

**JOINT ELECTRICITY REGULATORY COMMISSION
(FOR THE UT OF J&K AND THE UT OF LADAKH)
To be published in Extra-Ordinary Part III, Section 4
DRAFT NOTIFICATION**

Jammu, the _____ 2023

No. JERC-JKL/Reg/2023/..... — In exercise of the powers conferred on it by clause (zp) of Sub-section (2) of Section 181 of the Electricity Act, 2003 (36 of 2003), and all other powers enabling it in that behalf, the Joint Electricity Regulatory Commission for the UT of Jammu & Kashmir and the UT of Ladakh, hereby makes the following regulations:

Chapter I: General

1. Short Title, extent, and Commencement

- 1.1. These Regulations may be called the “Joint Electricity Regulatory Commission for the UT of Jammu and Kashmir and the UT of Ladakh (Demand Side Management) Regulations, 2023”.
- 1.2. These Regulations shall be applicable to the Distribution Licensees in the UT of Jammu and Kashmir and the UT of Ladakh in their respective areas of supply.
- 1.3. These Regulations shall come into force from the date of their publication in the Official Gazette.

2. Definitions

2.1. In these Regulations, unless the context otherwise requires —

- i. “Act” means the Electricity Act, 2003 (36 of 2003) as amended from time to time;
- ii. “Baseline data” means the initial base level consumption and/or demand for electricity before a DSM programme begins to provide a starting point for comparison for assessing programmed impact;
- iii. “Bureau” or “BEE” means the Bureau of Energy Efficiency established under sub-section (1) of Section 2 of The Energy Conservation Act, 2001;
- iv. “Commission” means the Joint Electricity Regulatory Commission constituted under Section 83 of the Act;
- v. “Cost-Effectiveness Index” means an indicator of the attractiveness of any investment in the DSM programme;
- vi. “Cost Effectiveness” means an indicator of the relative performance or economic attractiveness of any investment in the DSM programme or when compared to the costs of energy produced and delivered in the absence of such an investment;
- vii. “Demand Side Management or DSM” means the actions of a Distribution Licensee, beyond the consumer’s meter, with the objective of altering the end-use of electricity - whether it is to decrease it, or to shift it between high and low peak periods, or manage it when there are intermittent load demands - in the overall interests of reducing Distribution Licensee costs;
- viii. “DSM Resource Acquisition” means a mechanism to implement DSM projects through customers, Energy Service Companies, and Non-Government Organizations for the resultant energy and load reductions;
- ix. “Distribution Licensee” shall have the meaning ascribed thereto in the Act;
- x. “Energy Services Company” means a company which is in the business of providing energy efficient and load management equipment and/or services to end-user consumers and is approved by Bureau;
- xi. “Energy Efficiency” means activities or programmes that stimulate customers to reduce customer energy use by making investments in more efficient equipment or control that reduce energy use while maintaining a comparable level of service as perceived by the customer;
- xii. “Evaluation, Measurement, and Verification (EM&V)” means activities which evaluate, measure, and verify performance or other aspects of DSM/energy efficiency programmes or their market- environment;
- xiii. “Monitoring and Reporting” means activities which monitor and evaluate the progress of DSM/energy efficiency programs of the Distribution Licensee;
- xiv. “Load Management” Programmes that reduce or shift peak demand away from periods of high-cost electricity to non-peak or lower-cost time periods, with a neutral effect on or negligible increase in electric use;
- xv. “Load Research” means an activity embracing the measurement and study of the characteristics of electric loads to provide a thorough and reliable knowledge of trends, and general behavior of the load characteristics of the customers serviced by the electrical industry;

Chapter II: DSM Objectives, Principles, targets, and guidelines

3. DSM Objectives

- 3.1. The objectives of DSM programmes are power shortage mitigation, seasonal peak reduction, cost-effective energy savings, lowering the cost of electricity, reduction in emissions of greenhouse gases, and any other objective, which may be stipulated by the Commission from time-to-time. These shall be considered by the Licensees in the advancement and implementation of

cost-effective DSM initiatives in the UT of Jammu and Kashmir and the UT of Ladakh.

- 3.2. While formulating any new DSM Objectives, the Commission may take into consideration the National DSM Objectives/ Plans formulated by BEE, if any;
- 3.3. The DSM objectives may be consistent with the DSM objectives set by the Bureau as a part of the Energy Conservation Plan for the country.

