

**Present:**

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|----|--------------------------|------------|
| 1. | M.K. SHANKARALINGE GOWDA | - Chairman |
| 2. | H.D. ARUN KUMAR          | - Member   |
| 3. | D.B. MANIVAL RAJU        | - Member   |

**In the matter Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014**

**1.0 Preamble:**

**1.1** Under Section 61 of the Electricity Act, 2003 (herein after referred as the 'Act'), the Karnataka Electricity Regulatory Commission (KERC) is mandated to specify the terms and conditions for the determination of Generation tariff within the State, based on the principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees.

**1.2** While specifying the terms and Conditions for determination of tariff, following guidelines shall also be considered as per section 61 of the Act:

- (a) the generation, transmission, distribution and supply of electricity are conducted on commercial principles;
- (b) the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments;
- (c) safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner;
- (d) the principles rewarding efficiency in performance;
- (e) multiyear tariff principles;
- (f) that the tariff progressively, reflects the cost of supply of electricity and also, reduces cross-subsidies in the manner specified by the Appropriate Commission;
- (g) the promotion of co-generation and generation of electricity from renewable sources of energy;
- (h) the National Electricity Policy and tariff policy.

- 1.3** Section 181(2) (zd) of the Act, empowers the Commission to make regulations on the terms and conditions for the determination of tariff under section 61 of the Act.
- 1.4** After the enactment of the Electricity Act 2003, the KERC has framed regulations, in exercise of the powers under Section 181 of the Act, on the terms and conditions for the determination of generation tariff for the control period 2009-14 and the same has been issued vide KERC notification No. S/03/O dated 9th September, 2009.
- 1.5** In accordance with the aforesaid regulations issued by the Commission, the Commission has been determining the tariff of the generating stations falling within its jurisdiction through transparent and participative process. The Commission, while determining the tariff, takes into account, the objectives of safeguarding consumer interest as well as ensuring recovery of cost of electricity in a reasonable manner based on the principles set out by the Central Electricity Regulatory Commission (CERC) which are the guiding principles and methodology for determination of the tariff.

To achieve these objectives, the Commission undertakes various regulatory measures which are consistent with the principles set out by the Central Commission under Section 61 of Electricity Act, 2003 and Tariff Policy, 2006 issued by the Central Government.

- 1.6** The control period 2009-14 has ended on 31st March, 2014 and the Commission is required to specify the terms and conditions of Generation tariff for the next control period i.e. for period from 2014 to 2019. The Commission has noted that the tariff norms fixed by CERC for the control period 2009-14 have been reviewed by it keeping in view the developments in the sector during such period, and the current and perceived challenges in the Power sector while duly recognizing the need for sustainable market development and has thereafter issued CERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014 on 21<sup>st</sup> February, 2014.
- 1.7** Based on the above said principles and the methodology specified by CERC, KERC had initiated the process of framing the generation tariff regulations for the next control period i.e. for 2014-19 in June, 2013 by calling details from the Karnataka Power Corporation Ltd and issued the draft Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014 for the tariff period commencing from 01.04.2014 to 31.03.2019.
- 1.8** KERC had invited comments/suggestions and views, from the interested persons and stakeholders, on the basis and assumptions to be considered while framing the regulations on terms and conditions of the generation tariff. The Commission has also conducted a Public Hearing on 29<sup>th</sup> April, 2015, to elicit the views of the public and stakeholders on the draft Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014, issued by the

Commission. The Commission received comments/suggestions from the stakeholders including KPCL and BESCOM. The comments/suggestions received from the stakeholders on the issues posed are annexed at **Appendix VI**.

### **ORDER**

**2.0** Keeping in view the principles and methodology specified in the CERC Regulations on Generation Tariff and after considering the views/ objections/comments/ suggestions of the stakeholders to the draft regulations published, the Commission hereby approves the KERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014 as in **Appendix-I**.

**Sd/-**  
**(M.K.SHANKARALINGE GOWDA)**  
**CHAIRMAN**

**Sd/-**  
**(H.D.ARUN KUMAR)**  
**MEMBER**

**Sd/-**  
**(D.B.MANIVALRAJU)**  
**MEMBER**