



# महाराष्ट्र विद्युत नियामक आयोग

## Maharashtra Electricity Regulatory Commission

Ref. No. MERC/FAC/2020-21/ WFH/SBR/41

Date: 8 December, 2020

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 July 2020, August 2020 and September, 2020.

**Reference:** 1. KRCIPPL's FAC submission for the months of July 2020, August 2020 and September, 2020 vide email dated 15 November, 2020.

Sir,

Upon vetting the FAC calculations for the months of July 2020, August 2020 and September 2020 as mentioned in the above reference, the Commission has accorded approval for charging FAC to its consumers as shown in the table below:

Month	July 2020	August 2020	September 2020
Z <sub>FAC</sub> allowed for recovery (Rs. Crore)	0	0	0

The Commission allows the accumulation of FAC of Rs. 0.11 Crore, 0.09 Crore and Rs. 0.11 Crore in the FAC fund as there is a negative FAC in the months of July 2020, August 2020 and September 2020, respectively. The Commission allows the accumulation of FAC amount of Rs. 0.45 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 July 2020, August 2020 and September 2020.

**ANNEXURE**

**Detailed Vetting Report**

**Date: 8 December, 2020**

**POST FACTO APPROVAL FOR FAC CHARGES FOR THE MONTH OF JULY 2020,  
AUGUST 2020 AND SEPTEMBER 2020**

**Subject:** Post facto approval of Fuel Adjustment Charges (FAC) submissions of KRCIPPL for the months of July 2020, August 2020 and September 2020.

**Reference:** 1. KRCIPPL's FAC submission for the months of July 2020, August 2020 and September 2020 vide email dated 15 November, 2020.

**1. FAC submission by KRCIPPL:**

1.1 KRCIPPL has made FAC submissions for the months of July 2020, August 2020 and September 2020 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 September 2020, October 2020 and November, 2020.

**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 25 September, 2020 the Commission accorded Post-facto approval to the FAC for the months of May and June, 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 17 November, 2020 KRCIPPL has filed FAC submissions for the months of July 2020, August 2020 and September 2020 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)		
			July, 2020	August, 2020	September, 2020
	(I)	(II=I/12)	(III)	(IV)	(V)
<b>HT Category</b>					
HT- I Industrial	18.98	1.58	0.39	0.43	0.48
HT-II Commercial	3.94	0.33	0.05	0.06	0.07
<b>LT Category</b>					
LT-II(A) Commercial (0-20 kW)	0.00	0.00	0.00	0.00	0.00
LT-II (B) Commercial (above 20 kW)	2.01	0.17	0.08	0.11	0.12
LT-III (A) Industrial (0-20 kW)	0.00	0.00	0.00	0.00	0.00
LT-III (B) Industrial (above 20 kW)	0.00	0.00	0.13	0.13	0.13
<b>Total</b>	<b>24.93</b>	<b>2.08</b>	<b>0.64</b>	<b>0.73</b>	<b>0.79</b>

- 3.3 It can be observed from above Table 1 that the actual sales during the months of July 2020, August 2020 and September 2020 is 0.64 MU, 0.73 MU and 0.79 MU respectively which is 69.11%, 64.67% and 62.00% lower than approved monthly energy sales of 2.08 MU for these three months in the FY 2020-21. The major variation was observed in the HT-I Industrial, HT – Commercial and LT-II (B) Commercial categories as seen in the **Error! Reference source not found.** above, which is due to the continuation of the widespread pandemic 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 July 2020 to September 2020. 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. In addition, KRCIPPL has procured marginal power from exchange to meet contingency requirements in the month of July 2020.
- 4.5 Summary of power purchase of KRCIPPL is as under:

Sr. No.	Particular	Compliance
1	Purchase from Approved Source	<b>No.</b> 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 July 2020 to September 2020. However, in the month of July 2020, KRCIPPL has procured marginal power (0.05 MU) to meet contingency requirements from IEX through KEIPL at Rs. 2.49/- per unit which is lower than the Price at which short term agreement is signed with KEIPL.
2	Merit Order Dispatch	<b>Yes.</b> KRCIPPL has followed merit order for scheduling of power and preference was given to cheapest power.
3	Fuel Utilization Plan	<b>Not applicable.</b> All the sources of power procurement fall under Section 63 of EA, 2003.
4	Pool Imbalance	KRCIPPL has supplied 0.18 MU and 0.005 MU to the imbalance pool for months of July 2020 and August 2020 by higher scheduling

