

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:3708

ANSWERED ON:11.12.2009

OPEN ACCESS SYSTEM

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Will the Minister of POWER be pleased to state:

- (a) the rates at which the power trading companies and distribution agencies sold electricity in 2006-07 and 2008-09, State wise;
- (b) the rates at which electricity was sold by the Government to these companies/agencies during the above period;
- (c) the reasons for huge gap between the cost price and sale price of the electricity;
- (d) whether the Electricity Act, 2003 provides the legal framework for competition and open access so as to eliminate profiteering by trading and distribution agencies; and
- (e) if so, the steps taken by the Government to make the open access system fully operational in the country?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI BHARATSINH SOLANKI)

(a) & (b): State-wise details of price of electricity at which various entities (including distribution companies) sold to traders is provided for the year 2006-07 and 2008-09 respectively in Annex-I and Annex-II.

(c): As regard the trading companies, the trading margins are Rs.0.04/ kWh for each of the years 2006-07 and 2008-09 as shown in the Annex-I and Annex-II. The trading margins are much less than 1% of the weighted average purchase price.

As regard the distribution companies, the average cost of supply consists of power purchase cost, transmission charges including technical transmission losses and distribution costs. The distribution cost, in turn depends on factors like Aggregate Technical and Commercial (AT&C) losses, employee cost, O&M cost, interest on loan and working capital, depreciation, return on equity, administrative & general expenses and other miscellaneous expenses. The gap between cost price and sell price is high predominantly due to high AT&C losses.

(d): Yes, Madam. The Electricity Act, 2003 provides legal framework for competition and open access under Section 42 of the Act. The relevant portions of Section 42(2) are reproduced below.

‘The State Commission shall introduce open access in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints:

Provided that such open access shall be allowed on payment of a surcharge in addition to the charges for wheeling as may be determined by the State Commission.

Provided further that such surcharge shall be utilised to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee.

Provided also that such surcharge and cross subsidies shall be progressively reduced in the manner as may be specified by the State Commission.

Provided also that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.

Provided also that the State Commission shall, not later than five years from the date of commencement of the Electricity (Amendment) Act, 2003 (57 of 2003) by regulations, provide such open access to all consumers who require a supply of electricity where the maximum power to be made available at any time exceeds one megawatt.’

(e): Ministry of Power is regularly pursuing the issue of Promotion of Open Access with the States at various forums like Power Ministers’ Conference (Last on 15-11-2009), with the Chief Secretaries and the Power Secretaries since 2007.