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NOTIFICATIONS BY HEADS OF DEPARTMENTS, ETC.

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TAMIL NADU ELECTRICITY REGULATORY COMMISSION

Amendment to the Terms and Conditions for determination of
Tariff Regulations 2005

Notification No.TNERC / TR /5/2-11 dated 13 -03-2014

In exercise of the powers conferred on it under section 61 of the Electricity Act , 2003 (Central Act 36 of 2003) read with section 181 of the said Act and all other powers enabling it in this behalf, the Tamil Nadu Electricity Regulatory Commission hereby makes the following amendments to the Tamil Nadu Electricity Regulatory Commission (Terms and Conditions for determination of Tariff) Regulations 2005 , the draft of the same having previously published as required under sub-section (3) of the said section 181 of the said Act.

They shall come into force on the date of publication in the Tamil Nadu Government Gazette.

AMENDMENTS

In the said Regulations,-

(a) In regulation 1, for sub-regulation (6), the following sub-regulation shall be substituted, namely :-

“ (6) These regulations shall apply to the co-generation, captive power plants and generation of electricity from renewable sources including mini hydro projects (covered under Non-conventional sources of Energy) only to the extent to be specified by the Commission in the Tariff order or other orders issued from time to time.”

(b) For regulation 12, the following regulation shall be substituted , namely :-

“ 12. Power Factor .- The Commission may direct certain categories of consumers to maintain power factor at a prescribed level and levy disincentive for maintaining below the prescribed level. “ ;

(c) In regulation 15, in sub-regulation (2) , for the expression “**The Tamil Nadu Electricity Board** “ , the expression “**The Licensees**” shall be substituted ;

(d) For regulation 16 , the following shall be substituted, namely :-

“ 16. Business Plan .- The licensee shall furnish a detailed Business Plan for five years for approval by the Commission at least six months prior to submission of the MYT petition. The Business Plan shall contain projections for all activities including loss reduction, effective and tamper proof metering and the criteria for projection and percentage of evacuation improvement to be achieved over the existing evacuation capacity .”;

(e) In regulation 20 , for sub-regulation (3) , the following sub-regulation shall be substituted, namely :-

“ (3) The cost of the infirm power supplied by the generators shall be calculated using the following formula and paid by the distribution licensees. The allotment of infirm power shall be made among the distribution licensees in the state in the ratio of approved total sales of each distribution licensees in the state.

$$Ti = \frac{\{Gf \times [100 \times (Csp \times Cc)]\}}{(100-AUX)}$$

Ti - Tariff for infirm power in Paise/kWh

Csp - All India Specific coal consumption of thermal power stations in kg/kWh as per the latest CEA report on “Performance Review of Thermal Power Stations”

AUX- All India average AUX of thermal power stations in percent as per the latest CEA report on “Performance Review of Thermal Power Stations.

Cc - Lowest landed cost of Indian coal in any of the Power stations in Tamil Nadu in Paise/kg as approved by the Commission in its latest Tariff order.

Gf- Grid facilitation constant = 0.6 “ ;

(f) regulation 24-A shall be omitted .

(g) in regulation 25, in sub-regulations (2), (3), (4), (5), (6), (7) and (8) , for the expression “ 4% “, the expression “ **5.72%**” shall be substituted ;

(h) regulations 29, 30 and 31 shall be omitted .;

(i) in regulation 62 , -

(i) in sub-regulation (1) , for the expression “ **bay wise and for load dispatch center wise**” , the expression “ **and substation wise. Separate petition shall be filed for the ARR of SLDC**” shall be substituted ;

(ii) in sub-regulation (2), the expression “ **once the data as per clause (1) are made available**” shall be omitted ;

(iii) in sub-regulation (3), for clause (a), the following clause shall be substituted, namely :-

“ (a) Charges for use of network

This component of transmission tariff shall reflect cost of capital investment, maintenance and operation of a transmission system to transfer bulk power to and from different locations. The revenue from this component of transmission tariff will meet the annual revenue requirement of transmission entity in respect of owning the transmission asset.”

(j) in regulation 71, in sub-regulation (2) , for the expression “**The Tamil Nadu Electricity Board/Distribution licensee** “ , the expression “**The Licensees**” .;” shall be substituted ;

(k) regulation 83 shall be omitted .”

