



महाराष्ट्र विद्युत नियामक आयोग

Maharashtra Electricity Regulatory Commission



Ref. No. MERC/FAC/2024-25/LBSCML/Q4/0413

Date: 12 July, 2024

Lakshmipati Balaji Supply Chain Management Limited

205 & 206 (part), 2nd Floor,
Ceejay House, F-block Shiv Sagar Estate,
Dr. Annie Besant Road, Worli
Mumbai, Maharashtra, 400018

Subject: Post-facto approval of Fuel Adjustment Charges (FAC) submissions of LBSCML for Q4 of FY 2023-24 i.e. (January, 2024 to March, 2024).

Reference:

1. LBSCML's FAC submission for Q4 of FY 2023-24 the month of January - March, 2024 vide email dated 7 June, 2024.
2. Data-gap raised by the Commission vide email dated 13 June, 2024
3. LBSCML response to data-gap vide its letter dated 14 June 2024

Sir,

Upon vetting the FAC calculations for the Q4 of FY 2023-24 i.e. for the months of January – March, 2024 as mentioned in the above reference, the Commission has accorded approval for FAC Amount of Rs. 0.026 Crore, Rs. 0.025, and Rs. 0.029 Crore for the respective months of January'2024, February'2024, and March'2024. However, the total amount of opening FAC Fund as on January'2024 of Rs (0.179) Crore and additional monthly recovery of 50 paise/kVAh allowed to be parked in separate FAC fund for each respective month, the resultant closing FAC Fund for January'2024, February'2024, and March'2024 is Rs. (0.169) Crore, Rs. (0.159) Crore, and Rs. (0.148) Crore respectively.

The said FAC Fund is being carried forward to next FAC billing cycle with holding cost as per the Order dated 31 March, 2023 in Case No 220 of 2022. Accordingly, the FAC chargeable to its consumers is as shown in the table below:

Month	January, 2024	February, 2024	March, 2024
Z _{FAC} allowed for recovery (Rs. Crore)	NIL	NIL	NIL

LBSCML 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.

Yours faithfully,



(Dr. Rajendra G. Ambekar)
Secretary, MERC

Encl: Annexure A: Detailed Vetting Report for the period of January to March 2024.

Page 1 of 15

Detailed Vetting Report

Date: 12 July, 2024

**POST-FACTO APPROVAL FOR FAC CHARGES FOR Q4 OF FY 2023-24
(MONTHS OF JANUARY, FEBRUARY AND MARCH, 2024)**

Subject: Post-facto approval of Fuel Adjustment Charges (FAC) submissions of LBSCML for Q4 of FY 2023-24 i.e. January – March, 2024.

Reference:

1. LBSCML's FAC submission for Q4 of FY 2023-24 the month of January – March, 2024 vide email dated 7 June, 2024.
2. Data-gap raised by the Commission vide email dated 13 June, 2024
3. LBSCML response to data-gap vide its letter dated 14 June 2024

1. FAC submission by LBSCML:

1.1 LBSCML has made FAC submissions for the Q4 of FY 2023-24 i.e. for the months of January – March, 2024 as referred above. Upon vetting the FAC calculations, taking cognizance of all the submissions furnished by LBSCML, the Commission has accorded monthly post-facto approval to LBSCML for FAC Amount of Rs. 0.026 Crore, Rs. 0.025, and Rs. 0.029 Crore for the respective months of January'2024, February'2024, and March'2024. However, the total amount of opening FAC Fund as on January'2024 and additional monthly recovery of 50 paise/kVAh of each respective month allowed to be parked in separate FAC fund, resultant closing FAC Fund for January'2024, February'2024, and March'2024 is Rs. (0.169) Crore, Rs. (0.159) Crore, and Rs. (0.148) Crore respectively. The approved FAC Fund shall be carried forward to next FAC billing cycle with holding cost as per the Order dated 31 March, 2022 in Case No 220 of 2022 (herein after referred to as "Tariff Order").

2. Background

- 2.1 On 31 March, 2023 the Commission has issued Tariff Order in respect of LBSCML (Case No. 220 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 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:

“5.9 Stabilising Variation in Consumer Bill on account of FAC

5.9.1 *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-*



Approval of FAC for Q4 of FY 2023-24 (January – March, 2024)

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:

.....”

