



## **MIZORAM ELECTRICITY REGULATORY COMMISSION**

**AIZAWL : : : MIZORAM**

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### **STATEMENT OF REASONS**

1. Consequent upon the expiry of the tripartite Memorandum of Agreement signed between the Government of India, Government of Manipur and Government of Mizoram constituting the Joint Electricity Regulatory Commission for the States of Manipur and Mizoram on 22nd July 2024, the Mizoram Electricity Regulatory Commission (MZERC) constituted by the Government of Mizoram vide letter No.A.11019/1/2023-P&E dt. 19<sup>th</sup> July, 2024 started functioning with effect from 23<sup>rd</sup> July, 2024. All the Regulations notified by the Joint Electricity Regulatory Commission for Manipur & Mizoram have been adopted for the period till new Regulations are framed by the MZERC.
2. As per Section 62(4) of the Electricity Act 2003, no tariff or part of any tariff may ordinarily be amended more frequently than once in a financial year except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified. A reference can be drawn to the provisions of the National Tariff Policy notified by the Government of India specifying that the uncontrollable costs be recovered speedily to ensure that the future consumers are not burdened with past costs. The uncontrollable costs include fuel cost, cost on account of inflation, variations in power purchase unit cost including on account of hydrothermal mix in case of adverse natural events etc. In line with the above provisions, the Fuel and Power Purchase Cost Adjustment (FPPCA) Formula has been specified by the Commission, in its annual Tariff Order, to be applied for recovery of the additional burden on account of changes in fuel price and power purchase cost. The FPPCA charge is applicable to all consumers unless specifically exempted by the Commission.

The Hon'ble APTEL in its Order dated 11.11.2011 in OP No 1 of 2011 stated that Fuel and Power Purchase cost is a major expense of the distribution Company which is uncontrollable and directed the State Commissions to put in place a mechanism for Fuel and Power Purchase costs adjustment in terms of Section 62 (4) of the Act, preferably on a monthly basis. Now, the Government of India issued the Electricity (Amendment) Rules 2022 on 29.12.2022 to amend the Electricity Rules, 2005. According to the amended Rules, the Appropriate Commission shall specify a price adjustment formula for recovery of the costs, arising on account of

the variation in the price of fuel, or power purchase costs and the cost impact due to such variation shall be automatically passed through in the consumer tariff, on a monthly basis. The Rules also specify that the existing methodology and formula specified by the Appropriate Commission shall suitably be amended in accordance with the Electricity (Amendment) Rules 2022, to implement the automatic pass-through of fuel and power purchase adjustment surcharge, on a monthly basis. Therefore, the Commission has decided to amend and replace the existing formula provided in the Tariff Orders with other terms and conditions of FPPCA allowed for working out the FPPCA appropriately to align with the Government of India Rules. The Mizoram Electricity Regulatory Commission (Fuel and Power Purchase Cost Adjustment) Regulations, 2024 is accordingly made.

  
(LALCHANCHINMAWII)  
**Assistant Secretary**