

## **Query No. 2**

**Subject: Creation of regulatory deferral account balances.<sup>1</sup>**

### **A Facts of the Case**

1. A Company (hereinafter referred to as ‘the Company’) is a central public sector enterprise incorporated with an objective to plan, promote and organize an integrated and efficient development of hydroelectric power. The Company has extended its objective to include development of power in all aspects through conventional and non-conventional sources in India and abroad. The Company’s shares are listed at Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company has adopted Indian Accounting Standards (Ind ASs) during the 1<sup>st</sup> Phase, i.e. from April 1, 2016.

2. The Company constructs hydropower projects and operates them on build, own, operate and maintain (BOOM) basis. Electricity being a regulated product, tariff for each power station is determined by the Central Electricity Regulatory Commission (CERC) based on the CERC Tariff Regulations issued for a period of five years at a time. The currently applicable tariff period is 2014-15 to 2018-19, i.e. 2014-19 (a copy of the CERC Tariff Regulations 2014-19 has been supplied separately by the querist for the perusal of the Committee).

3. The querist has informed that the tariff is fixed by the CERC based on the capital cost incurred for the power station. Tariff Regulations provide for recovery of costs incurred on running & maintenance of the power station, depreciation of property, plant and equipment, interest on loans and borrowings for construction of the plant and interest on working capital, plus a specified rate of return on equity invested in the plant. Annual Fixed Charges (AFC) i.e. Tariff, for a hydropower station is the sum of the following items:

- (a) *Return on Equity (ROE) (Regulation No. 19, 24 and 25 of the CERC Tariff Regulations, 2014-19):* ROE is allowed @ 15.5% for run-of-the-river type power stations and @ 16.5% for storage-type power stations grossed up at the effective tax rate. Normative Debt: Equity ratio of capital cost allowed by the CERC after prudence check is 70:30.
- (b) *Interest on loan capital (Regulation No. 26 of the CERC Tariff Regulations, 2014-19):* Calculated on the normative average loan of the year by applying the weighted average rate of interest.
- (c) *Depreciation (Regulation No. 27 of the CERC Tariff Regulations, 2014-19):* Depreciation is allowed at the rates prescribed in Appendix-II of the Tariff Regulations on Straight Line Method for the first 12 years from commercial operation date. The balance depreciation upto 90% of capital cost of the asset is spread over the balance life of 23 years. Total life of a hydro-power station is considered as 35 years.
- (d) *Interest on Working Capital (Regulation No. 28 of the CERC Tariff Regulations, 2014-19):* Provided on normative basis @ bank rate prevailing as on 1<sup>st</sup> April of the relevant year on the following items:
  - (i) Receivables equivalent to two months of Annual Fixed Charges + (ii) Maintenance spares @ 15% of operation and maintenance expenses + (iii)

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<sup>1</sup> Opinion finalised by the Committee on 16.3.2020.

Operation and maintenance expenses for one month.

- (e) *Operation and Maintenance expenses (Regulation No. 29 of the CERC Tariff Regulations, 2014-19)*: Provided on the basis of normalized actual O&M expenses after escalation @ 6.64% in case of existing power stations and @ 2.50% of capital cost (excluding cost of R&R) for the first year with annual escalation of 6.64% for new power stations.
4. Further, the AFC so arrived at is recovered in two parts: A) Capacity charges and B) Energy charges.
- A. Capacity charges amounting to 50% of the AFC is recovered on the basis of Plant Availability Factor (PAF) which is defined as the declared capacity (in ex-bus MW) as certified by nodal Load Despatch Centre for all the days during the period expressed as a percentage of the installed capacity in MW less the normative auxiliary energy consumption.
- B. Energy charges amounting to 50% of the AFC is recovered on the basis of energy scheduled to be supplied to the beneficiary, excluding free energy.
5. The querist has informed that the regulation 48 of the CERC Tariff Regulations 2014-19 (as quoted hereunder) allows deviation from the above norms for fixation of tariff:

**“48. Deviation from norms:** (1) Tariff for sale of electricity by the generating Company or for transmission charges of the transmission licensee, as the case may be, may also be determined in deviation of the norms specified in these regulations subject to the conditions that:

- (a) The levelised tariff over the useful life of the project on the basis of the norms in deviation does not exceed the levelised tariff calculated on the basis of the norms specified in these regulations and upon submission of complete workings with assumptions to be provided by the generator or the transmission licensee at the time of filing of the application; and
- (b) Any deviation shall come into effect only after approval by the Commission, for which an application shall be made by the generating Company or the transmission licensee, as the case may be.”

