

**BEFORE THE HARYANA ELECTRICITY REGULATORY COMMISSION AT
PANCHKULA**

HERC/Petition No. 5 of 2025 and Petition No. 6 of 2025 AND IA No. 5 of 2025 and IA No. 8 of 2025		
Date of Hearing	:	02.06.2025
Date of Order	:	10.06.2025

In the Matter of

Petition under the Regulation 78, 79 and 81 read with Regulation 66.1(3) of the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2019 ('MYT Regulations, 2019') read with Regulation 23 and 71 of the Haryana Electricity Regulatory Commission (Conduct of Business) Regulations, 2019 invoking removal of difficulty/ relaxation of Regulation 66 of MYT Regulations, 2019 seeking exemption from charging of FPPAS on monthly basis.

Petitioner(s)

Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL)
Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL)

Present on behalf of the Petitioner(s)

1. Ms. Sonia Madan, Advocate, UHBVNL and DHBVNL
2. Sh. Lovepreet Singh, Advocate
3. Sh. Anish Kumar, XEN/RA, DHBVNL
4. Sh. Kusum Rohilla, SDO/RA, DHBVNL
5. Sh. Hritik Rawat, Consultant, DHBVNL

Quorum

**Shri Nand Lal Sharma
Shri Mukesh Garg**

**Chairman
Member**

ORDER

Brief background of the case

1. The present petition (s) have been filed by Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) invoking removal of difficulty/ relaxation of Regulation 66 of MYT Regulations, 2019 seeking exemption from charging of FPPAS on monthly basis.
2. The petitioner (s) have submitted as under:-
 - 2.1 That the Hon'ble Commission in exercise to the power conferred on it by Section 14 and Section 16 of the Electricity Act, 2003 read with the Section 26(5) of the Haryana Electricity Reforms Act, 1997 has notified the HERC (Conditions of License

for Distribution and Retail Supply Business) Regulations, 2004 and granted License No. 1 of 2004 to the Uttar Haryana Bijli Vitran Nigam Limited.

- 2.2 That Section 62 of the Electricity Act, 2003 specifies the provisions for charging of fuel power purchase adjustment surcharge. The relevant extract of the Section 62 of Electricity Act 2003 is reproduced below:

“Section 62. (Determination of tariff): ---

...

(4) No tariff or part of any tariff may ordinarily be amended, more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified.

...”

- 2.3 That the Hon'ble Commission in exercise to the power conferred on it by Section 61, 62, 86 and 181 of the Electricity Act, 2003, notified the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2019, on 31.10.2019 (hereinafter referred to as HERC MYT Regulation 2019). The same was amended vide notification Regulation No. HERC/ 46/2019/1st Amendment/2019 on 25.11.2019, Regulation No. HERC/46/2019/2nd Amendment/2022 on 31.01.2022 and Regulation No. HERC/46/2019/3rd Amendment/2023 on 12.04.2023, subsequently.

- 2.4 That the Third Amendment to the HERC MYT Regulation, 2019, has revised the methodology for assessment of Fuel and Power Purchase Adjustment Surcharge (FPPAS). The amendment to the provisions of Regulation 66 of the HERC MYT Regulations, 2019, mandates for automatic recovery of FPPAS on monthly basis. In case, if Petitioner(s) fails to compute and levy of FPPAS within the specified time line, the right to recovery of FPPAS shall get fortified, even during the true-up of FPPAS as well. The relevant regulation reads as under –

“As per the amended Regulation 66, FPPAS shall be calculated and billed to consumers, automatically, without going through the regulatory approval process, on a monthly basis, according to the formula prescribed in the HERC MYT Regulations 2019 and its amendment thereof, subject to true up, on an annual basis, as may be decided by the Commission.”

- 2.5 That Regulation 66 (Fuel and Power Purchase Cost Surcharge Adjustment) of the HERC MYT Regulations 2019 specifies the provisions for assessment and charging of Fuel Surcharge Adjustment (FSA) on account of increase in power purchase cost against the approved amount. The regulation provides that the FSA shall be recovered on quarterly basis and unrecovered FSA shall be allowed to be recovered

as annual adjustment amount in the quarterly recovery of FSA in the next financial year. The relevant excerpts of the aforesaid regulation are reproduced below:

“66 FUEL AND POWER PURCHASE COST SURCHARGE ADJUSTMENT (FSA)

66.1 The distribution licensees shall recover FSA amount on account of increase in fuel and power purchase costs from the consumers on a quarterly basis so as to ensure that FSA accrued in a quarter is recovered in the following quarter without going through the regulatory process i.e. FSA for the quarter “July to September” is recovered in the following quarter “October to December”.

66.2 FSA shall be calculated only in respect of approved power purchase volume including short term power purchase cost, if any, for the relevant year from all approved sources. Drawl of power under UI mechanism, if any, shall be allowed only when it is not in violation of grid discipline and shall be subject to a price cap of average revenue realization from all consumer categories for that year.

Average revenue realization = (Total revenue assessed for electricity supply in Rs + Government Subsidy in Rs) / Total sales in Units.