5.9.2 *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.*

5.9.3 *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.*

5.9.4 *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.*

5.9.5 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 MYT Regulations, 2019, before levying FAC for the first month of the 4th Control Period, Distribution Licensee including SEZ is required to seek prior approval of the Commission. Accordingly, vide its email dated 29 May, 2023, LBSCML has filed FAC for the month of April, 2023 for prior approval which was approved by the Commission vide FAC Vetting Report dated 24 July 2023.
- 2.5 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, in past, LBSCML has filed FAC submissions for the months of May, 2023 and June, 2023 for post-facto approval against which the Commission has approved the FAC for May'23 and June'23 vide FAC Vetting Report dated 31 October 2023.
- 2.6 Further, in line with the above provisions, LBSCML vide its letter dated 30 November 2023, has filed FAC submissions for Q2 of FY 2023-24 i.e. for July – September 2023 and vide its letter dated 29 February 2024, has filed FAC submissions for Q3 of FY 2023-24 i.e., for October - December 2023, for post facto approval of the Commission. The Commission has scrutinized the submissions provided by LBSCML and has also verified the fuel and power purchase bills provided along with its submissions. Accordingly, the Commission accorded the post-facto approval for the aforesaid months from July-September 2023 vide its FAC Vetting Report dated 11 January, 2024 and from October-December, 2023 vide its FAC Vetting Report dated 14 March, 2024, respectively.
- 2.7 Pursuant to above, LBSCML vide its letter dated 7 June 2024, has filed FAC submissions for Quarter-4 of FY 2023-24 (January 2024 to March 2024), for post facto approval of the Commission. The Commission has scrutinized the submissions and prudently verified the input details such as power purchase bills, invoices submitted by LBSCML.



Approval of FAC for Q4 of FY 2023-24 (January – March, 2024)

3. Energy Sales of the Licensee

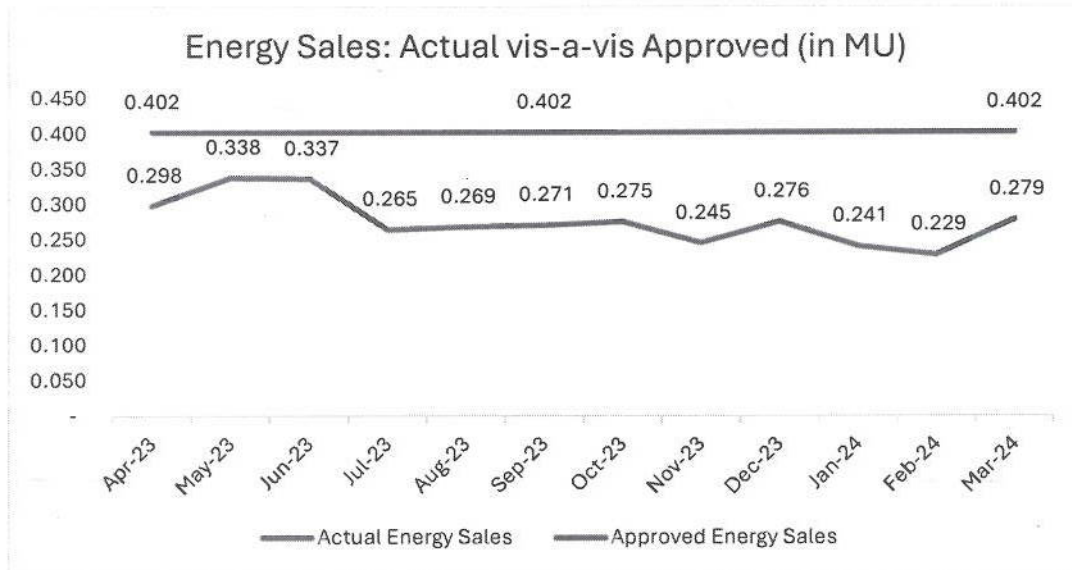
- 3.1 In the MTR Order passed by the Commission in Case No. 220 of 2022, the Commission has approved the tariffs so as to maintain Zero cross subsidy across tariff categories.
- 3.2 The net energy sales within Licence area as submitted by LBSCML in the FAC submission and as approved by the Commission 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 (January, 2024) (MU)	Actual Sales (February, 2024) (MU)	Actual Sales (March, 2024) (MU)
	(I)	(II=I/12)	(III)	IV	V
HT Category					
HT- I (A) Industrial	-	-	-	-	-
HT-II Commercial	2.790	0.233	0.068	0.067	0.092
LT Category					
LT II A – Commercial (0-20 kW)	0.171	0.014	0.022	0.022	0.025
LT II B – Commercial (20-50 kW)	0.872	0.073	0.077	0.066	0.076
LT II C – Commercial (above 50 kW)	0.967	0.081	0.069	0.069	0.080
LT V – Industry	0.024	0.002	0.005	0.005	0.005
Total	4.825	0.402	0.241	0.229	0.279

