

HPERC (Security Deposit) (Fourth Amendment) Regulations, 2021

HPERC issued draft fourth amendment of 'HPERC (Security Deposit) Regulations, 2021' on 22nd April, 2021. The key highlights and the comparison made between the Regulations post 3rd amendment and 4th amendment (draft) are mentioned below:

	Third Amendment	Fourth Amendment (Draft)
Factor for security deposit	$(n + 1.35)^*$	$(n + 1)^*$
Security deposit amount	amount equivalent to the average bill (excluding arrears but including late payment surcharge, if any) for $(n+1.35)$ months based on the bills raised in relation to the period of 12 billing months (April to March) of the immediately preceding year	(include net of arrears and subsidy) for $(n + 1)$ months based on the bills raised in relation to the period of 12 billing months immediately preceding the date of such demand “the amount equivalent to the average monthly bill (net of arrears and subsidy, if any) for $(n+1)$ months based on the bills raised in relation to the period of 12 billing months immediately preceding the date of such demand ”
Calculation of security deposit rates	Based on LDHF [#] formula	Based on the category-wise rates provided in sub-regulation (2) of regulation 5
Base for calculating security deposit rates	Average monthly bill of previous year	Average monthly bill of previous year
Mode of payment	Cash/Demand Draft (DD)	Cash/Demand Draft (DD)/ Electronic mode
Increment in Initial security deposit rates	Annually	5% (every 3 years)
Review Period of additional security deposit	Annually	1st day of quarter just before the quarter in which 6-month tenure ends
Additional Security Deposit	shall not exceed 30% of the average monthly bills raised in relation to the period of 12 billing months (April to March) of the immediately preceding year	shall be payable in 3 equal quarterly installments and 1 st such installment shall be payable within 60 days from the date on which demand is raised
Adjustment of security deposit for permanent reduction	Amount recovered to be apportioned against security deposit for balance load, as per rates for FY 2020-21	Balance amount shall be apportioned on pro rata basis against the security deposit for balance connected load

*where n is number of months in a billing cycle

#LDHF Formula: Rate in (Rs./kW) = $L * D * H * F * T * (n + 1.35)$ or per kVA of Contract Demand

L: connected load for applicant falling under single-part tariff/contract demand for those under two part tariff

D: average number of working days for the relevant tariff category

H: number of hours per day for which power is used on average basis

F: demand factor for respective category of consumers

T: average tariff in Rs./kWh or Rs./kVAh in accordance with the retail tariff order of the Commission

The draft amendment can be accessed [here](#)

CER Opinion:

- 1. Security deposit for the supply of electricity (Regulation 4.3):** In relation to the security deposit amount & base for calculating security deposit rates mentioned in the draft Regulation, following measures are suggested:
 - Apart from average bill, calculation of security deposit should also consider any arrears to reflect higher commercial risk associated with such customers. A good credit history over the next 6 months should lead to recalculation of the security deposit and the excess amount be adjusted against bill of the preceding billing cycle. Inclusion of arrears in the calculation of average billing amount should disincentivize delay in bill payment.
 - The average billing amount, apart from the adjustment for arrears suggested above, is the amount due to the utility on account of the bills raised by it, and hence should not require any adjustment on account of subsidy either accounted for in the ARR or directly paid to the consumers under a direct benefit scheme.
- 2. Mode of Payment (Regulation 4.4-4.7):** The draft Regulation provides three mode of payments viz. Cash, Demand Draft (DD) and Electronic mode. However, it is advised that any shortfall in the security deposit can also be adjusted against the net payable (in cash or in energy terms) to be paid by the utility to consumers with solar rooftop plants having net-metering/gross-metering arrangement.
- 3. Refund/Additional security deposit due to the change in sanctioned load/contracted demand (Regulation 8):** The Regulation 8.2 only accounts for the reduction in security deposit due to the reduction in sanctioned load/contracted demand. In case the consumer seeks an increase/reduction in the sanctioned load/contracted demand, use of historical average monthly bill will not be appropriate basis for calculation of security deposit rate. The security deposit amount should be proportionately increased/decreased based on the desired increase/decrease of the sanctioned load/contracted demand. Hence, while amending Regulation 8, the case for an increase in security deposit on account of the increase in sanctioned load/contracted demand should also be incorporated.

4. Method of calculation of Initial security deposit rate (Regulation 5.2):

- The draft Regulation provides a table for the initial security deposit rates. The Regulation should clearly differentiate the method of calculation of security deposit rate for consumers with monthly and bi-monthly billing cycle. Since, security deposit is expected to address risk associated with non-payment of bill of 'a billing cycle', security deposit calculation for consumers with bi-monthly billing should consider average billing over the billing cycle in place of average monthly billing¹. Since, this may result in additional security deposit demand from such consumers, it is suggested that this scheme be implemented on a graduated basis, and delayed for some time given the prevailing pandemic scenario.
- The Commission may like to consider lowering the load limit of 20 kW to be reduced (say, 10 kW) for applicability of the security deposit rate of Rs.165 per kW as the reduced rate should be available for the smaller consumers only.

¹ If this is already a practice, an explanation for the same would provide clarity to stakeholders as well.