

The Electricity Regulatory Commission
Directives on Electricity Consumer Tariff Determination,
2019

Electricity Regulatory Commission
Sano Gaucharan, Kathmandu

*Approved by the 30th meeting of the
Electricity Regulatory Commission
held on November 15, 2019.*

The Electricity Regulatory Commission

Directives on Electricity Consumer Tariff Determination, 2019

Preamble: The Commission has, in exercise of the power conferred by Section 43 of the Electricity Regulatory Commission Act, 2017, issued these Directives for the purpose of determining the electricity tariff rate, in accordance with Section 13 of the Electricity Regulatory Commission Act, 2017, and Rules 8 and 9 of the Electricity Regulatory Commission Regulation, 2018.

Chapter-1

Preliminary

- 1. Short Title and Commencement:** (1) These Directives may be cited as the “The Electricity Regulatory Commission: Directives on Electricity Consumer Tariff Determination, 2019.”
 - (2) These Directives shall come into force at once.
- 2. Definitions:** Unless the subject or the context otherwise requires, in these Directives, -
 - (a) “Licensee” means a person who has obtained license pursuant to clause (b) of Section 2 of the Act.
 - (b) “Consumer” means a person or body using the electricity.

- (c) “Consumer category” means categorization of the consumers set, in the course of the determination or review of the electricity tariff, according to the capacity and purpose of the electricity by the consumer.
- (d) “Act” means the Electricity Regulatory Commission Act, 2017.
- (e) “Regulation” means the Electricity Regulatory Commission Regulation, 2018.
- (f) “Directives” means these Directives.
- (g) “Tariff” means the electricity charge, tariff, fee and other charges payable to the distribution licensee by the consumer for the consumption of the electricity service.
- (h) “Application for determination of tariff” means the application made by a distribution licensee to the Commission for the determination or review of tariff, pursuant to Section 3 of these Directives.
- (i) “Distribution licensee” means a person or body having obtained license pursuant the prevailing law.

Chapter-2

Procedures for Making, and Action on, Application for Determination of Tariff

- 3. Application for determination of tariff:** (1) A distribution licensee shall submit an application for determination of tariff in the format

referred to in Schedule-1 of these Directives, for the determination or review of the tariff.

(2) The details of the documents to be attached with the application for determination of tariff shall be as per Schedule-2 of these Directives. The Commission may demand such additional details, data or documents as required.

(3) An application for determination of tariff shall be deemed to have been duly submitted only after the distribution licensee has submitted seven copies of all such details, document and information as required pursuant to these Directives, and soft copies thereof as well, to the Commission while submitting the application for determination of tariff.

(4) Upon receipt of the application for determination of tariff, the Commission shall acknowledge the application for determination of tariff within a maximum of fifteen days and assign the application number, and the date of assigning the application number for the application for determination of tariff shall be deemed to be the date of submission of the application.

(5) A distribution licensee shall submit the application to the Commission for the determination of tariff only once in one financial year.

(6) The application for determination of tariff shall be accompanied by a bank voucher of payment of the application fee of twenty-five thousand rupees referred to in Rule 17 of the Regulation.

4. Action on the application for determination of tariff: (1) Action and public hearing on the application for determination of tariff shall be carried out as required under the Act and the Regulation.

(2) A notice along with the information relating to the tariff proposed in the application for determination of tariff shall be published in a national daily newspaper not later than fifteen days after the date of assignment by the Commission of the application number to the application for determination of tariff. The notice to be so published may also mention the link of website containing the application for determination of tariff and necessary details, and the deadline for the submission by the stakeholders of opinions, suggestions and comments on that application.

(3) In taking action on the application for determination of tariff, the Commission shall hold public hearing at least one time. A notice on the venue, date and time of the public hearing shall be published in a national daily newspaper at least fifteen days in advance of the day on which the public hearing is held.

(4) In conducting the public hearing on the application for determination of tariff, the Commission may have discussions on various aspects of the application for determination of tariff.

Chapter-3

Principles and Criteria for Determining Tariff

5. Guiding principles: (1) The Commission shall determine the tariff subject to the provisions of the Act and the Regulation and for following guiding principles: -

- (a) Protection of the Consumers' rights and interests,
- (b) Ensuring the supply of electricity, and quality, regularity, adequacy and security of the service,
- (c) Enhancement of professionalism and effectiveness of the distribution licensee,
- (d) Requirement of resource mobilization for system reforms and investments for the same,
- (e) Just returns on investment by the distribution licensee,
- (f) Policies and programs of the Government of Nepal.

