



महाराष्ट्र विद्युत नियामक आयोग

Maharashtra Electricity Regulatory Commission

Ref. No. MERC/FAC/2023-24/EON-II/Q1&Q2/0169

Date: 07 March, 2024

To,
EON Kharadi Infrastructure Private Limited (EON SEZ Phase II)
Tech Park One, Tower 'E',
S. No. 191/A/2A/1/2,
Next to Don Bosco School,
Off Airport Road, Yerwada,
Pune, Maharashtra, 411006

Subject: Prior approval of Fuel Adjustment Charges (FAC) submissions of EON II for the months of April 2023 to September 2023.

Reference:

1. EON II FAC submission for the month of April 2023 vide email dated 28 July, 2023 and for the month of May 2023 and June 2023 vide email dated 16 August, 2023.
2. Data gaps set 1 communicated to EON II vide email dated 21 October, 2023.
3. EON II's response to data gaps on 21 November, 2023.
4. EON II FAC submission for the month of July 2023 to September 2023 vide email dated 21 November, 2023.
5. Data gaps set-2 communicated to EON II vide email dated 20 December, 2023
6. EON II's afresh submission of complete FAC proposal for both the Quarters on 8 January, 2024.

Sir,

Upon vetting the FAC calculations for the months of April 2023 to September 2023 as mentioned in the above reference, the Commission has accorded approval for FAC Amount and the FAC fund as shown in the table below:

Month	April 23	May 23	June 23	July 23	Aug 23	Sep 23
Z _{FAC} allowed for recovery (Rs. Cr)	0.15	0.02	0.01	(0.066)	(0.157)	(0.208)
Cumulative FAC for recovery (Rs. Cr)*	0.14	0.16	0.16	0.09	(0.065)	(0.273)

*after disallowance impact of higher distribution loss

The Commission allows the accumulation of total FAC amount of Rs. 0.27 Crore which shall be carried forward to next FAC billing cycle with holding cost as per the Order dated 31 March 2023 in Case No 236 of 2023.

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Approval of FAC for the months of April, 2023 to September, 2023

Accordingly, the FAC chargeable to its consumers is as shown in the table below:


Month	April, 2023 to September, 2023
Z _{FAC} allowed for recovery (Rs. Crore)	Nil

EON II shall maintain the monthly account of FAC Fund and also upload it on its website to ensure transparency and also for information of all the stakeholders.

EON II is directed to file their future FAC submissions taking into consideration data gaps raised in previous months to ensure timely approval.



Yours faithfully,


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

Encl: Annexure A: Detailed Vetting Report for the period of April, 2023 to September, 2023.

**PRIOR APPROVAL FOR FAC CHARGES FOR THE MONTHS OF APRIL, 2023 TO
SEPTEMBER, 2023**

Subject: Prior approval of Fuel Adjustment Charges (FAC) submissions of EON II for the months of April 2023 to September 2023.

Reference:

1. EON II FAC submission for the month of April 2023 vide email dated 28 July, 2023 and for the month of May 2023 and June 2023 vide email dated 16 August, 2023.
2. Data gaps set-1 communicated to EON II vide email dated 21 October, 2023.
3. EON II's response to data gaps on 21 November, 2023.
4. EON II FAC submission for the month of July 2023 to September 2023 vide email dated 21 November, 2023.
5. Data gaps set-2 communicated to EON II vide email dated 20 December, 2023
6. EON II's afresh submission of complete FAC proposal for both the Quarters on 8 January, 2024.

1. FAC submission by EON II:

- 1.1 M/s. EON Kharadi Infrastructure Private Limited II (EON - II) has made FAC submissions for the months of April'2023 to September'2023 as referred above. Upon vetting the FAC calculations for the months of April 2023 to September 2023 as mentioned in the above reference, the Commission has accorded approval to EON II for standalone FAC Amount of 0.14 Crore, Rs. 0.02 Crore, Rs. 0.01 Crore, Rs. (0.07) Crore, Rs. (0.16) Crore and Rs. (0.21) Crore for the respective months of April'2023, May'2023, June'2023, July'2023, August'2023, and September'2023 respectively. The approved closing balance of FAC fund as on September, 2023 is Rs. (0.27) Crore and the said FAC Fund is being carried forward to next FAC billing cycle with holding cost as per the Tariff Order dated 31 March, 2022 in Case No. 236 of 2022.

2. Background:

- 2.1 On 31 March, 2023 the Commission has issued Tariff Order in respect of EON - II (Case No. 236 of 2022) for approval of Truing-up of FY 2020-21 & FY 2021-22, Provisional Truing-up of FY 2022-23, and Aggregate Revenue Requirement (ARR) and Tariff for the Multi-Year Tariff period for FY 2023-24 and FY 2024-25.
- 2.2 The Commission had communicated the excel formats and guiding principles for filing of



Approval of FAC for the months of April, 2023 to September, 2023

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 In the Tariff Order, the Commission has stipulated methodology of levying FAC as follows:

“5.7 Stabilising Variation in Consumer Bill on account of FAC

5.7.1 *As per MYT Regulations, 2019, the aggregate gain or loss to a Distribution Licensee on account of variation in cost of fuel, power purchase, and inter-State Transmission Charges shall be passed through under the Fuel Adjustment Charge (FAC) component of the Z-factor Charge (ZFAC), as an adjustment in its tariff on a monthly basis. Relevant part of the MYT Regulation is reproduced below:*

“10.2 The aggregate gain or loss to a Distribution Licensee on account of variation in cost of fuel, power purchase, and inter-State Transmission Charges, covered under Regulation 9.1, shall be passed through under the Fuel Adjustment Charge (FAC) component of the Z-factor Charge (ZFAC), as an adjustment in its Tariff on a monthly basis, as specified in these Regulations and as may be determined in orders of the Commission passed under these Regulations, and shall be subject to ex-post facto approval by the Commission on a quarterly basis:

.....”

