Ref. No. 3/UPERC/10256 11/09/12

To,
Shri Rajesh Awasthi
Chairman,
Uttar Pradesh Electricity Regularity Commission,
Kisan Mandi Bhawan, Vibhuti Khand
Gomti Nagar, Lucknow.

Sub: Objections with regards to the proposed tariff hike.

Sir,

This has reference to the ARR petition submitted by the discoms, whereby they are seeking unprecedented tariff hike for industrial and commercial consumers. What hurts most is that the entire burden of revenue generation has been put on industrial and commercial consumers, while the pampered section of political vote banks, i.e. rural, domestic and agro sector consumers will enjoy even higher amount of subsidy, because their tariff structure has been left untouched.

As a regulator, the Commission has the mandate and an obligation to ensure that accurate data is made available by the discoms before they seek any tariff hike. In the absence of authentic data being provided by the discoms, the Commission has the authority to over-rule the petitions and instead use discretionary powers enjoyed by it to arrive at a suitable tariff structure within the parameters defined by the National Tariff Policy.

The following milestones are missing in the ARR petitions:-

- A.R.R. petitions submitted should have been backed by audited accounts. This has not been done. Hence the figures presented therein lack credibility.

- UPPCL should have adhered to guidelines and directions issued by UPERC at the time of previous Tariff revisions. For example,

    - Line Losses should have been reduced to level of 21%. Instead, the discoms want permission for revising the target to 28%. This shows both lack of will power, as well as lack of effort to stop theft. This is sheer surrender by the discoms.

    - Collections of bills should have been up to 97% of the billed amounts. *They have failed, and collected only up to 65% to 70 %.* Thousands of crores due from Government for energy use are lying unpaid.

    - 100% metering was to be ensured for rural, domestic and departmental employees, so as to account for power pilferage. *This has not been done deliberately.*

- For providing uninterrupted and good quality supply to Industries, so that the discoms earn sufficient cross subsidy, the discoms are just not sincere.

- UPPCL and the discoms being autonomous bodies should resist Government pressure and take operational decisions which are good for their own financial health. *But No effort.*

- Theft reduction: what to say of Janta Katia Connections, even Government departments like Police Stations indulge in theft with no action.

<u>UPERC Mandate.</u>

- Unbiased approach while fixing Tariff.
- Should not work under any pressure from Government.
- Limit cross subsidy in different tariff streams to +/- 20%. (National Tariff Policy)
- See to it that directives issued to licensees are honoured. And in cases of “willful disobediences” the licensees should be suitably penalised
- Insist on efficiency.
- Approve Two Part Tariff only. Fixed charges and minimum charges (MCG) do not go together. Entire India pays only one of the two. UP is the only State where both these elements apply simultaneously, because the discoms lack the courage to stand up on their own feet. The two charges working simultaneously are always counterproductive, and reduce efficiency of the discoms.
- Consumer Focus.

<u>Expectations of Consumers, especially Industrial consumers.</u>

1. UPERC may revise tariffs suo moto, if adequate data is not being presented by the discoms, as mandated by the Electricity Act for financial stability of discoms, but it should be for all categories of consumers, keeping cross subsidy level to within the +/- 20% band mandated by the National Tariff Policy.

2. Government should provide fund for subsidized categories.

3. 100% metering should be hammered again & again.

4. For loss reduction, incentive may be given but accurate, audited and reliable data must be provided to justify revision in tariffs.

5. Insist on collections of all Government arrears before increasing tariff. It may be noted that very senior serving bureaucrats have been put in charge of the UPPCL only to ensure that Govt. dues do not get delayed.

6. Provide some system for tackling the menace of fake and unrealizable bills which are promptly corrected after taking bribes.

Business is highly competitive and anything disturbing competitiveness is not acceptable. Therefore, ad-hoc tariff hikes on one ground or the other must not be tolerated. We need to compete globally. While revising tariffs, we must consider the picture existing in other States.

That heavy taxes do not necessarily increase revenues is a well known financial principle. Unduly high taxes only lead to more thefts and punish the honest tax payers.

U.P. Government has already increased rates of Electricity Duty from 9 Paisa per Unit to 5% of Bill amount. This way they have cleverly tried to double the burden of subsidy on industries.

Sir, electricity as a commodity contributes almost 10% to the industrial GDP. And cost of electricity forms almost 15% of the cost of any manufactured article. Due to global recession, our GDP has already slipped to below 5%. And the worst is not yet over.

Hence, any arbitrary hike in electricity tariffs will certainly kill industries of the State. A direct implication of this scenario will be that the discoms' calculations of cross subsidy earnings from a healthy industrial sector will certainly go awry.

No Regulator can allow this to happen

It is, therefore, humbly requested that the Commission must be sensitive to the fragile economy of the State and take a very rational approach in the interest of every stake holder.

Thanking you,

Yours faithfully,

G.C. Chaturvedi
Former President

Ref No. 3/UPERC/10258 11/09/12

To
Shri Rajesh Awasthi
Chairman
Uttar Pradesh Electricity Regularity Commission
Kisan Mandi Bhawan, Vibhuti Khand,
Gomti Nagar, Lucknow

Subject: - Objection on proposal in Power Tariff for LMV-6 and HV-2 Categories.

Sir,

ARR for financial year 2012-13 submitted by various discoms to you proposes steep increase in the fixed charges; Demand Charges, Energy Charges as well as Minimum Charges. You are aware that LMV-6 and HV-2 Consumers belong to Manufacturing Sector in the Industry. The Manufacturing Sector is passing through the most difficult period. It is evident from the fact that the share of the Manufacturing Sector in the Country's GDP has remained stagnant at 15% (excluding mining) for the last 30 years. The slow pace of growth of this Sector at this stage when State Government desired to put the state on high growth trajectory is not an acceptable outcome.

The steep increase in the power tariff will further retard the growth of Manufacturing Sector in Uttar Pradesh. You might be aware that recognizing the importance of Manufacturing Sector and the current Status, Govt. of India have drawn a detailed Manufacturing Plan for 12th Five Year Plan.

The Manufacturing Sector using power under LMV-6 and HV-2 category in Uttar Pradesh is facing stiff competition not only from other States in the Country but from across the border as well. This sector is also facing larger share of miseries in Uttar Pradesh e.g. non- availability of power and other infrastructure bottlenecks etc compared to their counterparts elsewhere in the Country. The proposed increase in the power tariff will certainly push industries in Manufacturing Sector towards sickness which will result in lowering of tax revenues for the state as well as employment.

