



COMMISSION'S ORDER
ON
AGGREGATE REVENUE REQUIREMENT OF UHBVNL & DHBVNL
FOR THEIR DISTRIBUTION & RETAIL SUPPLY BUSINESS
AND DISTRIBUTION AND RETAIL SUPPLY TARIFF
FOR FY 2013-14

CASE No. : HERC/PRO-27 of 2012 &
HERC / PRO-28 OF 2012

30th March, 2013

HARYANA ELECTRICITY REGULATORY COMMISSION
BAYS 33-36, SECTOR - 4, PANCHKULA - 134 112, HARYANA

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**HARYANA ELECTRICITY REGULATORY COMMISSION
BAYS NO. 33-36, SECTOR - 4, PANCHKULA - 134 112**

CASE NO: HERC / PRO-27 and HERC/PRO- 28 OF 2012

IN THE MATTER OF

Petitions / Applications filed by Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) for determination of Aggregate Revenue Requirements and wheeling/distribution & retail supply tariff for wheeling/supply of electricity by UHBVNL and DHBVNL within the state of Haryana for the FY 2013-14.

ORDER

Present:

Shri R. N. Prasher

Chairman

Shri Rohtash Dahiya

Member

Shri Ram Pal

Member

DATE OF ORDER: 30th March, 2013

The Haryana Electricity Regulatory Commission, hereinafter referred to as 'the Commission', in exercise of Powers vested in it under section 62 of the Electricity Act, 2003 read with section 11 of the Haryana Electricity Reforms Act, 1997 and all other enabling provisions in this behalf, passes this order determining the Aggregate Revenue Requirements and wheeling/distribution & retail supply tariff for wheeling/supply of electricity by UHBVNL and DHBVNL within the State of Haryana for the financial year 2013-14. The Commission, while passing this order, has considered the ARR / Tariff petitions filed by UHBVNL and DHBVNL, all subsequent filings made by the two utilities in response to various queries of the Commission, objections received from various organisations and individuals, the replies / comments furnished by UHBVNL/ DHBVNL in respect of these objections, various issues raised and the submissions made by UHBVNL and DHBVNL in the presentations made during the public hearings held on 06.02.2013 and 04.02.2013 respectively. The State Advisory Committee has also been consulted and all other relevant facts and information on the record of the Commission have been perused before passing this order.

CONTENTS

1	BACKGROUND AND BRIEF HISTORY	10
1.1	BACKGROUND	10
1.2	IMPLEMENTATION OF SECOND GENERATION REGULATORY REFORMS.....	12
1.2.1	<i>Open Access Regulations</i>	12
1.2.2	<i>MYT Regulations</i>	13
1.2.3	<i>Intra-State ABT Regulations</i>	13
1.2.4	<i>Single Point Supply Regulations for Employers' Colonies and Group Housing Societies</i>	13
2	PROCEDURAL ASPECTS OF THE ARR FILING	15
2.1	FILING OF ARR PETITIONS BY UHBVNL & DHBVNL	15
2.2	PRELIMINARY OBSERVATIONS OF THE COMMISSION	15
2.3	SUMMARY OF ARRS.....	16
	TABLE 2.1 – UHBVNL'S ARR FOR FY 2011-12, FY 2012-13 & FY 2013-14 (RS. IN MILLIONS).....	16
2.3.1	<i>Supplementary filing by UHBVNL / DHBVNL:</i>	18
2.4	PRAYER:.....	18
2.5	PUBLIC PROCEEDINGS	19
2.6	OBJECTIONS FROM PUBLIC AND RESPONSE OF THE DISTRIBUTION LICENSEES.....	20
2.7	OBJECTIONS RAISED BY INTERVENERS	21
2.7.1	<i>Hosting of ARR petition on website</i>	22
2.7.2	<i>AT & C losses</i>	23
2.7.3	<i>Loss Reduction Plan</i>	24
2.7.4	<i>Revenue in Arrears</i>	25
2.7.5	<i>Collection efficiency</i>	25
2.7.6	<i>Tariff Proposal</i>	26
2.7.7	<i>Regulatory Asset Surcharge</i>	27
2.7.8	<i>Open Access</i>	27
2.7.9	<i>Reduction/ Extension of LT/HT Loads</i>	28
2.7.10	<i>Estimates for the sale of power to various categories of consumers.</i>	28
2.7.11	<i>Interest and finance charges.</i>	30
2.7.12		31
2.7.13	<i>Reliability charges for uninterrupted charges</i>	31
2.7.14	<i>PLEC charges</i>	31
2.7.15	<i>Determination of cross subsidy</i>	31
2.7.16	<i>Revenue Gap Projections</i>	32
2.7.17	<i>Return on equity</i>	32
2.7.18	<i>Follow up on Directions given by the Commission</i>	33

2.7.19	Non implementation of the orders passed by the Commission	33
2.7.20	Introduction of new technologies and schemes	34
2.7.21	Cost of Supply to Railway:	34
2.7.22	Implementation of MYT Frame work.....	35
2.7.23	Objections received from Northern Railways	36
2.8	STATE ADVISORY COMMITTEE (SAC)	41
3	ANALYSIS OF ARR FILINGS AND COMMISSION'S ORDER	43
3.1	COMMISSION'S ESTIMATE OF ENERGY SALES	43
3.1.1	AP Consumption	43
3.1.2	UHBVNL	43
3.1.3	DHBVNL	43
3.1.4	Metered Sales (Other than AP).....	45
3.2	POWER PURCHASE:	47
3.2.1	Projections by UHBVNL / DHBVNL:-	47
3.2.2	Commission's Estimate of power purchase:-.....	47
3.2.3	Availability of power from HPGCL:	48
3.2.4	Availability from NTPC Faridabad CCGT (FGPP):	48
3.2.5	Availability of power from shared projects of BBMB & IPGCL:-	49
3.2.6	Availability of power from NTPC :.....	49
3.2.7	Availability of power from NHPC:	50
3.2.8	Availability from NPCIL sources:-.....	51
3.2.9	Power Purchase through Short Term/bilateral/UI mechanism	51
3.2.10	Power Purchase from Other Sources:	51
3.2.11	Total Approved Power Purchase Volume:.....	53
3.2.12	Power Purchase Cost:	53
3.2.13	Tariff for power from CPSUs (NTPC, NHPC & NPC)	55
3.2.14	Price for HPGCL power	55
3.2.15	Price of Shared utility power.....	55
3.2.16	Price of Power Purchased from Other Sources	55
3.2.17	Price of Short term Power purchase/bilateral arrangements.....	56
3.2.18	Unitary Charge.....	56
3.2.19	Details of volume, rate & cost of power purchase from various sources.....	56
3.3	TRANSMISSION LOSSES	58
3.4	INTRA-STATE TRANSMISSION CHARGES & SLDC CHARGES.....	58
3.5	INTERSTATE SALE.....	59
3.6	POWER PURCHASE COST FOR DISTRIBUTION LICENSEES	59

3.7	RENEWABLE PURCHASE OBLIGATION (RPO)	60
3.8	OPERATION AND MAINTENANCE EXPENDITURE	63
3.8.1	Employees' cost	63
3.8.2	Repair and Maintenance expenses.....	66
3.8.3	Administrative and General Expenses	67
3.9	INTEREST COST	67
3.9.1	Interest cost on Long Term Loans	67
3.9.2	Interest on Working Capital	68
3.9.3	Interest on Consumers Security Deposits.	68
3.9.4	Cost of raising finance and bank charges.....	68
3.10	DEPRECIATION	69
3.11	OTHER DEBITS	70
3.12	SPECIAL APPROPRIATION	70
3.12.1	Payment to HPGCL on account of delayed payment charges.....	70
3.12.2	Truing up of expenses in consequence to the order of the Hon'ble Appellate Tribunal for Electricity in case number 204 of 2010	71
3.13	TOTAL EXPENDITURE.....	73
3.14	CAPITAL EXPENDITURE	73
3.14.1	UHBVNL	74
3.14.2	CIP of DHBVNL	76
3.15	NON-TARIFF INCOME.....	77
3.16	RETURN ON EQUITY	77
3.17	AGGREGATE REVENUE REQUIREMENT	78
3.18	DISTRIBUTION SYSTEM PERFORMANCE	78
3.18.1	Distribution Losses:	79
3.18.2	Failure of Distribution Transformers (DTs):	80
3.18.3	Accidents.....	82
3.18.4	Energy Recording – Non replacement of defective energy meters by the distribution licensees 83	
3.18.5	Power Supply Position:	85
4	DISTRIBUTION AND RETAIL SUPPLY TARIFF DETERMINATION FOR FY 2013-14	87
4.1	TARIFF APPLICATION FILED BY UHBVNL & DHBVNL (DISCOMS):	87
4.2	DISCOMS TARIFF PETITION FOR FY 2013-14:	88
4.2.1	Cost of Supply & Agriculture Sales:.....	88
4.3	BULK SUPPLY (DOMESTIC) TARIFF PROPOSED BY DISCOMS	95
4.4	SUBSIDY COMMITMENT:	97

4.5	COMMISSION'S ANALYSIS & ORDER:	97
4.6	STATUTORY PROVISIONS:	98
4.7	TARIFF DETERMINATION APPROACH:	99
4.7.1	Tariff Philosophy:.....	99
4.7.2	Average Cost of Supply.....	99
4.7.3	Reduction of cross subsidies:	100
4.7.4	Time of Day Tariff:.....	100
4.7.5	Peak load hours	101
4.7.6	Off peak hours	101
4.7.7	Proposed charges	101
4.7.8	Reliability Charges for uninterrupted supply	103
4.7.9	Measures to prevent gaming in Open Access.....	103
4.7.10	Charge on RE Subsidy	105
4.8	REVENUE GAP AT EXISTING TARIFF:.....	105
4.9	REGULATORY ASSET	105
4.10	DOMESTIC SUPPLY CONSUMERS (DS):	106
4.11	NON DOMESTIC SUPPLY (NDS):	109
4.12	HT INDUSTRY (LOAD ABOVE 50 KW):	111
4.13	LT INDUSTRY UP TO 50 KW	112
4.14	AGRICULTURE PUMP SET SUPPLY (AP SUPPLY)	113
4.15	PUBLIC WATER WORKS, LIFT IRRIGATION, MITC & STREET LIGHT SUPPLY	115
4.16	RAILWAYS TRACTION TARIFF	116
4.17	METRO (DMRC) TARIFF	118
4.18	BULK SUPPLY TARIFF.....	118
4.19	BULK SUPPLY (DOMESTIC) TARIFF	119
4.20	INDEPENDENT HOARDINGS / DECORATIVE LIGHTING	120
4.21	TEMPORARY METERED SUPPLY	120
4.22	OTHER CONDITIONS	120
4.23	REVENUE GAP.....	121
5	WHEELING CHARGES, CROSS SUBSIDY SURCHARGE & ADDITIONAL SURCHARGE.....	126
5.1	WHEELING CHARGES	126
5.2	CROSS SUBSIDY SURCHARGE	127
5.3	ADDITIONAL SURCHARGE	128
6	CONCLUSION	130
6.1	ARREARS OF GOVT. DEPARTMENTS:	130
6.2	PURCHASE POLICY:.....	130

6.3	FRANCHISEE MODEL:.....	131
6.4	LACK OF CONTINUITY OF TOP MANAGEMENT OF THE POWER UTILITIES:	132
6.5	SUBSIDY ADMINISTRATION:	132

LIST OF TABLES

Table 2.1 – UHBVNL's ARR for FY 2011-12, FY 2012-13 & FY 2013-14 (Rs. in Millions)	16
Table 2.2 ARR of DHBVNL as projected in their petition (in Rs Million)	17
Table 3.1 AP consumption estimation for UHBVNL for FY 2012-13 and FY 2013-14	44
Table 3.2 AP consumption estimation for DHBVNL for FY 2012-13 and FY 2013-14	45
Table 3.3 - Approved Sales FY 2013-14 (Million Units)	46
Table 3.4 - Power purchase volume from HPGCL (MUs)	48
Table 3.5 - Power purchase volume from FGPP (MUs)	49
Table 3.6 - Power Purchase Volume from BBMB (MUs)	49
Table 3.7 - Power Purchase Volume from NTPC (MUs)	50
Table 3.8 - Power purchase volume from NHPC (MUs)	50
Table 3.9 - Power Purchase Volume from NPCIL (MUs)	51
Table 3.10 - Power Purchase from Other Sources (MUs)	51
Table 3.11 - Availability of Power from PTC	52
Table 3.12 - Approved Power Purchase Volume from Renewable Energy Sources	52
Table 3.13 - Approved Volume, Rate & Cost of Power Purchase for FY 2013-14	56
Table 3.14 Energy available for sale by distribution business (FY 2013-14)	58
Table 3.15: Interstate sale and bulk power purchase cost (Rs. million)	59
Table 3.16 - Power purchase cost for Distribution licensees (Rs. million)	60
Table 3.17 - Renewable Purchase Obligation for 2010-11, 2011-12 and 2012-13	60
Table 3.18 - Shortfall in meeting RPO MUs	61
Table 3.19 - Renewable Purchase Obligation for FY 2013-14	61
Table 3.20 HERC renewable energy regulation format	62
Table 3.21 - UHBVNL Proposal for O&M expenses (Rs. millions)	63
Table 3.22 - DHBVNL Proposal for O&M expenses (Rs. million)	63
Table 3.23 - Employees' cost approved for FY 2013-14 (Rs. million)	66
Table 3.24 -Repair & Maintenance Expenses approved for FY 2013-14 (Rs. million)	67
Table 3.25 - Approved Interest Expenses for FY 2013-14 (Rs. million)	69
Table 3.26 Approved Depreciation for FY 2013-14 (Rs. million)	70
Table 3.27 - UHBVNL Approved vs Actual Expenses for FY 2011-12	71
Table 3.28 - DHBVNL Approved vs Actual Expenses for FY 2011-12	72
Table 3.29 - Approved Expenditure for FY 2013-14 (Rs. million)	73
Table 3.30 - Detail of Capital Expenditure (Rs. In Crores)	74
Table 3.31 - Capital Expenditure Plan of UHBVNL	75
Table 3.32 - Capital Expenditure Plan of DHBVNL	77
Table 3.33 - Aggregate Revenue Requirement for UHBVNL for FY 2013-14	78
Table 3.34 - Aggregate Revenue Requirement for DHBVNL for FY 2013-14	78
Table 3.35 - Year wise Distribution Losses (%)	79
Table 3.36 - Feeder Losses UHBVNL	80
Table 3.37 - Failure Rate of Distribution Transformers	81
Table 3.38 - Fatal and non Fatal Accidents in DHBVNL	82
Table 3.39 - Fatal and non-Fatal Accidents in UHBVNL	82
Table 3.40 - Defective meters in respect of DHBVNL (ending September 2012)	84
Table 3.41 - Defective meters in respect of UHBVNL (ending September 2012)	84
Table 3.42 - Detail of trippings of UHBVNL System	85
Table 3.43 - Detail of trippings of DHBVNL System	85
Table 4.1 - Restated Consolidated Revenue Gap at the end of FY 2013-14	89
Table 4.2 - Recovery of FSA for FY 2011-12 (1-year recovery)	90
Table 4.3 - Recovery through Regulatory Asset Surcharge (1-year recovery)	91

Table 4.4 - Option 1 – Recovery in FY 2013-14 through FSA and Regulatory Asset Surcharge	92
Table 4.5 - Recovery of FSA for FY 2011-12 (2-year recovery).....	93
Table 4.6 - Recovery through Regulatory Asset Surcharge (3-year recovery)	94
Table 4.7 - Recovery in FY 2013-14 through FSA and Regulatory Asset Surcharge (under Option -2)	95
Table 4.8 - Summary – Options 1 and 2	95
Table 4.9 - Revenue Gap at existing tariff for FY 2013-14 (Rs. millions)	105
Table 4.10 - Domestic Supply Tariff (DS).....	109
Table 4.11 - Non- Domestic Supply Tariff (NDS)	110
Table 4.12 - HT Industry (above 50 kW) Tariff	112
Table 4.13 - LT Industry Tariff.....	113
Table 4.14 - Agriculture Pump set Supply - State Govt. Concessional Tariff	114
Table 4.15 - Calculation for AP subsidy	115
Table 4.16 - Public Water Works, Lift Irrigation, MITC & Street Light Supply Tariff.....	116
Table 4.17 - Railways Traction Tariff.....	117
Table 4.18 - DMRC Tariff.....	118
Table 4.19 - Bulk Supply Tariff & Bulk Supply (Domestic) Tariff	119
Table 4.20 - Independent Hoardings / Decorative Lighting and Temporary Metered Supply Tariff.....	120
Table 4.21 - Impact of revised tariff on Revenue gap for FY 2013-14.....	121
Table 4.22 - Distribution & Retail Supply Tariff approved by the Commission for the FY 2013-14	122
Table 5.1 - Calculation of wheeling charges for the FY 2013-14	126
Table 5.2 - Cross subsidy surcharge for FY 2013-14(paise/kWh)	128

1 BACKGROUND AND BRIEF HISTORY

1.1 Background

Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) are the two State Government owned distribution companies, registered under the companies Act, 1956, engaged in the business of distribution and retail supply of electricity in the state of Haryana. UHBVNL hold the Distribution and Retail Supply License No. DRS-1 of 2004 to cater distribution and retail supply of electricity in the North Zone of Haryana and DHBVNL hold Distribution and Retail Supply License No. DRS-2 of 2004 to cater distribution and retail supply of electricity in the South Zone of Haryana.

These two electricity distribution companies (Discoms) were formed upon corporatisation / restructuring of erstwhile Haryana State Electrical Board (HSEB) carried out by the State Govt. in its pursuit to revamp the power sector and implement comprehensive power reforms in the State of Haryana under the aegis of Haryana Electricity Reforms Act (HERA). The corporatisation / restructuring of erstwhile HSEB was carried out through two statutory Transfer Schemes notified by the State Govt. under the provisions of HERA. Through the first Transfer Scheme, titled 'Haryana Electricity Reform (Transfer of undertakings, Assets, Liabilities, Proceedings and personnel) Scheme Rules, 1998', the Generation business (undertakings, assets, liabilities, proceedings and personnel) was separated from Transmission and Distribution business and vested in a separate State Govt. owned company, namely Haryana Power Generation Corporation Ltd. (HPGCL) while Transmission and Distribution business was vested in another State Govt. owned company, namely Haryana Vidyut Prasaran Nigam Limited (HVPNL). Through the second Transfer Scheme, titled 'Haryana Electricity Reform (Transfer of Distribution Undertakings from Haryana Vidyut Prasaran Nigam Limited to Distribution Companies) Rules, 1999', the Transmission undertakings and business was separated from Distribution undertakings and business. While the transmission business was retained by HVPNL, the Distribution business was segregated into two successor Distribution companies namely UHBVNL and DHBVNL.

After restructuring of erstwhile HSEB, the Distribution and Retail Supply licence was initially granted to HVPNL by the Commission vide its licensing order dated 04.02.1999 permitting it to carry out the distribution and Retail supply business in the entire state of Haryana. Subsequently, after the implementation of second transfer scheme, the Commission permitted HVPNL to continue with the Distribution and Retail Supply business through its

newly formed subsidiaries namely UHBVNL & DHBVNL vide its order dated 21.04.1999. Thereafter, on an application filed by HVPNL, the Commission accepted the surrender of Distribution and Retail Supply (DRS) license vide its order dated 4th November, 2004 and granted the DRS license no. DRS-1 of 2004 to UHBVNL and DRS license No. DRS-2 of 2004 to DHBVNL to conduct Distribution and Retail Supply business in the Northern and Southern circles of Haryana respectively.

The rights relating to procurement and bulk supply of electricity or trading of electricity were initially vested with the HVPNL at the time of restructuring of erstwhile HSEB. However, in view of HVPNL having been declared State Transmission Utility (STU) vide State Govt. notification dated 9.12.2003 and in view of sections 31 (2), 39 (1) and 41 of Electricity Act, 2003 which prohibit the STU from engaging in the business of trading in electricity, the Govt. of Haryana vide its notification no. 1/6/2005-1/Power dated 9th June, 2005, transferred the rights relating to procurement and bulk supply of electricity or trading of electricity from HVPNL to HPGCL. Subsequently, vide notification dated 11th April 2008 (No. 1/1/2008-1 Power), the Govt. of Haryana transferred the rights relating to procurement of electricity / UI draws / dispatches or trading of electricity from HPGCL to UHBVNL and DHBVNL w.e.f 15/04/2008. Further with effect from 1st April 2008, the rights and obligations under agreements and contracts relating to procurement and bulk supply of electricity or trading of electricity to which HSEB / HVPNL / HPGCL was originally a party, were transferred and vested to Transferee companies i.e. UHBVNL and DHBVNL in 1:1 ratio. Firm allocations in each of the Central Sector Generating Stations along with any allocations from the unallocated quota, as determined by the Government of India for Haryana, was also reallocated to UHBVNL and DHBVNL in 50:50 ratio. The power sold by HVPNL from its shared projects i.e. IP Station (Delhi) and Bhakra Beas Management Board (BBMB) to the extent of share owned by it was also allocated to UHBVNL and DHBVNL for a period of five years w.e.f. 1st April 2008 in 1:1 ratio. The notification also provided that the day to day procurement of power and related issues shall be the responsibility of Haryana Power Purchase Centre (HPPC).

UHBVNL and DHBVNL have filed their Aggregate Revenue Requirement (ARR) petitions for FY 2013-14 for their respective Distribution & Retail Supply Business for approval of the Commission vide memo no. Ch – 75/ GM / RA / N / F – 25 / Vol – 45 dated 30th November, 2012 and memo No. Ch. 121/ SE / RA - 431 dated 29th November, 2012 respectively under the provisions of Section 26 (5) of the Haryana Electricity Reform Act, 1997 read with HERC (Terms & Conditions for Determination of Distribution and Retail Supply Tariff) Regulations

2008, Section 62 and Section 64 of the Electricity Act, 2003 and applicable provisions of their licenses i.e. License No. DRS - 1 of 2004 of UHBVNL and Licence No. DRS – 2 of 2004 of DHBVNL issued by the Commission. Both UHBVNL and DHBVNL have filed their ARR petitions as per the provisions of HERC (Terms & Conditions for Determination of Distribution and Retail Supply Tariff) Regulations 2008. However, as brought out in para 1.2.2 hereinafter, these Regulations have since been repealed with the notification of MYT Regulations on 5th December, 2012. Accordingly the Commission has considered the ARR petitions of UHBVNL/DHBVNL as per the provision of HERC (Terms and conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2012. The Commission would like to put it on record that all the power utilities in the state had been specifically informed and besides that it was also made clear during the public hearings held before the notification of MYT Regulations that ARR/tariff determination for FY 2013-14 would be carried out under MYT Regulations.

As a departure from the past, the Commission issued a single ARR/Tariff order in respect of ARR/Tariff Petitions of both the distribution licensees in FY 2010-11 and again in FY 2011-12 and FY 2012-13. Accordingly for FY 2013-14 also, the Commission is issuing a single ARR and tariff order for UHBVNL and DHBVNL. Consequently, as in the last tariff order, the common issues of the ARRs of the two utilities have been dealt with together while any issue specific to UHBVNL or DHBVNL has been dealt under the separate sub head.

1.2 Implementation of second generation regulatory reforms

1.2.1 Open Access Regulations

The Commission is continuing the process of introducing second generation regulatory reforms in Haryana. In pursuit thereof, the Commission had issued the amended open access Regulations titled 'Haryana Electricity Regulatory Commission (Terms and Conditions for grant of connectivity and open access for intra-state transmission and distribution system) Regulations, 2012'. These Regulations were notified on 11th January, 2012 and are applicable for grant of connectivity to Intra – State transmission and distribution system, for grant of long term, medium term and short term open access and to generating companies including Captive Power Plants(CPPs) and renewable sources of energy generation, licensees etc.

1.2.2 MYT Regulations

The MYT Regulations have also been notified by the Commission on 5th December, 2012. The first control period under MYT framework shall be of three years commencing from 1st April, 2014 to 31st March, 2017. Accordingly the Commission shall adopt MYT framework for tariff determination w.e.f. FY 2014-15. Regulation 4.2 of MYT Regulations provide that for FY 2013-14, there shall be annual determination of tariff of the power utilities for their respective businesses as before but as per the norms and other terms and conditions as provided in the MYT Regulations. With the notification of MYT Regulations, the HERC Tariff Regulations of 2008 for generation, transmission and distribution businesses stand repealed from the date of notification of MYT Regulations.

1.2.3 Intra-State ABT Regulations

The Commission is in the process of finalising Intra-state ABT Regulations. The first draft on which comments / suggestions were invited shall be amended in view of the feedback received from the stakeholders and the same shall again be subjected to public proceedings before notification.

1.2.4 Single Point Supply Regulations for Employers' Colonies and Group Housing Societies

A number of Group Housing Societies (GHSs) and Residential/Residential cum Commercial Complexes (RCs) developed by various Developers have come up in various cities of Haryana. These GHSs/RCs are normally bounded with walls and have restricted entry. Most of the Societies/RCs have their exclusive distribution network i.e. Step-down Transformers, HT/LT Cables, Service cables etc. within their premises. While some such Societies/RCs have Single Point Supply under Bulk Supply (Domestic) category but in most of the cases, the residents have individual electricity connections/meters installed by distribution licensees.

Similarly a number of Central/State Govt. departments/undertakings as also some industrial houses/companies/corporations (Employer) have their own Residential Colonies or Office cum Residential Complexes for their employees which are also generally bounded with walls/fence and have restricted entry. The employees residing in such colonies have also individual electricity connections/meters installed by distribution licensees but the electrical infrastructure in such colonies is mostly provided by the distribution licensee.

As per feedback with the Commission, the officers/officials of the distribution licensees do not have free/unhindered access to the premises of the residents of these GHSs/Colonies/Complexes because of restricted entry. In the absence of free/unhindered access to the premises of the residents, the officers/officials of the distribution licensee cannot effectively take the steps required for reduction in commercial losses. This leads to increase in commercial losses of the Distribution Licensees and ultimately affects the interests of honest electricity consumers as they have to pay higher tariff. Simultaneously there are frequent complaints from the residents regarding harassment at the hands of employees of the distribution licensees in connection with meter reading, billing and payment of bills.

To address this issue, the Commission has notified Single Point Supply Regulations on 9th January, 2013 for supply of electricity at a Single Point to the Residential Colonies or Office Cum Residential Complexes of Employers , the GHSs and Residential or Residential cum Commercial Complexes of Developers which are bounded with walls and have restricted entry, for further supply of electricity to the members/employees and other services/establishments inside their premises by the GHS/Employer/Developer.

2 PROCEDURAL ASPECTS OF THE ARR FILING

2.1 Filing of ARR Petitions by UHBVNL & DHBVNL

UHBVNL filed its ARR/Tariff petition for FY 2013-14 for its Distribution and Retail Supply business with the Commission vide Memo No. Ch-75/GM/RA/N/F-25/Vol-45 dated 30.11.2012. Similarly DHBVNL filed its application / petition for ARR for FY 2012-13 vide Memo No. Ch-121/SE/RA-431 dated 29.11.2012.

The ARR petitions of UHBVNL & DHBVNL were considered and, after conducting preliminary analysis, the Commission admitted the ARR petitions of both the licensees.

2.2 Preliminary observations of the Commission

The ARR petitions filed by UHBVNL and DHBVNL were scrutinised and preliminary observations were communicated to the licensees vide memo No. 7386 / HERC/ Tariff/ARR 2013-14 dated 9th January & memo No. 7521/ HERC dated 21st January, 2013. Both the distribution licensees were directed to submit their replies to the deficiencies in the ARR as pointed out by the Commission by 28th January, 2013.

Replies to the objections were furnished by UHBVNL vide memo No. Ch – 121 / GM / RA / N / F-25 / Vol – 45 dated 6.2.2013 and memo No. Ch – 22/ GM / RA / N / F-25 / Vol – 46 dated 6th February, 2013 and by DHBVNL vide memo no. Ch – 37 / SE / RA – 431 / Vol. – II dated 31st January, 2013. The Commission reviewed the replies and sent rejoinders pointing out certain shortcomings in the filings and non compliance with some of the observations of the Commission which persisted despite replies received from UHBVNL/DHBVNL and also for obtaining certain additional data / information. Both UHBVNL and DHBVNL furnished replies to the rejoinders. All the data / information and replies to the rejoinders submitted by UHBVNL and DHBVNL have been taken on record.

2.3 Summary of ARRs:

Table 2.1 – UHBVNL's ARR for FY 2011-12, FY 2012-13 & FY 2013-14 (Rs. in Millions)

Sr. No.	Particulars	FY 2011-12 (Actual)	FY 2012-13 (Estimated)	FY 2013-14 (Projected)
1	Receipts			
a	Revenue from sale of power & Misc. Charges	38108.9	48587.4	61611.2
b	Revenue subsidy (excl FSA subsidy)	19987.8	29680.3	34256.3
c	Revenue against regulatory assets	13112.9	0.00	0.00
d	Grant from GoI for AT&C loss reduction	0.00	0.00	120.0
	Total Receipts	71209.6	78267.7	95987.5
2	Expenditure			
a	Purchase of Power from Own Stations	73061.1	82372.3	98202.7
b	Purchase of Power from Other Sources			
c	Intra-State Transmission Charges			
d	R&M Expense	417.6	882.5	1093.4
e	Employee Expenses	5050.4	5814.3	6709.5
f	A&G Expense	567.8	618.8	674.8
g	Depreciation	1355.4	1511.9	1750.3
h	Interest & Finance Charges	12471.8	12686.7	16773.8
i	Less: Interest & other expenses capitalized	1769.4	2075.4	2421.3
j	Other Debits	260.0	489.2	588.6
k	Extraordinary Items	0.00	0.00	0.00
l	Other (Misc) - Net prior period expenses	-08.9	0.00	0.00
	Total	91405.7	102300.2	123372
3	Reasonable Return		2662.7	2986.6
4	Other Income	0.00	0.00	0.00
5	Annual Revenue Requirement (2)+(3)-(4)	91405.7	104962.9	126358.6
6	Revenue Gap for the Year(1-5)	20196.1	26695.1	30371.1
7	True up for employee cost (including terminal benefits) for FY 2011-12			-2325.5
8	True-up of Delayed Payment Surcharge			695
9	Revenue Gap after Adjusting for Past True Up (6+7+8)	20196.1	26695.1	28740.6
10	Implementation of APTEL judgment: True up for FY 2011-12			6241.5
11	Cumulative Revenue Gap(9+10)	20196.1	26695.1	34982.1

Table 2.2 ARR of DHBVNL as projected in their petition (in Rs Million)

	Particulars	FY 2011-12 (Actual)	FY 2012-13 (Estimated)	FY 2013-14 (Projected)
	Availability from HPPC (MU)	19024	21804	25987
	Inter-state Sales (MU)	1122	1880	3325
	Energy Available For Sale (MU)	17903	19924	22662
	Distribution Loss (%)	23.71%	22.71%	20.30%
	Total Sales (MU)	13658	15400	18062
1	Receipts			
a	Revenue from sale of power	48687.1	63894.1	73392.3
b	Revenue subsidy from Govt.	14222.5	10060.3	25337.7
c	Revenue from interstate sales	3154.4	5912.2	10512.1
d	Additional amount on account of Cross Subsidy recovery			296.7
	Total	66063.9	79866.6	109538.8
2	Expenditure			
a	Purchase of Power	63417.5	83042.2	99039.6
b	Inter-State Transmission Charges	2421.2	2672	3648.1
c	Intra-State Transmission Charges	4383.2	3168.2	3326.6
d	R&M Expense	390.3	749.7	969.2
e	Employee Expenses	5469.5	5981	6691.2
f	A&G Expense	524.2	597.7	683.2
g	Depreciation	861	1037.9	1345.8
h	Interest & Finance Charges	6121.8	9251.6	13617
i	Less: Interest & other expenses capitalised	756.7	841.7	1119.2
j	Other Debits	392.6	402.7	413.9
m	Extraordinary Items	-	-	-
n	Other (Misc.)-net prior period credit/ (charges)	419.5	-	-
o	Transfer to/from Regulatory Assets			
	Total	83644	106061.4	128615.5
3	Reasonable Return		2151.5	2428.5
4	Other Income	1371.3	900.9	958

5	Annual Revenue Requirement (2)+(3)-(4)	82272.7	107312	130085.9
6	Revenue Gap for the current year (1-5)	16208.8	27445.4	20547.1
7	Additional amount to be allowed on account of True up for FY 2011-12			15979.5
8	True up Delayed payment surcharge levied by HPGCL			1176.6
9	Total expenses/revenue not recovered pertaining to previous years			17156.1
10	Cumulative Revenue Gap (6+9)			37703.2

2.3.1 Supplementary filing by UHBVNL / DHBVNL:

UHBVNL subsequently made supplementary filing on 01.02.2013 on behalf of both UHBVNL and DHBVNL wherein it was submitted as under:

- a) The annual accounts of UHBVNL and DHBVNL for FY 2011-12 have been restated due to change in accounting policy. As per restated audited accounts of UHBVNL for FY 2011-12, the amount of terminal benefits in FY 2011-12 has been revised to Rs. 3117.3 millions and actual employee cost (inclusive of terminal benefits) to Rs. 7058.6 millions.
- b) The claim of UHBVNL for true-up of expenses for FY 2011-12 in accordance with APTEL judgement on Appeal No. 204 of 2010 works out to Rs. 6241.5 millions.
- c) In view of above the consolidated revenue gap of UHBVNL and DHBVNL combined works out to Rs. 58367 millions.

