

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
World Trade Centre, Centre No.1, 13th Floor, Cuffe Parade, Mumbai – 400 005

Email: mercindia@mercindia.org.in

Website: www.mercindia.org.in

Case No. 26 of 2007 and Case No. 65 of 2006

IN THE MATTER OF
Determination of Annual Revenue Requirement (ARR) of Maharashtra State
Electricity Distribution Company Ltd. (MSEDCL) for the Control Period from
FY 2007-08 to
FY 2009-10 and Tariff for FY 2007-08

Dr. Pramod Deo, Chairman
Shri A. Velayutham, Member
Shri S. B. Kulkarni, Member

CLARIFICATORY ORDER

Date of Order: September 11, 2007

The Maharashtra Electricity Regulatory Commission (Commission), in exercise of the powers vested in it under Section 61 and Section 62 of the Electricity Act, 2003 (EA 2003) and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by MSEDCL, all the objections, responses of the MSEDCL, issues raised during the Public Hearing, and all other material, issued the detailed Tariff Order dated May 18, 2007 in Case 65 of 2006 determining the Annual Revenue Requirement (hereinafter referred to as ARR) for the Control Period from FY 2007-08 to FY 2009-10, and tariff for wheeling of electricity and retail sale of electricity for MSEDCL for FY 2007-08.

Subsequently, on August 24, 2007, the Commission issued a Clarificatory Order in the context of the Order in Case 65 of 2006 on a Petition filed by MSEDCL (Case No. 26 of 2007), as well as representations received from consumer representatives and several consumers in the context of levy of ASC and the benchmark (reference) consumption for the same, apart from other issues such as refund of RLC, inclusion of ASC while computing Load Factor incentive, etc., MSEDCL was directed to ensure that the clarifications given in the said Clarificatory Order are implemented with retrospective effect from May 1, 2007 and the consumers' bills are revised accordingly.

Further to the issue of the above Clarificatory Order, the Commission has noted certain issues, where additional clarifications are required to be given. Accordingly, the Commission is issuing this Clarificatory Order in order to further clarify the Order, wherever necessary. The clarifications in this Order will also come into effect from May 1, 2007, unless specifically mentioned otherwise.

1. Reference consumption to be considered for levy of ASC

(a) Cases of increase in Contract Demand/Sanctioned Load

In the context of the reference period in case of consumers where the Contract Demand has been increased subsequent to the billing month of December 2005, the Commission had clarified on pages 25 and 26 of the Clarificatory Order under the heading “Reference bill period for HT foundries in cases of increase in Contract demand” as under:

*“In case of consumers whose sanctioned load/contract demand had been duly increased after the billing month of December 2005, the reference period may be taken as the billing period after six months of the increase in the sanctioned load/Contract Demand or the billing period of the month in which **the third occasion of the consumer utilising at least 75% of the increased sanctioned load/Contract Demand after increasing the Contract demand is recorded, whichever is earlier.**”*

The Commission had also clarified on pages 14 and 15 of the Clarificatory Order that,

“...clause (g) of the Order reproduced above, will be applicable only in cases, where the increase in Contract Demand is equivalent to 25% or more of the Contract Demand during the reference period from January 2005 to December 2005...”

In continuation, the Commission clarifies as under:

- a. The above clarifications on pages 14, 15, 25 and 26 of the Clarificatory Order dated August 24, 2007 are to be read in conjunction, and not independently.
- b. Though the heading under which the clarification has been given may appear to indicate that the clarification is applicable only for HT Foundries, the detailed clarification makes it clear that it is applicable for all consumers where the Contract Demand/sanctioned load has been increased.
- c. The reference to sanctioned load is applicable only to consumers where the demand is yet to be contracted, and the fixed charges are being billed on the basis of sanctioned load.

- d. The clarification effectively means that in cases where the increase in Contract Demand/sanctioned load is equivalent to 25% or more of the Contract Demand during the month of December 2005, the consumer will get at least three months time (grace period), since the third incidence of utilising at least 75% of the increased Contract Demand/Sanctioned Load can occur at the earliest in the third month, as the maximum demand meter records only the highest recorded demand in the month, and does not record each individual incidence when the recorded demand is higher than a specified limit.
- e. Further, till the reference period is reached under this clause (billing period after six months of the increase in the Contract Demand/sanctioned load or the billing period of the month in which the third incidence of utilisation of at least 75 % of the increased Contract Demand/sanctioned load), the ASC will be levied at the stipulated proportion of 11% and 24%, as the case may be. Thereafter, the ASC on the increase/decrease in consumption vis-à-vis the reference consumption will be charged in accordance with the Commission’s orders in this regard.
- f. Accordingly, the illustration given on Page 15 of the Clarificatory Order dated August 24, 2007, in the context of the sample cases put forth by MSEDCL, stands modified as follows:

Sl.	Sample Case	Contract Demand in 2005	Current Contract Demand	Reference Period	Basis
		kVA	kVA	Month	
1	Case I	5000	9500	July 2006	Since it is not possible to cross 75% of increased CD within 6 months
2	Case II	9000	10500	Average of 2005	Contract Demand has not increased by at least 25% over 2005 levels
3	Case III	10000	7000	Average of 2005	
4	Case IV	10000	7000	Average of 2005	

