



महाराष्ट्र विद्युत नियामक आयोग
Maharashtra Electricity Regulatory Commission

Ref. No. MERC/FAC/2020-21/ WFH/SBR/ 07

Date: 10 June, 2021

To,
The Managing Director,
KRC Infrastructure and Projects Private Ltd.,
Raheja Tower, Level-9, Block G,
Plot No. C-30,
Bandra Kurla Office Complex,
Bandra (E), Mumbai – 400 051

Subject: Post facto approval of Fuel Adjustment Charges (FAC) submissions of KRCIPPL for the months of January 2021, February 2021 and March 2021.

Reference: 1. KRCIPPL's FAC submission for the months of January 2021, February 2021, and March 2021 vide email dated 18 May, 2021.

Sir,

Upon vetting the FAC calculations for the months of January 2021, February 2021, and March 2021 as mentioned in the above reference, the Commission has accorded approval for charging FAC to its consumers as shown in the table below:

Month	January 2021	February 2021	March 2021
Z _{FAC} allowed for recovery (Rs. Crore)	0	0	0

The Commission allows the accumulation of FAC of Rs. 0.14 Crore, 0.12 Crore and Rs. 0.15 Crore in the FAC fund as there is a negative FAC in the months of January 2021, February 2021, and March 2021, respectively. The Commission allows the accumulation of FAC amount of Rs. 1.23 Crore which shall form part of FAC Fund and shall be carried forward to next FAC billing cycle with holding cost. Further, as directed in the said Order, KRCIPPL shall maintain the monthly account of FAC Fund and upload it on its website to maintain transparency of FAC Fund and also for information of all the stakeholders.

Yours faithfully,

(Dr. Rajendra G. Ambekar)
Executive Director, MERC

Encl: Annexure A: Detailed Vetting Report for the period of January 2021, February 2021, and March 2021.

ANNEXURE
Detailed Vetting Report
Date: 10 June, 2021

**POST FACTO APPROVAL FOR FAC CHARGES FOR THE MONTH OF JANUARY
2021, FEBRUARY 2021, AND MARCH 2021**

Subject: Post facto approval of Fuel Adjustment Charges (FAC) submissions of KRCIPPL for the months of January 2021, February 2021, and March 2021.

Reference: 1. KRCIPPL's FAC submission for the months of January 2021, February 2021, and March 2021 vide email dated 18 May, 2021.

1. FAC submission by KRCIPPL:

1.1 KRCIPPL has made FAC submissions for the months of January 2021, February 2021, and March 2021 as referred above. Upon vetting the FAC calculations, taking cognizance of all the submissions furnished by KRCIPPL, the Commission has accorded post facto approval for the FAC amount to be charged in the billing months of January 2021, February 2021, and March 2021.

2. Background

2.1 On 30 March, 2020 the Commission has issued Tariff Order in respect of KRCIPPL (Case No.329 of 2019) for approval of Aggregate Revenue Requirement and Multi Year Tariff for the Control Period from FY 2020-21 to FY 2024-25. Revised Tariff has been made applicable from 1 April, 2020.

2.2 Vide its letter dated 20 April, 2020, the Commission communicated the excel formats and guiding principles for filing of FAC submissions to all Distribution Licensees including SEZs. The Commission also directed all Distribution Licensees to submit FAC computations, including details pertaining to variation in fuel cost of generators for the approval of the Commission.

2.3 Vide FAC vetting Report dated 7 June, 2020 the Commission accorded prior approval to the FAC for the month of April, 2020. Further, vide FAC vetting Report dated 30 September, 2020 the Commission accorded Post-facto approval to the FAC for the months of May and June, 2020. Vide FAC vetting Report dated 08 December, 2020 the Commission accorded Post-facto approval to the FAC for the months of July 2020, August 2020, and September 2020. Further, vide FAC vetting Report dated 25 March, 2021 the Commission accorded Post-

facto approval to the FAC for the months of October 2020, November 2020 and December 2020.

- 2.4 As per provisions of MYT Regulations, 2019 a Distribution Licensee (SEZ) is required to obtain post-facto approval of the Commission on a quarterly basis for FAC charges within 60 days of close of each quarter. Accordingly, vide its letter dated 18 May, 2021 KRCIPPL has filed FAC submissions for the months of January 2021, February 2021, and March 2021 for post-facto approval. The Commission has scrutinized the submissions provided by KRCIPPL and has also verified the fuel and power purchase bills provided along with its submissions.

