

# **FORUM OF REGULATORS**

## **NEW DELHI**

### **MINUTES OF THE MEETING OF**

#### **Working Group on “Standardisation of Regulatory Accounts”**

Venue : CERC, Conference Room, 4<sup>th</sup> Floor,  
Chanderlok Building, 36, Janpath, New  
Delhi.

Date : 07<sup>th</sup> October, 2009

**Present:**

- (i) Dr. Pramod Deo, Chairperson, CERC/FOR - Chairman of WG
- (ii) Shri V.J. Talwar, Chairperson, UERC - Member
- (iii) Shri Mukhtiar Singh, Chairperson, JSERC - Member
- (iv) Shri R. Krishnamoorthy, Member, CERC - Member
- (v) Shri K.K. Garg, Member, MPERC - Member
- (vi) Shri S.K. Chatterjee, DC (RA), CERC - Convenor

#### **BACKGROUND:**

Shri S.K. Chatterjee, DC (RA), CERC welcomed the members of the Working Group on behalf of the FOR Secretariat. Representation was made by Shri Chatterjee on the issues to be examined by the Working Group. The group considered issues around the three specific terms of reference:

1. Need for recognizing regulatory accounts as distinct from Statutory Account;
2. Need for uniformity of approach on Regulatory Accounts;
3. Make recommendations suggesting standardized principles for Regulatory Accounts;

After discussion, the Group agreed that there was an urgent need for standardization of Regulatory Accounts because of the following reasons:

#### A. Recognizing Regulatory Accounts as distinct from Statutory Accounts

- Treatment of financial / accounting principles for tariff purposes varies from that of accounting purposes.
- Generally accepted accounting principles (GAAP) and Accounting Standards (AS) are strictly followed in preparing statutory accounts.
- Regulators do not strictly follow the principles of GAAP and AS for the purpose of determination of tariff and taking other decisions.

## B. Uniformity of approach on Regulatory Accounts

- Separate treatment of Regulatory Accounts
- Uniformity in Approach to be followed by ERCs to avoid disparity for developers
- Standard/Uniform Regulatory Accounting is necessary to
  - ✓ provide essential information
  - ✓ bring standardization and uniformity in regulatory information
  - ✓ facilitate better comparability
  - ✓ help regulators in taking more informed decision

## C. Identification and Standardization of principles of Regulatory Accounts

It was decided that the Working Group should analyze the accounting formats to be maintained for regulatory purpose rather than the principles of tariff fixation. After discussion it was noted that State Electricity Regulatory Commissions (SERCs) of Madhya Pradesh and Maharashtra have initiated action on formalizing Regulatory Accounts. It was desired by the Working Group that FOR Secretariat should study the formats being evolved by these SERCs and place the issues for decision of the Working Group.