Objections filed by IIA on ARR to UPERC

IIA CEC Members / Chapter Chairmen / IIA Members

Dear All,

IIA Head Office submitted the "Objections on the Public Notice issued by U.P. P.C.L under Section 64 of the Electricity Act 2003 with regard to the ARR FY 2012-13 filed by the discoms" to UPERC today as attached herewith.

UPERC will organise Public Hearings at different places in U.P shortly. As such you may use this document for putting up the case on behalf of Industries in U.P specially MSMEs.

With kind regards,

Manish Goel

General Secretary

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IIA/13 23rd Jul 2012

Before Secretary,
UP Electricity Regulatory Commission,
Kisan Mandi Bhawan, 2nd Floor,
Gomtinagar, LUCKNOW- 226010

Sub: Objections on the Public Notice issued by U.P. P.C.L under Section 64 of the Electricity Act 2003 with regard to the ARR FY 2012-13 filed by the discoms.

Sir,

The tariff proposals submitted by discoms seek a very skewed hike in tariffs to offset the losses they have incurred due to their own negligence and inefficiencies and deserve to be trashed with contempt. We request you to not to overlook the interest of subsidising categories of consumers while deciding the tariffs for FY2012-13.

(1) The loss reduction /ATC Loss Control was one of the main theme of the reform activities. It is very obvious from records that the UPPCL has failed to fulfil its object and to comply the orders of UPERC in respect of loss reduction / control ATC and more over to fulfil its own commitment of line loss reduction. Under such circumstances the consumers are the sufferers due to high losses and the poor collections. As such the very purpose of the reforms has been defeated.

This whole exercise of tariff revision is based on hypothetical reduction of distribution losses to a level of 24% averaged over the entire State. It is hard to comprehend how the Discoms plan to achieve this magical figure of 24%, because they have NEVER been able to bring down the losses below 28-29 % levels. The target value set vide the Tariff Order 2009-10 para 6.3.9 was 21.3%, against which the achieved figure is above 28% in 2010-11. The loss reduction trajectories projected by the discoms are not trust worthy, because similar assurances since 2003 have never fructified. The figures given in table 2.6 of the current ARR are mere fiction, because they have never been corroborated through third party scrutiny.

Also, discom accounts have not been audited since 2008 in spite of repeated directives from UPERC. Hence the loss reduction projections of discoms lack credibility. UPERC have allowed previous ARR, despite of the fact that UPPCL has not submitted audited expenditures. This has encouraged UPPCL to treat ARR as a pocket money.

The supplier UPPCL, in ARR for 2012-13 has informed Hon'ble Commission that they will take efficiency, consumer servicing and many other improvement schemes. This commitment cannot be accepted and should not be accepted because of the fact that UPPCL and DISCOMS, right since inception of the reforms i.e. from 2002, have been getting enormous funds for 100% metering, system improvement, APDP, APDRP and now R APDRP, RGGVY etc but they have not shown any progress rather there has been increase in line losses in all the DISCOMs as is evident from the following data:

LINE LOSS IN PERCENTAGE (%)

DISCOM	05- 06	06- 07	07- 08	08- 09	09- 10	10- 11
MVVNL	27.54	27.66	24.59	20.82	22.64	28.02
PUVVNL	28.59	32.78	29.50	24.72	24.44	25.48
PAVVNL	31.11	30.18	29.59	25.37	27.27	26.11
AVVNL	31.49	30.28	26.82	25.88	31.74	36.50

The data in the table clearly shows that inefficiencies of UPPCL have imposed heavy burden on the Government as well as consumers.

(2) Projecting lower than feasible level of distribution losses has a direct impact on lowering the quantum of GoUP subsidy that would otherwise have been available. This ultimately manifests into shortfall in revenues, which further escalates already high revenue gaps. For example, the present projection of Rs 13,214 Cr shortfall in revenue with 24.53% losses across the State jumps to more realistic level of Rs 15,083 Cr if 28% losses are considered. The difference of Rs 1,869 Cr could have been claimed from GoUP in addition to the present level of Rs 4,440 Cr being committed by govt. Thus, it is disadvantageous for the discoms to be chivalrous and claim lower subsidies from the govt, when they know very well that they just can not achieve the low loss figures being projected by them. It is simply poor economics.

(3) The proposed Tariff schedule indicates that the discoms are in no mood to follow the Commission's directives pronounced vide para 10.4 of the Tariff Order 2009-10 to move along the roadmap for reduction of cross subsidy. The National Tariff Policy mandates to bring down the burden of cross subsidies to within +/- 20% band. But the tariffs proposed by the discoms retain the subsidised LMV1 category consumers (who consume 60% of power distributed by the Discoms and contribute merely 40% revenue) at old rates, and impose an unprecedented and punitive increase of 26% on subsidising LMV2/LMV6/HV2 consumers. By proposing such a skewed and irrational tariff revision proposal, the discoms have shown how poorly they understand the ethos of economy.

