

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:5768
ANSWERED ON:02.05.2013
TRADING OF POWER
Singh Rajkumari Ratna;Yadav Shri M. Anjan Kumar

Will the Minister of POWER be pleased to state:

- (a) whether trading of power by private power distribution companies is authorized and they can sell power to any States under the Electricity Act, 2003;
- (b) if so, the details thereof along with the provisions made in this regard under the said Act;
- (c) whether the aforesaid companies can sell power to other States at higher rate even in case they do not have any surplus power in the area in which they are functioning;
- (d) if so, the details thereof along with the reaction of the Government thereto; and
- (e) the remedial measures taken/being taken by the Government in this regard?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF POWER (SHRI JYOTIRADITYA M. SCINDIA)

(a) & (b): Yes, Madam. The distribution companies are authorized under the Act to sell power to any person. The last proviso of Section 14 of the Electricity Act, 2003 provides as under :

‘Provided also that distribution licensees shall not require a licence to undertake trading in electricity. Accordingly, distribution companies are authorized to trade in electricity.’

(c) & (d) : The distribution companies are obliged under the Act to sell power to their consumers at the rates decided by the respective State Electricity Regulatory Commissions. As trading in electricity undertaken by a distribution

company is as per its own circumstances and polices and the Act does not envisage fixation of tariff for trading save as provided in Section 62 (1) (a) of the Act as under:-

‘Provided that the Appropriate Commission may, in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a generating company and a licensee or between licensees, for a period not exceeding one year to ensure reasonable prices of electricity’

Trading transactions are subject to trading margin, if any, fixed by the Appropriate Commission.

(e): The Appropriate Commission in this regard are the State Electricity Regulatory Commissions and the Appropriate Government in this regard are the State Governments.

However, Ministry of Power, vide letter dated 13th April, 2011 clarified that-

(i) the Electricity Act and various policies made by the Government under the Act permit the SERCs to regulate the short-term purchase of power by a DISCOM,

(ii) The SERC can also prescribe a ceiling on the procurement cost of such short-term power, and

(iii) SERCs can issue regulation or issue an order while considering the ARR of that DISCOM to the effect that the short-term power procured by a DISCOM during a given year shall not be more than a certain percentage of its annual energy supply if this power is contracted at a price more than the average power purchase cost determined in the ARR.