6. Criteria for determination of tariff: (1) The Commission shall determine the tariff on the following bases: -

- (a) Audit reports, of the distribution licensee, of the latest two financial years, and projected financial statements of the current financial year and the forthcoming financial year.

Provided that if the distribution licensee has no audit report of the latest financial year, even the financial statements authenticated by the management of the distribution licensee may be recognized.

- (b) The Commission shall make detailed assessment of the annual revenue requirement also involving the various headings of income and expenditure including the following projections, in relation to the financial statements of the financial year for which electricity tariff

has to be determined, and in making such assessment, it shall be so made as to be interrelated with the financial statements referred to in clause (a) of sub-section (1):

- (1) Income/revenue to be generated from the sale of electricity according to the class of consumers (including capacity demand charge and energy consumption charge),
- (2) Income/revenue to be generated from other sources,
- (3) Annual returns on investment,
- (4) Quantity and cost of electricity purchase according to the source of electricity,
- (5) Annual expenses of electricity generation network (excluding employee and depreciation expenses),
- (6) Annual expenses of electricity transmission system (excluding employee and depreciation expenses),
- (7) Annual expenses of electricity distribution system (excluding employee and depreciation expenses),
- (8) Rate and amount of depreciation,
- (9) Amount of interest payment,
- (10) Employee expenses,

- (11) Annual expenses to be incurred by the principal/regional office,
- (12) Other expenses,
- (13) Expected amount of annual return.

(2) In determining the tariff, the Commission may also have regard to the following matters, in addition to sub-section (1):

- (a) Economic indicators of the country, and the policy pursued by the Government of Nepal in relation to the development of electricity, and tariffs determined in the past,
- (b) In a manner to make adjustment of the distribution licensee' incomes in the coming years, in order to limit the circumstance of excessive increment in the distribution licensee's tariff,
- (c) Taking into account, the grants to be made available by the Government of Nepal to the distribution licensee, and the amount of cross grants that can be caused from the tariff determined for one consumer category to other consumer, in order to limit the circumstance of excessive increment in the tariff for household consumers and other category of consumers,
- (d) If electricity tariff to be determined for any financial year is determined after the commencement of the financial year, and the tariff

is not applicable for the whole of twelve months of that financial year, in a manner to make adjustment of the shortfall amount for the annual revenue requirement of the distribution licensee as the regulatory assets, while determining the tariff for the forthcoming financial year,

- (e) In a manner not to include the returns on the reinvestment of any kind of profit/annual return obtained by the distribution licensee in the annual revenue requirement by deducting the same from the heading of other income referred to in Schedule-4.

7. Application of new tariff: (1) The Commission shall give continuity to the currently prevailing tariff until it determines the tariff pursuant to these Directives.

(2) The Commission shall, upon determining the tariff pursuant to these Directives, also specify the date of application of the tariff, and the said tariff shall apply in the case of bills to be issued by the distribution licensee after that date.

(3) The latest tariff rate determined by the Commission shall prevail unless and until it determines or changes the tariff rate pursuant to these Directives.

8. Notification on determination of tariff: The rate of tariff determined by the Commission pursuant to these Directives shall be published in a national daily newspaper for information to the general public.

Schedule-1

Application for Determination or Review of Tariff

The Electricity Regulatory Commission,
.....Nepal.

Entry No.

Subject No.

(To be filled in by the Office)

Pursuant to the decision of the Board of Directors held on(date), I hereby submit this application, accompanied by the necessary details and documents, for the determination of tariff to be collected from the customers of this body.

(a) Applicant's full name, surname and address:

(b) Summary of the purpose of application:

(To briefly mention the facts of the application for determination of tariff, current situation of the body in the following matters and future plans and strategies, and the grounds/bases in support of the matters)

- (1) Protection of the Consumers' rights and interests,
- (2) Ensuring the supply of electricity, and quality, regularity, adequacy and security of the service,
- (3) Enhancement of professionalism and effectiveness of the distribution licensee,

- (4) Requirement of resource mobilization for system reforms and investments for the same,
- (5) Expected returns on investment by the distribution licensee,
- (6) Proposed rate of electricity tariff, existing tariff rate, and the table of percentage of change:
- (7) Appropriate reason for changing the electricity tariff rate.