4. Basic Principles

- 4.1. Every Distribution Licensee shall make DSM an integral part of their day-to-day operations, and undertake planning, designing, and implementation of appropriate DSM programmes on a sustained basis.
- 4.2. Distribution Licensees may recover all justifiable costs incurred by them in any DSM-related activity, including planning, designing, implementing, monitoring, and evaluating DSM programmes, by adding these costs to their Aggregate Revenue Requirement to enable their funding through tariff or by implementing programmes at the Consumers' premises that would attract appropriate Return on Investment. All such DSM-related activities/ programmes undertaken by the Distribution Licensees —
 - i. will need to be cost-effective for the consumers of the Distribution Licensees as well as to the Distribution Licensees themselves;
 - ii. shall protect the interest of consumers and be implemented in an equitable manner;
 - iii. result in overall tariff reductions for all the consumers of the licensees.
- 4.3. Distribution Licensees shall be guided by these regulations —
 - i. together with the cost-benefit analysis.

5. Assessment of technical potential for DSM

- 5.1. The Distribution Licensee in the UT of Jammu and Kashmir and UT of Ladakh shall carry out an assessment of the potential for DSM in their respective area one year before the start of every Multi-Year-Tariff Control Period. Notwithstanding any of the above provisions & the first assessment of the technical potential for DSM shall be carried out within six months of the notification of these Regulations.
- 5.2. Distribution Licensee shall be guided by the methodology developed by Bureau or BEE while assessing the technical potential for DSM.

6. DSM Targets

- 6.1. The Distribution Licensee shall propose to the Commission, the DSM targets to be achieved by them in their respective area of supply.
- 6.2. While approving the DSM target for the Distribution Licensee, the Commission will give due consideration to factors such as consumer mix, load profile, etc.
- 6.3. Examples of DSM targets may include the following:
 - i. Percentage reductions in load growth;
 - ii. Savings in KW, kWh;
 - iii. Savings as a percent of total resources to meet load;
 - iv. Flattening of load curve-daily as well as seasonal.
- 6.4. While approving the targets, the Commission will consider the technical potential in the Union Territories as assessed by the Distribution Licensee.

7. Guidelines on the DSM process

- 7.1. Distribution Licensees shall implement DSM programmes that provide long-term savings.
- 7.2. The Commission may issue guidelines from time-to-time to guide the Distribution Licensee in the execution of the following activities:
 - i. Load and market research.
 - ii. Implementation of DSM programmes;
 - iii. Cost-Effectiveness Assessment of DSM programmes;
 - iv. Monitoring and Reporting of DSM Plans and programmes;
 - v. Eligibility criteria for DSM programmes;
 - vi. Methodology for setting DSM targets and funding levels;
 - vii. Database development framework.
- 7.3. Distribution Licensees shall implement programmes that help reduce peak demand peak shifting and associated costly power purchase, specifically in the urban centers. Such programmes shall also include Demand Response initiatives involving consumers agreeing to modulate their load shapes through a contract with the licensee or through Energy Services Company.

- 7.4. Issuance of such guidelines shall not be a pre-requisite for preparation and submission of the first DSM plan by the Distribution Licensee.

Chapter III: DSM Cell

8. Constitution of DSM Cell, its role & responsibilities

- 8.1. Every Distribution Licensee shall constitute DSM Cell within three months of the notification of these regulations and shall evolve feasible strategies to implement all DSM-related activities.
- 8.2. The DSM Cell so constituted shall be provided with necessary authority and resources so as to execute the functions assigned to it under these Regulations.
- 8.3. The DSM Cell shall be responsible for:
- i. Load research, consumer surveys, and development of baseline data;
 - ii. Formulation of DSM Plan;
 - iii. Capacity development of their employees through training;
 - iv. Annual DSM Budget and work plan preparation and filing of the same with the Commission for approval;
 - v. Design and development of DSM projects including cost-benefit analysis, plans for implementation, monitoring & reporting, and for measurement & verification;
 - vi. seeking necessary approvals to DSM Plan and individual programmes, Implementation of DSM programmes, and its periodic monitoring & reporting, any other function that may be assigned by the Commission from time-to-time.

