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SIKKIM STATE ELECTRICITY REGULATORY COMMISSION
GANGTOK

No. 14/SSERC/MYT/AMDT/2015/200

Dated 20.6.2017

NOTIFICATION

In exercise of the powers conferred on it by section 181 of the Electricity Act 2003 (Act 36 of 2003) and all other powers enabling it in this behalf, the Sikkim State Electricity Regulatory Commission hereby makes the following regulations to amend the Sikkim State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2013 issued under Notification No. 11/SSERC/MYT/2013 Dated 21st November 2013 and published in the Sikkim Government Extra Ordinary Gazette No. 2014 Dated 21st May, 2014 (hereinafter referred to as the 'principle regulations'):

1. Short Title, Commencement and Extent

1.1 These regulations may be called the **Sikkim State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) (Second Amendment) Regulations, 2017.**

1.2 These regulations shall come into force on the date of their publication in the Sikkim Government Gazette.

1.3 These regulations shall extend to the whole of the State of Sikkim.

- 1.4 (a) These regulations shall be applicable for determination of tariff in all cases covered under these regulations from **April 1, 2018** and onwards;
- (b) These regulations shall be applicable to all existing and future Generating Companies, Transmission Licensees and Distribution Licensees and their successors, if any;

2. For the regulation 2.22 of the principle regulations, the following regulations shall be substituted:

"2.22 **"Control Period"** means the period of three years from **April 1, 2018 to March 31, 2021**, and for every block of three or five years thereafter, for submission or forecast in accordance with Chapter-2 of these regulations."

3. For the regulation 4.1 under Chapter-2: Multi Year Tariff Framework and guiding principles of the principle regulations , the following regulations shall be substituted:
- “4.1 The Commission shall determine the tariff for matters covered under clauses (i), (ii), (iii) and (iv) of Regulation 3.1 above, under a Multi Year Tariff framework with effect from **April 1, 2018:**
- Provided that the Commission may, upon application made to it by an applicant, exempt the determination of tariff of a Generating Company or Transmission Licensee or Distribution Licensee under the Multi-Year Tariff framework for such period as may be contained in the order granting such an exemption.”
4. For the regulation 4.2 under Chapter-2: Multi Year Tariff Framework and guiding principles of the principle regulations , the following regulations shall be substituted:
- “4.2 The Commission shall adopt Multi-Year Tariff framework for determination of ARR/tariff of the first Control Period of three years commencing from **1st April 2018 to 31st March 2021**. However, there shall be annual determination of ARR/Tariff for the utilities for **FY 2017-18** i.e. till the commencement of the first control period as per Sikkim State Electricity Regulatory Commission (Terms & Conditions of Determination of Tariff), 2012.
5. For the regulation 5.1 under Chapter-2: Multi Year Tariff Framework and guiding principles of the principle regulations , the following regulations shall be substituted:
- “5.1 The filing for the Control Period under these regulations shall be as under:
- A) MYT Petition shall comprise of:
- i. Truing up for **FY 2016-17** to be carried out under Sikkim Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2012;
 - ii. Annual Performance Review for **FY 2017-18** to be carried out under Sikkim State Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2012;
 - iii. Multi-year Aggregate Revenue Requirement for the entire Control Period with year-wise details under these regulations;
 - iv. Revenue from the sale of power at existing tariffs and charges and projected revenue gap, for the first year of the Control Period under these regulations,
 - v. Application for determination of tariff for **FY 2018-19**.
- b) From the first year of the Control Period and onwards, the Petition shall comprise of:
- i. **Truing Up for FY 2017-18 to be carried out under Sikkim State Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2012 and Truing Up for FY 2018-19 and onwards accordance with these regulations;**
 - ii. Revenue from the sale of power at existing tariffs and charges for the ensuing year;
 - iii. Revenue gap for the ensuing year calculated based on ARR approved in the Tariff Order or MYT Order and truing up for the previous year;
 - iv. Application for determination of tariff for the ensuing year.”