(l) For Annexure, the following Annexure shall be substituted ; namely :-

“ Annexure”
(See Regulation 24)
Depreciation Schedule

SL NO	DESCRIPTION OF ASSETS	DEPRECIATION RATE (SALVAGE VALUE = 10%)
A	<i>Land owned under full title</i>	0%
B	<i>Land held under lease</i>	
(a)	for investment in land.	3.34%
(b)	for cost of clearing site	3.34%
(c)	Land for reservoir in case of hydro generating stations	3.34%
C	<i>Assets purchased new</i>	
(a)	Plant and machinery in generating stations including plant foundations	
(i)	Hydro-electric	5.28%
(ii)	Steam-electric NHRS and Waste Heat Recovery Boilers/Plants	5.28%
(iii)	Diesel-electric and Gas plant	5.28%
(b)	Cooling towers and circulating water systems	5.28%
(c)	Hydraulic works forming Part of hydro-electric system including	
(i)	Dams, Spillways, Weirs, Canals, reinforced concrete flumes and syphons	5.28%
(ii)	Reinforced concrete pipelines and surge tanks, steel pipelines, sluice gates, steel surge (tanks) hydraulic control valves and other hydraulic works	5.28%
(d)	Building and civil engineering works of a Permanent character, not mentioned above:	
(i)	Offices and showrooms	3.34%
(ii)	Containing thermo-electric generating plant	3.34%
(iii)	Containing hydro-electric generating plant	3.34%
(iv)	Temporary erection such as wooden structures	100%
(v)	Roads other than kutcha roads	3.34%
(vi)	Others	3.34%
(e)	Transformers, transformer (Kiosk) sub- station equipment and other fixed apparatus (including plant foundations)	
(i)	Transformers (including foundations) having a rating of 100 kilo volt amperes and Over	5.28%
(ii)	Others	5.28%
(f)	Switchgear, including Cable connections	5.28%

(g)	Lightning arrestors	
(i)	Station type	5.28%
(ii)	Pole type	5.28%
(iii)	Synchronous condensor	5.28%
(h)	Batteries:	
(i)	Underground Cable Including joint boxes and disconnected boxes	5.28%
(ii)	Cable duct system	5.28%
(i)	Overhead lines including supports	
(i)	Lines on fabricated steel operating at nominal voltages higher than 66 KV	5.28%
(ii)	Lines on steel supports operating at nominal voltages higher than 13.2 Kilo volts but not exceeding 66 Kilo volts	5.28%
(iii)	Lines on steel or reinforced concrete supports	5.28%
(iv)	Lines on treated wood Supports	5.28%
(j)	Meters	5.28%
(k)	Self propelled vehicles	9.5%
(l)	Air conditioning plants:	
(i)	Static	5.28%
(ii)	Portable	9.50%
(m) (i)	Office furniture and fittings	6.33%
(ii)	Office equipments	6.33%
(iii)	Internal wiring including fittings and Apparatus	6.33%
(iv)	Street light Fittings	5.28%
(n)	Apparatus let on hire:	
(i)	Other than motors	9.50%
(ii)	Motors	6.33%
(o)	Communication equipment	
(i)	Radio and higher frequency carrier system	6.33%
(ii)	Telephone lines and Telephones	6.33%
(p)	I.T equipments	15%
(q)	Any other assets not covered above	5.28%

(By the order of the Tamil Nadu Electricity Regulatory Commission)

(S.GUNASEKARAN)
Secretary
Tamil Nadu Electricity Regulatory Commission

EXPLANATORY STATEMENT

The amendments to various provisions of the TNERC (Terms and Conditions for determination of Tariff Regulations) 2005 is effected so as to remove certain inconsistencies which existed with respect to other Regulations of the Commission, change of constitution of the licensees in the State of Tamil Nadu and to be consistent with certain provisions of the Tariff Regulations of the Central Electricity Regulatory Commission.

(S.GUNASEKARAN)
Secretary
Tamil Nadu Electricity Regulatory Commission.