66.3 For the purpose of recovery of FSA, power purchase cost shall include all invoices raised by the approved suppliers of power and credits received by the distribution licensees during the quarter irrespective of the period to which these pertain for any change in cost in accordance with tariff approved by any regulator/ government agency mentioned in Regulation 59.4. This shall include arrears/refunds, if any, not settled earlier. In case data of the last month in a quarter is not available for calculating FSA to be levied in the following quarter, the licensee shall use an estimate based on available data of the first two months of the quarter. On availability of the actual figures, the difference on this account shall form part of FSA of the subsequent quarter. If the actual data for any quarter is not made available by the licensee before the end of the following quarter for this adjustment, the FSA finally allowed for that quarter based on actual figures supplied after the prescribed date shall be limited to the earlier estimated amount or the amount based on the actual figures, whichever is lower.

...

66.7 For moderation purposes, the recovery of per unit FSA shall be limited to 15% of the approved per unit ‘average power purchase cost’ or such other ceiling as may be stipulated by the Commission from time to time. For calculating FSA, variations in quarterly purchase volume from an approved source are allowed subject to an overall ceiling of annual approved volume from that source. In case a portion of the FSA for any quarter is not recovered due to the ceiling of 15%, the under recovered amount shall be added to the FSA for the next quarter.

....

66.11 The licensee shall ensure that the Actual/ estimated FSA arising in a quarter is recovered in the following quarter. In case the licensee does not ensure levy of FSA based on the methodology given herein, the licensee shall have no claim to recover the FSA from the consumers in any manner in any subsequent period except in accordance with Regulation 66(3) and 66(7). The unrecovered FSA for the previous financial year, details of which are supplied to the Commission by the distribution licensee, may either form part of power purchase cost for the next financial year or may be allowed to be recovered as annual adjustment amount in the quarterly recovery of FSA in the next financial year as the Commission may decide....”

(Emphasis Supplied)

- 2.6 That the Hon’ble Commission, in view of the Electricity (Amendment) Rules, 2022, published by Ministry of Power (MoP) in the Gazette on India vide notification number G.S.R 911(E) dated 29.12.2022 issued third amendment to the HERC MYT Regulations, 2019, on 12.04.2023. The provisions for determination and levying of Fuel and Power Purchase Adjustment Surcharge (FPPAS) under Regulation 66 of HERC MYT Regulations, 2019, were amended as under –

“66. *Fuel and Power Purchase Adjustment Methodology*

1. *Computation of fuel and power purchase adjustment surcharge:*

(1) “*Fuel and Power Purchase Adjustment Surcharge*” (FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the Commission.

(2) *Fuel and power purchase adjustment surcharge shall be calculated and billed to consumers, automatically, without going through regulatory approval process, on a monthly basis, according to the formula, prescribed in these regulations, subject to true up, on an annual basis, as may be decided by the Commission: Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these rules.*

(3) *Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and Interstate Transmission Charges for the power procured during the nth month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year: Provided that in case the distribution licensee fails*

to compute and charge fuel and power purchase adjustment surcharge (FPPAS) within this time line, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to recover the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.

(4) The distribution licensee may decide, fuel and power purchase adjustment surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to the consumers, but the carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total fuel and power purchase adjustment surcharge for a billing month, including any carry forward of fuel and power purchase adjustment surcharge over the previous month exceeds twenty per cent of variable component of approved tariff.

(5) The power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surcharge followed by the subsequent month.

(6) In case of carry forward of fuel and power purchase adjustment surcharge, the carrying cost at the rate of State Bank of India Marginal cost of Funds-based lending Rate plus one hundred and fifty basis points shall be allowed till the same is recovered through tariff and this carrying cost shall be trued up in the year under consideration.

(7) Depending upon quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that,

(i) If fuel and power purchase adjustment surcharge $\leq 5\%$, 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee shall be levied automatically using the formula.

(ii) If fuel and power purchase adjustment surcharge $> 5\%$, 95% fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the State Commission during true up.

(8) The distribution licensees shall file a petition seeking true up of the fuel and power purchase for the year under consideration by 31st May of the next financial year. The Commission shall true up the same by 30th June, after applying the necessary prudence checks.

(9) In case of excess revenue recovered for the year against the fuel and power purchase adjustment surcharge, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the

carrying cost rate approved by the Commission and the under recovery of fuel and power purchase adjustment surcharge shall be allowed during true up, to be billed along with the automatic Fuel and Power Purchase Adjustment Surcharge amount.

Explanation: - For example in the month of July, the automatic pass through component for the power supplied in May and additional Fuel and Power Purchase Adjustment Surcharge, if any, recoverable after true up for the month of April in the previous financial year, shall be billed.

(10) The distribution licensee shall submit details of the variation between expenses incurred and the fuel and power purchase adjustment surcharge recovered, and the detailed computations and supporting documents, along with the true up petition.

(i) "Fuel and Power Purchase Adjustment Surcharge" (FPPAS) shall be calculated only in respect of approved source wise power purchase quantum including short term power, if any, for the relevant year. The discoms may resort to drawl of short-term power on TAM, DAM, RTM etc. to meet day to day exigencies provided no other cheaper source of power is available.

(ii) For the purpose of recovery of FPPAS, power purchase cost shall include all invoices raised by the approved suppliers of power and credit received by the distribution licensees during the year irrespective of the period to which these pertain for any change in cost in accordance with tariff approved by the Commission. This shall include arrears/refunds, if any, not settled earlier.

(iii) In case of negative FPPAS, the credit shall be given to the consumers by setting off the minus figure against the positive figure of FPPAS being charged from the consumers. In other words, credit of FPPAS shall be given only against FPPAS being charged so that the base tariff determined by the Commission remains unchanged.

(iv) The allowed percentage of transmission and distribution losses for the relevant year allowed by the Commission in the ARR shall only be considered for working out FPPAS.