2.4 Prayer:

UHBVNL and DHBVNL have prayed as under:

- a) Take the supplementary ARR filing for FY 2013-14 of the Petitioners on record;
- b) Consider and accept the Petitioners' proposal of consolidated revenue shortfall of Rs. 5836.75 crores at the end of FY 2013-14.
- c) Allow recovery of FSA for FY 2011-12 and amortization of outstanding regulatory assets within a one-year period viz. financial year 2013-14, as a one-time regulatory treatment to cover the restated consolidated gap of UHBVNL and DHBVNL as

submitted in this filing. Alternatively, the Commission may consider allowing an average levy of 75 paisa/unit towards recovery of FSA in two years and regulatory assets in three years, and allow suitable financing cost to the Petitioners on the remaining amount of ARR left uncovered; and

- d) Pass any such other orders/and/or directions, which the Hon'ble Commission may deem fit and proper in the facts and circumstances of the case.

2.5 Public Proceedings

In accordance with the provisions of section 64 (2) of the Electricity Act, 2003, UHBVNL & DHBVNL published their petitions in the abridged form in order to ensure public participation. The Public Notice was issued by UHBVNL in the Indian Express (English) & Amar Ujala (Hindi) on 07.12.2012 and by DHBVNL in the Tribune (English), Hindustan Times (English), Dainik Jagran (Hindi) and Dainik Bhaskar (Hindi) on 06.12.2012 inviting objections / suggestions / comments from the stakeholders. The ARR petitions were also posted by UHBVNL & DHBVNL on their respective websites i.e. www.uhbvn.com and www.dhbvn.com.

After receipt of the ARR petitions, the Commission also issued public notice in the Times of India (English) and Dainik Bhaskar (Hindi) on 26th January, 2013 inviting comments and objections from the stakeholders as per the following schedule:

Last date of filing objections	Last date of filing reply to the objections	Last date of filing rejoinder to the reply
07.01.2013	14.01.2013	21.01.2013

Public hearings were scheduled to be held on 04.02.2012 at 12.00 AM. in respect of ARR /Tariff petition of DHBVNL in the conference hall of D.C office Gurgaon and on 06.02.2012 at 11.30 AM in respect of ARR/Tariff petition of UHBVNL in the Auditorium of Murthal University, Sonapat.

Public hearings were held as per the schedule i.e. on 4th February in respect of DHBVNL and on 6th February, 2012 of UHBVNL. Some of the objectors who had submitted written objections did not attend the hearing. However, some other persons representing different consumer categories, who had not filed written objections, were also present in the hearing. The distribution licensees i.e. UHBVNL and DHBVNL made detailed presentations of their respective ARR proposals in the hearings wherein they highlighted their various achievements and initiatives to improve efficiencies besides dwelling on the

projections/proposals made in their respective ARR petitions. CMD UHBVNL also explained at length the various details of Financial Restructuring Plan submitted by UHBVNL/DHBVNL to the Commission and the State Government.

2.6 Objections from Public and response of the Distribution licensees

In response to the public notice issued by the Commission, objections/comments were filed by the stakeholders. The objectors, who filed objections on the ARR filings of the UHBVNL and DHBVNL for FY 2013-14 are listed below:

- i) Shri G. C. Narang S/o Late Sh. A. N. Narang, Chairman Faridabad Industries Association, FIA House, Bata Chowk, Faridabad (On ARR of DHBVNL).
- ii) Shri Arun Goel, VP (Electrical & Automation), Jindal Stainless Steel Ltd., Hisar (On ARR of DHBVNL).
- iii) Shri R. K. Saxena, Chief Electrical Distribution Engineer, Northern Railway, Headquarters Office, Baroda House, New Delhi (On ARR of UHBVNL and DHBVNL)
- iv) Col S. Kapoor, Executive Director, Faridabad Industries Association, FIA House, Bata Chowk, Faridabad (On ARR of DHBVNL)
- v) Shri Mridul Rastogi, Energy Controller, Indus Tower Ltd., Building No. 10, Tower B, 9th Floor, DLF Cyber City, Gurgaon (On ARR of DHBVNL).
- vi) Shri Raj Kumar Garg, Joint Secretary, Gurgaon Industries Association, (On ARR of DHBVNL).
- vii) Delhi Metro Rail Corporation Limited, Metro Bhawan, Fire Brigade Lane, New Delhi – 110001 (On ARR of DHBVNL).
- viii) Shri Rajesh Kumar, Assistant Professor, Department of Economics, MDU, Rohtak (On ARR of UHBVNL).
- ix) Confederation of All India Micro & Small Scale Industries, Z-101, (Opp. H-18), Udyog Nagar, Rohtak Road, Delhi (On ARR of UHBVNL).
- x) Yamunanagar-Jagadhari, Chamber of Commerce & Industries (On ARR of UHBVNL).

The stakeholders/objectors have raised issues / objections on different components of ARR and also on the performance of the two distribution utilities. The Commission has taken note of the objections and the replies given by the distribution licensees. The issues raised by the objectors / stakeholders on the ARR/performance of both the distribution licensees are common in nature and, therefore, all these issues have been dealt with collectively

2.7 Objections raised by interveners

The stake holders and objectors, who were present in the hearings, were also provided an opportunity to make their oral submissions. Representatives of various industries' associations such as Haryana Chamber of Commerce & Industry, Gurgaon Industries Association, Faridabad Industries Association, Yamunanagar-Jagadhari, Chamber of Commerce & Industries as also of Delhi Metro, Northern Railways, Jindal Industries Limited besides some individual objectors spoke at length on various issues relating to ARR filings of the UHBVNL/DHBVNL for FY 2012-13. Most of the objectors had earlier submitted their written objections which are discussed in subsequent paragraphs. Some of the issues raised/points made during the public hearings are as under:

- i) DHBVNL has not given any tariff proposal in their petition.
- ii) There is not a single word on any proposal to reduce AT & C losses in the ARR petition. Only distribution losses have been indicated/discussed in the petition.
- iii) The distribution losses are very high. The only effective way to reduce the distribution losses is to make the concerned SDOs accountable for the distribution losses in their respective sub-divisions.
- iv) There is no justification for levying Reliability surcharge. As per the Act, the licensee is bound to supply reliable and quality power.
- v) Peak Load Exemption charges (PLEC) are killing the industries. All the power purchase costs are inbuilt in the tariff and there is no justification for levying any additional charges as PLEC. The Commission should take a view; the extra charges should be reasonable.
- vi) Power Supply position is very bad. There is no justification of recovery of fixed charges from the consumers with six hours PRM almost daily. Commission should allow rebate in fixed charges corresponding to the hours the supply remains off in a month
- vii) The Commission had notified Standard of Performance long time back but distribution licensees have very conveniently forgotten the same. The Commission should ensure compliance of Standard of Performance by the utilities and in case of failure on their part, they should be penalized.
- viii) Utility is not complying with the various directives issued by the Commission from time to time.
- ix) Voltage-wise cost of supply should be worked out by the licensee. The benefit of lower cost in case of consumers being catered supply at higher voltages should be

passed on to them. Voltage-wise cost of services is also important to assess the cross –subsidy which is required to be kept within $\pm 20\%$.

- x) There is delay on the part of the state Government in payment of AP subsidy. In fact the subsidy has to be paid by the State Government in advance.
- xi) AT & C losses are very high. Cost of supply is high because of very high AT & C and distribution losses and the consumer has to pay higher tariff on account of that.
- xii) The replacement of electro mechanical meters and defective meters is very slow.
- xiii) The distribution licensees should introduce on line system for payment of energy bills.
- xiv) There are numerous instances of wrong billing by the licensees and at times it is intentional to harass the consumers for undue benefits.
- xv) The licensees should not resort to Intra-state sales at the cost of the consumers.
- xvi) No utility should be allowed any ROE unless it performs.
- xvii) Utilities are forcing new conditions on open access consumers for allowing open access. A large number of applications have been stopped for grant/ renewal of NOC by the Utilities. The gaming is a wrongly coined word to disallow open access by the Utilities.
- xviii) The Commission should consider introducing differential tariff for the two Discoms in view of their different load mix and financial & technical performance.

A brief summary of the objections as well as the replies given by UHBVNL and DHBVNL is given below:

2.7.1 Hosting of ARR petition on website

Objection

The distribution licensees have not loaded the soft copies of their ARR petition on their respective websites. Regulation 7 (7) of HERC (Tariff) Regulations 2008 regarding filing of ARR for wheeling of electricity and distribution and retail supply of electricity clearly requires the licensee to host ARR on its website. A large section of the consumers across the licensed area of the licensee may not be in a position to buy and carry the voluminous bunch of petitions from the required place and hence are refrained/deprived of the opportunity to express their viewpoint on the issues relevant to them.

Reply by distribution licensees

As per Regulation 3 (5) of HERC (Tariff) Regulation 1999 amended vide notification 11-7-2002, the licensee is required to publish a notice containing brief summary of its proposed ARR at least in two daily newspapers having wide circulation within seven days of making the application. Accordingly Nigam had published the Public notice in 4 (Four) daily newspapers notifying the filing of ARR before the Commission and copy of the same could be obtained during office hours on any working day at the Headquarter of the licensee from the office of General Manager/Regulatory Affairs of the licensee against nominal payment as prescribed by the Commission. Further, the condensed summary was available on the website of the distribution utility.

2.7.2 AT &C losses

Objection

The distribution licensee should give the true picture of the actual losses in the system. The loss levels calculation ought to be for Aggregate Technical & Commercial Losses (AT&C losses) as against the T&D Losses given in the ARR. Calculation of AT&C losses will give the complete picture of the prevailing loss levels of the utilities, by including the collection efficiency. Utilities should be directed to give details of AT&C losses as against the T&D losses. A road map for reduction of loss levels in the system may be laid down and strict prudent checks should be done to ensure that the inefficiencies of the utilities are not passed on to the consumers in the form of higher tariffs. The Utilities have been deliberately avoiding the issue of depicting the loss levels in the form of AT & C losses, as the record of the Utilities in that regard is extremely poor. The commitment given by DHBVNL to peg its distribution losses at 20.30% for 2013-14 must be achieved under all circumstances. It must be ensured that no adjustment is done with the agriculture load as was done in earlier years.

Another objector has submitted that distribution licensees be directed to undertake correct estimation of its distribution losses and fix a new base line data for estimation of distribution losses. The cost of service of the licensee has been very high due to very high distribution losses. Licensee need to undertake immediate steps to control distribution losses for financial viability of licensee for which the consumers have been paying the price. Utility should make extra efforts to reduce the distribution losses and the benefits thereof should be passed on to the consumers by way of reduction in tariff.

Reply of distribution licensee

The utility has launched various schemes and programmes for reducing technical losses which include Loss Reduction Plan, HVDS, agricultural feeder segregation, bifurcation/trifurcation of feeders, installation of Automatic Power Factor Controller (APFC) at 33 kV sub-stations, augmentation of overloaded feeders etc. Many of these loss reduction programs are already under implementation. A sizable proportion of the annual capex is allocated for the task of augmenting the distribution infrastructure for catering to the load growth and providing quality power to consumers through construction of new HT/LT lines and substations, augmentation of existing ones, installation of capacitor banks and installation of new distribution transformers. The Nigam is also actively engaged in measures for commercial loss reduction, some of which include replacing defective meters, metering of un-metered consumers, regularization of kundi connections and special drives to detect thefts and recovery of penalty.

The distribution loss reduction trajectory envisaged by DHBVNL till FY 2021-22 in line with Financial Restructuring Plan prepared by Haryana Discoms is as below:-

	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
% Distribution losses	20.30	19.1	17.7	16.7	15.6	14.4	13.7	13.0%	12.2

The task of recoveries from the defaulting consumers is very difficult and even Government has accepted this fact by introducing various waiver schemes from time to time. Utilities are trying their best to reduce the commercial losses by improving their collection efficiencies.

2.7.3 Loss Reduction Plan

Objection

The rate of replacement of electro-mechanical meters by the utility is very slow. The Utility should replace the meters at a faster rate. The Commission should give directions to the Utility to complete the process of replacing electro-mechanical meters with electronic meters in a time bound manner. As per the data, in the ARR of DHBVNL, only 40 three phase meters were replaced between 18th April 2012 to 30th September, 2012 in Faridabad circle.

Reply by distribution licensees

100% consumer metering has been achieved for all consumers except for flat rate A.P consumers. DHBVNL has replaced 8,46,948 electro-mechanical meters with electronic meters up to Sept. 2012. During the said period (i.e. April 2012 to Sept. 2012) DHBVNL replaced a total of 78,881 meters (three phase and single phase) across all the circles and 666 meters (three phase and single phase) were replaced in Faridabad circle.

2.7.4 Revenue in Arrears

Objection

Reasons have been cited in the ARR for non collection and recovery of revenue which include huge arrears/outstanding against Government/Semi Government departments as well as Discom's failure to recover bills from various villages affected by BKU/ KSS agitation. An analysis of this outstanding revenue clearly reflects the failure of the utility to get these dues recovered. The Commission must direct the utilities to get these dues liquidated by the Government.

Reply of the distribution licensee

Utility is constantly pursuing the matter and holding meetings with concerned Departments and with State Govt. as well, for getting liquidated their pending arrears and asking these departments for making regular and timely payments of energy bills.

2.7.5 Collection efficiency

Objection

The utility had given detailed instructions for positive actions against defaulting consumers vide sales circulars no. 40/2007 dated 25.09.2007 but the collection efficiency has not improved and has actually fallen over the years.

The licensees try to tax the consumers to hide their own inefficiencies and to un- necessarily burden the consumers by levy of unreasonable and superfluous charges. Some states in the country have introduced incentives to those consumers who achieve higher load factor and consume more power.

Northern Railways has suggested that there should be incentive for timely payment. Such practices are being adopted now-a-days to encourage the consumers for making timely payment voluntarily.

Reply of the Distribution licensee.

A large number of schemes have been launched by the Nigam which have led to the improvement in collection efficiency and recovery of arrears. The trend of collection efficiency is on an improving path.

No taxes or unreasonable charges are levied on the consumers to hide inefficiencies and it is not correct to say that Nigam is not providing any incentive to the consumers. A lot of incentive schemes are introduced for the consumers from time to time like bulk payment scheme, surcharge waiver scheme, out of court settlement scheme, rebate for maintaining higher power factor etc.

There is no system of providing incentive/ rebate for timely payments as it will increase the financial burden of the Nigam as the revenue assessment from the consumers will go down.

2.7.6 Tariff Proposal

Objection

Details of projected tariff hike for FY 2013-14 have not been given in ARR. The stake holders should be given opportunity to raise objections against the specific hike. DHBVNL has stated that the FSA claims for FY 2011-12 will be filed with the Commission in a separate petition but the utility has already levied FSA on account of difference between the actual cost of power incurred and the cost approved by the Commission for the first two quarters of FY 2011-12.

The licensee has submitted that it has faced major implementation issues with the monthly FSA framework prescribed by the Commission and have resorted to annual FSA filing for FY 2011-12 and requested the Commission to allow holding cost of Rs. 518.79 crores within the FSA mechanism in addition to the principal FSA amount of Rs. 2446.37 crores. These claims are in clear violation of the HERC Regulations and should not be allowed. Consumers should not be burdened with the inefficiency of the licensees.

Reply of the Distribution Licensee

Utility is in the process of making a supplementary filing to ARR petition for the FY 2013-14 for treatment of revenue gap for FY 2013-14. Utility will request the Commission to allow the recovery of FSA per FY 2011-12 and amortization of all outstanding regulatory assets in order to cover cash deficit.

Petition for approval of FSA on account of increase in power purchase cost for FY 2011-12 has not yet been filed. The FSA charge has been levied on account of difference between the cost approved by the Commission and the actual power purchase cost incurred by the Nigam for the first two quarters of FY 2012-13 and so the FSA charged is not for FY 2011-12.

2.7.7 Regulatory Asset Surcharge

Objection

The proposal to levy 27 paisa as Regulatory Asset surcharge on all the consumers is uncalled for. Utility has to be more efficient and reduce its losses to earn more revenue so as to cater for unaddressed regulatory assets.

Reply of Distribution Licensee

The Commission has been requested to allow the unaddressed regulatory asset of UHBVNL and DHBVNL to be recovered by way of an additional Regulatory Asset surcharge in pursuance of the judgment of the Hon'ble APTEL in OP No. 1 of 2011 dated 11.11.2011.

2.7.8 Open Access

Objection

Electricity Act provides for creating competition in the electricity market so as to provide cheaper power to the consumers. In doing so, consumer pays all the charges prescribed under the Act and various Regulations. The licensee is not able to meet the power demand of the consumers and if one opts to purchase it from elsewhere licensee tries to put obstacles.

Utilities are forcing new conditions on open access consumers for getting open access. A large number of applications have been stopped for grant/ renewal of NOC by the Utilities. The proposal to levy additional surcharge on Open Access consumers has no basis. The

plea for billing of all embedded consumers (presumably on independent feeders) to be done at sub-station end is unfounded. Similarly the request for non compensation to the Open Access consumers on account of under drawl should be rejected.

Reply of the distribution licensee

Certain measures have been proposed to prevent gaming by open access consumers and resultant loss to the utility. Open Access consumers often buy power from the open market only in those time slots when it is expected to be cheaper than the price of Discom's power. This selective power purchase leads to uneven load curve of the Discoms. To match varying demand, sometimes generating station have to be backed down, over drawl from grid has to be done or the Discom have to resort to unscheduled power cuts which result in financial loss.

In view of various problems faced, a petition has been filed before the Commission suggesting certain measures to prevent gaming by the open access consumers and certain amendments in the Open Access Regulations have been requested.

2.7.9 Reduction/ Extension of LT/HT Loads.

Objections

The utility is presently following an age old practice of seeking a guarantor for any reduction/ extension of HT/LT load.

Reply of the Distribution Licensee

No third party guarantee is required to be submitted in case of reduction/ extension of LT/HT loads.

2.7.10 Estimates for the sale of power to various categories of consumers.

Objections

Future projections for category-wise sales to the consumers, based on the CAGR are made for each category of consumers. Every year licensee comes out with exaggerated figures of sales to get benefit and enhance their revenue requirements projections. Energy sales growth of nearly 20% during the year 2013-14 over the estimated sales for the year 2012-13 has been projected. In the absence of adequate strengthening of the distribution system, it would not be possible to give enhanced supply of power and overloading of distribution system may occur. This will result in poor quality of power supply and increased losses.

Agriculture sector accounts for nearly 25 % of total sales yet the metering in this sector is as good as not being there. This sector plays a vital role in hiding of losses and claiming rural subsidy from the State Government. Licensee needs to curb both technical and commercial losses. There is rampant theft of energy; the amount billed for energy is not collected, thus, leading to continued poor financial health of the licensee.

Reply of the Distribution Licensee

Increase in numbers of consumers, connected load and units sold are not commensurate with each other. In view of various rural electrification schemes, the number of connections and connected load under a particular category has increased but the percentage increase in terms of units sold under that particular category has not increased in direct proportion to increase in number of connections and connected load. To co- relate the growth, individual variables have been projected separately on the basis of compounded annual growth rate (CAGR) witnessed for these variables in the past.

Capital expenditure of Rs. 989.25 crore during FY 2013-14 has been proposed under various system augmentation and system strengthening schemes and also for various loss reduction schemes. This will strengthen the distribution system and remove the system constraints to meet the expected growth in demand and would improve reliability of supply. One of the top priorities of the Nigam, in the next financial year, is to meet the loss reduction targets. The major heads under which the capital expenditure is proposed to be carried out for bringing about a reduction in AT&C losses are robust metering infrastructure, HVDS/LT connectivity of already executed HVDS works/new works, power factor improvement etc.

At present, there are no consumers without metered supply, except the old flat rate tube well consumers and no new un-metered connections are being released. Steps were taken to install meters where old flat rate tube well consumers are getting un-metered supply but due to stiff resistance put up by these consumers, the installation of energy meters was held in abeyance and same situation prevails as on date.

Various steps have been taken to arrest theft of energy, like DT metering to isolate and identify the delinquent consumers who conspires for theft of energy, regularization of kundi connections in rural areas, implementation of theft informer scheme.

2.7.11 Interest and finance charges.

Objections

Projected interest and financing charges of DHBVNL are Rs. 850.20 crores and Rs. 1260.18 crores for FY 2013 and FY 2014 respectively against reported actual of Rs. 544.78 crores for the year 2011-12 i.e. an increase of over 56% for FY 2013 and 132% for FY 2014. But the performance of the licensee is deteriorating year after year. Higher loans or expenses without linking them with end results should not be allowed. Every penny allowed should be linked with a visible improvement in the measurable performance parameters.

Reply of the Distribution Licensee

Loans play vital role in running of the business of any company and the cost of these loans is interest and finance charges. A capital expenditure of Rs. 989.25 crore has been proposed during FY 2013-14 under various system augmentation/ strengthening schemes and for various loss reduction schemes. Major portion of this capex needs to be funded through loans. Apart from interest on loans raised to fund revenue gap and capex, interest expenses are incurred on loans availed to finance the deficit in working capital of the licensee. The interest on consumer security also forms a part of this expenditure. In case of existing long term loans and working capital loans availed for funding the capital expenditure of the licensee and to meet the working capital requirement respectively, contractual interest rates/charges by Banks/FIs have been considered, based on existing reimbursement/ repayment schedule. On new loans, both long term and for working capital, prevailing interest rates have been considered on current market conditions.

The financial position of Discoms have deteriorated in the last few years. The outstanding loans and other liabilities have increased tremendously. Banks & FIs are not lending fresh advances. The accumulated losses have forced the Discoms to make additional borrowings for funding the losses. This has resulted in increasing the operation expenditure owing to the interest component of outstanding loans, which in turn has resulted in increasing annual financial losses.

Financial Restructuring Plan has already been submitted to the Govt. for approval and the same would reduce the burden of interest expenses to some extent.

2.7.12 Reliability charges for uninterrupted charges.

Objections

Proposal to introduce reliability charges for uninterrupted supply is not justified as the licensee is required to provide uninterrupted power supply to the consumers. The license granted to the licensee also covers this as a part of his duty to give reliable and continuous power supply to the consumers. Consumers are already reeling under very high electricity tariffs without any assurance for quality power supply and levy of any further charges would work against not only the interest of the consumers but the state as well.

2.7.13 PLEC charges.

Objections

The licensee has proposed to levy PLEC charges on all categories of consumers as are levied on HT industrial consumers. Levy of PLEC charges on all categories of consumers seems illogical as the cost of peak load power is already inbuilt in the tariff. Another factor which needs to be examined is the practical part of implementing such proposal otherwise it would become another source of corruption in the utility.

Reply of the Distribution licensee

The Commission in its tariff order on ARR for FY 2011-12 dated 27.05.2011 had directed the Discoms to examine the feasibility of extending the peak load exemption to consumers other than HT industry. Thus the proposal is in accordance with the directions given by the Commission.

2.7.14 Determination of cross - subsidy

Objection

Recovery of 100% of the cross - subsidy generated by a consumer category from that category of consumers has been proposed instead of 60 %. As per National Tariff Policy the cross subsidy element is to be reduced by 20% every year. Accordingly recovery of cross - subsidy should be reduced from 60% to 40% this year.

Reply of the Distribution Utility

Average cost of supply is increasing every year due to increasing cost of power purchase. The tariff for the category of consumers which are being cross subsidized has not increased

in the same proportion. The amount of subsidy as required to cover the gap between tariffs of subsidized category of consumers and average cost of supply needs to be recovered in full. The cross subsidy surcharge is levied on consumers getting power through Open Access. Had the Open Access consumers purchased power from the Discoms, such consumers would have paid a tariff which would have included cross subsidy. The financial loss on account of supply of power to subsidized categories is compensated by the cross subsidy generated from other categories. Thus recovery of cross subsidy surcharge is legitimate and an important component of the tariff charged by the Nigam.

2.7.15 Revenue Gap Projections

Objections

A revenue gap of Rs. 3770.32 crores has been projected by DHBVN for the next FY, inspite of very high tariff rates for the year 2012-13. Licensee should look into their working and reduce the expenses instead of increasing the tariff. The increase in tariff rate is not going to reduce the revenue gap considering the present style of functioning of the Discoms and unlimited leakage in revenue and poor efficiency.

Reply of the Distribution Licensee

The revenue gap projected for FY 2013-14 of DHBVNL is Rs. 2054.71 crores without FRP and Rs. 1666.01 crores with FRP. The projected gross revenue gap (without FRP) of Rs. 3770.32 crores includes true up of expenses and revenue of the Nigam for FY 2011-12. The projected gross revenue gap with FRP is Rs. 3381.62 crores. Sincere efforts are being made to improve the performance.

2.7.16 Return on equity

Objection

The Licensees are incurring huge losses due to their inefficiencies and making the consumers pay heavily, further they are asking for 14% RoE. Licensees should be penalized and put to more rigorous checking and performance standards so that the poor consumers are not put to unnecessary burden for continuous in-efficiencies of the licensees.

Reply of the Distribution Licensee

RoE is vital source of funding a part of Capex planned by the utility for system improvement and loss reduction. Disallowing RoE on the grounds of financial performance deprives the utility of an essential source of internal accrual which is all the more important in view of the financially constrained position that makes it very difficult for it to borrow funds from the market to fund basic capital expenditure. Disallowance of return on equity would put both the Discoms at a severe disadvantage for receiving interest subsidy from the Government of India, as per the guidelines and rules of the National Electricity Fund (Interest Subsidy Scheme) which is expected to become operational soon. Being allowed RoE is one of the important parameters for judging Discoms for eligibility to obtain interest subsidy and, hence, any disallowance of RoE would make the Discoms unduly disadvantaged, when compared with other state utilities.

2.7.17 Follow up on Directions given by the Commission

Objections

Directions given by the Commission in the ARR orders are not complied with by the licensee. The Commission should levy penalties on the failing licensees and hold their officials responsible for such noncompliance.

Reply of Distribution licensee

Allegations of non compliance of Commission's directions are refuted. Allout efforts are made to comply with these directions. Status of compliance with the various directions is given in the ARR petition.

2.7.18 Non implementation of the orders passed by the Commission

Objection

The orders passed by the Commission are not being complied on one pretext or other. If the order is in favour of the licensee, Sales circulars/instructions are issued and claims on the consumers are raised through regular bills. If the order is in favour of the consumer, no action is taken to implement the same.

Reply of the Distribution licensee

The orders of the Commission are always followed and implemented and the allegations are baseless and refuted.

2.7.19 Introduction of new technologies and schemes

Objection

New technologies should be considered to improve the performance of sagging Distribution Licensees. Some of these are as under:-

1. Introduction of ToD metering and designing tariff accordingly.
2. Remote metering
3. Massive drive to check theft of power be launched
4. Power theft in rural areas needs to be curbed on priority.
5. HVDC distribution should be introduced in theft prone areas to check power theft
6. Each sub division should be made a profit center and its performance should be monitored.

Reply of the Distribution Licensee

Objector's concern about the introduction of new technologies and schemes is appreciated. Various steps are taken to introduce new schemes and innovative ideas for performance improvement like proposal of ToD tariff, conversion of existing LT system to HVDS/LVDS system in theft prone areas, regularization of Kundi connections etc. Any suggestions/ proposal from the consumers for innovating use of technologies are welcomed.

2.7.20 Cost of Supply to Railway:

Objection

Category wise cost of supply has not been given in the ARR. As per the data available from previous ARRs, the cost of Railway traction is one of the lowest but cross subsidy for Railway traction is of very high order. Other Discoms eg. PSPCL have reduced cross subsidy for Railway traction substantially. Railway traction tariff should be reduced suitably so as to reduce cross subsidy as per National Tariff Policy of MoP, Govt. of India.

Reply of Distribution Licensee

Cost of supply for railway traction has been calculated by conducting an elaborate Cost of Supply (CoS) study by the independent agency ICRA Management Consulting Service (IMaCS) to determine the cost of supplying electricity to various consumers categories. CoS to various consumer categories has been arrived at by apportioning the various energy-

related, demand related and consumer related charges to the consumer categories. These allocations are done by various factors like the contribution to the system peak, load factor, energy consumption pattern, consumer's load profile etc. The proportionate costs have also been apportioned to the railways based on its contribution to the system peak, load factor etc.

Average CoS projected for FY 2013-14 comes out to be Rs. 6.90 per unit for DHBVN and Rs. 7.47 per unit for UHBVN. As per NTP, tariff should progressively reflect the cost of supply of electricity and should be rationalized such that tariffs are within $\pm 20\%$ of the average CoS by the end of year 2011-12. If NTP is to be followed then the tariff of the subsidizing category can be fixed at a maximum of Rs. 8.29 per unit and the tariff of subsidized category can be fixed at a minimum of Rs. 5.52 per unit. The effective per unit tariff (considering all the charges) for railway traction as submitted by objectioner is Rs. 5.60 per unit. The current tariff structure for traction is below the average CoS as well as the maximum tariff applicable to a subsidizing category; hence, in essence, it is not generating any cross-subsidy for the distribution licensee. The claim of the objectioner is strongly opposed.

