

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:1062
ANSWERED ON:05.08.2011
POWER TARIFF
Ramkishun Shri

Will the Minister of POWER be pleased to state:

- (a) whether the Government has requested the States to reduce the quantum of cross-subsidy being provided to the power distribution companies;
- (b) if so, the details thereof;
- (c) whether the Government is also conducting a survey about consumers' paying capacity in order to increase the power tariff;
- (d) if so, whether the Government proposes to increase the power tariff rates after surveying the paying capacity of the consumers;
- (e) if so, the details thereof along with its likely effect on consumers using electricity for agriculture purposes; and
- (f) the response of the State Governments in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI K.C. VENUGOPAL)

(a) & (b) : The Electricity Act, 2003 and Policies notified thereunder do not envisage any provision of cross subsidy to the power distribution companies. Cross-subsidy entails subsidizing one category of consumers at the expense of other category within the area of a distribution company.

Section 61 of the Electricity Act provides that while fixing the tariff the Appropriate Commission should be guided by the factors inter-alia 'that the tariff progressively reflects the cost of supply of electricity and also, reduces cross-subsidies in the manner specified by the Appropriate Commission.'

Further, Section 62 (3) of the Electricity Act, 2003, provides 'The Appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.'

Government of India vide Resolution dated 06th January, 2006 notified Tariff Policy. The para 8.3 of Tariff Policy provides that 'the State Governments can give subsidy to the extent they consider appropriate as per the provisions of section 65 of the Act. Direct subsidy is a better way to support the poorer categories of consumers than the mechanism of cross-subsidizing the tariff across the board. Subsidies should be targeted effectively and in transparent manner. As a substitute of cross-subsidies, the State Government has the option of raising resources through mechanism of electricity duty and giving direct subsidies to only needy consumers. This is a better way of targeting subsidies effectively.

Further, for achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap within six months with a target that latest by the end of year 2010-2011 tariffs 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. The relevant extract is at Annex.

(c) & (d) : Government of India has not conducted any survey about consumers' paying capacity. The Appropriate Commission determines the tariff for different categories of the consumers in accordance with the provisions of the Electricity Act and policies made thereunder.

(e) & (f) : Do not arise.