Before the

MAHARASHTRA ELECTRICITY REGULATORY COMMISSION

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Case No. 72 of 2007

IN THE MATTER OF

Petition filed by Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) for Annual Performance Review (APR) for FY 2007-08 and determination of ARR and Tariff for FY 2008-09

Dr. Pramod Deo, Chairman

Shri A. Velayutham, Member

Shri S. B. Kulkarni, Member

Date of Order: May 31, 2008

ORDER

In accordance with the MERC (Terms and Conditions of Tariff) Regulations, 2005, and upon directions from the Maharashtra Electricity Regulatory Commission (Commission), Maharashtra State Electricity Distribution Company Limited (MSEDCL), submitted its application for Annual Performance Review for FY 2007-08 and determination of Aggregate Revenue Requirement (ARR) and tariff for FY 2008-09, under affidavit. The 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 relevant material, hereby issues this Operative Order on the Annual Performance Review for FY 2007-08 and determination of tariff for wheeling of electricity and retail sale of electricity for MSEDCL for FY 2008-09, as under.

MSEDCL is a Company formed under the Government of Maharashtra General Resolution No. ELA-1003/P.K.8588/Bhag-2/Urja-5 Dated January 24, 2005 with effect from June 6, 2005 according to the provisions envisaged in the Electricity Act 2003. MSEDCL is in the business of distribution and supply of electricity in the entire State of Maharashtra, except the Mumbai license area.

MSEDCL filed an application for approval of Annual Performance Review for FY 2007-08 and determination of ARR and tariff for FY 2008-09, on November 30, 2007, under affidavit, before the Commission, in accordance with the provisions of the Electricity Act, 2003, on the basis of audited accounts for FY 2006-07, and half-year actuals for the first half of FY 2007-08.

On preliminary scrutiny, the Commission observed certain inconsistencies and data gaps in the APR Petition submitted by MSEDCL, and directed MSEDCL to submit additional data and clarifications, so that it could conduct a Technical Validation session. Thereafter, MSEDCL submitted clarifications and additional data vide its affidavit dated December 27, 2007.

The Commission held a Technical Validation Session (TVS) in the presence of authorized consumer representatives and others on January 3, 2008. During the TVS, several other discrepancies and data inconsistencies/gaps were identified and the Commission directed MSEDCL to submit the additional data and clarifications, and to make copies of the same available to the authorised Consumer Representatives, and directed that another TVS would be held before admitting the Petition, since the basic premise of the Petition was being changed, and MSEDCL was not certain whether it desired to include the impact on account of servicing of certain GoM liabilities that were not on the books of MSEDCL. The second TVS was held on February 25, 2008, after submission of the required data by MSEDCL. During this TVS also, certain discrepancies and data inconsistencies/gaps were identified and the Commission directed MSEDCL to submit the additional data and clarifications at the earliest, to enable the Commission to admit the Petition for further public process.

MSEDCL submitted the additional data and clarifications along with its revised APR Petition under affidavit, and the revised APR Petition was admitted by the Commission on March 7, 2008. MSEDCL was directed by the Commission to issue a Public Notice in leading newspapers, and to make copies of its Petition available at its designated offices, to enable interested stakeholders to submit their comments and objections to MSEDCL's Petition for approval of APR for FY 2007-08 and tariff for FY 2008-09.

The Commission invited suggestions from consumers and all stakeholders and held Public Hearings at Amravati, Nagpur, Aurangabad, Nashik, Pune, and Navi Mumbai during the period from April 3 to April 16, 2008. Consumer Representatives also participated actively in this process. The Commission based on study of all representations and issues raised during the Public Hearing and through written submissions, has undertaken the Annual Performance Review of MSEDCL for FY 2007-08, and determined the tariff for wheeling of electricity and retail sale of electricity for MSEDCL for FY 2008-09, through this Operative Order dated May 31, 2008. The tariffs will come into force from June 1, 2008, and will remain in force till March 31, 2009.