Discoms are trying to kill the goose that has been laying golden eggs of cross subsidy. If the discom proposals of putting the entire burden of revenue generation on this golden basket of LMV2/LMV6/HV2 consumers are accepted, this will surely prove counter productive, because industries may start surrendering load, or shift out of the State.

(4) The ARRs of all the discoms are silent on how they worked out the amount to be claimed from Govt. UP to subsidise power supplied to targeted consumers. The National Tariff Policy mandates that all tariffs have to move towards actual cost of supply, and within is a +/- 20% band of cross subsidies. Beyond this range, the State Governments are supposed to reimburse the utilities for supplying cheaper power to the consumers the govt wishes to finance. In fulfilment of this policy, every tariff stream needs to be clearly worked out, specifying the amount of subsidy and cross subsidy they enjoy/contribute. This is an extremely important document in the tariff orders of all States in India. **The concerning data of latest tariff orders of Punjab and Haryana is attached herewith as Annexure No. 1 & 2** for your kind perusal. Such data must be submitted by the discoms to satisfy subsidising consumers that their contributions are well spent. In the case of MVVNL projections (Table 3-13), LMV6/HV2 through rates are 50% higher than the average through rate of Rs 3.61/Unit. This shows how the discom violates the National Tariff Policy. It also shows that the industrial tariffs should actually be reduced, not hiked up.

(5) Para 2.3 of the ARR petitions is totally misleading. The figures given in Table 2.7 pertaining to Industrial Consumers refers to the incoming feeders of 66KV substations, which incidentally, are Transco controlled entities. The 11KV outgoing feeders of these substations which supply to industrial consumers are never operative more than 18 – 20 hrs a day. The 11KV feeders supplying to UPSIDC promoted industrial clusters, and called industrial feeders, are invariably shut down from 66KV substations during any kind of local elections, University/ Board examinations, agricultural sowing seasons, harvesting seasons, etc. Such illogical decisions have been brought to the notice of the Commission on many occasions during the

past. Hence, the discoms' data of revenue generation from subsidising LMV6/HV2 based on 24 hr power supply should be cut down by 20%. Due to industrial exclusive rosterings, the discoms loose corresponding amount of cross subsidy as well, but they take pride in committing hara-kiri for serving the vote bank interests of the govt.

(6) Enhancing fixed charges from Rs 115/KW/mth to Rs 230/KW/Mth for LMV6 and demand charges for HV2 from Rs 230 to 350/KVA/Mth is totally unjustified. These should actually be reduced by at least 10% because the interest payout by the discoms is reducing from Rs 598 to 419 Cr across the State.

(7) The peak and off-peak TOD rates of HV2 should be equal, i.e. (+) 15% and (-) 15 %. Similarly, the rebate and penalty should be equal for LMV6 also. Further, it is strange that discoms have different peak and off-peak time bands for LMV6 and HV2 categories.

(8) None of the discoms are saying anything about Power Factor rebates. If the Commission decides to reintroduce PF rebates, then again the concept of equality should be followed like elsewhere in India, i.e. keeping the biiling PF neutral at 0.85 PF, with 0.5% rebate or penalty for every 0.01 improvement or deterioration of the power factor respectively.

(9) We strongly oppose the continuance of minimum charges. It is highly objectionable that the discoms are suggesting an increase in the MCG levels, when they are in no position to ensure even 24 hour un-interrupted power supply to industry. The Commission is well aware that just a few months back, in the name of school board exams, industry was blanked out for more than a month. Many consumers had to pay MCG, even without being able to use power for more than 3 – 4 hours per day. **If at all the MCG is retained, then it should be made**

adjustable on the basis of full year consumption, as was being allowed earlier. The discoms are on record being acceptable to this option.

(10) All the ARRs are silent as to how the quantum of Govt. of U.P. subsidy has been worked out. The discoms are NOT at liberty to fix any arbitrary below cost of supply tariff for any particular group of consumers. That is to say that group such as agro-consumers, rural consumers, urban domestic consumers, departmental employees, Life-line or BPL consumers, unmetered consumers and any other such group must statutorily pay for the power they consume according to the cost of supply. If the State govt wants to fix some lower tariff for any reason whatsoever, then the govt is supposed to compensate the discom utilities by way of subsidy, clearly specifying which category enjoys how much subsidy. This very important data is missing from all the ARRs of the discoms. We request the Commission to ensure that this detailed work out is submitted by the discoms, and in the absence of any commitment from the govt in favour of any particular group of consumers, then that particular group must necessarily move to full cost of supply tariff payment. Simultaneously, the discoms must inform the Commission how much subsidy had been committed by the State govt since 2003, and how much has been actually received by the discoms.

Thanking You,
Sincerely Yours',

(D.S. Verma)
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