# GOVERNMENT OF INDIA
# POWER
# LOK SABHA

UNSTARRED QUESTION NO:1934
ANSWERED ON:02.12.2011
POWER TARIFF
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**Will the Minister of POWER be pleased to state:**

(a) the basic guidelines of power tariff policy;

(b) the ratios and proportions to be maintained while fixing the tariffs for different sectors of consumers,i.e. domestic, commercial, industrial and agricultural;

(c) whether power tariffs for domestic, agricultural and commercial power consumption has increased manifold during the last three years in the country;

(d) if so, the details thereof along with the reasons therefor;

(e) whether the Union Government has given any suggestions/directions to State Governments regarding increasing power tariff in their States; and

(f) if so, the details thereof along with the efforts being made by the Government for rationalization of power tariff?

## Answer

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

(a): Some of the salient guidelines of tariff policy notified by Ministry of Power on 6th January, 2006 and amended from time to time are given below:

(i) All future requirement of power needs to be procured competitively by distribution licensees with a few exemptions after 5.1.2011.

(ii) Further, it gives the following framework for performance based cost of service regulation in respect of aspects common to generation, transmission as well as distribution :-

Rate of return and depreciation to be notified by the Central Electricity Regulatory Commission (CERC) for generation and transmission and to be adopted by State Electricity Regulatory Commissions (SERCs) also for distribution with suitable modification as evolved by the Forum of Regulators (FOR).

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.

Multi-year tariff framework to be adopted for tariff.

It emphasizes the need for keeping duties like electricity duty at reasonable level for making electricity available at reasonable and competitive prices to promote generation of captive plants.

It allows Clean Development Mechanism (CDM) benefits for all electricity projects for adequate incentive for developers.

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

(iv) SERC to reserve a minimum percentage for purchase of solar energy which will go upto 0.25% by the end of 2012-13 and further upto 3% by 2020. To meet the renewable purchase obligation by distribution licensee, appropriate mechanism such as Renewable Energy Certificate (REC) would need to be evolved.

(v) In line with the National Electricity Policy (NEP), National Tariff frameworkfor transmission is to be implemented to ensure sharing of the total transmission cost among the users in proportion to their respectiveutilization of the system.

(vi) 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.

(vii) Metering in the distribution network to be completed to enable segregation of technical/commercial losses.

(viii) Emphasis on giving subsidy to respective category consumers in transparent and targeted manner.

(ix) Cross subsidies for different consumers to be reduced and brought within the range of + 20% of average of the supply.

(x) 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.

(xi) Cross subsidy surcharge and additional surcharge to be computed in a manner that open access becomes a reality. The cross subsidy surcharge should be brought down progressively.

(xii) CERC may fix the trading margin to promote trading in electricity to make the market competitive.

(b): The Electricity Act, 2003 has entrusted the responsibility of tariff fixation on the Electricity Regulatory Commissions and it empowers the State/Joint Electricity Regulatory Commissions (SERCs/JERCs) to fix tariffs for consumers. In this regard, SERCs / JERCs notify the Terms and Conditions of tariff fixation from time to time. Section 61 of the Act provides for guiding principles which the Appropriate Commission is required to consider for specifying the terms and conditions of tariff. Further, Section 62 (3) of the act allows the SERCs to differentiate among the consumers while determining the tariff according to several factors like 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.

In compliance of Section 61(g) of the Electricity Act, 2003, some of the principles to be adopted by the Appropriate Commission for determining tariff include that the consumers below poverty line who consume below a specified level, say 30 units per month, may receive a special support through cross subsidy and the tariffs for such designated group of consumers will be atleast 50% of the average cost of supply. Further, the State Governments can give subsidy to the extent they consider appropriate as per the provisions of Section 65 of the Act. For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap with a target that tariffs are within + 20% of the average cost of supply.

(c)&(d): The consumer tariff of various categories as notified by various state utilities/Electricity Regulatory Commissions varies with load and consumption. However, for comparison purpose for increase in tariff, certain load and consumption have been assumed. The details of estimated average rate for domestic, commercial and agricultural consumers based upon the assumed load and consumption State wise for the last three years (2009 to 2011) are enclosed at Annexure. It is seen that there has been a revision in the power tariff for the last three years in a few states as under:

| Consumers | States/Area |
|---|---|
| Domestic | Gujarat, Madhya Pradesh, Meghalaya, Arunachal Pradesh, Mizoram, A&N Island, Torrent Power Ltd(Ahmedabad), & Mumbai( BEST & Reliance Energy) |
| Commercial | J&K, Meghalaya & Mizoram |
| Agricultural | Bihar, Chhattisgarh, Gujarat, Haryana, J&K, Jharkhand, Madhya Pradesh, Maharashtra, Meghalaya, Rajasthan, Uttar Pradesh, Uttarakhand, & Mizoram |

(e)&(f): Some of the major suggestions/directions given by the Union Government to the State Governments are as under :

(i) In the Conference of Power Ministers of States/UTs held on 13th July 2011 at New Delhi, it was resolved inter alia the following action to be taken by the State Governments:-

# to ensure that the accounts of Utilities were audited on time and computerisation of accounts would be undertaken on priority if not done already.

# to ensure that the Distribution Utilities file their Annual Tariff Revision Petition every year.

# to ensure that the difference between Annual Revenue Requirement (ARR) and ACS was not only bridged but is positive

# to generate internal surpluses which can be used for network expansion and maintenance by the Utilities.

# to ensure automatic pass through in tariff for an increase in fuel cost by incorporating the same in the regulations as provided in section 62(4) of Electricity Act, 2003.

(ii) The FOR has formulated and issued the Model Tariff Regulations to all the SERCs on 19th August, 2011 to inter alia address the following major issues responsible for financial distress of the distribution companies :-

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# Timeliness of tariff determination process.
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# Disallowance of legitimate costs.
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# Fuel Purchase Adjustment.
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# Untreated gap/Regulatory Assets.
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Ministry of Power has written to all the State Governments to issue an appropriate regulation for the State in keeping with the model regulation.

(iii) The Ministry of Power had written to Appellate Tribunal of Electricity on 21.1.2011 stating that most of the State distribution utilities have failed to file annual tariff revision petitions in time and as a result in a number of States, tariff revision has not taken place for a number of years and that State Commissions constituted all over India have also failed to make periodical tariff revisions suo-moto resulting in the poor financial health of the State distribution utilities. The Appellate Tribunal for Electricity decided to treat this reference as a suo moto petition and vide its judgment dated 11th November 2011 has ruled that the State Regulatory Commissions indeed have the powers to initiate revision proceedings on suo moto basis in case Distribution Companies (DISCOMS) do not file Annual Revenue Requirement (ARR) petition within the stipulated time. Ministry of Power has requested all the State Governments to take appropriate action in accordance with the aforesaid judgment of the Appellate Tribunal for Electricity.