

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:1131
ANSWERED ON:01.03.2006
NEW TARIFF POLICY ON POWER SECTOR REFORMS
Adsul Shri Anandrao Vithoba;Tripathy Shri Braja Kishore

Will the Minister of POWER be pleased to state:

- (a) whether the Union Government has announced a new tariff policy to accelerate power sector reforms;
- (b) if so, the details thereof;
- (c) the extent to which the new tariff policy is likely to resolve the contentious issue of calculating cross subsidy surcharge for open access in distribution; and
- (d) the steps taken by the Government to protect the consumers from over burden of cross subsidy surcharge in case of a different electricity supplier?

Answer

THE MINISTER OF POWER(SHRI SUSHILKUMAR SHINDE)

(a) : Yes, Sir.

(b) : The Central Government has notified Tariff Policy through Resolution No.23/2/2005-R&R (Vol.IV) dated 6th January, 2006 issued by Ministry of Power. Salient features of the Tariff Policy are enclosed at Annexure.

(c) & (d) : The Tariff Policy provides that a consumer who is permitted open access will have to make payment to the generator, the transmission licensee whose transmission systems are used, distribution utility for the wheeling charges and, in addition, the cross subsidy surcharge. The computation of cross subsidy surcharge, therefore, needs to be done in a manner that while it compensates the distribution licensee, it does not constrain introduction of competition through open access. A consumer would avail of open access only if the payment of all the charges leads to a benefit to him. The policy further states that while the interest of distribution licensee needs to be protected, it would be essential that this provision of the Act, which requires the open access to be introduced in a time-bound manner, is used to bring about competition in the larger interest of consumers.

The Tariff Policy lays down the methodology for computation of cross subsidy surcharge.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PART (b) OF UNSTARRED QUESTION NO.1131 TO BE ANSWERED IN THE LOK SABHA ON 01.03.2006.

Salient features of the Tariff Policy

(a) All future requirement of power needs to be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled / owned company as an identified developer.

Even for Public Sector projects, tariff of all new generation and transmission projects needs to be decided on the basis of competitive bidding after a period of five years.

(b) It gives the framework for performance based cost of service regulation in

respect of aspects common to generation, transmission as well as distribution.

i) Rate of return to be notified by the Central Electricity Regulatory Commission (CERC) for generation and transmission. The rate of return notified for transmission would be adopted by SERCs for distribution also with appropriate modification to take care of higher risks involved in the distribution. For uniformity a common approach to be evolved by the Forum of Regulators (FOR) for rate of return in distribution.

ii) The depreciation rates for generation and transmission to be notified by the CERC. These rates are to be adopted by State Electricity Regulatory Commissions (SERCs) also for distribution with suitable modification as evolved by the FOR.

iii) Same rates of depreciation would be applicable both for tariff as well as accounting purposes.

(c) It emphasizes the need of keeping duties like electricity duty at reasonable level for making electricity available at reasonable prices.

(d) Multi-year tariff framework to be adopted for tariff to be determined from April 1, 2006.

(e) Suitable performance norms of operations with incentives and dis-incentives along with appropriate arrangement for sharing the gains of efficient operations with the consumers.

(f) CERC to notify operating norms for generation and transmission in consultation with the Central Electricity Authority (CEA). Operating norms for distribution to be notified by the SERCs based upon uniform approach as evolved by the FOR.

(g) It gives essential features of commercial arrangements for harnessing surplus power available from captive generators.

(h) Future requirements of energy from non-conventional sources to be procured as far as possible through competitive bidding process to bring down the costs.

(i) In line with the National Electricity Policy (NEP), National Tariff framework for transmission is to be implemented by April 1, 2006 to ensure sharing of the total transmission cost among the users in proportion to their respective utilization of the system.

(j) Private investment in transmission to be invited through competitive process for making transmission asset available according to laid down operational norms.

(k) Insistence on making electricity available for 24 hours particularly for those consumers who are willing to pay tariff which reflects efficient costs in accordance with the NEP.

(l) Emphasis on giving subsidy in transparent and targeted manner.

(m) Cross subsidies for different consumers to be reduced and brought within the range of + 20% of average of the supply by the end of the year 2010-2011.

(n) It discourages free power with a view, inter-alia, to ensure sustainable use of ground water resources. At the same time there is a stipulation for supporting poor category consumers.

(o) Cross subsidy surcharge to be computed in a manner that open access becomes a reality.