(v) Per unit rate of FPPAS (paisa/kWh/kVAh) shall be worked out after rounding off to the nearest paisa.

(vi) The distribution licensee shall submit details relating to FPPAS recovery to the Commission for each year in the following format: -

(i)	Approved power purchase volume from approved sources (MU)
(ii)	Approved power purchase cost (Rs. million)
(iii)	Actual power purchase volume (MU)
(iv)	Power purchased (MU) from sources not covered under Regulation 66.2

	<i>giving source wise details and in case of UI the frequency at which UI draws were made. (disallowed power purchase).</i>
(v)	<i>Actual cost of power purchase from all sources except (iv) (Rs. million)</i>
(vi)	<i>Actual cost of disallowed power purchase relating to (iv) (Rs. million).</i>
(vii)	<i>Total FSA estimated to be recovered for the quarter (Rs. million).</i>
(viii)	<i>FSA per unit (Rs. /kWh) being recovered during the following quarter.</i>
(ix)	<i>Actual FSA recovered/estimated to be recovered out of estimated FSA till the end of the following quarter (Rs. million)</i>
(x)	<i>Under/ over recovered FSA (vii-ix) (Rs. million).</i>
(xi)	<i>Approved sales (Consumer category wise / month wise) for the quarter (MU)</i>
(xii)	<i>Actual sales (Consumer category wise / month wise) for the quarter (MU)</i>
(xiii)	<i>Estimated sales, consumer category wise, for the following quarter (MU).</i>

Note: - All the source-wise details should be supported with requisite documentary evidence / invoices raised by the generators / suppliers of the power. Further, actual sales to AP consumers are to be calculated in accordance with the methodology approved by the Commission in the ARR for the relevant year

(vii) In case Haryana Government decides to provide subsidy on account of FPPAS liability to any consumer category/sub-category, the amount of subsidy equivalent to the FPPAS recoverable from the consumer category concerned, shall be deposited in advance by the Government Otherwise the recovery shall be affected from the consumer through electricity bills. It shall be the responsibility of the distribution licensees to seek prior approval of the State Government in this regard and maintain appropriate record of the same.” (Emphasis Supplied)

- 2.7 That Regulation 66.2 of the HERC MYT Regulations, 2019 (and its amendments thereof) illustrates the formula for determination of FPPAS, reproduced as under:

$$\text{Monthly FPPAS for } n^{\text{th}} \text{ Month (\%)} = (A-B) * C + (D-E)$$

$$\frac{\{Z * (1 - \text{Distribution losses in \%}/100)\} * ABR}{\text{-----}}$$

Where:

nth month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in (n-2)th month

A is Total units procured in (n-2)th Month (in kWh) from all Sources including Long-term, Medium term and Short-term Power purchases (To be taken from the bills issued to distribution licensees)

B is the bulk sale of power or inter-state sales from all Sources in (n-2)th Month (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month)

C is incremental Average Power Purchase Cost= Actual average Power Purchase Cost (PPC) from all Sources in (n-2) month (Rs. / kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs. / kWh) (from tariff order)

D = Actual inter-state and intra-state Transmission Charges in the (n-2)th Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (n-2)th Month. = (Approved Transmission Charges/12) (in Rs)

Z = [{Actual Power purchased from all the sources outside the State in (n-2) th Month. (in kWh) (1 – Interstate transmission losses in % /100) + Power purchased from all the sources within the State(in kWh)}*(1 – Intra state losses in %/100) – B]/100 in kWh*

ABR = Average Billing Rate for the year (to be taken from the Tariff Order in Rs/kWh)

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order) Interstate transmission Losses (in %) = As per Tariff Order

Provided that the Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.

Provided further that other charges which include Ancillary Services, Security Constrained Economic Despatch as well as any prior period adjustments, shall not be included in Fuel and Power Purchase Adjustment Surcharge and will be adjusted through the true-up.

- 2.8 That pursuant to the notification of HERC MYT Regulations, 2019, (3rd Amendment) Regulations, 2023 on 12.04.2023, the Petitioner(s) filed Petition nos. 56 and 62 of 2023 seeking relaxation in charging the monthly FPPAS in any suitable month for the FY 2023-24. The Hon'ble Commission, vide the Order dated 22.12.2023, in the larger interest of the electricity consumers of Haryana permitted relaxation of the provision of Regulation 66 of the HERC MYT Regulations, 2019, as a one-time measure, limited to the FY 2023-24.

DIFFICULTY IN CHARGING OF FPPAS ON MONTHLY BASIS for FY 2024-25 –

- 2.9 That the Third Amendment to the HERC MYT Regulations, 2019, mandates for assessment and levying of Fuel and Power Purchase Adjustment Surcharge (FPPAS) on monthly basis through the automatically pass through mechanism. It provides that if the Petitioner(s) fails to compute and levy the FPPAS within the specified time limit, the right for recovery of FPPAS for the corresponding period will get fortified even during the true up of FPPAS as well.
- 2.10 That the prevailing provisions under Regulation 66 of the HERC MYT Regulations, 2019, regarding charging of FPPAS on monthly basis under automatic pass-through mechanism does not contain adequate measures to capture the trend for increase in fuel adjustment surcharge and normalisation of the impact of the same on consumers. In the past months there has been abrupt variation in FPPAS in terms of its magnitude and polarity. The consumers have a sense of comfort with the current level of tariff being charged to them because FPPAS has been kept at the constant level i.e. @ 47 paisa per unit from last one and a half year. Also, the Petitioner(s) have been making concerted efforts for reduction of Aggregate Technical & Commercial losses and improvement of Standard of Performance and Quality of Supply of electricity to the consumers. All these concerted efforts have given comforting experience to the consumers of the State with respect to electricity tariff.
- 2.11 That if the entire amount of increase in power purchase cost than the approved amount is passed on to the consumers through the automatic pass-through mechanism of FPPAS, this will result in a tariff shock to the consumers.
- 2.12 That the FPPAS for the FY 2024-25 is being computed on monthly basis as per 3rd Amendment to the HERC MYT Regulations, 2019. The status of FPPAS in the past months is tabulated as under: -