Keeping in view the situation explained above, the proposed increase in power tariff for LMV-6 and HV-2 categories of consumers may not be accepted in the overall interest of socio-economic development of the State.

Thanking You,

Yours Truly,

G. C. Chaturvedi
Former President

Ref No. 3/UPERC/10259 12/09/12

To
Shri Rajesh Awasthi
Chairman
Uttar Pradesh Electricity Regularity Commission
Kisan Mandi Bhawan, Vibhuti Khand,
Gomti Nagar, Lucknow

Subject: - Objection on proposal in Power Tariff for LMV-6 and HV-2 Categories.

Sir,

We refer to the objections on the public notice issued by UPPCL under Section 64 of the Electricity Act 2003 with regard to the ARR FY 2012-13 filed by the Discoms, submitted to you vide IIA petition no. IIA/13 dated July 23, 2012 and the views submitted before the honourable commission by IIA representatives during the public hearing held on 11/09/12 at Kisan Mandi Bhawan, Gomti Nagar, Lucknow.

In continuation to this we would like to bring to your kind notice the additional facts and documents as enclosed at **Annexure-I** for your kind consideration.

Further in the data presented by MVVNL during public hearing on 11/09/12, we have found some glaring mistakes as under:-

1. MCG on LMV-6 (Small Power)
   a) Annual Revenue Recovery through proposed tariff
      =Total Energy Sold x Rate
      = 319x 10^6 x 6.25
      =Rs. 199.40 Cr
   b) Revenue Cushion through MCG
      = Total connected load x MCG per KW x 12
      =160015 x 800 x 12
      = Rs 153.60 Cr

   b/a = 77%

Thus it can be seen that MVVNL is proposing to cover almost the entire revenue through MCG which by itself nullifies the significance of metering. We fail to understand that by which logic the Discoms are now trying to remove meters and to shift entire operation to unmetered category especially in the background of overall recovery from LMV-6 consumers far exceeds the energy charges at base rate as under.

   c) Overall revenue recovery based on through rate
      =Total Energy Sold x Through Rate
      = 319x 10^6 x 8.20
      = Rs. 261.60 Cr

2. We humbly request that the commission should kick start and accelerate meter installation for unmetered categories of consumers, the commission should introduce a levy in the name of “No Meter Surcharge-NMS” at following rates:-

   LMV 1 – Rs 25/ month
   LMV 2 – Rs 75/ month
   LMV 3 – Rs 45/ month
   LMV 5 – Rs 75/ month
   LMV 8 – Rs 95/ month
   LMV 9 – Rs 95/ month

   This levy should be adjustable and reimbursable over a period of 1 year and should lapse after 1 year. This measure will induce non metered category consumers to move towards meterization.

3. Life Line Consumers:
   To introduce a safeguard against unscrupulous elements jumping on to life line category and to minimize misuse of subsidy meant for really needy families, suitable eligibility criterion should be laid down, in line with other states in India for example
   - Requirement of BPL cards
   - No Appliance Should exceed 70 watt power consumption capacity
   - No luxury appliance such as fridge, TV, Washing Machine.
   - If consumption exceeds 150 KWh in any two months in a fiscal the consumer shall automatically migrated to appropriate general domestic L&F category.

4. The interstate tariff comparison charts submitted by the Discoms are highly misleading and give WRONG data w.r.t. industrial categories. The commission may like to get the data rechecked on its own.

Thanking You,

Yours Truly,

N. S. Hanspal,
Chairman
Power Working Group IIA

Our objections to the ARR petitions are on the following 5 (FIVE) counts:

(1) **Losses are not being controlled**: The revenue deficits being shown in the ARRs are basically of discoms' own making. The continuing high losses are primarily due to continuing theft of electricity, which the discoms have not been able to control. And like every time in the past, they are trying to put the entire burden on industrial sector alone, leaving subsidised consumers at the same level.

(2) **Industry exclusive tariff hikes**: The proposed tariff structure is once again badly designed. While the whole of India has moved towards scientifically worked out two-part tariff regime, UP discoms are trying to perpetuate their old system of arbitrary hikes in industrial sector. Up discoms have always treated industries as their pet whipping boys. Instead of cleaning up their own house, the discoms simply add up their revenue shortfalls as line losses, and try to make good the loss by asking for tariff hikes. Actually what is needed is a professional approach for controlling power thefts. If private companies can bring down their losses to 7 to 8 %, why the public sector companies can not achieve a similar result. Only will power is needed.

(3) **Simultaneous levy of fixed charges and monthly minimum charges**: There is absolutely no justification on imposing minimum charges exclusively on industrial consumers, when the through rate of industries is highest in the state. This THROUGH-RATE being higher than the average cost of supply is proof enough that it is a misplaced fear psycosis of the discoms regarding industries being responsible for the entire power theft in the State. After there is no MCG applicable for domestic and rural consumers, whose through rate is mere Rs 2 to 3 per unit, as compared to Rs 6 to 7 per unit for industries for avge cost of supply being in the span of Rs 4 to 5 per unit. On top of it, the discoms are seeking very high fixed charges, with absolutely no data to support their claims. The MCG, if at all to be retained for the sake of discoms' moral boosting, should be set at half the current levels, and it should be adjustable over the annual consumption. Discoms have already accepted this annual adjustment. Only the Commission is insisting on monthly settlement, which looses significance when the discoms can not supply sufficient power as has been happenng since June 2012. Many industries have been forced to pay MCG, while receiving NO power.

(4) **Cross subsidies to be within +/- 20 % band**: The tariff structure needs to be smoothened out as far as cross subsidies are concerned. No category of consumers is supposed to contribute cross subsidy in excess of 20% as per the National Tariff Policy. All over India, the Tariff petitions are not accepted by their respective Regulators unless the cross subsidy account is clarified by the discoms.

(5) **Adequate Govt Subsidy:** Govt subsidy assessment is also missing in the ARR petitions. It is true that the State Govt wants that certain categories of consumers get power at below cost rates. But this can only happen if the Govt is willing to foot the bill of difference in cost so as to compensate the discoms. To this extent, it is the duty of discoms to check with govt as to how much they want to subsidise such consumers. The present tariff petitions are silent on this aspect. They have merely indicated how much quantum of subsidy shall be contributed by the govt. Rest of the gap has been burdened on industries ALONE. This is highly objectionable because the govt must specify which categories of consumers enjoy how much subsidy. Rest of the cost component must be borne by the said category of consumers between themselves, without spilling out to the general pool of cross subsidy beyond the 20% band.

