

**Before the
GUJARAT ELECTRICITY REGULATORY COMMISSION**

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Suo Moto Petition No. 2485 of 2025

In the matter of: Computation of Fuel and Power Purchase Adjustment Surcharge
(FPPAS) for the FY 2025-26

Suo Motu Petition Under Regulations 23 and 24 of the GERC (Conduct of Business) Regulations, 2004

MOST RESPECTFULLY SHOWETH:

1. Section 62 of the Electricity Act, 2003 provides that-

“(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. Accordingly, the MYT Regulations, 2024 as notified by the Gujarat Electricity Regulatory Commission (hereinafter, ‘the Commission’) provides that-

“115.1 Computation of FPPAS:

(a) *For these Regulations “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.*

(b) *FPPAS shall be calculated and billed to consumers, automatically, without going through regulatory approval process, on a monthly basis, according*

to the formula, prescribed by the Commission in these Regulations, subject to true up, on an annual basis:

Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these Regulations;

Provided further that the Distribution Licensee shall make quarterly submissions of the detailed FPPAS computations, duly supported by the documentary evidences, justifying such computations, along with details its charging and recovery from the consumers.

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

- (d) *The Distribution Licensee may decide, FPPAS or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to consumers, but the carry forward of FPPAS shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total FPPAS for a Billing Month, including any carry forward of FPPAS over the previous month exceeds twenty per cent of variable component of approved tariff.*
- (e) *The carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier and the money recovered through FPPAS shall first be accounted towards the oldest carry forward portion of the FPPAS followed by the subsequent month.*
- (f) *In case of carry forward of FPPAS, the carrying cost calculated on simple interest basis at the rate of one year SBI MCLR or any replacement thereof by SBI from time to time being in effect applicable for 1 year period, as applicable prevailing during the relevant year shall be allowed till the same is recovered through tariff and this carrying cost shall be trued up in the year under consideration.*

- (g) *Depending upon quantum of FPPAS, the automatic pass through shall be adjusted in such a manner that,*
- i. *If $FPPAS \leq 5\%$, 100% cost recoverable of FPPAS by Distribution Licensee shall be levied automatically using the formula.*
 - ii. *If $FPPAS > 5\%$, 5% FPPAS shall be recoverable automatically as per item (i) of sub-paragraph (g) above. 90% of the balance FPPAS shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the Commission during true up.*
- (h) *The revenue recovered on account of pass through FPPAS by the Distribution Licensee, shall be trued up later for the year under consideration and the true up for any financial Year shall be completed by 30th June of the next financial year.*
- (i) *In case of excess revenue recovered for the year against the FPPAS, the same shall be recovered from the Distribution 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 FPPAS shall be allowed during true up, to be billed along with the automatic FPPAS amount.*

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

- (j) *The Distribution Licensee shall submit such details, in the stipulated formats, of the variation between expenses incurred and FPPAS recovered, and the detailed computations and supporting documents, as required by the Commission, during true up of the normal tariff.*
- (k) *To ensure smooth implementation of the FPPAS mechanism and its recovery, the Distribution Licensee shall ensure that its billing system is updated to take this into account and a unified billing system shall be implemented to ensure that there is a uniform billing system irrespective of the billing and metering vendor through interoperability or use of open source software as available.*
- (l) *The Distribution Licensee shall publish all details including the FPPAS formula, calculation of monthly FPPAS and recovery of FPPAS (separately for automatic and approved portions) on its website and archive the same through a dedicated web address.*

(m) Formula for Computation of FPPAS:

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

Nth month means the month in which billing of FPPAS component is done. This FPPAS 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 bulk sale of power 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 (including the change of fuel 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 %) – B]/100 in kWh*

ABR = Average Billing Rate for the year as approved by the Commission (in Rs/kWh)

Distribution Losses (in %) = Target Distribution Losses as approved by the Commission

Inter-state transmission Losses (in %) as approved by the Commission

Note:

The Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.

Other charges which include Ancillary Services and Security Constrained

Economic Despatch shall not be included in Fuel and Power Purchase Adjustment Surcharge and adjusted through the true-up approved by the Commission.”