- 3.3 It can be observed from above Table 1 that the actual sales during the month January 2024 is 0.241 MU, for the month of February 2024 is 0.229 MU and for the month of March 2024, is 0.279 MU compared to the approved energy sales of 0.402 MU per month for the FY 2023-24.
- 3.4 This is to be noted that there has been a significant reduction in energy sales for the respective months compared to approved energy sales i.e., for January'2024 it is 39.98%, for February'2024 it is 43.07%, and for March'2024 it is 30.71%, less than monthly energy sales forecast approved by the Commission. It can be observed that the actual sales numbers are at major variation vis-à-vis approved energy sales in HT-II Commercial. The energy sales in HT-II Commercial have sharply reduced by 70.69% in January'2024, 71.37% in February'2024, and 60.36% in March'2024 as compared to approved energy sales forecast for same category. At the same time, the LT Category energy sales has increased by 2.13% for January 2024 and 9.95% for March 2024 respectively, and marginally decreased by (4.26) % for February'2024, against their respective approved monthly energy sales for the category.
- 3.5 The Commission has inquired regarding the reducing energy sales vis-à-vis approved energy sales over the period of April'2023 to March'2024 in its data-gap dated 13 June 2024. The Commission stated that energy sales over the period has constantly been reducing and skewed energy base will lead to increase the FAC burden on the end consumers, therefore LBSCML is required to provide justification on falling energy sales. The Commission asked LBSCML to explain for significant drop in energy sales in January'2024 to March'2024 compared to approved and actual energy sales of Q4 of FY 2023-24. The Commission also sought clarification from the LBSCML whether falling energy sales is resulting due to forecasting error or there has been shifting of consumers to open access regime.





3.6 LBSCML in their submission, has stated that monthly sales and power purchases fluctuation depends upon number of factors such as seasonal variation, consumer demand pattern, etc. Comparing monthly actuals with a constant value (annual approved nos./12) may not be an accurate comparison. Further, LBSCML confirms that the no consumers in its licensee area shifted to open access regime. The Commission expects the LBSCML to undertake the historical trend combined with futuristic load growth in cognizance while projecting the energy sales while filing the ARR petition for the next control period.

4. Power Purchase Details

- 4.1 **Power Procurement from Short Term Contracts:** LBSCML has envisaged procurement of its power requirement from short term power procurement sources for meeting its Base Load and Peak Load requirement during FY 2023-24 and FY 2024-25. LBSCML also envisaged procurement of additional power requirement through the Power Exchanges through available market products, as per contingency requirement.
- 4.2 The Commission in Order dated 6 February, 2023 in Case No. 8 of 2023 noted that Power Procurement rate discovered fulfils mandates and requirements for adoption as set out in Section 63 of the EA, 2003. Accordingly, the Commission adopted the Power Procurement rate of Rs. 5.20 per unit for supply of 1 MW power (0.5 MW Base Load RTC and 0.5 MW peak load from 9.00 to 23.00 Hrs except Sundays and Public holidays) for the period of 1 year from 1 February, 2023 to 31 January, 2024. The relevant extract from the tariff order is reproduced below:

4.5.6 The Commission in its Order dated 6 February 2023 in Case No 8 of 2023 has adopted the tariff discovered through Competitive Bidding route and approve the PPA for the period 1 February, 2023 to 31 January, 2024 at Rs 5.20/kWh. The Commission has accordingly considered the said rate recently discovered through competitive bidding route for short term power purchase for FY 2023-24 and FY 2024-25.

- 4.3 The Commission has accordingly considered the said rate discovered through competitive bidding route for short term power purchase for FY 2023-24. The power purchase approved



Approval of FAC for Q4 of FY 2023-24 (January – March, 2024)

for FY 2023-24 is Rs. 5.416/kWh in the said tariff order which includes the power procured from short term sources and procurement of Solar and Non-Solar REC's. The Commission has approved the Power Purchase considering all the sources of electricity supply opted by LBSCML, including the RPO compliance.