3. Energy Sales of the Licensee

- 3.1 In the MYT Order passed by the Commission in Case No. 329 of 2019, the Commission has approved revised tariffs so as to maintain zero cross subsidy across tariff categories.
- 3.2 The net energy sales within licence area as submitted by KRCIPPL in the FAC submission and as approved by the Commission are as shown in the Table 1 below:

Table 1: Energy Sales approved and Actual in MUs

Consumer Category	Approved by the Commission (MU)	Monthly Approved (MU)	Actual Sales (MU)		
			Jan-21	Feb-21	Mar-21
	(I)	(II=I/12)	(III)	(IV)	(V)
HT Category					
HT- I Industrial	18.98	1.58	0.68	0.63	0.69
HT-II Commercial	3.94	0.33	0.10	0.10	0.12
LT Category					
LT-II(A) Commercial (0-20 kW)	-	-	-	-	-
LT-II (B) Commercial (above 20 kW)	2.01	0.17	0.11	0.10	0.13
LT-III (A) Industrial (0-20 kW)	-	-	-	-	-
LT-III (B) Industrial (above 20 kW)	-	-	0.12	0.11	0.12
Total	24.93	2.08	1.02	0.94	1.07

It can be observed from above Table 1 that the actual sales during the months of January 2021, February 2021, and March 2021 is 1.02 MU, 0.94 MU and 1.07 MU respectively which is 51.06%, 54.85% and 48.63% lower than approved monthly energy sales of 2.08MU for these three months in the FY 2020-21. The variation was observed primarily observed in all categories except LT-III (B) Industrial (above 20 kW). However, the major variation was observed in the HT-I Industrial and HT – Commercial categories seen in the **Error! Reference source not found.** above, which is due to the continuation of impact of COVID-19.

4. Power Purchase Details

- 4.1 KRCIPPL is a deemed Distribution Licensee and does not own or operate any generating stations. Accordingly, KRCIPPL is required to procure power from outside sources in order to fulfil the electricity demand of its consumers.
- 4.2 **Power Procurement from GMR Energy Trading Limited:** The Commission in its MYT Order dated 30 March, 2020 in Case No. 329 of 2019 had approved the Power Purchase of KRCIPPL through short term PPA with GMR Energy Trading Limited (GMRETL) up to 31 May, 2020.
- 4.3 **Power Procurement from Other Sources/Exchange:** The Commission in its MYT Order also approved short-term power procurement jointly with GEPL and MBPPL for remaining period of FY 2020-21 which has to be necessarily done through competitive bidding. KRCIPPL along with MBPPL and GEPL to separately approach the Commission for its approval for the quantum and other terms and conditions of the proposed arrangement for joint procurement of power.
- 4.4 As per power purchase approved by the Commission in its MYT Order, GMRETL PPA was valid for first two months of FY 2020-21. Hence, no power is sourced from GMRETL during the period January 2021 to March 2021. In the meantime, KRCIPPL has entered into contract with M/s Kreate Energy (I) Pvt Ltd (KEIPL) for the period of 1 June, 2020 to 31 March, 2021 through competitive bidding as the PPA with GMRETL expired in the month of May 2020. As the Commission has approved power purchase for whole financial year and to work out monthly approval, each source is simply divided by twelve as there is no monthly approval. Hence, quantum of power purchase approved by the Commission and actually purchased by KRCIPPL from other sources/KEIPL is in variance.
- 4.5 Summary of power purchase of KRCIPPL is as under:

Sr. No.	Particular	Compliance
1	Purchase from Approved Source	Yes. The Commission in the MYT Order had approved the short-term power procurement proposed by KRCIPPL for the period FY 2020-21 which had to be necessarily done through Competitive Bidding. In accordance with the same, KRCIPPL has procured power from KEIPL through competitive bidding process in the month of January 2021 to March 2021. In the month of February 2021, KRCIPPL has procured marginal power from IEX in order to meet contingency requirement arising out of unplanned outage of the generator.
2	Merit Order Dispatch	Yes. KRCIPPL has followed merit order for scheduling of power and preference was given to cheapest power.
3	Fuel Utilization Plan	Not applicable. All the sources of power procurement fall under Section 63 of EA, 2003.