*Moderation of tariff in one power station of the Company:*

6. In the case of a recently commissioned power station of the Company (commissioned in May, 2018), tariff worked out on the basis of CERC Tariff Regulations 2014-19 was at higher side than the rate prevailing in the market. As such, CERC was petitioned that the following two parameters (in deviation to 2014-19 Tariff Regulations) be allowed for moderation of tariff so as to make the tariff saleable:

Sl. No.	Parameters	Existing CERC norms	Deviated Norms on which AFC has been requested
1	Depreciation	Weighted average rate of depreciation based on Straight Line Method (approximately 5.00% per annum) for 12 years. Remaining depreciation after 12 years of Commercial	Rate of depreciation has been considered as <b>1.50% per annum for initial 10 years</b> from COD of the Station. Thereafter, the remaining depreciation is to

		Operation Date (COD) to be spread over the balance useful life of assets (i.e. 23 years), which is approximately 1.30% per annum.	be spread over the balance useful life of assets (i.e. 25 years) which is approximately 3% per annum.
2	O&M Expenses	O&M Expenses per annum @ 2.50% of original project cost (excluding cost of R&R works) for first year after COD of the Station.	O&M Expenses per annum @ 2 % of original project cost (excluding cost of R&R works).

7. As informed by the querist, the petition of the Company for moderation of tariff has been approved by CERC as under:

“21. In view of the fact that the proposal of the petitioner provides benefits to the respondents by way of reduction in tariff as compared to the CERC norms, the Commission is inclined to allow the depreciation rate of 1.50% for the first ten years and O&M expenses for the first year of operation at the rate of 2% of the original project cost.”

8. The year-wise impact of moderation of tariff can be demonstrated by the following table:

<b>Year</b>	<b>Tariff for 35 years as per CERC Regulations 2014-19 (Rs. per unit of electricity sold)</b>	<b>Tariff for 35 years as per deviated norms approved by CERC (Rs. per unit of electricity sold)</b>
1	6.12	4.49
2	6.32	4.65
3	6.49	4.79
4	6.60	4.88
5	6.66	4.95
6	6.73	5.02
7	6.80	5.09
8	6.88	5.18
9	6.97	5.26
10	7.03	5.26
11	7.15	6.01
12	7.27	6.11
13	5.82	6.23
14	5.98	6.34
15	6.15	6.47
16	6.33	6.61
17	6.52	6.76
18	6.73	6.92
19	6.95	7.09
20	7.19	7.27

21	7.45	7.46
22	7.73	7.67
23	8.02	7.90
24	8.34	8.14
25	8.67	8.39
26	9.03	8.67
27	9.41	8.96
28	9.82	9.27
29	10.26	9.61
30	10.72	9.98
31	11.21	10.38
32	11.74	10.80
33	12.30	11.25
34	12.90	11.73
35	13.69	12.38

9. The Company has tied up long-term power purchase agreements (PPA) of (35 years' duration for the entire output of the power station with state discoms at the moderated tariff approved by the CERC. (Tariff of the power station as notified by the CERC has been supplied separately by the querist for the perusal of the Committee).

*Charging of depreciation in the books of account:*

10. As per the querist, paragraph 5.11 (c) of the Tariff Policy 2016, notified by the Central Government on 28<sup>th</sup> January, 2016 (a copy of the same has been supplied separately by the querist for the perusal of the Committee) provides as under:

**“c) Depreciation**

The Central Commission may notify the rates of depreciation in respect of generation and transmission assets. The depreciation rates so notified would also be applicable for distribution assets with appropriate modification as may be evolved by the Forum of Regulators.

Provided that the Appropriate Commission shall specify, for the purpose of tariff determination, a upper ceiling of the rate of depreciation to be applicable during the useful life of the project and the developer shall have the option of indicating, while seeking approval for tariff, lower rate of depreciation subject to the aforesaid ceiling.

The rates of depreciation so notified would be applicable for the purpose of tariffs as well as accounting.”

11. Further, Regulation 27(5) of the CERC Tariff Regulations 2014-19 provides as under:

“Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-II to these regulations for the assets of the generating station and transmission system:

Provided that the remaining depreciable value as on 31<sup>st</sup> March of the year closing after a period of 12 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.”