5.7.2 *Similar arrangement for passing on the variation in fuel and power purchase cost existed in all previous Tariff Regulations of the Commission. Such mechanism is in line with the provision of the EA, 2003 which mandates recovery of the fuel cost in timely manner so that the Distribution Licensees are able to recover their legitimate power purchase cost variation. This has helped regular recovery of power purchase variations without accumulating it till next tariff revision. This provision also addresses the financial/cash flow issue of Distribution Licensee wherein the payment for power purchase is required to be made in timely manner at prevailing cost. At the same time it also helps in reducing carrying cost burden on consumer which otherwise would have to be borne if such monthly levy accumulates and the gap is recovered through tariff revision in MYT or MTR as the case may be. Although, consumers are now well aware of this mechanism, there is general and reasonable expectation that once the tariff is approved by the Commission, to the extent possible, it should remain constant during the year and there should not be large variations due to FAC. The unknown variation in the tariff on account of FAC has adverse financial implications on all the categories especially Industrial and Commercial categories where the impact of FAC is generally higher. Variation in tariff is magnified when there is negative FAC leading to reduction in tariff during a particular month and positive FAC in the immediate next month thereby increasing the tariff.*

5.7.3 *Variation in FAC is either on account of change in fuel related costs or mix of power procurement. During the Public hearings in case of other Distribution Licensees, many suggestions were received on this issue and the consumers requested that an appropriate revised mechanism should be put in place wherein there is a minimum impact of FAC felt by the consumers. The Commission opines that this is a very reasonable*



expectation of the Consumers. The Commission is fully aware that inspite of approving this tariff, the possibility of FAC cannot be ruled out due to uncontrollable event occurring globally or within the country affecting the power purchase cost of the licensee. To ensure stabilisation of tariffs to the extent possible, and to minimise the variation in FAC, the Commission thinks it fit to approve constitution of a FAC Fund with Distribution Licensee which can be built up over a period of time to be used for payment of FAC bills of Generating companies without immediately loading it on consumers.

- 5.7.4 *Therefore, using its powers for Removing Difficulty under Regulations 106 of MYT Regulations, 2019, the Commission is making following changes in FAC mechanism stipulated under Regulation 10 of MYT Regulations, 2019.*
- a) *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:*
 - i. *Negative FAC amount shall be carried forward to the next FAC billing cycle with holding cost.*
 - ii. *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.*
 - iii. *Such carry forward of negative FAC shall be continued till next tariff determination process.*
 - iv. *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.*
- 5.7.5 *In order to maintain transparency in management and use of such FAC Fund, Distribution Licensee shall maintain monthly account of such FAC fund and upload it on its website for information of stakeholders. Such details shall also be submitted to the Commission on quarterly basis along with proposal for post facto vetting of FAC."*
- 2.4 Further, as per provisions of Regulations 10.2 of MYT Regulations, 2019, before levying FAC for the first month of the 4th Control Period, Distribution Licensees including SEZs (Deemed Distribution Licensee) are required to seek prior approval of the Commission for the first month of the first year of the control period and as per Regulations 10.5 of MYT Regulations 2019, post facto approval of FAC to be sought on quarterly basis within 60 days of close of each quarter.
- 2.5 Accordingly, vide its email dated 28 July, 2023, EON - II has filed FAC for the month of April, 2023 for prior approval. However, the submission was not as per the provisions of the MYT Regulations. The requisite fees were also not paid by the EON-II. Subsequently, EON II has filed FAC for the month of May, 2023 and June, 2023 on 16 August, 2023. This submission also was not as per the provisions of the MYT Regulations. The requisite fees were also not paid by the EON-II. Same was intimated to EON -II and communicated to file complete submission for scrutiny. The gaps and incompleteness of the proposal was discussed in a physical meeting and further queries were emailed on dated 21 October, 2023. EON - II responded to these data gaps on 21 November, 2023, concurrently submitting the FAC for July 2023 to September 2023 (Quarter-2) on the same date. The Commission examined EON - II's responses to data gaps set-1 and Quarter-2 FAC



Approval of FAC for the months of April, 2023 to September, 2023

Submission and raised the data gaps set-2 in relation to the replies to data gaps set-1. Additionally, the Commission directed EON - II to revise the Quarter 2 submission in line with corrections made in earlier submission.

- 2.6 Accordingly, EON - II filed afresh a revised FAC submission from April, 2023 to September, 2023 on 08 January, 2024 along with the requisite fees. The Commissions notes that EON II has made considerable delay in filing FAC as well as responses to data gaps resulting in the delay in the scrutiny of the FAC.
- 2.7 The Commission has scrutinized the submissions provided by EON II and has also verified the power purchase bills provided along with its submissions.

