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**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

No. L-7/25(2)/2001-CERC

Dated the 23<sup>rd</sup> May, 2003

In exercise of powers conferred on it by Section 55 of Electricity Regulatory Commissions Act, 1998 (14 of 1998), the Central Electricity Regulatory Commission hereby makes the following regulations to further amend the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2001 hereinafter referred to as the Principal Regulations, namely:

**1.     SHORT TITLE AND COMMENCEMENT**

These regulations may be called Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2003.

- (1) The regulations shall be deemed to have come into force with effect from 1.4.2001.

**2.     AMENDMENT OF CLAUSE 3.6**

The formula for calculation of Incentive shall be deemed to have been substituted as under :

$$\text{Incentive} = \frac{\text{Annual Fixed Cost} - \text{Primary Energy Charges}}{(CI_A - CI_N)/100} \times X$$

X Where  $CI_A$  is the Capacity Index Achieved and  $CI_N$  is the Normative Value of Capacity Index, in percentage.

**3.     AMENDMENT OF CLAUSE 4.4(d)(ii)**

The formula for calculation of AVOMLL and AVOMBN shall be deemed to have been substituted as under:

$$AVOMLL = \frac{1}{5} \sum_{i=1995-1996}^{1999-2000} \left| \frac{OML_i}{LL_i} \right|$$

$$AVOMBN = \frac{1}{5} \sum_{i=1995-1996}^{1999-2000} \left| \frac{OMS_i}{BN_i} \right|$$

4. **AMENDMENT OF CLAUSE 4.8**

Clause 4.8 of the Principal Regulations shall be substituted as under :

**4.8 Principle of sharing of Transmission Charges of the inter-regional assets including HVDC system by the beneficiaries**

The Transmission Charges of the inter-regional assets including HVDC system shall be shared in the ratio of 50:50 by the two contiguous regions. These Transmission Charges shall be recovered from the beneficiaries by pooling 50% of the Transmission Charges for such inter-regional assets with the Transmission Charges for transmission system of the respective regions for facilitating further recovery from the beneficiaries within the region.

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SECRETARY

## EXPLANATORY MEMORADUM

In Clause 3.6 of the Principal Regulations the formula for calculation of incentive has been prescribed. As the values of Capacity Index Achieved ( $CI_A$ ) and Normative Capacity Index ( $CI_N$ ) are always in percentage, in order to arrive at the amount of incentive in absolute number, the value arrived at by the given formula should be divided by 100. Accordingly, Clause 3.6 of the Principal Regulations is being amended.

2. O&M norms for inter-state transmission formed the subject matter of Petition No. 86/2000. The Commission vide its order of 21.12.2000 had decided to use actual O&M data for the base years for computing base level O&M expenses for the tariff period beginning 1.4.2001. As per the order, the base level O&M expenses are escalated on the weighted average of CPI (55% weightage) and special WPI for transmission (45% weightage). The starting point for calculation of O&M expenses is to be the yearly data for O&M expenses for the lines and sub-stations separately. In case O&M expenses for the lines and sub-stations are not available separately, the annual O&M expenses are to be apportioned in the ratio of 30:70 to arrive at O&M expenses for the sub-stations and lines. In order to normalise this data, O&M expenses for the lines (OML) are divided by the line length (LL) and O&M expenses for the sub-stations (OMS) are divided by the number of bays (BN) in the region. The five years average of normalised O&M expenses adjusted for inflation for two years (1998-99 and 1999-2000) serves as norm for O&M expenses per unit of line length and per bay for the year 1999-2000.

3. The formulae for calculation of AVOMLL average O&M expenses per unit of line length and AVOMBN average O&M expenses per bay has been prescribed in Clause 4.4 (d)(ii) are at variance with the Commission's order dated 21.12.2000, since the average is required to be done after normalisation, though in the Principal Regulations, normalisation has been done after averaging and this necessitated correction of the formulae given in Clause 4.4 (d) (ii) of the Principal Regulations. The corrected formulae for calculation of AVOMLL and AVOMBN are being notified to bring them at par with the directions of the Commission.

4. Amendment of Clause 4.8 of the Principal Regulations is also necessitated to bring this Clause at par with the directions contained in the Commission's order dated 8.12.2000 in Petition No.86/2000.

5. The amendments are being made to bring the terms and conditions in tune with the Commission's orders on the subject, and hence are being given effect from the date from which the Principal Regulations are applicable.

6. The Principal Regulations were published in Part III, Section 4 of the Gazette of India (Extraordinary) dated 26.3.2001. The Principal Regulations were first amended through The Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment) Regulations, 2001 published in Part III, Section 4 of the Gazette of India (Extraordinary) dated 24.9.2001 and were further amended through the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment) Regulations, 2002 published in Part III, Section 4 of the Gazette of India (Extraordinary) dated 11.7.2002 and the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment Regulations, 2003 published in Part III, Section 4 of the Gazette of India (Extraordinary) dated 2<sup>nd</sup> May 2003.

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