2.7.21 Implementation of MYT Frame work

Objection

As per National Tariff Policy (NTP), the Multi-Year Tariff (MYT) regime was to be adopted from April 01, 2006 & reviewed after 3 years in 2009-10. Same has not been done by the Discoms. The para 8.3 of NTP states that the tariff must be linked to cost of service. For achieving the objective that tariff progressively reflects the cost of supply of electricity, the SERC were to notify the road map within six months with a target that latest by the end of year 2011-12, tariff are within $\pm 20\%$ of the average cost of supply. The road map would also have intermediate milestones, based on approach of a gradual reduction in cross subsidy.

The licensee be directed to take the necessary steps in this direction without any further delay.

Reply of the distribution licensee:

The Multi-Year Tariff (MYT) Regulations have been notified on 5th December, 2012. As provided in the Regulations, the Nigam has filed the ARR petition for FY 2013-14 and will submit its Business Plan/ARR for 2014-15 as scheduled under MYT Regulations.

2.7.22 Objections received from Northern Railways

a) Demand Charges for Northern Railways:

Objection:

The demand charges @ Rs. 125/- per kVA are being levied for railway traction. It should be fixed at a lower level as Northern Railway avails supply at 66 kV. Railway erects and maintains the infrastructure so created to supply 25 kV to traction network. Railways also provide Capacitor banks to improve power factor. All such investments add additional heavy cost per kWh to Railways besides tariff, whereas utility is not required to invest any extra amount on infrastructure for giving supply to Railway.

Reply of the Distribution Licensee:

Determination of demand charges applicable to any consumer is under the purview of the Commission. Considering the techno-economical reasons that higher load should be fed by high voltage level which ensures maintaining balance in the system topology, reliable supply of power and lowers overall system loss level, the supply to the railway traction is made at 66 kV & above. Nigam incurs demand related fixed cost for maintaining an electrical system to meet each customer's peak demand and that in fairness to all customers, this cost needs to be met by the consumers that demand this capacity. The demand charges represent the cost associated with the total (peak) capacity that the consumer has contracted and actual contribution to the system's peak demand. Any associated cost in respect of the capital investment made by the railway traction is not charged.

b) Penalty on over-drawl by Northern Railway

Objection

The electric traction load of railway is almost constant. The traction load exceeds the limit under the following conditions:-

- (i) Sometimes, load fluctuates owing to various factors like traction supply interruptions by Utility, other power supplying authority, public agitations, accidents etc. leading to bunching of trains in a particular zone, which causes maximum demand to exceed for a short spell.
- (ii) In case of failure of any of TSS, which happens due to non – availability of supply to concern TSS, to ensure regular movement of train, the supply is extended from adjacent TSS. Under this condition, the maximum demand exceeds the contract

demand and huge penalty has to be paid for no fault. Railway is also not authorized to put penalty on Discoms for non availability of supply.

In both the cases, the limiting maximum demand is beyond the control of Railways. Therefore, Railways may be completely exempted from payment of load violation charges as a special case.

Reply of the distribution Licensee

Penalty is being imposed on the over-drawl of power to manage the load on the distribution & transmission system. When over drawl takes place there is a load strain on the transmission and distribution system which results in increased system loss at that moment and loading of the system has to be managed which leads to extra costs. Over-drawl also lead to wear & tear of the system and can damage the distribution/ transmission equipment. Hence, levy of penalty on over-drawl is a deterrent mechanism to ensure grid stability and operation of the system within the rated parameters and is justified.

c) Metering for Railway traction

Objection

Meter for railway traction should be provided at railway traction substation instead of grid substation to minimize the line losses. PSPCL has already shifted their energy meters for railway traction from their GSS to Railway TSS.

Reply of Distribution Licensee

Northern Railway avails supply at 66 kV or more voltage level through independent feeders. The metering and billing of the railway is done in line with HERC Regulation No. HERC/12/2005. Also the downstream network is maintained by the Railways, the losses on this network shall also be to their account.

d) Payment of ACD/Consumption Security deposit in the shape of letter of guarantee from RBI instead of cash

Objection

Railway may be exempted from payment of ACD/Security Deposit and may be allowed for payment of ACD/Consumption security deposit in the shape of Letter of Guarantee from RBI instead of cash. Railway is exempted from payment of ACD/Security deposit in Rajasthan. In Maharashtra, payment of ACD/ consumption security is through Bank guarantee from RBI instead of cash deposit. In UP,

ACD/consumption security above Rs. 50 lakhs is through Bank guarantee. In Kerala, there is provision of payment of 50% ACD/Security deposit amount as Bank Guarantee and 50% as cash. Therefore, Railway may be exempted from payment of ACD/Security Deposit as in Rajasthan.

Reply of the distribution Utility

The Railway had submitted a letter for exemption from ACD and requested the Commission for consideration. The Commission clarified that the request made by the railways is not feasible because as per prevailing instructions ACD is to be deposited in cash only and there is no reference such as Bank guarantee as medium to pay ACD in the HERC Regulations. Hence, Nigam is of the view that Northern Railways shall abide by the Regulations and ACD shall continue to be deposited in cash or through demand draft.

e) Disparity between traction tariff for Railway & DMRC

Objection

In the tariff order for FY 2012-13, tariff for DMRC has been fixed much lower compared to railway traction, while both Railways & DMRC are operating in the railway transport sector. DMRC is catering to commuter services in NCR region only, whereas Railways provides essential commuter services much beyond Delhi, meeting the aspirations of larger population of Haryana State commuting to Delhi at a very low fare. Fixing traction tariff higher than DMRC on the ground that DMRC provide state of art & preferred mode of transport for the public is not justifiable. The disparity between tariff for railway traction & DMRC should be removed and traction tariff should be at par with tariff for DMRC.

Reply of the distribution Utility

Determination of tariff is under the purview of the Commission and thus Nigam is charging the tariff as determined by the Commission vide its order dated 31.03.2012 on Distribution & Retail Supply Tariff.

f) Provision of Alternative Supply arrangement for railway traction and levy of load violation charges

Objection

Sometimes in case of incoming supply failures, railway have to extend the feed of Ballabhgarh/TSS in the feeding zone of failed TSS of other DISCOM and have to pay load violation charges for exceeding the sanctioned contract demand for the circumstances which are beyond the control of Railways. Whenever there is a supply failure from other DISCOM, then till such time the supply failure persists, the instances of maximum demand exceeding contract demand due to feed extension of Ballabhgarh/TSS should be ignored & no load violation charges should be levied for that period.

Reply of the distribution Utility

When the over drawl of power takes place, there is a load strain on the transmission & distribution system and Nigam, has to manage the load of the system which results in the extra cost to the Nigam. Such over draws by the consumer result in increased wear & tear on the system translating into higher non-routine R&M expenses incurred by the Nigam. Hence, the levy of over drawl/peak violation charges is a deterrent mechanism to ensure grid stability and operation within the rated parameters of the system.

g) Rebate on Energy Bills on non traction electric supply to Railways

Objection

There is single point metering at all these connections and maintenance of total infrastructure of sub stations, distribution network, individual metering/billing, internal recoveries etc. is Railway's responsibility. Even distribution losses on this network are Railway's liability, which is a substantial part of the energy supplied. A rebate of 15% be given over total energy bill towards maintenance and operation of distribution network, billing, metering, financial recovery and distribution losses. The similar rebate is provided by NDPL, BSES etc.

Reply of the distribution Utility

The voltage wise tariff has been decided by the Commission and thus provision of any rebate is under the purview of the Commission. However, Nigam opposes provision of any rebate on the account of O&M, billing, metering, financial recovery

and distribution losses; as it is the liability of the bulk consumer to bear such costs and it can reduce these costs by improving its efficiency.

h) Time limit for replacement of meters

Objection

A time limit for the repair and installation of kWh/MDI meter may be fixed.

Reply of the distribution Utility

The Discoms pleaded certain difficulties in meeting the time limit for the repair & maintenance of kWh/MDI meter. They submitted that as and when feasible they will fix the time limit for the same.

i) Rationalization of bills

Objection

Northern Railway is having number of connections at various locations. Separate bills are being issued by different Executive Engineers having different bills recovery points. Rationalization of billing and the payment is required in the interest of both Railway and UHBVN. It is suggested that a consolidated single bill can be issued incorporating consumption of all such connections to Railway. This shall avoid passing of each and every bill and their delivery to different agencies and shall therefore enable payment in time. This has already been done in Bangalore by KPTCL.

Reply of the distribution Utility

Nigam has noted down the suggestion of the objector and would try to consider the same in due course of time, based on the constraints of practical implementation.

j) Revision of Contract Demand

Objection

Revision of contract demand should be made effective from the date of application without linking it with other issues.

Reply of the distribution Utility

Revision in the contract demand shall be made effective from the date of approval and not from the date of application since Nigam has to ensure the capability of the network before allowing for up-gradation of the contract demand.

k) Meter Testing Charges

Objection

No meter testing charges should be levied for new connections/enhancement of the load.

Reply of the distribution Utility

Meter Testing charges are levied only when the meter is owned by the consumer and no such charges are applicable when the Nigam supplies the meter.

2.8 State Advisory Committee (SAC)

The meeting of the State Advisory Committee (SAC) was held on the ARR/Tariff Petitions of all the utilities in accordance with the provisions of the Act. The meeting of the SAC was initially scheduled to be held on 15th March, 2013 in the office chamber of Chairman, HERC at Panchkula. Subsequently Chairman, Appellate Tribunal for Electricity, New Delhi (APTEL), in an informal meeting with Chairman, HERC, expressed the desire that Chairman and Members of the APTEL would like to interact with the stake holders of Haryana. The Commission accordingly decided to hold the meeting of SAC at Gymkhana club, Sector- 29, Gurgaon on 25.03. 2012 so that it will not be inconvenient to Chairman and Members, APTEL to attend the meeting of SAC and it would afford them an opportunity to have an interaction with SAC members who represent all the stake holders of Haryana.

The meeting of SAC was held as scheduled on 25.03.2012 at Gymkhana club, Sector-29 , Gurgaon. The agenda along with executive summaries of the ARR petitions of the distribution licensees was circulated well in advance. At the start of the meeting, chairman, HERC apprised the members of SAC that Commission has taken a major initiative for replacement of all defective meters of Discoms; the Commission has already issued the order as per which all defective meters will be got replaced by Discoms by 30th April; the field officers have been authorized to purchase meters of approved specifications from the market if the same are not made available by the purchase committee and that after 30th April if any meter is found dead stop/ defective /burnt more than four months old, the concerned SDO/XEN will be held personally responsible and would be liable to heavy penalties. CMD, DHBVNL/ UHBVNL intervened to say that they are proceeding as per the order of the Commission and hope to meet the target of replacement of defective meters as stipulated by the Commission in the order. Chairman also informed that the Commission is working on a proposal to introduce distribution franchisee in high loss making circles or districts and RFQ is likely to be issued shortly. Chairman further said that Commission would

like that CMD, DHBVNL & UHBVNL make a detailed presentation on the Loss Reduction Program of Discoms in the next SAC meeting.

The members thereafter discussed at length various issues concerning the ARR / Tariff petitions mainly of Discoms. Members said that nobody minds increase in tariff because of increase in coal prices etc or have any objection on FSA but they are highly concerned about huge distribution losses of the Discoms. There has been no significant reduction in losses in the past ten years. The Discoms simply do jugglery giving different loss figures in different years which are generally wrong and misleading. How can the Discoms survive when there are feeders and circles with up to 70% losses, they asked. If the Commission simply go on increasing the tariff without addressing this vital issue, it will not help. The members also touched the issue of wide spread corruption in the Discoms. Some members also raised the issue of open access. It was said that the Commission should formulate a transparent procedure for grant of open access in line with CERC Regulations and impose severe penalty on the utilities if they fail to comply with the regulatory provisions. The issue of cross-subsidy was also raised by a member. He said that as per the Act, the cross-subsidy should slowly be phased out but the Commission, in the last tariff order of Discoms, have increased the cross-subsidy. The Chairman intervened to say that cross-subsidy might have increased in absolute terms but in percentage (of difference in cost) terms it has decreased by 20%. Another member said that tariff should be based on COS. He said, under HT tariff, with the increase in voltage level, there is not commensurate reduction in tariff whereas decrease in COS at higher voltages is significant. He requested the Commission to address this anomaly. A member from TERI said that there is need to develop a mechanism to incentivize employees who perform better and that COS based tariff should be implemented. He further said that the utilities should get comprehensive energy audit done at least once in three years. The Chairman intervened to inform that Commission is contemplating to get fuel audit done on the pattern recently got carried out by PSERC for Punjab utilities. The representative from northern railway stated that the traction tariff is not commensurate with their COS which is quite less. He further requested that the railways should be exempted from payment of ACD in cash and instead Discoms should accept BGs against ACD.

The Hon'ble Mr. Justice Mr. Karpaga Vinayagam, Chairperson, APTEL, Hon'ble Mr. Rakesh Nath, Member, APTEL and Mr. H. L Bajaj, Ex-Member, APTEL also addressed the SAC members before the meeting was concluded.

The Commission has duly considered the views of the Members of SAC while finalizing the present ARR & Tariff order.

3 ANALYSIS OF ARR FILINGS AND COMMISSION'S ORDER

The Commission, while passing this order for determination of ARRs of the UHBVNL and DHBVNL for the FY 2013-14, has taken into account their respective ARR Petitions, additional information/data provided by them, objections / suggestions of the stakeholders, replies of distribution licensees thereto, views expressed by the objectors during the public hearings and the valuable suggestions of the Members of State Advisory Committee.

3.1 Commission's Estimate of Energy Sales

3.1.1 AP Consumption

The two Discoms had segregated their agriculture supply feeders in the year 2009-10. As such their AP consumption for FY 2011-12 & FY 2012-13, was estimated by the Commission on the basis of actual consumption recorded on segregated AP feeders during FY 2010-11 and FY 2011-12, after adjusting a loss factor of 16%. Though UHBVNL has implemented HVDS scheme on segregated AP feeders in four Districts, even then the line losses on segregated AP feeders are found to be of the order of 15.6% based upon the figures of energy sent on segregated AP feeders and that actually billed as supplied by them. The losses in respect of DHBVNL, who have not implemented the HVDS scheme on segregated AP feeders may be still higher. So for estimating the AP consumption of two Discoms for FY 2013-14, a loss factor of 16% has been considered.

3.1.2 UHBVNL

The perusal of data of AP sales supplied by UHBVNL for FY 2010-11, FY 2011-12 & FY 2012-13 (upto 31st December, 2012) indicates that AP sale of FY 2011-12 has increased by 14.93% over AP sale of FY 2010-11. Similarly the AP sale of FY 2012-13 (upto 31st December, 2012) has increased by 12.95% over the sale of the same period of the previous year. On the other hand if we look at the connected load of the tube well connections of the licensee, it increased only by 3.22% from 1st April, 2011 to 31st March, 2012 and by 3.96% from 1st January, 2012 to 31st December, 2012. The percentage increase in number of tube well connections during these periods is even lesser than the increase in connected load.

3.1.3 DHBVNL

Similarly, a perusal of data of AP sales supplied by DHBVNL for FY 2010-11, FY 2011-12 & FY 2012-13 (upto 31st December, 2012) indicates that AP sale of FY 2011-12 has increased by 18.97% over AP sale of FY 2010-11. Similarly the AP sale of FY 2012-13 (upto 31st

December, 2012) has increased by 10.48% over the sale of the same period of the previous year. On the other hand, if we consider the connected load of the tube well connections of the licensee, it increased only by 9.51% from 1st April, 2011 to 31st March, 2012 and by 5.61% from 1st January, 2012 to 31st December, 2012. The percentage increase in number of tube well connections during these periods is even lesser than the increase in connected load.

The above details, which have been worked out on the basis of the inputs supplied by the two Discoms, clearly establish that the claimed increase in AP sales over the previous years as intimated by them are far more than the expected increase in AP consumption due to increase in connected load/ connections of Agriculture pump sets. It is felt that the increase in AP sale should be commensurate with the increase in connected load. The Commission observes that this mismatch could be because of the following reasons:-

The claim of the Discoms that 100% feeders have been segregated into AP feeders does not seem to be true.

The claim of UHBVNL that there is no load other than the AP load on segregated AP feeders does not appear to be correct it seems there are non-AP load on segregated AP feeders which is increasing at an exorbitant rate every year. This is one of the reasons for very high growth in AP sales year after year.

Similarly the quantum of non-AP load connected on segregated AP feeders, intimated by the DHBVNL also seems to be an under estimation and it is felt that this non-AP load is increasing at an alarming rate every year as compared to increase in the AP load and this is another reason for exorbitant growth being shown in AP sales.

In view of the above discussions the Commission is not inclined to accept the growth rate of AP consumption as projected by the Discoms and hence the Commission has based its estimation on actual / estimated growth of AP connected load.

The calculations for AP consumption of the two Discoms are as per detail below:-

Table 3.1 AP consumption estimation for UHBVNL for FY 2012-13 and FY 2013-14

Sr. No.	Description	
1	AP Units as recorded on Segregated AP feeders for FY 2011-12	4615.85 MUs
2	Losses @ 16% on (1) above.	738.54 MUs
3	Net AP consumption for FY 2011-12 (1-2)	3877.31 MUs
4	AP units recorded on other feeders during FY 2011-12.	151.96 MUs
5	Consumption of other category consumers on Segregated AP	Nil

	feeders.	
6	Total AP consumption for FY 2011-12 (3+4-5).	4029.27 MUs
7	Increase in AP connected load of the Licensee from 1 st January, 2012 to 31 st December, 2012	3.96%
8	Estimated AP consumption for FY 2012-13 considering the increase in AP consumption by 3.96% over FY 2011-12 (4029 x 1.0396)	4188 MUs
9	Estimated AP consumption for FY 2013-14 considering a growth of 5% over FY 2012-13 (4188 x 1.05)	4397 MUs

Table 3.2 AP consumption estimation for DHBVNL for FY 2012-13 and FY 2013-14

Sr. No.	Description	
1	AP Units as recorded on Segregated AP feeders for FY 2011-12	4074.69 MUs
2	Losses @ 16% on (1) above.	651.95 MUs
3	Net AP consumption (1-2) for FY 2011-12	3422.74 MUs
4	AP units recorded on other feeders during FY 2011-12.	110.75 MUs
5	Consumption of other category consumers on segregated AP feeders.	186.83 MUs
6	Total AP consumption for FY 2011-12 (3+4-5).	3346.65 MUs
7	Increase in AP connected load from 1 st January, 2012 to 31 st December, 2012	5.61%
8	Estimated AP consumption for FY 2012-13 considering the increase in AP consumption by 5.61% over FY 2011-12 (3347 x 1.0561)	3535 MUs
9	Estimated AP consumption for FY 2013-14 considering a growth of 5% over FY 2012-13 (3535 x 1.05)	3712 MUs

In estimating AP consumption for FY 2012-13, the Commission has considered the load growth percentage as reported by the two Discoms, for the period 1st January, 2012 to 31st December, 2012. This is 3.96% in case of UHBVNL & 5.61% in case of DHBVNL. With these figures, the combined load growth of the two Discoms work out as 4.64%. However, for estimating AP consumption of the two Discoms for FY 2013-14, the Commission has considered a higher growth of 5% over the energy estimation for FY 2012-13, which takes care of anticipated increase in FY 2013-14.

Accordingly the Commission allows 4397 million units as AP sale in FY 2013-14 to UHBVNL against 5133 million units projected. The Commission allows 3712 million units as AP sale in FY 2013-14 to DHBVNL against 4231 million units projected by them.

3.1.4 Metered Sales (Other than AP)

In order to project the respective consumer category wise sales of UHBVNL & DHBVNL for FY 2013-14 the Commission, in line with the methodology adopted in its previous orders, has relied on CAGR of previous years data provided by the them for connected load, number of

consumers, sales and the resulting consumer category wise load factor. Thus after applying the projected load factor to the projected consumer category wise connected load the consumer category wise sales for FY 2013-14 have been arrived at. However, till FY 2010-11 there existed substantial unmet demand in Haryana as was evident from power regulatory measures adopted by the distribution companies, the Commission is of the view that with substantial augmentation in power availability in FY 2013-14 the CAGR of past data may not truly reflect the consumer category wise sales in FY 2013-14. Hence, except for consumer categories such as Agriculture, Railways (Traction), DMRC, Lift Irrigation etc. the Commission, in line with the enhanced power availability in Haryana has assumed additional 10% sales over and above those arrived at on the basis of consumer category wise CAGR of the past data submitted by the Discoms. The Commission thus approves sales for FY 2013-14 as given in the following table:-

Table 3.3 - Approved Sales FY 2013-14 (Million Units)

Consumer Categories	UHBVNL		DHBVNL	
	UHBVNL proposal	HERC Approval	DHBVNL proposal	HERC Approval
Domestic	3620	3530	3930	3968
Non Domestic	1114	1031	2334	2302
HT Industry	3212	2862	5259	5457
LT industry	1008	872	1088	867
Agriculture metered	2233	2085	2623	2466
Agriculture Unmetered	2900	2312	1608	1246
MITC	6	6	0	0
Lift irrigation	63	62	159	177
railway traction	113	115	140	140
Bulk supply	377	341	467	502
street lighting	73	44	61	56
PWW	576	534	369	383
Metro	0	0	23	21
Total	15294	13793	18062	17584

The Commission observes that given the power availability scenario there may not any need to purchase short term expensive power or drawl under UI mechanism in a low grid frequency situation. However, in case such purchase is necessitated to manage day to day operations the purchase rate should not exceed the average revenue realization per unit of the two Discoms respectively. The Commission would like to add that for all the subsidized / cross – subsidized consumer categories the sales as approved above shall be construed as the ceiling sales volume.

3.2 Power Purchase:

3.2.1 Projections by UHBVNL / DHBVNL:-

The Haryana Government in exercise of powers conferred by Section 131 of the Electricity Act, 2003 transferred the rights relating to procurement of electricity /UI draws/dispatches or trading of electricity from HVPNL/HPGCL to UHBVNL and DHBVNL (the two state owned distribution licensees in Haryana) w.e.f.1/04/2008 with the functional arrangements becoming operational w.e.f.15/04/2008. Consequently, Haryana Power Purchase Centre (HPPC) was set up to manage the bulk power purchase (both intrastate and interstate) and bulk supply functions for two distribution licensees. HPPC procures power from the Central Generating Stations from where power has been allocated to Haryana and from time to time additional allocations are made from the central un – allocated quota in the CPSUs and other external sources i.e. NTPC, NHPC, NPC, short term/bilateral arrangements, shared projects such as BBMB as well as power made available by HPGCL from the state generating stations.

The total power availability in FY 2013-14 from all external and internal sources i.e. NTPC, NHPC, NPCIL, SJVNL HPGCL, BBMB stations, IPPs, Co-generation, renewable energy generation etc. has been projected at 52,217 MU at a cost of Rs. 1,90,460 millions. The average cost of power procurement in FY 2013-14 works out to Rs. 3.65 / kWh.

3.2.2 Commission's Estimate of power purchase:-

As per the submissions of the distribution companies and the fact that they have projected surplus energy to be available for inter – state sale, the Commission believes that there may not be any need to rely on expensive short term sources or drawl under UI mechanism in a low grid frequency condition. Consequently in a surplus situation the Discoms / trading company should explore the possibilities of actively participating in bids for procurement of power floated by energy deficit states / distribution companies outside the state. This, the Commission believes, would go a long way in reducing the average cost of power available for sale to the electricity consumers of Haryana. Otherwise the Discoms may get stranded with surplus capacity and in the absence of matching demand end up paying the fixed charges even if power stations are backed down on merit order or inject power in the grid and get meagre return as UI under high grid frequency.

The Commission, in the past, has been relying on the Generation targets from the CPSUs targets finalised by the Central Electricity Authority (CEA) in consultation with the generators. The generation targets are arrived at by the CEA based on discussions with the respective

states, the generation programme given by Generators, the performance of the generating stations, planned maintenance requirement and average forced outages during the last few years as well as anticipated coal supply scenario in case of the thermal power stations. As the generation targets for FY 2013-14 have not been, so far, finalized by the CEA, the Commission, in order to estimate the power availability in Haryana has considered the following:-

- (a) CEA's generation target for FY 2012-13.
- (b) Past trend of actual generation achieved vis –a – vis CEA's generation targets.
- (d) HPGCL's generation targets as approved by the Commission for FY 2013-14.
- (e) Expected generation targets from new generating stations as proposed by the Discoms.

The volume of power purchase from each source approved by the Commission for FY 2013 - 14 is discussed in the subsequent paragraphs. As the Power Purchase Agreements have been allocated in 1:1 ratio to UHBVNL & DHBVNL and HPPC procures power on behalf of both the Distribution licensees, the projections are for Haryana as a whole.

3.2.3 Availability of power from HPGCL:

The Commission has considered power availability at the bus bar from HPGCL sources as per its order dated 29.03.2012 in Case No. HERC/PRO-25 of 2012 in the matter of HPGCL's Petition on determination of HPGCL's Generation Tariffs for FY 2013-14. The details are presented in the table 3.4.

Table 3.4 - Power purchase volume from HPGCL (MUs)

Particulars	Power Purchase in FY 2012-13	Discoms Proposal for FY 2013-14	HERC Approval for FY 2013-14
HPGCL	18044.41	18044.41	19903.07

3.2.4 Availability from NTPC Faridabad CCGT (FGPP):

The 432 MW Faridabad gas based power station of NTPC is a dedicated station for Haryana. As per Discoms present petition 3037.97 MUs was available to Haryana in FY 2011-12 and 3157.02 MU in FY 2012-13. For FY 2013-14 the Discoms have projected 2833.76 MU from FGPP. The CEA's generation target available for FY 2012-13 for FGPP is 2555 MU. Thus the Commission, for the purpose of projecting availability, has retained the generation target as per CEA's projections. **Given the surplus power availability projected in Haryana, the**

Commission directs the Discoms not to schedule power from FGPP on liquid fuel. The Commission's approved volume from FGPP is as per the table 3.5.

Table 3.5 - Power purchase volume from FGPP (MUs)

Particulars	Power purchase in FY 2012-13	Discoms proposal for FY 2013-14	HERC Approval for FY 2013-14
Faridabad CCGT	3157.02	2833.76	2555

3.2.5 Availability of power from shared projects of BBMB & IPGCL:-

The Discoms have share (to the extent of shares owned by HVPNL in the shared projects) in capacity entitlement to the extent of 33.02% in Bhakra, 32.02% in Dehar, 16.67% in Pong (all BBMB stations).

The Commission observes that as per Discoms present petition 3460.64 MUs were available from BBMB power stations in FY 2011-12 and 2471.53 MUs in FY 2012-13. As against this the projected availability from this source in FY 2013-14 is 3004.99 MUs. For the purpose of projecting availability of power from BBMB sources, the Commission has retained CEA's generation targets for FY 2012-13 as generation from this hydel sources may not be much different from the previous year.

Thus the Commission approves the volume of power purchase equivalent to the share entitlement of Haryana in BBMB projects as per generation target(s) approved by CEA for FY 2011-12 after reducing the same by 0.5% on account of auxiliary consumption as given in table below:

Table 3.6 - Power Purchase Volume from BBMB (MUs)

Particulars	Power purchase in FY 2012-13	Discoms proposal for FY 2013-14	HERC Approval for FY 2013-14
BBMB	2471.53	3004.99	2766

3.2.6 Availability of power from NTPC :

Haryana continues to draw more than its entitlement of power from NTPC stations. The over draws are largely because of the following reasons:

- NTPC stations generating over and above the CEA Schedule as they operate much above the normative plant load factor.
- Allocation out of 15% unallocated central quota by Ministry of Power, Govt. of India based on the needs of the State.
- Drawing un-requisitioned shares of other constituents.

The Commission has based its approval on the CEA's generation targets available for FY 2012-13 after adjusting the same for auxiliary energy consumption and actual generation by NTPC power stations in which Haryana has share.

The details of power availability during FY 2012-13, Discom's proposal for FY 2013-14 and Commission's approval of power purchase volume from NTPC stations for FY 2013-14 are presented in the table that follows.

Table 3.7 - Power Purchase Volume from NTPC (MUs)

Particulars	Power purchase in FY 2012-13	Discoms proposal for FY 2013-14	HERC Approval for FY 2013-14
Singrauli STPS	1814.98	1260.18	1941
Rihand I	491.35	433.15	903
Rihand II	629.52	388.83	824
Unchahar I	103.11	70.93	141
Unchahar II	241.42	158.12	227
Unchahar III	118.12	81.54	214
Anta Gas	163.85	153.71	233
Auraiya Gas	178.98	233.70	310
Dadri Gas	266.63	237.70	309
Farakka STPS	66.11	61.94	61.94
Kahelgaon I	161.82	143.28	143
Kahelgaon II	454.82	385.46	385
NCTPS (Dadri II)	104.92	0	0

3.2.7 Availability of power from NHPC:

The Commission's approval of availability from NHPC Power Stations for FY 2013-14 is largely based on the CEA's generation targets for FY 2012-13 adjusted for auxiliary consumption, home state's share and actual availability reported in the previous year. The Commission's approval of volume of power purchase volume from NHPC generating stations is presented in the table 3.8:

Table 3.8 - Power purchase volume from NHPC (MUs)

Particulars	Power Purchase FY 2012-13	Discoms proposal for FY 2013-14	HERC Approval for FY 2013-14
Bairasiul	229.51	261.86	230
Salal	488.07	449.40	405
Tanakpur	22.95	26.14	25
Chamera I	378.60	369.96	288
Chamera II	119.69	96.52	177
Uri	161.63	112.81	123
Dulhasti	160.18	117.19	180
Dhauli Ganga	91.30	87.05	86
Sewa II	33.83	37.93	29

3.2.8 Availability from NPCIL sources:-

The Commission's approval of power purchase volume from Nuclear Power Corporation i.e. NAPP and RAPP sources is again based on Haryana's share in the CEA's target generation for FY 2012-13, net of auxiliary consumption adjusted for actual availability in the previous year. The Commission's approval of power purchase volume from NPCIL is presented in the table 3.9.

Table 3.9 - Power Purchase Volume from NPCIL (MUs)

Particulars	Power Purchase FY 2012-13	Discoms Proposal FY 2013-14	HERC Approval for FY 2013-14
NAPP	161.67	179.09	61.50
RAPP	728.26	482.19	527.05

3.2.9 Power Purchase through Short Term/bilateral/UI mechanism

The Discoms in their FY 2013-14 ARR petition have not proposed any drawl of power under short - term / bilateral & UI mechanism. Consequently, the Commission, while estimating volume of power purchase, has not considered any power from short – term arrangements including drawl under UI mechanism in FY 2013-14.