Sr. No.	Particular	Compliance																																																				
		of power. In the month of September 2020, KRCIPPL has procured 0.05 MU from the imbalance pool.																																																				
5	Sale of Surplus Power	No surplus power was available for sale.																																																				
6	Power Purchase	Actual Power Purchase for consumers is 0.86 MU, 0.78 MU and 0.84 MU for month of July 2020, August 2020 and September 2020 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 July 2020 (MU)</th> <th>Proportion</th> </tr> </thead> <tbody> <tr> <td>GMRETL</td> <td>0.24</td> <td></td> <td>-</td> </tr> <tr> <td>Other Source / KEIPL</td> <td>1.97</td> <td>0.86</td> <td>100%</td> </tr> <tr> <td><b>Total</b></td> <td><b>2.21</b></td> <td><b>0.86</b></td> <td><b>100%</b></td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Source Name</th> <th>Approved (MU)</th> <th>Actual August 2020 (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>0.78</td> <td>100%</td> </tr> <tr> <td><b>Total</b></td> <td><b>2.21</b></td> <td><b>0.78</b></td> <td><b>100%</b></td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Source Name</th> <th>Approved (MU)</th> <th>Actual September 2020 (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>0.79</td> <td>94.05%</td> </tr> <tr> <td>Imbalance Pool</td> <td></td> <td>0.05</td> <td>5.95%</td> </tr> <tr> <td><b>Total</b></td> <td><b>2.21</b></td> <td><b>0.84</b></td> <td><b>100%</b></td> </tr> </tbody> </table>	Source Name	Approved (MU)	Actual July 2020 (MU)	Proportion	GMRETL	0.24		-	Other Source / KEIPL	1.97	0.86	100%	<b>Total</b>	<b>2.21</b>	<b>0.86</b>	<b>100%</b>	Source Name	Approved (MU)	Actual August 2020 (MU)	Proportion	GMRETL	0.24	-	-	KEIPL	1.97	0.78	100%	<b>Total</b>	<b>2.21</b>	<b>0.78</b>	<b>100%</b>	Source Name	Approved (MU)	Actual September 2020 (MU)	Proportion	GMRETL	0.24	-	-	KEIPL	1.97	0.79	94.05%	Imbalance Pool		0.05	5.95%	<b>Total</b>	<b>2.21</b>	<b>0.84</b>	<b>100%</b>
Source Name	Approved (MU)	Actual July 2020 (MU)	Proportion																																																			
GMRETL	0.24		-																																																			
Other Source / KEIPL	1.97	0.86	100%																																																			
<b>Total</b>	<b>2.21</b>	<b>0.86</b>	<b>100%</b>																																																			
Source Name	Approved (MU)	Actual August 2020 (MU)	Proportion																																																			
GMRETL	0.24	-	-																																																			
KEIPL	1.97	0.78	100%																																																			
<b>Total</b>	<b>2.21</b>	<b>0.78</b>	<b>100%</b>																																																			
Source Name	Approved (MU)	Actual September 2020 (MU)	Proportion																																																			
GMRETL	0.24	-	-																																																			
KEIPL	1.97	0.79	94.05%																																																			
Imbalance Pool		0.05	5.95%																																																			
<b>Total</b>	<b>2.21</b>	<b>0.84</b>	<b>100%</b>																																																			
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.																																																				
9	Short Term Power Purchase	Short-term power purchase invoices of July, 2020 are submitted by KRCIPPL. All the 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 July 2020, August 2020 and September 2020, 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 July 2020, August 2020 and September 2020 is Rs. 0.31 Crore, Rs. 0.28 Crore and Rs. 0.30 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 July 2020, August 2020 and September 2020, 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 0.86 MU for the month of July 2020 at the rate of 3.56/kWh from KEIPL and Exchange (IEX). KRCIPPL has procured power from IEX at Rs. 2.49/- per unit which is lower than the Price at which short term agreement is signed with KEIPL. For the month of August 2020 and September 2020, KRCIPPL has purchased 0.78 MU and 0.79 MU 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 and Exchange (July 2020)	1.97	4.68	0.86	3.56	(0.52)	(0.10)	(0.62)
KEIPL (August 2020)	1.97	4.68	0.78	3.62	(0.56)	(0.08)	(0.64)
KEIPL (September 2020)	1.97	4.68	0.79	3.62	(0.55)	(0.08)	(0.64)

