Power Foundation of India

Power Foundation of India

(An autonomous Society under the Ministry of Power, Govt of India)

No. PFI/Prog/RERC/2025/37
Dated: 13 May 2025

To,

The Secretary
Rajasthan Electricity Regulatory Commission
Vidhyut Viniyamak Bhawan, Sahakar Marg,
Near State Motor Garage, Jaipur
Rajasthan- 302001

Subject: **PFI Comments: Rajasthan DISCOMs (AVVNL & JVVNL) ARR & Tariff Petition FY 2025-26**

Ref: RERC inviting Comments on ARR and Tariff Petitions for FY 2025-26

Dear Sir,

Power Foundation of India (PFI) is a Policy Research and Advocacy entity and a registered society under the aegis of Ministry of Power, Government of India. PFI is supported by leading Central Power Sector Organizations to undertake evidence-based policy research and facilitate informed decision making by the Regulators, Ministry and concerned stakeholders. PFI is also committed to addressing challenges in Power Sector for the benefit of consumers and investors and ensuring sustainable development of the Sector.

With reference to above, PFI has analyzed the ARR and Tariff Petitions of FY 2025-26 filed by Rajasthan DISCOMs, i.e., Ajmer Vidyut Vitran Nigam Limited (AVVNL) and Jaipur Vidyut Vitran Nigam Limited (JVVNL) before Rajasthan Electricity Regulatory Commission (RERC). Our comments/ suggestions on the said Tariff Petition of AVVNL & JVVNL are enclosed herewith for your consideration as *Annexure- I & II* respectively. PFI has already submitted its comments on the ARR and Tariff Petition of FY 2025-26 filed by Jodhpur Vidyut Vitran Nigam Limited (JdVVNL) vide letter dtd. 11/05/2025.

The comments have also been emailed to rercjpr@yahoo.co.in. We would also like to orally submit our comments/ suggestions on the day of Public Hearing through video conference.

Warm Regards,

Encl: Annexure – I & II

Copy to:

1. **The Chairperson**
   Rajasthan Electricity Regulatory Commission

2. **The Member (Legal)**
   Rajasthan Electricity Regulatory Commission

Yours Sincerely,

Anshuman Srivastava
Executive Director, PFI 13/5/25

POWER FOUNDATION OF INDIA
B-28, Qutab Institutional Area, New Delhi–110 016
+91 11 -69650004, E mail: dg@powerfoundation.org.in
Website: www.powerfoundation.org.in

ANNEXURE-I

PFI Comments/Suggestions: AVVNL ARR and Tariff Petition FY 2025-26

A. HIGH POWER PURCHASE COST DUE TO COSTLIER ACCOUNT

1) AVVNL in the ARR Petition for FY 2025-26 have projected power at costlier rate from some of the power plants. AVVNL has submitted Variable cost of Rs. 4.79/kWh and Rs. 4.67/kWh for Chhabra Thermal Power Plant (CTPP) (5&6), (2 × 660 MW), RVUNL and National Capital Thermal Power Station (NCTPS 2) (2 × 490 MW), NTPC, respectively for FY 2025-26, However, the actual variable cost, as per the True Up Petition for FY 2023-24 submitted by AVVNL, for CTPP (5&6) and NCTPS 2 have been Rs. 3.03 and Rs. 3.70/kWh respectively. So, AVVNL has claimed escalation of 58% and 26% on the Variable Charges of CTPP (5&6) and NCTPS 2 in FY 2025-26 over FY 2023-24. No basis has been submitted by AVVNL for such huge escalation in the Variable Cost of these Power Plants.

2) Therefore, PFI has thus reworked the Power Purchase Cost for FY 2025-26 taking into account the actual Cost of these Plants. **Any difference in Actual and Allowed Power Purchase Cost will be automatically factored in Fuel and Power Purchase Adjustment Surcharge (FPPAS) mechanism for FY 2025-26. It will not be prudent to escalate the ARR of FY 2025-26 and allow upfront loading in Tariff, due to increased Power Purchase Cost, for the consumers of Rajasthan.**

3) PFI has considered two scenarios for the calculation of the variable power purchase cost for FY 2025-26 for these 2 Power Plants. In scenario 1, the Variable cost has been considered as per the True up petition FY 2023-24 and in scenario 2, PFI have assumed the escalation of 2.5% year on year. The variable cost submitted in the petition for approval of ARR for FY 2025-26 is much higher even after considering 5% escalation for two years considering FY 2023-24 as base year.

4) In scenario 1, the Variable cost for FY 2025-26 has been considered as per the True up petition FY 2023-24, i.e., Rs. 3.03/ kWh and Rs. 3.70/kWh for CTPP (5&6) and NCTPS 2 respectively. Accordingly, PFI has calculated the variable Purchase Cost as Rs. 463.75 Cr. and Rs. 9.75 Cr. against Rs. 734.72 Cr. and Rs. 12.30 Cr. for CTPP

(5&6) and NCTPS 2 respectively. Hence, **Rs. 273.52 Cr** has been worked out as the Power Purchase Cost for the costlier Power plants that may be disallowed by the Hon'ble Commission from the cost of these two Power plants for FY 2025-26.

5) In Scenario 2, the Variable cost for FY 2025-26 has been considered after an escalation of 2.5% year on year. i.e., Rs. 3.18/ kWh and Rs. 3.88/kWh for CTPP (5&6) and NCTPS 2 respectively. Accordingly, PFI has calculated the variable Purchase Cost as Rs. 486.93 Cr. and Rs. 10.24 Cr. against Rs. 734.72 Cr. and Rs. 12.30 Cr. for the respective plants as mentioned above for FY 2025-26. Hence, **Rs. 249.85 Cr** has been worked out as the Power Purchase Cost for the costlier Power plants that may be disallowed by the Hon'ble Commission from the cost of these two Power plants for FY 2025-26.

Table 1: *Power Purchase Cost for CTPP (5&6) and NCTPS 2 for AVVNL for FY 2025-26*

Particulars	CTPP (5&6)	NCTPS 2
VC Claimed FY 2025-26 (Rs./kWh)	4.79	4.67
Quantum (MU)	1532.97	26.36
VC Claimed FY 2025-26 (Rs. Cr.)	734.72	12.30
PFI Working		
Scenario:1		
VC for FY 2025-26 with 0% escalation over VC of FY 24 (Rs./kWh)	3.03	3.70
Quantum (MU)	1532.97	26.36
VC Claimed FY 2025-26 (Rs. Cr.)	463.75	9.75
Disallowance	**270.97**	**2.55**
Scenario:2		
VC for FY 2025-26 with 5% escalation (Rs./kWh)	3.18	3.88
Quantum (MU)	1532.97	26.36
VC Claimed FY 2025-26 (Rs. Cr.)	486.93	10.24
Disallowance	**247.79**	**2.06**

Adherence to Merit Order Despatch

As per the Regulatory provisions, the Power Purchase Cost shall be on least cost basis and strictly on Merit Order Despatch.

B. DISALLOWANCE ON ACCOUNT OF DEPRECIATION

6) AVVNL has projected Rs. 1539 Cr. for FY 2025-26 on account of depreciation, which is not as per the regulatory principles. For the calculation of Depreciation, the closing balance of the previous year must be considered as the opening of the current year, and the capitalization during the year must be added and the average depreciation to be calculated accordingly. Based on the above principles, PFI has calculated the Depreciation for FY 2025-26 as **Rs. 823.89 Cr** after considering closing balance of approved ARR of FY 2024-25 and rate of Depreciation same as approved for FY 2024-25. Capitalization has been assumed same as claimed for FY 2025-26, in Form 3.6 of the Petition.