Monthly FPPAS Percentage for FY 2024-25

Sr. No.	Month	FPPAS (Percentage)	Amount (Rs. Cr.)
1	April 2024	-4.64%	-123.88
2	May 2024	-0.37%	-13.61
3	June 2024	-0.58%	-25.42
4	July 2024	3.65%	166.17
5	August 2024	5.19%	203.34
6	September 2024	7.71%	273.05
7	October 2024	-1.79%	-61.27

- 2.13 That the charging of FPPAS on the monthly basis would not be able to capture the trend in the pricing of the fuel surcharge adjustment charges. Further, due to the reduction in the energy demand in the upcoming months, it is anticipated that accumulation of FPPAS would not be on higher side.

- 2.14 That FPPAS currently being levied to consumer correspond to the accumulated FPPAS of FY 2022-23. Charging of accumulated FPPAS for FY 2024-25 on the automatic pass-through mechanism may give tariff shock to consumers. The recovery of FPPAS for the FY 2024-25 has not yet initiated. However, the same is being computed on the monthly basis in accordance with the 3rd Amendment to the MYT Regulations, 2019.
- 2.15 That the Hon'ble Commission in the Order dated 22.12.2023 in the Case No. HERC/Petition No. 56 & 62 of 2023 has considered the difficulty as stated above and has granted relaxation in levying of FPPAS on monthly basis.
- 2.16 That while the relief sought in the instant petition is in the larger public interest, however, the impact of the same in the form of carrying cost on the deferred amount of FPPAS adds to the financial distress and impacts the financial health of Petitioner(s) Nigam. In view thereof, it is requested that the Hon'ble Commission may consider allowing holding cost on the deferred amount of FPPAS till its entire recovery from the consumers. It is imperative to balance the interest and ease financial distress of Petitioner(s) Nigam.
- 2.17 That Regulation 78 & 79 of the HERC MYT Regulations, 2019, empowers the Hon'ble Commission to remove difficulties and to relax any of the provisions of the regulation in view of the larger public interest by giving reasons in writing. The relevant extract of the regulations is reproduced below:
- 78. POWERS TO REMOVE DIFFICULTIES**
- If any difficulty arises in giving effect to any of the provisions of these Regulations, the Commission may, by a general or special order, not being inconsistent with the provisions of these Regulations or the Act, do or undertake to do things or direct the generating company or the licensee to do or undertake such things which appear to be necessary or expedient for the purpose of removing the difficulties.*
- 79. POWER TO RELAX**
- The Commission may in public interest and for reasons to be recorded in writing, relax any of the provision of these Regulations.*
- 2.18 That the following prayers have been made:-
- Exempt the time limit of charging of FPPAS as specified under the Regulation 66.1(3) of 3rd amendment to MYT Regulation 2019;
 - Allow charging of FPPAS along with carrying cost in subsequent financial years as may be required.
 - Condone any inadvertent omissions/errors/shortcomings and permit the Petitioner(s) to add/change/modify/alter this filing and make further submissions as may be required during the proceedings in the matter; and

- d) Pass any other order/directions as this Hon'ble Commission may deem fit, in the facts and circumstances of the present matter, in the interest of justice, equity and good conscience.
- e) and for this act of kindness and justice the Petitioner(s) shall as in duty bound ever pray.

Interlocutory Application (s) (IAs):

3. Additionally, the Petitioner(s) herein have filed identical Interlocutory Applications i.e. IA 5 of 2025 (UHBVNL) and IA 8 of 2025 (DHBVNL). Discoms (s) have submitted as under:-

3.1 That the present interim application is being filed seeking additional prayer regarding exemption from computation of FPPAS on percentage basis as per formula prescribed in 3rd amendment to MYT Regulation 2019. In this regard, it is pertinent to mention that the 3rd amendment to MYT Regulation 2019 prescribes a formula for computation of Fuel and Power Purchase Adjustment Surcharge (FPPAS) on percentage basis of the variable component of the approved tariff, which reads as under –

$$\text{Monthly FPPAS for } n^{\text{th}} \text{ Month (\%)} = \frac{(A-B) * C + (D-E)}{\{Z * (1 - \text{Distribution losses in \%}/100)\} * ABR}$$

Where:

nth month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in (n-2)th month

A is Total units procured in (n-2)th Month (in kWh) from all Sources including Long-term, Medium term and Short-term Power purchases (To be taken from the bills issued to distribution licensees)

B is the bulk sale of power or inter-state sales from all Sources in (n-2)th Month (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month)

C is incremental Average Power Purchase Cost= Actual average Power Purchase Cost (PPC) from all Sources in (n-2) month (Rs. / kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs. / kWh) (from tariff order)

D = Actual inter-state and intra-state Transmission Charges in the (n-2)th Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (n-2)th Month. = (Approved Transmission Charges/12) (in Rs)

Z = [{Actual Power purchased from all the sources outside the State in (n-2) th

Month. (in kWh) (1 – Interstate transmission losses in % /100) + Power purchased from all the sources within the State(in kWh)}*(1 – Intra state losses in %/100) – B]/100 in kWh*

ABR = Average Billing Rate for the year (to be taken from the Tariff Order in Rs/kWh)

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order) Inter-state transmission Losses (in %) = As per Tariff Order

Provided that the Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.