3.2.10 Power Purchase from Other Sources:

a) Power Procurement from a few other sources including new power plants proposed by the Discoms include Mundra UMPP, Pragati Gas, APCL, DVC – Raghunathpur, Rihand III, Sasan UMPP, Mundra (Adani), DVC – Mejia –B, Koteshwar, Chamera III, Koldam, Teesta III, Uri – II, Parbati III, MGSTPS (CLSP), Koderma etc. The Commission allows availability from these sources based on CEA's generation targets for FY 2012-13 where ever available adjusted for actual availability from these sources in the recent past as reported by the distribution licensee. In case neither CEA's generation target or past generation data is available, the Commission has adopted power purchase volume as proposed by the Discoms in their present petition.

Table 3.10 - Power Purchase from Other Sources (MUs)

Particulars	Power Purchase in FY 2012-13	Discoms Proposal for FY 2013-14	HERC Approval for FY 2013-14
Mundra UMPP	650.83	1847.82	2500
Sasan UMPP	-	526.01	526.01
Pragati Gas Bawana	1341.84	698.98	699
Aravali Power	2697.75	3239.30	3239.30
DVC – Raghunathpur	116.89	561.08	561
Rihand III	-	199.88	200
Mundra Adani	1995.57	7989.75	7989.75

DVC – Mejia B	233.78	561.08	561.08
THDC Koteswar	100.18	81.26	81
Chamera III	53.90	53.90	53.90
Koldam HEP	-	93.23	93.23
Teesta III	-	216.81	216.81
Uri II	10.57	28.19	28.19
Parbati III	-	147.43	147.43
MGSTPS (CLP)	1606.17	3332.80	1925
Koderma	93.51	561.08	561.08
SJVNL	389.75	340.17	395
THDC Tehri	150.43	228.08	313
Rampur HEP	-	34.33	34.33

b) Availability of Power from Independent Power Producers/PTC

In addition to the power available from Central Sector, State Sector and Shared Utilities, the Discoms have projected availability of power from PTC Tala, PTC J&K, and Lanco Amarkantak etc. The Commission allows volume of power purchase from such sources as proposed by the Discoms in FY 2013-14. The details are as under:-

Table 3.11 - Availability of Power from PTC

	Power purchase in FY 2012-13 (MU)	Discoms proposal for FY 2013-14 (MU)	HERC Approval for FY 2013-14 (MU)
PTC - Tala	47.20	65.02	65.02
PTC J&K	325.10	216.79	216.79
PTC–Lanco Amarkantak	771.57	1094.10	1094.10

c) Availability of Power from Renewable Energy Sources

The Commission is committed to encourage cogeneration and non-conventional fuel based generation including solar generation projects under JNNSM scheme in the State and accordingly allows power purchase volume, as proposed by Discoms, from renewable sources for which PPAs have been approved by the Commission.

The approved power purchase volume from renewable energy sources is presented in the table 3.12:

Table 3.12 - Approved Power Purchase Volume from Renewable Energy Sources

	Power purchase in FY 2012-13 (MU)	Discoms proposal for FY 2013-14 (MU)	HERC Approval for FY 2013-14 (MU)
P&R Gogripur	5.52	8.67	8.67
Bhoruka Power	23.20	26.02	26.02
Puri Oil Mills	29.19	18.03	18.03
Biomass Projects	64.91	64.91	64.91
Solar Power Projects	7.94	7.94	7.94
New Biomass Projects	188.59	188.59	-

3.2.11 Total Approved Power Purchase Volume:

Based on the source wise approvals as presented above, the Commission determines gross power availability of 54,748 MU in FY 2013-14 as per details given in Table 3.13.

3.2.12 Power Purchase Cost:

The cost of purchase of power is mostly a known parameter. The amount payable by the Discoms are based on power purchase agreements with various generators that clearly establish the price determination procedure. In case of central power sector units (CPSU's) or other generators supplying power to more than one state, the tariffs as approved by the Central Electricity Regulatory Commission (CERC) are applicable. Most of the elements constituting the total cost of generation i.e. capacity charges, base energy related charges, adjustment of base energy charges for cost of fuel and other factors, taxes, duties, incentive payments etc. are well defined and can be estimated with a reasonable degree of accuracy.

The Power Purchase cost has been estimated by the distribution licensees largely based on the relevant tariff orders, recent bills, existing arrangement and an assumed escalation factor for each source of power.

The Commission has notified on 5.12.2012 the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2012. The relevant provision of the said regulations on power purchase cost is reproduced below.

- 59.1 *The cost of power purchased by the distribution licensees from generating stations of HPGCL shall be worked out based on the tariff determined by the Commission. The cost of power purchase from central generating stations shall be worked out based on the tariff determined by the CERC. Similarly the cost of power purchased from nuclear power stations of Nuclear Power Corporation of India Ltd. (NPCIL) shall be worked out on the basis of tariff notified by the Departmental of Atomic Energy under the Atomic Energy Act, 1961. In case of bilateral transactions, the rates as per PPAs approved by the Commission shall be considered. The cost of power purchase from other generating companies / sources shall be worked out based on invoices raised by the generators during the previous year. In absence of above, rates based on bills of energy purchased during the previous 3 months shall be considered by the Commission.*
- 59.2 *The cost of power purchase from non-conventional energy sources shall be based on the tariff determined by the Commission as per renewable energy regulations notified by the Commission and as amended from time to time or as per the PPAs approved by the Commission.*
- 59.3 *Subject to provisions of clause 59.3, any variation in cost of power purchase at the allowed transmission loss level, for reasons beyond the control of the distribution*

licensee, shall be allowed to be recovered by the distribution licensee by way of FSA, as per the formula approved by the Commission and as amended from time to time. The procurement price to be adopted for working out variation in the cost of power beyond approved power purchase volume shall be the generation tariff approved by the Commission, the rate discovered through competitive bidding and adopted by the Commission or the short-term rates approved by the Commission.

- 59.4 Any loss on account of increase in power purchase cost, not covered above, shall be borne by the distribution licensee.
- 59.5 The Renewable Purchase Obligation (RPO) of the distribution licensee shall be as per the renewable energy regulations notified by the Commission as amended from time to time.

The Commission observes that the Discoms for estimating source wise power purchase cost have adopted the approach as mentioned below.

- i) For HPGCL the Discoms have considered the per unit rate as projected by HPGCL for FY 2013-14 i.e. at an average rate of Rs. 4.19/kWh.
- ii) For other Power Stations, the Discoms have taken into account the likely increase in fuel cost, fixed cost, O&M cost and other expenses during FY 2013-14 i.e. an increase of 2.5% in the per unit rate has been factored in.
- iii) For BBMB power the Discoms have considered an escalation of 4% from FY 2012-13 to FY 2013-14.
- iv) For UMPP the power purchase rate has been considered by the Discoms as per the tariff calculated by the Developer each year.
- v) The power purchase for upcoming thermal and hydro generating stations have been considered by the Discoms at Rs. 4 / kWh and Rs. 4.25/kWh respectively. Further the rates for all new power stations have been escalated by 2.5% every year to provide cushion for increase in fuel cost.

The Commission observes that the Discoms have not referred to the CERC order(s) or the provisions of the PPA as approved by the Appropriate Commission. They have also not referred to the latest invoices raised by the Generators for projecting the power purchase cost from various sources. Thus they have neither relied on the methodology set for the purpose by this Commission nor adopted the methodology approved by this Commission in its previous orders. Consequently, the Commission feels that the most appropriate basis for estimation of power purchase cost would be the actual annual average cost of power from various generating / trading sources in FY 2012-13 and as per the tariff as applicable as per the approved PPA / generation tariff order in the relevant cases including renewable sources of power. Thus, for the station wise power purchase rate, the Commission has considered the actual average rate available up to December 2012 as submitted by the Discoms with appropriate adjustments or the rate as per the approved PPAs.

The Commission has not considered any escalation factor as the amended FSA Regulations notified by the Commission provide for the adjustments (both plus or minus) on account of variation in cost of power purchase from the approved sources due to variation in CERC rates or fuel cost in case of CPSUs including for any FSA claimed by HPGCL due to variations in fuel cost on a quarterly basis without filing any FSA petition seeking approval of the Commission.

3.2.13 Tariff for power from CPSUs (NTPC, NHPC & NPC)

The tariffs for power purchase from central sources have been considered at the average rate of power purchase in FY 2012-13 (up to December, 2012).

3.2.14 Price for HPGCL power

The Commission under sub - section 1(a) of section 86 and sub section 1(a) of section 62 of the Electricity Act 2003 has determined HPGCL's generation tariffs for FY 2013-14 vide its order dated 29.03.2012 (Case No HERC/PRO – 25 of 2012). The approved station wise rates in the above-mentioned order of the Commission have been considered for determining the cost of power from HPGCL stations.

3.2.15 Price of Shared utility power

HVPNL, as per the transfer scheme notified by the Government of Haryana, has ownership interest to the extent of equity shares in IPGCL and BBMB projects and the corresponding share in capacities have been allocated to HPPC. HVPNL has to bear its share of net O&M cost in respect of BBMB projects, i.e. net of O&M charges less credit for HVPNL share of revenue for sale of power to common pool consumers. However, in line with the Hon'ble Appellate Tribunal's order on cost of BBMB power, the Commission allows tariff for power from BBMB as proposed by the Discoms for FY 2013-14 which, besides O&M expenses, also includes depreciation and interest on Haryana's share of the Capital Expenditure.

3.2.16 Price of Power Purchased from Other Sources

The Commission has relied upon the average power purchase rate as per the FY 2012-13 invoices raised by the generators in case of SJVNL, Farakka, Tala HEP, Dhulhasti, Dhauliganga, Tehri, Kahalgaon I and Kahalgaon II in lieu of Tala. The Commission has not separately allowed wheeling, Open Access and other charges for these power stations as no separate details were provided by the Discoms. However, as these are legitimate cost the

same shall be recovered by the Discoms as actual incurred basis if not already included in the average rates (up to December, 2012) considered by the Commission.

3.2.17 Price of Short term Power purchase/bilateral arrangements

The Commission has not considered any short term purchases or drawl under UI mechanism and hence for estimating power purchase cost in FY 2013-14 the cost of the same has not been considered.

3.2.18 Unitary Charge

In its order on the ARR for transmission licensee, the Commission has allowed HVPNL to recover the unitary charge arising out of transmission project commissioned through Public Private Partnership (PPP) between HVPNL and M/s Jhajjar KT Transco Private Limited by raising a separate bill on the beneficiaries in ratio of their usage from the date of commissioning of the line for which a separate transmission license has been granted by the Commission. The TSA including monthly unitary charge already stands approved by the Commission. Estimated cost on account of the Unitary Charge Rs. 600 million for FY 2013-14 is now being allowed as part of power purchase cost of the Discoms.

3.2.19 Details of volume, rate & cost of power purchase from various sources

The details of approved rates (Rs/kWh) and cost (Rs. Millions) for purchase of power along with approved volume (Million units), from various sources for FY 2013-14 are presented in Table 3.13.

Table 3.13 - Approved Volume, Rate & Cost of Power Purchase for FY 2013-14

	Discoms TOTAL	Rate	Rs. Million
	MU	Rs/kWh	
NTPC			
Singrauli STPS	1941	1.65	3203
Rihand I	903	2.04	1841
Rihand II	824	2.07	1706
Unchhahar I	141	3.47	488
Unchhahar II	227	3.68	835
Unchhahar III	214	3.96	848
Anta CCGT	233	4.63	1077
Auraiya CCGT	310	5.43	1684
Dadri CCGT	309	4.83	1491
Faridabad CCGT	2555	5.23	13363
NHPC			

Salal I	405	0.93	377
Bairasiul	230	1.62	373
Tanakpur	25	2.38	59
Chamera I	288	1.48	427
Chamera II	177	2.53	447
Dhauliganga	86	2.65	228
Dulhasti	180	5.25	946
Uri	123	1.69	207
Sewa II	29	4.45	129
SJVNL	395	2.39	943
Tehri (THDC)	313	4.58	1432
Koteshwar HEP 1&2	81	4.35	353
Kahalgaon	143	3.19	457
Kahalgaon II	385	3.44	1326
NPC			
NAPP	61.5	2.48	153
RAPP (3-4)	527	3.06	1613
HPGCL	19903	3.89	77392
BBMB	2766	0.35	968
Farakka	62	3.45	214
PTC Tala	65	2.02	131
PTC J&K	217	3.74	811
PTC Lanco Amarkantak	1094	3.6	3939
P&R Gogripur	9	3.9	34
Bhoruka	26	3.18	83
Puri Oil Mill	18	3.95	71
Biomass Projects	65	2.77	180
Solar Projects	8	5.67	45
Aravali	3239	5.37	17395
Mundra UMPP	2500	2.51	6275
Sasan UMPP	526	1.2	631
Pragati Gas Bawana	699	6.09	4257
DVC Raghunthpur	561	4.51	2530
Rihand III	200	3.58	716
Rampur HEP	34	4.47	153
Mundra Adani	7990	2.35	18776
DVC Mejia-B	561	4.2	2357
Chamera III	54	3.69	199
Koldam HEP	93	4.47	417
Teesta III	217	4.47	969
Parbati III	147	4.47	659
MG STPS CLP Jhajjar	1925	3.17	6102
Koderma	561	4.2	2357
Barh II	75	4.2	316

Uri II	28	4.47	126
TOTAL	54748	3.36	184107

In accordance with the source wise volume and cost of power approved by the Commission as indicated in the table above, the total volume of power expected to be available in FY 2013-14 works out to 54748 MUs at a cost of Rs. 184107 millions. The average rate of power purchase allowed by the Commission in FY 2013-14 works out to Rs. 3.36 / kWh without accounting for inter-state and intra-state transmission losses.

3.3 Transmission Losses

For the purpose of calculating the available energy for sale by the Distribution licensees for FY 2013-14, the Commission has relied on the latest available figures for inter-state and intra-state transmission losses as given in its order on Aggregate Revenue Requirement for Transmission Business & SLDC for FY 2013-14 dated 29.03.2013 (Case No. HERC/PRO – 29 of 2012), which are 3.82% and 2.50% respectively. Resultantly, the net energy available for sale by the Discoms works out to 52570 million units. The details are presented in the table below.

Table 3.14 Energy available for sale by distribution business (FY 2013-14)

	Description	Computation	HERC Approval
1	Gross Energy Procured from out of state sources (MU)	1	21734
2	Interstate transmission loss %	2	3.82%
3	Interstate transmission loss (MU)	3= 1*2	830
4	Net Energy available from out of state sources (MU)	4 = 1-3	20904
5	Add energy generated within the State (MU)	5	33014
6	Net Energy available for use in Haryana	6=4+5	53918
7	Intra - state transmission loss (%)	7	2.50%
8	Intra - state transmission loss (MU)	8=6*7	1348
9	Energy available for sale by distribution licensee	9= 6-8	52570
10	Less interstate sale		11483
11	Net energy available for intra state sale	11=9-10	41086

3.4 Intra-State Transmission Charges & SLDC Charges

The Commission, vide its order on Transmission Tariff and SLDC charges dated 29.3.2012, has approved Rs 5646.43 millions as Transmission charges and Rs. 46.88 million as SLDC charges for FY 2013-14 including the transmission and SLDC charges recoverable from

TPTCL. The details including monthly recovery of the transmission and SLDC charges from various beneficiaries including the Discoms are given in the Commission's order for transmission and SLDC Tariff in HERC / PRO – 29 of 2012 for the financial year 2013-14.

3.5 Interstate sale

The distribution licensees have proposed a sale of 6205.36 MU (UHBVNL 2880.36 MU + DHBVNL 3325 MU) outside the state at Rs. 3.16 per unit which is 80% of the bulk supply rate proposed by them outside the state being the difference in the proposed sale and the estimated availability of power from different sources in FY 2013-14. The difference between availability of power and projected sales as estimated by the Commission is 11483 MU. Sale of 11483 MUs at bulk supply rate outside the State as estimated by the Commission is expected to generate Rs. 40191.87 million @ Rs. 3.50 per unit which is reduced from the gross power purchase cost. The balance power purchase cost is then allocated between the two distribution licensees in the proportion of their requirement after considering the distribution losses allowed to them for FY 2013-14.

The Commission is of the opinion that excess availability of power is due to mismatch between the availability of power and the ability of the licensees to supply the same to the consumers in an efficient manner in the state. The interstate sale of power should be managed in such a manner so that the consumers of the state are not made to suffer loss due to this inability of the licensee. In case the power procurement planning is done in an efficient manner, the licensees should even be able to subsidise the consumers of Haryana by selling the excess power to consumers outside the state at remunerative rates.

Table 3.15: Interstate sale and bulk power purchase cost (Rs. million)

Power purchase cost for distribution licensees	Rate Rs/ kWh	Volume (MUs)	Cost (Rs. Million)
Power available for sale	3.50	52570	184107.00
Interstate sale	3.50	11483	40191.87
Power available for sale within Haryana		41086	143915.13
Unitary charges			600.00
Power purchase cost for the Distribution licensees	3.52	41086	144515.13

3.6 Power purchase cost for Distribution licensees

The revenue from interstate sale of power, as calculated above, is reduced from the total cost of power allowed by the Commission as per para 3.2.19 to arrive at net cost of power to be incurred by the two distribution licensees for FY 2013-14. The cost of power allocation is

based on the distribution losses approved for each distribution licensees. The calculation of power purchase cost is as given below:-

Table 3.16 - Power purchase cost for Distribution licensees (Rs. millions)

		UHBVNL	DHBVNL	Total
Units sold by discoms	MU	13793	17584	31378
Distribution loss	%	27.50%	20.30%	23.64%
Distribution loss	MU	5231	4478	9709
Bulk units purchased	MU	19024	22062	41086
Net power purchase cost for DISCOMS as per table 3.15				144515.13
Rate per unit				3.52
Cost		66963.62	77655.77	144619.39

3.7 Renewable Purchase Obligation (RPO)

Section 86 (1) (e) of the Electricity Act, 2003 mandates the Commission to promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, a percentage of the total consumption of electricity in the area of distribution licensee, for mandatory purchase of electricity from such sources. In accordance with the Regulation 64 of HERC (Terms and Conditions for determination of Tariff for Renewable Energy Sources, Renewable Purchase Obligation and Renewable energy Certificate) Regulations, 2010 the RPO for FYs 2010-11, 2011-12 and 2012-13 as approved by the Commission are as under:

Table 3.17 - Renewable Purchase Obligation for 2010-11, 2011-12 and 2012-13

Financial year	Energy Consumption (MU)	%age of overall RPO	Renewable energy (other than solar) required to be purchased as per overall RPO (MU) (2x3)	%age of solar RPO (as a %age of overall RPO)	Energy required to be purchased as per solar RPO (MU) (4x5)	Total renewable energy required to be purchased (MU) (4+6)
1	2	3	4	5	6	7
2010-11	32996	1.50%	495	0.25%	1.24	496
2011-12	36075	1.50%	541	0.31%	1.69	543
2012-13	40000	2.00%	800	0.05%*	20	820

* Solar power purchase obligation is 0.05% of total energy consumption for the financial years 2012-13.

As per data provided by the State Nodal Agency for FY 2010-11 & FY 2011-12 and the data obtained from the distribution licensees for FY 2012-13 (up to December, 2012), the shortfall in meeting the RPO for the aforesaid years has been worked out as under:

Table 3.18 - Shortfall in meeting RPO MUs

Type of RE source	FY 2010-11	FY 2011-12	FY 2012-13 (up to December, 2012)
Solar	1.29	0	7.14
Non-Solar	186.00	143.00	319.89
Total	187.29	143.00	327.03

The Commission observes that the Discoms have failed to achieve the RPO target set by the Commission. **The Discoms are directed to submit an action plan as per the Regulation in vogue to meet their RPO by purchasing REC. The action plan shall be submitted by the Discoms within a month from the date of this order.**

Regulations 64 (1) and (2) of the HERC (Terms and conditions for determination of tariff from Renewable Energy Sources, Renewable Purchase Obligation and Renewable Energy Certificate) Regulations, 2010 (2nd Amendment) Regulations, 2011 provides, as under:

“64 (1) Every obligated entity in Haryana shall purchase from renewable energy sources under the Renewable Purchase Obligation (RPO) not less than 1.5% of its consumption of energy during each of FY 2010-11 and 2011-12, 2% for the FY 2012-13 and 3% for the FY 2013-14.”

“64 (2) Solar power purchase obligation of every obligated entity shall be 0.05% and 0.10% of its energy consumption for the financial years 2012-13 and 2013-14 respectively. “

In accordance with the provisions of the aforesaid regulations the RPO for the FY 2013-14 is determined as under:

Table 3.19 - Renewable Purchase Obligation for FY 2013-14

Energy Consumption for 2013-14 (MU)	%age of Non solar RPO of energy Consumption	Non solar RPO (MU) (1x2)	solar RPO as %age of energy sales	solar RPO (MU) (1x4)	Total renewable energy required to be purchased (MU) (3+5)
1	2	3	4	5	6
41086	2.90%	1191.49	0.10%	41.09	1232.58

The volume of energy to be purchased from renewable energy sources as per above table is the total RPO of the distribution licensee for the financial year 2013-14. Therefore, the volume of renewable energy purchase as approved by the Commission in Table 3.12 shall be adjusted against the total RPO of the distribution licensees. Further, RPO of 1232.58 MUs

shall be part of total power purchase volume approved by the Commission for FY 2013-14 and set off against the costliest power in the merit order.

The Commission directs the Discoms to purchase renewable energy as per RPO targets set for FY 2013-14. In case they can purchase the same at a tariff lower than determined by this Commission they may do so, otherwise they must purchase all such power offered to them by the renewable energy power producers at the tariff determined by this Commission.

Treatment to the shortfall in meeting the RPO for the FYs 2010-11, 2011-12 and 2012-13 as per details given in the Table 3.18 shall be in accordance with the provisions of regulation 65, 66 and 67 of the aforesaid regulations of the Commission. The amount to be set aside for this purpose shall be decided separately.

The Commission reiterates that the State Nodal Agency i.e. HAREDA shall submit, by 15th of 1st month of each quarter, requisite quarterly status of RPO met by the obligated entities, separately for overall RPO and solar RPO, in accordance with the provisions of regulations 66 (3) of the HERC renewable energy regulations in the following format.

Table 3.20 HERC renewable energy regulation format

Name of distribution licensee	Other than Solar RPO (MUs)	Solar RPO (MUs)	Name of renewable energy source	Capacity	Generation during the financial year (MU)	Quantum of energy procured by distribution licensee (MU)	Difference (MUs) (2+3-6)
1	2	3	4	5	6	7	8

Note: Details of Solar RPO and Other RPO and compliance to be reported separately.

The State Agency may suggest appropriate action to the Commission for compliance of the renewable purchase obligation by the obligated entities.

The distribution licensees are directed to provide requisite information to the State Agency on monthly basis by 10th of every month to enable the State Agency to submit quarterly status to the Commission.

3.8 Operation and Maintenance expenditure

The operation and maintenance expenditure of the UHBVNL and DHBVNL comprises of Employees Cost, Repair & Maintenance expenses' and 'Administration & General expenses. These expenses are analyzed under this sub-head. The actual audited expenses for FY 2011-12, expenses approved by the Commission for 2012-13 and expenses projected by the distribution licensees in their ARR petitions for FY 2013-14 under each of these heads of expenditure are given in the Tables 3.21 & 3.22.

Table 3.21 - UHBVNL Proposal for O&M expenses (Rs. millions)

Particulars	Audited for FY 2011-12	HERC Order for FY 2012-13	UHBVNL Proposal -for FY 2013-14
Wages, salaries and related costs	7058.57	5228.14	6566.0
R&M expenses	417.60	928.85	1093.40
A&G expenses	567.80	689.60	652.0
Total O&M Expenditure	8043.97	6846.59	8454.9

Table 3.22 - DHBVNL Proposal for O&M expenses (Rs. million)

Particulars	Audited FY 2011-12	HERC Order FY 2012-13	DHBVNL Proposal FY 2013-14
Wages, salaries and related costs	5422.55	6185.91	6633.90
R&M expenses	390.28	585.20	969.20
A&G expenses	488.58	437.70	637.0
Total O&M Expenditure	6301.41	7208.81	8240.1

UHBVNL and DHBVNL in their ARRs under consideration have projected their respective expenditures on the basis of audited accounts for FY 2011-12. This being their latest available audited accounts, the Commission has also considered the same with appropriate adjustments for approving various expenses comprising the aggregate revenue requirements for FY 2013-14 for the distribution and retail supply business.

3.8.1 Employees' cost

The 'Employees cost' includes the cost incurred by the distribution licensees on their employees who are presently working as well as for their retired employees. The cost of working employees includes salary, dearness allowance and other allowances such as HRA, CEA, LTC, medical reimbursement etc. However, in the case of retired employees and those who would retire during the year, the distribution licensees have to discharge financial liabilities towards pension, gratuity, leave encashment benefit etc. as such the same has been taken into account while estimating employees cost for FY 2013-14.

A. Basic Salary & Dearness Allowance (DA)

In their ARR petition for FY 2013-14, UHBVNL has proposed expenditure on account of salaries at Rs. 2873.50 million. Expenditure on DA @ 82% has been proposed at Rs. 2356.20 million. UHBVNL has proposed additional recruitment of 2151 employee in FY 2012-13 and 1157 employees during FY 2013-14 despite clear directions of the Commission in the tariff order for FY 2012-13 to not to make any recruitments without the approval of the Commission. Therefore, while working out expenditure under this head, the Commission has not allowed any expenditure on account of new recruitments as proposed by the distribution licensees. Based on per employee cost as per the audited accounts for FY 2011-12 and after accounting for annual increase of 3% in salary, the Commission allows for Rs. 2381.74 million as basic salary for FY 2013-14 and Rs. 1833.94 million as DA @ 77% for FY 2013-14. UHBVNL has proposed a DA Rate of 67% in the text while the calculations are based on a DA rate of 82%. The Commission has used the rate of 77% to arrive at the DA amount of Rs. 1833.94 million as this seems a better estimate keeping in view the fact that average DA rate for FY 2012-13 is 70%.

DHBVNL in their ARR for FY 2013-14 has proposed basic salary amounting to Rs. 2118.20 million and DA @ 82% amounting to Rs. 1736.90 million. DHBVNL has also proposed additional recruitment of 1297 employees in FY 2012-13 and 1286 employees in FY 2013-14. The additional cost on new recruitments is disallowed by the Commission. Following the methodology enunciated above the Commission allows expenditure on account of basic salary at Rs. 1732.71 million and DA @ 77% of Rs. 1334.19 million in the case of DHBVNL.

The DISCOMS are directed not to make any new recruitment including any recruitment against sanctioned posts unless specifically approved by the Commission. The licensees are further directed to outsource as many services as could be done without compromising on the quality of service. However, senior technical services may not be outsourced. The Commission is of the opinion that it is important to bring down the employee cost and improve efficiency in the working of the organisation. The distribution licensees should endeavour to outsource additional services and link the rewards to efficiency parameters so that both the targets are met and try to implement franchise model in distribution management.

B. Other allowances

The 'other allowances' as part of employees cost proposed by UHBVNL is Rs. 476 million and by DHBVNL Rs. 459.40 million. The Commission approves Rs. 388.10 million in respect

of UHBVNL and Rs 375.79 million in respect of DHBVNL for FY 2013-14 again based on per employee cost.

C. Terminal benefits

In its ARR under consideration UHBVNL has proposed Rs. 1003.50 million as contribution towards pension trust on account of terminal benefits, including contribution for employees covered under the new pension scheme, for FY 2013-14. DHBVNL has proposed Rs. 1584.40 million on this account and the same amounts are approved by the Commission.

D. Expenditure on contract employees

In addition to the cost on regular employees, DHBVNL has proposed an expenditure of Rs. 792.45 million as cost to be incurred on employees on contract. The Commission allows the same subject to true up based on actual. **DHBVNL is directed to file details of number and category of employees on contract so that the Commission is able to take an informed view on the cost**

E. Employees' Cost Capitalised

Employees cost relating to the construction division(s) is capitalized each year in proportion to the actual expenditure incurred in the construction divisions vis –a–vis total expenditure. The Commission has considered the ratio of capitalization as computed from the latest available audited accounts of UHBVNL and DHBVNL for FY 2011-12. Resultantly, the employees cost capitalized for UHBVNL works out to Rs. 122.70 million at the rate of 2.67% which is allowed as against Rs. 143.30 million proposed by them. In the case of DHBVNL, capitalisation @ 1.19% works out to Rs. 50.32 million which is being allowed as against DHBVNL's proposal of Rs. 57.40 million.

The computational details of employees cost for FY 2013-14 approved by the Commission is presented in the table 3.23.

Table 3.23 - Employees' cost approved for FY 2013-14 (Rs. millions)

Employee Cost Components	Proposal of distribution licensees		HERC Approval	
	UHBVNL	DHBVNL	UHBVNL	DHBVNL
Basic Salary	2873.50	2118.20	2381.74	1732.71
D.A.	2356.20	1736.90	1833.94	1334.19
Other Allowances	476.40	459.40	388.10	375.79
Expenditure on Contract employees		792.50		792.45
Terminal benefits	1003.50	1584.40	1003.50	1584.40
Total	6709.50	6691.40	5607.28	5819.55
Less: Employee cost capitalised	143.30	57.40	122.70	50.32
Net Employee Cost	6566.30	6634.00	5484.58	5769.23

The Commission reiterates that distribution licensees should not divert / appropriate the provident fund subscription received from their employees for any other purposes.

3.8.2 Repair and Maintenance expenses

For maintaining the distribution system in a proper working condition Repair and maintenance (R&M) cost is incurred by the distribution licensees. The Commission, in order to evolve a scientific basis for calculating R&M expenditure had directed the distribution licensees to prepare R&M norms for the equipments used in the distribution and retail supply business. As per report submitted to the Commission, the normative expenses worked out to 1.65% of GFA.

UHBVNL and DHBVNL, in their ARR under consideration, have estimated R&M expenses amounting to Rs. 1093.40 million and Rs. 969.20 million at base rate of 1.65% increased by an increase in WPI during FY 2011-12(8.93%) i.e. 1.80 % of GFA for FY 2013-14 in line with the MYT regulations. However, the Commission finds that as per the audited accounts of the both the distribution licensees for FY 2011-12, their actual R&M expenses are less than the normative ratio of 1.65% of the average GFA during the year. The Commission, therefore, allows R&M expenses on normative ratio of 1.65% of average GFA for FY 2013-14 amounting to Rs. 982.22 million in the case of UHBVNL and Rs. 857.91 million in case of DHBVNL.

However the Commission observes that the allowed repair and maintenance costs are based on the approved capital additions during FY 2012-13 and FY 2013-14. The actual additions to GFA, as seen in the past, fall much short of the projected additions and therefore the actual expenditure also falls much short of R & M expenses approved by the Commission on

normative basis. This is a double loss to the consumer as, firstly, maintenance expenses of nonexistent infrastructure are recovered from them and secondly, they are not made available the required level of service. The Commission, therefore, cautions the licensees to ensure that the additions to the infrastructure must be added planned and in time.