3. Energy Sales of the Licensee:

- 3.1 The net energy sales within Licence area as submitted by EON II in the FAC submission and as approved by the Commission in Case No. 236 of 2022 are as shown in the Table 1 below:

Table 1: Energy Sales Approved and Actual in MU:

Consumer Category	Approved by the Commission (MU)	Monthly Approved (MU)	Actual Sales (April, 2023) (MU)	Actual Sales (May, 2023) (MU)	Actual Sales (June, 2023) (MU)	Actual Sales (July, 2023) (MU)	Actual Sales (August, 2023) (MU)	Actual Sales (Sept, 2023) (MU)
	(I)	(II=I/12)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)
HT Category								
HT I -Industry	28.85	2.404	2.000	2.167	2.151	1.907	1.932	1.855
LT Category								
LT II A – Commercial (0-20 kW)	0.00	0.00	0.004	0.005	0.005	0.004	0.004	0.003
LT V A Industry upto 20 kW	0.30	0.025	0.012	0.011	0.011	0.011	0.011	0.011
LT V B Industry above 20 kW	0.90	0.075	0.089	0.097	0.101	0.098	0.100	0.094
LT VI: LT Electric Vehicle Charging Station	0.00	0.00	0.003	0.003	0.001	0.001	0.001	0.001
Total LT Category	1.20	0.100	0.108	0.115	0.117	0.114	0.117	0.109
Total	30.05	2.504	2.108	2.282	2.269	2.021	2.048	1.964

- 3.2 It can be observed from above Table 1 that the actual sales during the month April, 2023 to September, 2023 is lower by 9% to 22% for the aforementioned months compared to the approved energy sales of 2.50 MU per month for the FY 2023-24. It is also observed that the actual sales numbers are at major variation and lower vis-à-vis approved energy sales in categories such as HT I- Industry and LT-V B Industry (above 20 kW) whereas in other category, the sales are marginally higher compared to approved sales.

4. Power Purchase Details

- 4.1 EON - II is a deemed Distribution Licensee notified by the Commission for IT & ITES SEZ located at MIDC Knowledge Park- Kharadi, Pune, Maharashtra Yerwada, Pune.



EON - II does not own or operate any generating stations. Accordingly, EON - II has procured power from other sources to meet the demand of its consumers.

- 4.2 **Power Procurement from Short Term Contracts:** The Commission in the Tariff Order dated 31 March, 2023 in Case No. 236 of 2022 noted that EON - II intends to tie up with a new short-term source of power for FY 2023-24 and FY 2024-25. EON - II proposed to procure short-term power for FY 2023-24 and FY 2024-25 through new short-term sources at power purchase rate of Rs. 5/kWh. However, the Commission considered average Market Clearing Price (MCP) for the FY 2019-20 and FY 2020-21 and decided to consider the latest approved rate of Rs. 5.40/kWh for FY 2023-24 and FY 2024-25 for procurement of power under short term. The relevant extract from the Tariff Order is reproduced below:

4.5.7. The Commission is of the view that, the underestimations of power purchase would significantly affect the recovery of the ARR approved for the respective years, which may ultimately result in creation of revenue gaps followed by carrying cost burden on to the consumers in the next ensuing control period. The average Market Clearing Price (MCP) for the FY 2019-20 was Rs. 3.005/ kWh, for FY 2020-21 it was Rs. 2.818/ kWh, for FY 2021-22 it was 4.399/ kWh while for the current financial year it is around Rs. 6.017/ kWh. Thus, it is observed that in the prevalent market conditions, the rates discovered for the short-term power procurement are in the range of Rs. 5/ kWh to Rs. 6/ kWh. Thus, for the purpose of estimating the power purchase expense towards the procurement of short-term conventional power, the Commission has decided to consider the latest approved rate of Rs. 5.40/ kWh for FY 2023-24 and FY 2024-25.

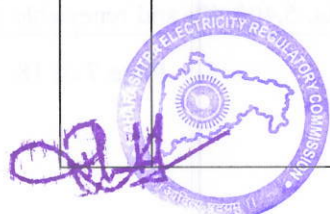
- 4.3 The Commission has accordingly considered the said rate as per prevalent market conditions for the purpose of power purchase expense towards the procurement of short-term conventional power for FY 2023-24 and FY 2024-25. Accordingly, the power purchase approved for FY 2023-24 is Rs. 5.29/kWh in the said tariff order which includes the power procurement from short term sources and procurement of Solar and Non-Solar. The Commission has approved the Power Purchase considering all the sources of electricity supply opted by EON - II.
- 4.4 EON - II has submitted that it has floated 3 no. of tenders, however there was limited participation from generators and quoted price were on higher side. Based on the prolonged efforts from EON - II, coupled with limited interest from generators, EON - II has procured power from Power Exchange and bilateral power purchase agreement from wind generator and hydro generator from April, 2023 to September, 2023.
- 4.5 Summary of power purchase of EON - II is as under:

Sr. No.	Particular	Compliance
1	Purchase from Approved Sources	The Commission in the MTR Order dated 31 March, 2023 in Case No. 236 of 2022 has considered power purchase expenses as per prevalent market conditions and allowed procurement of short-term conventional power for FY 2023-24 and FY 2024-25 @Rs. 5.40/kWh and renewable