STATEMENT SHOWING THE EXISTING PROVISION AND THE PROVISION AFTER AMENDMENT

Existing provisions (1)	Provisions as amended (2)
<p>(1). Short Title, Applicability and Commencement xxxx xxxx</p> <p>(6) They shall not be applicable to co-generation, captive power plants and generation of electricity from renewable sources of energy including mini hydro projects (covered under Non-Conventional Energy Sources), which will be covered by a separate regulation to be specified by the Commission under clause (e) of sub-section (1) of Section 86 of the Electricity Act 2003 for promotion of such generation</p>	<p>(1). Short Title, Applicability and Commencement xxxx xxxx</p> <p>(6) These regulations shall apply to the co-generation, captive power plants and generation of electricity from renewable sources of energy including mini hydro projects (covered under Non-conventional sources of Energy) only to the extent to be specified by the Commission in the Tariff order or other orders issued from time to time.</p>
<p>(2) 12. Power factor .- The Commission may direct certain categories of consumers to maintain power factor at a prescribed level and allow incentive / disincentive for maintaining above / below the prescribed level.</p>	<p>12. Power factor .- The Commission may direct certain categories of consumers to maintain power factor at a prescribed level and levy disincentive for maintaining below the prescribed level</p>

Existing provisions (1)	Provisions as amended (2)
<p>(3) 15. Annual Accounts and Reports, etc.: (1) xxxx</p> <p>(2) The <u>Tamil Nadu Electricity Board</u> shall prepare the Annual Statement of Accounts in the form prescribed in the Electricity (Supply) Annual Accounts Rules 1985 until these rules are rescinded or modified as the case may be.</p> <p>(3) xxxx</p> <p>(4) 16. Business Plan The licensee shall furnish a detailed Business Plan for five years for approval by the Commission. The Business Plan shall contain projections for all activities including loss reduction, effective and tamper proof metering and the criteria for projection.</p> <p>(5) 20. Revenue / charges during trial stage (prior to COD) .- (1) xxxx (2) xxxx (3) Cost of infirm power shall be the lowest fuel cost applicable to the existing similar type of station</p>	<p>15. Annual Accounts and Reports, etc.: (1) xxxx</p> <p>(2) The <u>Licensees</u> shall prepare the Annual Statement of Accounts in the form prescribed in the Electricity (Supply) Annual Accounts Rules 1985 until these rules are rescinded or modified as the case may be.</p> <p>(3) xxxx</p> <p>16. Business Plan The licensee shall furnish a detailed Business Plan for five years for approval by the Commission at least six months prior to submission of the MYT petition. The Business Plan shall contain projections for all activities including loss reduction, effective and tamper proof metering and the criteria for projection and percentage of evacuation improvement to be achieved over the existing evacuation capacity.</p> <p>20. Revenue / charges during trial stage (prior to COD) .- (1) xxxx (2) xxxx (3) The cost of the infirm power supplied by the generators shall be calculated using the following formula and paid by the distribution licensees. The allotment of infirm power shall be made among the distribution licensees in the state in the ratio of approved total sales of each distribution licensees in the state.</p> $Ti = \frac{\{Gf \times [100 \times (Csp \times Cc)]\}}{(100-AUX)}$ <p>Ti - Tariff for infirm power in Paise/kWh Csp - All India Specific coal consumption of thermal power stations in <u>kg/kWh</u> as per the latest CEA report on "Performance Review of Thermal Power Stations" AUX- All India average AUX of thermal power stations in percent as per the latest CEA report on "Performance Review of Thermal</p>

**Existing provisions
(1)**

**Provisions as amended
(2)**

Power Stations.

Cc - Lowest landed cost of Indian coal in any of the Power stations in Tamil Nadu in Paise/kg as approved by the Commission in its latest Tariff order.

Gf- Grid facilitation constant = **0.6**

**(6) 24A. Advance against
Depreciation**

Omitted

In addition to the allowable depreciation, the licensee shall be entitled to Advance Against Depreciation computed in the manner given hereunder.

Advance Against Depreciation = Loan repayment amount minus depreciation as per the Depreciation schedule in the Annexure subject to a maximum of 1/10th of the loan amount :

Provided that Advance Against Depreciation shall be permitted only if the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year:

Provided further that Advance Against Depreciation in a year shall be restricted to the extent of difference between cumulative loan repayment and cumulative depreciation up to the year.

**Existing provision
(1)**

(7) 25. Operation and Maintenance Expenses .-

(1) xxxxxxxx.

(2) The average of such normative operation and maintenance expenses after prudence check shall be escalated at the rate of 4% per annum to arrive at operation and maintenance expenses for current year i.e. base year and ensuing year.

(3) The base operation and maintenance expenses so determined shall be escalated further at the rate of 4% per annum to arrive at permissible operation and maintenance expenses for the relevant years of tariff period.