- 4.4 Further since the current PPA with M/s Manikaran Power Limited (MPL) has expired on 31st January 2024, it was required to enter the PPA for period beyond 31 January 2024. Considering the uncertainty in demand and the prevalent higher rates of power in the market, LBSCML has considered to continue with the power procurement for the short-term period under the competitive bidding route as per Section 63 of the Electricity Act, 2003 (EA, 2003) for 1 MW RTC (at LBSCML Periphery) for the one (1) year period from 1 February 2024 to 31 January 2025. The Commission vide its Order in Case No 227 and 228 of 2023 dated 01 February 2024, has adopted the Power Procurement tariff of Rs. 6.40 per unit for supply of 1 MW (RTC) power to LBSCML for the period of 01.02.2024 to 31.01.2025 by MPL.
- 4.5 Accordingly, LBSCML has procured power from MPL in the months of January' 2024 at the rate of Rs. 5.20/kWh and Rs 6.40 /kWh for February 2024 onwards, however, the additional procurement from Power exchange in the month of January'2024, February'2024, and March'2024 leads to the average power purchase cost of Rs. 6.410/kWh for January'24, Rs 6.458/kWh for February'24, and Rs. 6.392/kWh for March'24
- 4.6 Summary of power purchase of LBSCML is as under:

Sr. No.	Particular	Compliance
1	Purchase from Approved Sources	The Commission in its Order dated 6 February 2023 in Case No 8 of 2023 has adopted the tariff discovered through Competitive Bidding route and approve the PPA for the period 1 February, 2023 to 31 January, 2024 at Rs 5.20/kWh. Accordingly in the MTR Order dated 31 March, 2023 in Case No. 220 of 2022 has accordingly considered the said rate recently discovered through competitive bidding route for short term power purchase for FY 2024-25. The aforesaid PPA was due to expire on 31 January 2024, and considering demand uncertainty, the LBSCML resorted to organise a competitive bidding for procurement of energy under short term for period February 2024 onwards till March' 2025. The Commission in its Order dated 1 February 2024 in Case No 227 and 228 of 2023 has adopted the tariff discovered of Rs. 6.40/kWh and approved the PPA for the period of 1 February 2024 to 31 January 2025. In each month of January to March, 2024, LBSCML, fulfil its power purchase requirement from Manikaran Power Limited (MPL) and also resorted to purchase of 0.003 MU in January'2024 and 0.003 MU in March'2024 from the Power Exchange at an average power purchase cost of Rs 6.69/kWh, Rs 4.70/kWh for January'2024 and March 2024 respectively.
2	Merit Order Dispatch	LBSCML has only one source of power i.e., Manikaran Power Limited (MPL) which has been contracted on short term basis. LBSCML 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.



Approval of FAC for Q4 of FY 2023-24 (January – March, 2024)

Sr. No.	Particular	Compliance				
4	DSM Pool	Instead of relying upon the DSM pool for withdrawal of energy to meet real-time demand fluctuations, LBSCML has contributed to the DSM pool of 0.019 MU, 0.011 MU as surplus in the month of January and February 2024 and withdrawn 0.001 MU in the month of March 2024.				
5	Sale of Surplus Power	There was no sale of surplus power in the months of January to March 2024.				
6	Power Purchase	Actual Power Purchase for January to March, 2024 were 0.258 MU, 0.244 MU, and 0.295 MU respectively as against approved 0.425 MU due to lower energy sales				
7	Source wise Power Purchase	Source Name	Approved (MU)	Jan'2024 Actual (MU)	Feb'2024 Actual (MU)	March'2024 Actual (MU)
		Manikaran Power Limited	0.425	0.274	0.254	0.290
		Power exchange	-	0.003	-	0.003
		Others (Deviation Quantum)	-	(0.019)	(0.011)	0.001
		Total	0.425	0.258	0.244	0.295