Approval of FAC for the months of April, 2023 to September, 2023

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2	Merit Order Dispatch	EON - II has procured power on short term basis. EON - II has followed merit order for scheduling of power and preference was given to cheapest power. Further, EON - II met its peak power requirement through power procurement from power exchange.																																																													
3	Fuel Utilization Plan	Not applicable.																																																													
4	DSM Pool	EON - II has overdrawn / underdrawn as per following table <table border="1"> <thead> <tr> <th>Months</th> <th>Deviation units in MU</th> </tr> </thead> <tbody> <tr> <td>April 2023</td> <td>0.190 Over drawl</td> </tr> <tr> <td>May 2023</td> <td>0.275 Over drawl</td> </tr> <tr> <td>June 2023</td> <td>(0.004) Under drawl</td> </tr> <tr> <td>July 2023</td> <td>(0.022) Under drawl</td> </tr> <tr> <td>August 2023</td> <td>0.034 Over drawl</td> </tr> <tr> <td>September 2023</td> <td>0.504 Over drawl</td> </tr> </tbody> </table>	Months	Deviation units in MU	April 2023	0.190 Over drawl	May 2023	0.275 Over drawl	June 2023	(0.004) Under drawl	July 2023	(0.022) Under drawl	August 2023	0.034 Over drawl	September 2023	0.504 Over drawl																																															
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6	Power Purchase	Actual Net Power Purchase for April 2023 to September 2023 were 2.245 MU, 2.805 MU, 2.513 MU, 2.232 MU, 2.253 MU and 2.628 MU respectively as against approved 2.69 MU due to lower sales except in the month of May, 2023.																																																													
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DSM Pool	0.000	(0.022)	0.034	0.504		
Surplus Sale	0.000	-	(0.168)	(0.009)		
Total	2.694	2.232	2.253	2.628		

5. Power Purchase Cost:

- 5.1 The Commission has scrutinised the bills/invoices submitted for power purchase during the month from April, 2023 to September, 2023, to verify the claim of EON - II regarding Average Power Purchase Cost (APPC). The Commission has verified the actual as well as approved Net Purchase (MU), Variable Cost (Rs. /kWh) and Power Purchase Cost considered in FAC computation from the invoices and applicable MTR Order.
- 5.2 **Short-term Source:** To meet base load requirement, the Commission has approved the power purchase expense towards the procurement of short-term conventional power of Rs. 5.40/kWh. EON - II has submitted that it has floated 3 no. of tenders, however there was limited participation from generators and quoted price were on higher side and hence it was not able to enter into short term contract for conventional power as envisaged in the MTR Order. Accordingly, EON - II has procured power through power exchange and also entered into bilateral power purchase agreement with wind and hydro generator for April, 2023 to September, 2023.
- 5.3 **Power Procurement from Exchange:** EON - II has procured 1.768 MU, 2.673 MU, 1.784 MU, 1.121 MU, 0.117 MU and 0.110 MU at the rate of Rs. 5.97/kWh, Rs. 5.45/kWh, Rs. 5.62/kWh, Rs. 5.18/kWh, Rs. 5.59/kWh and Rs. 6.26/kWh from the Power Exchange from DAM and RTM products to meet the base and peak power requirement in April, 2023 to September, 2023, respectively. The Power procurement from Power Exchange was not envisaged in the MTR Petition in Case No. 236 of 2022 while computing the APPC of Rs. 5.29/kWh. The power so procured by EON - II from Power Exchange is higher from APPC i.e., Rs. 5.29/kWh in the month of April, 2023, May, 2023, June, 2023, July, 2023 and September, 2023 and lower in the month August, 2023. Also, this source contributed to 86.02%, 100.00%, 70.13%, 49.75%, 4.91% and 5.15% of the total power procurement (excluding DSM variation) for the month of April-23 to September-23, respectively.
- 5.4 **Renewable Sources:** During the month of April 2023, EON - II has procured 0.04 MU and 0.24 MU of solar and non-solar power, respectively, from GDAM at Rs. 8.56/kWh. Additionally, it was noticed that EON - II has procured 0.12 MU at Rs. 2.79/kWh through a short-term bilateral contract with wind generator without undertaking any competitive bidding in the interest of the consumers as the rate were lower than the existing rate under



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GDAM. However, such practices of the Licensee to procure power without any competitive bidding is not acceptable and is ultra vires to the provision of the MYT Regulations 2019 whereby Regulation 19.3 clearly states that future long / medium / short term power procurement shall invariably be undertaken through competitive bidding. However, the Commission in past has allowed ASL to procure wind power at the tariff of Rs. 2.65/kWh from Wind generator under MoU route in Case No. 171 of 2023. Also, the Commission vide its Order dated 16 February 2022 in Case No. 08 of 2022, 7 June 2022 in Case No.67 of 2022, 6 January 2023 in Case No. 202 of 2022 and & 23 December 2023 in Case No. 119 of 2023 has accorded approval for procurement of power at the discovered tariff of Rs. 2.65/kWh for long term tariff. Since, the power procurement rate from Wind generator by EON - II under short term for the month of April 2023 without competitive bidding is lower than Rs. 2.65/kWh, the Commission at present is provisionally allowing such power procurement. However, the Commission directs EON - II to restrict such practices of procuring power without Competitive bidding in future. EON-II is further directed to submit adequate justification for such procurement without competitive bidding while submitting the truing-up Petition for FY 2023-24 on which the Commission may decide after prudence check. The overall power procurement from such wind purchase is at Rs. 2.79/kWh as it includes the impact of loss and other charges resulting in the impact of 17 paise per unit.