- 5.5 **Renewable Sources:** The Commission has also approved Rs. 0.42 crore annually which converts to Rs. 0.04 Crore each for July 2020, August 2020 and September 2020 for

purchase of REC to meet Renewable Purchase Obligation. KRCIPPL has purchase Nil REC for the month of July 2020, August 2020 and September 2020, respectively. By avoiding purchase of REC, KRCIPPL has reduced power purchase cost for July 2020, August 2020 and September 2020 but has in turn created liability for future period.

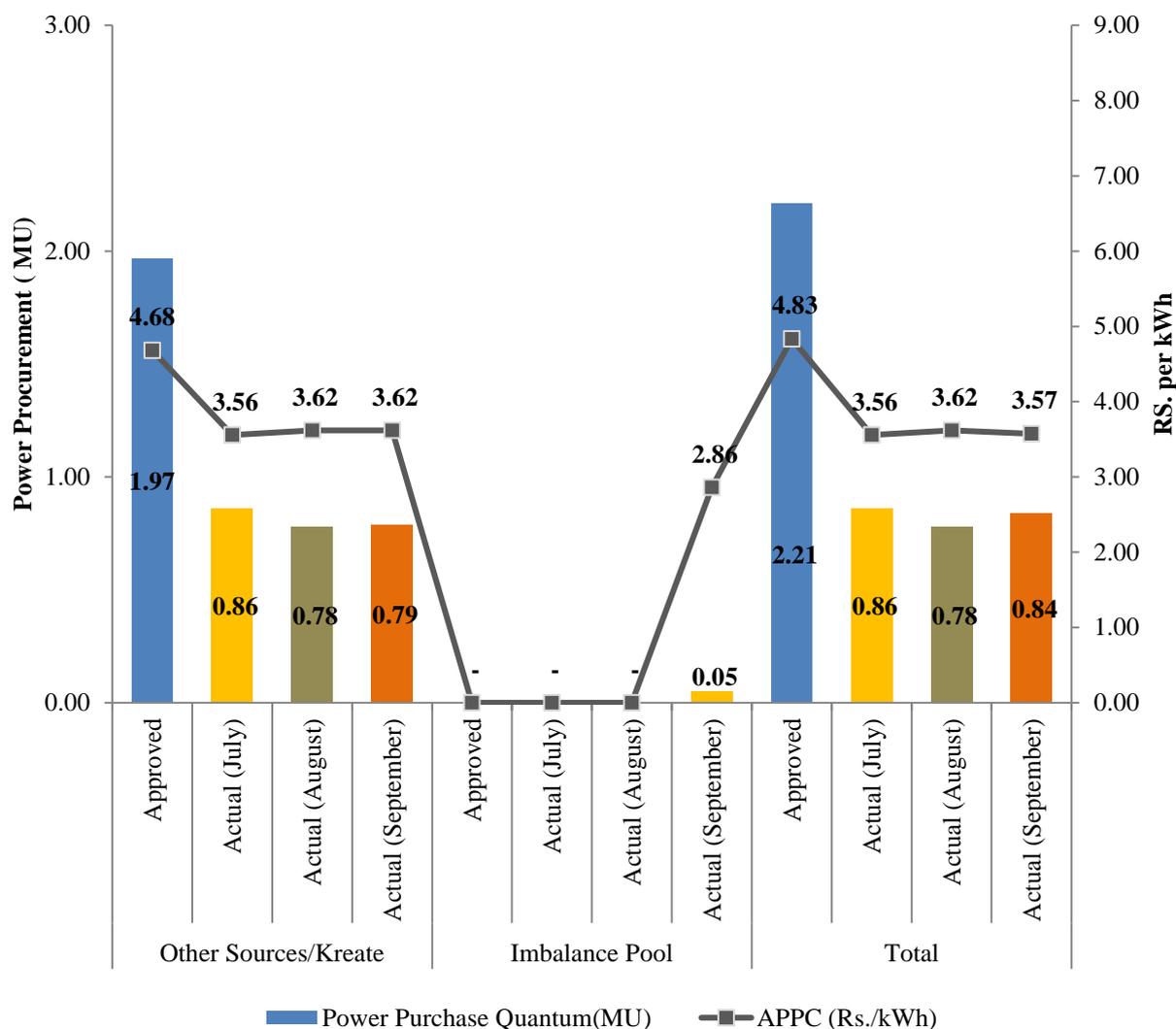
- 5.6 **Imbalance Pool:** It is seen that KRCIPPL has injected 0.18 MUs and 0.005 Mus for the month of July and August 2020 respectively to the imbalance pool and has procured 0.05 MUs from the imbalance pool for the month of September 2020.
- 5.7 The said injection into the pool for the month of July and August 2020 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.
- 5.8 The present FAC mechanism includes any variation in power purchase cost which includes both Fixed Charges and Variable Charges. The imbalance pool settlement is done considering Variable Charges on monthly basis and Fixed Cost Reconciliation on yearly basis. Accordingly, considering monthly surplus imbalance pool quantum at provisional variable cost as per FBSM mechanism will increase the overall average power purchase cost which is computed considering both Fixed and Variable Charges, thereby burdening the consumers with FAC. Further, 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, non-consideration of surplus imbalance pool quantum at the time of FAC computation on monthly basis will not have any adverse impact on licensee as it would have anyway paid the entire fixed cost to the generator even if lower quantum of power was supplied. Further, for FAC computation total energy purchased by the licensee is