Provided further that other charges which include Ancillary Services, Security Constrained Economic Despatch as well as any prior period adjustments, shall not be included in Fuel and Power Purchase Adjustment Surcharge and will be adjusted through the true-up.

- 3.2 That a percentage based FPPAS may not fully recover fuel cost, especially in categories with low variable tariffs. DISCOMs depends on the variable tariff to adjust for fuel price fluctuations, and if this component is low, Discoms could face financial strain, affecting the ability to maintain a reliable power supply and cover operational costs.
- 3.3 Further, the consumers have become accustomed to a constant FPPAS levied across all categories, particularly the FSA of 47 paise/unit that has been in effect since April 2023. This fixed surcharge is perceived as a stable, predictable, and fair approach. Any sudden shift to a variable percentage based FPPAS will create significant confusion among consumers, as it deviates from the previously established practice. The introduction of such complexity might also undermine transparency in the adjustment process, leading to consumer dissatisfaction and affecting parity among consumers. Moreover, applying the FPPAS as a percentage of the variable tariff would unfairly burden the consumers with higher variable tariffs.
- 3.4 That in view of the difficulty explained above and considering the facts and circumstances of present case, the Hon'ble Commission may consider exercising its inherent jurisdiction under Haryana Electricity Regulatory Commission (Conduct of Business) Regulations, 2019 read with Regulations 78 and 79 of the MYT Regulations, 2019 and pass necessary order(s)/ direction(s) to exempt Petitioner from charging FPPAS on monthly & percentage basis and allow recovery of FPPAS on a uniform per unit basis among all consumer categories in subsequent financial years along with carrying cost.
- 3.5 That the following prayers have been made:-

- a) Exempt the time limit of charging of FPPAS as specified under the Regulation 66 of 3rd amendment to MYT Regulation 2019.
- b) Allow charging of FPPAS for FY 2024-25 along with carrying cost in subsequent financial years as may be required.
- c) Allow the charging of FPPAS for FY 2024-25 and FY 2023-24, on a uniform per-unit basis across all consumer categories in accordance with the basic version of the MYT Regulations 2019.
- d) Condone any inadvertent omissions/errors/shortcomings and permit the Petitioners to add/change/modify/alter this filing and make further submissions as may be required during the proceedings in the matter; or
- e) Pass any other order/directions as this Hon'ble Commission may deem fit, in the facts and circumstances of the present matter, in the interest of justice, equity and good conscience.

Proceedings of the Case

4. In order to take the process forward, the Commission issued a Public Notice in two Newspapers having wide circulation in Haryana i.e. The Dainik Tribune (Hindi) and The Tribune (English) both dated 13.03.2025, for inviting comments/objections from the general public/stakeholders, on or before 14.04.2025 and intimating that hearing shall be held on 22.04.2025 in the court room of the Commission. The said public notice was also hosted on the website of the Commission under the heading "Public Notice".
5. In response to the ibid public notice, no comments / objections / suggestions were received by the Commission. Accordingly, the Commission has proceeded to examine the submissions of the petitioner in light of the relevant Regulations in vogue along with the facts and circumstances of the present case.
6. In order to examine the contentions of the petitioner (s) herein, the Commission, vide its interim order dated 23.04.2025, has sought the following information / documents: -
 - a. Complete status of FPPAs (AP as well as Non-AP) for each year from the FY 2022-23 to FY 2024-25 including the recovery of FPPA done there against.
 - b. Tentative plan of recovery for the outstanding FPPAs.
7. The reply filed by both the Discoms are on the similar lines, which for the sake of brevity and to avoid prolixity have been consolidated as under:-

Current Recovery Status – Non-AP Consumers

- 7.1 The Fuel and Power Purchase Adjustment Surcharge (FPPAS) @ ₹0.47/unit is currently being levied on non-AP consumers effective from April 2023 under

Regulation 66 of the MYT Regulations, 2019. The Current status of FPPAS in respect of non-AP Consumers is tabulated as under: -

Particulars	FPPAS Amount (₹ Cr.)	Holding Cost (₹ Cr.)	Total Amount	Recovery Rate (₹ /Unit)	Expected Recovery timeline	Amount Assessed till March'25 (Tentative) (₹ Cr.)	Outstanding Amount (₹ Cr.)
April' 22 to October' 22 excluding Prior Period Expenses (FY 2022-23)	2136.21	113	2249.21	0.43 (w.e.f. April'23 to June'24)	Recovered		
April' 22 to October' 22 in respect of Prior Period Expenses (FY 2022-23)	879	187	1066	0.04 (w.e.f. April'23 to March'28)	March'28	350.33	715.67
November' 22 to March' 23 (FY 2022-23)	3394.7	613.17	4007.87	0.43 (w.e.f. July'24 to March'26)	March'26	1516.79	2491.08
FY 2023-24	3288.15	Disallowed	3288.15	-	-	-	3288.15

7.2 As is evident from foregoing details, the FPPAS amount pertaining to the period April 2022 to October 2022 (excluding prior period expenses) has already been fully recovered from Non-AP consumers. In respect of the prior period expenses for the same period, an amount of ₹715.67 crore remains outstanding and is being recovered at a rate of ₹0.04 per unit. The full recovery of the same is expected by March'28. Further, for the period November 2022 to March, 2023, FPPAS is currently being recovered at the rate of ₹0.43 per unit with effect from July' 2024, and full recovery of the amount is expected by March 2026.