3. Subsequently, the Commission through Tariff Orders dated 29th/31st March 2025 directed all the Distribution Licensees to implement the above mentioned methodology of FPPAS computation and recovery on monthly (n+2 month) basis and further the Commission has also provided detailed formats for submission of FPPAS on monthly basis.

4. Now we are in receipt of the request from the Gujarat Urja Vikas Nigam Limited (GUVNL) stating that-

“ Given the exhaustive nature of these data requirements and the short time window available after final SEA publication it would be quite challenging to ensure audited and compliant submissions within the prescribed timeline. In view of the above, it is respectfully submitted that the Hon'ble Commission may kindly consider the following:

*Allow computation and submission of FPPAS on a **(n+3) month basis**, as already proposed by the Distribution Licensees in their Tariff Petitions for FY 2025-26, which will provide sufficient time for data compilation, validation, internal approvals, and certification.*

Permit true-up of the FPPAS along with the true-up of ARR of the respective financial year, as requested in the same Tariff Petitions.

This shall ensure accuracy, regulatory compliance, and operational feasibility, while maintaining a balanced and practical approach supporting both consumer's protection and DISCOMs financial health.”

5. Regulations 1.3, 7 and 12 of the Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2024 are important to consider and are reproduced below:-

“1.3 These Regulations shall be applicable to all existing and future Generation Companies supplying power under section 62 of Electricity Act 2003, Transmission Licensees, Distribution Licensees, State Load Despatch Centre (SLDC), and their successors, if any, for determination of Aggregate Revenue Requirement, Tariff, and Fees and Charges of SLDC in all matters covered under these Regulations from April 01, 2025 up to March 31, 2030, unless otherwise reviewed/extended.

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7. Saving of Inherent Power of the Commission

7.1 Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary for ends of justice or to prevent the abuse of the process of the Commission.

7.2 Nothing in these Regulations shall bar the Commission from adopting in conformity with the provisions of the Act, a procedure, which is at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient for dealing with such a matter or class of matters.

7.3 Nothing in these Regulations shall, expressly or by implication, bar the Commission to deal with any matter or exercise any power under the Acts for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner it deems fit.

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12. Power of Relaxation

12.1 The Commission, for reasons to be recorded in writing, may relax any of the provisions of these Regulations on its own motion or on an

application made before it along with affidavit and supporting documents by an interested person.”

6. It is also observed that small consumers are currently billed on a bi-monthly basis. This creates challenges in both implementing and comprehending the recovery of monthly FPPAS (Fuel and Power Purchase Adjustment Surcharge) within a bi-monthly billing framework. To ensure clarity and facilitate smooth implementation, it is recommended that the computation and recovery of FPPAS be aligned with the existing bi-monthly billing cycle. Adopting this approach will simplify the process for both consumers and the utility, promoting transparency and operational efficiency.
7. In view of the above, it is proposed to relax the existing Regulations for the related to Computation of FPPAS for the FY 2025-26 as under-

“FPPAS shall be computed and charged by the Distribution Licensee on bi-monthly basis, on the basis of actual variation, in cost of fuel and power purchase and Interstate Transmission Charges for the power procured during the period of previous two months. For example, the FPPAS on account of changes in tariff for power supplied during the month of April and May of any financial year shall be computed in the month of July and billed during August and September months (billing months) of the same financial year:

8. Regulations 23 and 24 of the GERC (Conduct of Business) Regulations, 2004 that the Commission may initiate any proceedings Suo-motu or on a Petition filed by any affected person, and pass an appropriate order on it.
9. In view of the background and reasons mentioned above and looking to the requirement and importance of, the Commission proposes to initiate Suo Motu proceedings to relax the provisions related to computation and recovery of FPPAS during FY 2025-26.

10. The Commission invites comments / views from the stakeholders in this regard and the interested persons are informed to file their comments / views to the Secretary, Gujarat Electricity Regulatory Commission, 6th Floor, GIFT ONE, Road 5-C, Zone 5, GIFT City, Gandhinagar – 382 050 on or before 21st May 2025. Further, the public hearing in this regard is scheduled on 23.05.2025, 11:30 Hrs at GERC Office, Gandhinagar.

Sd/-
(Ranjeeth Kumar J., IAS)
Secretary
Gujarat Electricity Regulatory Commission
Gandhinagar

Place: Gandhinagar
Date: 05/05/2025