6. For the regulation 7 under Chapter-2: Multi Year Tariff Framework and guiding principles of the principle regulations , the following regulations shall be substituted:

“The Generating Company, the Transmission Licensee and the Distribution Licensee shall file by **1st September of the** year preceding the first year of the control period or any other date as directed by the Commission an application containing the following elements for the approval of the Commission:

- (a) Capital Investment Plan as specified in clause 7.1 below;
- (b) Business Plan as per details specified in clause 7.2 below;”

7. For the regulation 7.2 under Chapter-2: Multi Year Tariff Framework and guiding principles of the principle regulations, the following regulations shall be substituted:

“7.2 Business Plan

- (a) The Generating Company, Transmission Licensee and Distribution Licensee, in respect of their respective businesses, shall file for approval of the Commission a business plan for a period covering the entire control period from **April 2018 to March 2021.**”

8. For the regulation 28 under Chapter-3:Financial Principles for Determination of ARR of the principle regulations , the following regulations shall be substituted:

“ 28. Debt - Equity ratio

- 28.1 For the purpose of determination of tariff, debt-equity ratio as on the date of commercial operation in case of a new generating station, transmission or distribution line or substation commissioned or capacity expanded after **01.04.2018**, shall be 70:30. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as loan. Where actual equity employed is less than 30%, the actual equity shall be considered:

Provided that in case of the Generating Company, Transmission Licensee and Distribution Licensee, if any fixed asset is capitalized on account of capital expenditure on the project prior to **April 1, 2018**, debt-equity ratio allowed by the Commission for determination of tariff for the period ending **March 31, 2018** shall be considered:

Provided further that in case of retirement or replacement of assets, the equity capital approved as mentioned above, shall be reduced to the extent of 30% (or actual equity component based on documentary evidence, if it is lower than 30%) of the original cost of the retired or replaced asset:

Provided further that for the Generating Company or the Transmission Licensee or the Distribution Licensee formed as a result of a transfer scheme, the date of the transfer scheme shall be the effective date for the determination of equity capital.”

9. For the regulation 30.2 under Chapter-2: Multi Year Tariff Framework and guiding principles of the principle regulations, the following regulations shall be substituted:

“ 30.2 The normative loan outstanding as on **April 1, 2018**, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to **March 31, 2018**, from the gross normative loan.”

10. For the regulation 7 under Chapter-2: Multi Year Tariff Framework and guiding principles of the principle regulations , the following regulations shall be substituted:

“ 31.4 In case of the existing projects, the balance depreciable value as on **April 1, 2018**, shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto **March 31, 2018**, from the gross value of the assets.”

11. For the regulation 46 under Chapter-4: Generation–Determination of Tariff and Norms of Operation of the principle regulations , the following regulations shall be substituted:

“ 46. Operation and Maintenance Expenses for Hydro Generating Stations

46.1 For Existing Stations:

a) The Operation and Maintenance expenses including insurance shall be derived on the basis of the average of the actual Operation and Maintenance expenses for the three (3) years ending **March 31, 2017**, subject to prudence check by the Commission.

b) The average of such operation and maintenance expenses shall be considered as operation and maintenance expenses for the financial year ended **March 31, 2017** and shall be escalated at the escalation factor of 6% to arrive at operation and maintenance expenses for FY 2017-18.

c) The O&M expenses for each subsequent year will be determined by escalating the base expenses determined above for FY 2017-18, at the escalation factor of 6% to arrive at permissible O&M expenses for each year of the Control Period.”

12. For the regulation 57.6 under Chapter-5: Transmission –Determination of Tariff and Norms of Operation of the principle regulations , the following regulations shall be substituted:

“57.6 Operation and Maintenance expenses

57.6.1 a) The Operation and Maintenance expenses including insurance shall be derived on the basis of the average of the actual Operation and Maintenance expenses for the three (3) years ending **March 31, 2017**, subject to prudence check by the Commission.

b) The average of such operation and maintenance expenses shall be considered as operation and maintenance expenses for the financial year ended **March 31, 2017** and shall be escalated at the escalation factor of 6% to arrive at operation and maintenance expenses for FY 2017-18.

c) The O&M expenses for each subsequent year will be determined by escalating the base expenses determined above for FY 2017-18, at the escalation factor of 6% to arrive at permissible O&M expenses for each year of the Control Period.”

13. For the regulation 68.6 under Chapter-5: Transmission –Determination of Tariff and Norms of Operation of the principle regulations , the following regulations shall be substituted:

“ 68.6 Operation and Maintenance expenses:

- a) The Operation and Maintenance expenses shall be derived on the basis of the average of the actual Operation and Maintenance expenses for the three (3) years ending **March 31, 2017**, subject to prudence check by the Commission.
- b) The average of such operation and maintenance expenses shall be considered as operation and maintenance expenses for the financial year ended **March 31, 2017** and shall be escalated at the escalation factor of 6% to arrive at operation and maintenance expenses for FY 2017-18.
- c) The O&M expenses for each subsequent year will be determined by escalating the base expenses determined above for FY 2017-18, at the escalation factor of 6 % to arrive at permissible O&M expenses for each year of the Control Period.”

By Order of the Commission

**Sd/-
(S.D.Dhakal)
Secretary
Sikkim State Electricity Regulatory Commission**