Chapter IV: DSM Plan and Programme Implementation Process

9. Load and market research and development of baseline data

- 9.1. Distribution Licensee shall undertake load research to identify the target consumer categories and end uses for DSM programmes to build the necessary database.
- 9.2. Distribution Licensee shall undertake market research to estimate market potential for specific energy efficiency technologies and applications, establish key performance indicators and determine existing baseline market conditions.
- 9.3. On the basis of the results of load and market research, the Distribution Licensee shall develop baseline data for its area of supply.
- 9.4. Distribution Licensee shall design, develop and implement the initial few DSM programmes on the basis of available data and studies completed by BEE till the complete baseline data is available for its area of supply and establishment of base line data shall not be a pre-requisite for the design of such initial DSM programmes by the Distribution Licensee.

10. Formulation of DSM Plan

- 10.1. Distribution Licensee shall formulate and submit to the Commission a perspective DSM Plan covering entire period of the control period, within one year of notification of these regulations. The Plan shall include:
- i. An overall goal for DSM Plan;
 - ii. Description of DSM programmes to form a part of DSM Plan;
 - iii. Implementation process and schedule of each programme in the plan as a whole;
 - iv. Plan or Monitoring and Reporting;
 - v. Indicative cost-effectiveness assessment of programmes.
- Notwithstanding anything above, the first DSM Plan shall be prepared within one year of the date of these Regulations and shall be for the period till the end of ongoing MYT Control Period.
- 10.2. The Distribution Licensee shall include all relevant DSM programmes (including multi-state programmes) developed by Bureau in its perspective plan as and when such programmes are announced by Bureau.
- 10.3. The Distribution Licensee shall submit on rolling basis, an annual plan, not inconsistent with the perspective plan, for the upcoming year, along with the Tariff Proposal for upcoming year.
- 10.4. Selection and prioritisation of various DSM programmes in the DSM Plan shall be guided by the following factors:
- i. The Cost-effectiveness of the proposed DSM scheme;
 - ii. DSM Objectives identified in Regulation 3;
 - iii. Whether the proposed programmes supplement National level efforts adopted by the Bureau;
 - iv. Programmes with high visibility and therefore, potential for creation of awareness within consumers.

11. Commission review and approval of DSM plan

- 11.1. Distribution Licensee shall submit the DSM Plan to the Commission for approval along with Tariff Proposal as mentioned in Regulation 9.3 above.
- 11.2. The distribution licensee shall submit the Plan in both, a hard copy version and a soft copy version, as part of the Tariff Proposal Petition.
- 11.3. The Commission may adopt procedures as specified in the Joint Electricity Regulatory Commission, Jammu & Kashmir and

Ladakh (Conduct of Business) Regulations, 2022, for according approval to the DSM Plan.

12. Preparation of DSM Programme Document

- 12.1. After approval of the DSM plan, the distribution licensee shall prepare, for each DSM programme included in the approved DSM plan, “DSM Programme Document” (PD).
- 12.2. For each DSM programme included in the DSM Plan, a detailed description shall be provided in PD. The description shall include general information, technology, schedule for deployment, budget, cost-effectiveness assessment, detailed implementation plan, and estimation of savings etc.
- 12.3. For each DSM programme cost-benefit analysis shall be carried out by the Distribution Licensee.

13. Approval of DSM Programme Document

- 13.1. Prior to implementing any DSM programme, Distribution Licensee must obtain approval from the Commission on the basis of PD.
- 13.2. Each Programme Document shall include the following:
 - i. Description of the programme;
 - ii. Objectives and rationale for the programme;
 - iii. Consumer segments and estimated level of participation;
 - iv. Estimate of baseline parameters;
 - v. Assessment of programme in line with Cost Effectiveness Guidelines issued by the Commission;
 - vi. Mechanism for recovery of cost and performance incentives;
 - vii. Marketing, delivery strategy, and Implementation schedule;
 - viii. Implementation mechanism e.g. Energy Service Companies, DSM Bidding, DSM Resource Acquisition, etc.
 - ix. Monitoring and evaluation plan;
 - x. Plan for Training/Seminars/Workshops for increasing consumer awareness.
- 13.3. The Commission will approve a DSM program if it is in line with the Objectives set out in Section 3 of the Regulations. The Commission may direct modifications to proposed or ongoing programmes to ensure consistency with the DSM Objectives. However, the Commission shall allow the Distribution Licensee, adequate time to notify consumers of program modification.

