

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:2168
ANSWERED ON:24.07.2014
FIXATION OF POWER TARIFF
Maragatham Smt. K.

Will the Minister of POWER be pleased to state:

- (a) the criteria of the Government to fix power tariff in the country;
- (b) whether it is a fact that the tariff of private power distribution companies are much higher;
- (c) if so, the details thereof and the reasons therefor; and
- (d) the steps taken by the Government to maintain uniformity in tariff all across the country and also among all distribution companies?

Answer

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

(a) : Tariff is determined under Sections 61 to 64 of the Electricity Act, 2003 by the Appropriate Regulatory Commission in line with the provisions of the Act and the policies made thereunder. Whereas the tariff for generation and transmission companies owned or controlled by Central Government is regulated by the Central Electricity Regulatory Commission, the tariff for generation, supply and transmission within the State is determined by the State Regulatory Commissions. Similarly, the State/Joint Electricity Regulatory Commissions (SERCs/JERCs) notify the terms and conditions of tariff fixation from time to time for both public and private distribution licensees. 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. The relevant provisions of Section 61 are at Annex-I. As per Section 61

(i), the Regulatory Commissions are also guided by the Tariff Policy notified by the Central Government while specifying the terms and conditions of tariff.

(b) & (c): The details of average cost of supply of private power distributions companies with other distribution companies in India, as indicated in the report of the Power Finance Corporation on Performance of State Power Utilities are at Annex-II. As is evident, the average cost of power supply of private power distributions companies is generally comparable to that of other distribution companies.

(d): Tariff of distribution companies are determined by the SERCs/JERCs based on the principles enunciated under the Electricity Act, 2003 and policies framed thereunder. There is no provision for direct regulation of the electricity tariff by the Government. However, through appropriate policy framework and programmes, the Government is promoting efficiency in generation, transmission and distribution business as also supporting strengthening of the distribution infrastructure, with a view to reducing the Aggregate Technical and Commercial (AT&C) losses. These measures, along with the Government's emphasis on discovery of tariff through competitive bidding, contribute towards lowering of tariff rates. Further, the Central Government has constituted Forum of Regulators (FOR) under Section 166 (2) of Electricity Act 2003. The functions of the FOR include inter- alia analysis of tariff orders and other orders of Central Commission and State Commissions and compilation of data arising out of the State orders, highlighting, especially the efficiency improvements of the utilities and harmonization of regulations amongst the Electricity Regulatory Commissions