(1) & (2) Line losses and theft of power

First and foremost: The tariffs should not be raised merely to offset the losses inflicted by the discoms on themselves either due to their own mismanagement of the whole system or due to uneconomical decisions forced onto them by their govt masters. It is clear from the data available in the public domain that the root cause of the ever burgeoning revenue deficit of the discoms has been of their own making. The reason is abnormally high T&D losses and the discoms' inability or unwillingness towards controlling them.

Time and again the UPERC has set a target for reducing these losses in a calibrated manner. But the figures achieved at the end of every year have remained disheartening. Tariff Order for 2007-08 & 2008-09 had set the loss targets (para 3.4.3) as follows:

FY	2006	2007	2008	2009	2010	2011	2012
Target	30%	30%	28%	24%	23%	21%	20%

The above figures should be viewed in the background of the fact that private sector discoms have succeeded in controlling their losses to an average of 7 to 8 %.

Now, as transmission losses have stabilised at 3%, rest of the T&D loss is obviously theft of electricity.

Theft of electricity is the single most reason for such high loss rates for govt owned discoms. Also, the distribution pattern followed by these discoms is equally responsible. Time and again the discoms have been directed by UPERC to ensure a distribution regime in accordance with a policy that areas having lower AT&C losses get power for larger number of hours and vice versa, except in cases where specific directions have been issued by Court of Law.

It was indeed in sheer disgust that the Commission recorded at para 3.37 of the Tariff Order 2002-03 that trifurcation and Corporatisation have not changed the working practices or relationships in any significant way from the UPSEB days. It is true even today. The UPPCL, headed by very senior (serving) IAS officers, invariably decides according to govt briefings. While deciding which areas or groups of consumers are to be supplied power and for how much duration, mere administrative decisions are taken, without considering the impact on revenue recovery. Vote bank value is the sole criteria.

Near blackout of the industrial sector in last two months is fresh in our minds. UPERC must get an independent study done on the impact on finances of discoms during July-Aug 2012 period due to the grid failures on 28-29th June 2012 due to highly distorted distribution schedule adopted by them during this period. We invite the discoms to show data on how much loss of cross subsidy and other revenue they suffered during this period by shutting down industries to feed subsidised consumers. Also, UPPCL must inform the Commission if the GoUP will compensate the discoms by injecting additional subsidy for this period.

Net result is that the discoms end up supplying power to the highly subsidised categories of agricultural / domestic (urban & rural), at the cost of highly profitable industrial consumers. This immediately results in loss of cross subsidy revenue along with the regular returns.

Many states have taken innovative steps to control power theft, which are yielding positive results.

Prevention of theft

Haryana Commission issued specific instructions to the discoms as follows:

HERC Order on Distribution & Retail Supply ARR & Tariff of UHBVNL & DHBVNL for FY 2012-13

CHAPTER 6

IMPORTANT STEPS TO BE TAKEN BY THE DISTRIBTUION LICENSEES

With a view to reducing line losses, improving operational efficiency and economizing on expenses under various heads, **the Commission directs the Discoms to take following measures:-**

1) Dismantlement of idle lines

The Commission has observed that a large number of idle distribution lines, both HT as well as LT, are existing in their system especially in rural area. These lines had become redundant mainly as a result of permanent disconnection of connections on account of defaulting amount against them and also on account of up gradation of the system. These idle lines are a source of abstraction of power through unauthorized tapings (kundis) by the unscrupulous elements.

The licensees are directed to identify these idle lines and get the same dismantled by 31st August, 2012. An undertaking that all the idle lines have been dismantled and that dismantled material has properly been accounted for, shall be submitted by the licensees to the Commission.

6) Reduction in Distribution Transformers' damage rate

(i) Most of the distribution transformers get damaged on account of overloading or unbalancing of load. The problem of unbalanced load can be sorted out by balancing load on all the 3 phases of the transformer. The distribution transformers feeding AP tube well load are generally overloaded but the overloading does not appear on record since AP consumers try to conceal the BHP of their tube well motors. Except in four Districts namely Karnal, Kurukshetra, Kaithal and Rohtak where HVDS system has been provided, capacities of tube well motors are required to be checked and regularized and distribution transformers capacity suitably augmented. A major portion of the O&M estimates of the utilities is spent on the replacement of damaged distribution transformers. This step will go a long way to reduce damage rate of distribution transformers.
(ii) It has been further noted that another major reason for damage of distribution transformers is that these do not have LV bushings placed inside sealed metallic enclosures and also do not have the provision of automatically switching off of the load when it exceeds beyond the rated capacity. Because of bare bushings the supply is easily tapped from the bushing terminals. The technical specifications of the licensees for procurement of distribution transformers of the capacity 25 KVA to 100 KVA provide that the LV bushings and thermal based MCCBs shall be housed within the metallic enclosure with sealing arrangement so as to avoid any possibility of tapping of supply from the bushing terminals. The technical specifications for procurement of distribution transformers of the capacity 200 KVA and above however does not contain such provision. The licensees are directed to provide similar provision in the technical specifications of the distribution transformers of capacity 200 KVA and above and ensure that distribution transformers of all the capacities are procured with a provision of LV bushings and thermal based MCCBs to be housed within the metallic enclosure with sealing arrangement. Besides this all the existing distribution transformers in their system which do not have LV bushings and thermal based MCCBs placed inside metallic enclosures be provided with this arrangement within a period of six months.

(3) Simultaneous levy of fixed charges and monthly minimum charges

In the debates held for ARR 2009-10, we had been assured that the Commission would have a relook on the concept charging BOTH the fixed charges, as well as MCG. Nowhere else in India are the two components charges TOGETHER, because they are mutually exclusive factors. When the whole of India has adopted a pragmatic two – part tariff, UP is the only State still lagging behind with THREE – PART tariff, which is most retrograde.

Haryana Tariff Order 2012-13 records as follows: 4.2.6 The Commission has retained two part tariff with a fixed cost element in most of the consumer categories. Two part electricity tariff structure is nationally as well as internationally considered as the most efficient tariff design which is also a statutory requirement under the Electricity Act, 2003 and the various policies framed by the Central Government under the enabling provision(s) of the Act itself.

The proposed Tariff Schedule once again levies and almost doubles BOTH fixed charges and Minimum Consumption Guarantee from industrial consumers, without giving any reasoning why. This is highly objectionable. The proposed levels are exorbitantly high and devoid of any sound economical basis. Both the MCG and the fixed charges have been set arbitrarily and illogically, without any techno-economical basis. All the ARR petitions are devoid of any explanation in showing how the figures have been arrived at.