7) Hence, PFI requests Hon'ble Commission to disallow **Rs. 715.11 Cr** on the account of Depreciation as per the regulatory provisions. PFI working for calculation of Depreciation is tabulated below:

Table 2: *PFI working for disallowance on account of Depreciation for FY 2025-26 for AVVNL*

Sr. No.	Particulars	PFI Working
1	Depreciable assets at the beginning of the year (closing of FY 2024-25)	16373
2	Capitalization during the year	4449.80
3	Closing balance of GFA	20,822.80
4	Average depreciable assets during the year	18,597.90
5	Average depreciation rate	4.43%
6	Depreciation for FY 2025-26	**823.89**
7	Claimed Depreciation for FY 2025-26	1539.00
8	**Disallowance**	**715.11**

C. INTEREST ON LONG TERM LOANS

8) AVVNL has claimed Rs.989 Cr. on account of normative interest cost in the petition for FY 2025-26 (Table:39), which is not as per the regulatory principles, as the DISCOM has not considered the approved closing loans of FY 2024-25 as the opening loan of FY 2025-26. Hon'ble RERC in previous Tariff Orders has considered Opening Loan as the closing loan of the previous year.

9) Therefore, as per the Regulatory norms, opening balance of Normative loan to be considered as per the ARR Order FY 2024-25. Addition during the year has been

considered same as claimed by AVVNL. Repayments have been considered same as Depreciation, as worked out by PFI in the above Section. Addition and Interest rates are considered same as claimed by AVVNL. Based on the above principles, PFI has calculated the Normative Interest Cost as Rs. 692 Cr against the claimed Rs. 989 Cr. for FY 2025-26 as given in the table below:

Table 3: *Interest on Long Term Loan claimed & PFI working for FY 2025-26 for AVVNL (Rs. Cr.)*

Sr. No.	Particulars	FY 2025-26 Claimed	FY 2025-26 PFI Working
1	Opening Balance of Normative Loan	8752	5595
2	Addition During the Year	2670	2670
3	Repayments	1539	824
4	Closing Balance of Loan	9883	7442
5	Average Balance during the year	9318	6518
6	Interest Rate	10.61%	10.61%
7	**Normative Interest Cost**	**989**	**692**
8	**Disallowance**		**297**

10) So, Hon'ble Commission is requested to disallow Rs. 297 Cr while approving the Interest on Loan for FY 2025-26.

D. NO ROAD MAP FOR ENERGY STORAGE

11) India's evolving energy storage policy framework underscores its commitment to enhancing grid flexibility and supporting renewable energy integration. Since 2019, a robust regulatory ecosystem has been crafted to support energy storage deployment through national initiatives around technical standards, legal frameworks, transmission charges, Resource Adequacy (RA) planning, market mechanisms, and financial incentives, as well as state-level initiatives.

12) In a significant regulatory development, the MoP clarified Legal Status to ESS on January 29, 2022. The order identifies Energy Storage Systems (ESS) as an essential component of the power system under the Electricity Act of 2003, permitting ESS to function as a standalone or integrated element within generation, transmission, or distribution networks. The ESS can be operated by various entities, and standalone ESS projects can be licensed independently and granted connectivity under specific rules, encouraging broader ESS applications and ownership models.

13) The Waiver of Inter-State Transmission System (ISTS) Charges for solar, wind (onshore and offshore), and green hydrogen projects was mandated by the Ministry of Power (MoP) on November 23, 2021, with subsequent amendments in November 2021, December 2022, and May and June 2023. This waiver also applies to Hydro Pumped Storage Projects (PSP) and Battery Energy Storage Systems (BESS) commissioned up to June 30, 2025.

14) The Central Electricity Authority (CEA) on 28/06/2023, has established RA planning guidelines at both national and state levels, an important step forward, and has recently come up with state-wise RA reports with up to 5-year or 10-year RA projections. The CEA Resource Adequacy guidelines also outline a framework for incorporating ESS in RA planning.

15) Recent national and state government policies have begun to lay a foundation that will support ESS deployment and its integration into RA planning and procurement, electricity markets, and system operations.

16) The CEA in its Report for Resource Adequacy Plan[1] for the State of Rajasthan for the period from FY 2024-25 to FY 2034-35 has identified that:

- Rajasthan is likely to witness an energy deficit ranging from 20 MUs to 20000 MUs in different years from 2024-25 to 2034-35 with the existing and planned capacity addition.
- Rajasthan is in a deficit in fulfilment of its Renewable Purchase Obligations (RPO) and needs to contract renewable capacities for fulfilling them. It requires contracting Solar and wind capacities from 2023/24 and hydro from 2026/27 till 2029/30.
- Rajasthan is likely to have unserved energy in coming years and needs to contract fossil and non- fossil capacities for meeting energy requirements other than the planned capacities.

[1] https://cea.nic.in/wp-content/uploads/resource_adequacy_st/2024/09/MP_Report_2024_25_to_2034_35.pdf

- **The energy requirement to be met from STOA ranges about 0.1-2.8% of the total energy requirement but is critical in winter months of peak demand to fulfil the end consumer demand.**

17) Many DISCOMs in the country have initiated the bidding process for ESS and for many of them the tariff discovered has also been adopted by respective SERCs. Few such DISCOMs along with their ESS proposal pertaining to the objective of Energy Arbitrage are as follows:

Category	Energy Storage Tender_ DISCOMs	Capacity
BESS	GUVNL Phase II (March 2024)	500 MWh
	GUVNL Phase III (June 2024)	1000 MWh
	MSEDCL (August 2024)	600 MWh
	UPPCL (August 2024)	1200 MWh
	GUVNL Phase IV (August 2024)	800 MWh
PSP	MSEDCL (Sept 2024)	24000 MWh

18) Various SERCs have approved the Energy Storage based on the proposal received from their DISOCMs. Like, in Delhi, DERC has approved a 20 MW/40 MWh standalone BESS project for their DISCOM on 1/05/2024. On 26/09/2024, MERC approved the procurement of 1000 MW of energy storage from pumped hydro storage (PHS) projects in Maharashtra, with an additional greenshoe option of 2000 MW, allowing for potential expansion. The bid results, as outlined in MERC's order, provide a benchmark for competitive energy storage costs in the region. For projects designed to discharge up to 8 hours daily, with a maximum continuous discharge of 5 hours—enabling two cycles per day—the levelized cost of storage is estimated at ₹3.2 per kWh. This price is highly competitive.

19) Standalone and co-located ESS can play an important role in meeting RA requirements under India's emerging RA framework. Going forward, state-level RA frameworks need to be closely aligned with long-term planning and resource procurement processes to support cohesive implementation.

20) **In the Tariff Petition for ARR of FY 2025-26, it is noted that AVVNL has submitted power Purchase from Tehri PSP wef August 2025 (Table: 25 of the**

Petition). However, hon'ble RERC may monitor the compliance of 2% ESS target for FY 2025-26 as per (Renewable Purchase Obligation) Regulations, 2023.

21) **In view of above, PFI submits that Energy Storage is an effective tool for Energy arbitrage for DISCOMs in optimization of their Power Purchase Cost. For instance, in BESS, Batteries can be charged in the off-peak hours and can be discharged in Peak hours, thus, avoiding reliance of DISCOMs on high-cost short term Power from markets or not scheduling the high-cost Power Plants. With steep reduction in Battery prices in CY 2024 and active participation by various DISCOMs, as stipulated above, Rajasthan DISCOMs necessitates to also consider Energy Storage as part of their Power Procurement Planning in line with Resource Adequacy Planning formulated by CEA for Rajasthan.**

E. HIGH DISTRIBUTION LOSS CIRCLES

22) AVVNL has claimed 7.50% Distribution loss for FY 2025-26, as per Form D 7.2 of the Petition, as shown below. However, PFI has observed that the DISCOM has some high loss Circles wherein the loss level is more than 7.5%. For ex. the loss levels for Nagaur circle is very high, i.e. 17.30% and for Jhunjhunu Circle it is 10.14%.

