. for computation of base FPPAS for 2025-26, simple yearly average of actual FPPAS (%) in 2021-22, 2022-23, and 2023-24 and approved/projected FPPAS (%) for 2024-25 will be considered.
- 2) In case past data for actual FPPAS (%) for last 3 years is not available, base FPPAS will be calculated based on available past FPPAS (%) data. E.g. if in the above example, actual FPPAS (%) for 2021-22 is not available, then base FPPAS for 2025-26 shall be calculated based on simple average of actual FPPAS (%) in 2022-23, and 2023-24 and approved/projected FPPAS (%) for 2024-25.

- 3) Such base FPPAS collected from consumers shall be maintained by distribution licensee in a separate accounting head called **FPPAS Stabilisation Fund** on notional basis. Amount collected in FPPAS stabilization fund on cash basis shall be entitled for interest earning as approved by the State Commission.
- 4) Distribution Licensee, shall compute and keep account of accumulated FPPAS as per Rule 14 (Timely recovery of power purchase cost by distribution licensee) of the Electricity (Amendment) Rules 2022.
- 5) Actual FPPAS shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and Inter-state Transmission Charges for the power procured during the nth month.
- 6) Distribution Licensee shall meet actual FPPAS from FPPAS Stabilisation Fund.
- 7) In case balance available in FPPAS stabilization fund is not sufficient to meet the actual FPPAS for (n+2)th month, shortfall amount shall be entitled for carrying cost as decided by the State Commission. Besides, in such case, distribution licensee shall be entitled to charge higher FPPAS from (n+3)th month based on maximum of yearly actual FPPAS of last 3 years' and the proposal/approval of FPPAS for ensuring year as filed by the Distribution Licensee before the State Commission. The charge of FPPAS at higher rate shall be continued till the FPPAS stabilization fund is able to meet demand of actual FPPAS.
- 8) In case balance available in FPPAS stabilization fund at the end of a month is more than last three month's FPPAS demand, then the distribution Licensee shall pass on the surplus amount over and above the three month's FPPAS amount to the consumer, in the form of discount.
- 9) All details related to base FPPAS, actual FPPAS and FPPAS stabilization fund shall be made available in the web-site of distribution licensee and shared with the State Commission on monthly basis.
- 10) Deviation between base FPPAS collected from consumers and actual FPPAS shall be taken into consideration during annual true-up petition filed by distribution licensee before the State Commission.

Rule 14 of Electricity Rules notified by Ministry of Power vide Electricity (Amendment Rules) 2022 notified by Ministry of Power vide notification dated 29th December 2022 and subsequent amendment dated 30th June 2023

Rule 14. Timely recovery of power purchase costs by distribution licensee.- (1)

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

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

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

Provided also that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within the time line, specified by the Appropriate Commission, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to recovery the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited and the true up of fuel and power purchase adjustment surcharge by the Appropriate Commission, for any financial Year, shall be completed by 30th June of the next financial year.

(2) Along with monthly electricity bill, Distribution Licensee shall also collect monthly base Fuel and Power Purchase Adjustment Surcharge (**FPPAS**) from consumers not exceeding **X** % of monthly average billing rate. X shall be calculated based on simple average of four values consisting of actual FPPAS of last 3 years' and the proposal/approval for ensuring year as filed by the Distribution Licensee before the

State Commission. E.g. for computation of base FPPAS for 2025-26, simple yearly average of actual FPPAS (%) in 2021-22, 2022-23, and 2023-24 and approved/projected FPPAS (%) for 2024-25 will be considered:

Provided that in case past data for actual FPPAS (%) for last 3 years is not available, base FPPAS will be calculated based on available past FPPAS (%) data. E.g. if in the above example, actual FPPAS (%) for 2021-22 is not available, then base FPPAS for 2025-26 shall be calculated based on simple average of actual FPPAS (%) in 2022-23, and 2023-24 and approved/projected FPPAS (%) for 2024-25;

Provided further that such base FPPAS collected from consumers shall be maintained by distribution licensee in a separate accounting head called **FPPAS Stabilisation Fund** on notional basis. Amount collected in FPPAS stabilization fund on cash basis shall be entitled for interest earning as approved by the State Commission;

Provided also that Distribution Licensee, shall compute and keep account of accumulated FPPAS as per Rule 14 (1) (Timely recovery of power purchase cost by distribution licensee) of the Electricity (Amendment) Rules 2022;

Provided also that actual FPPAS shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and Inter-state Transmission Charges for the power procured during the nth month;

Provided also that Distribution Licensee shall meet actual FPPAS from FPPAS Stabilisation Fund;

Provided also that in case balance available in FPPAS stabilization fund is not sufficient to meet the actual FPPAS for (n+2)th month, shortfall amount shall be entitled for carrying cost as decided by the State Commission. Besides, in such case, distribution licensee shall be entitled to charge higher FPPAS from (n+3)th month based on maximum of yearly actual FPPAS of last 3 years' and the proposal/approval of FPPAS for ensuring year as filed by the Distribution Licensee before the State Commission. The charge of FPPAS at higher rate shall be continued till the FPPAS stabilization fund is able to meet demand of actual FPPAS;

Provided also that in case balance available in FPPAS stabilization fund at the end of a month is more than last three month's FPPAS demand, then the distribution Licensee shall pass on the surplus amount over and above the three month's FPPAS amount to the consumer, in the form of discount;

Provided also that all details related to base FPPAS, actual FPPAS and FPPAS stabilization fund shall be made available in the web-site of distribution licensee and shared with the State Commission on monthly basis;

Provided also that deviation between base FPPAS collected from consumers and actual FPPAS shall be taken into consideration during annual true-up petition filed by distribution licensee before the State Commission.