being considered for FAC Computation. In view of the aforesaid, it would not be prudent to burden the consumers by considering the impact of monthly surplus imbalance pool in FAC computation. Accordingly, to balance overall interest of consumers and licensee, the Commission has not considered the surplus imbalance pool quantum and cost in the monthly FAC computation as it will get adjusted during truing-up of the respective year.
- 5.9 As regards the drawl from the pool in the month of September 2020, it 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 at a provisional rate of Rs. 2.86/kWh while computing FAC.
- 5.10 **Approved Cost:** The details of the overall cost approved and actual for the month of July 2020, August 2020 and September 2020, 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	<b>Approved</b>	<b>0.24</b>	-	-	<b>0.11</b>	<b>4.63</b>	<b>0.11</b>	<b>4.63</b>
	Actual (July 2020)	-	-	-	-	-	-	-
	Actual (August 2020)	-	-	-	-	-	-	-
	Actual (September 2020)	-	-	-	-	-	-	-
Other Sources/K reate	<b>Approved</b>	<b>1.97</b>	-	-	<b>0.92</b>	<b>4.68</b>	<b>0.92</b>	<b>4.68</b>
	Actual (July 2020)	0.86	-	-	0.31	3.56	0.31	3.56
	Actual (August 2020)	0.78	-	-	0.28	3.62	0.28	3.62
	Actual (September 2020)	0.79	-	-	0.28	3.62	0.28	3.62
Solar & Non-Solar REC	<b>Approved</b>	-	-	-	<b>0.04</b>	-	<b>0.04</b>	-
	Actual (July 2020)	-	-	-	-	-	-	-
	Actual (August 2020)	-	-	-	-	-	-	-
	Actual (September 2020)	-	-	-	-	-	-	-
Imbalance Pool	<b>Approved</b>	-	-	-	-	-	-	-
	Actual (July 2020)	-	-	-	-	-	-	-
	Actual (August 2020)	-	-	-	-	-	-	-
	Actual (September 2020)	0.05	-	-	-	-	0.01	2.86
<b>Total</b>	<b>Approved</b>	<b>2.21</b>	-	-	<b>1.07</b>	<b>4.83</b>	<b>1.07</b>	<b>4.83</b>
	Actual (July 2020)	0.86	-	-	0.31	3.56	0.31	3.56
	Actual (August 2020)	0.78	-	-	0.28	3.62	0.28	3.62
	Actual (September 2020)	0.84	-	-	0.30	3.57	0.30	3.57