Applicant:

Name:

Post/Designation:

Date:

Schedule-2

Documents to be attached with the application for determination of tariff

- (1) Evidence of payment of the fee for application for determination of tariff,
- (2) Power of attorney as per Schedule-3,
- (3) Detailed statements as per Schedule-4,
- (4) Audit reports/reports certified by the auditor/management of the latest two financial years,
- (5) Grounds/norms of the projected financial statements,
- (6) Such other information as may be appropriate in relation to determination of tariff:
- (7) Copy of the distribution license:
- (8) Statements of budget for the current financial year and coming financial year (along with capital investment require for electricity generation, transmission and distribution).

Schedule-3

Power of Attorney

The Electricity Regulatory Commission,
.....Nepal.

Power of Attorney

In reference to the application submitted by this body for the determination or review of tariff, I/we hereby nominate, appoint and authorize to plead, advocate and appear for and on behalf of this body in relation to that matter.

Applicant:

Signature:

Name:

Post/designation:

Date:

I/we hereby accept the power of attorney:

Signature:

Name:

Post/designation:

Date:

Address for correspondence:

Schedule-4

Tariff Filing Format

Main Sheet: Summary of Annual Revenue Requirement

A. Income

SN	Particular	FY 075/76 (Audited/ Provisional)	FY076/77	Remarks
1.	Energy Sales	-	-	Form CT=1
2.	Yearly Return/Dividend from Investment	-	-	Form CT=2
3.	Other Income	-	-	Form CT=3
B. Yearly Expenditure				
1.	Power Purchase with PPS	-	-	Form CT=4

2.	Yearly expenditure of operating own plants			Form CT=5
3.	Yearly expenditure of transmission line/network			Form CT=6
4.	Yearly expenditure of distribution line/network			Form CT=7
5.	Depreciation			Form CT=8
6.	Interest payment			Form CT=9
7.	Employee expenses			Form CT=10
8.	Corporate office expenses			Form CT=11
9.	Regulatory fee			
10.	Other expenses.....1			

11.	Other expenses...2			
12.	Other expenses.....3			
13.	Yearly expected return			
	Total			
C. Annual Revenue Requirement				
1.	Total yearly expenditure			
Less	Yearly return/dividend from investment			
Less	Other Income			
Annual Revenue Requirement				

Form CTF-1: Consumer category-wise sales

SN	Consumer category code	Consumer category name	FY 074/75 (Audited)	FY 075/76 (Audited/provisional)	FY 076/77 (Forecast)	Logic for 076/77 forecast	Remarks
	(Licensees to include adequate rows to cover all consumer categories)						
	Total						

Form CTF 2: Yearly return/dividend from investment

SN	Particulars	Type of return	FY 074/75 (Audited)	FY 075/76 (Audited/provisional)	FY 076/77 (Forecast)	Logic for 076/77 forecast	Remarks
	(Licensees to include all the sources of dividend/return)						
	Total						

Form CTF 3: Yearly other income

SN	Particulars	Type of income	FY 074/75 (Audited)	FY 075/76 (Audited/provisional)	FY 076/77 (Forecast)	Logic for 076/77 forecast	Remarks
	(Licensees to include all the sources of other income)						
	Total income						
	Less, interest/dividend earned from the investment made out of previous years' return on equity/profit						
	Total						

Form CTF 4: Power purchase quantum and cost

SN	Power purchase source	Type of plant	Capacity (MW)	FY 074/75		FY 075/76 (Audited/provisional)		FY 076/77 (Projected)		Logic for 076/77 projection	Remarks
				Purchases K/h (Units)	Amount	Purchases K/h (Units)	Amount	Kw/h	Amount		
	(Licensees to include all the sources of other income)										
	Total										

Form CTF 5: Yearly expenditure for operating own plants (except employee cost and depreciation)

SN	Particulars	Type of plant	Capacity (MW)	FY 074/75 (Audited)		FY 075/76 (Audited/provisional)		FY 076/77 (Projected)		Logic for 076/77 projection	Remarks
				Kwh (Units)	Expenses	Kwh (Units)	Expenses	Kw/h	Amount		
	(Licensees to include all the plants and its yearly expenditure)										
	Total										

Form CTF 6: Yearly expenditure of transmission line/network (Except depreciation and employee expenses)

