

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:2962
ANSWERED ON:21.03.2002
IMPACT OF NEW TARIFFS
A. VENKATESH NAIK;MOHAN PONNUSWAMY

Will the Minister of POWER be pleased to state:

- (a) whether the Government are aware that with the implementation of new tariff order of Central Electricity Regulatory Commission (CERC), investment from the States Sector in power would be seriously affected from its impact on NTPC's realization from SEBs;
- (b) if so, whether the Government are also aware that State Electricity Boards (SEBs) are likely to be losing Rs.2,300 crore annually after the implementation of CERC order, whereas NTPC is expected to bear a loss of about Rs.2000 crore a year; and
- (c) if so, the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER(SHRIMATI JAYAWANTI MEHTA)

(a) to (c) : The Government of India constituted the Central Electricity Regulatory Commission (CERC) under the Electricity Regulatory Commissions (ERC) Act, 1998. The functions of CERC inter alia include regulation of tariff of generating companies owned or controlled by the Central Government and promotion of competition, efficiency and economy in the activities of the electricity industry. The Central Commission while determining the terms and conditions for fixation of tariff is guided by the principles, inter alia that generating companies may earn an adequate return and at the same time they do not exploit their dominant position in generation, sale of electricity.

The Central Government deleted the provisions of Section 43A(2) of the Electricity (Supply) Act, 1948 with effect from 15th May, 1999 in exercise of powers under section 51 of the ERC Act, 1998. The Government of India had informed CERC in June 1999 that while regulating tariff they would be free to depart from the norms fixed vide the 1992 tariff notification.

CERC issued orders on 4.1.2000, 15.12.2000, 21.12.2000 on Availability Based Tariff (ABT) and Tariff Principles/Norms. In addition to being a performance-based tariff for the supply of power by central generating stations, the ABT is aimed at incentivising maintenance of grid discipline. By these orders CERC revised the norms fixed by the Central Government in the tariff notification of 1992. National Thermal Power Corporation (NTPC) has estimated a reduction in revenue to the tune of Rs.981 crore in the current financial year due to the orders of the CERC.

CERC has also allowed NTPC to charge 5% of capacity charge in every bill as development surcharge to meet the requirement of funds for enhanced capacity addition. NTPC has not taken into account the earning which it would get from this surcharge while estimating the reduction in revenue.

Any reduction of tariff due to enhanced efficiency norms will benefit the SEBs. Loss to SEBs can come from the unscheduled interchanges (UI) charges, which are leviable in the event of failure of SEB to maintain grid discipline. If SEBs maintain grid discipline, they will not be required to pay UI charges.