Fixed Charges are supposed to cover the fixed costs of discom utilities. It should be noted that this particular cost component is constant for both domestic and industrial consumers. When the discoms are happy to retain the domestic tariff at existing levels, implying that there is no change in fixed costs of licensees, it is beyond comprehension how these costs double up when industrial consumers are concerned. Instead of raising the fixed charges, therefore, the Commission should bring down the fixed costs of industrial consumers to the same level as those for domestic consumers. All over India, the fixed charges are within 10 – 20 % bracket for every category of consumer. This is a very important factor in bringing down the variable cost component, that is, the per unit energy consumption charges, because the fixed costs comprise almost 30 % of the aggregate revenue requirement. These costs are beyond any gambit of subsidisation or cross subsidies etc.

Recently, Punjab discoms wanted to introduce two part tariff for 2012-13. But PSERC disallowed it due to lack of adequate data and major objections from various stake holders. As a result, therefore, only minimum charges remain applicable, and that too only about ⅓ (one-third) of the levels prevailing in UP.

PSPCL explanation (wanting to replace minimum charges with fixed charges) :
In case the consumption of a consumer is zero, only the fixed charges shall be recoverable from him. The proposed fixed charges for all the categories are far less as compared to the current MMC and hence consumers having zero (or very small) consumption stand to benefit significantly through introduction of two-part tariff.

PSERC decision:
The Commission has examined the proposal. In view of objections raised by a number of consumers and consumer organizations on the proposal of PSPCL, the Commission has directed PSPCL to resubmit the proposal addressing the objections raised by various consumers. The Commission has, therefore, decided not to introduce two part tariff during the FY 2012-13.

Industrial Tariffs

Gujarat Tariff 2012-13 HTP-1	Fixed/Demand Charge	Minimum Charges (MCG) or MMC	Energy Charge
< 500 KVA	100 / KVA / Mth	Payment of Demand Charge	400 – 430 Paise / Unit
> 500 KVA	200 / KVA / Mth		
> 1000 KVA	270 / KVA / Mth		
LTMD Medium Demand			
<40 KW	65 / KW / Mth	Payment of Demand Charge	435 Paise / Unit
40 – 60 KW	100 / KW / Mth		
>60 KW	165 / KW / Mth		
Haryana Tariff 2012-13			
LT Industry			
< 20 KW	NIL	150 / KW / Mth	535 Paise / Unit
20 – 50 KW	150 / KW / Mth	NIL	510 Paise / Unit
50 – 70 KW	150 / KW / Mth	NIL	498 Paise / Unit
HT Industrial			
@ 11 KV	130 / KVA / Mth	NIL	470 Paise / KVAh
@ 33 KV	130 / KVA / Mth	NIL	460 Paise / KVAh
@ 66 or 132 KV	130 / KVA / Mth	NIL	450 Paise / KVAh
@ 220 KV	130 / KVA / Mth	NIL	440 Paise / KVAh
Punjab Tariff 2012-13			
Small Power	NIL	137 / KW	510 Paise / Unit
Medium Power	NIL	182 / KW	561 Paise / Unit
Large Power General Industry	NIL	163 / KVA	561 Paise / Unit
Large Power Arc Furnace/PIU	NIL	429 / KVA	561 Paise / Unit
Andhra Pradesh Tariff 2012-13			
LT Industrial Normal	50 / HP / Mth	NIL	500 Paise / unit
LT 75-150 HP	150 / KVA/Mth	NIL	500 Paise/KVAh
HT Indl. 11KV	NIL	250 / KVA/Mth	480 Paise/Unit
HT Indl. 33KV	NIL	250 / KVA/Mth	437 Paise/Unit
HT Indl. 132KV	NIL	250 / KVA/Mth	397 Paise/Unit

UP (Proposed)

LMV-2(a)	50 / KW / Mth	NIL	190 Paise / Unit
LMV-2(c)	300 / KW / Mth	500 / KW / Mth	600 Paise / Unit
LMV-6	230 / KW / Mth	800 / KW / Mth	625 Paise / Unit
HV-2	350 / KVA / Mth	NIL	615 Paise / KVAh

(4) Cross subsidies to be within +/- 20 % band

All the ARR petitions are devoid of cross-subsidy-contribution-cum-consumption analysis & reduction roadmap. The National Tariff policy mandates the discoms to bring down the cross subsidies to within +/- 20% band. All States in India have made substantial progress towards this major policy step.

Following are some major examples how the tariffs have been structured in rest of India :-

Punjab, Tariff 2012-13

6.3 Effect of revised tariff on cross subsidy

6.3.1 The Commission in its Tariff Regulations has defined cross subsidy for a consumer category as the difference between the average realisation per unit from that category and the combined average cost of supply, expressed in percentage terms.

The cross subsidy likely to be generated at the revised level of tariff comes to Rs. 1490.36 crore against which Rs. 1492.96 crore cross subsidy is required leaving a deficit of Rs. 2.60 crore.

Table 6.5: Cross Subsidy Levels

Sr. No.	Consumer Category	Existing Tariff				Revised Tariff			
		Combined Average Cost of Supply 484.73 Paise/Unit				Combined Average Cost of Supply 538.66 Paise/Unit			
		Energy Sales (MU)	Total Revenue (Rs. crore)	Realisation per unit (Paise per unit)	Cross Subsidy Levels (%)	Energy Sales (MU)	Total Revenue (Rs. crore)	Realisation per unit (Paise per unit)	Cross Subsidy Levels (%)
1	2	3			4	5			6
1	Domestic								
a)	Upto 100 Units	5132	2040.86	397.67	-17.96%	5132	2320.43	452.15	-16.06%
b)	101-300 Units	2949	1585.60	537.67	10.92%	2949	1746.25	592.15	9.93%
c)	Above 300 Units	1561	881.46	564.67	16.49%	1561	974.30	624.15	15.87%
	Total	9642	4507.92			9642	5040.97		
2	NRS	2838	1718.90	605.67	24.95%	2838	1833.77	646.15	19.96%
3	Public Lighting	135	80.55	596.67	23.09%	135	87.23	646.15	19.96%
4	Industrial								
a)	Small Power	891	442.54	496.67	2.46%	891	492.86	553.15	2.69%
b)	Medium Supply	1815	988.58	544.67	12.37%	1815	1096.53	604.15	12.16%
c)	Large Supply	7856	4456.46	567.27	17.03%	7856	4923.70	626.74	16.35%
	Total	10562	5887.58			10562	6513.08		
5	Bulk Supply								
a)	HT	518	283.70	547.67	12.98%	518	311.91	602.15	11.79%
b)	LT	34	19.57	575.67	18.76%	34	21.43	630.15	16.98%
	Total	552	303.27			552	333.34		
6	Railway Traction	184	115.49	627.67	29.49%	184	118.89	646.15	19.96%
7	Common Pool	305	108.99			305	108.99		
8	Outside State	0	0.00			0	0.00		
9	AP	11003	4349.96	395.34	-18.44%	11003	4933.12	448.34	-16.77%
10	Total	35221	17072.67	484.73		35221	18969.40	538.58	

Haryana Tariff Order 2012-13 gives the following analysis of cross subsidy component in their tariff schedules:

Table No. 4.3 Classification of Fully Allocated Cost / Category wise Allocation.