Further, EON - II has not procured renewable power in the month of May 2023 and in June 2023 and July 2023, it has procured non-solar power of 0.76 MU and 0.494 MU from power exchange through GTAM at Rs. 4.69/kWh respectively.

During the month of July, 2023 to September 2023, EON - II has procured hydro power of 0.64 MU, 2.27 MU and 1.56 MU respectively from short term bilateral contract with hydro generator at Rs. 4.65/kWh tied up pursuant to competitive bidding undertaken by it.

In September 2023, EON - II has procured wind power of 0.47 MU at Rs. 3.03/kWh from short term bilateral contract with wind generator pursuant to competitive bidding undertaken by it. Overall, EON - II has procured non-solar power of 2.02 MU at Rs. 4.27/kWh.

The Commission in MTR Order has approved power purchase quantum of 3.72 MU and 3.39 MU and approved yearly cost of Rs. 1.66 Crore and Rs. 1.82 Crore for solar and non-solar power, respectively, during FY 2023-24 at approved tariff of Rs. 4.90/kWh for both sources. Accordingly, the monthly power purchase quantum of 0.31 MU and 0.28 MU has been approved, along with monthly cost of Rs. 0.15 Crore and Rs. 0.16 Crore for solar and non-solar power, respectively, during FY 2023-24. It has been observed that in the month of April-2023, it has procured renewable solar power at Rs. 8.56/kWh, which is higher than the approved cost of Rs. 4.90/kWh. Also, in the month of April-2023 the non-solar power purchase cost is Rs. 5.83/kWh which is higher than the approved cost of Rs. 4.90/kWh. However, in other months, the cost of procurement of renewable power is lower than the approved cost by the Commission. The higher power purchase cost has impacted the overall purchase cost during the aforesaid month. The Commission has verified the aforesaid purchased and its associated cost from invoice issued by generator and traders submitted by EON - II and found to be in order.



5.5 **Deviation Quantum and Cost:** It is seen that EON - II has overdrawn 0.19 MU, 0.28 MU, 0.03 MU and 0.50 MU in the month of April, 2023, May, 2023, August, 2023 and September, 2023, respectively and underdrawn 0.00 MU and 0.02 MU for the months of June, 2023 and July, 2023, respectively. The said underdrawl / overdrawl is on account of variation in demand of consumers as against the estimation by the Distribution Licensee. It has been scrutinised and it appears that the same has happened on account of real-time variation, which couldn't be planned. The Commission has noted discrepancies in actual drawal in the DSM invoice raised by MSLDC from the month of April 2023 to July 2023. In response to the query, it has submitted that the said discrepancies have been highlighted to MSLDC through correspondence and requested to issue the revised invoice. Accordingly, the Commission directs EON - II to resolve the issue of actual drawal for the said months and abnormal distribution loss with MSLDC and submit the revised in the FAC submission of Quarter 3.

5.6 **Sale of Surplus Power:** EON II has done sale of surplus power to the extent of 0.14 MU, 0.03 MU, 0.17 MU and 0.01 MU at Rs. 5.45/kWh, Rs. 7.56/kWh, Rs. 6.62/kWh and Rs. 2.77/kWh for the month of May-2023, June-2023, August-2023, and September-2023, respectively. With such sale of power EON II has earned revenue of Rs. 0.08 Crore, Rs. 0.02 Crore, Rs. 0.11 Crore, and Rs. 0.002 Crore. It has been observed that EON II has sold the surplus power at rate lower than the short-term bilateral contract with Non-Solar source or power procured from the power exchange in certain months, thus increasing the APPC rate and resulting in additional burden on the consumers. Hence, the Commission directs EON II to provide the detail justification on selling surplus power below the power procurement rate in the next FAC submission and also to avoid such practices in future as the same burdens the consumers of the licensee area. However, at present the Commission approves the surplus power cost on provisional basis.

5.7 **Approved Cost:** The details of the overall cost approved as per MTR Order and actual for the month from April, 2023 to September, 2023 is as shown in the **Error! Reference source not found.** below:

Table 2: Approved Actual Power Purchase cost for EON II for the month from April 2023 to September 2023

Source	Month	Power Procured (MU)	Fixed Cost		Variable Cost		Total Cost	
			in Rs Crore	in Rs/kWh	in Rs Crore	in Rs/kWh	in Rs Crore	in Rs/kWh
Short term Power Purchase	Approved	2.10	0.00	0.00	1.13	5.40	1.13	5.40
	Apr-23	-	-	-	-	-	-	0.00
	May-23	-	-	-	-	-	-	0.00
	Jun-23	-	-	-	-	-	-	0.00
	Jul-23	-	-	-	-	-	-	0.00
	Aug-23	-	-	-	-	-	-	0.00
	Sep-23	-	-	-	-	-	-	0.00