14. Implementation of DSM programmes

- 14.1. Distribution Licensee shall undertake the implementation of DSM programmes in line with the guidelines issued by the Commission from time to time.
- 14.2. The implementation of the programme shall be undertaken in the manner as approved by the Commission on the basis of PD.
- 14.3. Distribution Licensee shall undertake the implementation of quick gain DSM programmes.
- 14.4. Distribution Licensee shall carry out the implementation of activities assigned to it either by itself or through the engagement of an appropriate independent entity. While doing so, the Distribution Licensee shall ensure that continuity and consistency is maintained and the interest of the consumers is not compromised.

15. Mechanism for Cost Recovery

- 15.1. Distribution Licensee shall identify the net incremental costs, if any, associated with the planning, design, and implementation of programmes.
- 15.2. Distribution Licensee may propose a methodology for recovery of net incremental costs through tariff change or any other mechanism.
- 15.3. In order to qualify for cost recovery, each program must be:
 - i. Approved prior to implementation;
 - ii. Implemented in accordance with the approved program plan; and
 - iii. Implemented cost effectively.
- 15.4. Distribution Licensee shall provide all necessary assistance to the Commission, or third party assigned by the Commission in undertaking Evaluation Measurement and Verification of DSM programmes implemented by it.
- 15.5. The Commission may direct the Distribution Licensee to undertake DSM programmes that may not be cost effective but is highly beneficial to the society. The Commission will ensure cost recovery for such project.

16. Monitoring and reporting of DSM Programmes

- 16.1. Distribution Licensee shall prepare plan and undertake monitoring and reporting the progress of DSM programmes as per Guidelines on Monitoring and Reporting issued by the Commission from time to time or as approved by the Commission while approving the DSM programme.
- 16.2. Distribution Licensees shall submit, quarterly and annual DSM monitoring plans to the Commission.

17. Evaluation, Measurement, and Verification of DSM Programme

- 17.1. Distribution Licensee shall prepare a plan for the evaluation, measurement, and verification of savings from DSM programmes.
- 17.2. Evaluation Measurement and Verification of DSM programmes may be undertaken by the Commission or may direct the Licensee to conduct the same through a third-party agency.
- 17.3. While engaging the agency, the Licensee shall ensure that the Agency is not undertaking any other engagement which could conflict with the interests of the consumers in the State/UT.
- 17.4. Distribution Licensee shall make available necessary information/data to the Commission or third party to measure and verify the savings from DSM programmes.
- 17.5. The Commission may empanel Independent Verification Contractors (IVC) to carry out the Evaluation, Measurement & Verification plans.
- 17.6. The Distribution Licensees shall appoint the empanelled IVCs to carry out the EM&V plans.

Chapter V: DSM Plan and Programme Completion Report

18. Reports on progress of the DSM Plan and expenses incurred on implementation of the DSM Plan shall be submitted by the Distribution Licensee every six months.

- 18.1. The Distribution Licensee will prepare and submit a detailed Program Completion Report and submit the same to the Commission within one month of completion of such programme.
- 18.2. The Report shall cover the programme expenses, achievements, outcomes and outputs, constraints and difficulties faced, conclusions, recommendations, lessons learned and way forward.
- 18.3. A similar completion report shall also be prepared by the Distribution Licensees at the completion of the DSM Plan period.

Chapter VI: Incentives

19. The Commission may provide incentives to the Distribution Licensees for achieving or exceeding the DSM Objectives as identified in Section 3 of the Regulations.

Chapter VII: Miscellaneous

20. Power to Amend

The Commission may, at any time add, vary, alter, modify, or amend any provisions of these regulations.

21. Power to Remove Difficulties

If any difficulty arises in giving effect to any of the provisions of these Regulations, the Commission may by general or special order, take suitable action, not being inconsistent with the Act, which appears to the Commission to be necessary or expedient for the purpose of removing difficulties.

22. Issue of Order and Practice Directions

Subject to the provisions of the Act, the Commission may from time to time issue orders, circulars and practice directions in regard to the implementation of these Regulations.

23. All disputes arising under these regulations shall be decided by the Commission based on an application made by the person aggrieved.

By Order of the Commission.

**V.K. Dhar , (JKAS)
Secretary, JERC
J&K and Ladakh**