The salient features of the Commission's Order are as follows:

1. In this Order, the Commission has undertaken the truing up of MSEDCL's (erstwhile MSEB) expenses and revenue for FY 2001-02, as well as truing up of MSEDCL's expenses and revenue for FY 2006-07, provisional truing up for FY 2007-08, and determined the revenue requirement for FY 2008-09.
2. The Commission has undertaken truing up of the ARR and revenue earned by MSEB in FY 2001-02, and ARR and revenue earned by MSEDCL in FY 2006-07, on the basis of the audited accounts of MSEB and MSEDCL for FY 2001-02 and FY 2006-07, respectively.
3. The amount of truing up sought by MSEDCL for FY 2001-02 was Rs. 1065 crore, which included carrying cost interest at the rate of 12% per annum for 6 years. The Commission analysed the reasons for the revenue gap estimated by MSEDCL for FY 2001-02. The Commission has accepted the expenses and revenue considered by MSEDCL for FY 2001-02 for most of the heads, except the following:
    a. The Commission has disallowed the expense of Rs. 264.86 crore towards power purchase from the erstwhile Dabhol Power Company (DPC), since this expense was not included in the original ARR Petition itself, since MSEB had raised counter-claims towards rebate on DPC, and hence, this amount was not payable. MSEDCL has now included this expense under the truing up exercise, and submitted that MSEB's rebate claims of around Rs. 361 crore upto January 2001 and Rs. 306 crore in May 2001, were not accepted in the final settlement with DPC, and hence, this amount towards power purchase from DPC is payable. However, MSEDCL has not submitted any documentary evidence of the entire settlement with DPC, to enable the Commission to validate the claim that the rebate was not considered in the settlement in some form or the other. On MSEDCL's

submission of the necessary documents to substantiate its claims, including details of the efforts taken to pursue the rebate claim, the Commission may consider the extent of this expenditure towards power purchase from DPC, at that stage.

b. The interest expense of Rs. 107.89 crore towards DPC related bonds have been disallowed, since the Commission has ruled earlier that the investment in DPC bonds form a part of the non-regulated business, and the consumers of MSEB cannot be asked to bear the interest burden on such bonds.

c. Thus, the total revenue expenses allowed by the Commission for FY 2001-02, under the truing up exercise amounts to Rs. 13059.94 crore, as compared to Rs. 13432 crore sought by MSEDCL.

d. In the Tariff Order for FY 2001-02 issued on January 10, 2002, which forms the basis for MSEDCL's request for truing up, the Commission had ruled that the cost of the excess losses should be borne equally by the consumers and the MSEB. Accordingly, the consumers' share was recovered through the levy of a 'T&D Loss Charge' levied to certain consumer categories, while MSEB's share was addressed by considering the cost of 50% of excess losses as additional revenue to MSEB, and correspondingly reducing the ARR of MSEB for FY 2001-02. The Honourable Mumbai High Court, in its Judgment on the Appeal filed by MSEB against this Order of the Commission, appreciated the Commission's efforts in this regard, and the novel approach to tackle the increasing level of T&D losses. The same Judgment also directed that the Commission should allow creation of a Regulatory Asset as a one-time exercise, since the delay in filing the Petition could be attributed towards extraneous reasons. Accordingly, MSEDCL has sought truing up of the revenue gap for FY 2001-02. Since the High Court has upheld the Commission's approach in this regard, the Commission has added the assessed revenue of Rs. 635.9 crore on this account to MSEDCL's actual revenue in FY 2001-02. Accordingly, MSEB's revenue for FY 2001-02 has been considered as Rs. 13528.76 crore, as compared to the revenue of Rs. 12892.86 crore indicated by MSEDCL.

e. For FY 2001-02, the Commission has thus assessed a revenue surplus of Rs. 468.8 crore, as compared to the gap of Rs. 1064 Crore considered by MSEDCL. The Commission has however, not considered any carrying cost on this surplus, since MSEDCL's claim on account of the expense on power purchase from DPC, is yet to be finalised.

