

MAHARASHTRA ELECTRICITY REGULATION COMMISSION

Amendment to the Guidelines for In-principle clearance of Proposed Investment Schemes.

In exercise of powers under Section 181 of the Electricity Act, 2003 (“EA, 2003”), the Maharashtra Electricity Regulatory Commission (“MERC”) had notified in the Official Gazette the MERC (Terms and Conditions of Tariff) Regulations, 2005. In addition to the said Tariff Regulations, the MERC had issued “Guidelines for In-principle Clearance of Proposed Investment Schemes” vide the MERC letter No. MERC/Tariff Regulations/Concept Paper/0248 dated 9th February 2005. These are Guidelines necessarily to verify the prudence of capital investments made by Licensees for various purposes such as creation of new infrastructure to meet load growth, to meet statutory requirements, to strengthen the existing system and increase its efficiency, etc. In addition to the Tariff Regulations, the said Guidelines lay down certain procedures to ensure that capital investment schemes being proposed are necessary and justified, and do not impose an unnecessary burden on consumers by way of tariff.

In order to make the Guidelines consistent with the EA, 2003 and the Tariff Regulations, the MERC has felt it necessary to remove the requirement for Generating Companies to submit Capital Investment Schemes, for establishment of new generating stations, for approval under the Guidelines.

Accordingly, the following amendment is issued to the Guidelines dated 9th February 2005. The amendment shall be effective from 18th February 2008.

AMENDMENT

‘**Sr. No. III B:** Capital Investment Schemes’ of the Guidelines for In-principle Clearance of Proposed Investment Schemes shall be replaced by the following:

B) Capital Investment Schemes:

§ For the purpose of these guidelines, a Capital Investment Scheme means:

- a) Any non-recurring capital expenditure programme of the Transmission and Distribution Licensee for the acquisition, construction or improvement of permanent facility in the respective sector (i.e. Transmission, Distribution)
- b) Capital investment scheme involving replacement, renovation and modernization or life extension of existing fixed assets of the generating company.

§ The Scheme shall be planned considering a 3-5 year investment horizon for Generation and transmission related investments, and a 1-3 year horizon for Distribution-related investments.

§ The scope of investments included in each Scheme shall be any of the following:

(i) Works of a similar or related nature

For example: New Receiving Stations proposed at different locations within the licence area must be clubbed together and presented as a Scheme for New Receiving Stations, Schemes for modernization / augmentation of the Transmission cables must be presented together, Information Technology Schemes, SCADA and Communication Equipment at the region/State level, Schemes for Major Replacement of Old Equipment etc.

(ii) Different types of Works within a geographical area, say in a District

For example, all capital investments covered under a District Integrated Scheme can be presented together as a Scheme.

(iii) An independent identifiable project as would be submitted to a financial institution like REC, PFC, etc or for funding under APDRP.

This amendment is issued with the approval of Maharashtra Electricity Regulatory Commission.

(P.B. Patil)
Secretary, MERC

Mumbai,
Dated: 18th February, 2008