7.3 The amount of FPPAS for FY 2024-25 will be submitted through the True-up Petition, which is currently under preparation and shall be filed soon. The recovery for the FY 2023-24 and FY 2024-25 has not been started as yet.

FPPAS Recovery Status – AP Consumers–

7.4 The FPPAS recovery position for AP Consumers, subsidized by the State Government, is as under: -

Financial Year	Subsidy claimed (₹ Cr.)	Subsidy received (₹ Cr.)	Outstanding (₹ Cr.)
FY 2022-23	1274.03	1274.03	-
FY 2023-24	770.35*	435.59	334.76

*The HERC vide tariff order dated 28.03.2025 has revised the AP subsidy from ₹. 840.38 Cr to ₹. 770.35 Cr.

A case has been submitted to the State Government requesting the release of pending subsidy dues in the first quarter of FY 2025-26.

Tentative Recovery Plan -

- 7.5 The recovery of FPPAS at the rate of (₹0.43 per unit will continue until March 2026, which is expected to facilitate the full recovery of FPPAS amount for the period – November 2022 to March, 2023.
- 7.6 In view of the existing Fuel and Power Purchase Adjustment Surcharge (FPPAS) of 47 paise per unit and the recent tariff revision issued by the Hon'ble Haryana Electricity Regulatory Commission (HERC) vide Tariff Order dated 28.03.2025, the consumers of the State are adapting to the revised electricity tariffs. Therefore, to ensure tariff stability and avoid any immediate additional burden, the Discoms are planning to recover the FPPAS for FY 2023-24 and FY 2024-25 along with carrying cost, after March 2026.

Commission's Analysis and Order

8. The Commission observed that since both the petitions i.e. petition no. 5 and 6 of 2025 are identical; therefore, it would be appropriate to hear them as a bunch matter and decide them through the present common order. Accordingly, both the cases were preliminary heard on 22.04.2025 as scheduled. The case (s) were subsequently heard on 21.05.2025 and finally on 02.06.2025. The representatives of both the discoms present during the hearing, reiterated the contents of their respective petitions/written submissions, which for the brevity has not been reproduced herein again.
9. The Commission observes that the present petition (s) along with IAs have been filed seeking to allow exemption in the time limit of charging of FPPAS as specified under the Regulation 66 of 3rd amendment to MYT Regulation 2019, request to allow charging of FPPAS for FY 2024-25 along with carrying cost in subsequent financial years and allow the charging of FPPAS for FY 2024-25 and FY 2023-24, on a uniform per-unit basis across all consumer categories.
10. In order to decide the prayer of the petitioner (s) herein, the Commission has considered it appropriate to carefully examine the regulation 66 (1) of the HERC (MYT) Regulations, 2019 (3rd Amendment) Regulations, 2023, reproduced hereunder:-

“66. Fuel and Power Purchase Adjustment Methodology

1. Computation of fuel and power purchase adjustment surcharge:

(1) “Fuel and Power Purchase Adjustment Surcharge” (FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the Commission.

(2) Fuel and power purchase adjustment surcharge shall be calculated and billed to consumers, automatically, without going through regulatory approval process, on a monthly basis, according to the formula, prescribed in these regulations, subject to true up, on an annual basis, as may be decided by the Commission, as may be decided by the Commission: Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these rules.

(3) Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in (n+2) th month, on the basis of actual variation, in cost of fuel and power purchase and Interstate Transmission Charges for the power procured during the nth month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year:

Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge (FPPAS) within this time line, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and in such cases, the right to recover the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.

(4) The distribution licensee may decide, fuel and power purchase adjustment surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to the consumers, but the carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total fuel and power purchase adjustment surcharge for a billing month, including any carry forward of fuel and power purchase adjustment surcharge over the previous month exceeds twenty per cent of variable component of approved tariff.

(5) The power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surcharge followed by the subsequent month.

(6) In case of carry forward of fuel and power purchase adjustment surcharge, the carrying cost at the rate of State Bank of India Marginal cost of Funds-based lending Rate plus one hundred and fifty basis points shall be allowed till the same is recovered through tariff and this carrying cost shall be trued up in the year under consideration.

(7) Depending upon quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that,

(i) If fuel and power purchase adjustment surcharge $\leq 5\%$, 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee shall be levied automatically using the formula.

(ii) If fuel and power purchase adjustment surcharge $> 5\%$, 95% fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the State Commission during true up.

(8) The distribution licensees shall file a petition seeking true up of the fuel and power purchase for the year under consideration by 31st May of the next financial year. The Commission shall true up the same by 30th June, after applying the necessary prudence checks.

(9) In case of excess revenue recovered for the year against the fuel and power purchase adjustment surcharge, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate approved by the Commission and the under recovery of fuel and power purchase adjustment surcharge shall be allowed during true up, to be billed along with the automatic Fuel and Power Purchase Adjustment Surcharge amount.