The R&M expenses as projected by the licensees and as approved by the Commission are given in the Table 3.24 below: -

Table 3.24 -Repair & Maintenance Expenses approved for FY 2013-14 (Rs. millions)

Particulars	Proposal of distribution licensees		HERC Approval	
	UHBVNL	DHBVNL	UHBVNL	DHBVNL
GFA at the beginning of the year	57235.50	49736.10	57235.50	49590.13
GFA at the end of the year	64435.20	58113.80	61820.92	54399.41
Average GFA during the year	60835.35	53924.95	59528.21	51994.77
Normative R& M expenses as % of average GFA	1.80%	1.80%	1.65%	1.65%
Repair and maintenance Expenses	1093.40	969.20	982.22	857.91

3.8.3 Administrative and General Expenses

UHBVNL has proposed Administrative and General Expenses (A&G) amounting Rs. 674.80 million by considering assumed increases in the different components of A&G expenses based on past trends. The Commission approves Rs 576.04 million as A&G expenses for FY 2013-14 for UHBVNL and Rs. 528.36 million for DHBVNL after accounting for 4% increase per annum over the audited expenses for FY 2011-12 in line with the MYT regulations.

3.9 Interest Cost

3.9.1 Interest cost on Long Term Loans

UHBVNL has proposed to recover Rs. 2987.50 million as interest for capital works related borrowings in FY 2013-14. The Commission has reviewed the execution of approved capital works for FY 2013-14 and their funding requirement and observes that the licensee needs to borrow Rs. 1677.40 million to fund the expenditure. The repayment of loans for FY 2012-13 and for FY 2013-14 is considered equivalent to depreciation for the year. Considering this, the interest cost on approved borrowings allowed by the Commission amount to Rs. 2205.25 million. Keeping in view the scheduled capitalisation of works, the commission approved Rs. 370.49 million as Interest during Construction (IDC) which is to be reduced from the gross

interest. Consequently the interest cost, net of capitalisation, works out to Rs. 1834.75 million for FY 2013-14 and the same is allowed in the case of UHBVNL.

DHBVNL in their petition has proposed Rs. 1972.10 million towards interest cost of borrowing for capital works in FY 2013-14. In FY 2013-14, the Commission estimates that the licensee will require borrowing of Rs. 2116.20 million to fund the approved capital expenditure plan. Accordingly, the interest cost on the allowed borrowing in FY 2013-14 is Rs. 1478.84 million. Keeping in view the scheduled capitalisation of works, the commission approved Rs. 223.34 million as IDC which is to be reduced from the gross interest. Consequently the net interest after capitalisation works out to Rs. 1255.50 million for FY 2013-14. The allowed interest on borrowings for capital works is dependent on the licensee adhering to the approved capital works. In case the DISCOMS are unable to achieve the planned additions to capital works, the Commission may be constrained to adjust the excess interest allowed in the ensuing ARR.

3.9.2 Interest on Working Capital

The Commission has allowed interest on borrowings for working capital in accordance with the MYT regulations. For UHBVNL this amount is estimated as Rs. 10642.66 million. The interest @ 12% on these borrowings amounts to Rs. 1277.12 million.

For DHBVNL, the working capital requirement is assessed at Rs. 11128.0 million. The interest @ 12% on these borrowings amounts to Rs. 1335.35 million.

3.9.3 Interest on Consumers Security Deposits.

UHBVNL has proposed interest cost on consumer security at Rs. 393.09 million whereas DHBVNL has proposed a corresponding amount of Rs. 409.50 million @ 6% p.a. The Commission considers this estimate to be reasonable and approves the same. **The interest on consumer security deposit is allowed subject to compliance by the licensees of The Haryana Electricity Regulatory Commission (Duty to supply electricity on request, Power to recover expenditure incurred in providing supply & Power to require security) Regulations, 2005.**

3.9.4 Cost of raising finance and bank charges

UHBVNL has estimated that it will incur additional expenditure on account of raising finance and bank charges amounting to Rs. 110.60 million. The Commission feels that this estimate is extremely high considering the fact that the licensee expects to raise an additional amount

of Rs. 1125 million and the proposed cost comes to nearly 10% of additional borrowings. The Commission allows the licensee to recover Rs. 68.30 million on this account based on the audited accounts for FY 2011-12 subject to true up.

The computational details are presented in the following table.

Table 3.25 - Approved Interest Expenses for FY 2013-14 (Rs. millions)

Interest on Loans	Proposal of distribution licensees		HERC Approval	
	UHBVNL	DHBVNL	UHBVNL	DHBVNL
Gross Interest on Capital Expenditure Loans	2987.50	1972.10	2205.25	1478.84
Less: Interest Capitalised	2255.00	1015.20	370.49	223.34
Net Interest on Capital Expenditure Loans	732.50	956.90	1834.75	1255.50
Interest on Working Capital Loans	16669.80	11235.30	1277.12	1335.35
Interest on consumers' security deposits	393.10	409.50	393.10	409.50
Cost of raising finance and Bank charges	110.60	0	68.30	0
Total	17906.00	12601.80	3573.27	3003.35

3.10 Depreciation

UHBVNL has claimed depreciation amounting to Rs. 1977 million on an opening balance of GFA of Rs. 57236 million which works out to 3.45% of GFA at the beginning of the year. After accounting for the depreciation on consumers contribution and grants (Rs. 226.7 million) the net depreciation for FY 2013-14 has been claimed as Rs. 1750 million. The Commission has revised the applicable rates of depreciation vide the MYT and the licensees were to file the depreciation costs accordingly but have expressed their inability to do so for the ensuing year. The Commission, therefore, allows the depreciation rates claimed by the licensees, as per audited accounts for FY 2011-12 and the same shall be allowed to be trued up based on the audited cost as per the revised depreciation rates. The Commission approves Rs. 1976.98 million as depreciation on its estimation of opening balance of GFA for FY 2013-14. Depreciation on assets created out of government grants and consumer contribution i.e. Rs 226.70 million as proposed by UHBVNL has been reduced from the approved total depreciation to arrive at the net depreciation of Rs. 1750.28 million for FY 2013-14.

DHBVNL has claimed Rs. 1708.80 million as depreciation for FY 2013-14 on the opening balance of GFA of Rs 49736.10 million which works out to an average of 3.34% of opening

GFA. The depreciation as per commission on the same rate works out to Rs. 1654.40 million on the Commission's estimate of GFA of Rs.49590.13 million. The depreciation on consumer contribution i.e. Rs. 363.10 million is to be reduced from it leaving a net balance of Rs. 1291.30 million to be included in the ARR of DHBVNL in FY 2013-14.

The approved depreciation shall be utilized by the Licensees towards meeting the capital loans repayments during the year.

Table 3.26 Approved Depreciation for FY 2013-14 (Rs. millions)

Depreciation	Proposal of distribution licensees		HERC Approval	
	UHBVNL	DHBVNL	UHBVNL	DHBVNL
Opening Gross GFA for the year	57236.00	49736.10	57235.50	49590.13
Depreciation	1977.00	1708.80	1976.98	1654.40
Rate of depreciation	3.45%	3.44	3.45%	3.34%
Less depreciation on consumer contribution	226.7	363.10	226.70	363.10
Net depreciation	1750.30	1345.70	1750.28	1291.30

3.11 Other Debits

UHBVNL has proposed to adjust Rs. 588.60 million as other debits comprising mainly of various provisions including Rs. 552.70 million for bad and doubtful debts. The Commission is of the view that an ARR is always projected on an estimate of certain actual costs of doing a business. Provisions, on the other hand are not actual costs but only a probable loss. Such costs, therefore, shall form part of true up expenses as and when actually incurred.

3.12 Special Appropriation

3.12.1 Payment to HPGCL on account of delayed payment charges

UHBVNL and DHBVNL have prayed for recovery of Rs 695 million and Rs. 1176.60 million towards recovery of delayed payment surcharge bills raised by HPGCL for the period from 2008-09 to FY 2011-12 for delayed payments of bills by the licensee due to financial crunch faced by the licensee. The Commission observes that the working capital cost is allowed to the licensees on normative basis. In addition to the working capital, additional funds by way of consumer security deposit are available to them to fund the power purchase cost till the bills are raised and realised from their consumers. Cost of all these borrowings are borne by

the consumers of the state. In spite of this, if the licensee is unable to make payment of bills on due date, the consumers shall not be burdened. The licensee would have been able to pay for its power purchase cost if the cash flow of the business had been smooth. However, the Distribution and retails supply licensee has always been constrained by lower recoveries of bills and in the last few years, the poor cash flow position has been exaggerated by non payment of subsidy by the State government. Distribution losses over and above those allowed by the Commission have also added to the financial woes of the DISCOMS. Apart from non payment of subsidy by the state government, the other issues are a feature of continuing poor financial and technical performance by the licensees. The licensees must investigate the reasons behind its poor cash turnaround time and take adequate steps to improve it. The delayed payment surcharge is in the nature of cost of treasury expenses and is unrelated to the business of supply of electricity. This has been upheld by the Hon'ble Appellate Tribunal for electricity in case no. 184 of 2011 in its judgement dated 27.2.2013. Therefore the Commission disallows any recovery on account of delayed payment surcharge.

3.12.2 Truing up of expenses in consequence to the order of the Hon'ble Appellate Tribunal for Electricity in case number 204 of 2010

UHBVNL has proposed to recover Rs. 6032.07 million and DHBVNL proposes to recover Rs. 3433 million on account of true up of various expenses incurred in FY 2011-12. The Commission has examined each head of expenditure as per the audited accounts that has been in variance with the amount allowed in the ARR. Commission finds that a large number of expenses in the ARR are based on norms and the Commission finds no reason to change the basis of calculation. The expenses claimed by the licensees and amounts allowed by the Commission are as given below:-

Table 3.27 - UHBVNL Approved vs Actual Expenses for FY 2011-12

(Rs. millions)

S. No.	Particulars	Approved Expenditure	Actual Expenditure	Difference	
				Claimed by UHBVNL	Allowed by HERC
1	R&M Expenses	885.90	417.60	-468.30	-468.30
2	A&G Expenses	567.00	548.40	-18.60	-18.60
3	Interest cost on borrowings:				
a)	Capital expenditure	1485.73	1642.20	156.47	156.47
b)	Consumer security	240.12	263.42	23.29	23.29
c)	Working Capital	2629.08	8923.98	6294.90	0.00
4	Depreciation	1352.70	1355.40	2.70	2.70
5	Other Expenditure	0.00	260.00	260.00	0.00
6	Income Tax / FBT	0.00	0.00	0.00	0.00

	provisions				
7	Net Prior Period Expenses	0.00	-8.90	-8.90	-8.90
8	Employee cost	7268.10	7058.60	-209.50	-209.50
	Total	14428.63	20460.70	6032.07	-522.83

Table 3.28 - DHBVNL Approved vs Actual Expenses for FY 2011-12

(Rs. millions)

S. No.	Particulars	Approved Expenditure	Actual Expenditure	Difference	
				Claimed by DHBVNL	Allowed by HERC
1	R&M Expenses	700.20	390.30	-309.90	-309.90
2	A&G Expenses	978.70	488.50	-490.20	-490.20
3	Interest cost on borrowings				
a)	Capital expenditure	1045.47	635.40	-410.07	-410.07
b)	Consumer security	113.40	372.29	258.89	258.89
c)	Working Capital	1497.00	3918.81	2421.81	0.00
4	Depreciation	696.30	861.00	164.70	164.70
5	Other Expenditure	0.00	392.60	392.60	0.00
6	Net Prior Period Expenses	0.00	419.50	419.50	222.40
7	Employee cost	4437.20	5422.60	985.40	985.40
	Total	9468.27	12901.00	3432.73	421.22

The basis for allowing/ disallowing expenditure on true up is as follows:

1. The interest on working capital is allowed on normative basis in the ARR and Commission has no reason to revise the norm. Therefore no additional interest on working capital is to be allowed on account of true up.
2. Interest on Capital expenditure has been true up based on actual capital expenditure incurred, borrowings to fund the capital additions, rate of interest and IDC.
3. Other expenditure comprises mainly of provisions for intangible assets and other losses written off. True up is allowed on account of expenses and not on account of intangible items and therefore not allowed in the ARR.
4. Prior period expenses on account of depreciation for previous years have been allowed to be true up by the Commission. However, other items being mainly of adjustment nature are not to be true up.

3.13 Total Expenditure

On the basis of the item wise analysis and the views of the Commission presented in the preceding paragraphs the total expenditure approved by the Commission with respect to the Distribution and Retail Supply Business of UHBVNL in FY 2013-14 is Rs. 81758.76 million as against Rs. 130098.80 million proposed by the Licensee. While in the case of DHBVNL the same is estimated at Rs. 92288.23 million as against Rs. 129319 million proposed by them. Item wise details are presented in the following table.

Table 3.29 - Approved Expenditure for FY 2013-14 (Rs. millions)

Particulars	Proposal of distribution licensees		HERC Approval	
	UHBVNL	DHBVNL	UHBVNL	DHBVNL
Expenditure:				
Purchase of energy	98203	106014	66963.62	77655.77
Transmission charges			2954.27	2741.17
SLDC charges			23.01	23.01
Wages, salaries and related costs	6566	6634	5484.58	5769.23
R&M Expenses	1093	969	982.22	857.91
A&G Expenses	652	637	576.04	528.36
Interest cost on borrowings	14159	8696	3573.27	3003.35
Depreciation	1750	1346	1750.28	1291.30
Bad Debts including provisions				
Other expenditure	589	414		
Total Expenditure	123372	124710	82281.59	91867.11
Special Appropriations:				
Delayed payment surcharge levied by HPGCL	695	1176	0	
True up of Expenses of previous years	6032	3433	-522.83	421.22
Total Special Appropriations	6727	4609	-522.83	421.22
Total Expenditure (including special appropriation)	130099	129319	81758.76	92288.33

3.14 Capital Expenditure

The licensee UHBVNL, in their ARR filing for FY 2013-14 has proposed a Capital Expenditure Plan of Rs. 1151.67 crores for FY 2013-14, but through its subsequent filing dated 15.03.2013, revised the same to Rs. 1417.86 crores.

The licensee DHBVNL, in their ARR filing for FY 2013-14 proposed a Capital Expenditure Plan of Rs. 989.25 crores for FY 2013-14.

The Commission observes that the two distribution licensees have been proposing exorbitant out-lays every year. Though the Commission has been allowing a much lower Capex, the

Discoms have not been able to spend the full out-lays as approved by the Commission. The details indicated below clearly establish this fact.

Table 3.30 - Detail of Capital Expenditure (Rs. In Crores)

Discom	FY 2010-11			FY 2011-12			FY 2012-13		
	Proposed	HERC Approved	Actual	Proposed	HERC Approved	Actual	Proposed	HERC Approved	Actual
UHBVNL	866.14	814.73	663.32	873.92	710.71	399.13	548.29	354.29	108.86 (upto Sep.2012)
DHBVNL	918.30	771.30	531.29	850.0	619	322.21	651.0	484.33	111.21 (upto Sep.2012)

It shows that the licensees are not working out their capital expenditure requirement with due attention. While considering the capital expenditure for a work, the actual status of the work viz approval of the work by the competent authority, approval of the bidding document, status of NIT / award of contract, delivery/completion schedule and the cost of the material likely to be procured during the plan year need to be taken into account. It seems the licensees are not keeping paying any attention.

The Commission thus feels that the spending capacity demonstrated by the two companies during the current financial year and in the past does not warrant allowing exorbitant out-lay as demanded by them for FY 2013-14.

Though directed in the order on ARR for FY 2011-12 and further reiterated in order on ARR for FY 2012-13, the licensees have not quantified the improvements achieved as a result of Capital Investment made and also have not submitted an analysis of the benefits accrued.

3.14.1 UHBVNL

Assessment of capital expenditure likely to be made by the licensee during FY 2012-13 and Capital Expenditure Plan for FY 2013-14 has been made on the basis of Capital Expenditure Plan filed by the licensee through their ARR for FY 2013-14, clarifications submitted vide their letter 29.01.2013, additional Capital Expenditure Plan filed for spill over works vide their letter dated 04.03.2013 and then further revised vide their letter dated 15.03.2013.

The Commission had approved a capital expenditure plan of Rs. 354.29 crores for UHBVNL for the year 2012-13. A scrutiny of the capital expenditure incurred and physical achievements reported by the licensee for FY 2012-13 (up to September 2012) indicated that against approved out lay of Rs. 354.29 crores, the expenditure incurred was only Rs. 108.86 crores which was 30% of the approved out lay. The licensee further proposes to spend Rs.

205.39 crores during the period October, 2012 to March, 2013 which includes Rs. 58 crores excess expenditure than approved out lay on two works i.e. Procurement of material & R-APDRP (Part-A). The likely expenditure intimated for FY 2012-13 is thus Rs. 314.25 crores, which would still be less than the approved out lay.

The Licensee in their ARR for FY 2013-14 proposed a Capital Expenditure Plan of Rs. 1151.67 crores for FY 2013-14, but through its filing dated 15.03.2013, revised the same to Rs. 1417.86 crores stating that they did not include the cost of spill over works in their original Capital Expenditure Plan filed for FY 2013-14. Through their filing dated 15.03.2013, the licensee has indicated the cost of the spillover works as Rs. 266.19 crores, which does not seem to be in order because as per their Expenditure Plan approved for FY 2012-13 and the likely expenditure intimated by the licensee to be incurred during FY 2012-13, the cost of spillover works comes out to Rs. 69.12 crores. So in approving Capital Expenditure Plan of the licensee for FY 2013-14, the cost of only these spill over works has been considered.

Considering the past performance of UHBVNL and works likely to be carried out during FY 2012-13, the Commission is of the view that it may not be possible for the licensee to execute and complete all the works proposed by it for FY 2013-14. As such, approval of funds against each work has been allowed based on the performance of the licensee in the execution of Capital Expenditure Plans during the previous years and status of NITs/award of contracts for the works proposed to be carried out during FY 2013-14. The investment which does not appear to be realistic has been curtailed. The Commission, therefore, allows the following capital expenditure for FY 2013-14:-

Table 3.31 - Capital Expenditure Plan of UHBVNL

Sr. No.	Name of work	Investment approved for FY 2013-14 (Rs. in crores)
1	Creation of new 33 KV sub-stations	
	New works	15.94
	Spill over works	32.45
2	Augmentation of existing 33 KV Sub Stations	
	New works	28.83
	Spill over works	8.00
3	Erection of new 33 KV lines	
	New works	6.70
	Spill over works	4.00
4	Augmentation of existing 33 KV lines	
	New works	2.38

	Spill over works	3.20
5	Erection of new 11 KV lines	
	New works	1.80
	Spill over works	2.20
6	Bifurcation / Trifurcation of overloaded 11 KV feeders	
	New works	24.00
	Spill over works	15.57
7	R-APDRP (Part-A)	57.00
8	R-APDRP (Part-B)	25.00
9	Material required for release of non - AP connections and replacement of old assets.	150.00
10	Release of tube well connections	50.00
11	Smart grid pilot in Panipat	16.72
12	AMR on large NDS & LT consumers	10.00
13	Pilot Projects (Overhead Fault Passage Indicator)	3.70
	Total	457.49

3.14.2 CIP of DHBVNL

Assessment of capital expenditure likely to be made by the licensee during FY 2012-13 and Capital Expenditure Plan for FY 2013-14 has been made on the basis of the original ARR submissions of the licensee and submissions made by the licensee vide their letter dated 30.01.2013.

The Commission had approved a capital expenditure plan of Rs. 484.33 crores for DHBVNL for the year 2012-13. A scrutiny of the capital expenditure incurred and physical achievements reported by the licensee for FY 2012-13 (up to September 2012) indicated that against approved out lay of Rs. 484.33 crores, the expenditure incurred is only Rs. 111.21 crores which is 23% of the approved out lay. The licensee, however, proposes to spend balance out lay of Rs. 373.12 crores during the period October, 2012 to March, 2013. The likely expenditure during FY 2012-13 would thus match the approved out lay.

Considering the past performance of DHBVNL and works likely to be carried out during FY 2012-13, the Commission is of the view that it may not be possible for the licensee to execute and complete all the works proposed by it for FY 2013-14. As such, approval of funds against each work has been allowed based on the performance of the licensee in the execution of Capital Expenditure Plans during the previous years and status of NITs / award of contracts for the works proposed to be carried out during FY 2013-14. The investment which does not

appear to be realistic has been curtailed. The Commission, therefore, allows the following capital expenditure for FY 2013-14:-

Table 3.32 - Capital Expenditure Plan of DHBVNL

Sr. No.	Name of work	Investment approved for FY 2013-14 (Rs. in Crores)
1	Metering	30.00
2	HVDS	10.00
3	Power Factor improvement	24.00
4	33 KV substations / lines (New and augmentation)	80.00
5	Procurement of material	100.00
6	Release of BPL connections under RGGVY	10.00
7	Release of tube well connection on turnkey basis	50.00
8	Bifurcation of feeders, augmentation of conductor and shifting of connections from AP feeders to DS feeders.	30
9	Implementation of R-APDRP (Part-A)	50.47
10	Implementation of R-APDRP (Part – B)	20.00
11	Civil works	10.00
12	System strengthening under IBRD loan and IBRD equity	100.00
13	Customer Care (Subdivision computerization)	5.00
	Total	519.47

The licensees are again directed to quantify the improvements achieved as a result of capital investment made every year and enclose an analysis of the benefits accrued along with the investment proposals of the ensuing year.

3.15 Non-Tariff Income

The Commission approves Rs. 1316.87 million and Rs. 958 million for UHBVNL and DHBVNL as non-tariff income for FY 2013-14 as proposed by them.

3.16 Return on Equity

The accumulated losses of the two distribution licensees i.e. UHBVNL and DHBVNL have completely eroded their net worth including equity capital deployed in the business. The Commission, on several occasions, has emphasized the need for recapitalization of the state owned distribution companies and infusion of fresh equity by the State Government over and above the equity component of the annual incremental capital expenditure to be undertaken by the distribution companies to modernize and augment the distribution system to meet the

increasing load and consumer base of the power utilities as well as their obligations to meet the standard of performance specified by the Commission in order to better serve the electricity consumers in Haryana. However, no progress seems to have been made in this direction.

The return on equity either comes from the profit earned from the business in the form of dividend or from the accumulated reserves and surplus. In the present case there is neither any profit nor reserves and surplus. Further due to accumulated losses the equity capital stands completely eroded.

In view of the above facts, the Commission does not consider it appropriate to allow any return on equity in the FY 2013-14, as in the past, to the distribution licensees.

3.17 Aggregate Revenue Requirement

In light of the above analysis, the Commission approves Rs. 80441.88 million as the aggregate revenue requirement of the Distribution and Retail Supply business of UHBVNL and Rs. 91330.33 million for DHBVNL for FY 2013-14.

The computation of approved Aggregate Revenue Requirement for FY 2013-14 is presented in the Table 3.33 & 3.34.

Table 3.33 - Aggregate Revenue Requirement for UHBVNL for FY 2013-14

(Rs. millions)

Description	UHBVNL Proposal	HERC Approval
Reasonable return/ Return on Equity	2987	0
Total expenditure	130099	81758.76
Minus: Non-tariff income	-1317	-1316.87
Total Aggregate Revenue Requirement	131769	80441.89

Table 3.34 - Aggregate Revenue Requirement for DHBVNL for FY 2013-14

(Rs. in millions)

Description	DHBVNL Proposal	HERC Approval
Reasonable return/ Return on Equity	2428	0
Total expenditure	129319	92288.33
Minus: Non-tariff income	-958	-958.00
Total Aggregate Revenue Requirement	130789	91330.33

3.18 Distribution System Performance

The Commission has reviewed the performance of Distribution System of UHBVNL and DHBVNL, based on the details of Technical performance Parameters for FY 2011-12 and FY 2012-13 (upto September) and other relevant data furnished by them. The observations of

the Commission with regard to their performance in respect of system operation and consumers' satisfaction are as under:

3.18.1 Distribution Losses:

The year- wise position of distribution losses as per the information provided by UHBVNL and DHBVNL is presented in the table below:

Table 3.35 - Year wise Distribution Losses (%)

Year	UHBVNL	DHBVNL
2001 - 2002	31.74	29.33
2002 - 2003	35.02	35.02
2003 - 2004	32.36	33.34
2004 - 2005	30.65	32.72
2005 - 2006	31.04	30.90
2006 - 2007	28.67	29.65
2007 - 2008	28.56	27.54
2008 - 2009	27.02	25.19
2009 - 2010	25.92	26.97
2010 - 2011	33.30	22.95
2011 - 2012	31.20	23.71

The Commission observes with serious concern that despite claims of the Distribution Licensees that they are making huge capital investments to reduce distribution losses, the position has not improved much from the inception of these companies. If we talk of UHBVNL, the losses in a span of ten years i.e. from FY 2001- 02 to FY 2011-12, are almost at the same level. In the year 2001-02, the losses were 31.74% which in the year 2011-12 were 31.20%. In the year 2010-11, the losses had increased to 33.30% for UHBVNL. In case of DHBVNL, these have reduced only by 5.62% in a span of ten years. This situation reflects adversely on the working of the Licensees.

An examination of the data of 11 KV feeders under UHBVNL made available for the period April, 2012 to September 2012, shows that out of total 3443 feeders, there are 406 feeders on which the losses are between 25% & 50%. There are 513 feeders on which the losses are between 50% & 75% and there are 284 feeders on which the losses are above 75%. The details are given in table 3.36:-

Table 3.36 - Feeder Losses UHBVNL

Category of feeders	Total number of feeders	No. of feeders on which Losses are between 25% & 50%	No. of feeders on which Losses are between 50% & 75%	No. of feeders on which Losses are above 75%
AP	1654	40	-	-
Rural Domestic Supply	828	55	472	279
Urban	561	307	41	5
Industrial / Independent	400	04	Nil	Nil
Total	3443	406	513	284

Similar data of DHBVNL for the period April, 2012 to September, 2012 shows that out of total 3186 11 KV feeders, there are 746 feeders on which the losses are between 25% & 50%. There are 286 feeders on which losses are between 50 % & 75% and the losses are above 75% on 15 feeders. Category wise detail has not been supplied by the company.

During public hearing as well as in their written objections, consumers and other stakeholders expressed their concern about high T & D loss levels both in UHBVNL and DHBVNL. They pointed out that cost of service has increased due to unreasonably high distribution losses and it would be extremely difficult for the licensees to remain financially viable unless immediate effective steps are taken to control the same.

As stated above there are feeders, both urban and rural, on which the losses are consistently above 50%, but the licensees have not bothered to get energy audit of such feeders done and take suitable measures to curtail the same. **The licensees are again directed to bring down the loss level of such feeders to a reasonable level by 31st March, 2014.**

3.18.2 Failure of Distribution Transformers (DTs):

The year-wise position of damage rate of distribution transformers, as per the information provided by UHBVNL and DHBVNL in the past and in the filing for 2013-14 is given in the table 3.37.

Table 3.37 - Failure Rate of Distribution Transformers

Sr. No.	Year	DHBVNL		UHBVNL	
		Failure Rate including transformers damaged within warranty period (%)	Failure Rate excluding transformers damaged within warranty period (%)	Failure Rate including transformers damaged within warranty period (%)	Failure Rate excluding transformers damaged within warranty period (%)
1	2001-02	17.90	15.90	19.68	16.59
2	2002-03	18.70	15.93	19.11	15.50
3	2003-04	18.60	15.49	22.32	15.68
4	2004-05	19.40	15.30	25.98	16.74
5	2005-06	17.60	13.92	24.77	15.02
6	2006-07	13.13	11.83	22.80	14.59
7	2007-08	11.49	9.14	17.65	11.58
8	2008-09	11.65	9.28	17.05	11.73
9	2009-10	Urban	5.79	4.58	6.56
		Rural	12.52	9.36	10.78
		Overall	11.74	15.06	10.30
10	2010-11	Urban	7.21	6.09	9.14
		Rural	12.36	9.46	6.75
		Overall	11.81	10.29	6.95
11	2011-12	Urban	7.21	5.54	7.76
		Rural	9.98	7.31	6.38
		Overall	9.71	10.08	6.49
12	2012-13 (upto Sept. 2012)	Urban	4.09	3.38	4.98
		Rural	5.35	4.12	3.66
		Overall	5.22	5.26	3.76

HERC vide its “Standards of Performance for Distribution Licensee Regulations 2004”, has fixed the failure rate of distribution transformers as maximum 5% for urban area DTs and maximum 10% for rural area DTs.

The DT damage rate is to be analyzed on the basis of total number of DTs damaged; irrespective of the fact whether the transformer damaged was within warranty period or not as all these DTs were part of the system.

The DT damage rate both in urban & rural areas is above the prescribed limits of 5% and 10% in the years 2009-10 & 2010-11. In the year 2011-12, the DT damage rate in urban area is 7.21% which is above the limit of 5%.

In the years 2009-10, 2010-11 & 2011-12, the DT damage rate both in urban & rural areas is above the prescribed limits of 5% & 10% respectively. In these years, the damage rate of DTs in urban areas is much above the limit of 5%.

The distribution licensees should examine the cause of damage of DTs in the areas where it is above the norms and endeavour to bring down the distribution transformer damage rate below the prescribed limits and also to exercise proper quality checks on new procurement to ensure least damage rate within the warranty period.

3.18.3 Accidents

The information relating to number of fatal and non-fatal accidents involving human beings and animals as reported by UHBVNL and DHBVNL is as follows.

Table 3.38 - Fatal and non Fatal Accidents in DHBVNL

Year →	04-05	05-06	06-07	07-08 (upto Dec. 07)	08-09	09-10	10-11	11-12	12-13 (09/2012)
Category									
Fatal									
Nigam Employees			25			19	17	8	6
Private Persons			17			38	33	46	28
Human Beings Total	30	52	42	24	46	57	50	54	34
Animals	103	73	87	55	87	71	77	63	47
Total Fatal	133	125	129	79	133	128	127	117	81
Non-Fatal									
Nigam Employees			28			51	31	31	15
Private Persons			7			31	23	31	18
Human Beings Total	51	57	35	59	53	82	54	62	33
Animals	0	4	-	-	-	-	-	-	-
Total Non-Fatal	51	61	35	59	53	82	54	62	33
Total Fatal and non Fatal	184	186	164	138	186	210	181	179	114

Table 3.39 - Fatal and non-Fatal Accidents in UHBVNL

Year →	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12
Category										
Fatal										
Human Beings	41	58	40	61	51	71	87	67	75	84
Animals	107	106	125	213	94	87	139	134	97	78
Total Fatal	148	164	165	274	145	158	226	201	172	162
Non-Fatal										

Human Beings	81	60	51	117	55	79	107	64	80	65
Animals	-	-	-	-	-	-	2	-	-	-
Total Fatal and non Fatal	229	224	216	391	200	237	335	265	252	227

The Commission notes with concern that the number of fatal and non-fatal accidents to human beings are on increase in respect of both the licensees.

An analysis of the data of DHBVNL indicates that there is almost twofold increase in the number of fatal accidents to human beings. The non fatal accidents to human beings have shown an increase i.e. from 22% from 51 in 2004-05 to 62 in 2011-12.

The situation of UHBVNL is worse than DHBVNL. Their total number of accidents is more than that of DHBVNL. The number of fatal accidents to human beings are on increase since the year 2002-03. From 41 in the year 2002-03, these have increased to 84 in the year 2011-12 i.e. an increase more than the double. In respect of non-fatal accidents to human beings, which are quite large in number, there is no improvement and these are at the same level as these were in FY 2002-03. The licensee has not supplied the details of accidents for FY 2012-13.