5.11 Source wise approved and actual quantum of power procured and APPC for month of July 2020, August 2020 and September 2020, respectively, is shown in the graph below:

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



5.12 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	July 2020	4.63	-	No power has been purchased from GMRETL as the PPA with M/s GMRETL expired in the month of May, 2020.
		August 2020		-	
		September 2020		-	
2	Other Sources/	July 2020	4.68	3.56	KRCIPPL entered into the contract with M/s Kreate
		August 2020		3.62	

Sr. No.	Source	Month	Approved Rate (Rs. /kWh)	Actual Rate (Rs. /kWh)	Reason for rate variation
	KEIPL				
		September 2020		3.62	Energy (I) Pvt Ltd (KEIPL) through competitive bidding and the rate discovered through the process is cheaper than the approved source of power. For the month of July 2020, KRCIPPL has also procured power from IEX through KEIPL at the Rs. 2.49/- per unit which is lower than the Price at which short term agreement is signed with KEIPL.
3	Imbalance Pool	September 2020	-	2.86	
4	<b>Total</b>	<b>July 2020</b>	<b>4.83</b>	<b>3.56</b>	Due to above factors
		<b>August 2020</b>		<b>3.62</b>	
		<b>September 2020</b>		<b>3.57</b>	

5.13 Considering the above, the Commission allows the average power purchase cost of Rs. 3.56/kWh, 3.62/kWh and 3.57/kWh for the month of July 2020, August 2020 and September 2020 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 July 2020, August 2020 and September 2020 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 July 2020, August 2020 and September 2020, respectively.

**Table 5: FAC on account of Power Purchase Cost**

Sr. No.	Particulars	Units	July, 2020	August, 2020	September, 2020
1	Average power purchase cost approved by the Commission	Rs./kWh	4.83	4.83	4.83

Sr. No.	Particulars	Units	July, 2020	August, 2020	September, 2020
2	Actual average power purchase cost	Rs./kWh	3.56	3.62	3.57
3	Change in average power purchase cost (=2 - 1)	Rs./kWh	(1.28)	(1.21)	(1.26)
4	Net Power Purchase	MU	0.86	0.78	0.84
5	<b>Change in power purchase cost (=3 x 4/10)</b>	<b>Rs. Crore</b>	<b>(0.11)</b>	<b>(0.09)</b>	<b>(0.11)</b>

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

7.1 There is no past adjustment for over recovery/under recovery for the month of July 2020, August 2020 and September 2020, respectively since there is a negative FAC in the month of May and June, 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 July 2020, August 2020 and September 2020, respectively.

## 9. Holding Cost for FAC Fund

9.1 KRCIPPL has submitted that it has exceeded FAC Fund in the month of August 2020 and accordingly the additional amount was required to be refunded to consumer as per the MYT Order. However, in the prior approval of FAC dated 21 September, 2020 for BEST and 23 September, 2020 for TPC for the month of June 2020 and July 2020 respectively, the Commission has allowed accumulation of FAC Fund up to March 2021 beyond the limit specified in the respective MYT orders considering the extraordinary 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 July 2020, August 2020 and September 2020 of Rs. 0.11 Crore, 0.09 Crore and Rs. 0.11 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 July 2020, August 2020 and September 2020, respectively. Accordingly, the Commission has calculated holding cost of Rs. 0.001 Crore, Rs. 0.002

and Rs. 0.002 Crore for July 2020, August 2020 and September 2020, 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 July, 2020	Actual August, 2020	Actual September, 2020
1	Net Energy input at Distribution Voltages	MU	25.70	0.66	0.75	0.81
2	Energy sales at Distribution voltages	MU	24.93	0.64	0.73	0.79
3	Distribution Loss (1 - 2)	MU	0.77	0.02	0.01	0.02
4	Distribution Loss as % (3/1)	%	3.00%	3.21%	1.90%	2.68%
5	Cumulative Distribution Loss as %	%	3.00%	2.61%	2.45%	2.50%
6	<b>Excess Distribution Loss = [Cumulative Distribution Loss - Distribution loss approved] x Net Energy Input (1)</b>	MU		-	-	-

10.3 For the month of July 2020 to September 2020 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<sub>FAC</sub>

11.1 The summary of the FAC amount as approved by the Commission for the month of July 2020, August 2020 and September 2020 as shown in the Table 7 below.