Explanation: - For example in the month of July, the automatic pass through component for the power supplied in May and additional Fuel and Power Purchase Adjustment Surcharge, if any, recoverable after true up for the month of April in the previous financial year, shall be billed.

(10) The distribution licensee shall submit details of the variation between expenses incurred and the fuel and power purchase adjustment surcharge recovered, and the detailed computations and supporting documents, along with the true up petition.

(i) "Fuel and Power Purchase Adjustment Surcharge" (FPPAS) shall be calculated only in respect of approved source wise power purchase quantum including short term power, if any, for the relevant year. The discoms may resort to drawl of short-term power on TAM, DAM, RTM etc. to meet day to day exigencies provided no other cheaper source of power is available.

(ii) For the purpose of recovery of FPPAS, power purchase cost shall include all invoices raised by the approved suppliers of power and credit received by the distribution licensees during the year irrespective of the period to which these pertain for any change in cost in accordance with tariff approved by the Commission. This shall include arrears/refunds, if any, not settled earlier.

(iii) In case of negative FPPAS, the credit shall be given to the consumers by setting off the minus figure against the positive figure of FPPAS being charged from the consumers. In other words, credit of FPPAS shall be given only against FPPAS

being charged so that the base tariff determined by the Commission remains unchanged.

(iv) The allowed percentage of transmission and distribution losses for the relevant year allowed by the Commission in the ARR shall only be considered for working out FPPAS.

(v) Per unit rate of FPPAS (paisa/kWh/kVAh) shall be worked out after rounding off to the nearest paisa.

(vi) The distribution licensee shall submit details relating to FPPAS recovery to the Commission for each year in the following format: -

(i)	Approved power purchase volume from approved sources (MU)
(ii)	Approved power purchase cost (Rs. million)
(iii)	Actual power purchase volume (MU)
(iv)	Power purchased (MU) from sources not covered under Regulation 66.2 giving source wise details and in case of UI the frequency at which UI draws were made. (disallowed power purchase).
(v)	Actual cost of power purchase from all sources except (iv) (Rs. million)
(vi)	Actual cost of disallowed power purchase relating to (iv) (Rs. million).
(vii)	Total FSA estimated to be recovered for the quarter (Rs. million).
(viii)	FSA per unit (Rs. /kWh) being recovered during the following quarter.
(ix)	Actual FSA recovered/estimated to be recovered out of estimated FSA till the end of the following quarter (Rs. million)
(x)	Under/ over recovered FSA (vii-ix) (Rs. million).
(xi)	Approved sales (Consumer category wise / month wise) for the quarter (MU)
(xii)	Actual sales (Consumer category wise / month wise) for the quarter (MU)
(xiii)	Estimated sales, consumer category wise, for the following quarter (MU).

Note: - All the source-wise details should be supported with requisite documentary evidence / invoices raised by the generators / suppliers of the power. Further, actual sales to AP consumers are to be calculated in accordance with the methodology approved by the Commission in the ARR for the relevant year

(vii) In case Haryana Government decides to provide subsidy on account of FPPAS liability to any consumer category/sub-category, the amount of subsidy equivalent to the FPPAS recoverable from the consumer category concerned, shall be deposited in advance by the Government Otherwise the recovery shall be affected from the consumer through electricity bills. It shall be the responsibility of the distribution licensees to seek prior approval of the State Government in this regard and maintain appropriate record of the same."

Further, Regulation 66.2 of the HERC MYT Regulations, 2019 provides as under:-

$$\text{Monthly FPPAS for } n^{\text{th}} \text{ Month (\%)} = (A-B) * C + (D-E)$$

$$\frac{\{Z * (1 - \text{Distribution losses in \%}/100)\} * ABR}{\text{-----}}$$

Where:

n^{th} month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in $(n-2)^{\text{th}}$ month

A is Total units procured in $(n-2)^{\text{th}}$ Month (in kWh) from all Sources including Long-term, Medium term and Short-term Power purchases (To be taken from the bills issued to distribution licensees)

B is the bulk sale of power or inter-state sales from all Sources in $(n-2)^{\text{th}}$ Month (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month)

C is incremental Average Power Purchase Cost = Actual average Power Purchase Cost (PPC) from all Sources in $(n-2)^{\text{th}}$ month (Rs. / kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs. / kWh) (from tariff order)

D = Actual inter-state and intra-state Transmission Charges in the $(n-2)^{\text{th}}$ Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for $(n-2)^{\text{th}}$ Month. = (Approved Transmission Charges/12) (in Rs)

Z = $\{[\text{Actual Power purchased from all the sources outside the State in } (n-2)^{\text{th}} \text{ Month. (in kWh)} * (1 - \text{Interstate transmission losses in \%} / 100) + \text{Power purchased from all the sources within the State (in kWh)}] * (1 - \text{Intra state losses in \%} / 100) - B\} / 100$ in kWh

ABR = Average Billing Rate for the year (to be taken from the Tariff Order in Rs/kWh)

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order) Inter-state transmission Losses (in %) = As per Tariff Order

Provided that the Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.

Provided further that other charges which include Ancillary Services, Security Constrained Economic Despatch as well as any prior period adjustments, shall not be included in Fuel and Power Purchase Adjustment Surcharge and will be adjusted through the true-up.

Thus, the ibid regulations have been framed to facilitate timely recovery of FPPAS, through automatic route, without going through any regulatory approval process,

according to the formula prescribed in the HERC MYT (3rd Amendment) Regulations 2019, subject to true up on an annual basis. The true-up of FPPAS has been provided to enable the Discoms to recover amount remaining unrecovered/excess-recovered under the automatic route, which is to be billed along with automatic FPPAS of the subsequent period.