Sr. No.	Particular	Compliance																																																												
4	Pool Imbalance	KRCIPPL has procured 0.12 MU and 0.05 MU from the imbalance pool in the month of January & February 2021, respectively and KRCIPPL has contributed 0.09 MU to the imbalance pool in the month of March 2021.																																																												
5	Sale of Surplus Power	No surplus power was available for sale.																																																												
6	Power Purchase	Actual Power Purchase for consumers is 1.07 MU, 0.99 MU and 1.21 MU for month of January 2021, February 2021, and March 2021 respectively, as against approved 2.21 MU due to lower sales.																																																												
7	Source wise Power Purchase	<table border="1"> <thead> <tr> <th>Source Name</th> <th>Approved (MU)</th> <th>Actual January 2021 (MU)</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>GMRETL</td> <td>0.24</td> <td>-</td> <td>-</td> </tr> <tr> <td>KEIPL</td> <td>1.97</td> <td>0.96</td> <td>89.02%</td> </tr> <tr> <td>Imbalance Pool</td> <td>-</td> <td>0.12</td> <td>10.98%</td> </tr> <tr> <td>Total</td> <td>2.21</td> <td>1.07</td> <td>100%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Source Name</th> <th>Approved (MU)</th> <th>Actual February 2021 (MU)</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>GMRETL</td> <td>0.24</td> <td>-</td> <td>-</td> </tr> <tr> <td>KEIPL</td> <td>1.97</td> <td>0.93</td> <td>93.35%</td> </tr> <tr> <td>Exchange/Other Peak Sources</td> <td>-</td> <td>0.02</td> <td>1.83%</td> </tr> <tr> <td>Imbalance Pool</td> <td>-</td> <td>0.05</td> <td>4.83%</td> </tr> <tr> <td>Total</td> <td>2.21</td> <td>0.99</td> <td>100%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Source Name</th> <th>Approved (MU)</th> <th>Actual March 2021 (MU)</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>GMRETL</td> <td>0.24</td> <td>-</td> <td>-</td> </tr> <tr> <td>KEIPL</td> <td>1.97</td> <td>1.21</td> <td>100%</td> </tr> <tr> <td>Total</td> <td>2.21</td> <td>1.21</td> <td>100%</td> </tr> </tbody> </table>	Source Name	Approved (MU)	Actual January 2021 (MU)	Proportion	GMRETL	0.24	-	-	KEIPL	1.97	0.96	89.02%	Imbalance Pool	-	0.12	10.98%	Total	2.21	1.07	100%	Source Name	Approved (MU)	Actual February 2021 (MU)	Proportion	GMRETL	0.24	-	-	KEIPL	1.97	0.93	93.35%	Exchange/Other Peak Sources	-	0.02	1.83%	Imbalance Pool	-	0.05	4.83%	Total	2.21	0.99	100%	Source Name	Approved (MU)	Actual March 2021 (MU)	Proportion	GMRETL	0.24	-	-	KEIPL	1.97	1.21	100%	Total	2.21	1.21	100%
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8	Power Purchase under Section 63 of Electricity Act, 2003	Monthly power purchase invoices are submitted by KRCIPPL. Power Purchase rates are verified from the PPA signed by KRCIPPL with each source of power. Monthly power purchase quantum and rate are verified from the invoices, and it is ensured that same has been considered in the FAC calculation.																																																												

5. Power Purchase Cost:

- 5.1 The Commission has scrutinised the detailed bills/invoices submitted for power purchase during the month of January 2021, February 2021, and March 2021, in order to verify the claim of KRCIPPL regarding Average Power Purchase Cost (APPC). The Commission has verified the actual as well as approved Net Purchase (MUs), Variable Cost (Rs./kWh) and

Power Purchase Cost considered in FAC computation from the invoices and applicable MYT Order respectively.

- 5.2 The Power Purchase cost incurred in January 2021, February 2021, and March 2021 is Rs. 0.38 Crore, Rs. 0.36 Crore and Rs.0.44 Crore respectively, which is significantly lower than the approved Power Purchase cost of Rs. 1.07 Crore by the Commission each for the month of January 2021, February 2021 and March 2021, respectively.
- 5.3 **Kreate Energy (I) Pvt Ltd/Other Sources:** As the PPA with M/s GMRETL expired in the month of May 2020, KRCIPPL has entered into contract with M/s Kreate Energy (I) Pvt Ltd for the period of 1 June, 2020 to 31 March, 2021 through competitive bidding process at the rate of Rs. 3.62/Unit (MH State Periphery). The Commission notes that the rate discovered through the process is cheaper than the approved source of power (Rs. 4.68 / kWh). KRCIPPL has purchased 0.96 MU, 0.93 MU and 1.21 MU for the month of January 2021, February 2021, and March 2021 respectively at the rate of 3.62/kWh from KEIPL.
- 5.4 Variation in power purchase expenses from KEIPL on account of change in quantum and per unit rate is as shown in Table 2 below:

Table 2: Variation in approved and actual power purchase due to quantum and rate

Source	Approved Quantum (MU)	Approved rate (Rs./kWh)	Actual quantum (MU)	Actual rate (Rs./kWh)	Variation due to quantum (Rs. Crore)	Variation due to rate (Rs. Crore)	Total variation (Rs. Crore)
KEIPL (January, 2021)	1.97	4.68	0.96	3.62	(0.47)	(0.10)	(0.58)
KEIPL (February, 2021)	1.97	4.68	0.93	3.62	(0.49)	(0.10)	(0.59)
KEIPL (March, 2021)	1.97	4.68	1.21	3.62	(0.35)	(0.13)	(0.48)

- 5.5 **Renewable Sources:** The Commission has also approved Rs. 0.42 crore annually which converts to Rs. 0.04 Crore each for January 2021, February 2021, and March 2021 for purchase of REC to meet Renewable Purchase Obligation. KRCIPPL has purchase Nil REC for the month of January 2021, February 2021, and March 2021 respectively. By avoiding purchase of REC, KRCIPPL has reduced power purchase cost for January 2021, February 2021, and March 2021 but has in turn created liability for future period.
- 5.6 **Imbalance Pool:** The Commission observes that KRCIPPL has purchased 0.12 MUs and 0.05 MUs from the imbalance pool for the month of January 2021 and February 2021 respectively and considered associated charges with regards to imbalance pool on provisional basis at the

rate of Rs. 2.86/kWh as per the rate considered by the Commission in MYT Order. The commission also observes that KRCIPPL has contributed 0.09 Mus to the imbalance pool for the month of March 2021.