SN	Particulars	Capacity (KVA)	FY 074/75 (Audited)	FY 075/76 (Audited/provisional)	FY 076/77 (Forecast)	Logic for 076/77 forecast	Remarks
	(Licensees to include all the transmission line/network and its yearly expenditure)						
	Total						

Form CTF 7: Yearly expenditure of distribution line/network (Except depreciation and employee expenses)

SN	Particulars	FY 074/75 (Audited)	FY 075/76 (Audited/ provisional)	FY 076/77 (Forecast)	Logic for 076/77 forecast	Remarks
	(Licensees to include all the distribution line/network and its yearly expenditure)					
	Total					

Form CTF 8: Depreciation

FY 075/76(Audited)					FY 075/76 (Audited /provisional)				FY 075/76 (Forecast)				Log ic for FY 076 /77	Rem arks	
Parti cular	Ope ning GFA	Net Addition(Disposal)	Annual Deprec iation (%)	Annual Deprec iation (NPR Million)	Ope ning GFA	Net Addition(Disposal)	Annual Deprec iation (%)	Annual Deprec iation (NPR Million)	Ope ning GFA	Net Addition(Disposal)	Annual Deprec iation (%)	Annual Deprec iation (NPR Million)			
Generation															
Land															
Building and structures															
Plant and Machinery															
Vehicles (Licensees can use their own categories for line items, if required) (Licensees can use their own categories for line items, if required)															
Furniture															
Office equipment															
Other assets															

Total				
Assets created out of consumer contribution and grants in the above list				
Transmission				
Land				
Building and structures				
Plant and Machinery				
Vehicles				
Furniture				
Office equipment				
Other assets				
Total				
Assets created out of consumer contribution and grants in the above list				
Distribution				
Land				
Building and structures				
Plant and Machinery				

Vehicles				
Furniture				
Office equipment				
Other assets				
Total				
Assets created out of consumer contribution and grants in the above list				
Total				

Form CTF 9: Loan and Interest Payment

A. Long Term Loans

S N	Loan Name (Provide a Unique Identifiable name)	L e n d e r	Pro p o s e d L o a n	Busi ness func tion that is the bene ficia ry of loan	Te nu re (Y ear s)	Lo an cur ren cy	Tot al Lo an am oun t in loa n cur ren cy	Int ere st rat e (%)	Rep aym ent peri od (Yea rs)	Mor atori um (Yea rs)	Date/ Year s of first loan disbu rsem ent	An nu al Int ere st (%)	FY 074/75 (Audited)(NPR Million)			FY 075/76 (Audited/p rovision) NPR Million		Forecast for FY 076/77 (NPR Million)			
													Outs tandi ng loan amo unt as on begi nnin g of FY	An nu al Int ere st	Rep aym ent for FY	Outs tandi ng loan amo unt as on begi nnin g of FY	An nu al Int ere st	Outs tandi ng loan amo unt as on begi nnin g of FY	An nu al Int ere st	Rep aym ent for FY	Cl osi ng loa n am ou nt as on en d

																					of FY	
	(Lic nsees to add additi onal rows if requir ed)																					
	Total																					

B. Short Term Loans

S N	Loan Name (Provide a Unique Identifiable name)	L e n d e r	Pro p o s e d L o a n	Busi ness func tion that is the bene ficia ry of loan	Te nu re (Y e a r s)	Lo a n c u r r e n c y	Tot al Lo a n a m o u n t i n l o a n c u r r e n c y	Int er e s t r a t e (%)	Rep aym ent peri od (Yea rs)	Mor atori um (Yea rs)	Date/ Year s of first loan disb urse ment	An nu al Int ere s t (%)	FY 074/75 (Audited)(NPR Million)			FY 075/76 (Audited/p rovision) NPR Million		Forecast for FY 076/77 (NPR Million)			
													Outs tandi ng loan amo unt as on begi nning of FY	An nu al Int ere s t	Rep aym ent for FY	Outs tandi ng loan amo unt as on begi nning of FY	An nu al Int ere s t	Outs tandi ng loan amo unt as on begi nning of FY	An nu al Int ere s t	Rep aym ent for FY	Cl osi ng loa n am ou nt as on en d of FY