12. Schedule-II of the Companies Act, 2013 provides the useful life of assets for charging of depreciation in the financial statements. Part-B of Schedule-II further provides as under:

“4. The useful life or residual value of any specific asset, as notified for accounting purposes by a Regulatory Authority constituted under an Act of Parliament or by the Central Government shall be applied in calculating the depreciation to be provided for such asset irrespective of the requirements of this Schedule.”

13. Keeping in view the above, the Company is charging depreciation on the assets of all its power stations in its financial statements as per Regulation 27(5) of the CERC Tariff Regulations 2014-19, i.e., on straight line method at the rates specified in Appendix-II to the said Regulations.

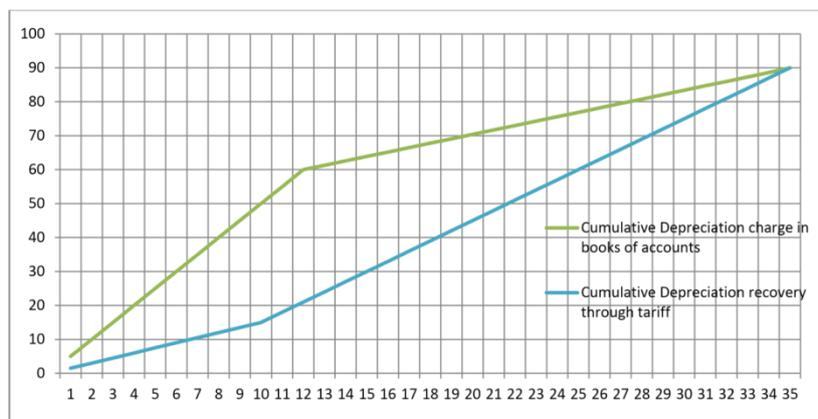
14. The querist has stated that the accounting policies of the Company as regards depreciation and amortization are as under:

“Depreciation and amortization

- a) Depreciation on additions to /deductions from Property, Plant & Equipment (PPE) during the year is charged on pro-rata basis from / upto the date on which the asset is available for use / disposal.
- b) Depreciation on Property, Plant and Equipment of Operating Units of the Company is charged to the Statement of Profit & Loss on straight-line method following the rates and methodology as notified by CERC for the fixation of tariff except for Construction Plant & Machinery and Computer & Peripherals.

...”

15. Consequent upon application of the accounting policy at paragraph 14 above, depreciation will be charged in the books @ 5% approx. for the first 12 years of operation, while depreciation will be recovered through tariff @ 1.50% per annum for the first 10 years and @ 3% per annum for balance life of the plant. For the first 12 years of the life of the power station, approx. 60% of capital cost (@ 5% per year) shall be charged as depreciation, while only 21% (@ 1.50% per year for 10 years + @ 3% per year for the 11<sup>th</sup> & 12<sup>th</sup> years) shall be recovered through tariff. Beyond the initial 12 years, depreciation charge in the books shall reduce to 1.30% approx. per year, while recovery of depreciation through tariff shall increase to 3%. This is graphically presented as follows:



According to the querist, as illustrated above, the mismatch in revenue and cost would continue till the end of the useful life of the power station.

*Recognition of Regulatory Deferral Account (RDA) Balance:*

16. Provisions of Ind AS 114, 'Regulatory Deferral Accounts' and Guidance Note on Accounting for the Rate Regulated Activities, issued by the Institute of Chartered Accountants of India (ICAI): Creation of rate regulated assets is guided by Ind AS 114, 'Regulatory Deferral Accounts'. Paragraph 11 of Ind AS 114 provides as under:

**“11 On initial application of this Standard, an entity shall continue to apply previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances, except for any changes permitted by paragraphs 13–15. However, the presentation of such amounts shall comply with the presentation requirements of this Standard, which may require changes to the entity’s previous GAAP presentation policies (see paragraphs 18–19).”**

Explanation to definition of Previous GAAP (Appendix A of Ind AS 114) provides that *“Guidance Note on Accounting for the Rate Regulated Activities, issued by the Institute of Chartered Accountants of India (ICAI) shall be considered to be the previous GAAP.”*

17. The Guidance Note on Accounting for the Rate Regulated Activities, issued by the ICAI (hereinafter referred to as the 'Guidance Note') defines 'Cost of Service regulation' as “a form of regulation for setting an entity’s prices (rates) in which there is a cause-and-effect relationship between the entity’s specific costs and its revenues.”