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Source	Month	Power Procured (MU)	Fixed Cost		Variable Cost		Total Cost	
			in Rs Crore	in Rs/kWh	in Rs Crore	in Rs/kWh	in Rs Crore	in Rs/kWh
Solar Purchase	Approved	0.31	0.00	0.00	0.15	4.90	0.15	4.90
	Apr-23	0.04	-	-	0.04	8.56	0.04	8.56
	May-23	-	-	-	-	-	-	-
	Jun-23	-	-	-	-	-	-	-
	Jul-23	-	-	-	-	-	-	-
	Aug-23	-	-	-	-	-	-	-
	Sep-23	-	-	-	-	-	-	-
Non-Solar Purchase	Approved	0.28	0.00	0.00	0.14	4.90	0.14	4.90
	Apr-23	0.24	-	-	0.14	5.83	0.14	5.83
	May-23	-	-	-	-	-	-	0.00
	Jun-23	0.76	-	-	0.36	4.69	0.36	4.69
	Jul-23	1.13	-	-	0.53	4.67	0.53	4.67
	Aug-23	2.27	-	-	1.06	4.65	1.06	4.65
	Sep-23	2.02	-	-	0.87	4.29	0.87	4.29
Power Exchange	Approved	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Apr-23	1.77	-	-	1.06	5.97	1.06	5.97
	May-23	2.67	-	-	1.46	5.45	1.46	5.45
	Jun-23	1.78	-	-	1.00	5.62	1.00	5.62
	Jul-23	1.12	-	-	0.58	5.18	0.58	5.18
	Aug-23	0.12	-	-	0.07	5.59	0.07	5.59
	Sep-23	0.11	-	-	0.07	6.26	0.07	6.26
Deviation Quantum	Approved	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Apr-23	0.19	-	-	0.10	5.07	0.10	5.07
	May-23	0.28	-	-	0.13	4.68	0.13	4.68
	Jun-23	(0.00)	-	-	0.00	(6.37)	0.00	(6.37)
	Jul-23	(0.02)	-	-	0.00	(2.16)	0.00	(2.16)
	Aug-23	0.03	-	-	0.02	6.96	0.02	6.96
	Sep-23	0.50	-	-	0.25	4.87	0.25	4.87
SLDC Fees	Approved	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Apr-23	-	-	-	0.002	-	0.002	0.00
	May-23	-	-	-	0.001	-	0.001	0.00
	Jun-23	-	-	-	0.001	-	0.001	0.00
	Jul-23	-	-	-	0.002	-	0.002	0.00
	Aug-23	-	-	-	0.002	-	0.002	0.00
	Sep-23	-	-	-	0.002	-	0.002	0.00
Sale of Surplus power	Approved	0.00	0.00	0.00	-	0.00	0.00	0.00
	Apr-23	-	-	-	-	-	-	-
	May-23	(0.14)	-	-	(0.08)	5.45	(0.08)	5.45
	Jun-23	(0.03)	-	-	(0.02)	7.56	(0.02)	7.56
	Jul-23	-	-	-	-	-	-	0.00
	Aug-23	(0.17)	-	-	(0.11)	6.62	(0.11)	6.62
	Sep-23	(0.01)	-	-	(0.002)	2.77	(0.002)	2.77
Total	Approved	2.69	0.00	0.00	1.43	5.29	1.43	5.29
	Apr-23	2.25	-	-	1.33	5.94	1.33	5.94



Approval of FAC for the months of April, 2023 to September, 2023

Source	Month	Power Procured (MU)	Fixed Cost		Variable Cost		Total Cost	
			in Rs Crore	in Rs/kWh	in Rs Crore	in Rs/kWh	in Rs Crore	in Rs/kWh
	May-23	2.81	-	-	1.51	5.37	1.51	5.37
	Jun-23	2.51	-	-	1.34	5.34	1.34	5.34
	Jul-23	2.23	-	-	1.12	5.00	1.12	5.00
	Aug-23	2.25	-	-	1.03	4.59	1.03	4.59
	Sep-23	2.63	-	-	1.18	4.50	1.18	4.50

5.8 Considering the above, the Commission allows the average power purchase cost of Rs. 5.94/kWh, Rs. 5.37/kWh, Rs. 5.34/kWh, Rs. 5.00/kWh, Rs. 4.59/kWh and Rs. 4.50/kWh for the respective months of April, 2023 to September, 2023 as shown in Table 2 above. The Commission vide its MTR Order dated 31 March, 2023 in Case No. 236 of 2022, has approved the Average Power Purchase Cost as Rs. 5.29/kWh for the FY 2023-24. The variation in the power purchase cost is on the higher side for the month from April, 2023 to June, 2023 due to power procured from power exchange (i.e., DAM / RTM / G-DAM) at higher rate. The variation in the power purchase cost is on the lower side in the month of July, 2023 to September 2023 due to power procured from power exchange at lower rate and bilateral contract entered for procurement of wind and hydro power through competitive bidding at lower rate than approved in MTR Order.

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 from April, 2023 to September, 2023 as shown in Table 3 below. Table 3: The same has been compared with the average power purchase cost approved by the Commission in MTR Order dated 31 March, 2023 in Case No. 236 of 2022 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 3 shows the Z_{FAC} worked out by the Commission on account of difference in power purchase cost for the months from April 2023 to September, 2023.