FY 2025-26

Circle	Voltage Level	No of Feeders*	Feeders metered*	Energy Input	Total Output	Total Losses	Total Losses (% of Energy Input)	Total Technical Loss	Total technical Losses (% of Energy Input)	Total Commercial Loss	Total AT&C Losses (% of Energy Input)
1	2	3	4	5	6	7	8	9	10	11	12
Ajmer City	11 kV			1019.01	957.20	66.66	6.54%				
Ajmer Dist	11 kV			1918.07	1856.10	89.16	4.65%				
Bhilwara	11 kV			4466.52	4415.48	145.30	3.25%				
Nagaur	11 kV			5437.09	4231.34	940.86	17.30%				
Jhunjhunu	11 kV			2853.93	2526.92	289.51	10.14%				
Sikar	11 kV			3636.07	3319.46	302.04	8.31%				
Udaipur	11 kV			3044.24	2941.34	144.53	4.75%				
Chittorgarh	11 kV			3140.23	3106.93	100.42	3.20%				
Pratapgarh	11 kV			682.34	651.39	37.66	5.52%				
Rajsamand	11 kV			1722.75	1697.36	59.85	3.47%				
Banswara	11 kV			1114.37	1036.18	79.98	7.18%				
Dungarpur	11 kV			653.48	619.02	19.25	2.95%				
DF - TAPDDI.				618.15	672.31	0.00	0.00%				
Ajmer Discom		-	-	30336.26	28061.04	2275.22	7.50%				

23) AVVNL has submitted that it has taken various initiatives to reduce the losses, which is amongst the best in the country. This development is also testament to the immaculate planning and subsequent execution of loss reduction initiatives taken by Discom over the years. However, such loss reduction strategies and immaculate planning have not been able to show results for such high loss levels areas.

24) PFI requests Hon'ble Commission to take into account such high loss levels Circles and may direct the Ajmer DISCOM to reduce Distribution losses in such Circles.

F. OTHER ISSUES PERTAINING TO NON-ALIGNMENT WITH MoP (GoI) RULES

F.1 LEVY OF REGULATRY SURCHARGE

25) AVVNL has proposed levy of Regulatory Surcharge @ Rs. 1.00/kWh for FY 2025-26. AVVNL has submitted that this surcharge is driven by the necessity to liquidate the substantial regulatory assets that have accumulated over time.

26) However, PFI notes that Ministry of Power in its letter dtd. 1/04/2021 has written to all Regulatory Commissions that No creation of new regulatory assets under business-as-usual conditions. Relevant extract of the letter mentioned is as follows:

"7. In view of the legal provisions in the Electricity Act 2003 and the Tariff Policy 2016

(ii) No creation of new regulatory assets under business-as-usual conditions. "

27) Further Tariff Policy 2016 also stipulates that the Creation of Regulatory Assets should be done as a very rare exception in case of natural calamity or force majeure conditions only. Relevant extract of the Policy is as follows:

"8.2.2 The facility of a regulatory asset has been adopted by some Regulatory Commissions in the past to limit tariff impact in a particular year. This should be done only as a very rare exception in case of natural calamity or force majeure conditions and subject to the following:

a. *Under business as usual conditions, no creation of Regulatory Assets shall be allowed;*

28) Further, Hon'ble RERC has issued RERC (Terms and Conditions for Determination of Tariff) Regulations, 2025wherein specifically mentioned that *Regulatory Asset shall be created only under exceptional circumstances. Relevant extracts of the Regulations is as follows:*

*"**Regulation 91***

(1) Regulatory Asset shall be created only under exceptional circumstances

(2) The tariff shall be cost reflective and there shall not be any gap between approved Annual Revenue Requirement and estimated annual revenue from approved tariff except under natural calamity conditions."

29) In view of above, PFI requests Hon'ble RERC to restrict the Creation of Regulatory Assets in normal Business scenarios and not allow any levy of Regulatory Surcharge.

F.2 RENEWABLE PURCHASE OBLIGATION (RPO) FOR FY 2025-26

30) While projecting the action Plan for meeting Renewable Purchase Obligation (RPO) targets for FY 20252-6, AVVNL has claimed new capacity addition of 700 MW from Rajasthan Atomic Power Project (RAPP) 7&8 (Nuclear). However, as per the *RERC (Renewable Purchase Obligation) Regulation 2023* Nuclear Energy is not a part of Renewable Energy Sources. Relevant extract of the RPO Regulations is as follows:

"V. "Renewable Energy Sources" means renewable source of energy such as water, wind, sunlight, biomass, bagasse, municipal solid waste and other such sources as approved by the MNRE from time to time and shall include cogeneration;"

31) Further, AVVNL has submitted that it has unable to achieve RPO targets and has also seen accumulated RPO backlog. It has submitted a Petition under RPO Regulations which seeks to waive the RPO shortfall of the Discoms from 2011 to 2024. Relevant extract from the ARR Petition for FY 2025-26 is as follows:

"4.20 The petitioner here submits that the Rajasthan Discoms are making every effort to meet the Renewable Purchase Obligation (RPO) targets. However, despite their diligent efforts, they have been unable to achieve these targets and have also seen an accumulation of backlog.

...

4.23 RUVITL has also submitted a petition under Regulation 9(2) of the RERC (Renewable Energy Certificate and RPO Compliance Framework) Regulations, 2010, in conjunction with Sections 86(1)(e) and 86(1)(1) of the Electricity Act, 2003. This petition seeks to waive the Renewable Purchase Obligations (RPO) shortfall that the Discoms were required to meet from 2011 to 2024"

32) PFI notes that the Government of India (GoI) has set a target of non-fossil energy capacity of 500 GW by 2030 and a target of achieving 50% of the cumulative electric

power installed capacity from non-fossil fuel-based sources by 2030. These targets also contribute to India's long-term goal of reaching net-zero emissions by 2070. Over the last few years India has experienced significant development in the Renewable Energy (RE) Sector. Progressive National and State level policies have contributed significantly to this development and this contribution is also fulfilled through RPO targets specified by State Electricity Regulatory Commissions (SERCs) under Section 86 (1) (e) of the Electricity Act, 2003. However, Rajasthan DISCOMs have failed to achieve the RPO targets specified by Hon'ble RERC over the last few years and has submitted RPO shortfall.

33) So, based on the above, **PFI requests Hon'ble Commission that the submission for waiving off the RPO targets may kindly be rejected by the Hon'ble Commission and penalties be imposed on DISCOMs for not complying with the directions of the Commission. Further, Energy from Nuclear Power Plants shall not be made part of sources for compliance of Renewable Purchase Obligation as the same is not part of Renewable Sources of Energy as per RERC RPO Regulations.**

34) Further, Rajasthan DISCOMs have projected the RPO requirements for FY 2025-26 as per RERC RPO Regulations 2023 wherein the Commission has set a different source wise RPO Target from Wind, HPO and others different from the RPO Target specified by MoP vide its notification dtd. 20/10/2023[2]. RERC has not defined any Distributed RPO Target separately and has kept the same in "Other" category, as shown below:

Sr. No.	FY 2025-26	Wind	Hydro	Distributed RE	Other RE	Total RE
1	RERC RPO	3.36%	1.48%	28.17%		**33.01%**
2	MoP RPO Targets	1.45%	1.22%	2.1%	28.24%	**33.01%**

35) Further, in case the specified RPO is not complied with by the obligated entities, MoP has proposed penalty as specified in Sub Section (3) of section 26 of the Energy Conservation Act, 2001.

[2] https://powermin.gov.in/sites/default/files/Notification_Regarding_Renewable_Purchase_Obligation_RPO.pdf

36) **Therefore, PFI suggests that Hon'ble RERC should amend the RPO Regulations as per MoP notification dated 20/10/2023 to have source wise RPO targets same as that of MoP and should impose penalties on Rajasthan DISCOMS in case the RPO requirements are not met.**

F.3 REVENUE GAP (ELECTRICITY (AMENDMENT) RULES, 2024 DTD. 10/01/2024)

37) MoP vide *Electricity (Amendment) Rules, 2024* dtd. 10/01/2024 has specified the following with regards to Revenue Gap between approved Annual Revenue Requirement and estimated Annual Revenue from approved tariff:

> ***"23. Gap between approved Annual Revenue Requirement and estimated annual revenue from approved tariff–*** *The tariff shall be* ***cost reflective*** *and there* ***shall not be any gap*** *between approved Annual Revenue Requirement and estimated annual revenue from approved tariff except under natural calamity conditions:*
>
> *Provided that such gap, Created if any,* ***shall not be more than three percent of the approved Annual Revenue Requirement****....."*

38) The Rules have clearly specified that the tariff shall be cost reflective and there shall not be any gap between approved Aggregate Revenue Requirement and Estimated Annual Revenue from approved tariff except under natural calamity conditions. And if at all, the Gap is Created it shall not be more than 3% percent of the approved Annual Revenue Requirement.