4. For FY 2006-07, MSEDCL computed the revenue gap as Rs. 969 crore, after truing up based on audited accounts. The Commission's analysis of the truing up for FY 2006-07 shows that MSEDCL has a surplus of Rs. 214 crore in FY 2006-

07, which has been adjusted against the approved revenue requirement for FY 2008-09. The major heads on which the Commission has considered different levels of expenditure and revenue for FY 2006-07 are given below:

a. The one-time impact of Rs. 440 crore on account of change in accounting policy on provisioning for leave encashment on the basis of actuarial valuation, in accordance with Accounting Standard (AS) 15 – R, has been spread over a period of five years starting from FY 2006-07, since the provisioning is for the past years as well.

b. MSEDCL has considered the impact of the short-term loan from REC, which was taken to meet working capital requirements, for computing the interest expenses as well as need for Advance against depreciation. Since MSEDCL is entitled only to working capital interest computed on normative basis in accordance with the Commission's Tariff Regulations, the Commission has not considered this loan and its impact, for computing the interest expenses as well as need for Advance against depreciation. Accordingly, the reduction in these two heads of expenditure is around Rs. 398 crore.

c. MSEDCL has been charging Additional Supply Charges (ASC) to its consumers since October 2006. The Commission has vetted the ASC charged over the period October 2006 to March 2007, and has directed MSEDCL to refund the excess ASC recovered from the consumers on one-to-one basis, as directed in the Tariff Order. However, MSEDCL is yet to refund any excess ASC The excess recovery has happened because MSEDCL has not purchased the quantum of costly power envisaged at the time of the Tariff Order, whereas the ASC has been recovered through the tariffs in accordance with the approved ASC matrix. Under this scenario, if the entire over-recovery is refunded to the consumers on one-to-one basis, it will amount to these consumers not being charged for some proportion of their consumption, which will be incorrect. Hence, the refund has to be undertaken by MSEDCL in such a manner that the consumer at least pays the base energy charge applicable for the respective category for the entire consumption. This will result in MSEDCL having some surplus amount left, which has to be used to offset the expenditure on the non-costly power purchase. The exact additional amount available to MSEDCL for setting off against the base ARR will be known only after MSEDCL undertakes the exercise of refund of excess ASC to the relevant consumers on one-to-one basis, which has to be done for FY 2006-07 immediately. For the purpose of this Order, while truing up the expenses and revenue for FY 2006-07, the Commission has estimated that the additional amount available to MSEDCL for setting off against the base ARR of FY 2006-07 will be around Rs. 427 crore, and has hence considered this surplus to compute the revenue gap for FY 2006-07. The same will be adjusted once the actual amounts are known, at the time of Annual Performance Review for FY 2008-09.

5. For FY 2007-08, MSEDCL estimated the provisional truing up requirement as Rs. 403 crore, on the basis of the projected expenses and revenue for the year. The Commission's analysis of the truing up for FY 2007-08 shows that MSEDCL has a surplus of Rs. 756 crore in FY 2007-08, which has been adjusted against the approved revenue requirement for FY 2008-09. The major heads on which the Commission has considered different levels of expenditure and revenue for FY 2007-08 are given below:
   a. The Commission has considered the actual power purchase quantum and cost for the first eleven months of the year, i.e., April 2007 to February 2008, and estimated the quantum of power purchase and cost for the month of March 2008 on pro-rata basis. The Commission has considered both, costly and non-costly sources of power purchase, while determining the revised ARR and truing up requirement.
   b. One-fifth of the employee expense of Rs. 440 crore on account of spreading over of the leave encashment impact has been considered in the ARR of FY 2007-08.
   c. The actual revenue from sale of electricity to different consumer categories for the period April 2007 to February 2008 has been pro-rated to determine the actual revenue earned by MSEDCL.
   d. The subsidy provided by the Government of Maharashtra to the extent of Rs. 1829 crore (of which Rs. 123 crore on account of sales for FY 2007-08 is yet to be paid) has been added to the revenue from sale of electricity.
   e. As in FY 2006-07, MSEDCL has also over-recovered ASC to the extent of around Rs. 1005 crore in FY 2007-08 (from April to December 2007, as per MSEDCL submission – yet to be vetted by the Commission), which has to be returned to the consumers on a one-to-one basis, after setting off the base energy charges as discussed earlier in this Order. The exact additional amount available to MSEDCL for setting off against the base ARR will be known only after MSEDCL undertakes the exercise of refund of excess ASC on one-to-one basis, which has to be done for FY 2007-08 at the earliest. For the purpose of this Order, while truing up the expenses and revenue for FY 2007-08, the Commission has estimated that the additional amount available to MSEDCL for setting off against the base ARR of FY 2007-08 is around Rs. 768 crore, and has hence considered this surplus to compute the revenue

gap for FY 2007-08. The same will be adjusted once the actual amounts are known, at the time of Annual Performance Review for FY 2008-09.