Table 3: FAC on account of Power Purchase Cost

C	Particulars	Units	Apr, 23	May, 23	June, 23
1	Average power purchase cost approved by the Commission	Rs. /kWh	5.29	5.29	5.29
2	Actual average power purchase cost	Rs. /kWh	5.94	5.37	5.34
3	Change in average power purchase cost (=2 -1)	Rs. /kWh	0.65	0.08	0.05
4	Net Power Purchase	MU	2.25	2.81	2.51
5	Change in power purchase cost (=3 x 4/10)	Rs. Crore	0.15	0.02	0.01

Sr. No.	Particulars	Units	July, 23	Aug, 23	Sept, 23
1	Average power purchase cost approved by the Commission	Rs. /kWh	5.29	5.29	5.29



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Sr. No.	Particulars	Units	July, 23	Aug, 23	Sept, 23
2	Actual average power purchase cost	Rs. /kWh	5.00	4.59	4.48
3	Change in average power purchase cost (=2 -1)	Rs. /kWh	(0.29)	(0.70)	(0.79)
4	Net Power Purchase	MU	2.23	2.25	2.63
5	Change in power purchase cost (=3 x 4/10)	Rs. Crore	(0.07)	(0.16)	(0.21)

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

7.1 There is no past adjustment for over recovery/under recovery for the months from April 2023 to September 2023 as the Commission is determining the FAC for the first time after issuance of MTR order.

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

8.1 As there is no past adjustment for over recovery/under recovery and hence no carrying cost for over recovery/under recovery for the month from April 2023 to September 2023.

8.2 Further, since there is a delay in filing of the application for prior approval of FAC for the month of April 2023 resulting in delay in approval of FAC for the subsequent months and also delay in filing the replies to the data gaps raised by the Commission, hence the Commission is not inclined to allow any carrying / holding cost on the accumulated FAC not recovered from the consumers.

9. Disallowance due to excess Distribution Loss

9.1 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”

9.2 The following Table 4 provides the comparison of approved and actual distribution loss and disallowance due to excess distribution loss:



Table 4: Disallowance of FAC due to excess Distribution Loss

Sr. No.	Particulars	Units	Approved in Tariff Order	April, 2023	May, 2023	June, 2023	July, 2023	Aug, 2023	Sept, 2023
1	Net Energy input at Distribution Voltages	MU	2.61	2.25	2.65	2.43	2.16	2.19	2.45
2	Energy sales at Distribution voltages	MU	2.50	2.11	2.28	2.27	2.02	2.05	1.96
3	Distribution Loss (1 - 2)	MU	0.10	0.14	0.37	0.16	0.14	0.14	0.48
4	Distribution Loss as % (3/1)	%	4.00%	6.36%	14.01%	6.51%	6.31%	6.56%	19.79%
5	Annual Sliding Distribution Loss	%		7.54%	8.26%	8.15%	8.06%	8.00%	9.18%
6	Excess Distribution Loss = [Actual Distribution Loss (4) - Distribution loss approved] x Net Energy Input (1)	MU	-	0.08	0.11	0.10	0.09	0.09	0.13
7	Disallowance of FAC due to excess Distribution Loss	Rs. Crore	-	0.006	0.001	0.001	-	-	-

- 9.3 As seen from the above Table 4, standalone distribution loss for the months of April 2023 to September 2023 is 6.36%, 14.01%, 6.51%, 6.31%, 6.56% and 19.79%, respectively, which is higher than the approved distribution loss of 4.00%.
- 9.4 In response to query raised by the Commission in respect of higher standalone distribution loss for the month from April 2023 to September 2023, EON - II submitted that due to load on transformer is at the lower side (only 20% loading factor) because most off the offices are working on hybrid mode and current distribution losses are technical in nature and losses are calculated at actuals. Also, it has noted discrepancies in actual drawl in the DSM invoice raised by MSLDC from the month of May 2023 and September 2023. EON - II highlighted the said discrepancies to MSLDC through various correspondence and requested to issue the revised invoice. The Commission has observed that there is major difference between actual drawl claimed by EON - II and actual drawl as per MSLDC DSM invoice. The said difference in actual drawl also reciprocated in the computation of standalone distribution losses for the month of May-2023 and September 2023. Considering the effort taken by EON - II, the Commission has considered the EON - II higher standalone distribution in the month of May 2023 and September 2023 and directs EON - II to submit the revised calculation of standalone distribution losses post receipt of revised DSM invoices from MSLDC.
- 9.5 Also, the annual sliding distribution loss for the month from April 2023 to September 2023 is 7.54%, 8.26%, 8.15%, 8.06%, 8.00%, & 9.18%, respectively against the approved distribution loss of 4.00%. Since the distribution loss is positive and higher than the approved distribution loss, the Commission has worked out disallowance on account of excess Distribution loss of Rs. 0.006 Crore, Rs. 0.001 Crore and Rs. 0.001 Crore for the month of April, 2023, May,2023 and June, 2023, respectively. Since, the month wise annual sliding loss are higher than the approved distribution loss and also considering that



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the FAC for the relevant month is positive, the Commission has considered disallowance of FAC due to excess distribution loss, for the purpose of calculation of FAC amount.

9.6 Further, as the FAC is negative for the month of August 2023 and September 2023 respectively, no disallowance of FAC due to excess distribution loss has been considered.

10. Summary of Allowable Z_{FAC}

10.1 The summary of the FAC amount as approved by the Commission for the month from April 2023 to September 2023 as shown in the Table 5 below.