The above position indicates that the licensees have hardly taken steps to reduce accidents. High incidence of the accidents not only results in loss of human and animal lives but also causes financial loss to the utility in the shape of avoidable compensation payable to the victims and legal expenses. It also adversely affects the moral and confidence of the workmen. In the order on ARRs of the licensees for the year 2011-12 and further reiterated in the order on ARRs for the year 2012-13, it was suggested that accidents to their employees can be avoided by imparting them training on safety measures and by providing proper safety kits. The accidents to utility / private persons can be avoided by strengthening and properly maintaining the distribution system and by maintaining the clearances as per the CEA Regulations on 'Provision relating to Safety and Electricity supply.' However, from the accident details indicated above, it appears that no steps have been taken by the licensee in this regard. The Commission reiterates that the licensees should follow these suggestions seriously and act accordingly.

3.18.4 Energy Recording – Non replacement of defective energy meters by the distribution licensees

As per the data available with the Commission, following number of consumer meters are lying defective in the areas of jurisdiction of the two distribution licensees.

Table 3.40 - Defective meters in respect of DHBVNL (ending September 2012)

Name of Circle	Single Phase	Three Phase Ordinary	Three Phase Industries	Three Phase (LT/CT Meters)	Total
Faridabad	24636	5016	82	52	29786
Gurgaon	11500	4539	277	0	16316
Narnaul	8162	1535	27	2	9726
Rewari	9136	4008	4	38	13186
Bhiwani	30920	3130	273	0	34323
Hisar	24190	5440	11	68	29709
Sirsa	12028	9279	0	0	21307
Total	120572	32947	674	160	154353

Table 3.41 - Defective meters in respect of UHBVNL (ending September 2012)

Name of Circle	Single Phase	Three Phase whole current		Three Phase (LT/CT Meters)	Total
		Three Phase Ordinary	Three Phase Industries		
Ambala	7252	2038	14	13	9317
Jind	33499	4060	42	180	37781
Karnal	7472	1750	0	0	9222
Kurukshetra	4199	2060	0	0	6259
Rohtak	10634	427	1	12	11074
Sonepat	6923	407	0	0	7330
Y. Nagar	3670	590	8	3	4271
Panipat	13169	608	172	31	13980
Jhajjar	12841	1439	259	0	14539
Kaithal	17538	2144	13	12	19707
Total	117197	15523	509	251	133480

The supply of electricity through defective / dead stop meter for a long time, not only results in harassment to the consumer but is also a source of revenue loss for the licensees, on account of improper billing and improper measurement of power supplied. It also results in misuse and wastage of power.

As per powers conferred to it under sub Section (3) of Section 55 of the Electricity Act, 2003, the Commission passed an order on 10th January, 2013, in the matter of non-replacement of defective energy meters by the distribution licensees. As per this order the licensees shall replace all the meters lying defective as on date in the municipal areas by 30th April, 2013

and after this date, if any meter is found to have been defective for a period of four months or more, the concerned SDO & XEN each shall be penalized.

The Commission further directs that the defective meters existing in the area of the licensees (other than the Municipal areas) shall also be replaced within next six months.

3.18.5 Power Supply Position:

UHBVNL has reported following outages due to trippings.

Table 3.42 - Detail of trippings of UHBVNL System

Sr. No.	FY 2011-12		FY 2012-13 (upto September)	
	Number Of trippings	Time lost (Minutes)	Number Of trippings	Time lost (Minutes)
On 33 KV feeders	14621	108491	4095	44774
On 11 KV feeders	135159	2763431	74396	2010592
On DTs	150631	8805747	210539	4284729
Total	300411	11677669	289030	6340095

Similarly the DHBVNL has reported following trippings.

Table 3.43 - Detail of trippings of DHBVNL System

Sr. No.	FY 2011-12		FY 2012-13 (upto September)	
	Number Of trippings	Time lost (Minutes)	Number Of trippings	Time lost (Minutes)
On 33 KV feeders	4628	206919	2810	77570
On 11 KV feeders	208804	6823632	139948	4785707
On DTs	75763	29893111	74677	20772191
Total	289195	36923662	217435	25635468

The above information of DHBVNL, however, is not complete, as the licensee has not reported number of trippings on DTs in respect of Rewari and Gurgaon circles.

The licensees have not submitted other details with regard to average time taken in attending to the breakdowns. The licensee UHBVNL has not submitted details with regard to voltage profile and duration for which supply was made available to various categories of consumers.

The licensees also have not supplied any feedback regarding the improvement in consumer satisfaction as a result of setting up of consumer care centres, Bijli Suvudha Kendras and

facility of online filing of complaints, for handling power supply related complaints and other grievances of the consumers. As per the complaints received in the Commission and feedback from different sources, it appears that consumers have to make strenuous efforts to get even their minor grievances redressed. **The licensees are directed to ensure compliance of Standards of Performance notified by the Commission and submit requisite reports to the Commission.**

4 DISTRIBUTION AND RETAIL SUPPLY TARIFF DETERMINATION FOR FY 2013-14

4.1 Tariff Application filed by UHBVNL & DHBVNL (Discoms):

The Commission vide memo no. 7385-86/HERC/Tariff/ARR 2013-14 dated 9.01.2013 directed UHBVNL and DHBVNL as under:

“Kindly refer to the Memo No. 3760-63/HERC/Tariff/ARR 2013-14 dated 17/09/2012 on the subject cited above vide which following were communicated to you:

Kindly note that the petition(s) / application(s) should be filed with complete details along with supporting documents in accordance with the Tariff Regulations notified by the Commission including the principles / parameters enunciated for FY 2013-14 in the final draft MYT Regulations already sent to you.

Additionally the following is reiterated:

- 1. ARR & Tariff petitions is required to be filed alongwith an updated consumer category wise / voltage wise cost of supply (CoS) for the current year as well as the ensuing year. Further, the projected AP sales should be based on the actual data emanating from the AP segregated feeders.*
- 2. In an event of variations in the expected revenue at the existing tariff and projected revenue requirement, the power utilities must submit a tariff proposal to bridge the deficit or any other method as they consider appropriate for consideration of the Commission.*
- 3. Transmission / Distribution loss, AT&C loss reduction trend as well as trajectory must be clearly spelt out.*
- 4. Achieved / proposed efficiency gains on account of reduction in operating costs i.e reduction in employees cost, A&G cost, interest and financing cost etc. should be clearly established.*
- 5. In case subsidy to any class / category of consumer is envisaged from the State Government, an in principle approval of the State Government is required to be submitted along with the ARR & Tariff petition.*

In the absence of the above, the ARR & Tariff petition(s) shall be considered incomplete and may not be admitted by the Commission.

The Commission observes that the application for approval of FY 2013-14 ARR for Distribution and Retail Supply business is not in line with the MYT Regulations, 2012. Further neither Cost of Supply (CoS) study has been provided nor a tariff proposal has been submitted despite projecting a significant revenue gap at the existing distribution and retail supply tariff. Additionally, approval / commitment of the State Government for subsidy as per the provision of Section 65 of the Electricity Act, 2003 has also not been provided.

The Commission is of the considered view that in the absence of a tariff proposal the electricity consumers and other stakeholders are unaware of the tariff realignment envisaged by the Discoms and hence they are constrained from offering any specific comments / objections for the consideration of the Commission or discuss the tariff hike in the public hearings. Thus tariff determination, in the absence of objections / comments / views and suggestions from the stakeholders, lacks transparency and violates section 64 of the Electricity Act, 2003.

In view of the above the Commission would like to make it very clear that no tariff hike / claim will be considered by the Commission unless a tariff petition is filed by the Discoms with supporting documents and proper justifications”.

4.2 Discoms Tariff Petition for FY 2013-14:

In reference to HERC Memo No. 7386/HERC/Tariff/ARR 2013-14 dated 09.01.2013 the Discoms had submitted as under:

4.2.1 Cost of Supply & Agriculture Sales:

With regard to consumer category wise / voltage wise cost of supply, DHBVN had submitted that they have floated a tender notice for a comprehensive study on the same. The date of submission and opening of the technical bids was 5th September 2011. Letter of Intent has been issued to Feedback Infrastructure Services Pvt. Ltd. on 25.07.2012. The Discoms have submitted that the study is under process and the same shall be submitted only after the study is completed or at least its preliminary results are available.

4.2.1.1 Method to address the Projected Revenue Gap:

The re – stated consolidated revenue gap of UHBVN and DHBVN at the end of FY 2013-14 as submitted by them is presented below:

Table 4.1 - Restated Consolidated Revenue Gap at the end of FY 2013-14

	Particulars	UHBVN	DHBVN	Total Discom
		(Rs Mln)	(Rs Mln)	(Rs Mln)
1	Receipts			
A	Revenue from sale of power within state	51255	73392	124647
B	Revenue from sale of power outside state (trading)	9105	10512	19617
C	Revenue from misc charges + Other income	1251	1255	2506
D	Revenue subsidy from State Government + Grant	34376	25319	59696
	Total Receipts	95988	110478	206466
2	Expenditure			
A	Power purchase cost (incl. Transmission Charges)	98203	106014	204217
B	R&M Expense	1093	969	2063
C	Net Employee Expenses	6566	6634	13200
D	Net A&G Expense	652	637	1288
E	Depreciation	1750	1346	3096
F	Net Interest & Finance Charges	14519	8696	23215
G	Other Debits	589	414	1003
H	Net prior period Expenses	0.0	0.0	0.0
	Total	123372	124710	248082
3	Reasonable Return	2987	2428	5415
5	Annual Revenue Requirement	126359	127138	253497
6	Revenue Gap for the Year (5-1)	30371	16660	47031
7	Implementation of APTEL judgment in Appeal 204 of 2010: True up of expenses for FY 2011-12	6032	3433	9465
8	Delayed Payment Surcharge levied by HPGCL	695	1177	1872
10	Surplus(+) / Shortfall(-) after adjusting for True Up	-37098	-21269	-58367.5

To meet the consolidated shortfall of Rs 58367.5 million in FY 2013-14 as projected by UHBVN and DHBVN and the cash deficit likely to be faced by them on account of this gap, the Discoms had submitted the following two methods to bridge this revenue gap:

4.2.1.2 Option 1

Recovery of FSA for FY 2011-12 and Amortization of Regulatory Asset over a period of one year i.e. from 01.04.2013 to 31.03.2014

The principal FSA including prior period expenses billed in FY 2011-12 amounting to Rs. 24463.7 million has been calculated by the Discoms considering the transmission losses and distribution losses for FY 2011-12 as approved by the Commission for FY 2011-12. The total FSA amount has been calculated by considering the holding cost on the principal FSA amount determined for FY 2011-12. The Discoms have further submitted that the average rate for purchase of power for FY 2011-12 approved by the Commission was Rs 2.85/kWh, whereas the actual rate of power purchase for FY 2011-12 was Rs 3.40/kWh (average power purchase cost excluding interstate sales and prior period expenses). The details are presented in the table that follows.

Table 4.2 - Recovery of FSA for FY 2011-12 (1-year recovery)

Holding Cost (Rs. Mln)	Units	Value
FSA Amount	Rs. Mln	24463.7
Rate of Interest (Annual)	%	15.00
Monthly Rate of Interest	%	1.25
Months of holding cost already incurred	Months	18*
Holding cost already incurred	Rs mln	6130.1
Total amount to be recovered	Rs mln	30593.8
Recovery Period	Months	12
Average of Recovery period	Months	6 [#]
Equal Monthly Instalment (reducing principal basis)	Rs. Mln	5324.4
Total Amount to be recovered along with Holding Cost on recovery period	Rs. Mln	31946.1
Total Holding Cost	Rs. Mln	7482.4
Total Sales in FY14 (proposed in ARR)	MU	33356
Per unit FSA impact	Rs/kWh	0.96

* 6 months average incurred period and 12 months assumed as the time gap (from 31 March 2012) till the time the Hon'ble HERC issues orders for recovery of FSA for FY 2011-12 (order assumed to be issued in March 2013)

[#] Proposed recovery period is 12 months

The Discoms have submitted that the approved FSA is proposed to be recovered from consumers in a manner proportionate to the tariff being paid by them, i.e. by allocating FSA to each class of consumers using the revenue allocation factors for the respective consumer class contained in the approved tariffs.

In addition to the FSA claims the Discoms have submitted that in its ARR / Tariff Orders for FY 2009-10 onwards, the Commission had allowed certain regulatory assets to the Discoms and the same as per the ARR & Tariff Order of FY 2012-13, stands at Rs 20271.6 million for UHBVN and Rs 3163.94 million for DHBVN i.e. a total of Rs 23435.54 million. The Discoms have now sought amortization of these outstanding regulatory assets/uncovered gap in implementation of the judgment of the Hon'ble Appellate Tribunal for Electricity (APTEL) in OP No. 1 of 2011 dated 11 November, 2011.

Accordingly the Discoms have proposed that the balance regulatory assets may be allowed to be recovered through a one-time regulatory treatment, levied on consumers as a "Regulatory Asset Surcharge", i.e. a surcharge on energy charges (levied in terms of paise per unit of energy billed), spread over a one-year recovery period.

The Regulatory Asset Surcharge proposed by the Discoms is presented in the table below.

Table 4.3 - Recovery through Regulatory Asset Surcharge (1-year recovery)

Details		Proposed recovery period: 1 year		
		UHBVN	DHBVN	Discom Total
Balance Regulatory Asset left to be recovered	Rs Mln	20271.6	3163.9	23435.5
Rate of holding cost	%	15.0	15.0	15.0
Monthly Rate of Interest	%	1.25	1.25	1.25
Tenure	Months	12	12	12
Equal Monthly Instalment	Rs Mln	1829.7	285.6	2115.3
Carrying cost of regulatory asset for the recovery period (calculated on reducing principal basis)	Rs Mln	1684.6	262.9	1947.5
Total Amount (Regulatory Asset + Carrying Cost) (A)	Rs Mln	21956.2	3426.9	25383.0
Total sales during the recovery period (B)	MU	15294	18062	33356
Per unit impact of Regulatory Asset Surcharge	Rs/unit	1.44	0.19	0.76
Uniform per unit impact of Regulatory Asset Surcharge for all Haryana consumers (C)	Rs/unit	0.76	0.76	0.76
Recovery made by DISCOM $D = (B) * (C)$	Rs Mln	11638.5	13744.6	25383.0
Over/(under) recovery by DISCOM $E = (D) - (A)$	Rs Mln	(10318)	10318	-
Cash transfer made by DHBVN to UHBVN = (-E)	Rs Mln	10318	(10318)	-

Net regulatory asset amortized = (D) – (E)	Rs Mln	21956.5	3426.6	25383
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The Discoms have further submitted that If the Government of Haryana indicates its willingness to continue to bear the FSA and Regulatory Asset burden on account of subsidized (agriculture & horticulture) consumers, then the necessary order for subsidy would have to be issued by this Commission.

Additionally the Discoms have submitted that the regulatory gap and hence regulatory asset allowed to UHBVN is substantially higher than that for DHBVN, therefore a uniform Regulatory Asset Surcharge of 76 paisa/unit be imposed on all Haryana consumers, and accounts be settled and cash transfers be made from the over-recovering utility to under-recovering utility at the end of the year, once the audited accounts for both utilities are available for the respective year. A summary of the proposed recovery of FSA and Regulatory Asset Surcharge is presented in the table that follows.

Table 4.4 - Option 1 – Recovery in FY 2013-14 through FSA and Regulatory Asset Surcharge

Particulars (Rs Mln)	Discom Total
Consolidated gap of the Discoms	58367.5
Recovery through levy of FSA for FY 2011-12	31946.1
Recovery through Regulatory Asset Surcharge	25383.0
Total gap met	57329.1
Gap remaining	1038.4

In view of the above the Discoms have proposed that the remaining gap of Rs 1038.4 million can be met through financing by banks (with interest cost allowed accordingly by the Commission in the approved ARR).

4.2.1.3 Option 2:

In addition to option -1 as presented above the Discoms have proposed Option – 2 i.e. Recovery of FSA for FY 2011-12 over a period of Two Years and Amortization of Regulatory Asset over a period of Three Years from 01.04.2013

Based on a two-year recovery period, the holding cost on the principal FSA amount for FY 2011-12 has been calculated by the Discoms as detailed below:

Table 4.5 - Recovery of FSA for FY 2011-12 (2-year recovery)

	Units	Value
FSA Amount	Rs. Mln	24463.7
Rate of Interest (Annual)	%	15.00
Monthly Rate of Interest	%	1.25
Months of holding cost already incurred	Months	18*
Holding cost already incurred	Rs Mln	61301
Total amount to be recovered	Rs Mln	30593.8
Recovery Period	Months	24
Average of Recovery period	Months	12 [#]
Equal Monthly Instalment (reducing principal basis)	Rs. Mln	2761.3
Total Amount recovered along with Holding Cost on recovery period	Rs. Mln	33136.1
Total Holding Cost	Rs. Mln	8672.4
Total Sales in two years starting from 01.04.2013 [^]	MU	69715
Per unit FSA impact	Rs/kWh	0.48

* 6 months average incurred period and 12 months assumed as the time gap (from 31 March 2012) till the time the Hon'ble HERC issues orders for recovery of FSA for FY 2011-12 (order assumed to be issued in March 2013)

[#] Proposed recovery period is 24 months

[^]Sales for FY 2013-14 as per ARR filing and sales for FY 2014-15 as per the Financial Restructuring Plan prepared for the Haryana power utilities.

It is submitted that the approved FSA shall be recovered from consumers in a manner proportionate to the tariff being paid by them, i.e. by allocating FSA to each class of consumers using the revenue allocation factors for the respective consumer class contained in the approved tariffs.

With respect to recovery of outstanding regulatory assets/pending dues of Rs 20271.6 million for UHBVN and Rs 3163.94 million for DHBVN (a total of Rs 23435.54 million both utilities taken together), the proposed Regulatory Asset Surcharge/pending dues may be levied over a period of three years, as shown under:

Table 4.6 - Recovery through Regulatory Asset Surcharge (3-year recovery)

Details	Proposed recovery period: 3 years			
		UHBVN	DHBVN	Total
Balance Regulatory Asset left to be recovered	Rs Mln	20271.6	3163.9	23435.5
Rate of holding cost	%	15.0	15.0	15.0
Monthly Rate of Interest	%	1.25	1.25	1.25
Tenure	Months	36	36	36
Equal Monthly Instalment	Rs Mln	702.7	109.7	812.4
Carrying cost of regulatory asset for the recovery period (calculated on reducing principal basis)	Rs Mln	5026.4	784.5	5810.9
Total Amount (Regulatory Asset + Carrying Cost) (A)	Rs Mln	25298.0	3948.4	29246.4
Total sales during the recovery period (B)	MU	51105	58787	109892
Per unit impact of Regulatory Asset Surcharge	Rs/unit	0.50	0.07	0.27
Uniform per unit impact of Regulatory Asset Surcharge for all Haryana consumers (C)	Rs/unit	0.27	0.27	0.27
Recovery made by DISCOM $D = (B) \times (C)$	Rs mln	13601.0	15645.4	29246.4
Over/(under) recovery by DISCOM $E = (D) - (A)$	Rs mln	(1,1697)	1,1697	-
Cash transfer made by DHBVN to UHBVN = (-E)	Rs mln	1,1697	(1,1697)	-
Net regulatory asset amortized = (D) – (E)	Rs mln	25298.0	3948.4	29246.4

The Discoms have submitted that In the event of the second option being considered by the Commission for the purpose of bridging the revenue gap approved for FY 2013-14, it is requested that the Commission may allow appropriate financing cost to the distribution utilities to the extent of approved ARR remaining uncovered by recovery on account of FSA for FY 2011-12 (spread over two years) and amortization of regulatory assets/ pending dues (spread over three years), so that the utilities may raise adequate loans in order to meet their expenses in FY 2013-14. Hence, as an alternative to one-year recovery of FSA for FY 2011-12 and regulatory assets, it is submitted that the Commission may consider allowing recovery of FSA pertaining to FY 2011-12 over a 2-year period starting from FY 2013-14 (which comes to approximately 48 paisa/unit over a period of two years) and amortization of regulatory assets over a 3-year period starting from FY 2013-14 (which comes to approximately 27 paisa/unit over a period of three years), thereby allowing UHBVN and DHBVN to levy an average of 75 paisa/unit on their consumers, recovered from each consumer slab proportionate to the tariff being charged from them. It is also requested that the Commission may allow appropriate financing cost to the extent of ARR remaining uncovered by this

average levy of 75 paisa/unit, so that the utilities may raise loans in order to meet their expenses in FY 2013-14.

Table 4.7 - Recovery in FY 2013-14 through FSA and Regulatory Asset Surcharge (under Option -2)

	Particulars (Rs mln)	Discoms Total
1	Consolidated gap of the Discoms	58367.5
2	Recovery through levy of FSA for FY 2011-12	15854.4
3	Recovery through Regulatory Asset Surcharge	8877.4
4	Total gap met (2+3)	24731.8
5	Remaining Gap (1-4)	33635.7

The remaining gap of Rs. 33635.7 million can be met through financing by banks (with interest cost allowed accordingly by the in the approved ARR.

A summary of Option – 1 and Option – 2 as submitted by the Discoms for recovery of FSA and amortization of regulatory assets and current revenue gap for FY 2013-14 is presented in the table below.

Table 4.8 - Summary – Options 1 and 2

		Option 1	Option 2
1	Revenue gap	58367.5	58367.5
2	Recovery in FY 2013-14 through FSA for FY 2011-12	31946.1	15854.4
3	Recovery in FY 2013-14 through Regulatory Asset Surcharge	25383.0	8877.4
4	Total revenue gap met through FSA and RAS (2+3)	57329.1	24731.8
5	Revenue gap left uncovered (to be financed through borrowings from banks) (1-4)	1038.4	33635.2

The Commission has considered the above Options proposed by the Discoms. However, to balance the interest of the power utilities and also the electricity consumers of the State has considered appropriate to stagger the recovery of Regulatory Assets and FSA over a period of three years.

4.3 Bulk Supply (Domestic) tariff proposed by Discoms

In addition to the above proposals for recovery of FSA for FY 2011-12 and amortization of past regulatory assets in the form of regulatory asset surcharge, the Discoms had vide Memo No. Ch-36/GM/RA/N/F-25/Vol – 46 dated 13.02.2013 filed a proposal for hike in Bulk Supply (Domestic) Tariff. The Discoms proposal is set out in the paragraphs below:

In the aforesaid proposal the Discoms had submitted that the per unit average revenue billed for Bulk Domestic consumers was compared by them to the average cost to serve of this category of consumers. They had analyzed two cases i.e. one of the Society where the average consumption for each household was less than 400 units / month and second for Society where average consumption was greater than 400 units / month. Further the Discoms have calculated average cost of supply for FY 2013-14 based on the methodology adopted by the Commission in FY 2012-13. Accordingly, the cost of supply to Bulk Domestic category has been worked out by them at Rs. 6.56 / unit. At 103.19% cost coverage of tariff as considered by the Commission in FY 2012-13, the average cost to be recovered from Bulk Domestic Supply in FY 2013-14 had been estimated by the Discoms at Rs. 6.76 / unit.

In view of the above, the Discoms had submitted that the current average per unit revenue in the case of Bulk Domestic Supply category of consumers with monthly average consumption up to 400 units works out to Rs. 4.96 / unit. Hence the average gap vis – a – vis the expected revenue from sale of power to such consumers works out to Rs. 1.80 / unit. Similarly, for consumers with monthly average consumption of above 400 units, the average revenue has been estimated by the Discoms at Rs. 4.80/unit resulting in a revenue gap of Rs. 1.96/unit. Consequently, the Discoms had submitted that they stand to lose significant revenue in terms of per unit revenue gap as presented above. In order to mitigate the revenue loss due to cost – tariff mismatch, the Discoms have proposed a revision in tariff as under:

4.3.1.1 Alternative I (Cost Coverage):

(a) For societies where the monthly consumption per household is up to 400 units, the proposed energy charge is Rs. 6.32 / unit (Rs. 6.76 / unit revenue required – Rs. 0.44/unit Fixed Charge).

(b) For societies where the monthly average consumption per household is above 400 units, Discoms have proposed energy charge at Rs. 6.48 / unit (Rs. 6.76 / unit revenue required – Rs. 0.28/unit Fixed Charge).

4.3.1.2 Alternative II (Revenue neutral scenario between the two options specified in HERC Single Point Regulations):

Telescopic Tariff:

(a) For societies where the monthly consumption per household is up to 400 units, the proposed energy charge is Rs. 4.05 / unit.

(b) For societies where the monthly average consumption per household is above 400 units, Discoms have proposed energy charge at Rs. 5.45 / unit to be charged to the consumer in a telescopic manner on the units exceeding 400.

Non - Telescopic Tariff:

(a) For societies where the monthly consumption per household is up to 400 units, the proposed energy charge is Rs. 4.05 / unit.

(b) For societies where the monthly average consumption per household is above 400 units, Discoms have proposed energy charge at Rs. 4.57 / unit to be charged to the consumer in a non – telescopic manner.

Fixed Charges in both the above alternatives have been proposed at the current levels i.e. no change has been proposed in FY 2013-14.

4.4 Subsidy Commitment:

The Government of Haryana has been subsidizing the tariff for agriculture consumers by paying the subsidy to the utilities as determined by the HERC. As per the past practice, the reference for the required subsidy to keep the agriculture tariff unchanged is sent by the HERC to the State Government and the tariff order is issued after the response of the State Government. In this ARR also the Discoms have requested that the exact subsidy requirement may be worked out by the Commission before commitment is sought from the State Government.

4.5 Commission's Analysis & Order:

The Commission, at the outset, observes that the Discoms have again failed to submit an updated consumer category wise cost to serve study as well as any comprehensive tariff proposal (except in the case of Bulk Domestic Supply category) to bridge the revenue gap projected by them for FY 2013-14. What they have sought is Fuel Surcharge Adjustments (FSA) relating to FY 2011-12 and amortization of regulatory assets allowed by the Commission in the past. Consequently the Commission, for the purpose of bridging any revenue gap in FY 2013-14 including amortization of regulatory assets shall rely on the cost to serve as estimated within the four corners of the Electricity Act, 2003 and the National Tariff Policy notified by the Central Government under the provisions of the Act.

As far as FSA claims for FY 2011-12 is concerned the Commission observes that on several occasions while dealing with FSA claims of the power utilities this Commission had directed the power utilities to file timely / quarterly any FSA claims so that the cash flow of the

Discoms are not hindered. Accordingly the Commission vide 1st Amendment dated 27th May, 2010 to the HERC Regulation No. HERC/121/2008 allowed automatic recovery of FSA as per terms and conditions mentioned therein. This was done to avoid accumulation of FSA during a financial year. However, the Discoms failed to act in accordance with the amended FSA Regulations. In the present petition under consideration of the Commission the Discoms have claimed FSA for FY 2011-12 as approved by this Commission. The Commission, at this stage, would like to make it clear that this Commission, so far, has not approved any FSA for FY 2011-12. However, in the present order to augment the cash flow of the financially stressed Discoms, the Commission has taken into consideration about 40% of the amount claimed by the Discoms for FY 2011-12. The Commission, after scrutinizing the FSA claims of the Discoms for FY 2011-12, shall pass appropriate order for recovery of the balance FSA, if any at a later stage.

Thus considering the approved ARR of the Discoms for FY 2013-14 as discussed in the preceding Chapter including regulatory assets allowed in the past as well as some percentage of tentative FSA claims for FY 2011-12, the Commission has proceeded to determine and approve the distribution and retail supply tariff of the Discoms i.e. UHBVNL & DHBVNL for FY 2013-14 in this Chapter.

4.6 Statutory Provisions:

Section 61 of the Electricity Act 2003, provides that the Commission, is to be guided inter-alia, by the National Electricity Policy, the National Tariff Policy and the following factors, while, determining the tariff:

- i) The distribution and supply of electricity are conducted on commercial principles;
- ii) Encourage competition, efficiency, economical use of resources, good performance, and optimum investment;
- iii) Safeguarding of consumers interest and at the same time, recovery of the cost of electricity in a reasonable manner;
- iii) That the tariff progressively reflects the cost of supply of electricity, and also reduces cross subsidies in the manner specified by the Commission;
- iv) That efficiency in performance is to be rewarded ; and
- v) That a multi-year tariff framework is adopted
- vi) That the Commission is to be guided by the National Electricity Policy and Tariff Policy.

Section 62(5) of the Electricity Act 2003, empowers the Commission to specify, from time to time, the methodologies and the procedure to be observed by the licensees in calculating the Expected Revenue from the tariff and charges. Thus the Commission determines the Tariff in

accordance with the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2012 notified on 5.12.2012 and various orders / directions issued by this Commission from time to time.

4.7 Tariff determination approach:

As in the previous tariff orders, the Commission has considered the following relevant factors for the determination of retail supply tariff:

4.7.1 Tariff Philosophy:

Different categories of electricity consumers in Haryana have different ability to pay the cost of electricity. Thus the small and marginal consumers with limited paying capacity may not be able to pay the full cost of supply, whereas consumers with higher paying capacity would be able to pay the full cost of supply or beyond the full cost of supply i.e. such consumers would be able to cross subsidize the consumers who would be paying less than the cost of supply. Considering the socio-economic conditions in Haryana, the Commission is of the considered view that cross – subsidy as determined within the limits specified in the National Tariff Policy has to continue for some more time. Hence the Commission, for FY 2013-14, decides to continue with the approach of fixing tariff at less than average cost of supply to consumers who are not able to pay the full cost of supply and fixing tariff at more than the average cost of supply to consumers who are able to pay full cost of supply. In the case of AP Consumers including Fisheries and Horticulture, the Haryana Government has been traditionally paying the subsidy to the extent of the difference between the existing tariff and cost to serve for such consumers estimated by this Commission for the relevant financial year taking into consideration the AP sales as allowed by the Commission. Thus in accordance with section 65 of the Electricity Act 2003, Haryana Government shall pay subsidy at the Commission determined tariff.

4.7.2 Average Cost of Supply

The Commission, in all its previous distribution and retail supply orders has, so far, been determining the tariff on the basis of the average cost of supply. The HERC Tariff Regulations, 2012 require the licensees to provide the details of the embedded cost of supply of electricity voltage/ consumer category wise. In the absence of data on the embedded cost of supply for each category of consumers, the Commission decides to continue with the

consumer category wise average cost of supply as estimated by the Commission as the basis for determining tariff for FY 2013-14 as well.

4.7.3 Reduction of cross subsidies:

The National Tariff Policy of the Central Government dated 6th January 2006, provides for progressively bringing down the cross subsidy and specifies a target of plus or minus 20% of the average cost of supply. As in the previous order, the Commission, in the present order, has as far as possible endeavoured to reduce the cross subsidy levels progressively. The Cross – subsidy determined by the Commission was reduced to 60% of the average cost to serve as estimated in FY 2012-13 and the same has been reduced to 40% of the average cost to serve as estimated in FY 2013-14.