**Table 7: Summary of Allowable Z<sub>FAC</sub>**

Sr. No.	Particulars	Units	Jul-20	Aug-20	Sep-20
<b>1</b>	<b>Calculation of Z<sub>FAC</sub></b>				
1.1	Change in cost of generation and power purchase attributable to Sales within the License Area (F)	Rs. Crore	(0.11)	(0.09)	(0.11)
1.2	Carrying cost for over-recovery/under-recovery (C)	Rs. Crore	-	-	-
1.3	Adjustment factor for over-recovery/under-recovery (B)	Rs. Crore	-	-	-
<b>1.5</b>	<b>Z<sub>FAC</sub> = F+C+B</b>	<b>Rs. Crore</b>	<b>(0.11)</b>	<b>(0.09)</b>	<b>(0.11)</b>
<b>2</b>	<b>Calculation of FAC Charge</b>				
2.1	Energy Sales within the License Area	MU	0.64	0.73	0.79
2.2	Excess Distribution Loss	MU	-	-	-
2.3	Z <sub>FAC</sub> per kWh	Rs./kWh	(1.72)	(1.29)	(1.34)
<b>3</b>	<b>Recovery of FAC</b>				
3.1	FAC disallowed corresponding to excess Distribution Loss $[(2.1+2.2) \times 2.3]/10$	Rs. Crore	-	-	-
3.2	Allowable FAC	Rs. Crore	(0.11)	(0.09)	(0.11)
<b>4</b>	<b>Utilization of FAC Fund</b>				
4.1	Opening Balance of FAC Fund	Rs. Crore	(0.14)	(0.25)	(0.34)
4.2	Holding Cost on FAC Fund	Rs. Crore	(0.00)	(0.00)	(0.00)
4.3	Z <sub>FAC</sub> for the month (Sr. No. 3.2)	Rs. Crore	(0.11)	(0.09)	(0.11)
4.4	Closing Balance of FAC Fund	Rs. Crore	(0.25)	(0.34)	(0.45)
4.5	Z <sub>FAC</sub> leviable/refundable to consumer	Rs. Crore	-	-	-
<b>5</b>	<b>Total FAC based on category wise and slab wise allowed to be recovered</b>	<b>Rs. Crore</b>	<b>-</b>	<b>-</b>	<b>-</b>
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 July 2020, August 2020 and September 2020 is Rs. (0.11) Crore, Rs. (0.09) Crore and Rs. (0.11) 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. (0.001) Crore, Rs. (0.002) Crore & Rs. (0.002) Crore for July 2020, August 2020 and September 2020 for the negative FAC accrued during the month of July

2020, August 2020 and September 2020. The overall FAC amount for the month till September 2020 is Rs. (0.45) 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: —*

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

*Where:*

*$Z_{FAC\ Cat}$  =  $Z_{FAC}$  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 held 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 in 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, the Commission allows the FAC amount of Rs. (0.45) Crore to be accumulated as FAC Fund and shall be carried forward to the next billing cycle with holding cost.

12.5 Therefore, no FAC would be levied on consumer in the month of July 2020, August 2020 and September 2020 and Rs. 0.11 Crore, Rs. 0.09 Crore and 0.11 Crore will be carried forward to next billing cycle with holding Cost as a FAC Fund.

12.6 **Accordingly, per unit  $Z_{FAC}$  for the month of July 2020, August 2020 and September 2020 to be levied on consumers of KRCIPPL in the billing month of September 2020, October 2020 and November 2020 is Nil.**