Schedule-II

(see rule 14)

Fuel and Power Purchase Adjustment Methodology

1. Computation of fuel and power purchase adjustment surcharge:

(1) For these rules “Fuel and Power Purchase Adjustment Surcharge” (FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the State Commission

(2) Fuel and power purchase adjustment surcharge shall be calculated and billed **to consumers**, automatically, without going through regulatory approval process, on a monthly basis, according to the formula, prescribed by the respective the State Commission, subject to true up, on an annual basis, as decided by the State Commission:

Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these rules.

(3) Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and Inter- state Transmission Charges for the power procured during the nth month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year:

Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within this time line, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to recovery the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.

(4) The distribution licensee may decide, fuel and power purchase adjustment surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to consumers, but the carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total fuel and power purchase adjustment surcharge for a Billing Month, including any carry forward of fuel and power purchase adjustment surcharge over the previous month exceeds twenty per cent of variable component of approved tariff.

(5) The carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier and the money recovered through fuel and power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surcharge followed by the subsequent month.

(6) In case of carry forward of fuel and power purchase adjustment surcharge, the carrying cost at the rate of State Bank of India Marginal cost of Funds-based lending Rate plus one hundred and fifty basis points shall be allowed till the same is recovered through tariff and this carrying cost shall be trued up in the year under consideration.

~~(7) Depending upon quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that,~~

~~(i) If fuel and power purchase adjustment surcharge $\leq 5\%$, 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee shall be levied automatically using the formula.~~

~~(ii) If fuel and power purchase adjustment surcharge $> 5\%$, 5% fuel and power purchase adjustment surcharge shall be recoverable automatically as per item (i) of subparagraph (7) above. 90% of the balance fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the State Commission during true up.~~

(8) The revenue recovered on account of pass through fuel and power purchase adjustment surcharge by the distribution licensee, shall be trued up later for the year under consideration and the true up for any financial Year shall be completed by 30th June of the next financial year.

~~(9) In case of excess revenue recovered for the year against the fuel and power purchase adjustment surcharge, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate approved by the State Commission and the under recovery of fuel and power purchase adjustment surcharge shall be allowed during true up, to be billed along with the automatic Fuel and Power Purchase Adjustment Surcharge amount.~~

~~Explanation: For example in the month of July, the automatic pass through component for the power supplied in May and additional Fuel and Power Purchase Adjustment Surcharge, if any, recoverable after true up for the month of April in the previous financial year, shall be billed.~~

(10) The distribution licensee shall submit such details, in the stipulated formats, of the variation between expenses incurred and the fuel and power purchase adjustment surcharge recovered, and the detailed computations and supporting documents, as required by the State Commission, during true up of the normal tariff.

(11) To ensure smooth implementation of the fuel and power purchase adjustment surcharge mechanism and its recovery, the distribution licensee shall ensure that the licensee billing system is updated to take this into account and a unified billing system shall be implemented to ensure that there is a uniform billing system irrespective of the billing and metering vendor through interoperability or use of open source software as available.

(12) The licensee shall publish all details including the fuel and power purchase adjustment surcharge formula, calculation of monthly fuel and power purchase adjustment surcharge and recovery of fuel and power purchase adjustment surcharge (separately for automatic and approved portions) on its website and archive the same through a dedicated web address.

3. Formula for Computation of Fuel and Power Purchase Adjustment Surcharge:

(1) Formula:

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

Where,

Nth month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in (n-2)th month

A is Total units procured in (n-2)th Month (in kWh) from all Sources including Long-term, Medium –term and Short-term Power purchases (To be taken from the bills issued to distribution licensees

B is bulk sale of power from all Sources in (n-2)th Month. (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month).

C is incremental Average Power Purchase Cost= Actual average Power Purchase Cost (PPC) (including change of fuel cost) from all Sources in (n-2) month (Rs./ kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs./ kWh)- (from tariff order)

D = Actual inter-state and intra-state Transmission Charges in the (n-2)th Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (n-2)th Month. = (Approved Transmission Charges/12) (in Rs)

Z = [{Actual Power purchased from all the sources outside the State in (n-2) th Month. (in kWh)* (1 – Inter-state transmission losses in % /100) + Power purchased from all the sources within the State(in kWh)}*(1 – Intra state losses in %) – B]/100 in kWh

ABR = Average Billing Rate for the year (to be taken from the Tariff Order in Rs/kWh)

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

Inter-state transmission Losses (in %) = As per Tariff Order

(2) The Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.

(3) Other charges which include Ancillary Services and Security Constrained Economic Despatch shall not be included in Fuel and Power Purchase Adjustment Surcharge and adjusted through the true-up approved by the State Commission.