- 4.7 The Commission has observed lesser offtake from the Manikaran Power Limited for the month of January 2024 and sought clarification from LBSCML. Accordingly, LBSCML vide its response dated 14 June 2024, submitted that it was due to contingent non-availability of Manikaran Power Limited, LBSCML has to procure power from power exchange during the month of January'2024 at rate of Rs 6.69/kWh. This is to be noted that the procurement from the power exchange was at higher rate than approved by the Commission. However, the Commission in its Order in Case No 227 and 228 of 2023 dated 1 February 2024 has also undertaken due-diligence on the average power purchase cost realisation from the Power Exchange and found it market reflective. Further, the average power purchase cost is higher compared to the approved power purchase cost for each month i.e., Rs. 6.410/kWh for January'24, Rs 6.458/kWh for February'24, and Rs. 6.392/kWh for March'24, due to Standing Clearance charges.
- 4.8 Also, LBSCML has contributed to DSM pool marginally by 0.019 MU, 0.011 MU as surplus, and withdrawn 0.001 MU for the respective months of January to March, 2024.

5. Power Purchase Cost:

- 5.1 The Commission has scrutinised the detailed bills/invoices submitted for power purchase during the month of January to March, 2024, in order to verify the claim of LBSCML 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 MTR Order.
- 5.2 The Power Purchase cost incurred in January to March, 2024 are Rs. 0.165 Crore, Rs. 0.157 Crore, and Rs. 0.188 Crore respectively, which is significantly lower than the approved Power Purchase cost of Rs. 0.230 Crore by the Commission for the FY 2023-24 due to lower sales than anticipated and approved in the MTR Order.
- 5.3 **Manikaran Power Limited:** The PPA with MPL for 1 MW Power is for the period 1



Approval of FAC for Q4 of FY 2023-24 (January – March, 2024)

February, 2023 to 31 January, 2024 at the rate of Rs 5.20/kWh. Since the current PPA with M/s Manikaran Power Limited has expired on 31st January 2024, it was required to enter into the PPA for period beyond 31 January 2024. Considering the uncertainty in demand and the prevalent higher rates of power in the market, LBSCML has considered it prudent to continue with the power procurement for the short-term period under the competitive bidding route as per Section 63 of the Electricity Act, 2003 (EA, 2003) for 1 MW RTC (at LBSCML Periphery) for the one (1) year period from 1 February 2024 to 31 January 2025. The Commission vide its Order in Case No 227 and 228 of 2023 dated 01 February 2024, has adopted the Power Procurement tariff of Rs. 6.40 per unit for supply of 1 MW (RTC) power to LBSCML for the period of 01.02.2024 to 31.01.2025 by MPL. The Commission observed that Rs. 7500/- is included in the power purchase cost against the Standing Clearance Charges (SLDC Invoice). The Commission w. r. t. daily scheduling fee of Rs 2250/day has already been directed to be borne by the MPL and thus the same has not been considered while evaluating the FAC for January to March, 2024 as well.

- 5.4 **Power Procurement from Exchange:** In each month of January to March, 2024, LBSCML, fulfil its power purchase requirement from Manikaran Power Limited (MPL) and also resorted to purchase 0.003 MU in January'2024 and 0.003 MU in March'2024 from the Power Exchange at an average power purchase cost of Rs 6.69/kWh and Rs 4.70/kWh for January'2024 and March 2024 respectively. The Commission has inquired for the reason of such procurement inspite of having a short-term supply in place, in response, LBSCML has submitted that the same resulted due to contingency situation of short supply from MPL. The Commission has approved Power procurement of Rs. 6.40/kWh from short term source in Case No. 227 and 228 of 2023.
- 5.5 **Renewable Sources:** In the MTR Petition in Case No. 220 of 2022, considering the small quantum of RE power required, LBSCML had proposed to purchase RECs from the Power Exchanges in FY 2023-24 to meet the RPO compliance requirements. Also, the Commission has considered REC purchase at Rs 1/kWh to meet the RPO Obligation for FY 2023-24. The amount of Rs. 0.01 Crore per month is allowed to LBSCML for purchase of RECs, whereby LBSCML has purchased the RECs amounting Rs 0.03 Crore in the month of January'2024 only. LBSCML has purchased REC in accordance with 7.6 Regulations of MERC (Renewable Purchase Obligation, its Compliance and Implementation of Renewable Energy Certificate Framework) Regulations, 2019, reproduced as below:

7.6 An Obligated Entity may meet its RPO target by way of its own generation or procurement of power from another RE Project or by purchase from a Licensee or by purchase of RECs or by a combination of these options:

Accordingly, LBSCML has purchased 770 Non-Solar REC at Rs. 0.39/kWh in January 2024. The said rates are inclusive of exchange fees and taxes. The Commission has verified the said purchase from the invoice submitted by LBSCML and accordingly considered the said purchase of REC:

- 5.6 **Deviation Quantum and Cost:** It is seen that LBSCML has contributed to DSM pool marginally of 0.019 MU, 0.011 MU as surplus, and withdrawn 0.001 MU for the respective months of January to March, 2024. The realisation tariff from DSM Rs. 5.26 /kWh and Rs 5.78/kWh for the month of January and February 2024 and the DSM cost was Rs. 2.81/kWh

Approval of FAC for Q4 of FY 2023-24 (January – March, 2024)

for the month of March 2024. The said surplus energy sales contributed towards DSM pool and withdrawn from DSM pool is on account of real time demand of consumers as against the estimation by the Distribution Licensee. The Commission has noted that LBSCML has followed Merit Order Dispatch for scheduling of power and all sources are scheduled according to SLDC instructions.

5.7 **Approved Cost:** The details of the overall cost approved and actual for the month of January, February, and March, 2024 as per MTR Order is as shown in the Table 2 below:

Table 2: Approved Actual Power Purchase cost for LBSCML for Jan-March 2024

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
Manikaran Power Limited /Short term Power Purchase	Approved	0.425	-	-	0.221	5.200	0.221	5.200
	Jan'2024	0.274			0.142	5.200	0.142	5.200
	Approved	0.425			0.230	6.400*	0.230	6.400
	Feb'2024	0.254			0.163	6.400	0.163	6.400
	Mar'2024	0.290			0.186	6.400	0.186	6.400
Power Exchange	Approved		-	-	-	-	-	-
	Jan'2024	0.003	-	-	0.002	6.690	0.002	6.690
	Feb'2024	-	-	-	-	-	-	-
	Mar'2024	0.003	-	-	0.002	4.700	0.002	4.700
Solar & Non-Solar REC	Approved		0.009	-	-	-	0.009	-
	Jan'2024	0.030	0.030	-	-	-	0.030	-
	Feb'2024	-	-	-	-	-	-	-
	Mar'2024	-	-	-	-	-	-	-
Deviation Quantum	Approved		-	-	-	-	-	-
	Jan'2024	-0.019	-	-	-0.010	5.260	-0.001	5.260
	Feb'2024	-0.011	-	-	-0.006	5.780	-0.006	5.780
	Mar'2024	0.001	-	-	0.0003	2.810	0.0003	2.810
SLDC Fees	Approved		-	-	-	-	-	-
	Jan'2024		0.001				0.001	
	Feb'2024		0.001				0.001	
	Mar'2024		0.001				0.001	
Total	Approved	0.425	0.009	-	0.230	5.416	0.230	5.416
	Jan'2024	0.258	0.031	-	0.134	5.215	0.165	6.410
	Feb'2024	0.244	0.001	-	0.157	6.427	0.157	6.458
	Mar'2024	0.295	0.001	-	0.188	6.366	0.188	6.392

*- Approved as per Case No 227 and 228 of 2023 dated 01 February 2024

5.8 Considering the above, the Commission allows the average power purchase cost of Rs.6.410/kWh, Rs.6.458/kWh, and Rs.6.392/kWh for the respective months of January'2024 to March'2024 as shown in Table 2 above. The Commission vide its MTR Order dated 31 March, 2023 in Case No. 220 of 2022, has approved the Average Power Purchase Cost as Rs.5.416/kWh for the FY 2024-25. The Commission notes that the average power purchase cost is higher than approved primarily because of higher tariff purchase from Power exchange to meet the contingency requirement for the month of Jan'2024 and higher power purchase cost approved by the Commission for the month of February 2024

Approval of FAC for Q4 of FY 2023-24 (January – March, 2024)

and March'2024.

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 January to March 2024 as shown in below Table 3. 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. 220 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 of January to March 2024.

Table 3: FAC on account of Power Purchase Cost

Sr. No.	Particulars	Units	Jan'24	Feb'24	Mar'24
1	Average power purchase cost approved by the Commission	Rs. /kWh	5.416	5.416	5.416
2	Actual average power purchase cost	Rs. /kWh	6.410	6.458	6.392
3	Change in average power purchase cost (=2 -1)	Rs. /kWh	0.994	1.042	0.976
4	Net Power Purchase	MU	0.258	0.244	0.295
5	Change in power purchase cost (=3 x 4/10)	Rs. Crore	0.026	0.025	0.029

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 to March 2024 respectively as the Commission has approved NIL FAC till December 2023.