11. The Commission observes that the ibid dispensation was provided so that the cost of power and revenue realized from the sale thereof always remains aligned. This is also in line with clause 5(11)(h)(4) of the National Tariff Policy, 2016 which provides that uncontrollable costs should be recovered speedily to ensure that future consumers are not burdened with past costs. Uncontrollable costs include fuel costs / variations in power purchase costs. The automatic recovery of fuel cost, inter-alia, helps in optimizing the cashflows, working capital requirement and avoidable “carrying cost”.
12. The petitioner (s) have invoked the jurisdiction of this Commission embedded under Regulation 78 and 79 of the HERC MYT Regulations 2019, to relax the provisions of Regulation 66 and thereby granting exemption from the time limit of charging FPPAS along with carrying cost on a uniform per-unit basis across all consumer categories.
13. The Commission has considered the averments of the Discoms that there exists considerable variation in the amount of monthly FPPAS estimated from April’ 2024 to October’2024 of FY 2024-2025, which ranges from Rs. 123.88 crore (minus) in April, 2024 to Rs. 273.05 crore in September, 2024.
14. The Commission has also taken note of the fact that accumulated FPPAS pertaining to FY 2022-23 @ 47 Paise per unit is already being levied on the electricity consumes of the State and is expected to continue till March 2026. Charging of FPPAS for FY 2024-25 on the automatic pass-through mechanism may give tariff shock to consumers, whereas the recovery of FPPAS for the FY 2023-24 has not yet started.
15. The Commission has further considered the submissions of the petitioner(s) herein that a percentage based FPPAS, as mentioned in the MYT regulation, may not fully recover fuel cost, especially in categories with low variable tariffs.
16. Further, the Commission has observed that in the present case, Discoms (s) have neither done monthly recovery of FPPAS for the FY 2024-25 under automatic route, nor has any planning to do so, till March, 2026. As per the current status of outstanding FPPAS submitted by Discoms, an amount of Rs. 3206.75 crore is outstanding for the FY 2022-23 and Rs. 3288.15 crore for the FY 2023-24.

Additionally, FPPAS on account of AP consumers, recoverable as subsidy from the State Government is also outstanding to the tune of Rs. 334.76 crore.

17. Having examined the above submissions of the petitioner (s) herein, the Commission is of the considered view that the charging of FPPAS, ought to have been undertaken in line with the relevant regulation in vogue. This would have prevented accumulation of FPPAS and working capital gap for the Discoms.

18. The Commission observes that Regulation 78 and 79 of the MYT Regulations empowers the Commission to remove demonstrated difficulties and to relax any of the provisions of these Regulations. The relevant regulation is reproduced below:-

“78. POWERS TO REMOVE DIFFICULTIES. If any difficulty arises in giving effect to any of the provisions of these Regulations, the Commission may, by a general or special order, not being inconsistent with the provisions of these Regulations or the Act, do or undertake to do things or direct the generating company or the licensee to do or undertake such things which appear to be necessary or expedient for the purpose of removing the difficulties.

79. POWER TO RELAX The Commission may in public interest and for reasons to be recorded in writing, relax any of the provision of these Regulations.”

The power to relax under the regulations is in general terms and its exercise is discretionary. However, it is a settled law that exercise of a discretion must not be arbitrary, must be exercised reasonably and with circumspection, consistent with justice, equity and good conscience, keeping in mind the facts and circumstances of a case.

19. A plain reading of the regulations (supra) established that this Commission in appropriate matter has the power to remove difficulties in implementation of the regulations by relaxing certain provisions. Hence, the Commission, in larger interest of the electricity consumers of Haryana and for the reasons mentioned above, has considered it appropriate to relax the provision of Regulation 66 of the HERC MYT Regulations, 2019, limited to the FY 2024-25 as prayed for by the petitioner (s) herein, except the carrying cost on deferred FPPAS. The petitioner (s) are allowed to defer the recovery of FPPAS for the FY 2024-25 and charge the same in the subsequent financial years on a uniform per-unit basis across all consumer categories. It is added that although the relief sought by the Discoms is in the larger public interest, but, due to delayed charging of FPPAS in contravention of the regulations having force of law, the petitioner (s) cannot be allowed to recover holding costs on the deferred FPPAS. In this regard, the petitioner (s) are advised to be mindful of the compliance of the regulations duly notified after following the due process of public consultation including the petitioner (s) herein. The Discoms

should gear up its resources so as to implement FPPAS as provided in the regulations in vogue.

20. The Commission has further observed that the Discoms are obligated to file their petition for determination of Annual Revenue Requirement (ARR) for the ensuring year on or before 30.11.2025, wherein the true-up of all the expenses (not only power purchase expenses) as well as total revenue shall be considered. Accordingly, since there is no recovery plan of the deferred FPPAS for the FY 2024-25, the Discoms are advised to claim true-up of power purchase cost, in their ARR petition for the ensuring year, in relaxation of Regulation 66 (8) of the MYT Regulations, 2019 (3rd Amendment) Regulations, 2023, which otherwise provides for filing of the same by 31st May of the ensuring year.
21. In terms of the above order, the present petition along with IAs filed in the matter are disposed of.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 10.06.2025.

Date: 10.06.2025
Place: Panchkula

(Mukesh Garg)
Member

(Nand Lal Sharma)
Chairman