39) **It is noted that for ARR of FY 2025-26 AVVNL has claimed Revenue Surplus of Rs. 3,390 Cr. at existing Tariff for FY 2025-26.**

40) Hon'ble APTEL in its judgement dated 11/11/2011 in OP 1 of 2011 has laid the significance of cost reflective tariff as follows:

> *"56. It is to be pointed out in this context, that the legislative intent in enacting the Act, 2003 is to secure effective Regulations characterised by tariff rationalisation with timely cost reflective tariff determination based on the principles set out in Section 61 read with the National Tariff Policy. ..."*

41) Section 62 of the Act empowers SERCs to determine the Tariff on cost plus basis for the utilities regulated by them engaged in generation, transmission and distribution

of electricity. Section 63 empowers SERCs to adopt the Tariff discovered through transparent process of bidding. Determination of cost-reflective tariff of Distribution Licensees by SERCs plays a significant role as it lays the foundation of routing revenue up the supply chain.

42) Hon'ble Supreme Court's in its judgement in PTC India Vs. CERC dated 15/03/2010 has ruled that the term "tariff" includes within its ambit not only the fixation of rates but also the rules and regulations relating to it. Through Sections 61 and 62 of the Act, the Appropriate Commission shall determine the actual tariff in accordance with the provisions of the Act, including the terms and conditions which may be specified by the Appropriate Commission under Section 61 of the said Act. Under the 2003 Act, it becomes clear from Section 62 with Section 64, that although tariff fixation is legislative in character, the same under the Act is made appealable vide Section 111. These provisions, namely Sections 61, 62 and 64 indicate the dual nature of functions performed by the Regulatory Commissions, viz, decision-making and specifying terms and conditions for tariff determination.

43) Similarly, Hon'ble APTEL vide its judgment dated 04/09/2012 in Appeal No. 94 of 2012 has stated that the term 'Regulate' has got a wider scope and implication not merely confined to determination of tariff. Section 61 and 79 not only deal with the tariff but also deal with the terms and conditions of tariff. The terms and conditions necessarily include all terms related to tariff.

44) Further, Tariff Policy, 2016, also states that in terms of Section 61(g) of the Act, the Appropriate Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity.

45) **In view of above, PFI submits before RERC to determine cost-reflective Tariff for FY 2025-26 as per the principles stipulated in MoP rules dated 10/01/2024.**

F.4 TIME OF DAY (ELECTRICITY (RIGHTS OF CONSUMERS) AMENDMENT RULES, 2023 DTD. 14/06/2023)

46) *Electricity (Rights of Consumers) Amendment Rules, 2023* dtd. 14/06/2023 stipulates that every consumer category except Agriculture should have Time of Day (TOD) Tariff

with effect from 01/04/2025 and shall be made effective immediately after installation of Smart Meters, for consumers with Smart Meters.

47) Further, the Rules also stipulate that ToD Tariff for Commercial and Industrial consumers during peak period of the day shall not be less than 1.20 times the normal tariff and for other consumers, it shall not be less than 1.10 times the normal tariff. Further ToD during Off-peak hours should be at least 20% less than the normal tariff (not more than 80% of the normal tariff). Rajasthan DISCOMs have proposed ToD Tariff for consumers above 10 kW but have not proposed any Peak and Off-peak Tariff for the same.

48) **Further, Rajasthan DISCOMS has also not submitted the status of ToD in their area (tariff category wise). The said status report should provide benefit derived from ToD through flattening of Load Curve and avoiding procurement of costly power in Peak Period.**

49) PFI observes that the cost of power purchase during peak hours is quite high. ToD Tariff is an important Demand Side management (DSM) measure to flatten the load curve and avoid such high-cost peaking power purchases. Accordingly, in ToD Tariff regime peak hour consumption is charged at higher rates which reflect the higher cost of power purchase during peak hours. At the same time, a rebate is being offered on consumption during off-peak hours. This is also meant to incentivize consumers to shift a portion of their loads from peak time to off-peak time, thereby improving the system load factor and flattening the load curve. The ToD Tariff is aimed at optimizing the cost of power purchase, which constitutes over 80% of the Tariff charged from the consumers. It also assumes importance in the context of propagating and implementing DSM and achieving energy efficiency.

50) Introduction of higher peak hour Tariff would initially generate additional revenue which would compensate for the reduction in revenue on account of lower Tariff during off peak hours. In the long run, this would provide signals to the consumers to reduce load during peak hours and, wherever possible, shift this consumption to off-peak hours. Any loss of revenue to the utility on account of shifting of load from peak to off-peak hours in the long run would by and large get compensated by way of reduction of off-peak surplus to the extent of increase in off-peak demand.

51) The ToD Tariff would thus have immediate as well as long-term benefits for both, consumers as well as the utility and contribute towards controlling the rise in power purchase costs.

52) **Thus, PFI requests RERC to formulate ToD Tariff for all eligible consumers in line with the MoP Electricity (Rights of Consumers) Amendment Rules, 2023 dtd. 14/06/2023 as amended from time to time.**

G. SUMMARY OF DISALLOWANCES

53) As stipulated in above Sections, summary of disallowances worked out by PFI is tabulated as follows. Hon'ble RERC is requested to kindly consider the same while approving the ARR for FY 2025-26 and inefficiencies of AVVNL may not be passed on to the consumers rather it should be borne by Govt. of Rajasthan in the form of Subsidy, if any:

Table 2: Summary of Disallowances for FY 2023-24 for AVVNL (Rs. Cr.)

Particulars (AVVNL)	Claimed	PFI Working		Disallowance (Scenario 1)	Disallowance (Scenario 2)
		VC with 0% escalation	VC with 5% escalation		
Power Purchase Cost (inc. Transmission)	15,392	15,118	15,142	-274	-250
Disallowance due to Costlier Plants	-	*274*	*250*	*-274*	*-250*
Operation and Maintenance Expenses	1,723	1,723	1,723	0	0
Expenditure Towards Unified Billing software & Terminal Benefits	694	694	694	0	0
Depreciation	1539	824	824	-715	-715
Interest and Finance Charges	2235	1938	1938	-297	-297
Aggregate Revenue Requirement (ARR)	21,583	20,297	20,321	-1,286	-1,262
Less: Non-Tariff Income & CSS	694	694	694	0	0
Net Aggregate Revenue Requirement (ARR)	20,889	19,603	19,627	-1,286	-1,262
Revenue	24,278	24,278	24,278	0	0
Revenue (Gap)/Surplus	**3,389**	**4,675**	**4,651**	**-1,286**	**-1,262**

H. PRAYERS BEFORE HON'BLE RERC FOR ARR AND TARIFF PETITION OF AVVNL FOR FY 2025-26

1) **To consider the comments / suggestions of Power Foundation of India (PFI) on ARR and Tariff of FY 2025-26 for AVVNL.**

2) **To consider Disallowances on account of excess Power Purchase due to purchasing of power from costly plants**

3) **To consider Disallowances on account of excess Depreciation.**

4) **To consider Disallowances on account of interest on long term loan.**

5) **Hon'ble RERC is requested to kindly consider that inefficiencies of AVVNL should not be passed on to the consumers rather it should be borne by Govt. of Rajasthan in the form of Subsidy.**

6) **To consider the additional submissions, if any, made by PFI for ARR and Tariff Petition of FY 2025-26 for AVVNL.**

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ANNEXURE-II

PFI Comments/Suggestions: JVVNL ARR and Tariff Petition for FY 2025-26

A. HIGH POWER PURCHASE COST DUE TO COSTLIER PLANTS

1) JVVNL in the ARR Petition for FY 2025-26 have projected costlier power from some of the power plants. JVVNL has submitted the variable cost of Rs. 4.79/kWh and Rs. 4.67/kWh for Chhabra Thermal Power Plant (CTPP) (5&6), (2 × 660 MW), RVUNL and National Capital Thermal Power Station (NCTPS 2) (2 × 490 MW), NTPC, respectively for FY 2025-26, However, the actual Variable cost, as per the True Up Petition FY 2023-24, for CTPP (5&6) and NCTPS 2 have been Rs. 3.03 and Rs. 3.71/kWh respectively. So, JVVNL has claimed escalation of 58% and 26% on the Variable Charges of CTPP (5&6) and NCTPS 2 in FY 2025-26 over FY 2023-24. No basis has been submitted by JVVNL for such huge escalation in the Variable Cost of these Power Plants.