18. The querist has stated that the Guidance Note is applicable to entities that provide goods or services whose prices are subject to cost-of-service regulation and the tariff determined by the regulator is binding on the customers (beneficiaries). Since the operating activities of the Company, where tariff is fixed by CERC, are subject to cost-of-service regulations, it meets the scope criteria set out in paragraph 14 of the Guidance Note.

19. Paragraph 22 of the Guidance Note provides that:

*“22. Rate regulation of an entity’s business activities creates operational and accounting situations that would not have arisen in the absence of such regulation. With cost-of-service regulation, there is a direct link between the costs that an entity is expected to incur and its expected revenue as the rates are set to allow the entity to recover its expected costs. However, there could be a significant time lag between incurrence of costs by the entity and their recovery through tariffs. Recovery of certain costs may be provided for by regulation either before or after the costs are incurred. Rate regulations are enforceable and can create legal rights and obligations for the entity.”*

20. In the case of the power station under consideration, while higher costs on account of depreciation are being incurred during the first 12 years, recovery of such higher costs are to occur over the last 23 years of the life of the power station. This deferment of recovery of costs with the intent to reduce tariff in the initial years and its recovery in subsequent years demonstrates that an asset exists by way of the right to recover current costs in future through tariff and such right is enforceable.

21. As per paragraph 30 of the Guidance Note, “A regulatory asset should be recognised when it is probable that the future economic benefits associated with it will flow to the entity as a result of the actual or expected actions of the regulator under the applicable regulatory framework and the amount can be measured reliably.”

22. Further, paragraph 33 of the Guidance Note provides that “As regards the criterion

for reliable measurement, since the recoverable amount is linked to the specific costs incurred which are permitted to be recovered by the regulatory framework, meeting the same may not present much difficulty for regulatory assets.”

23. According to the querist, in the current case, tariff notified by CERC (at moderated rates of depreciation) is binding upon the beneficiaries. The notification of tariff by CERC provides the necessary certainty regarding recovery of differential depreciation in future years as the beneficiaries have already signed PPAs for the entire useful life of the power station (for the saleable capacity).

24. Paragraph 28 of the Guidance Note provides that “Regulatory assets and regulatory liabilities that would be recognised as a result of application of this Guidance Note are not financial instruments since the entity does not have the right to request reimbursement from, or the obligation to make payments to, individual customers for fixed or determinable amounts under a contract.”

25. Further, as per paragraph 37 of the Guidance Note, “On initial recognition and at the end of each subsequent reporting period, an entity should measure a regulatory asset or regulatory liability at the best estimate of the amount expected to be recovered or refunded or adjusted as future cash flows under the regulatory framework. *A regulatory asset or regulatory liability should not be discounted to its present value.*” (Emphasis supplied by the querist.)

26. Accordingly, as per the querist, regulatory assets in respect of the power station are not financial assets within the scope of Ind AS 32, ‘Financial Instruments: Presentation’ and fall outside the scope of Ind AS 109, ‘Financial Instruments’ and would therefore, not be required to be fair valued.

*Methodology adopted by the Company for recognition and measurement of RDA balances due to mismatch in depreciation charge and its recovery:*

27. Since the RDA balance is on account of difference between depreciation charged in the books of account and depreciation allowed in tariff, RDA (Debit) balance is being created in the books at balance sheet date by way of passing the following entry:

RDA Balances- Depreciation differential due to moderation of tariff      Dr. (B/S Item)

Regulatory Income- Depreciation differential due to moderation of tariff      Cr. (P&L Item)

28. Paragraph 11 of Ind AS 114 provides as under:

**“11 On initial application of this Standard, an entity shall continue to apply previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances, except for any changes permitted by paragraphs 13–15. However, the presentation of such amounts shall comply with the presentation requirements of this Standard, which may require changes to the entity’s previous GAAP presentation policies (see paragraphs 18–19).”**

29. The Company is recognizing RDA balances in its accounts w.e.f. F.Y. 2014-15, i.e. prior to transition to Ind AS for other items. The accounting treatment as above is consistent with the existing accounting policy of the Company quoted as under:

“Expense/ income recognised in the Statement of Profit and Loss to the extent

recoverable from or payable to the beneficiaries in subsequent periods as per CERC Tariff Regulations are recognised as ‘Regulatory Deferral Account Balances’.

Presentation and disclosure requirements of Ind AS 114 shall be complied with in the annual accounts.