(4) In case of the thermal power Generating Stations, which have not been in existence for a period of five years the operation and maintenance expenses shall be fixed at 1.0 % of the capital cost (as admitted by the Commission) and shall be escalated at the rate of 4% per annum from the subsequent year to arrive at the base operation and maintenance expenses. The base operation and maintenance expenses shall be further escalated at the rate of 4% per annum to arrive at permissible operation and maintenance expenses for the relevant year.

(5) In case of the thermal power generating stations declared under commercial operation on or after the notification of these Regulations, the base operation and maintenance expenses shall be fixed at 1.0% of the actual capital cost (as admitted by the Commission), in the year of commissioning and shall be subject to an annual escalation of 4% per annum for the subsequent years.

(6) In case of the hydro electric Generating Stations, which have not been in existence for a period of five years, the operation and maintenance expenses shall be fixed at 1.0% of the capital cost as admitted by the

**Provisions as amended
(2)**

25. Operation and Maintenance Expenses .-

(1) xxxxxxxx.

(2) The average of such normative operation and maintenance expenses after prudence check shall be escalated at the rate of 5.72 % per annum to arrive at operation and maintenance expenses for current year i.e. base year and ensuing year.

(3) The base operation and maintenance expenses so determined shall be escalated further at the rate of 5.72 % per annum to arrive at permissible operation and maintenance expenses for the relevant years of tariff period.

(4) In case of the thermal power Generating Stations, which have not been in existence for a period of five years the operation and maintenance expenses shall be fixed at 1.0 % of the capital cost (as admitted by the Commission) and shall be escalated at the rate of 5.72 % per annum from the subsequent year to arrive at the base operation and maintenance expenses. The base operation and maintenance expenses shall be further escalated at the rate of 5.72 % per annum to arrive at permissible operation and maintenance expenses for the relevant year.

(5) In case of the thermal power generating stations declared under commercial operation on or after the notification of these Regulations, the base operation and maintenance expenses shall be fixed at 1.0% of the actual capital cost (as admitted by the Commission), in the year of commissioning and shall be subject to an annual escalation of 5.72 % per annum for the subsequent years.

(6) In case of the hydro electric Generating Stations, which have not been in existence for a period of five years, the operation and maintenance expenses shall be fixed at 1.0% of the

Existing provision**(1)**

Commission and shall be escalated at the rate of 4% per annum from the subsequent year to arrive at base operation and maintenance expenses. The base operation and maintenance expenses shall be further escalated at the rate of 4% per annum to arrive at permissible operation and maintenance expenses for the relevant year.

(7) In case of the hydro electric generating stations declared under commercial operation on or after the notification of these Regulations, the base operation and maintenance expenses shall be fixed at 1.0% of the actual capital cost as admitted by the Commission, in the year of commissioning and shall be subject to an annual escalation of 4% per annum for the subsequent years.

(8) In respect of the transmission system declared under commercial operation on or after notification of these regulations the base operation and maintenance expenses shall be fixed at 1% of the capital cost (as admitted by the Commission), in the year of commissioning and shall be subject to an annual escalation of 4% per annum for the subsequent years.

Provisions as amended**(2)**

capital cost as admitted by the Commission and shall be escalated at the rate of 5.72 % per annum from the subsequent year to arrive at base operation and maintenance expenses. The base operation and maintenance expenses shall be further escalated at the rate of 5.72 % per annum to arrive at permissible operation and maintenance expenses for the relevant year.

(7) In case of the hydro electric generating stations declared under commercial operation on or after the notification of these Regulations, the base operation and maintenance expenses shall be fixed at 1.0% of the actual capital cost as admitted by the Commission, in the year of commissioning and shall be subject to an annual escalation of 5.72 % per annum for the subsequent years.

(8) In respect of the transmission system declared under commercial operation on or after notification of these regulations the base operation and maintenance expenses shall be fixed at 1% of the capital cost (as admitted by the Commission), in the year of commissioning and shall be subject to an annual escalation of 5.72 % per annum for the subsequent years.

**Existing Provision
(1)**

**Provisions as amended
(2)**

(8) 29. Bad and Doubtful Debt

The Commission may consider and allow a provision upto 0.25% of receivables for writing off of bad and doubtful debts. The licensee or Generating Company shall write off the Bad and Doubtful debts as per the procedure laid down by them.