6. The revised Energy Balance for FY 2007-08 has been drawn up on the basis of the actual category-wise sales for the period from April 2007 to February 2008, and the actual power purchase from different sources, which has been pro-rated for the entire year. The total sales considered by the Commission for FY 2007-08 based on the above approach is 53958 MU, as compared to 54358 MU projected by MSEDCL in the APR Petition.
7. For FY 2008-09, the Commission has projected the sales at 65966 MU, as compared to MSEDCL's projection of 63775 MU. The Commission has considered the consumption of un-metered agricultural consumers as 6493 MU as submitted by MSEDCL for FY 2007-08, since no new connections are being given on un-metered basis.
8. The surplus energy available based on the power procurement plan has been apportioned across all LT categories, in proportion to the sales of each category, as the surplus energy can be used to reduce the load shedding to these categories.
9. The distribution loss level in FY 2006-07 has been now estimated as 30.20%, as compared to 30.5% considered by MSEDCL. Hence, this forms the opening loss level for the MYT Control Period from FY 2007-08 to FY 2009-10, wherein MSEDCL has been directed to reduce the distribution losses by 4% during each year of the Control Period, through a combination of reduction of both commercial and technical losses.
10. Accordingly, the energy balance for FY 2007-08 has been drawn by considering the distribution loss of 26.20%, as compared to 26.5% considered by MSEDCL in its APR Petition. Similarly, the energy balance for FY 2008-09 has been drawn by considering the distribution loss of 22.20%, as compared to 22.5% considered by MSEDCL in its APR Petition. The sharing of gains and losses on account of controllable factors on the aspect of distribution losses will be computed for FY 2007-08 based on the actual losses at the end of the year, in accordance with the Commission's Tariff Regulations.
11. The power purchase quantum projected by the Commission in this Order is not a ceiling quantum, but an estimated quantum based on the present sales projection, and the allowed level of distribution loss. Obviously, if the actual sales increase beyond the levels considered in this Order, then the power purchase quantum would also increase correspondingly. Further, the MERC Tariff Regulations also provide for short-term power purchase and the procedure to be observed by the distribution licensee in the event of unforeseen wide variation in the sales forecast. However, any additional power purchase on account of its failure to reduce distribution losses will be to MSEDCL's account, and the treatment of the same

will be governed by the provisions of the MERC Tariff Regulations. MSEDCL should not increase the hours of load shedding for any category/region, citing the power purchase quantum approved in the Commission's Order as a ceiling figure.

12. For FY 2008-09, the Commission has estimated the total quantum of gross power purchase at 90206 MU, as compared to MSEDCL's projection of 87886 MU. The quantum of power purchase estimated by the Commission at transmission periphery after deducting inter-state transmission losses is 89109 MU as against MSEDCL's projection of 86475 MU.

13. The cost of power purchase from MSPGCL in FY 2008-09, has been considered in consonance with the Commission's Order on ARR and Tariff for MSPGCL stations for FY 2008-09, in Case No. 71 of 2007 issued on May 31, 2008. The quantum of power purchase from other sources has been determined mainly on the basis of CEA target and price for purchase of power from other sources has been considered based on approved Fixed Charges and prevailing rates of energy charges.

14. The transmission charges payable by MSEDCL have been considered in accordance with the Commission's Order on transmission tariff in Case No. 104 of 2007 issued on May 31, 2008.

15. The Commission has approved the Operation & Maintenance expenses comprising employee expenses, Administration & General (A&G) expenses, and Repair & Maintenance (R&M) expenses, for FY 2007-08 and FY 2008-09 by considering a normative increase linked to inflation indices, over the expenditure approved after truing up for FY 2006-07.