Consumer Category	Energy Sales (MU)	Demand Related Cost (Rs. million)	Energy Related Cost (Rs. million)	Customer Related Cost (Rs. million)	Fully Allocated Cost (Rs. Million)	Average Cost of Service (CoS) Paise / kWh	Cost Recovery to Average Cost of Supply at existing Tariff %
DS	6835	5993	32583	2659	41236	603	58.62
NDS	3719	1242	17713	370	19324	520	89.10
LT Industry	1619	1611	7719	55	9838	580	87.97
AP Metered	4091	3232	19503	223	22958	561	4.69
AP Un Metered & Fishetries & Horticulture	3429	2703	16343	171	19278	562	8.05
MITC	8	-	37	-	37	467	80.69
Lift Irrigation	258	108	1229	-	1336	519	91.34
StreetLight Supply	88	17	419	1	438	497	77.83
Public Water Works	933	282	4446	11	4740	508	89.03
HT Industry	7123	4239	27750	7	31996	449	91.74
Railway Traction	255	120	994	-	1114	437	91.90
Bulk Supply	653	541	2546	1	3098	473	103.19
Metro (DMRC)	210	42	819	-	860	410	78.83
TOTAL	29,217	20,191	132,099	3,509	155799	533	83.79

Orrissa Tariff Order 2012-13 records as under :

322. While Tariff Policy, 2006 envisages that latest by 2010-11 the tariff for that matter, the cross subsidy should be ±20% of the average cost of supply, the "model Tariff Guidelines" recommended by Forum of Regulators (FOR) in their meeting held on 29.07.2011 provides as follows:

"Cross Subsidy/Tariff Design :

- State Electricity Regulatory Commission (SERC) would notify revised roadmap within six months from the notification of these Regulations (model Tariff Guidelines) with a target that latest by the end of year 2015-16 tariff are within ±20% of the average cost of supply.
- The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.

Tariff Design : State Electricity Regulatory Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity."

184. In the present chapter, the Commission, after examination of cost, revenue and cross subsidy for each category of consumers, is making necessary enhancements to the rates/charge for certain consumer categories and determining the full cost recovery tariff schedule for FY 2012-13 by modifying the rates/charges contained in the reference tariff schedule of Chapter VIII.

185. The full cost recovery tariff rates/charges are being determined by the following steps;

• The revenue will be computed at the tariffs indicated in column 4 of Reference Tariff Schedule, Table 33 of Chapter VIII for each consumer category based on sales (approved at Chapter-II) for FY 2012-13. The non tariff income (as estimated in Chapter V for FY 2012-13) will be apportioned to different consumer categories.

• The category wise revenue will be compared with category wise cost of supply (based on unit cost of service computed at Chapter-IV and sales(approved at Chapter-II))

• Based on the cost and revenue from each consumer category, consumer categories will be classified as subsidising, if the revenue is more than the cost (surplus) and as subsidised, if the revenue is less than the cost (deficit).

• The sum of surplus of revenue over cost available from subsidizing categories will be first utilised to meet the deficit of subsidised consumer categories other than LT-I: Domestic and LT-V: Agriculture and HT-IV (B): Agriculture.

• The remaining surplus, if any, will be allocated to LT-I: Domestic and LT-V: Agriculture and HT-IV(B): Agriculture categories in the ratio of a category's deficit to the total deficit of these categories.

• After allocation of the surplus available, the net deficit (cost for that category less revenue from the category and surplus allocated to that category) will be computed for LT-I: Domestic, LT-V: Agriculture and HT-IV(B): Agriculture consumer categories as there is no other source of revenue to meet the remaining cost.

• The energy rate/charge for LT-I: Domestic and LT-V: Agriculture and HT-IV(B): Agriculture categories will then be revised upwards by an amount equal to net deficit divided by approved sales. By doing so, the revenue from tariff and allocated surplus will be sufficient to meet the cost.

Madhya PradeshTariff Order 2012-13

Table 112 : Comparison of tariff v/s average cost of supply

Category/ sub-category	Average realisation as % of Average CoS	
	FY 2011-12 (as per Tariff Order dated 23th May,11)	FY 2012-13 (achieved as per this Tariff Order)
Domestic	94.79%	96.69%
Non-domestic	139.80%	136.05%
Public water works	88.01%	82.92%
Street Light	90.55%	85.20%
Industrial	122.64%	122.82%
Agriculture	73.23%	76.78%
Railways	124.09%	124.21%
Coal Mines	129.38%	130.92%
Industrial	118.54%	120.57%
Non-industrial	128.96%	118.82%
Irrigation, PWW and Other than agriculture	97.51%	84.75%
Bulk residential users	97.28%	98.56%
Bulk supply to exemptees	73.45%	74.52%

7.45 The Commission has considered the proposal of the licensee. The Commission however disagrees with the proposal to reintroduce the MCG on the following grounds.

a. The data submitted by the licensee, for LMV-1 and LMV-2 categories collectively, as a part of the current year's proceedings and presented in the table 7.3 itself demonstrates that due to the abolition of MCG there has been no decline in revenue billed or assessed.