2) Therefore, PFI has reworked the Power Purchase Cost for FY 2025-26 taking into account the actual Cost of these Plants. **Any difference in Actual and Allowed Power Purchase Cost will be automatically factored in Fuel and Power Purchase Adjustment Surcharge (FPPAS) mechanism for FY 2025-26. It will not be prudent to escalate the ARR of FY 2025-26 and allow upfront loading in Tariff, due to increased Power Purchase Cost, for the consumers of Rajasthan.**

3) PFI has considered two scenarios for the calculation of the variable power purchase cost for FY 2025-26 for these 2 Power Plants. In scenario 1, the Variable cost has been considered as per the True up petition FY 2023-24 and in scenario 2, PFI have assumed the escalation of 2.5% year on year. The variable cost submitted in the petition for approval of ARR for FY 2025-26 is much higher even after considering 5% escalation for two years considering FY 2023-24 as base year.

4) In scenario 1, the Variable cost for FY 2025-26 has been considered as per the True up petition FY 2023-24, i.e., Rs. 3.03/ kWh and Rs. 3.71/kWh for CTPP (5&6) and NCTPS 2 respectively. Accordingly, PFI has calculated the variable Purchase Cost as Rs. 643.37 Cr. and Rs. 13.57 Cr. against Rs. 1019.29 Cr. and Rs. 17.07 Cr. for CTPP

(5&6) and NCTPS 2 respectively. Hence, **Rs. 379.42 Cr** has been worked out as the Power Purchase Cost for the costlier Power plants that may be disallowed by the Hon'ble Commission from the cost of these two Power plants for FY 2025-26.

5) In Scenario 2, the Variable cost for FY 2025-26 has been considered after an escalation of 2.5% year on year. i.e., Rs. 3.18/ kWh and Rs. 3.89/kWh for CTPP (5&6) and NCTPS 2 respectively. Accordingly, PFI has calculated the variable Purchase Cost as Rs. 675.54 Cr. and Rs. 14.24 Cr. against Rs. 1019.29 Cr. and Rs. 17.07 Cr. for the respective plants as mentioned above for FY 2025-26. Hence, **Rs. 346.57 Cr** has been worked out as the Power Purchase Cost for the costlier Power plants that may be disallowed by the Hon'ble Commission from the cost of these two Power plants for FY 2025-26.

Table 3: *Power Purchase Cost for CTPP (5&6) and NCTPS 2 for JVVNL for FY 2025-26*

Particualrs	CTPP (5&6)	NCTPS 2
VC Claimed FY 2025-26 (Rs./kWh)	4.79	4.67
Quantum (MU)	2126.73	36.57
VC Claimed FY 2025-26 (Rs. Cr.)	1019.29	17.07
PFI Working		
Scenario:1		
VC for FY 2025-26 with 0% escalation over VC of FY 24 (Rs./kWh)	3.03	3.71
Quantum (MU)	2126.73	36.57
VC Claimed FY 2025-26 (Rs. Cr.)	643.37	13.57
Disallowance	**375.92**	**3.50**
Scenario:2		
VC for FY 2025-26 with 5% escalation (Rs./kWh)	3.18	3.89
Quantum (MU)	2,127	37
VC Claimed FY 2025-26 (Rs. Cr.)	676	14
Disallowance	**344**	**3**

Adherence to Merit Order Despatch

As per the Regulatory provisions, the Power Purchase Cost shall be on least cost basis and strictly on Merit Order Despatch.

B. DISALLOWANCE ON ACCOUNT OF DEPRECIATION

6) JVVNL has projected Rs. 1804 Cr. for FY 2025-26 on account of depreciation, which is not as per the regulatory principles. For the calculation of Depreciation, the closing balance of the previous year must be considered as the opening of the current year, and the capitalization during the year must be added and the average depreciation to be calculated accordingly. Based on the above principles, PFI has calculated the Depreciation for FY 2025-26 as **Rs. 1015.47 Cr** after considering closing balance of approved ARR of FY 2024-25 and the Capitalization same as claimed for FY 2025-26 (Form 3.6 of the Tariff Forms). Rate of Depreciation has been considered same as approved for FY 2024-25.

7) Hence, PFI requests Hon'ble Commission to disallow **Rs. 788.53 Cr** on the account of Depreciation as per the regulatory provisions. PFI working for Depreciation is tabulated below:

Table 2: *PFI working for disallowance on account of Depreciation for FY 2025-26 for JVVNL*

Sr. No.	Particulars	PFI Working FY 2025-26
1	Depreciable assets at the beginning of the year (closing balance of approved ARR FY 2024-25)	20472.00
2	Capitalization during the year (Form 3.6)	5318.72
3	Closing balance of GFA	25,790.72
4	Average depreciable assets during the year	23,131.36
5	Average depreciation rate (as approved)	4.39%
6	Depreciation for FY 2025-26	**1015.47**
7	Claimed Depreciation for FY 2025-26	1804.00
8	**Disallowance**	**788.53**

C. INTEREST ON LONG TERM LOANS

8) JVVNL has projected Rs. 1097 Cr. on account of normative interest cost in the petition for FY 2025-26 (Table: 24), which is not as per the regulatory principles, as the DISCOM has not considered the approved closing loans of FY 2024-25 as the opening loan of FY 2025-26. Hon'ble RERC in previous Tariff Orders has considered Opening Loan as the closing loan of the previous year.

9) Therefore, as per the Regulatory norms, PFI has calculated the Normative Interest Cost wherein opening balance of Normative loan has been considered as per the ARR Order FY 2024-25. Addition during the year has been considered same as claimed by JVVNL. Repayments have been considered same as Depreciation, as worked out by PFI in the above Section and rate of Interest same as claimed by JVVNL for FY 2025-26. Based on the above principles, Interest Cost as worked out by PFI is **Rs. 824.38 Cr** against the claimed Rs. 1097 Cr. for FY 2025-26 as given in the table below:

Table 3: *Interest on Long Term Loan claimed & PFI working for FY 2025-26 for JVVNL (Rs. Cr.)*

	Particulars	Claimed FY 2025-26	PFI Working FY 2025-26
1	Opening Balance of Normative Loan	10147	7099.00
2	Addition During the Year	2825	2824.94
3	Repayments	1804	1015.47
4	Closing Balance of Loan	11167	8908.48
5	Average Balance during the year	10657	8003.74
6	Interest Rate	10.30%	10.30%
7	**Normative Interest Cost**	**1097**	**824.38**
8	**Disallowance**		**272.62**

10) So, Hon'ble Commission is requested to disallow Rs. 272.62 Cr while approving the Interest on Loan for FY 2025-26.

D. NO ROAD MAP FOR ENERGY STORAGE

11) India's evolving energy storage policy framework underscores its commitment to enhancing grid flexibility and supporting renewable energy integration. Since 2019, a robust regulatory ecosystem has been crafted to support energy storage deployment through national initiatives around technical standards, legal frameworks, transmission charges, Resource Adequacy (RA) planning, market mechanisms, and financial incentives, as well as state-level initiatives.