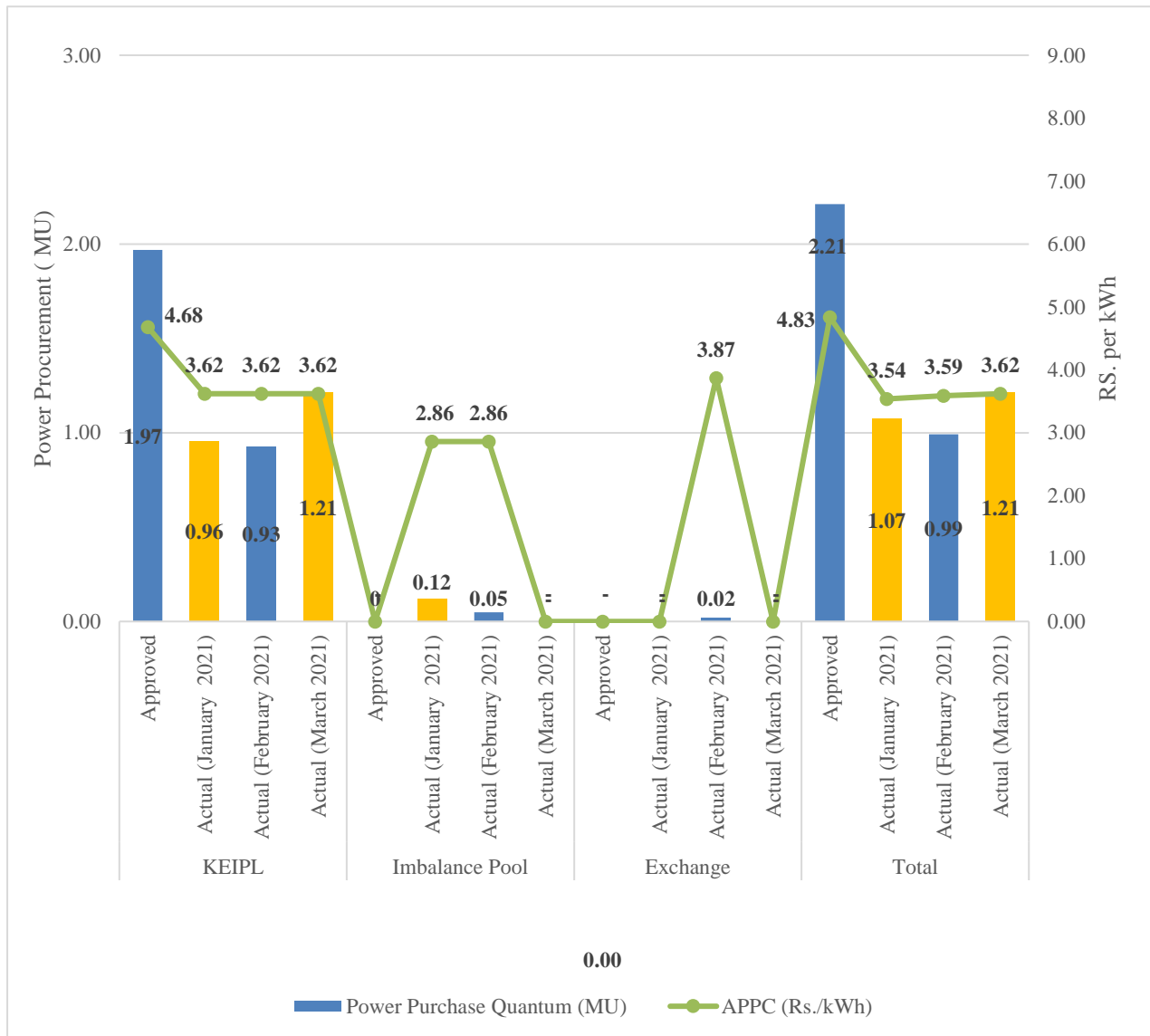
- 5.7 KRCIPPL has drawn **0.12 MUs** and **0.05 MUs** from the imbalance pool for the month of January 2021 and February 2021 respectively from the imbalance pool. The said drawl from the pool may be on account of either increase in demand of consumers than estimated by the Licensee or due to lower generation than scheduled by the generator. In both the scenarios, power has been drawn by the Licensee and supplied to its consumers. The said power supplied to the consumers is already billed as per Tariff approved by the Commission. The Energy Charge approved also includes the element of power purchase. It is therefore pertinent that such cost of such power drawn from the pool is considered while computing FAC.
- 5.8 Due to historical issues of delay in computing imbalance pool quantum and cost of power, for which appropriate orders are already passed by the Commission, the imbalance pool quantum and cost is required to be considered on provisional basis to avoid any adverse impact in future. If the said cost and quantum is not considered, it will not only result in recovering the cost from the consumers as billing has already been done, but also increase the overall power purchase cost for the particular month having positive impact on FAC and burdening the consumers. Also, as and when the final bills are issued by MSLDC, the power purchase cost of the imbalance pool quantum will be levied in future months, thereby burdening the consumers in future in that month when such cost will be levied. Accordingly, to balance the overall interest of consumers and licensee, the Commission has considered imbalance pool quantum as submitted by the KRCIPPL at provisional rate of Rs. 2.86/kWh as considered in the MYT Order. This provisional consideration of cost for FAC computation will get adjusted during truing-up of the respective year.
- 5.9 KRCIPPL has contributed **0.09 MUs** to the imbalance pool for the month of March 2021 to the imbalance pool. The said injection into the pool may be on account of either decrease in demand of consumers than estimated by the licensee or due to higher generation than scheduled by the generator. In both the scenarios, power incremented in the imbalance pool is not supplied to its consumers.
- 5.10 **Exchange/Other Peak Sources:** In the month of February 2021, KRCIPPL has procured marginal power on 13th and 14th February, 2021 from IEX at Rs. 3.87/- per unit in Day Ahead Market (DAM) and Real Time Market (RTM) respectively in order to meet contingency requirement arising out of unplanned outage of the generator.
- 5.11 **Approved Cost:** The details of the overall cost approved and actual for the month of January 2021, February 2021, and March 2021 respectively, as per MYT Order is as shown in the Table 3 below:

Table 3: Approved and Actual Power Purchase Cost for KRCIPPL

Source		Power Purchase Quantum (MU)	Fixed Cost (Rs. Crore)	Fixed Cost (Rs./ kWh)	Variable Cost (Rs. Crore)	Variable Cost (Rs./ kWh)	Total Cost (Rs. Crore)	APPC (Rs./ kWh)
GMR Energy Trading Limited	Approved	0.24	-	-	0.11	4.63	0.11	4.63
	Actual (January 2021)	-	-	-	-	-	-	-
	Actual (February 2021)	-	-	-	-	-	-	-
	Actual (March 2021)	-	-	-	-	-	-	-
KEIPL	Approved	1.97	-	-	0.92	4.68	0.92	4.68
	Actual (January 2021)	0.96	-	-	0.35	3.62	0.35	3.62
	Actual (February 2021)	0.93	-	-	0.34	3.62	0.34	3.62
	Actual (March 2021)	1.21	-	-	0.44	3.62	0.44	3.62
Solar & Non-Solar REC	Approved	-	-	-	0.04	-	0.04	-
	Actual (January 2021)	-	-	-	-	-	-	-
	Actual (February 2021)	-	-	-	-	-	-	-
	Actual (March 2021)	-	-	-	-	-	-	-
Imbalance Pool	Approved	-	-	-	-	-	-	-
	Actual (January 2021)	0.12	-	-	0.03	2.86	0.03	2.86
	Actual (February 2021)	0.05	-	-	0.01	2.86	0.01	2.86
	Actual (March 2021)	-	-	-	-	-	-	-

Source		Power Purchase Quantum (MU)	Fixed Cost (Rs. Crore)	Fixed Cost (Rs./ kWh)	Variable Cost (Rs. Crore)	Variable Cost (Rs./ kWh)	Total Cost (Rs. Crore)	APPC (Rs./ kWh)
Exchange	Approved	-	-	-	-	-	-	-
	Actual (January 2021)	-	-	-	-	-	-	-
	Actual (February 2021)	0.02	-	-	0.01	3.87	0.01	3.87
	Actual (March 2021)	-	-	-	-	-	-	-
Total	Approved	2.21	-	-	1.07	4.83	1.07	4.83
	Actual (January 2021)	1.07	-	-	0.38	3.54	0.38	3.54
	Actual (February 2021)	0.99	-	-	0.36	3.59	0.36	3.59
	Actual (March 2021)	1.21	-	-	0.44	3.62	0.44	3.62

5.12 Source wise approved and actual quantum of power procured and APPC for month of January 2021, February 2021, and March 2021, respectively, is shown in the graph below:

Figure 1: Variation in Power Procurement and Total per unit Cost

5.13 Reasons for the rate variation for various sources are as shown below:

Table 4: Summary of reasons for rate variation for various power sources

Sr. No.	Source	Month	Approved Rate (Rs. /kWh)	Actual Rate (Rs. /kWh)	Reason for rate variation
1	GMRETL	January 2021	4.63	-	No power has been purchased from GMRETL as the PPA with M/s GMRETL expired in the month of May2020.
		February 2021		-	
		March 2021		-	
2	KEIPL	January 2021	4.68	3.62	KRCIPPL entered into the contract with M/s Kreate Energy (I) Pvt Ltd (KEIPL)
		February 2021		3.62	
		March 2021		3.62	

Sr. No.	Source	Month	Approved Rate (Rs. /kWh)	Actual Rate (Rs. /kWh)	Reason for rate variation
					through competitive bidding and the rate discovered through the process is cheaper than the approved source of power.
3	Exchange	January 2021	-	-	-
		February 2021	-	3.87	KRCIPPL has procured marginal power on 13 th and 14 th February, 2021 from IEX in Day Ahead Market (DAM) and Real Time Market (RTM) respectively.
		March 2021	-	-	-
4	Imbalance Pool	January 2021		2.86	
		February 2021	-		
		March 2021			
5	Total	January 2021	4.83	3.54	Due to above factors
		February 2021		3.59	
		March 2021		3.62	

5.14 Considering the above, the Commission allows the average power purchase cost of Rs. 3.54/kWh, 3.59/kWh and 3.62/kWh for the month of January 2021, February 2021 and March, 2021 respectively, as shown in Table 4 above. **The reduction in power purchase cost is due to tie-up of cheaper power with KEIPL and non-purchase Renewable Energy Certificates.**

6. FAC on account of fuel and power purchase cost (F)

6.1 The Commission has worked out the average power purchase costs for the month of January 2021, February 2021 and March, 2021 as shown in below Table 5. The same has been compared with the average power purchase cost approved by the Commission in MYT Order dated 30 March, 2020 to arrive at the differential per unit rate at which Z_{FAC} is to be passed on to the consumers.

6.2 Thus, the following Table 5 shows the Z_{FAC} worked out by the Commission on account of difference in power purchase cost for the month of January 2021, February 2021 and March, 2021, respectively.

Table 5: FAC on account of Power Purchase Cost

Sr. No.	Particulars	Units	January, 2021	February, 2021	March, 2021
1	Average power purchase cost approved by the Commission	Rs./kWh	4.83	4.83	4.83

Sr. No.	Particulars	Units	January, 2021	February, 2021	March, 2021
2	Actual average power purchase cost	Rs./kWh	3.54	3.59	3.62
3	Change in average power purchase cost (=2 - 1)	Rs./kWh	(1.30)	(1.25)	(1.21)
4	Net Power Purchase	MU	1.07	0.99	1.21
5	Change in power purchase cost (=3 x 4/10)	Rs. Crore	(0.14)	(0.12)	(0.15)

7. Adjustment for over recovery/under recovery (B)

7.1 There is no past adjustment for over recovery/under recovery for the month of January 2021, February 2021 and March 2021, respectively since there is a negative FAC in the month of October 2020, November 2020 and December, 2020.

8. Carrying Cost for over recovery/under recovery (C)

8.1 There is no past adjustment for over recovery/under recovery and hence no carrying cost for over recovery/under recovery for the month of January 2021, February 2021, and March 2021, respectively.

9. Holding Cost for FAC Fund

9.1 KRCIPPL has submitted that the Commission in the post facto approval of Fuel adjustment Charges (FAC) for Q4 of FY 2020-21 dated 18 May 2021, has allowed accumulation of FAC Fund up to March 2021 beyond the limit specified in the MYT Order considering the extra ordinary situation due to Covid-19 pandemic. Accordingly, as per said principle laid down by the Commission, KRCIPPL has carried forward the negative FAC amount and accumulated in the FAC Fund along with holding cost.

9.2 On the similar principle, the commission has allowed KRCIPPL to carry forward the negative FAC amount in excess of FAC fund approved in the MYT order and accumulate in the FAC fund up to March 2021 along with holding cost.

9.3 The Commission has determined a negative FAC for the month of January 2021, February 2021, and March 2021 of Rs. 0.14 Crore, 0.12 Crore and Rs. 0.15 Crore respectively which is contributed to the FAC Pool.

9.4 The Commission has considered SBI MCLR rate of the month plus 150 basis points which works out to 8.50% for January 2021, February 2021, and March 2021, respectively. Accordingly, the Commission has calculated holding cost of Rs. 0.006 Crore, Rs. 0.007 and Rs. 0.007 Crore for January 2021, February 2021, and March 2021, respectively to be contributed to the FAC Pool.

10. Disallowance due to excess Distribution Loss

10.1 Regulation 10.8 of MYT Regulations, 2019 provides for FAC amount to be reduced in case the actual distribution loss for the month exceeds the approved distribution loss. The relevant extract is reproduced as follows.