16. The Commission has considered the capital expenditure and capitalisation for FY 2006-07, FY 2007-08 and FY 2008-09, on the basis of the schemes approved by the Commission till date. In this context, though the Commission had asked MSEDCL to submit the actual status of capital expenditure and capitalisation in FY 2007-08, MSEDCL has not submitted the same till date. Given the ambitious target of capital expenditure that MSEDCL has set itself, MSEDCL's seeming inability to track scheme-wise capital expenditure is not too comforting. Since the Commission has no additional data on which to modify the projections of capital expenditure and capitalisation considered in the MYT Order, the Commission has retained the same in this Order also. The same will be modified at the time of final truing up for FY 2007-08 only if MSEDCL submits the necessary scheme-wise details of capital expenditure and capitalisation and project status and costs vis-à-vis the Commission's approval.

17. The capital related expense heads, viz., interest, depreciation and Return on Equity (RoE) have been determined in accordance with the Regulations, on the approved capital expenditure and capitalisation.
18. The interest on working capital requirement and consumer security deposit has been computed in accordance with the MERC Tariff Regulations.
19. The Commission has considered provision for bad debts at 1.5% of billed revenue, in accordance with previous trend.
20. Since no income tax has actually been paid in FY 2007-08, the same has been considered as Nil under the provisional truing up. For FY 2008-09, the Income Tax has been retained at the levels projected in the MYT Order.
21. The ARR for FY 2007-08 and FY 2008-09 includes the expenditure on non-costly power purchase as well as costly power purchase, since in this Order, the Commission has not considered the applicability of the Additional Supply Charges (ASC), due to the following reasons:
    a. The ASC was introduced in the context of the increasing need to procure additional costly power in order to mitigate load shedding, and hence, the non-costly power (primarily comprising power sourced from MSPGCL and Central Sector) was equitably allocated to all regions and categories, while the costly power was allocated to certain categories, who were benefiting from reduction in load shedding, and the expenditure on the procurement of costly power was recovered through ASC.
    b. However, it has been observed that the actual procurement of costly power by MSEDCL has been much lower than that estimated by the Commission in the Orders for FY 2006-07 and FY 2007-08, whereas ASC is recovered from the consumers every month in accordance with the ASC matrix, leading to a situation where significant amount of over-recovery of ASC is taking place.
    c. Since costly power is not being procured to the extent envisaged, it means that the requirement of the consumers is being met through procurement of non-costly power itself, and the rationale for treating certain power as costly and ear-marking the same for certain categories is no longer necessary.
    d. MSEDCL has also not refunded the ASC over-recovery till date, even for the period October 2006 to March 2007, as confirmed in MSEDCL's reply to a specific query from the Commission in this regard.
    e. In its APR Petition, MSEDCL has requested that RGPPL should be considered under costly power, even though the projected power procurement rate was around Rs. 3.60 per kWh, since in case RGPPL power was not procured, it would result in significant increase in the load shedding to different categories and regions.

f. However, the Commission does not find any merit in MSEDCL's contentions in this regard, since

   i. RGPPL power is primarily intended for the State of Maharashtra on a long-term basis. Any such source of power, which is being procured under a long-term PPA, has to be considered as one of the pool sources, to be shared equitably amongst all the consumers in the State, rather than be earmarked for a select few consumers and regions.

   ii. The argument that load shedding will increase if power procurement from RGPPL is not undertaken, though true, can be extended to procurement from any source, including MSPGCL or CGS. Moreover, the power procurement from RGPPL is not being denied, it is only the mechanism of recovery of the cost that is being modified.

   iii. The rate projected by MSEDCL for power procurement from RGPPL is Rs. 3.6 per kWh, while the Commission has considered the weighted average rate as Rs. 3.40 per kWh based on the higher power purchase considered on the basis of the CEA targets. While introducing the concept of ASC, the Commission has been considering all power sources costing above Rs. 4 per kWh as costly power. While there may be no economic rationale for considering a particular level as the cut-off for such purposes, having established the same, it will be improper to shift the cut-off so that a particular source qualifies as costly power. In the MYT Order also, the Commission bifurcated power procurement from RGPPL into two parts, viz. for the seven month period from April to November, RGPPL power was treated as a costly source, since the rate of power procurement was expected to be around R. 5.01 per kWh, while for the remaining part of the year, the rate of procurement was expected to be around Rs. 3.05 per kWh, and hence, this quantum was considered as non-costly power.