12) In a significant regulatory development, the MoP clarified Legal Status to ESS on January 29, 2022. The order identifies Energy Storage Systems (ESS) as an essential component of the power system under the Electricity Act of 2003, permitting ESS to function as a standalone or integrated element within generation, transmission, or distribution networks. The ESS can be operated by various entities, and standalone ESS projects can be licensed independently and granted

connectivity under specific rules, encouraging broader ESS applications and ownership models.

13) The Waiver of Inter-State Transmission System (ISTS) Charges for solar, wind (onshore and offshore), and green hydrogen projects was mandated by the Ministry of Power (MoP) on November 23, 2021, with subsequent amendments in November 2021, December 2022, and May and June 2023. This waiver also applies to Hydro Pumped Storage Projects (PSP) and Battery Energy Storage Systems (BESS) commissioned up to June 30, 2025.

14) The Central Electricity Authority (CEA) on 28/06/2023, has established RA planning guidelines at both national and state levels, an important step forward, and has recently come up with state-wise RA reports with up to 5-year or 10-year RA projections. The CEA Resource Adequacy guidelines also outline a framework for incorporating ESS in RA planning.

15) Recent national and state government policies have begun to lay a foundation that will support ESS deployment and its integration into RA planning and procurement, electricity markets, and system operations.

16) The CEA in its Report for Resource Adequacy Plan[3] for the State of Rajasthan for the period from FY 2024-25 to FY 2034-35 has identified that:

- Rajasthan is likely to witness an energy deficit ranging from 20 MUs to 20000 MUs in different years from 2024-25 to 2034-35 with the existing and planned capacity addition.
- Rajasthan is in a deficit in fulfilment of its Renewable Purchase Obligations (RPO) and needs to contract renewable capacities for fulfilling them. It requires contracting Solar and wind capacities from 2023/24 and hydro from 2026/27 till 2029/30.
- Rajasthan is likely to have unserved energy in coming years and needs to contract fossil and non- fossil capacities for meeting energy requirements other than the planned capacities.

[3] https://cea.nic.in/wp-content/uploads/resource_adequacy_st/2024/09/MP_Report_2024_25_to_2034_35.pdf

- **The energy requirement to be met from STOA ranges about 0.1-2.8% of the total energy requirement but is critical in winter months of peak demand to fulfil the end consumer demand.**

17) Many DISCOMs in the country have initiated the bidding process for ESS and for many of them the tariff discovered has also been adopted by respective SERCs. Few such DISCOMs along with their ESS proposal pertaining to the objective of Energy Arbitrage are as follows:

Category	Energy Storage Tender_ DISCOMs	Capacity
BESS	GUVNL Phase II (March 2024)	500 MWh
	GUVNL Phase III (June 2024)	1000 MWh
	MSEDCL (August 2024)	600 MWh
	UPPCL (August 2024)	1200 MWh
	GUVNL Phase IV (August 2024)	800 MWh
PSP	MSEDCL (Sept 2024)	24000 MWh

18) Various SERCs have approved the Energy Storage based on the proposal received from their DISOCMs. Like, in Delhi, DERC has approved a 20 MW/40 MWh standalone BESS project for their DISCOM on 1/05/2024. On 26/09/2024, MERC approved the procurement of 1000 MW of energy storage from pumped hydro storage (PHS) projects in Maharashtra, with an additional greenshoe option of 2000 MW, allowing for potential expansion. The bid results, as outlined in MERC's order, provide a benchmark for competitive energy storage costs in the region. For projects designed to discharge up to 8 hours daily, with a maximum continuous discharge of 5 hours—enabling two cycles per day—the levelized cost of storage is estimated at ₹3.2 per kWh. This price is highly competitive.

19) Standalone and co-located ESS can play an important role in meeting RA requirements under India's emerging RA framework. Going forward, state-level RA frameworks need to be closely aligned with long-term planning and resource procurement processes to support cohesive implementation.

20) **In the Tariff Petition for ARR of FY 2025-26, it is noted that the JVVNL has not submitted power Purchase from Tehri PSP. However, hon'ble RERC may**

monitor the compliance of 2% ESS target for FY 2025-26 as per (Renewable Purchase Obligation) Regulations, 2023.

21) **In view of above, PFI submits that Energy Storage is an effective tool for Energy arbitrage for DISCOMs in optimization of their Power Purchase Cost. For instance, in BESS, Batteries can be charged in the off-peak hours and can be discharged in Peak hours, thus, avoiding reliance of DISCOMs on high-cost short term Power from markets or not scheduling the high-cost Power Plants. With steep reduction in Battery prices in CY 2024 and active participation by various DISCOMs, as stipulated above, Rajasthan DISCOMs necessitates to also consider Energy Storage as part of their Power Procurement Planning in line with Resource Adequacy Planning formulated by CEA for Rajasthan.**

E. HIGH DISTRIBUTION CIRCLES

22) JVVNL has claimed 14.0% Distribution loss for FY 2025-26, as per Form D 7.2 of the Petition, as shown below.

Form D 7.2

Distribution Losses

Name of Distribution Licensee: JVVNL
Licensed Area of Supply: Jaipur Discom
FY 2025-26

S. No.	Voltage Level	No of Feeders	Feeders metered	Energy Input		Sales to LT Consumers	Sales to HT Consumers	Total Output	Total Losses	Total Losses (% of Energy Input)	Total Technical Loss	Total technical Losses (% of Energy	Total Commercial Loss	Total Commercial Losses (% of Energy
1	2	3	4	5		6	7	8	9	10	11	12	13	14
Alwar	11 kV	1385	1385	3926.53		NA	NA	3295.00	631.53	16.08%	NA	NA	NA	NA
Bharatpur	11 kV	501	501	1609.32		NA	NA	1449.99	159.32	9.90%	NA	NA	NA	NA
Dholpur	11 kV	220	220	2667.69		NA	NA	2319.21	348.48	13.06%	NA	NA	NA	NA
Dausa	11 kV	531	531	1236.10		NA	NA	925.10	310.99	25.16%	NA	NA	NA	NA
Karauli	11 kV	415	415	5317.61		NA	NA	4863.34	454.27	8.54%	NA	NA	NA	NA
JCC North	11 kV	929	929	977.51		NA	NA	762.37	215.14	22.01%	NA	NA	NA	NA
JCC South		0	0	968.22		NA	NA	824.83	143.39	14.81%				
JPDC North	11 kV	1634	1634	3464.01		NA	NA	3246.95	217.06	6.27%	NA	NA	NA	NA
JPDC South		0	0	2692.50		NA	NA	2453.33	239.18	8.88%				
Jhalawar	11 kV	574	574	1331.45		NA	NA	1195.78	135.67	10.19%	NA	NA	NA	NA
Baran	11 kV	490	490	1386.32		NA	NA	1070.21	316.10	22.80%	NA	NA	NA	NA
Kota	11 kV	418	418	3612.52		NA	NA	2840.30	772.22	21.38%	NA	NA	NA	NA
Bundi	11 kV	379	379	1913.90		NA	NA	1556.71	357.19	18.66%	NA	NA	NA	NA
Sawai madhopur	11 kV	440	440	1033.40		NA	NA	669.76	363.64	35.19%	NA	NA	NA	NA
Tonk	11 kV	434	434	845.08		NA	NA	675.40	170.69	20.17%	NA	NA	NA	NA
Bhiwadi	11 kV	0	0	1864.04		NA	NA	1497.22	366.82	19.68%	NA	NA	NA	NA
Dudu	11 kV	0	0	1726.71		NA	NA	1492.43	234.28	13.57%	NA	NA	NA	NA
Kotputli	11 kV	0	0	402.01		NA	NA	363.25	38.76	9.64%	NA	NA	NA	NA
Deeg	11 kV	0	0	3565.10		NA	NA	3323.49	242.61	6.80%	NA	NA	NA	NA
Gangapur City	11 kV	0	0	1804.23		NA	NA	1593.10	211.13	11.70%	NA	NA	NA	NA
JAIPUR DISCOM		8350	8350	42346.26		NA	NA	36417.78	5928.48	14.00%	NA	NA	NA	NA