“10.8 The total Z_{FAC} recoverable as per the formula specified above shall be recovered from the actual sales in terms of “Rupees per kilowatt-hour”:

Provided that, in case of unmetered consumers, the Z_{FAC} shall be recoverable based on estimated sales to such consumers, computed in accordance with such methodology as may be stipulated by the Commission:

Provided further that, where the actual annual sliding distribution losses of the Distribution Licensee exceed the level approved by the Commission, the amount of Z_{FAC} corresponding to the excess distribution losses (in kWh terms) shall be deducted from the total Z_{FAC} recoverable”

10.2 The following Table 6 provides the comparison of approved and actual distribution loss and disallowance due to excess distribution loss:

Table 6: Disallowance of FAC due to excess Distribution Loss

Sr. No.	Particulars	Units	Approved in Tariff Order	Actual January, 2021	Actual February, 2021	Actual March, 2021
1	Net Energy input at Distribution Voltages	MU	2.14	1.04	0.96	1.09
2	Energy sales at Distribution voltages	MU	2.08	1.02	0.94	1.07
3	Distribution Loss (1 - 2)	MU	0.06	0.02	0.02	0.02
4	Distribution Loss as % (3/1)	%	3.00%	2.16%	2.38%	2.04%
5	Cumulative Distribution Loss as %	%	3.00%	2.38%	2.38%	2.34%
6	Excess Distribution Loss = [Cumulative Distribution Loss - Distribution loss approved] x Net Energy Input (1)	MU	-	-	-	-
7	Disallowance of FAC due to excess Distribution Loss	Rs. Crore	-	-	-	-

10.3 For the month of January 2021 to March 2021 the disallowance due to excess distribution loss is nil, because actual cumulative distribution loss is lesser than the approved Distribution loss

in the MYT Order. The Commission has not worked out any disallowance on account of Distribution Loss since actual cumulative distribution loss is lower than approved distribution loss.

11. Summary of Allowable Z_{FAC}

11.1 The summary of the FAC amount as approved by the Commission for the month of January 2021, February 2021, and March 2021 as shown in the Table 7 below.

Table 7: Summary of Allowable Z_{FAC}

Sr. No.	Particulars	Units	Jan-21	Feb-21	Mar-21
1	Calculation of Z_{FAC}				
1.1	Change in cost of generation and power purchase attributable to Sales within the License Area (F)	Rs. Crore	(0.14)	(0.12)	(0.15)
1.2	Carrying cost for over-recovery/under-recovery (C)	Rs. Crore	-	-	-
1.3	Adjustment factor for over-recovery/under-recovery (B)	Rs. Crore	-	-	-
1.4	Z_{FAC} = F+C+B	Rs. Crore	(0.14)	(0.12)	(0.15)
2	Calculation of FAC Charge				
2.1	Energy Sales within the License Area	MU	1.02	0.94	1.07
2.2	Excess Distribution Loss	MU	-	-	-
2.3	Z _{FAC} per kWh	Rs./kWh	(1.37)	(1.32)	(1.38)
3	Recovery of FAC				
3.1	FAC disallowed corresponding to excess Distribution Loss [((2.1+2.2) x 2.3)/10]	Rs. Crore	-	-	-
3.2	Allowable FAC	Rs. Crore	(0.14)	(0.12)	(0.15)
4	Utilization of FAC Fund				
4.1	Opening Balance of FAC Fund	Rs. Crore	(0.80)	(0.95)	(1.08)
4.2	Holding Cost on FAC Fund	Rs. Crore	(0.006)	(0.007)	(0.007)
4.3	Z _{FAC} for the month (Sr. No. 3.2)	Rs. Crore	(0.14)	(0.12)	(0.15)
4.4	Closing Balance of FAC Fund	Rs. Crore	(0.95)	(1.08)	(1.23)
4.5	Z _{FAC} leviable/refundable to consumer	Rs. Crore	-	-	-
5	Total FAC based on category wise and slab wise allowed to be recovered	Rs. Crore	-	-	-
6	Carried forward FAC for recovery during future period (3.1-3.2-4)	Rs. Crore	-	-	-

11.2 It can be seen from the Table 7 above that standalone FAC for the month of January 2021, February 2021, and March 2021 is Rs. (0.14) Crore, Rs. (0.12) Crore and Rs. (0.15) Crore, respectively. As the FAC is negative, the said amount will be accumulated in FAC Fund for stabilisation of FAC in future period. The Commission has also approved a holding cost of Rs. (0.006) Crore, Rs. (0.007) Crore & Rs. (0.007) Crore for January 2021, February 2021, and March 2021 for the negative FAC accrued during the month of January 2021, February 2021, and March 2021. The overall FAC amount for the month till March 2021 is Rs. (1.23) Crore. As the FAC is negative, the said amount will be accumulated in FAC Fund for stabilisation of FAC in future and the benefit will not be passed to consumers.

12. Recovery from Consumers:

12.1 Regulation 10.9 of MERC MYT Regulations, 2019 provides for methodology of recovery of FAC charge from each category of consumers. The relevant extract is reproduced as below.