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 of January to March 2024 respectively.

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:



Approval of FAC for Q4 of FY 2023-24 (January – March, 2024)

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	Jan'24	Feb'24	Mar'24
1	Net Energy input at Distribution Voltages	MU	0.411	0.249	0.236	0.286
2	Energy sales at Distribution voltages	MU	0.402	0.241	0.229	0.279
3	Distribution Loss (1 - 2)	MU	0.009	0.008	0.007	0.007
4	Distribution Loss as % (3/1)	%	2.26 %	3.26%	3.00%	2.44%
5	Annual Sliding Distribution Loss	%		1.30%	1.57%	1.84%
6	Excess Distribution Loss = [Actual Distribution Loss (5) - Distribution loss approved] x Net Energy Input (1)	MU	-	-	-	-
7	Disallowance of FAC due to excess Distribution Loss	Rs. Crore		-	-	-

9.3 As seen from the above Table 4, distribution loss for the months of January'24, February'24 and March'24 are 3.26%, 3.00%, and 2.44% respectively, which is higher than the approved distribution loss of 2.26 %. The Commission has inquired for rising distribution losses, whereby LBSCML submitted that the losses approved by the Hon'ble Commission in the Order were based on the assumption of network related losses of 2% and transformer loss of 0.26%, however, losses now being recorded are based on actual meter readings which also includes all the consumption points for which meters were installed in June 2023 as directed by the Hon'ble Commission and accordingly requested to approve the same. Even though the sliding loss is less than the distribution loss approved by the Commission, however, the Commission wish to highlight LBSCML to remain watchful to control the distribution losses to ensure that the additional power purchase cost corresponding to such losses may not burden the end consumers. The Commission take cognizance of the submissions made by the LBSCML and accordingly allows the same.

9.4 Also, the annual sliding distribution loss for the month of January'24, February'2024, and March'2024 are 1.30%, 1.57%, and 1.84% respectively against the approved distribution loss of 2.26%. Since the sliding distribution loss are lower than the approved distribution loss, the Commission has not worked out any disallowance on account of excess Distribution loss.



Approval of FAC for Q4 of FY 2023-24 (January – March, 2024)

10. Holding Cost for FAC fund

10.1 The Commission in its FAC approval for the month of October'2023 to December'2023 vide FAC Vetting Report dated 11th January 2024 has allowed to accumulate the negative FAC amount of Rs. 0.179 Crore in FAC stabilisation fund as on December'2023.

10.2 Accordingly, as per the principle laid down by the Commission, LBSCML has carried forward the negative FAC amount and accumulated the same in the FAC fund along with the holding cost.

10.3 The same has been allowed by the Commission and for calculation of the Holding Cost, it has considered SBI MCLR rate of the respective month plus 150 basis points works out as herein below:

SBI MCLR	Effective date	Normative basis spread	Effective Holding cost interest
8.65%	15-12-2023	1.50%	10.15%
8.65%	15-01-2024	1.50%	10.15%
8.65%	15-02-2024	1.50%	10.15%

11. Summary of Allowable Z_{FAC}

11.1 The summary of the FAC amount as approved by the Commission for the month of January 2024 to March'2024 as shown in the Table 5 below.

