



**OFFICE OF THE JOINT ELECTRICITY REGULATORY COMMISSION  
FOR UT OF J&K AND UT OF LADAKH**

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**Petition No. JERC/P/07 of 2022**

**In the matter:**

**Fixation of Trading Margin for Jammu and Kashmir Power Corporation Limited (JKPCL).**

Jammu and Kashmir Power Corporation Limited.

Through its: Chief Engineer

Jammu

.....Petitioner/Licensee

**Coram:**

**Sh. Lokesh D. Jha, Chairman,**

**Sh. Ajay Gupta, Member (Technical)**

**Sh. Mohd. Rafi Andrabi Member (Finance)**

**ORDER No. JERC/ 07 of 2022  
(Passed on 21<sup>st</sup> November 2022)**

1. The petitioner, Jammu and Kashmir Power Corporation Limited (JKPCL) has submitted a Petition which has been registered in the office of Commission as Case No JERC/P /07 of 2022. The petitioner has made following prayers in the petition:

- a) Allow JKPCL levying trading margin of Rs. 0.02/unit through the medium of this petition on energy supplied to DISCOMs (JPDCL, KPDCL and LPDD) prospectively.
- b) Admit the True Ups for FY 2018-19, 2019-20, 2020-21.
- c) Admit the ARR for FY 2021-22 to FY 2025-26.

2. JKPCL in its petition projected its Aggregate Revenue Requirement (ARR) for FY 2021-22 to FY 2025-26 broadly on the basis of the principles outlined in the JERC for the State of Goa and Union Territories (Generation, Transmission and Distribution) Regulations, 2018 adopted by the Commission.

JKPDCL projected its ARR by forecasting the following costs as given below:

**A. Power Purchase Cost (in Cr)**

Energy Procurement/Availability	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Power Purchase from JKSPDC	802.198	802.198	802.198	802.198	802.198
Power Purchased from CPSUs (including short term/UI/water usage charges)	5726.77	6059.65	6398.82	6754.94	7128.86
Interstate Transmission charges	937.55	937.55	937.55	937.55	937.55
Renewable purchase	0	140.83	428.36	428.36	428.36
Power purchase cost disallowed					
<b>Total Power Purchase cost</b>	<b>7466.518</b>	<b>7940.212</b>	<b>8566.912</b>	<b>8923.032</b>	<b>9296.952</b>

**B. Employee Cost (in Cr)**

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Employee Cost	(in Crs)				
001- Salary	12.02500	12.36000	12.70500	13.06000	13.43000
670- Leave Encashment	0.32257	0.000	0.000	0.000	0.000
641- Pensionary Charges	0.07552	0.07900	0.08200	0.08500	0.08900
Purchase of vehicle	0.000	0.25000	0	0	0
Other Detail Heads	0.62860	0.70160	0.75460	0.83060	0.89260
<b>Total</b>	<b>13.05169</b>	<b>13.39060</b>	<b>13.54160</b>	<b>13.97560</b>	<b>14.41160</b>

**C. Interest Cost (in Cr)**

S	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
1	<b>PFC/ REC Loan Interest</b>	572.4123	572.4123	572.4123	572.4123	572.4123

3. The Commission has observed that in terms of section 62 (1) of the Act, the Commission is empowered to determine tariff for:

- a) supply of electricity by a generating company to a distribution licensee
- b) transmission of electricity;
- c) wheeling of electricity;
- d) retail sale of electricity

Since the trading licensee is not envisaged as a regulated entity under the Electricity Act 2003; hence the Commission is not inclined towards approving the ARR projected by JKPCCL.

4. The Commission has observed that the expression "electricity trader" is defined under the Act by Section 2 (26) means "a person who has been granted a licence to undertake trading in electricity under section 12". The word "trading" is defined by Section 2 (71) simply as "purchase of electricity for resale thereof"; the expression "trade" to be "construed accordingly". The provision contained in Section 12, inter-alia, prohibits activity in the nature of trading in electricity except on the strength and subject to the conditions of a licence for trading. Quite clearly, trading is an activity distinct from procurement simpliciter by the distributing licensee directly from the generating company.