Omitted

(9) 30. Insurance

The Generating Company and licensee may adopt the practice of Self Insurance and a provision upto 0.5% of the capital cost shall be allowed by the Commission in their revenue requirement. The reserves shall be utilised to replace the assets lost due to accident, fire, flood, cyclone and other force majeure conditions.

Omitted

(10) 31. Contingency Reserve

The Generating Companies and the licensees shall provide and maintain a contingency reserve upto 0.5% of the value of assets at the beginning of the year and the provision made for the year will be allowed in their Revenue Requirement. This reserve will be utilised to meet any contingent liability or unforeseen revenue losses.

Omitted

(11) 62. Unbundling Transmission Charges

(1) The transmission licensee/STU shall endeavour to maintain separate function wise accounts for transmission system and furnish the revenue requirement line wise, bay wise and for load dispatch centre wise.

(2) The tariff for the transmission services shall be unbundled to reflect the cost of various activities associated with provision of transmission service once the data as per clause (1) are made available.

62. Unbundling Transmission Charges

(1) The transmission licensee / STU shall endeavour to maintain separate function wise accounts for transmission system and furnish the revenue requirement line wise and substation wise. Separate petition shall be filed for the ARR of SLDC.

(2) The tariff for the transmission services shall be unbundled to reflect the cost of various activities associated with provision of transmission service.

**Existing Provision
(1)**

(3) The components of transmission tariff are:

(a) Charges for use of network

This component of transmission tariff shall be distance sensitive and would reflect cost of capital investment in and maintenance and operation of a transmission system to transfer bulk power to and from different locations. The revenue from this component of transmission tariff will meet the annual revenue requirement of transmission entity in respect of owning the transmission asset. The charges for use of network would be worked out on distance slabs to reflect the distance travelled by the energy transmitted.

(b) xxxxx

(c) xxxxx

(12) 71. Sales Forecast.-

(1) xxxxx

(2) The Tamil Nadu Electricity Board / Distribution licensee shall formulate the long term demand forecast as stipulated in sub-clause (4) of clause 6 of the Tamil Nadu Electricity Distribution Code and get the forecast approved by the Commission

(3) The licensee may adopt a suitable methodology like CAGR to arrive at the category wise sales for the base year i.e. for the current year

(4) The licensee shall forecast demand and sale of electricity for different categories of consumers in his area of supply for ensuing year, and for a period of three years taking into account the long term demand forecast already approved and also subsequent changes in situation, if any. Wherever different rates are proposed for different slabs of consumption, forecast for slabwise consumption shall also be furnished

**Provisions as amended
(2)**

(3) The components of transmission tariff are:

(a) Charges for use of network

This component of transmission tariff shall reflect cost of capital investment, maintenance and operation of a transmission system to transfer bulk power to and from different locations. The revenue from this component of transmission tariff will meet the annual revenue requirement of transmission entity in respect of owning the transmission asset.

(b) No change

(c) No change

71. Sales Forecast.-

(1) xxxxx

(2) The Licensees shall formulate the long term demand forecast as stipulated in sub-clause (4) of clause 6 of the Tamil Nadu Electricity Distribution Code and get the forecast approved by the Commission

(3) No change

(4) No change

**Existing Provision
(1)**

**Provisions as amended
(2)**

(5) The Commission shall examine the forecast for reasonableness based on growth in number of consumers and consumption of electricity in the previous years and anticipated growth in the next year and any other factor that the Commission may consider relevant and approve sale of electricity to consumers with such modification as deemed fit.

(5) No change

(6) The licensee shall also furnish the categorywise open access consumers and the demand and energy wheeled for them. The details may be furnished separately for the supply within the area of supply of the Distribution licensee and to the supply outside the area of supply of the Distribution licensee.

(6) No change

(7) The details of bulk supply of electricity, if any to electricity traders may also be furnished

(7) No change

(13) 83. Profit sharing

In case, the licensee recovers more income than its aggregate revenue requirement in any year, the Commission may allow the licensee to treat the profit beyond the approved reasonable return, in the following manner:-

Omitted

(i) One third of the amount may be retained by the licensee to be treated as part of equity or may be paid as dividend to the shareholders.

(ii) One-third amount may be passed on to the consumers by

way of reduction in revenue requirement for the next year. In case the Distribution licensee seeks for tariff revision after a gap of more than one year, one third of all the incremental earnings, during such period shall be reduced from future annual revenue requirement.

(iii) One third amount may be kept as tariff balance reserve.