4.7.4 Time of Day Tariff:

The Discoms have proposed implementation of Time of Day (ToD) Tariff in the State of Haryana. They had submitted that for efficient and reliable power supply during the peak demand period, the Nigam has to undertake additional capital expenditure to strengthen and augment the capacity of its distribution network. Currently only HT industrial consumers are charged at a higher tariff during peak load hours through the PLEC mechanism. The LT industrial and large Non-Domestic category consumers currently do not have any incentive to moderate their consumption during the peak load hours. Thus In view of the incremental cost of supplying power during peak hours and its financial impact on all consumers, it has become necessary to incentivize large consumers of LT and NDS categories to shift a portion of their load to off peak hours. The Discoms while proposing TOD tariff have relied on the observation in the Tariff Order for FY 2010-11 dated 13th September 2010 as well as various legislative and legal frameworks that promote the implementation of TOD as an important DSM tool are:

The Discoms have proposed a phased introduction of TOD based tariff on large consumers in its jurisdiction. In the first phase TOD based tariff has been proposed to be introduced for all HT industrial consumers. The metering infrastructure necessary for TOD based tariff is already installed for all HT industrial consumers. These consumers are covered under the current PLEC mechanism and hence will have an easy transition to TOD based tariff mechanism. After successful implementation of TOD based tariff in the first phase, the Nigam can undertake the necessary capital expenditure required to install TOD capable tri vector meters on all LT industrial and large NDS consumers. Subsequently the Discoms have

submitted that in the second phase, TOD tariff can be introduced for LT industrial and large NDS consumers.

4.7.5 Peak load hours

The daily load curve of the Nigam shows that there are two periods of the day when demand peaks. The Nigam proposes peak load hour charges for both these periods i.e. Morning peak hours and Evening peak hours.

The Discoms have proposed the following as peak load hours:

Morning peak hours: 05:30 AM to 08:00 AM

Evening peak hours: 17:30 PM to 22:00 PM

4.7.6 Off peak hours

Conversely, it may be considered to declare the night hours as off-peak hours, in order to incentivize the consumers to shift part of their load to these off-peak hours. During these hours, it is proposed that consumption be billed at a discounted tariff.

4.7.7 Proposed charges

The Nigam had proposed the following tariff mechanism for consumption during peak load hours for applicable consumer categories:

All eligible consumers could avail 30% of the average daily consumption of the immediately preceding billing period during peak load hours and would be billed at extra charge of Rs 2/kWh over & above the normal tariff. If the consumption of a consumer during peak load hours in a month exceeds 30%, such consumption in excess of 30% would be charged at Rs 4/kWh over & above the normal tariff.

As compared to PLEC charges, TOD tariff would be applicable for both morning peak hours and evening peak hours. Accordingly the consumption allowed has been raised from 20% of the average daily consumption to 30% of the average daily consumption of the immediately preceding billing period.

For off-peak hours, the Nigam proposes the following tariff mechanism for consumption by applicable consumer categories:

All eligible consumers can avail a discount of 25% on peak hour energy charges for consumption during off peak hours, subject to a maximum consumption of 20% of the average daily consumption of the immediately preceding billing period. If the consumption of a consumer during off peak hours in a month exceeds 20%, such consumption in excess of 20% would be charged at normal tariff.

It was submitted by the Discoms that they shall shortly submit a more detailed proposal to the Commission with analysis of the consumption pattern of the two Discoms and a suitable proposal for approval of peak and off-peak hours along with their TOD tariff.

The Commission has considered the above submissions of the Discoms on TOD tariff and is of the following view.

A review of the generating stations including short term power scheduled in different time slots across the hours of the day in a year reveals that the cost differences are large enough to warrant time differentiated pricing of electricity at retail supply end in Haryana. Further, the grid frequency linked UI charges in the Northern Region also establishes the fact that in 96 time blocks of 15 minutes each the UI rates shows a wide intra – day variations. The Commission is of the view that prices of electricity that reflects differences in cost to the extent possible are more efficient and convey appropriate price signals to the electricity users. Hence TOD tariff needs to be designed to encourage large consumers of electricity to shift their electricity consumption, to the extent possible, to off peak period thereby flattening the system peak which requires scheduling of expensive power and curtailing expenses required for designing of the power system commensurate with the system peak. However, the pre – requisite for an appropriate TOD tariff is to ascertain load curve (consumption pattern) of consumer categories such as HT Industrial (General), HT Industrial (Furnace), Non Domestic (11 KV independent feeder), Railway (Traction) etc. Further, the Commission is also in the process of finalizing intra – state ABT wherein large consumers may also be brought under its ambit and the imbalance settlement mechanism in such cases shall be the grid frequency linked UI charges as determined by the Commission. Thus in the absence reliable time series data on the consumption pattern of the above mentioned categories of consumers through a study (conducted concurrently) of representative 11 KV feeders / independent feeders and hourly load, daily consumption, number of consumers & their connected load, maximum demand recorded, hourly load data of Haryana system and lowest and highest load factor observed during the period of study, the Commission, for the time being has not considered TOD tariff. **The Discoms, as submitted by them in their present**

Petition, may submit a detailed proposal along with requisite study and also keeping in view intra – state ABT, the Commission shall consider the same separately.

4.7.8 Reliability Charges for uninterrupted supply

The Haryana Discoms wish to provide uninterrupted power supply for 24 hours to consumers who wish to avail this facility connected on Urban/ Bulk Supply/ Bulk Domestic/ NDS and Industrial feeders with loss levels as specified in the table below, in lieu of higher charges for the power consumed by such consumers.

Feeders	Line Loss level less than
Urban feeders/ Bulk Supply/ Bulk Domestic/ NDS feeders	15%
Industrial feeders	6%

In order to maintain 24 hour power supply to the consumers on such selected feeders, additional power needs to be purchased, which will primarily be procured from open market and thus will come at a price dearer than the price at which long term power procurement is done by the distribution utilities.

Considering the above the utilities had proposed to introduce Rs 2.50 per unit as ‘Additional Reliability Surcharge’ for the category of consumers to which uninterrupted power supply shall be made available, on selected Urban/ Bulk Supply/ Bulk Domestic/ NDS feeders and Industrial feeders for all the units consumed in a month.

The Commission has considered the above proposal, as the issue was separately taken up by the Commission on the Petition filed by DHBVNL including hearing of the stakeholders, the Commission has already disposed of the matter vide its order dated 14.03.2013 in case no. HERC/PRO – 26 of 2012.

4.7.9 Measures to prevent gaming in Open Access

The Discoms had submitted that open access consumers often buy power from the open market only in those time slots when it is expected to be cheaper than the price of Discom’s power. This selective power purchase leads to uneven load curve of the Discoms. To match with the varying demand, the licensees have to sometimes ask the generating stations to back down, overdraw from the grid or resort to unscheduled power cuts. Thus the Open Access regulations need to be amended to such extent that the open access consumers are

directed to procure their entire power either from the open market or from the Discoms for a complete day i.e. for 96 time slots and if the consumers schedule their load from the exchange then it should not be less than 1 MW for any time slot.

The Discoms have submitted that the Open access consumers should also be directed to opt for weekly contracts or even bilateral trading instead of day-ahead scheduling so that the approved schedules of such consumers are available to the licensees at least 5 days in advance. This would help the licensees in improved short term load forecasting and power procurement from market thus reduce the instances whereby over-drawal needs to be done from regional grid at UI rates to supply such open access consumers. As per the prevailing open access regulations, open access consumers can deviate from their scheduled demand and overdraw power till the limit of their sanctioned contract demand in any time slab of the day. The utilities are thus forced to keep a cushion for such an over-drawal and sometimes have to overdraw from the regional grid in order to supply power to these open access consumers. The licensee also has to resort to unscheduled power cuts on other categories of consumers in order to provide uninterrupted power supply to the open access consumers and also maintain the grid frequency at the same time by sticking to their original schedule. Thus the utilities had proposed that the schedule approved by the exchange for the consumers should be treated as the final schedule and any drawal beyond this approved scheduled drawal should be treated as over-drawal. The open access consumers indulging in such over-drawal should be charged at twice the tariff as applicable for the respective category of consumers for all the units drawn over and above their approved schedule. Further, any under-drawal by the open access consumer should not be compensated by the Discoms. This is because, although a single open access consumer might be in state of under-drawal at one point of time, this under drawal needs to be necessarily linked with the over-drawal/ under-drawal of the state of Haryana as a whole.

Additional surcharge to be recovered from these open access consumers on the account of stranded power generating capacity for which the licensee has to bear unwanted fixed costs needs to be determined by the HERC. Also provisions need to be made for billing of all embedded open access consumers to be done mandatorily at the substation end.

On the above proposal the Commission observes that hearings have been scheduled as the issue involves amendment of the relevant regulations notified by the Commission for which due process is required to be followed as the regulations cannot be amended by an order on ARR & Tariff Petition. Hence after following the due process including hearing all the interested stakeholders, the Commission shall pass separate order.

4.7.10 Charge on RE Subsidy

The Commission has considered the submissions of the Discoms on RE Subsidy and is of the view that the difference in cost to serve of AP consumers (including fisheries and horticulture) as estimated by the Commission for FY 2013-14 and the existing tariff and the allowed AP sales for FY 2013-14 is the RE Subsidy payable by the State Government. Further the RE Subsidy, amount as estimated by this Commission, should primarily be considered as first charge on the power purchased by the Discoms from various sources.

4.8 Revenue Gap at existing tariff:

The revenue gap for FY 2013-14 at the current tariffs is presented in the table below:

Table 4.9 - Revenue Gap at existing tariff for FY 2013-14 (Rs. millions)

Sr. No.	Particulars	UHBVNL	DHBVNL	Total
1	Revenue Requirement for FY 2013-14	80441.88	91330.33	171772.21
2	Expected Revenue at current tariffs	49600.80	76983.74	126584.54
3	Revenue Gap (1-2)	30841.08	14346.59	45187.67

4.9 Regulatory Asset

The Commission in its previous order(s) had decided to treat the revenue deficit not addressed through tariff adjustments amounting to Rs. 23435.54 millions as Regulatory Asset against which additional borrowings to the extent required and interest cost on the same was allowed. The Commission observes that the Discoms have now proposed to amortize the Regulatory Assets allowed in the past years in the shape of Regulatory Asset Surcharge amounting to Rs. 23435.54 million. The holding cost if the recovery is staggered over a period of 36 months has been proposed as Rs. 5810.9 million.

The Commission has considered the above proposal and in line with the National Tariff Policy as well as the judgment of Hon'ble APTEL in the matter cited by the Discoms, allows recovery of the regulatory assets as part of tariff. However, the Commission is staggering the recovery of the regulatory asset over more than one year in order to avoid rate shock to the consumers. The licensees shall be allowed to claim interest cost on the uncovered portion of the regulatory asset along with the next ARR. For FY 2013-14, the Commission allows a recovery of about 45% of the regulatory asset and the impact of the same has been considered along with the expected revenue gap for FY 2013-14, the balance amount shall be recovered in the next two financial years.

As per the approved ARR for FY 2013-14 the revenue gap including regulatory assets to be amortized in FY 2013-14 and some portion of the estimated FSA claims of FY 2011-12 to be addressed through tariff realignment is Rs. 191979.50 millions.

On the basis of the consumer category wise cost to serve as well as the average cost to serve for the Discoms as a whole, estimated by the Commission for FY 2013-14, the Commission has proceeded to determine the tariff based on the approved ARR for FY 2013-14.

The consumer category-wise existing tariff and the tariff approved by the Commission for FY 2013-14 (w.e.f 1st April, 2013) are as follows:

4.10 Domestic Supply Consumers (DS):

The revenue recovery from DS consumers through tariff is just about 64 % of the cost to serve of DS category and about 71% of the combined average cost to serve. Consequently, the revenue shortfall in the DS category at the current tariff is Rs. 18505 million. The Discoms have neither filed any cost to serve estimates nor have submitted any tariff proposal to bridge the revenue deficit at the current tariff for this category of consumers. The available cross –subsidy from a few other consumer categories amounting to Rs. 5621 million is also not sufficient to bridge the revenue gap in the DS category, hence the Commission is left with no other option than to realign the DS tariff to the extent possible.

Given the fact that the DS tariff has universal ramifications i.e. firstly it affects all the electricity consumers in the state and secondly this category comprises of income wise widely dispersed house holds' groups i.e. from life line / BPL households, marginal and middle class households to affluent households. Hence Commission has attempted to strike a balance between the provision of the Act i.e. tariff should be cost reflective and at the same time avoiding a major tariff shock to the DS consumers specially the small/marginal and middle class consumers.

While rationalising the DS tariff, the Commission considered the DS consumers under three categories i.e. category-1 comprising of consumers with consumption up to 100 units per month, category-2, comprising of consumers with consumption in excess of 100 units and up to 800 units per month and category – 3 for consumers with monthly consumption of 800 units and above.. In case of category-1, the Commission observed that the consumers falling under this category have normally connected load less than 2 KW, their consumption requirements are normally for lighting and fan and their ability to pay is comparatively low.

With this consideration and keeping in view the social aspect of tariff determination, the Commission has considered it appropriate to pass on minimum financial burden to this category of DS Consumers. Thus the hike in tariff for this category of consumers has been at the minimum possible level. Further the Commission, considering the fact that a large percentage of DS consumers fall in this category, has rationalised the slab. While doing so the Commission has kept in view the interest of marginal DS consumers whose consumption does not exceed 40 units per month as against DS consumers whose monthly consumption is above 40 units and up to 100 units. However, the benefit of lower tariff in this category has also been allowed to them, thereby reducing the average cost of energy consumed by them.

For the DS consumers falling under category-2 where monthly consumption is below 800 units and exceeds 100 units, the Commission after due deliberations on the paying capacities of the consumers and consumption pattern as evident from the changing lifestyle and rising income levels has decided to make some adjustments in the existing slabs while retaining the telescopic nature of DS tariff within this slab. However, for such consumers whose monthly consumption exceeds 100 units the benefits of slab rate allowed in Category – 1 has been dispensed with and the slab structure has been accordingly revised to cushion the impact on average electricity bills of such consumers.

The Commission, has closely examined the consumption pattern and ability to pay of the affluent DS consumers and is of the view that after a transition of more than a decade of introducing the regulatory regime in Haryana, the tariff for such consumers ought to reflect the cost to serve to the extent possible as estimated by this Commission and the same shall gradually reflect the cost to serve estimated for this category. Consequently, the Commission has introduced a new slab for DS consumers whose total monthly energy consumption is 801 units and above. For such entire energy consumption shall be billed at a flat rate as determined by this Commission in the present order. Despite tariff re-alignment, the Commission observes that, the highest DS tariff of 598 Paisa / unit is about 80 Paisa short of Cost to Serve as estimated by the Commission in FY 2013-14 for the DS category of consumers. This shortfall will have to be met from cross – subsidy generated from a few other consumer categories.

All the new slabs have been designed so as to minimise the marginal cost of energy to the consumers falling under different DS slabs.

In addition to the above kWh based tariff for DS consumers, the Commission is of the view that the DS consumers having a monthly consumption of 800 units and above would also

have motive load thereby drawing reactive energy from the Grid which has adverse impact on the Discoms as well as the consumers. Thus the Commission would like to encourage such DS consumers to install capacitors and thereby locally compensate the vArs. The Commission expects that it would not only reduce kVAh of such consumers but also improve the voltage profile and in the process help the Grid as well. Consequently to begin with, as an option, the DS consumers falling under the third slab of more than 800 units consumption may opt for kVAh tariff as determined by the Commission in this order. Such consumers, at their cost, may install compatible meters after following the due process, for availing kVAh tariff.

The Commission has further reviewed the MMC applicable in the case of DS consumers whose consumption in a particular billing cycle / period is below the MMC threshold. The feedback received in this Commission in this regard is that a large percentage of DS consumers are being billed on MMC basis. The Commission has serious doubts about the accuracy / reliability of the energy consumption recorded / read by the meters installed at the premises of such consumers despite the fact that they may be having working meters who are perpetually billed on MMC basis. Thus to plug the revenue leakages on this account the Commission has revised the MMC of DS consumers.

The existing tariff and the tariff approved by the Commission for DS category for FY 2013-14 is given in Table 4.10 :-

Table 4.10 - Domestic Supply Tariff (DS)

Sr. No.	Tariff for 2012-13				Tariff for 2013-14						
	Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)	Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)			
1	Domestic Supply				Domestic Supply						
					Category I: (Total consumption less than 100 units per month)						
	Upto 40 units per month	270/kWh	Nil	Rs. 80 upto 2 kW and Rs. 50 above 2 kW	0 - 40 units per month	298/kWh	Nil	Rs. 100 up to 2 kW and Rs. 60 above 2 kW			
	41 to 250 units per month	450/kWh	Nil		41-100 units per month	475/kWh	Nil				
					Category II: (Total consumption more than 100 units/month and upto 800 units/month)						
	251 to 400 units per month	525/kWh	Nil		0 – 250 units per month	490/kWh	Nil	Rs. 100 up to 2 kW and Rs. 60 above 2 kW			
	401 and above units per month	560/kWh	Nil		251 – 500 units per month	560/kWh	Nil				
					501 - 800 units per month	598/kWh	Nil				
					Category III: (Total consumption more than 800 units/month)						
	801 and above units per month				598/kWh	Nil	Rs. 100 up to 2 kW and Rs. 60 above 2 kW				
	(For total consumption of 801 units and above/month, there shall be single tariff & no slab benefit shall be admissible)				Any consumer who at his own cost installs kVAh meter may opt for kVAh tariff of 538/kVAh i.e. applicable tariff in kWh multiplied by 0.90 (standard power factor)						

4.11 Non Domestic Supply (NDS):

The Commission observes that this category comprises of business houses, cinemas, clubs, public/corporate offices, schools, hospitals, hotels etc. Hence in their case the points of incidence and impact of any rise in input cost including electricity is different i.e. their ability to pass on such costs to their beneficiaries / users of their services is fairly high. Consequently,

the non – domestic category of consumers ought to be cross – subsidizing consumer's category like DS where there could be some compulsion to cushion them, especially at the lower end, from an abrupt increase in tariff for some more time. However, the Commission observes that this category of consumers, at the current tariff, are paying just about 92% combined average cost of supply as well as NDS Cost of Supply. In view of the fact that crosses – subsidy has to be within a range of +/- 20% as per the National Tariff Policy, the Commission has attempted to garner additional revenue from this category of consumers by bringing the tariff closer to the cost to serve.

The Commission had introduced a separate category of tariff for the existing NDS consumers with load above 50 kW up to 70 kW who have not so far converted to HT supply. The Commission vide its order dated 24.10.2011 had given additional time for conversion to HT supply till the issue of instant order i.e. the tariff order for FY 2012-13. For FY 2013-14 the Commission decides to continue the new sub-category in the NDS supply tariff in FY 2013-14 as well.

As in the previous Tariff Order dated 31.03.2012, the Commission decides to continue NDS tariff at three levels i.e. up to 5 KW, above 5 KW & up to 20 KW and above 20 KW & up to 50 KW. The Commission keeping in view the revised tariff has also accordingly revised the MMC for NDS consumers up to 20 KW and Fixed Charge in the case of other NDS consumers.

The existing tariff and the tariff approved by the Commission for NDS category for FY 2013-14 is given in the Table No. 4.11.

Table 4.11 - Non- Domestic Supply Tariff (NDS)

Tariff for 2012-13				Tariff for 2013-14			
Category of consumers	Energy Charges (Paissa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated)	MMC (Rs. per kW per month of the connected load or part thereof)	Category of consumers	Energy Charges (Paissa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated)	MMC (Rs. per kW per month of the connected load or part thereof)
Non Domestic				Non Domestic			
Upto 5 kW (LT)	525 /kWh	Nil	Rs. 180 upto 5 kW and Rs. 160 above 5 kW upto 20 kW	Upto 5 kW (LT)	585/kWh	Nil	Rs. 200 upto 5 kW and Rs. 185 above 5 kW upto 20 kW
Above 5 kW and Up to 20 kW (LT)	550 /kWh	Nil		Above 5 kW and Up to 20 kW (LT)	610/kWh	Nil	

Above 20 kW upto 50 kW (LT)	550/kWh	130/kW	Nil	Above 20 kW upto 50 kW (LT)	600/kWh	150/kW	Nil
Existing consumers above 50 kW upto 70 kW (LT)	575/kWh	150/kW	Nil	Existing consumers above 50 kW upto 70 kW (LT)	625/kWh	160/kW	Nil
Consumers above 50 kW (HT)	525/kWh	130/kW	Nil	Consumers above 50 kW (HT)	585/kWh or 526/kVAh in case consumer opts for kVAh based billing	160/kW	Nil

4.12 HT Industry (Load above 50 KW):

As per Commission's estimates the CoS for HT Industry consumer category in FY 2013-14 is 526 Paisa / kWh including regulatory assets and FSA being addressed through the tariff as against average fully allocated cost of both the Discoms of Rs. 688 Paisa / per unit. Hence HT consumers at the current tariff are paying just about 96% of the average CoS of the Discoms. This consumer category has been traditionally subsidizing consumer categories (other than AP whose entire revenue deficit is met by way of AP Subsidy from the State Government) who are paying tariff below their cost of supply. Given the revenue deficit it is not feasible to eliminate the cross – subsidy entirely as this would require a very high increase in the tariffs of the cross – subsidized consumer categories. Hence HT industrial consumer category will have to continue contributing cross– subsidy within the limits specified by the National Tariff Policy for other cross – subsidized consumer categories for some more time.

Keeping in view the above and the fact that as per NTP the tariff could be within a range of +/- 20% of the average cost of supply, the Commission has rationalized the tariff applicable for HT Industrial consumers as well as the Electric Arc Furnaces / Steel Rolling Mills. The Commission expects that the realigned tariff would garner some additional revenue to balance a part of the overall revenue deficit of the Discoms in FY 2013-14. The details of existing HT Industrial tariff and the revised tariff w.e.f 1st April, 2013 is provided in the table that follows.

Table 4.12 - HT Industry (above 50 kW) Tariff

Tariff for 2012-13				Tariff for 2013-14			
Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)	Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)
HT Industry (above 50 kW)				HT Industry (above 50 kW)			
Supply at 11 kV	470/kVAh	130 /kVA	Nil	Supply at 11 KV	530/kVAh	150/kVA	Nil
Supply at 33 kV	460/kVAh	130 /kVA	Nil	Supply at 33 KV	520/kVAh	150/kVA	Nil
Supply at 66 kV or 132 kV	450/kVAh	130 /kVA	Nil	Supply at 66 kV or 132 kV	510/kVAh	150/kVA	Nil
Supply at 220 kV	440/kVAh	130 /kVA	Nil	Supply at 220 kV	500/kVAh	150/kVA	Nil
Supply at 400 kV	435/kVAh	130 /kVA	Nil	Supply at 400 kV	495/kVAh	150/kVA	Nil
Arc furnaces/ Steel Rolling Mills	470+18 Paisa per kVAh if supply is at 11 kV	130 /kVA	Nil	Arc furnaces/ Steel Rolling Mills	530+20 Paisa per kVAh if supply is at 11 kV	150/kVA	Nil

4.13 LT Industry up to 50 kW

The LT Industry consumer category is currently paying just about 90% the average cost of supply of the LT Industry i.e. as against the fully allocated cost of Rs. 11288 million in FY 2013-14 the revenue generated at the current tariff is just about Rs. 10661 million, thereby leaving an un-covered revenue gap of Rs. 627 million which needs to be bridged by suitably re – aligning the LT Industry tariff with the Cost to Serve as no subsidy or cross – subsidy is available for allocation to this category of consumers.

The Commission believes that the LT Industry consumers too have a high propensity to pass on any increase in input cost including electricity charges to its customers. Hence the Commission, while rationalising the LT Industry tariff has attempted to align the tariff to garner some additional revenue keeping in view the provisions in the National Tariff Policy. The LT Industry consumers are supplied power at lower voltage than the HT Industry consumers and hence in their case the incidence of technical as well as commercial losses is significantly higher thereby increasing the CoS of LT Industry. Hence the tariff in this case has been kept comparatively higher than the HT Industry tariff.

The Commission in pursuance of Hon'ble APTEL's decision, in its order dated 7.12.2011 decided that the fixed charges shall be levied on the connected load rather than on sanctioned contract demand as petitioned by LT industry consumers and 80% of the connected load shall be considered for the purpose of levying fixed charges. This relief granted has been retained in the present order.

The existing tariff and the tariff approved by the Commission for LT industry category for FY 2013-14 is given in the Table No. 4.13 below:-

Table 4.13 - LT Industry Tariff

Tariff for 2012-13				Tariff for 2013-14			
Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)	Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)
LT Industry - upto 50 kW				LT Industry - upto 50 kW			
Up to 20 kW	535/kWh	Nil	Rs. 150 /kW	Upto 10 KW	585/kWh	Nil	Rs. 185/kWh
				Above 10 KW and upto 20 KW	610/kWh	Nil	Rs. 185/kWh
Above 20 kW upto 50 kW	510/kWh	150 /kW	Nil	Above 20 KW and upto 50 KW	585/kWh or 526/kVAh in case of kVAh metering	170/kW to be levied on 80% of the connected load	Nil
Existing consumers Above 50 kW upto 70 kW (LT)	498/kVAh			Existing consumers Above 50 kW upto 70 kW (LT)	550 / kVAh		

4.14 Agriculture Pump Set Supply (AP Supply)

The Commission after careful consideration of the proposed AP concessional tariff by the Discoms in FY 2012-13 introduced AP tariff based on size of the motor and meeting the additional subsidy requirements, approved by the State Government thereto. The Commission for determining AP tariff decides to continue with the same approach in FY 2013-14. The Commission, therefore, in pursuance of provision of National Tariff Policy determines the following tariff which is equal to the CoS for the AP consumers for FY 2013-14 in respect of the AP consumers:-

A.P. Metered /unmetered	Rs. 6.28/kWh
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As the State Government has been traditionally providing subsidised supply to the AP consumers, the concessional tariff for AP consumers category for FY 2013-14 taking into account the subsidy by State Govt. shall be as given in the Table No. 4.14 below:-

Table 4.14 - Agriculture Pump set Supply - State Govt. Concessional Tariff

Tariff for 2012-13				Tariff for 2013-14			
Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)	Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)
Agriculture Tube-well Supply				Agriculture Tube-well Supply			
Metered: (i) with motor upto 15 BHP	25 /kWh	Nil	Rs. 200 / BHP per year	Metered: (i) with motor upto 15 BHP	25/kWh	Nil	Rs. 200 / BHP per year
(ii) with motor above 15 BHP	20 /kWh	Nil		(ii) with motor above 15 BHP	20/kWh	Nil	
Un-metered (Rs. / Per BHP / Month): (i) with motor upto 15 BHP	Nil	35	Nil	Un-metered (Rs. / Per BHP / Month): (i) with motor upto 15 BHP	Nil	35	Nil
(ii) with motor above 15 BHP	Nil	30	Nil	(ii) with motor above 15 BHP	Nil	30	Nil

As a consequence of adopting the above tariff the subsidy payable by the State Government calculated as the difference between the revenue at approved tariff which is equivalent to the CoS for the AP consumers for FY 2013-14 and the revenue that is expected from subsidized tariff works out to Rs. 48534 million and the same shall be borne by the State Government as subsidy support to the AP consumers and shall be payable to Discoms in accordance with Section 65 of the Electricity Act, 2003. **The Discoms are directed to file the status of subsidy claimed by them and the actual amount of subsidy released by the State Government on a quarterly basis. Calculation of Subsidy to be paid by the state government for FY 2013-14 is given in table 4.15 below:**

Table 4.15 - Calculation for AP subsidy

	Subsidy calculation for AP supply	unit	value
1	Total units supplied to AP supply	MU	8109
2	Estimated cost of service	Rs. Mil	50933
3	Cost/ Tariff per unit = 2/1	Rs/kWh	6.28
4	Revenue at subsidized tariff	Rs. Mil	2399
5	Subsidy required to keep the tariff at current levels = 2-4	Rs. Mil	48534

In an event the State Government does not release the subsidy in accordance with Section 65 of the Electricity Act, 2003 then the Discoms shall demand and collect from the AP consumers tariff as decided by the Commission in this order i.e. equivalent to CoS for AP consumers in FY 2013-14. In case any lower subsidized tariff, other than those appearing in table 4.8 is charged by the Discoms, then the additional subsidy shall be borne by the State Government.

The Commission observes that due to delay in payment of subsidy committed by the State Government as well as poor collection efficiency of revenue billed at the subsidized tariff, the burden in the form of additional working capital requirement is passed on to the other consumers. Hence the Commission decides that the Discoms shall enforce all the measures including disconnection of AP consumers as well on the same lines as done for other consumers. However, if for any reasons the Discoms fail to do so then the cost of such additional working capital shall be borne by the State Government.

4.15 Public Water Works, Lift Irrigation, MITC & Street Light Supply

These categories of consumers comprise largely of Government Departments and Municipal Corporation etc. However, since the beginning of power sector reforms in Haryana the Commission has not received any representations / objections or feedback from these categories of consumers. Hence, the Commission has revised the tariff for these categories of consumers in line with the cost causation principle as due to increase in Cost to Serve all these consumer categories have also emerged as contributing to the revenue gap at the current tariff.

The details of the existing tariff(s) and the revised tariff approved by the Commission for FY 2013-14 are presented in the Table No. 4.16 below:

Table 4.16 - Public Water Works, Lift Irrigation, MITC & Street Light Supply Tariff

Tariff for 2012-13				Tariff for 2013-14			
Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated)	MMC (Rs. per kW per month of the connected load or part thereof)	Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated)	MMC (Rs. per kW per month of the connected load or part thereof)
Public Water Works	510 /kWh	150 /kW	Nil	Public Water Works	600/kWh	170/kW	Nil
Lift Irrigation	510 /kWh	150 /BHP	Nil	Lift Irrigation	600/kWh	170/BHP	Nil
MITC	510 /kWh	150 /BHP	Nil	MITC	600/kWh	170/BHP	Nil
Street Lighting	495 /kWh	Nil	Rs. 150 /kW	Street Lighting	600/kWh	Nil	Rs. 180/kW

4.16 RAILWAYS TRACTION TARIFF

The representative of the Northern Railways in their objections / comments on the Traction tariff submitted that the cost of supply to railways is the lowest amongst all the consumer categories, whereas the cross subsidy being levied is very high and cross subsidy should not be more than $\pm 20\%$ of the cost of supply. As per National Tariff Policy, MYT should be adopted and cross subsidy for railway traction be reduced to reduce railway traction tariff as per Govt. Policy.

The Commission while reviewing the tariff applicable to the Railways for their traction requirement in the light of the above objections filed by the Railways, observes that the current traction tariff vis – a – vis average CoS of the Discoms is about 94% i.e. the Railways are paying about 6% less than the average CoS as against cross subsidy limits of $\pm 20\%$ as per the NTP.

Further, the Railways are given supply as per their system requirement at 132/220 KV. The load of the Railways causes unbalancing in the system and also prohibits full utilization of the capacity of Transmission lines of the utility. Besides, load of Railway Traction is also highly fluctuating as trains are often bunched up during peak traffic hours. Additionally, there is a spike in load as a train passes through a particular station / segment. All these factors lead to generation of harmonics in the system which are detrimental to the system and affect quality of supply to other consumers. This is another factor which justifies fixation of higher tariff for Railways.