Table 7.3: Revenue assessment and realization from domestic and commercial category

	Assessment	Realization	%
FY 1999-00	2166.8	1612.4	74.4%
FY 2000-01	2551.9	1939.1	76.0%

In fact the realization of the licensee has improved. This has also to be viewed in context of the failure of the licensee to meet the target, which it had itself set for reducing the transmission and distribution losses.

b. The provision of MCG is inconsistent with the objective of promoting efficient consumption, which is expected as per Section 10 (d) of the UPERA, 1999.

c. Minimum Guarantee Charges do not accurately and reasonably capture the fixed cost element of supply of electricity. While the licensee may consider that these charges help in recovering a capacity charges, MCG leads to a perverse incentive for Consumers to consume as much as possible to cover at least the minimum charges. This puts undue pressure on the load and tends to distort the peak load. With every hike in MCG, the pressure on load may increase further. In effect MCG is in breach of goals of Demand Side Management and should gradually be phased out and replaced by more realistic fixed charges.

d. Further, in Commission's opinion, the nature of electricity is such that it is not possible for most of the consumers to bypass the meter without the assistance of the employees of the licensee. **The provision of MCG thus amounts to protecting the licensee from its own employees and has no merit or economic rationale**.

2.7 Abolition/ Rationalisation of Fixed Charges

Shri Shiv Agarwal, President, Vidarbha Atta Chakki Association, submitted that MSEDCL has proposed to increase the fixed charges of LT V Industries from Rs. 150/Connection/Month to Rs. 300/Connection/Month in FY 2010-11. He further submitted that very small, tiny and micro industries, which have very low income are covered under LT V Industries. If fixed charges are increased to Rs. Rs. 300/Connection/Month, such industries will shut down,........

MSEDCL's Response MSEDCL submitted that total expenditure has two components:

a) Variable component

b) Fixed component

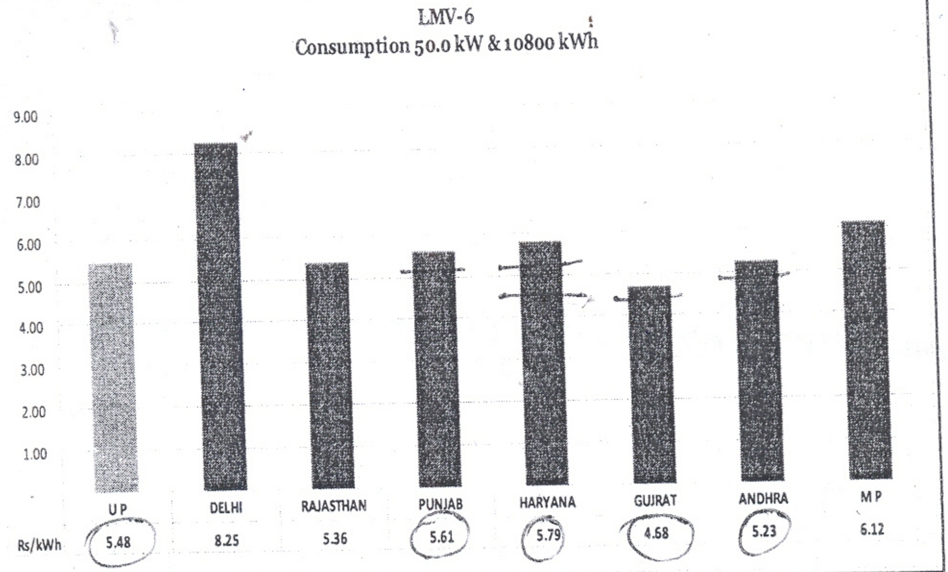
MSEDCL submitted that variable component accounts for the expenditure that varies as per the availability of power, such as power purchase expenses, transmission charges, etc., whereas fixed component has to be incurred irrespective of availability of power, such as O&M expenses, depreciation, interest, finance charges, etc.......

Commission's Ruling In the APR Order for FY 2007-08, the Commission had consciously reduced the fixed/demand charges, in response to the several objections submitted by stakeholders in this context. In the APR Order for FY 2007-08 for MSEDCL, the Commission observed as under:

"The Commission has reduced the fixed charges/demand charges applicable for different consumer categories, and correspondingly increased the energy charges, so that the bills are more directly linked to the consumption. Economic theory states that the recovery of fixed costs through fixed charges should be increased, so that a reasonable portion of the fixed costs are recovered through the fixed charges. However, the ability of the Licensees to supply reasonably priced power on continuous basis has been eroded due to the stressed demand-supply position in recent times, and hence, the Commission has reduced the fixed charges. This will provide certain relief to the consumers who have lower load factor, as the consumers will be billed more for their actual consumption rather than the load, and the licensees also have an incentive to ensure that continuous 24 hour supply is given to the consumers. As and when sufficient power is available and contracted by the licensees, the fixed charges can again be increased, and energy charges reduced correspondingly."

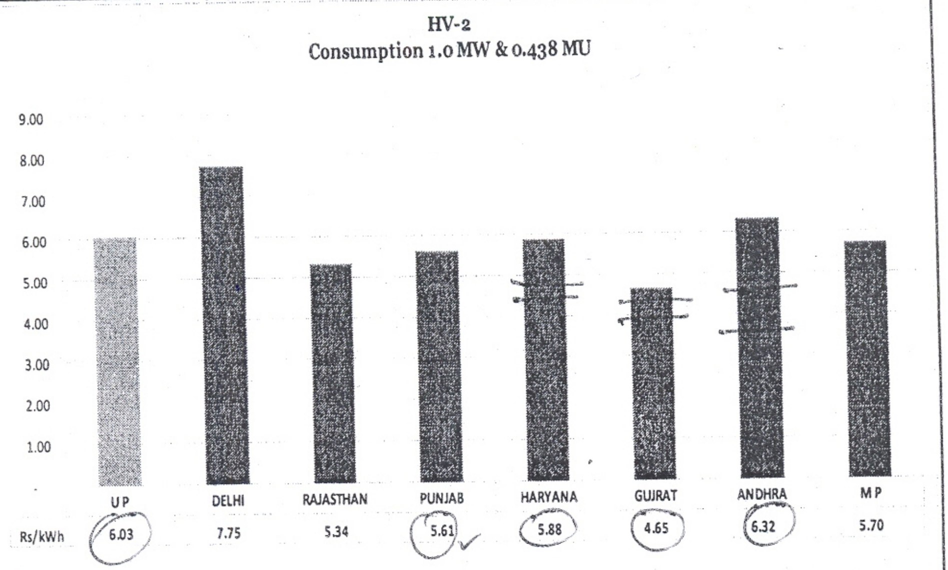
As stated in the APR Order for FY 2007-08, the fixed/demand charges were reduced only as a measure to incentivise MSEDCL to contract for the necessary power requirement and ensure continuous supply of power to its consumers. Moreover, the present fixed/demand charges do not affect the MSEDCL adversely, as the tariff determination process ensures revenue neutrality of the MSEDCL and approved tariff allows MSEDCL to recover the approved revenue gap. Since, MSEDCL claims in this Petition that it is striving to contract for the necessary power to meet the demand requirements, there would be no loss to MSEDCL. Hence, the Commission has retained the fixed/demand charges for all consumer categories at the existing level.