Table 5: Summary of Allowable Z_{FAC}

Sr. No.	Particulars	Units	Jan'24	Feb'24	Mar'24
1	Calculation of Z_{FAC}				
1.1	Change in cost of generation and power purchase attributable to Sales within the License Area (F)	Rs Cr	0.026	0.025	0.029
1.2	Carrying cost for over-recovery/under-recovery (C)	Rs Cr	0.000	0.000	0.000
1.3	Adjustment factor for over-recovery/under-recovery (B)	Rs Cr	0.000	0.000	0.000
1.4	Z_{FAC} = F+C+B	Rs Cr	0.026	0.025	0.029
2	Calculation of Per Unit FAC				
2.1	Energy Sales within the License Area	MU	0.241	0.229	0.279
2.2	Excess Distribution Loss	MU	0.000	0.000	0.000
2.3	Z _{FAC} per kWh [(1.4/2.1) *10]	Rs. /kWh	1.061	1.110	1.033
3	Allowable FAC				
3.1	FAC disallowed corresponding to excess Distribution Loss [(2.2 x 2.3)/10]	Rs Cr	0.000	0.000	0.000
3.2	FAC allowable [1.4-3.1]	Rs Cr	0.026	0.025	0.029
4	Utilization of FAC Fund				
4.1	Opening Balance of FAC Fund	Rs Cr	(0.179)	(0.169)	(0.159)
4.2	Holding Cost on FAC Fund	Rs Cr	(0.001)	(0.001)	(0.001)
4.3	Z _{FAC} for the month (Sr. N. 3.2)	Rs Cr	0.026	0.025	0.029
4.4	Additional recovery & Rs. 0.50/kVAh	Rs Cr	(0.015)	(0.014)	(0.017)
4.5	Closing Balance of FAC Fund	Rs Cr	(0.169)	(0.159)	(0.148)
4.6	Z _{FAC} leviable/refundable to consumers	Rs Cr			-



Approval of FAC for Q4 of FY 2023-24 (January – March, 2024)

Sr. No.	Particulars	Units	Jan'24	Feb'24	Mar'24
5	Total FAC based on category wise and slab wise allowed to be recovered in the billing month of June, 2023	Rs Cr	-	-	-
6	Carried forward FAC for recovery during future period (4.4-5.0)	Rs Cr	-	-	-

- 11.2 It can be seen from the above Table 5 that standalone FAC for January'2024, February'2024, and March'2024 are Rs 0.026 Crore, Rs 0.025 Crore, and Rs 0.029 Crore, respectively.
- 11.3 Further, in the MTR Order in Case No. 220 of 2022, LBSCML was also directed to park the additional recovery Rs. 0.50/ kVAh allowed by the Commission and subsumed in the energy charges, to be parked in the separate FAC fund and to be utilized to offset any additional power purchase cost over and above allowed to be recovered as part of FAC mechanism so as to avoid tariff shock to consumers in future. Thus, the standalone FAC for the month of January 2024 to March 2024, including the additional recovery of Rs. 0.50/kVAh, resulted into negative FAC. Considering the actual power purchase cost is higher than the approved power purchase cost for the month of January 2024 to March 2024, due to recovery of additional Re. 0.50/kVAh, the resultant FAC has become negative.
- 11.4 Since the total effective 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. 220 of 2022 and as specified in para 2.3 of this approval.
- 11.5 As the FAC computed in the month of Jan'2024 to March'2024 are as shown in Table 5 above are negative, the same gets added into the opening FAC fund of the respective month. The said amount will be accumulated in the FAC Stabilisation fund. Accordingly, the Commission allows Rs. (0.169) Crore, Rs (0.159) Crore and Rs (0.148) Crore as closing balance for the month of January'2024, February'2024, and March'2024, in FAC stabilisation fund. Accordingly, there is no FAC leviable on the consumers for the month of January'2024 to March'2024, respectively.

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;



Approval of FAC for Q4 of FY 2023-24 (January – March, 2024)

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

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....”

- 12.2 The Commission has invoked power of removing difficulties under MYT Regulations 2019 and has suggested changes in computation of FAC under para 5.9.4 of MTR Order in Case No. 220 of 2022 and as specified in para 2.3 of this approval.
- 12.3 Since the FAC is negative, there is no recovery allowed from the consumers. Therefore, the negative FAC amount is to be carried forward to FAC Stabilisation Fund for the months of Jan'2024 to March'2024.
- 12.4 The Commission in its approval for the month of October to December 2023 has directed LBSCML to carry forward the approved FAC amount of Rs. (0.179) Crore for the month of December 2023, to be accumulated as FAC Fund and to be carried forward to the next billing cycle with holding cost. The opening balance of FAC fund along with holding cost is Rs. (0.180) Crore.
- 12.5 Accordingly, considering the approved standalone FAC for January'2024, February'2024, and March'2024 as Rs 0.026 Crore, Rs 0.025 Crore, and Rs 0.029 Crore, respectively, opening balance FAC Fund of the respective month and recovery of additional Rs. 0.50/kVAh, the Commission allows the total amount of Rs. (0.169) Crore, Rs (0.159) Crore and Rs (0.148) Crore as closing balance for the month of January'2024, February'2024, and March'2024 respectively to be accumulated as FAC Fund and shall be carried forward to the next billing cycle with holding cost.

