

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:2733

ANSWERED ON:12.03.2015

RATIONALIZATION OF POWER TARIFF

Adsul Shri Anandrao ;Patil Shri Shivaji Adhalrao;Shrirang Shri Chandu Barne;Yadav Shri Dharmendra

**Will the Minister of POWER be pleased to state:**

(a) whether distribution companies have not been able to recover the cost of supply through tariff as the gap between Average Cost of Supply (ACS) and Average Revenue Realized (ARR) has been increasing over the years, if so, the details thereof along with the reasons therefor;

(b) whether any study has been conducted on issues impacting financial health of power distribution companies in the country and rationalization of tariffs charged for various consumers, if so, the details thereof;

(c) whether there is an urgent need to address these inefficiencies; and

(d) if so, the steps taken by the Government in this regard?

**Answer**

THE MINISTER OF STATE (INDEPENDENT CHARGE) FOR POWER, COAL AND NEW & RENEWABLE ENERGY ( SHRI PIYUSH GOYAL )

(a) & (b) : As per the Report of Power Finance Corporation Ltd. on 'the performance of State Power Utilities for the years 2011-12 to 2013-14, the average Cost of Supply (ACS), Average Revenue and Gap for utilities selling directly to consumers are given below:

(Rs/kwh)

Year	Average cost of Supply subsidy)	Average cost of Supply Realized (Without subsidy)	Average Revenue (Without received basis)	Gap (Subsidy)	Gap
2013-14	5.13	4.06	1.07	0.64	
2012-13	5.01	3.76	1.25	0.82	
2011-12	4.55	3.30	1.25	0.94	

As may be seen from the table above, there is a declining trend in the gap between the Average Cost of Supply (ACS) and Average Revenue Realized (ARR).

The Forum of Regulators (FOR) carried out a study on assessment of reasons for financial viability of utilities. The key outcomes of the study regarding revenue gap of the licensees are as below:

- (i) Non-revision of tariff in the states including absence of true-up mechanism;
- (ii) Regulatory assets have been created by the SERCs leading to gap in tariffs.
- (iii) Shortfall and delay in subsidy disbursements by the State Governments.
- (iv) Actual power purchase quantum as well as cost being higher than approved levels.
- (v) Actual loss levels of the Discoms are higher than the approved loss levels.
- (vi) Disallowance of interest cost on short-term borrowings for meeting the revenue deficit of previous year and carrying cost for time lag involved in recovery of FSA.
- (vii) Increase in short-term loans.

(c) & (d) : To address the deficiencies in distribution sector, steps taken by the Government include the RAPDRP (Restructured Accelerated Power Development and Reforms Programme) programme now subsumed under IPDS (Integrated Power Development Scheme), rating of utilities, scheme for financial restructuring of state discoms, constitution of National Electricity Fund and the launch of DDUGJY (Deendayal Upadhyaya Gram Jyoti Yojana) scheme for rural areas.