Medium Industrial Consumers



6.25 5.10 4.98 -5.35 4.35 5.00

H T Industrial Consumers



6.15 4.40 4.70 4.00 to 4.30 3.97 4.80

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)
Executive Director,
Indian Industries Association,
IIA Bhawan, Vibhuti Khand,
Gomti Nagar Lucknow- 226010

Table 6.2: Aggregate quantum of cross subsidy for Energy Sales of FY 2012-13 at Existing Tariff (Combined average cost of supply =484.73 paise/unit)

Sr. No.	Consumer Category	Energy Sales (MU)	Existing Tariff (Paise/unit) including FCA 8Ps/unit	Revenue with Existing Tariff (Rs. crore)	PLEC + MMC etc. (Rs. crore)	Non-Tariff Income (Rs. crore)	Total Revenue (Rs. crore) (5+6+7)	Expected Revenue with Average cost (Rs. crore)	Cross Subsidy generated (+)/Utilised (-) (8-9) (Rs. crore)
1	2	3	4	5	6	7	8	9	10
1	Domestic								
a)	Upto 100 Units	5132	356	1826.99	58.15	155.72	2040.86	2487.63	-446.77
b)	101-300 Units	2949	496	1462.70	33.41	89.48	1585.60	1429.47	156.13
c)	Above 300 Units	1561	523	816.40	17.69	47.37	881.46	756.66	124.79
	Total	**9642**		**4106.10**	**109.25**	**292.57**	**4507.92**	**4673.76**	
2	NRS	2838	564	1600.63	32.16	86.11	1718.90	1375.66	343.24
3	Public Lighting	135	555	74.93	1.53	4.10	80.55	65.44	15.11
4	**Industrial**								
a)	Small Power	891	455	405.41	10.10	27.04	442.54	431.89	10.64
b)	Medium Supply	1815	503	912.95	20.57	55.07	988.58	879.78	108.80
c)	Large Supply	7856	503	3951.57	266.51	238.38	4456.46	3808.04	648.42
	Total	**10562**		**5269.92**	**297.17**	**320.49**	**5887.58**	**5119.72**	
5	**Bulk Supply**								
a)	HT	518	506	262.11	5.87	15.72	283.70	251.09	32.61
b)	LT	34	534	18.16	0.39	1.03	19.57	16.48	3.09
	Total	**552**		**280.26**	**6.25**	**16.75**	**303.27**	**267.57**	
6	Railway Traction	184	586	107.82	2.08	5.58	115.49	89.19	26.30
7	Common Pool	305	327	99.74	0.00	9.25	108.99	147.84	-38.85
8	Outside State	0		0.00	0.00	0.00	0.00	0.00	0.00
9	AP	11003	365	4016.10	0.00	333.87	4349.96	5333.48	-983.52
10	**Total**	**35221**		**15555.50**	**448.45**	**1068.72**	**17072.67**	**17072.67**	1469.14 -1469.14

6.3.2 The position of cross subsidy levels in the system for energy sales of FY 2012-13 with revised tariffs (as approved in para 6.2) is indicated in Table 6.3.

6.3.3 Category-wise MMC income has been computed by apportioning the same in the ratio of energy sale to different categories, except AP, Common Pool and Outside State sale. Non-tariff income has been apportioned in the ratio of energy sale to different categories, except Outside State sale, while PLEC has been loaded to the LS category only.

Table 6.3: Aggregate quantum of cross subsidy for Energy Sales of FY 2012-13 at Revised Tariff (Combined average cost of supply = 538.66 paise/unit)

Sr. No.	Consumer Category	Energy Sales (MU)	Revised Tariff (Paise/unit)	Revenue with Revised Tariff (Rs. crore)	PLEC + MMC etc. (Rs. crore)	Non-Tariff Income (Rs. crore)	Total Revenue (Rs. crore) (5+6+7)	Expected Revenue with Average cost (Rs. crore)	Cross Subsidy generated (+)/Utilised(-) (8-9) (Rs. crore)
1	2	3	4	5	6	7	8	9	10
1	Domestic								
a)	Upto 100 Units	5132	409	2098.99	65.72	155.72	2320.43	2764.38	-443.95
b)	101-300 Units	2949	549	1619.00	37.76	89.48	1746.25	1588.50	157.75
c)	Above 300 Units	1561	581	906.94	19.99	47.37	974.30	840.84	133.45
	Total	**9642**		**4624.93**	**123.47**	**292.57**	**5040.97**	**5193.72**	
2	NRS	2838	603	1711.31	36.34	86.11	1833.77	1528.71	305.07
3	Public Lighting	135	603	81.41	1.73	4.10	87.23	72.72	14.51
4	**Industrial**								
a)	Small Power	891	510	454.41	11.41	27.04	492.86	479.94	12.91
b)	Medium Supply	1815	561	1018.22	23.24	55.07	1096.53	977.66	118.87
c)	Large Supply	7856	561	4407.22	278.10	238.38	4923.70	4231.68	692.02
	Total	**10562**		**5879.84**	**312.76**	**320.49**	**6513.08**	**5689.28**	
5	**Bulk Supply**								
a)	HT	518	559	289.56	6.63	15.72	311.91	279.02	32.89
b)	LT	34	587	19.96	0.44	1.03	21.43	18.31	3.11
	Total	**552**		**309.52**	**7.07**	**16.75**	**333.34**	**297.34**	
6	Railway Traction	184	603	110.95	2.36	5.58	118.89	99.11	19.78
7	Common Pool	305	327	99.74		9.25	108.99	164.29	-55.30
8	Outside State			0.00			0.00		0.00
9	AP	11003	418	4599.25		333.87	4933.12	5926.83	-993.71
10	**Total**	**35221**		**17416.95**	**483.73**	**1068.72**	**18969.40**	**18972.00**	1490.36 -1492.96

The cross subsidy likely to be generated at the revised level of tariff comes to Rs. 1490.36 crore against which Rs. 1492.96 crore cross subsidy is required leaving a deficit of Rs. 2.60 crore.

6.3.5 Further, the cross subsidy levels based on the energy sales determined for FY 2012-13 at existing and revised tariffs in percentage terms are brought out in Table 6.5.