- (b) Cases where consumers are availing credit for captive generation at different location, through renewable sources or otherwise

The Commission had clarified that “...*the billing of increase/reduction in ASC units will be done by comparing the reference consumption and current consumption on ‘gross’ basis, rather than ‘net’ basis.*”

While the above clarification correctly addresses the issue of benchmarking for assessing increase/reduction in ASC units, the computation of base energy units for levy of ASC in the illustrations has inadvertently been shown in an incorrect manner, as the ASC has been shown to be levied on the net energy units in the current month, rather than on the net energy consumption in the reference month. The **corrected illustration is given below after considering base energy units for levy of ASC on the basis of the net energy consumption in the reference month**, with inclusion of two more cases of increase in gross consumption, for greater clarity.

Sl.	Particulars	Units (kWh)	ASC levy as % of current net consumption
1	Gross annual consumption in 2005	1440000	
2	Annual credit units from captive generation in 2005	480000	
3	Annual net units billed by MSEDCL in 2005	960000	
4	Average gross monthly consumption in 2005	120000	
5	Monthly average credit units from captive generation in 2005	40000	
6	Average net monthly units billed by MSEDCL in 2005	80000	
7	Gross consumption during May 2007	120000	
8	Credit units during May 2007	20000	
9	Net consumption during May 2007	100000	
10	Proportion of consumption for levy of ASC - net billing basis	39200	39%
11	Proportion of consumption for levy of ASC - gross billing basis	19200	19%
12	Gross consumption during July 2007	120000	
13	Credit units during July 2007	60000	
14	Net consumption during July 2007	60000	
15	Proportion of consumption for levy of ASC - net billing basis	0	0%
16	Proportion of consumption for levy of ASC - gross billing basis	19200	32%
17	Gross consumption during December 2007	120000	
18	Credit units during December 2007	0	
19	Net consumption during December 2007	120000	
20	Proportion of consumption for levy of ASC - net billing basis	59200	49%
21	Proportion of consumption for levy of ASC - gross billing basis	19200	16%
22	Gross consumption during December 2007	100000	
23	Credit units during December 2007	20000	
24	Net consumption during December 2007	80000	
25	Proportion of consumption for levy of ASC - net billing basis	19200	24%
26	Proportion of consumption for levy of ASC - gross billing basis	0	0%

Sl.	Particulars	Units (kWh)	ASC levy as % of current net consumption
27	Gross consumption during December 2007	130000	
28	Credit units during December 2007	0	
29	Net consumption during December 2007	130000	
30	Proportion of consumption for levy of ASC - net billing basis	69200	53%
31	Proportion of consumption for levy of ASC - gross billing basis	29200	22%
32	Gross consumption during January 2008	150000	
33	Credit units during December 2007	0	
34	Net consumption during December 2007	150000	
35	Proportion of consumption for levy of ASC - net billing basis	89200	59%
36	Proportion of consumption for levy of ASC - gross billing basis	49200	33%

Note: The above example has been given only for illustration purposes, with assumed values of consumption and credit units in order to explain the concept, and the above illustration is not to be used for billing purposes

2. Applicability of prompt payment discount

The Commission had clarified that “...*the load factor incentive and the prompt payment incentive will be applicable if the bills are paid within seven days from the date of the bill or within 5 days of the receipt of the bill, whichever is later.*”

The Commission further clarifies that this clarification will be effective only prospectively, from the billing month of September 2007 onwards, as a retrospective implementation of this clarification may result in a situation, wherein the consumers who have already received the prompt payment incentive by payment of the bills within seven working days of date of issue of the bill, may have to refund the incentive in case the payment has not been made within seven days from the date of the bill or within 5 days of the receipt of the bill, whichever is later. This would be unfair to such consumers who have been paid the incentive on payment of bills within the then stipulated time frame, more so, since this clarification has been issued on the specific request of MSEDCL in its Clarificatory Petition.

3. Reference period in cases of Units that were sick during the reference period

Sick units, able to submit documentary evidence for the same, will be treated on par with units under lock-out or under Permanent Disconnection (PD) category, as clarified on pages 26 and 27 of the Clarificatory Order dated August 24, 2007.

The basic philosophy is that the reference consumption has to be the average monthly consumption of a period of at least six months of healthy operations. Accordingly, if the Unit has been sick for less than six months during the reference period of January to December 2005, the average monthly consumption during the period of healthy operation in the reference period of January to December 2005, would be considered as the reference consumption, for the purpose of billing increase/decrease in ASC units. However, in case of units that were sick for more than six months of the period from January 1, 2005 to December 31, 2005, and whose operations have become healthy again, the ASC will be levied at the stipulated proportion of 11% and 24%, as the case may be, for the first six months after regaining their financial health. Thereafter, the average monthly consumption during the first six months after regaining their financial health will be considered as the reference, and the ASC on the increase/decrease in consumption vis-à-vis the reference consumption will be charged in accordance with the Commission's orders in this regard.

Sd/-
(S. B. Kulkarni)
Member

Sd/-
(A. Velayutham)
Member

Sd/-
(Dr. Pramod Deo)
Chairman

Sd/-
(P.B. Patil)
Secretary, MERC