	(Lice nsees to add additi onal rows if requir ed)																				
	Total																				

Form CTF 10: Employee expenses

SN	Particulars	Unit	FY 074/75 (Audited)	FY 075/76 (Audited/ provisional)	FY 076/77 (Projected)	Logic for 076/77 Projection	Remarks
	Number of employees						
	Generation						
	Transmission						
	Distribution						
	Mixed responsibilities						
	Total						
	Employee's cost (exclusive of terminal benefits and contribution to pension funds)						
	Employee cost -Terminal benefit	NPR Million					
	Generation	NPR Million					
	Transmission	NPR Million					

	Distribution	NPR Million					
	Mixed responsibilities	NPR Million					
	Total	NPR Million					
	Employee cost- Contribution to pension fund						
	Generation	NPR Million					
	Transmission	NPR Million					
	Distribution	NPR Million					
	Mixed responsibilities	NPR Million					
	Total	NPR Million					

Form CTF 11: Corporate office related expenditures

SN	Particulars	FY 074/75 (Audited)	FY 075/76 (Audited/ provisional)	FY 076/77 (Projected)	Logic for 076/77 Projection	Remarks
	Licensee to include all the expenditure of corporate office					
Total						

Form CTF 12: Equity

Particulars	Unit	FY 074/75 (Audited)	FY 075/76 (Audited/ provisional)	FY 076/77 (Forecast)	Logic for 076/77 Forecast
Share capital	NPR M				
Reserves	NPR M				
Accumulated profit/loss	NPR M				
Total equity	NPR M				

The licensee has to comply with Byelaw 20 of the Byelaws on Purchase and Sale of Electricity and Terms to Be Complied with by the Licensees, 2019.

Form CTF 13: Capital expenditure and Capitalization

Particulars of CAPEX Scheme Description	Funding Pattern (%)			Capital Expenditure (NRP Million)			Asset Capitalization (NRP Million)		
	Equity	Grant	Loan	FY 074/75 (Audited)	FY 075/76 (Audited/ Provisional)	FY 076/77 (Forecast)	FY 074/75 (Audited)	FY 075/76 (Audited/ Provisional)	FY 076/77 (Forecast)
(Illustrative List. Licensee to replace with actuals)									

Form CTF 14: Consumer category wise revenue

S N	Cons umer Cate gories Code	Cons umer Cate gories Name	Amp ./Vol tage Level	FY 074/75 (Audited in NPR Million)					FY 075/76 (Audited / Provisional in NPR Million)					FY 076/77 (Forecast in NPR Million)				
				De man d Cha rge	En erg y Ch arg e	Tot al Cha rges	Billin g Effici ency % (units billed /units suppl ied)	Coll ectio n Effic ienc y % (Am ount reali zed/ amo unt bille d)	De man d Cha rge	En erg y Ch arg e	Tot al Cha rges	Billin g Effici ency % (units billed /units suppl ied)	Coll ectio n Effic ienc y % (Am ount reali zed/ amo unt bille d)	De man d Cha rge	En erg y Ch arg e	Tot al Cha rges	Billin g Effici ency % (units billed /units suppl ied)	Coll ectio n Effic ienc y % (Am ount reali zed/ amo unt bille d)
	(Lice nsees to inclu de adeq uate rows to cove r all																	

consumer categories and voltages)																		
Total																		

Form CTF 15: Source and Usage of Energy

S N	Particulars	Unit	FY 074/75 (Audited)	FY 075/76 (Audited/ Provisional)	FY 076/77 (Forecast)	FY 077/78 (Forecast)	FY 078/79 (Forecast)	Remarks
1	Sell Generation	0						
2	Power procured	MU						
3	Power Imported	MU						
4	Total Available Power	MU						

5	Transmission loss	%						
6	Sales at transmission. Any (Export or dedicated lines)	MU						
7	Energy at transmission – Distribution periphery	MU						
8	Distribution loss	%						
9	Sales	MU						

Form CTF 16: Existing and proposed tariff

S N	Consumer Categories Code	Consumer Categories Name	Amp./V oltage Level (KV)	Existing Tariff				Proposed tariff for FY 76/77			
				Energy Charges (NPR/K VA	Demand Charges (NPR/KVA/M onth)	Fixed Charges (NPR/Mo nth)	Details of Time of Day tariff, if applica ble	Energy Charges (NPR/K VA	Demand Charges (NPR/KVA/M onth)	Fixed Charges (NPR/Mo nth)	Details of Time of Day tariff, if applica ble
	Include adequat e rows to cover all consum er categori es and										
	(License es can propose addition al categori cal, if they wish to)										