5. The Commission has observed that the functions of the State Electricity Regulatory Commissions (SERCs) include decision on the procurement of power by the distribution licensee and fixing of trading margin in intra-State transactions and, in this context, it is necessary to note the following part of Section 86 (1) of the Electricity Act, 2003:

*"Section 86. (Functions of State Commission): --- (1) The State Commission shall discharge the following functions, namely: -*

*.....(b) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;*

*.....(j) fix the trading margin in the intra-State trading of electricity, if considered, necessary;*

*...."*

6. The Commission has noted the observation made by the Central Electricity Regulatory Commission (CERC) in the Statement of Reasons (SoR) for review of *Central Electricity Regulatory Commission (Fixation of Trading Margin) Regulations*



2005. The CERC SoR opined that the traders are required to be compensated for the following risks inherent in the trading business:

- a) Default risk
- b) Late payment risk
- c) Contract dishonour risk
- d) Inflationary risk

7. The Commission has observed that in pursuance of the Jammu and Kashmir Reorganization Act 2019, vide Government order No 191-PDD of 2019 dated 23.10.2019, the erstwhile Jammu & Kashmir Power Development Department (JKPDD), Jammu and Kashmir State Power Development Corporation Limited (JKSPDCL) and J&K State Power Trading Company Ltd (JKSPTCL) were unbundled and restructured into several power utilities. Resultantly J&K State Power Trading Company Ltd (JKSPTCL) has been renamed as Jammu and Kashmir Power Corporation Ltd (JKPCL) with all necessary changes to be made in the Memorandum of Association (MOA) and Article of Association (AoA) with regard to functions, name and jurisdiction. Similarly, JKPCL has been authorized as a holding company which shall control the composition of Board of Directors of JKPDD, JKPTCL, JPDCL & KPDCL.

8. It has been observed by the Commission that the petitioner i.e. JKPCL is engaged in the business of purchase, procurement, import, sale, export, and trade of electrical power, (conventional and non-conventional), and to co-ordinate, enter into association with others in connection with such purchase, procurement, import, sale, export, trade and distribution of all forms of electricity.

9. In terms of the Section 14 read with sub-section (2) of the Section 131 of the Act, the petitioner is deemed trading licensee of the UT of J&K and in terms of Section 66 of the Act the Commission has to promote the development of a market (including trading) in power in such a manner as may be specified and shall be guided by the National Electricity Policy. Under Section 86 (1) of the Act, the Commission is empowered to fix the trading margin in the intra-state trading of electricity, if considered necessary.



10. The Commission has scrutinized the Petition and communicated the data gaps / deficiencies in the petition to the Petitioner. Afterwards, the Commission held a Technical Validation Session on 6<sup>th</sup> June 2022 in the office of the Commission.


11. The Commission in exercise of Powers conferred under Section 86(1) (j) read with Section 181 of the Electricity Act, 2003, and as per provisions of JERC for the state of Goa and Other UTs (Electricity Trading) Regulations 2010, adopted by this Commission, besides keeping in view the principles specified in the CERC (Procedure, Terms and Conditions for grant of trading license and other related matters) Regulations, 2020 and all other powers enabling it in this behalf, the Commission fixes the trading margin as given below:

*JKPCL shall not charge trading margin exceeding 2 paise / kWh on the electricity traded, including all charges, except the charges for scheduling energy and open access.*

*Provided that the charges for open access include the transmission charge, operating charge and the application fee. The trading margin specified herein shall be applicable to all short-term/long term, buy/ sell contracts for the intra -UT trading in electricity undertaken by JKPCL in UT of J&K" and UT of Ladakh.*

The Commission directs the Petitioner (JKPCL) henceforth to submit its Business Plan along with the Power Procurement Details with the MYT petition to be filed by the distribution licensees namely JPDCL and KPDCL, in co-ordination with the distribution licensees, as per the time line given in the MYT Regulations.

With the above observations and direction, the Petition stands disposed off accordingly.

  
(Mohd. Rafi Andrabi)  
MEMBER

  
(Ajay Gupta)  
MEMBER

  
(Lokesh D. Jha)  
CHAIRMAN

No: JERC/Law-s/P/2022/F-16/407

Dated: 21.11.2022