23) However, PFI has observed that the DISCOM has some high loss Circles wherein the loss level is more than 14%, as given below:

- Sawai Madhopur: 35.19%
- Dausa: 25.16%
- JCC North: 22.01%

- Baran: 22.80%
- Kota: 21.38%
- Tonk: 21.01%
- Bhiwadi: 19.68%

24) JVVNL has submitted that it has taken various initiatives to immaculate planning have not been able to show results for such high loss levels areas. PFI requests Hon'ble Commission to take into account such high loss levels Circles and may direct the Ajmer DISCOM to reduce Distribution losses in such Circles

25) It is pertinent to state that, the Government of India has approved the RDSS to support DISCOMs in improving their operational efficiencies. One of the components on which RDSS Scheme focuses is Metering. Under this part, Prepaid Smart metering for consumers, and System metering at Feeder and Distribution Transformer level with communicating feature along with associated Advanced Metering Infrastructure (AMI) it to be done. The Total sanctioned funds under RDSS for Rajasthan DISCOMs is Rs. 28,391 Cr. *(Source: RDSS portal)*. The Hon'ble RERC vide Tariff Order dated 26/07/2024 for FY 2024-25 has also allowed Capital Expenditure under RDSS and other Govt. schemes. Hon'ble RERC may direct JVVNL to utilize such funding and improve the high Distribution losses levels Circles.

F. OTHER ISSUES PERTAINING TO NON-ALIGNMENT WITH MoP (GoI) RULES

F.1 LEVY OF REGULATRY SURCHARGE

26) JVVNL has proposed levy of Regulatory Surcharge @ Rs. 1.00/kWh for FY 2025-26. JVVNL has submitted that this surcharge is driven by the necessity to liquidate the substantial regulatory assets that have accumulated over time.

27) However, PFI notes that Ministry of Power in its letter dtd. 1/04/2021 has written to all Regulatory Commissions that No creation of new regulatory assets under business-as-usual conditions. Relevant extract of the letter mentioned is as follows:

"7. In view of the legal provisions in the Electricity Act 2003 and the Tariff Policy 2016

(ii) No creation of new regulatory assets under business-as-usual conditions. "

28) Further Tariff Policy 2016 also stipulates that the Creation of Regulatory Assets should be done as a very rare exception in case of natural calamity or force majeure conditions only. Relevant extract of the Policy is as follows:

"8.2.2 The facility of a regulatory asset has been adopted by some Regulatory Commissions in the past to limit tariff impact in a particular year. This should be done only as a very rare exception in case of natural calamity or force majeure conditions and subject to the following:

a. *Under business as usual conditions, no creation of Regulatory Assets shall be allowed;*

29) Further, Hon'ble RERC has issued RERC (Terms and Conditions for Determination of Tariff) Regulations, 2025wherein specifically mentioned that *Regulatory Asset shall be created only under exceptional circumstances. Relevant extracts of the Regulations is as follows:*

*"**Regulation 91***
(1) Regulatory Asset shall be created only under exceptional circumstances
(2) The tariff shall be cost reflective and there shall not be any gap between approved Annual Revenue Requirement and estimated annual revenue from approved tariff except under natural calamity conditions."

30) In view of above, PFI requests Hon'ble RERC to restrict the Creation of Regulatory Assets in normal Business scenarios and not allow any levy of Regulatory Surcharge.

F.2 RENEWABLE PURCHASE OBLIGATION (RPO) FOR FY 2025-26

31) While projecting the action Plan for meeting Renewable Purchase Obligation (RPO) targets for FY 20252-6, JVVNL has claimed new capacity addition of 700 MW from Rajasthan Atomic Power Project (RAPP) 7&8 (Nuclear) (Clause 4.17 of the Petition). However, as per the *RERC (Renewable Purchase Obligation) Regulation 2023* Nuclear Energy is not a part of Renewable Energy Sources. Relevant extract of the RPO Regulations is as follows:

"V. "Renewable Energy Sources" means renewable source of energy such as water, wind, sunlight, biomass, bagasse, municipal solid waste and other such sources as approved by the MNRE from time to time and shall include cogeneration;"

32) Further, JVVNL has submitted that it has unable to achieve RPO targets and has also seen accumulated RPO backlog. It has submitted a Petition under RPO Regulations which seeks to waive the RPO shortfall of the Discoms from 2011 to 2024. Relevant extract from the ARR Petition for FY 2025-26 is as follows:

"4.20 The petitioner here submits that the Rajasthan Discoms are making every effort to meet the Renewable Purchase Obligation (RPO) targets. However, despite their diligent efforts, they have been unable to achieve these targets and have also seen an accumulation of backlog.

...

4.23 RUVITL has also submitted a petition under Regulation 9(2) of the RERC (Renewable Energy Certificate and RPO Compliance Framework) Regulations, 2010, in conjunction with Sections 86(1)(e) and 86(1)(1) of the Electricity Act, 2003. This petition seeks to waive the Renewable Purchase Obligations (RPO) shortfall that the Discoms were required to meet from 2011 to 2024"

33) PFI notes that the Government of India (GoI) has set a target of non-fossil energy capacity of 500 GW by 2030 and a target of achieving 50% of the cumulative electric power installed capacity from non-fossil fuel-based sources by 2030. These targets also contribute to India's long-term goal of reaching net-zero emissions by 2070. Over the last few years India has experienced significant development in the Renewable Energy (RE) Sector. Progressive National and State level policies have contributed significantly to this development and this contribution is also fulfilled through RPO targets specified by State Electricity Regulatory Commissions (SERCs) under Section 86 (1) (e) of the Electricity Act, 2003. However, Rajasthan DISCOMs have failed to achieve the RPO targets specified by Hon'ble RERC over the last few years and has submitted RPO shortfall.

34) So, based on the above, **PFI requests Hon'ble Commission that the submission for waiving off the RPO targets may kindly be rejected by the Hon'ble Commission and penalties be imposed on DISCOMs for not complying with the directions of the Commission. Further, Energy from Nuclear Power Plants shall**

not be made part of sources for compliance of Renewable Purchase Obligation as the same is not part of Renewable Sources of Energy as per RERC RPO Regulations.

35) Further, Rajasthan DISCOMs have projected the RPO requirements for FY 2025-26 as per RERC RPO Regulations 2023 wherein the Commission has set a different source wise RPO Target from Wind, HPO and others different from the RPO Target specified by MoP vide its notification dtd. 20/10/2023[4]. RERC has not defined any Distributed RPO Target separately and has kept the same in "Other" category, as shown below:

Sr. No.	FY 2025-26	Wind	Hydro	Distributed RE	Other RE	Total RE
1	RERC RPO	3.36%	1.48%	28.17%		**33.01%**
2	MoP RPO Targets	1.45%	1.22%	2.1%	28.24%	**33.01%**

36) Further, in case the specified RPO is not complied with by the obligated entities, MoP has proposed penalty as specified in Sub Section (3) of section 26 of the Energy Conservation Act, 2001.

37) **Therefore, PFI suggests that Hon'ble RERC should amend the RPO Regulations as per MoP notification dated 20/10/2023 to have source wise RPO targets same as that of MoP and should impose penalties on Rajasthan DISCOMS in case the RPO requirements are not met.**

F.3 REVENUE GAP (ELECTRICITY (AMENDMENT) RULES, 2024 DTD. 10/01/2024)

38) MoP vide *Electricity (Amendment) Rules, 2024* dtd. 10/01/2024 has specified the following with regards to Revenue Gap between approved Annual Revenue Requirement and estimated Annual Revenue from approved tariff:

> ***"23. Gap between approved Annual Revenue Requirement and estimated annual revenue from approved tariff–*** *The tariff shall be* ***cost reflective*** *and there* ***shall not be***

[4] https://powermin.gov.in/sites/default/files/Notification_Regarding_Renewable_Purchase_Obligation_RPO.pdf

any gap *between approved Annual Revenue Requirement and estimated annual revenue from approved tariff except under natural calamity conditions:*

Provided that such gap, Created if any, ***shall not be more than three percent of the approved Annual Revenue Requirement.***

...."