The Railways have again quoted certain circulars and guidelines of Ministry of Power, Government of India issued in 1991 or so in support of their case for lower tariff. As stated in the last tariff order, it is felt that, with the enactment of Electricity Act, 2003 and introduction of tariff regulatory mechanism by establishment of Central Electricity Regulatory Commission and State Electricity Regulatory Commissions, the tariff determination is no longer governed by guidelines of Ministry of Power, Government of India quoted by Railways for fixation of lower tariff. Section 86 of Electricity Act, 2003 only provides that in discharge of its functions, the Commission shall be guided by the National Electricity Policy, National Electricity Plan and Tariff Policy.

With the above observations, and the fact that the cross – subsidy has to continue for some more time and CoS has gone up, the Commission is of the considered view that the prevailing energy charges for Railways Traction which was marginally changed in the tariff order for FY 2012-13 needs some realignment . Accordingly the Railway (Traction) Tariff has been re – aligned. The energy charges have been kept at par with the HT Industrial tariff, while the Fixed Charge has been marginally realigned which has been un – changed for the past two years. However, in line with the HT tariff the basis of levying energy charges shall be kVAh.

The details of the existing tariff(s) and the revised tariff approved by the Commission for FY 2013-14 are presented in the Table No. 4.17 below:-

Table 4.17 - Railways Traction Tariff

Tariff for 2012-13				Tariff for 2013-14			
Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)	Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)
Railway Traction				Railway Traction			
Supply at 11 KV	530 / kWh	125 /kVA	Nil	Supply at 11 KV	525/kVAh	140/kVA	Nil
Supply at 33 KV	520 /kWh	125 /kVA	Nil	Supply at 33 KV	520/kVAh	140/kVA	Nil
Supply at 66 or 132 kV	510 /kWh	125 /kVA	Nil	Supply at 66 or 132 kV	510/kVAh	140/kVA	Nil
Supply at 220 kV	500 /kWh	125 /kVA	Nil	Supply at 220 kV	505/kVAh	140/kVA	Nil

4.17 Metro (DMRC) TARIFF

DMRC had earlier submitted that as per agreement between DMRC and Government of Haryana entered into on 17.11.2006, the State Government shall provide electricity on cost from Transco, under open access system.

The Commission observes that as per approved ARR of FY 2013-14, DMRC is paying about 114% of their own cost of supply. As per NTP guidelines the tariff has to be reckoned with the average CoS of the Discoms. Hence the Commission has realigned the tariff including energy charges applicable to DMRC. The Commission observes that the MOU with Haryana Government referred to by the DMRC has not been approved by this Commission. Hence in case the Haryana Government desires to introduce any concessional tariff for DMRC then they will have to compensate the Discoms for the loss of revenue

The details of the existing DMRC tariff and the revised tariff are presented in the Table No. 4.18 below:-

Table 4.18 - DMRC Tariff

Tariff for 2012-13				Tariff for 2013-14			
Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)	Category of consumers	Energy Charges (Paisa / kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)
DMRC				DMRC			
Supply at 66 kV	450 / kWh	125 /kVA	Nil	Supply at 66 kV	480/kVAh	140/kVA	Nil
Supply at 132 kV	450 /kWh	125 /kVA	Nil	Supply at 132 kV	480/kVAh	140/kVA	Nil

4.18 Bulk Supply Tariff

The Bulk Supply consumers are currently paying about 5% higher than the average cost of serve of the Discoms and about 14% higher than the cost to serve of their own category. The Commission left the fixed charges for this category of consumers unchanged in FY 2011-12. Hence given the ability to pay of this category of consumers and within the cross – subsidy norms specified in the National Tariff Policy, the Commission has realigned the tariff including fixed charge for Bulk Supply category of consumers.

4.19 Bulk Supply (Domestic) Tariff

Further to encourage group housing societies/residential colonies having their bounded/gated premises to opt for single point bulk supply domestic connection on HT and to manage metering/billing and collection of energy bills on their own without any interference of the utility staff, the Commission has intentionally kept the tariff under this category lower than DS category and has only increased the same to reflect cost to serve as estimated by the Commission for FY 2013-14..

The details of the existing tariff(s) and the revised tariff approved by the Commission for FY 2013-14 for bulk supply consumers are presented in the Table No. 4.19 that follows:-

Table 4.19 - Bulk Supply Tariff & Bulk Supply (Domestic) Tariff

Tariff for 2012-13				Tariff for 2013-14			
Category of consumers	Energy Charges (Paissa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)	Category of consumers	Energy Charges (Paissa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)
Bulk Supply				Bulk Supply			
Supply at LT	525 / kWh	130 /kW	Nil	Supply at LT	540/kVAh	150/kW	Nil
Supply at 11 kV	515 /kWh	130 /kW	Nil	Supply at 11 kV	525/kVAh	150/kW	Nil
Supply at 33 kV	505 /kWh	130 /kW	Nil	Supply at 33 kV	515/kVAh	150/kW	Nil
Supply at 66 or 132 kV	500 /kWh	130 /kW	Nil	Supply at 66 or 132 kV	505/kVAh	150/kW	Nil
Supply at 220 kV	495 /kWh	130 /kW	Nil	Supply at 220 kV	500/kVAh	150/kW	Nil
Bulk Supply (Domestic) (70 kW and above at 11 kV or above voltage)				Bulk Supply (Domestic) (70 kW and above at 11 kV or above voltage)			
Bulk Supply Domestic	390 /kWh	50 /kW of recorded demand	Nil	For total consumption in a month not exceeding 400 units/ flat/dwelling unit (DU).	420 /kWh	Rs. 80 /kW of recorded demand	Nil
				For total consumption in a month between 401 - 800 units/flat/ DU.	460 /kWh		
				For total consumption in a month of 801 units or more per flat / DU	510 /kWh		

4.20 Independent Hoardings / Decorative Lighting

In view of the non – essential nature of supply and the rising average cost of supply the Commission has considered it appropriate to revise the energy charges in this category from 695 Paisa/kWh to 755 Paisa / kWh. Additionally, the fixed charge shall be Rs. 150/kW of the connected load to take care of the increase in fixed cost component of the cost to supply.

4.21 Temporary Metered Supply

The energy charges for the temporary metered supply tariff shall be 1.5 times of the energy charges of the relevant category for which temporary supply has been sought. The fixed charges/ MMC shall be at the normal rate of the relevant consumer category.

The details of the existing tariff(s) and the revised tariff approved by the Commission for FY 2013-14 for above categories of consumers are presented in the Table No. 4.20.

Table 4.20 - Independent Hoardings / Decorative Lighting and Temporary Metered Supply Tariff

Tariff for 2012-13				Tariff for 2013-14			
Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)	Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)
Independent Hoarding / Decorative Lightning	695 /kWh	150 /kW	Nil	Independent Hoarding / Decorative Lightning	755/kWh	150/kW	Nil
Temporary Metered supply	Energy charges 1.5 times the energy charges of relevant category for which temporary supply has been sought plus fixed charges/ MMC at normal rates of relevant consumer category			Temporary Metered supply	Energy charges 1.5 times the energy charges of relevant category for which temporary supply has been sought plus fixed charges/ MMC at normal rates of relevant consumer category		

4.22 Other conditions

All other terms and conditions other than those explicitly dealt with in the instant order shall remain unchanged and applicable.

4.23 Revenue gap

The Commission estimates that the revision in tariff would result in additional revenue of Rs. 1633 crores which would enable the recovery of substantial portion of regulatory asset and FSA for FY 2011-12. The impact of revised tariff on the revenue gap for FY 2013-14 is given below:

Table 4.21 - Impact of revised tariff on Revenue gap for FY 2013-14

S.No.	Particulars	Rs. millions
1	Aggregate Revenue Requirement	171772.21
2	Regulatory asset recovery @ about 45% of Rs. 23435.54 million	10421.806
3	Recovery of tentative FSA for FY 2011-12@ 40% of 24463.7 million	9785.48
4	Total revenue requirement = 1+2+3	191979.50
	Less	
5	Revenue at revised tariff	142915.50
6	Agriculture subsidy	48534.00
7	Revenue from MMC and PLEC for FY 2011-12 as per audited accounts	529.99
(a)	UHBVNL	75.78
(b)	DHBVNL	454.21
8	Total revenue for FY 2013-14 = 5+6+7	191979.50
9	Revenue gap for FY 2013-14 = 4-8	0
10	Regulatory Asset of previous years carried forward	12483.74
11	Balance FSA for FY 2011-12 to be recovered in subsequent years	14678.22

The details of existing tariff and the revised tariff as approved by the Commission for FY 2013-14 for various categories of consumers are summarized in the Table No. 4.22.

Table 4.22 - Distribution & Retail Supply Tariff approved by the Commission for the FY 2013-14

Sr. No.	Tariff for 2012-13				Tariff for 2013-14				
	Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)	Category of consumers	Energy Charges (Paisa / kWh or/ kVAh)	Fixed Charge (Rs. per kW per month of the connected load / per kVA of sanctioned contract demand (in case supply is on HT) or as indicated	MMC (Rs. per kW per month of the connected load or part thereof)	
1	Domestic Supply				Domestic Supply				
					Category I: (Total consumption less than 100 units per month)				
	Upto 40 units per month	270/kWh	Nil	Rs. 80 upto 2 kW and Rs. Rs. 50 above 2 kW	0 - 40 units per month	298/kWh	Nil	Rs. 100 up to 2 kW and Rs. Rs. 60 above 2 kW	
	41 to 250 units per month	450/kWh	Nil		41-100 units per month	475/kWh	Nil		
					Category II: (Total consumption more than 100 units/month and upto 800 units/month)				
	251 to 400 units per month	525/kWh	Nil		0 – 250 units per month	490/kWh	Nil	Rs. 100 up to 2 kW and Rs. 60 above 2 kW	
	401 and above units per month	560/kWh	Nil		251 – 500 units per month	560/kWh	Nil		
					501 - 800 units per month	598/kWh	Nil		
					Category III: (Total consumption more than 800 units/month)				
					801 and above units per month (For total consumption of 801 units and above/month, there shall be single tariff & no slab benefit shall be admissible)	598/kWh Any consumer who at his own cost installs kVAh meter may opt for kVAh tariff of 538/kVAh i.e. applicable tariff in kWh multiplied by 0.90 (standard power factor)	Nil	Rs. 100 up to 2 kW and Rs. 60 above 2 kW	
2	Non Domestic				Non Domestic				
	Upto 5 kW (LT)	525 /kWh	Nil	Rs. 180 upto 5 kW and rs. 160 above 5 kW upto 20 kW	Upto 5 kW (LT)	585/kWh	Nil	Rs. 200 upto 5 kW and Rs. Rs. 185 above 5 kW upto 20 kW	
	Above 5 kW and Up to 20 kW (LT)	550 /kWh	Nil		Above 5 kW and Up to 20 kW (LT)	610/kWh	Nil		
	Above 20 kW upto 50 kW (LT)	550/kWh	130/kW		Nil	Above 20 kW upto 50 kW (LT)	600/kWh		150/kW

	Existing consumers above 50 kW upto 70 kW (LT)	575/kWh	150/kW	Nil	Existing consumers above 50 kW upto 70 kW (LT)	625/kWh	160/kW	Nil
	Consumers above 50 kW (HT)	525/kWh	130/kW	Nil	Consumers above 50 kW (HT)	585/kWh or 526/kVAh in case consumer opts for kVAh based billing	160/kW	Nil
3	HT Industry (above 50 kW)				HT Industry (above 50 kW)			
	Supply at 11 kV	470/kVAh	130 /kVA	Nil	Supply at 11 kV	530/kVAh	150/kVA	Nil
	Supply at 33 kV	460/kVAh	130 /kVA	Nil	Supply at 33 kV	520/kVAh	150/kVA	Nil
	Supply at 66 kV or 132 kV	450/kVAh	130 /kVA	Nil	Supply at 66 kV or 132 kV	510/kVAh	150/kVA	Nil
	Supply at 220 kV	440/kVAh	130 /kVA	Nil	Supply at 220 kV	500/kVAh	150/kVA	Nil
	Supply at 400 kV	435/kVAh	130 /kVA	Nil	Supply at 400 kV	495/kVAh	150/kVA	Nil
	Arc furnaces/ Steel Rolling Mills	470+18 Paisa per kVAh if supply is at 11 kV	130 /kVA	Nil	Arc furnaces/ Steel Rolling Mills	530+20 Paisa per kVAh if supply is at 11 kV	150/kVA	Nil
4	LT Industry - upto 50 kW				LT Industry - upto 50 kW			
	Up to 20 kW	535/kWh	Nil	Rs. 150 /kW	Upto 10 kW	585/kWh	Nil	Rs. 185/kWh
					Above 10 kW and upto 20 kW	610/kWh	Nil	Rs. 185/kWh
	Above 20 kW upto 50 kW	510/kWh	150 /kW	Nil	Above 20 kW and upto 50 kW	585/kWh or 526/kVAh in case of kVAh metering	170/kW	Nil
	Existing consumers Above 50 kW upto 70 kW (LT)	498/kVAh			Existing consumers Above 50 kW upto 70 kW (LT)	550 / kVAh		
5	Agriculture Tube-well Supply				Agriculture Tube-well Supply			
	Metered: (iii)with motor upto 15 BHP	25 /kWh	Nil	Rs. 200 / BHP per year	Metered: (iii)with motor upto 15 BHP	25/kWh	Nil	Rs. 200 / BHP per year
	(iv)with motor above 15 BHP	20 /kWh	Nil		(iv)with motor above 15 BHP	20/kWh	Nil	
	Un-metered (Rs. / Per BHP / Month): (iii) with motor upto 15 BHP	Nil	35	Nil	Un-metered (Rs. / Per BHP / Month): (iii)with motor upto 15 BHP	Nil	35	Nil
	(iv)with motor above 15 BHP	Nil	30	Nil	(iv)with motor above 15 BHP	Nil	30	Nil
6	Public Water	510 /kWh	150 /kW	Nil	Public Water	600/kWh	170/kW	Nil

	Works				Works			
7	Lift Irrigation	510 /kWh	150 /BHP	Nil	Lift Irrigation	600/kWh	170/BHP	Nil
8	MITC	510 /kWh	150 /BHP	Nil	MITC	600/kWh	170/BHP	Nil
9	Railway Traction				Railway Traction			
	Supply at 11 KV	530 / kWh	125 /kVA	Nil	Supply at 11 KV	525/kVAh	140/kVA	Nil
	Supply at 33 KV	520 /kWh	125 /kVA	Nil	Supply at 33 KV	520/kVAh	140/kVA	Nil
	Supply at 66 or 132 kV	510 /kWh	125 /kVA	Nil	Supply at 66 or 132 kV	510/kVAh	140/kVA	Nil
	Supply at 220 kV	500 /kWh	125 /kVA	Nil	Supply at 220 kV	505/kVAh	140/kVA	Nil
10	DMRC				DMRC			
	Supply at 66 kV	450 / kWh	125 /kVA	Nil	Supply at 66 kV	480/kVAh	140/kVA	Nil
	Supply at 132 kV	450 /kWh	125 /kVA	Nil	Supply at 132 kV	480/kVAh	140/kVA	Nil
11	Bulk Supply				Bulk Supply			
	Supply at LT	525 / kWh	130 /kW	Nil	Supply at LT	540/kVAh	150/kW	Nil
	Supply at 11 kV	515 /kWh	130 /kW	Nil	Supply at 11 kV	525/kVAh	150/kW	Nil
	Supply at 33 kV	505 /kWh	130 /kW	Nil	Supply at 33 kV	515/kVAh	150/kW	Nil
	Supply at 66 or 132 kV	500 /kWh	130 /kW	Nil	Supply at 66 or 132 kV	505/kVAh	150/kW	Nil
	Supply at 220 kV	495 /kWh	130 /kW	Nil	Supply at 220 kV	500/kVAh	150/kW	Nil
12	Bulk Supply (Domestic) (70 kW and above at 11 kV or above voltage)				Bulk Supply (Domestic) (70 kW and above at 11 kV or above voltage)			
	Bulk Domestic Supply	390 /kWh	Rs. 50 /kW of recorded demand	Nil	For total consumption in a month not exceeding 400 units/flat/dwelling unit (DU).	420 /kWh	Rs. 80 /kW of recorded demand	Nil
					For total consumption in a month between 401 - 800 units/flat/ DU.	460 /kWh		
					For total consumption in a month of 801 units or more per flat per DU	510 /kWh		
13	Street Lighting	495 /kWh	Nil	Rs. 150 /kW	Street Lighting	600/kWh	Nil	Rs. 180/kW
14	Independent Hoarding Decorative Lightning	695 /kWh	150 /kW	Nil	Independent Hoarding Decorative Lightning	755/kWh	150/kW	Nil

15	Temporary Metered supply	Energy charges 1.5 times the energy charges of relevant category for which temporary supply has been sought plus fixed charges/ MMC at normal rates of relevant consumer category	Temporary Metered supply	Energy charges 1.5 times the energy charges of relevant category for which temporary supply has been sought plus fixed charges/ MMC at normal rates of relevant consumer category
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Notes:

1. Energy charges in case of Domestic consumers are telescopic in nature within the category in which they fall. In case of consumption more than 800 units/month, no slab benefit is admissible and tariff applicable will be 598 paisa/kWh for total consumption.
2. Energy charges for HT Industrial, existing LT Industrial consumers having load above 50 kW to 70 kW, Railway Traction and DMRC are in Paisa / kVAh.
3. Fixed charges for HT Industrial supply category are in Rs / kVA of Contract Demand. For Railways and DMRC, the fixed charges are in Rs / kVA of the billable demand. For all other consumer categories (except Bulk Supply Domestic), the fixed charges are in Rs. / kW of the sanctioned load or part thereof per month.
4. 80% of the connected load shall be taken into account for levying fixed charges where leviable in case of LT industrial Supply.
5. Fixed charges for unmetered AP consumers, MITC and lift irrigation category are in Rs. / per BHP / Month.
6. Fixed charges for Bulk Supply Domestic are in Rs. / kW of the recorded demand.
7. Under Bulk Supply (Domestic) category no benefit of lower slab shall be admissible in the higher consumption slabs. Total consumption shall be charged at a single tariff depending upon the average consumption/flat/residential unit for that month.
8. In case of single point supply as per HERC (Single Point Supply to Employers' Colonies, Group Housing Societies and Residential or Commercial cum Residential Complexes of Developers) Regulations, 2013, Bulk Supply (Domestic Supply) tariff shall be applicable. A rebate of 4% in case of supply at 11 kV and 5% in case of supply at higher voltage in the energy consumption as recorded at Single Point Supply meter shall be admissible. NDS load, if any, beyond the prescribed limit as per schedule of tariff, the NDS tariff shall be applicable on monthly consumption corresponding to the NDS load as detailed in the said Regulation.
9. In addition to the tariff as above, the Discoms shall levy FSA as per HERC (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2012
10. The above tariff does not include Electricity Duty, Municipal Tax and FSA.
11. The Bulk Supply (Domestic) Tariff shall apply to the consumer categories covered by the Single Point Supply Regulations notified by the Commission.
12. In case of Health and Educational Institutions having a total load exceeding 20 kW, these shall be treated as non –domestic category where the entire load is NDS. However if there is mixed load or there is some other category's load (other than Industrial) in the total load and if such other load exceeds 10 % of the total load then Bulk Supply tariff shall be applicable.
13. The Electricity Duty, Municipal Tax and FSA shall be charged at kWh.
14. The Schedule of tariff for supply of electricity by the Discoms shall get modified accordingly. The revised schedule shall be issued separately.

5 WHEELING CHARGES, CROSS - SUBSIDY SURCHARGE & ADDITIONAL SURCHARGE

Segregated accounts including voltage wise assets and losses for the distribution and retail supply business are a pre-requisite for determination of wheeling charges, cross - subsidy surcharge and additional surcharge. The Commission in its previous ARR / Tariff order(s) of the distribution licensee(s) directed them to submit, along with their next ARR filing, the requisite data, so as to enable the Commission to determine wheeling charges, cross-subsidy surcharge and additional charge, if any. As per regulation 63 of Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution and Retails Supply under Multi Year Tariff Framework) Regulations, 2012, the distribution licensees are under statutory obligation to provide requisite calculation to enable the Commission for working out wheeling charges but they have again failed to supply the same for the FY 2013-14. In the absence of requisite information / data the Commission decides to continue with the same approach as adopted by it for determination of wheeling charges, cross subsidy surcharge and additional surcharge in its previous ARR / Tariff orders of distribution licensees. The computational details of wheeling charges for the FY 2013-14 are presented in the table 5.1.

5.1 Wheeling charges

Table 5.1 - Calculation of wheeling charges for the FY 2013-14

1 Network expenses per kWh)		
a.	Network establishment and operation cost (12% of the net ARR of the distribution licensees i.e. Rs.171772.21 millions, net of other income (UH = 74170+ DH = 84394) Rs. million	20612.7
b.	Allowed gross volume of power purchase by the distribution licensees MU	41086
c.	Expenses (Rs / kWh) (a/b)	0.50
2. Cost of losses in the system		
a.	%age distribution system losses (technical)	6.00%
b.	Losses (MU) (1bx2a)	2465.19
c.	HERC approved average cost of power purchase (Rs. / kWh)	3.38
d.	Total cost of losses (2bx2c) Rs. million	8332.33
e.	Cost per unit of losses (Rs. / unit) (2d/1b)	0.20
3. Wheeling charges (Rs. / kWh) (1c+2e)		0.70

5.2 Cross - subsidy surcharge

Regulation 63 of Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution and Retails Supply under Multi Year Tariff Framework) Regulations, 2012, provides that the cross-subsidy surcharge shall be payable by all intra-state open access consumers except those persons who have established captive generating station and are availing open access for carrying the electricity to a destination for their own use. Cross - subsidy surcharge shall also be payable by such open access consumer who receives supply of electricity from a person other than the distribution licensee in whose area of supply he is located, irrespective of whether he avails such supply through transmission/distribution network of the licensee or not.

The consumers located in the area of supply of a distribution licensee but availing open access exclusively on inter-State transmission system shall also pay the cross subsidy/additional surcharge.

Accordingly, the difference between the average cost of supply and existing tariffs in respect of the categories of consumers who are paying cross - subsidy was ordered to be the cross-subsidy surcharge for FYs 2008-09 and 2009-10. However, in the absence of an authentic and updated 'Cost of Service' (CoS) the Commission did not determine / quantify consumer category wise cross – subsidy surcharge in the ARR / Tariff order for FY 2011-12. But after withdrawal of waiver to levy cross - subsidy surcharge by Government of Haryana and on the request of distribution licensees, the Commission allowed levy of cross subsidy surcharge for FY 2011-12 at the rates as determined by it in the tariff and ARR order for 2009-10 from the date from which the State Government withdrew the waiver.

Section 42 of the Electricity Act, 2003 provides that the surcharge and cross - subsidies shall be progressively reduced. The National Tariff Policy provides that:

“.....the computation of cross subsidy surcharge needs to be done in a manner that while it compensates the distribution licensee, it does not constrain introduction of competition through open access.....”

The National Tariff Policy further provides that the cross subsidy surcharge should be brought down progressively and, as far as possible, at a linear rate to a maximum of 20% of its opening level by the 2011-12.

Keeping in view the above provisions the Commission decided in its ARR / Tariff order of distribution licensees for FY 2012-13 that rates of the cross subsidy surcharge shall be reduced @ 20% every year from the opening level i.e. rates of cross subsidy approved for FY 2011-12 and accordingly the cross subsidy surcharge for FY 2012-13 was determined. However, neither the tariffs nor the cost of service to the relevant category are constant over the years. In view of the substantial change in the cost of supply in FY 2013-14 as compared to FY 2011-12 and the average revenue in view of the revision in tariff in the last three years, the Commission observes that the cross subsidy generated by different categories has undergone a change. The Commission, however, has to take into consideration the relevant provisions of the Electricity Act, 2003 which mandates that the cross - subsidy surcharge shall be progressively reduced. Therefore continuing with the principle of reduction of cross subsidy surcharge by 20% each year beginning from FY 2011-12, the Commission has limited the cross subsidy surcharge to 40% of the cross - subsidy generated by the relevant consumer category in FY 2013-14. The details of the surcharge approved for 2013-14 are as given in the table below:

Table 5.2 - Cross - subsidy surcharge for FY 2013-14(paise/kWh)

		Average revenue	COS	cross subsidy generated	Cross subsidy surcharge limited to 40% of cross subsidy
		1	2	3=1-2	3*40%
1	HT industry	659	526	133	53
2	NDS HT	640	526	114	46
3	Bulk Supply other than domestic	757	558	199	79
4	Railways	606	511	95	38

5.3 Additional Surcharge

Regulation 22 of the “Haryana Electricity Regulatory Commission (Terms and conditions for grant of connectivity and open access for intra-State transmission and distribution system) Regulations, 2012. provides as under:

“ Additional Surcharge. - (1) An open access consumer, receiving supply of electricity from a person other than the distribution licensee of his area of supply, shall pay to the distribution licensee an additional surcharge in addition to wheeling charges and cross-subsidy surcharge, to meet out the fixed cost of such distribution licensee arising out of his obligation to supply as provided under sub-section (4) of Section 42 of the Act.

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

(2) This additional surcharge shall become applicable only if the obligation of the licensee in terms of power purchase commitments has been and continues to be stranded or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. However, the fixed costs related to network assets would be recovered through wheeling charges.

(3) The distribution licensee shall submit to the Commission, on six monthly basis the details regarding the quantum of such stranded costs and the period over which these remained stranded and would be stranded. The Commission shall scrutinize the statement of calculation of such stranded fixed costs submitted by the distribution licensee and determine the amount of additional surcharge.

Provided that any additional surcharge so determined shall be applicable to all the consumers availing open access from the date of determination of same by the Commission.

(4) The consumers located in the area of supply of a distribution licensee but availing open access exclusively on inter-State transmission system shall also pay the additional surcharge.

(5) Additional surcharge determined on per unit basis shall be payable, on monthly basis, by the open access customers based on the actual energy drawn during the month through open access”.

Since the distribution licensees have not provided any supporting data / information on this account the Commission, at this stage, is not determining any additional surcharge. The Discoms may file a separate petition with the requisite details for consideration of the Commission.

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6 CONCLUSION

The Commission has taken a number of new initiatives including notification of MYT Regulations and Single Point Supply Regulations, Load assessment norms for Domestic Consumers by amending the Electricity Supply Code, automatic recovery of Fuel Surcharge Adjustments by the Discoms on a quarterly basis as well as amortization of regulatory assets, introduction of reliability charge for un – interrupted power supply on selected Urban / Industrial feeder as well as tariff re-alignments to infuse sufficient cash flow in the Distribution and Retail Supply business. The Commission expects the Discoms to implement the regulations and directives of the Commission in an efficient and time bound manner so as to make the benefits of reforms quickly visible to the electricity consumers and thereby prepare a platform to turn around the Distribution business in next three years.

6.1 Arrears of Govt. Departments:

On several occasions the Commission has expressed its concern regarding Haryana Government Departments, i.e. Irrigation Department, Public Health Department etc. being continuously in huge default on payments for electricity supplied by the Discoms. Such huge payment defaults adversely affect the already fragile financial health of the Discoms and have cascading impact on payments by the Discoms to HPGCL and HVPNL. Further such impediments in the cash flows compel the Discoms to raise short term expensive loans for payment of power purchased by them for onward supply. Hence the Commission is of the considered view that the money owed by these Government Departments should be directly deducted from the budget of these Departments and transferred directly to the Discoms as against the prevailing practice of making provision for electricity charges as LOC which at times gets diverted / utilized for other purposes.

6.2 Purchase Policy:

The purchase policy of the State Government for essential stores and materials are made applicable to the public sector undertakings as well. This violates the autonomy granted to the power companies by the Electricity Act, 2003. The State Government have their nominees in the Board of Directors (BOD) of the power companies; hence purchases for these companies ought to be affected through the policy decided by the BoD of the power companies that are incorporated under the Indian Companies Act. The present practice of routing purchase of stores/materials etc. through the Special High Power Purchase Committee not only violates the Electricity Act, 2003 but also causes serious inefficiencies in

the working of the power companies as it hinders and delays the crucial repair and maintenance schedule of the Generation Companies because of delay and also results in shortages of crucial components and materials in the transmission and distribution companies. The existing purchase practice often results in delays in procurement and hence replacement of defective consumer meters, damaged distribution transformers, and shortage of PVC Cables, Poles & conductors etc. adding to consumer dissatisfaction as well as implementation of energy loss reduction schemes and improvement work suffers. It also adds to the tendency of field officers to resort to extra procurement and maintaining higher than the desired level of inventory because of expected delay.

In view of the above stated position, the Commission is of the considered view that in order to optimize cost and to maximize consumers satisfaction, the power companies need to be empowered to make their own purchases and manage inventory in a professional and efficient manner rather than route purchases through Special High Power Purchase Committee so that the energy loss reduction and improvement schemes are implemented effectively and timely..

6.3 Franchisee Model:

The Commission has, at different points of time, expressed its concern regarding high cost of men and material of the power companies and has been advising the Discoms and the Generation Company to outsource the works/services wherever possible. In the ARR and tariff orders for FY 2013-14 for Generation, Transmission as well as Distribution & Retail Supply the Commission has not considered any new recruitments including against any sanctioned post, It is again reiterated here that the power companies must explore public private partnership as well as introduce franchisee model in the electricity supply business. The Commission notes that the Discoms made some efforts to introduce franchisee model but due to reasons best known to them the same, so far, has not been taken to its logical conclusion. The Commission is of the view that without changing the business model which is loosely based on the traditional practices followed by the erstwhile HSEB despite unbundling and subsequent creation of independent companies; it would be extremely difficult to implement any turnaround strategy. Hence it is very important for the Discoms to introduce structural changes in the business model. In this regard the Commission has initiated the process this the Commission has taken up initiative for deployment of private licensee in the retail supply business in the selected towns with a view to improve the quality of service and reduce AT&C losses in such towns.

6.4 Lack of continuity of top management of the Power Utilities:

The Commission has observed that between the period January 2011 to December 2012 there have been frequent changes at the top level of management (CMDs/MDs) of the utilities. The Commission is of the firm view that such frequent changes in the top management of the power companies would jeopardize any medium to long term strategy for bringing improvement in the workings to make the power sector in Haryana commercially viable as envisaged in the Electricity Act, 2003.

6.5 Subsidy Administration:

The RE Subsidy is being paid by the State Government for bridging the difference in cost to serve and concessional tariff charged by the Discoms from the AP tube – well consumers. During such financial years as the FSA liability of AP consumers are also taken over by the Government, the Subsidy requirements increase. The Commission has observed that the Discoms are in huge default in payment for power supplied to them by HPGCL which adversely affect the capacity of the Generation Company to meet their cost of coal. In line with Section 65 of the Electricity Act, 2003 the Commission directs that the Subsidy shall be primarily considered as a first charge for the power purchased by the Discoms from various sources.

The revised Tariff for Distribution & Retail Supply of electricity in Haryana by the distribution licensee(s) i.e. UHBVNL & DHBVNL shall be applicable from 1st April, 2013 and shall remain effective till they are revised / amended by the Commission.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on March 30, 2013.

Date: 30th March, 2013
Place: Panchkula.

(Ram Pal)
Member

(Rohtash Dahiya)
Member

(R.N.Prasher)
Chairman