“10.9 The Z_{FAC} per kWh for a particular Tariff category/sub-category/consumption slab shall be computed as per the following formula: —

$$Z_{FACCat} \text{ (Rs/kWh)} = [Z_{FAC} / (\text{Metered sales} + \text{Unmetered consumption estimates} + \text{Excess distribution losses})] * k * 10,$$

Where:

Z_{FACCat} = Z_{FAC} component for a particular Tariff category/sub-category/consumption slab in ‘Rupees per kWh’ terms;

k = Average Billing Rate / ACOS;

Average Billing Rate = Average Billing Rate for a particular Tariff category/sub-category/consumption slab under consideration in ‘Rupees per kWh’ as approved by the Commission in the Tariff Order;

Provided that the Average Billing Rate for the unmetered consumers shall be based on the estimated sales to such consumers, computed in accordance with such methodology as may be stipulated by the Commission;

ACOS = Average Cost of Supply in ‘Rupees per kWh’ as approved for recovery by the Commission in the Tariff Order;

Provided that the monthly Z_{FAC} shall not exceed 20% of the variable component of Tariff or such other ceiling as may be stipulated by the Commission from time to time;

Provided further that any under-recovery in the Z_{FAC} on account of such ceiling shall be carried forward and shall be recovered by the Distribution Licensee over such future period as may be directed by the Commission....”

12.2 The Commission had invoked power of removing difficulties under MYT Regulation, 2019 and made following changes for computation of FAC.

“Distribution Licensee shall undertake computation of monthly FAC as per Regulation 10 of the MYT Regulations, 2019 except for treatment to be given to negative FAC as follows:

- Negative FAC amount shall be carried forward to the next FAC billing cycle with holding cost.*
- 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.*
- 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 KRCIPPL such limit shall be Rs.28 Lakh. Any accumulated amount above such limit shall be refunded to consumers through FAC mechanism.*
- 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.”*

12.3 The Commission in the Tariff Order had that negative FAC amount shall be carried forward to the next FAC billing cycle with holding cost till the accumulated negative FAC reaches the limit of Rs. 28 Lakh. KRCIPPL has exceeded FAC Fund from the month of August 2020 and accordingly the additional amount was required to be refunded to consumer as per the MYT Order. However, the Commission has allowed accumulation of FAC Fund up to March 2021 beyond the limit specified in the MYT orders considering the extraordinary situation due to Covid-19 pandemic.

12.4 Accordingly, in line with the Commission’s approval in the post facto approval of Fuel adjustment Charges (FAC) for Q4 of FY 2020-21 dated 18 May 2021, KRCIPPL has carried forward the negative FAC amount in excess of FAC fund approved in the Order and accumulated in FAC fund along with the holding cost.

12.5 Accordingly, the Commission allows the FAC amount of Rs. (1.23) Crore to be accumulated as FAC Fund and shall be carried forward to the next billing cycle with holding cost.

12.6 Therefore, no FAC would be levied on consumer in the month of January 2021, February 2021 and March, 2021 and Rs. 0.14 Crore, Rs. 0.12 Crore and 0.15 Crore respectively will be carried forward to next billing cycle with holding Cost as a FAC Fund.

12.7 It is observed that for FY 2020-21, there has been overall reduction in sales of KRCIPPL by 61.50% than approved by the Commission due to lower demand in view of Covid-19 pandemic. It is pertinent to note that the sales of Industrial Category and Commercial Category have significantly reduced by 60.94% and 63.30% respectively.

The substantial reduction in sales will lead to lower revenue realisation whereas the fixed costs for running the operations incurred by the Licensee are unlikely to be reduced, thereby creating a revenue gap for FY 2020-21. This revenue gap will be claimed by the Licensee at the time of MTR proceedings along with carrying cost thereby impacting the tariff of consumers. Demand is likely to get affected due to the presumably second wave of Covid-19 pandemic for which the Government has announced various restrictions. This is also likely to reduce the sales of licensee in FY 2021-22 thereby impacting the revenue and creation of revenue gap to be recovered in future along with carrying cost. In view of the likely impact on tariff due to such revenue gap being claimed by the Licensees at the time of MTR proceedings, the Commission is of the view that it is important to take necessary steps so that consumers are not subjected to tariff shock in future. Accordingly, the Commission has decided to accumulate the FAC Fund arising out of negative FAC up to March 2023 along with the holding cost. The FAC Fund so accumulated will not only help in bridging the revenue gap but also help in avoiding the variation in monthly tariff due to positive FAC. The Commission will continuously monitor the FAC Fund and pass appropriate directions in future regarding its utilisation.

- 12.8 Accordingly, per unit ZFAC for the month of January 2021, February 2021, and March 2021 to be levied on consumers of KRCIPPL in the billing month of March 2021, April 2021 and May 2021 is Nil.**