Table 5: Summary of Allowable Z_{FAC}

S. No.	Particulars	Units	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
1.0	Calculation of Z_{FAC}							
1.1	Change in cost of generation and power purchase attributable to Sales within the License Area (F)	Rs. Crore	0.146	0.023	0.014	(0.066)	(0.157)	(0.208)
1.2	Carrying cost for over-recovery/under-recovery (C)	Rs. Crore	-	-	-	-	-	-
1.3	Adjustment factor for over-recovery/under-recovery (B)	Rs. Crore	-	0.140	0.155	0.161	0.092	-
1.4	Z_{FAC} = F+C+B	Rs. Crore	0.146	0.163	0.169	0.096	(0.065)	(0.208)
2.0	Calculation of per Unit FAC							
2.1	Energy Sales within the License Area	MU	2.108	2.282	2.269	2.021	2.048	1.964
2.2	Excess Distribution Loss	MU	0.080	0.113	0.101	0.088	-	-
2.3	Z _{FAC} per kWh *	Rs./kWh	0.691	0.716	0.745	0.475	(0.318)	(1.060)
2.4	Z _{FAC} Charged per kWh							
2.5	Cap at 20% of variable component of tariff	Rs./kWh	1.179	1.179	1.179	1.179	1.179	1.179
2.6	FAC Charge allowable (Minimum of 2.3 and 2.4)	Rs./kWh	0.691	0.716	0.745	0.475	(0.318)	(1.060)
3.0	Allowable FAC							
3.1	FAC disallowed corresponding to excess Distribution Loss [(2.2 x 2.3)/10]	Rs. Crore	0.006	0.008	0.008	0.004	-	-
3.2	FAC allowable [1.4-3.1]	Rs. Crore	0.140	0.155	0.161	0.092	(0.065)	(0.208)
4.0	Utilization of FAC Fund							
4.1	Opening Balance of FAC Fund	Rs. Crore	-	-	-	-	-	(0.065)
4.1a	Holding Cost on FAC Fund	Rs. Crore	-	-	-	-	-	-
4.1b	Net Opening Balance of FAC Fund	Rs. Crore	-	-	-	-	-	(0.065)
4.2	Z _{FAC} for the month (Sr. N. 3.2)	Rs. Crore	0.140	0.155	0.161	0.092	(0.065)	(0.208)
4.3	Closing Balance of FAC	Rs. Crore	-	-	-	-	(0.065)	(0.273)



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S. No.	Particulars	Units	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
	Fund							
4.4	ZFAC leviable/refundable to consumer	Rs. Crore	0.140	0.155	0.161	0.092	-	-
5.0	Total FAC based on category wise and slab wise allowed to be recovered	Rs. Crore	-	-	-	-	-	-
6.0	Carried forward FAC for recovery during future period (4.4-5.0)	Rs. Crore	0.140	0.155	0.161	0.092	-	-

- 10.2 It can be seen from the above Table 5 that the standalone FAC for the month of April 2023 to September, 2023 is Rs. 0.146 Crore, Rs. 0.023 Crore, Rs. 0.014 Crore, Rs. (0.066) Crore, Rs. (0.157) Crore and Rs. (0.208) Crore, respectively.
- 10.3 Since there is considerable delay from EON - II for FAC submission of Quarter 1 (April 2023 to June 2023) and Q2 (July 2023 to September 2023), the Commission has not considered the carrying / holding cost to be passed on to the consumers.
- 10.4 Based on energy sales and excess distribution loss, FAC per unit has been worked out as Rs. 0.691/kWh, Rs. 0.716/kWh, Rs. 0.745/kWh, Rs. 0.475/kWh, Rs. (0.318)/kWh and Rs. (1.060)/kWh for the months of April 2023 to September, 2023 respectively as shown above.
- 10.5 Since the total FAC is negative, it shall be accumulated in the FAC Stabilisation fund as stipulated in the MTR Order dated 31 March, 2023 in Case No. 236 of 2022 and as specified in para 2.3 of this approval.
- 10.6 Accordingly, the Commission allows Rs. 0.140 Crore, Rs. 0.155 Crore, Rs. 0.161 Crore, Rs. 0.092 Crore, Rs. (0.065) Crore and Rs. (0.208) Crore as closing balance for the month of April 2023 to September, 2023 respectively in FAC stabilisation fund. Accordingly, there is no FAC leviable on the consumers as on September 2023 and the said amount will be accumulated in the FAC Stabilisation fund.

11. Recovery from Consumers:

- 11.1 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: —

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

Where:

$Z_{FAC \text{ Cat}}$ = Z_{FAC} component for a particular Tariff category/sub-category/consumption slab in 'Rupees per kWh' terms;



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$k = \text{Average Billing Rate} / \text{ACOS};$

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...."

- 11.2 Accordingly, the Commission allows the cumulative FAC amount of Rs. (0.273) Crore till September 2023 to be accumulated as FAC Fund and shall be carried forward to the next billing cycle with holding cost.
- 11.3 The Commission in the MTR Order dated 31st March 2023 had held that negative FAC amount may be carried forward to the next FAC billing cycle with holding cost. Such carry forward of negative FAC shall be continued till next tariff determination process. Accordingly, the Commission allows the FAC amount of Rs. (0.273) Crore for the month of April, 2023 to September, 2023 to be considered as opening balance of FAC fund and shall be carried forward to the next billing cycle with holding cost.
- 11.4 **In view of the above, the per unit Z_{FAC} for the month till September 2023 to be levied on the consumers of EON-II in the billing month of March 2024 is Nil.**