## **B. Query**

30. Considering the above, the Management of the Company wishes to seek the opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India (ICAI) as to whether the creation of RDA balance in respect of difference between depreciation charged in the books and the depreciation allowed by way of tariff in the power station is proper.

## **C. Points considered by the Committee**

31. The Committee notes that the basic issue raised by the querist relates to recognition of regulatory deferral asset account in respect of difference between depreciation charged in the books and the depreciation allowed by way of tariff for a particular power station of the Company. The Committee has, therefore, considered only this issue and has not examined any other issue that may arise from the Facts of the Case, such as, accounting for the difference (if any) between the amount charged in the books of account and that recovered through tariff on account of O & M expenses, determination of annual fixed charges (AFC) including its various components (i.e. operation and maintenance expenses, interest on working capital, return on equity etc.), measurement of regulatory assets/liabilities/income/expenses, appropriateness of the accounting policy of the Company for regulatory deferral account balances and depreciation in general, year-wise impact of moderation of tariff as provided in the query, presentation and disclosure of regulatory assets/liabilities/income/expenses as per the requirements of Ind AS 114, appropriateness of rate of depreciation used for charging depreciation for the power station in question in the books of account, i.e., whether the same should be charged as per the rate allowed as per existing CERC norms (2014-19 tariff regulations) or moderated rates as approved by the CERC (as the same requires interpretation of CERC tariff regulations/policy and the relevant provisions of the Companies Act, 2013) etc. Further, this opinion is restricted to the financial reporting requirements under Indian Accounting Standards (Ind ASs) notified and does not deal with the regulatory aspects of the CERC tariff regulation or any other related regulations or Electricity Act, 2003. The Committee also wishes to mention that Indian Accounting Standards cited hereinafter refer to Standards notified under the Companies (Indian Accounting Standards) Rules, 2015.

32. The Committee notes that the paragraphs 11, 12, 13 and 14 of Ind AS 114, Regulatory Deferral Accounts state as follows:

**“11 On initial application of this Standard, an entity shall continue to apply previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances, except for any changes permitted by paragraphs 13–15. However, the presentation of such amounts shall comply with the presentation requirements of this Standard, which may require changes to the entity’s previous GAAP presentation policies (see paragraphs 18–19).”**

Further, Explanation to definition of Previous GAAP as given in Appendix A of Ind AS 114 states that “*Guidance Note on Accounting for the Rate Regulated Activities, issued by the Institute of Chartered Accountants of India (ICAI) shall be considered to be the*

*previous GAAP.*”

**“13 An entity shall not change its accounting policies in order to start to recognise regulatory deferral account balances. An entity may only change its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances if the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable and no less relevant to those needs. An entity shall judge relevance and reliability using the criteria in paragraph 10 of Ind AS 8.**

14 This Standard does not exempt entities from applying paragraphs 10 or 14–15 of Ind AS 8 to changes in accounting policy. To justify changing its accounting policies for regulatory deferral account balances, an entity shall demonstrate that the change brings its financial statements closer to meeting the criteria in paragraph 10 of Ind AS 8. However, the change does not need to achieve full compliance with those criteria for the recognition, measurement, impairment and derecognition of regulatory deferral account balances.

15 Paragraphs 13–14 apply both to changes made on initial application of this Standard and to changes made in subsequent reporting periods.”

From the above, as far as recognition of regulatory deferral account balances is concerned, the Committee notes that on initial application of Ind AS 114, the Company shall continue to apply previous GAAP accounting policies and shall not change its accounting policies in order to start recognizing regulatory deferral account balance. In this context, the Committee notes from the facts of the case (paragraph 19) that the Company has been recognizing regulatory deferral account balances in its accounts from financial year 2014-15 i.e. even prior to transition to Ind AS. Therefore, as per the above mentioned requirements of Ind AS 114, the Committee is of the view that the accounting policy of the Company in respect of recognition of regulatory deferral account balances shall continue to be governed by the previous GAAP, i.e. Guidance Note on Accounting for the Rate Regulated Activities, issued by the ICAI. The accounting requirements of the said Guidance Note in this regard are discussed in the subsequent paragraphs.