39) The Rules have clearly specified that the tariff shall be cost reflective and there shall not be any gap between approved Aggregate Revenue Requirement and Estimated Annual Revenue from approved tariff except under natural calamity conditions. And if at all, the Gap is Created it shall not be more than 3% percent of the approved Annual Revenue Requirement.

40) **It is noted that in ARR of FY 2025-26 JVVNL has claimed Revenue Surplus of Rs. 2959 Cr. at existing Tariff for FY 2025-26 (Table: 43 of the Petition).**

41) Hon'ble APTEL in its judgement dated 11/11/2011 in OP 1 of 2011 has laid the significance of cost reflective tariff as follows:

"56. It is to be pointed out in this context, that the legislative intent in enacting the Act, 2003 is to secure effective Regulations characterised by tariff rationalisation with timely cost reflective tariff determination based on the principles set out in Section 61 read with the National Tariff Policy. ..."

42) Section 62 of the Act empowers SERCs to determine the Tariff on cost plus basis for the utilities regulated by them engaged in generation, transmission and distribution of electricity. Section 63 empowers SERCs to adopt the Tariff discovered through transparent process of bidding. Determination of cost-reflective tariff of Distribution Licensees by SERCs plays a significant role as it lays the foundation of routing revenue up the supply chain.

43) Hon'ble Supreme Court's in its judgement in PTC India Vs. CERC dated 15/03/2010 has ruled that the term "tariff" includes within its ambit not only the fixation of rates but also the rules and regulations relating to it. Through Sections 61 and 62 of the Act, the Appropriate Commission shall determine the actual tariff in accordance with the provisions of the Act, including the terms and conditions which may be specified by the Appropriate Commission under Section 61 of the said

Act. Under the 2003 Act, it becomes clear from Section 62 with Section 64, that although tariff fixation is legislative in character, the same under the Act is made appealable vide Section 111. These provisions, namely Sections 61, 62 and 64 indicate the dual nature of functions performed by the Regulatory Commissions, viz, decision-making and specifying terms and conditions for tariff determination.

44) Similarly, Hon'ble APTEL vide its judgment dated 04/09/2012 in Appeal No. 94 of 2012 has stated that the term 'Regulate' has got a wider scope and implication not merely confined to determination of tariff. Section 61 and 79 not only deal with the tariff but also deal with the terms and conditions of tariff. The terms and conditions necessarily include all terms related to tariff.

45) Further, Tariff Policy, 2016, also states that in terms of Section 61(g) of the Act, the Appropriate Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity.

46) **In view of above, PFI submits before RERC to determine cost-reflective Tariff for FY 2025-26 as per the principles stipulated in MoP rules dated 10/01/2024.**

F.4 TIME OF DAY (ELECTRICITY (RIGHTS OF CONSUMERS) AMENDMENT RULES, 2023 DTD. 14/06/2023)

47) *Electricity (Rights of Consumers) Amendment Rules, 2023* dtd. 14/06/2023 stipulates that every consumer category except Agriculture should have Time of Day (TOD) Tariff with effect from 01/04/2025 and shall be made effective immediately after installation of Smart Meters, for consumers with Smart Meters.

48) Further, the Rules also stipulate that ToD Tariff for Commercial and Industrial consumers during peak period of the day shall not be less than 1.20 times the normal tariff and for other consumers, it shall not be less than 1.10 times the normal tariff. Further ToD during Off-peak hours should be at least 20% less than the normal tariff (not more than 80% of the normal tariff). Rajasthan DISCOMs have proposed ToD Tariff for consumers above 10 kW but have not proposed any Peak and Off-peak Tariff for the same.

49) **Further, Rajasthan DISCOMS has also not submitted the status of ToD in their area (tariff category wise). The said status report should provide benefit derived from ToD through flattening of Load Curve and avoiding procurement of costly power in Peak Period.**

50) PFI observes that the cost of power purchase during peak hours is quite high. ToD Tariff is an important Demand Side management (DSM) measure to flatten the load curve and avoid such high-cost peaking power purchases. Accordingly, in ToD Tariff regime peak hour consumption is charged at higher rates which reflect the higher cost of power purchase during peak hours. At the same time, a rebate is being offered on consumption during off-peak hours. This is also meant to incentivize consumers to shift a portion of their loads from peak time to off-peak time, thereby improving the system load factor and flattening the load curve. The ToD Tariff is aimed at optimizing the cost of power purchase, which constitutes over 80% of the Tariff charged from the consumers. It also assumes importance in the context of propagating and implementing DSM and achieving energy efficiency.

51) Introduction of higher peak hour Tariff would initially generate additional revenue which would compensate for the reduction in revenue on account of lower Tariff during off peak hours. In the long run, this would provide signals to the consumers to reduce load during peak hours and, wherever possible, shift this consumption to off-peak hours. Any loss of revenue to the utility on account of shifting of load from peak to off-peak hours in the long run would by and large get compensated by way of reduction of off-peak surplus to the extent of increase in off-peak demand.

52) The ToD Tariff would thus have immediate as well as long-term benefits for both, consumers as well as the utility and contribute towards controlling the rise in power purchase costs

53) **Thus, PFI requests RERC to formulate ToD Tariff for all eligible consumers in line with the MoP Electricity (Rights of Consumers) Amendment Rules, 2023 dtd. 14/06/2023 as amended from time to time.**

G. SUMMARY OF DISALLOWANCES

54) As stipulated in above Sections, summary of disallowances worked out by PFI is tabulated as follows. Hon'ble RERC is requested to kindly consider the same while approving the ARR for FY 2025-26 and inefficiencies of JVVNL may not be passed on to the consumers rather it should be borne by Govt. of Rajasthan in the form of Subsidy, if any:

Table 4: *Summary of Disallowances for FY 2023-24 for JVVNL (Rs. Cr.)*

Particulars (JVVNL)	Claimed	PFI Working		Disallowance (Scenario 1)	Disallowance (Scenario 2)
		VC with 0% escalation	VC with 5% escalation		
Power Purchase Cost	21,573	21,194	21,226	-379	-347
Disallowance due to Costlier Plants	-	*379*	*347*	*-379*	*-347*
Operation & Maintenance Expenses	2,210	2,210	2,210	0	0
Terminal Benefits	789	789	789	0	0
Depreciation	1804	1015	1015	-789	-789
Interest and Finance Charges	3547	3274	3274	-273	-273
Aggregate Revenue Requirement	29,923	28,482	28,515	-1,441	-1,408
Less: Non-Tariff Income & CSS	877	877	877	0	0
Net ARR Revenue	29,046	27,605	27638	-1441	-1408
Revenue	32,006	32,006	32006	0	0
Revenue (Gap)/Surplus	**2,959**	**4,401**	**4,368**	**-1,441**	**-1,408**

I. PRAYERS BEFORE HON'BLE RERC FOR ARR AND TARIFF PETITION OF FY 2025-26

1) **To consider the comments / suggestions of Power Foundation of India (PFI) on ARR and Tariff of FY 2025-26 for JVVNL.**

2) **To consider Disallowances on account of excess Power Purchase due to purchasing of power from costly plants.**

3) **To consider Disallowances on account of excess Depreciation.**

4) **To consider Disallowances on account of interest on long term loan.**

5) **Hon'ble RERC is requested to kindly consider that inefficiencies of JVVNL should not be passed on to the consumers rather it should be borne by Govt. of Rajasthan in the form of Subsidy.**

6) **To consider the additional submissions, if any, made by PFI for ARR and Tariff Petition of FY 2025-26 for JVVNL.**