Table 6.5: Cross Subsidy Levels

Sr. No.	Consumer Category	Existing Tariff				Revised Tariff			
		Combined Average Cost of Supply 484.73 Paise/Unit				Combined Average Cost of Supply 538.66 Paise/Unit			
		Energy Sales (MU)	Total Revenue (Rs. crore)	Realisation per unit (Paise per unit)	Cross Subsidy Levels (%)	Energy Sales (MU)	Total Revenue (Rs. crore)	Realisation per unit (Paise per unit)	Cross Subsidy Levels (%)
1	**2**	**3**			**4**	**5**			**6**
1	Domestic								
a)	Upto 100 Units	5132	2040.86	397.67	-17.96%	5132	2320.43	452.15	-16.06%
b)	101-300 Units	2949	1585.60	537.67	10.92%	2949	1746.25	592.15	9.93%
c)	Above 300 Units	1561	881.46	564.67	16.49%	1561	974.30	624.15	15.87%
	Total	**9642**	**4507.92**			**9642**	**5040.97**		
2	NRS	2838	1718.90	605.67	24.95%	2838	1833.77	646.15	19.96%
3	Public Lighting	135	80.55	596.67	23.09%	135	87.23	646.15	19.96%
4	**Industrial**								
a)	Small Power	891	442.54	496.67	2.46%	891	492.86	553.15	2.69%
b)	Medium Supply	1815	988.58	544.67	12.37%	1815	1096.53	604.15	12.16%
c)	Large Supply	7856	4456.46	567.27	17.03%	7856	4923.70	626.74	16.35%
	Total	**10562**	**5887.58**			**10562**	**6513.08**		
5	**Bulk Supply**								
a)	HT	518	283.70	547.67	12.98%	518	311.91	602.15	11.79%
b)	LT	34	19.57	575.67	18.76%	34	21.43	630.15	16.98%
	Total	**552**	**303.27**			**552**	**333.34**		
6	Railway Traction	184	115.49	627.67	29.49%	184	118.89	646.15	19.96%
7	Common Pool	305	108.99			305	108.99		
8	Outside State	0	0.00			0	0.00		
9	AP	11003	4349.96	395.34	-18.44%	11003	4933.12	448.34	-16.77%
10	**Total**	**35221**	**17072.67**	**484.73**		**35221**	**18969.40**	**538.58**	

As per Regulations framed by the Commission, tariff is to be determined in such a way that it progressively reflects combined average cost of supply. The Commission observes that, in consonance with the PSERC Tariff Regulations, there is in general, a reduction in the cross subsidy levels of both the subsidized and subsidizing categories as compared to those on existing tariff. As provided in the National Tariff Policy, the revised tariffs of all the categories are within ± 20% of the combined average cost of supply.

5.2 Cross subsidy surcharge

Regulations 33 of the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Distribution & Retail Supply Tariff) Regulations, 2008, provides that the cross subsidy surcharge shall be payable by all intra-state open access consumers except those persons who have established captive generating station and are availing open access for carrying the electricity to a destination for their own use.
Accordingly, the difference between the average cost of supply and existing tariffs in respect of the categories of consumers who are paying cross subsidy was ordered to be the cross subsidy surcharge for FYs 2008-09 and 2009-10. However, in the absence of an authentic and updated 'Cost of Service' (CoS) the Commission did not determine / quantify consumer category wise cross – subsidy surcharge in the ARR / Tariff order for FY 2010-11. But after withdrawal of waiver to levy cross subsidy surcharge by Government of Haryana and on the request of distribution licensees, the Commission allowed levy of cross subsidy surcharge for FY 2010-11 at the rates as determined by it in the tariff and ARR order for 2009-10 from the date from which the State Government withdrew the waiver.

Section 42 of the Electricity Act, 2003 provides that the surcharge and cross subsidies shall be progressively reduced. The National Tariff Policy provides that:
"...........the computation of cross subsidy surcharge needs to be done in a manner that while it compensates the distribution licensee, it does not constrain introduction of competition through open access......."

The National Tariff Policy further provides that the cross subsidy surcharge should be brought down progressively and, as far as possible, at a linear rate to a maximum of 20% of its opening level by the 2010-11.

Keeping in view the above provisions the Commission ordered in its ARR / Tariff order of distribution licensees for FY 2011-12 that rates of the cross subsidy surcharge shall be reduced @ 20% every year from the opening level i.e. rates of cross subsidy approved for FY 2010-11 and accordingly the cross subsidy surcharge for FY 2011-12 was determined. However, neither the tariffs nor the cost of service to the relevant category are constant over the years. In view of the substantial change in the cost of supply in FY 2012-13 as compared to FY 2010-11 and the average revenue in view of the revision in tariff in the last three years, the Commission observes that the cross subsidy generated by different categories has undergone a change. The Commission, However, has to take into consideration the relevant provisions of the Electricity Act, 2003 which mandates that the cross subsidy surcharge shall be progressively reduced. Therefore continuing with the principle of reduction of cross subsidy surcharge by 20% each year beginning from FY 2010-11, the Commission has limited the cross subsidy surcharge to 60% of the cross subsidy generated by the relevant consumer category for FY 2012-13. The details of the surcharge approved for 2012-13 are as given in the table below:

Table 5.2 - Cross subsidy surcharge for FY 2012-13(paise/kWh)

		Average revenue	COS	cross susidy generated	Cross subsidy surcharge limited to 60% of cross subsidy
		1	2	3=1-2	3*60%
1	HT industry	602	449	153	92
2	NDS HT	566	433	133	80
3	Bulk Supply other than domestic	626	473	153	92
4	Railways	567	437	130	78

5.3 Additional Surcharge

Sub regulation (3) of regulation 33 of Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Distribution & Retail Supply Tariff) Regulations, 2008 provides as under:

"Where 'open access' is availed by a consumer to receive supply of electricity from a person other than the distribution licensee of his area of supply, in addition to cross subsidy surcharge, the Commission may determine 'additional surcharge', payable by such consumers on the charges of wheeling to meet the fixed cost of the distribution licensee (s) arising out of his obligation to supply.
Provided that if the Commission is satisfied that the capacity released on account of a consumer changing from the distribution licensee (s) of his area to another person is productively utilised, and hence no stranded costs are involved, additional surcharge shall not be applicable."

Since neither the distribution licensees have proposed anything on this account nor do the Commission feel that there will be any unavoidable obligation and incidence forcing the distribution licensees to bear fixed costs consequent upon their consumers opting for open access as such no additional surcharge is approved by the Commission for the FY 2012-13.