33. The Committee notes the following requirements of the Guidance Note on Accounting for the Rate Regulated Activities, issued by the Institute of Chartered Accountants of India:

“14. An entity should apply this ‘Guidance Note’ to its operating activities that meet the following criteria:

- (i) the regulator establishes the price the entity must charge its customers for the goods or services the entity provides, and that price binds the customers; and
- (ii) the price established by regulation (the ‘rate’) is designed to recover the specific costs the entity incurs in providing the regulated goods or services and to earn a specified return. The specified return could be a minimum or range and need not be a fixed or guaranteed return.”

"22. Rate regulation of an entity’s business activities creates operational and accounting situations that would not have arisen in the absence of such regulation. With cost-of-service regulation, there is a direct link between the costs that an entity is expected to incur and its expected revenue as the rates are set to allow the entity to

recover its expected costs. However, there could be a significant time lag between incurrance of costs by the entity and their recovery through tariffs. Recovery of certain costs may be provided for by regulation either before or after the costs are incurred. Rate regulations are enforceable and can create legal rights and obligations for the entity.

23. An issue therefore arises as to whether an entity should recognize in its financial statements the right to recover incurred costs or the obligation to refund amounts received for which costs have not been incurred through future tariff adjustments. Recognition of the right to recover incurred costs in the future or the obligation to refund amounts received in the financial statements of the entity would arise if they meet the definition of assets and liabilities as provided in the *Framework for the preparation and Presentation of Financial Statements* issued by the Institute of Chartered Accountants of India.”

“30. A regulatory asset should be recognised when it is probable that the future economic benefits associated with it will flow to the entity as a result of the actual or expected actions of the regulator under the applicable regulatory framework and the amount can be measured reliably.”

“31. Probability refers to the degree of uncertainty that future economic benefits associated with the regulatory asset will flow to the entity. Therefore, the probability criterion is said to be met when there is a reasonable assurance that future economic benefits will flow from the regulatory asset to the entity. A regulatory asset can be recognised when the regulatory framework provides for the recovery of the incurred cost and the entity has incurred such cost. ...

32. In some cases, a regulator permits an entity to include in the rate base, as part of the cost of self-constructed (tangible) fixed assets or internally generated intangible assets, amounts that would otherwise be recognised as expense in the Statement of Profit and Loss in accordance with Accounting Standards. After the construction or generation is completed, the resulting cost is the basis for depreciation or amortisation and unrecovered investment for rate determination. A regulatory asset should be recognised by the entity in respect of such costs since the same is recoverable from the customers in future through tariffs.”

34. The Committee notes from the above paragraphs that the operating activities of the Company meet the criteria specified in paragraph 14 of the Guidance Note as there is a direct link between the costs incurred by the Company and its expected revenue as the tariff fixed by the CERC (which is binding on the Company) allows the Company to recover its costs (although there is a time lag between incurrance of costs by the Company and their recovery through tariffs), as the tariff is apparently binding on the customers as well. Therefore, the Guidance Note is applicable to the Company in the extant case. The Committee further notes that as per the requirements of the Guidance Note, the Company can recognise a regulatory asset when it is probable that the future economic benefits associated with it will flow to the entity as a result of the actual or expected actions of the regulator under the applicable regulatory framework and the amount can be measured reliably. With regard to ‘probability’ criterion, the Guidance Note provides that the same is said to be met when there is a reasonable assurance that future economic benefits will flow from the regulatory asset to the entity and that a regulatory asset can be recognised when the regulatory framework provides for the recovery of the incurred cost and the entity has incurred such cost.

35. In the extant case, the Company has incurred certain capital cost and depreciation is allowed to be included in Annual Fixed Charges (AFC) at certain specified rates. However, as informed by the querist, for a recently commissioned power station of the Company, the year-to-year rate of depreciation used for accounting purposes is different from the rate of depreciation allowed to be recovered through tariff by CERC, which is also recoverable from the customers in terms of Power Purchase Agreement (PPA). As noted from the paragraph 32 of the Guidance Note, reproduced above, a regulatory asset should be recognized by the entity in respect of costs that are recoverable from the customers in future through tariffs. Accordingly, the Committee is of the view that in the extant case, the Company should recognise a regulatory asset in respect of above-mentioned difference in depreciation rates on the basis of amount recoverable from customers.

**D. Opinion**

36. On the basis of above and as explained in paragraphs 34 and 35 above, the Committee is of the view that considering that the year-to-year depreciation rate used for accounting purposes is different from that allowed to be recovered through tariff by CERC, a regulatory asset should be recognised by the entity in respect of difference in depreciation rates on the basis of amount recoverable from customers.

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