g. Recently, the Franchisee/Interim Franchisee model has been approved for places like Baramati and Thane, Mulund, Bhandup and Navi Mumbai, wherein additional costly power required to mitigate load shedding in that region is procured by MSEDCL and there is a tri-partite Agreement between MSEDCL, the power supplier and the Interim Franchisee, with the additional Reliability Charges payable by the consumers of the respective region being approved by the Commission through a separate process, on the basis of Petition to be filed by MSEDCL, as the distribution licensee. This also reduces the need for continuing with the ASC model.

h. It should be noted that there is no loss to MSEDCL in the context of RGPPL being considered as non-costly power and the ASC matrix being removed, since MSEDCL has been given full recovery of all its power purchase costs, including that from RGPPL power.

22. The ARR for FY 2008-09 to be recovered through retail sales of electricity has been determined as Rs. 24785 crore, as compared to Rs. 25253 crore projected by MSEDCL, by considering both costly as well as non-costly sources of power purchase in the base ARR itself, in view of the above explanation for removing applicability of ASC. The ARR is lower than that projected by MSEDCL, despite the Commission considering the increase in the transmission charges payable to the InSTS and the higher charges payable to MSPGCL, which had not been considered by MSEDCL in its Petition.
23. The revenue from existing tariffs for projected sales in FY 2008-09 has been determined as Rs. 22348 crore, as compared to Rs. 24471 crore estimated by MSEDCL. This revenue includes the annual standby charges of Rs. 396 crore payable by Mumbai licensees, viz., REL, BEST and TPC, for the standby facility provided by MSEDCL. The difference is primarily on account of the fact that MSEDCL has considered revenue from ASC charges, which are higher than the base energy charges, whereas the Commission has considered the revenue from the entire sales at the base tariffs.
24. The resultant revenue gap for FY 2008-09, thus works out to Rs. 2437 crore, as compared to Rs. 782 crore projected by MSEDCL. This is primarily due to MSEDCL not considering the expense on costly power purchase and the revenue through ASC as a part of its ARR, whereas the Commission has considered all the power purchase expenses and the recovery through base energy charges, to determine the revenue gap.
25. After considering the surplus of Rs. 469 crore in FY 2001-02, surplus of Rs. 214 crore in FY 2006-07, surplus of Rs. 756 crore in FY 2007-08, and adding the pending claim of Rs. 11.6 crore on account of interest on FAC, the net revenue gap for FY 2008-09 works out to Rs. 1010 crore, as compared to MSEDCL's Petition for Rs. 3318 crore, resulting in an average increase in total revenue requirement by around 4.5%.
26. The Commission, in line with its directions in the Order dated April 2, 2008 in Case No.s 47 and 92 of 2007 on the Review Petition filed by MSEDCL on the issue of refund of Regulatory Liability Charges (RLC), has considered a refund of RLC of Rs. 500 crore in FY 2008-09 to be refunded to the specified consumer categories, out of the total amount of around Rs. 3227 crore collected by MSEDCL through RLC over the period from December 2003 to September 2006, which were like a loan given by these subsidizing categories to help MSEDCL tide over the financial crisis due to its heavy distribution losses. This is only a token amount, amounting to around 16% of the RLC collected from the selected

consumer categories. It is expected that with progressive improvement of MSEDCL's operations in future years, the balance amount will be refunded in the near short-term. This refund amount of Rs. 500 crore has been added to the ARR of MSEDCL for FY 2008-09, and will thus be recovered from all the consumers of MSEDCL.

27. The net revenue gap for FY 2008-09 thus works out to Rs. 1510 crore, as compared to MSEDCL's Petition for Rs. 3318 crore, resulting in an average increase in total revenue requirement by around 6.76%, as compared to MSEDCL's Petition for average tariff increase of 19.3%.
28. The Commission has determined the tariffs in line with the tariff philosophy adopted by it in the past, and the provisions of law. The tariffs and tariff categorisation have been determined so that the cross-subsidy is reduced without subjecting any consumer category to a tariff shock, and also to consolidate the movement towards uniform tariff categorisation throughout the State of Maharashtra.
29. As the severe load shedding of 12 to 15 hours for agriculture category is likely to continue to prevail for some more time, the Commission has decided to retain the agriculture tariffs at the existing level. The tariff for HT Agriculture consumers has also been retained at the existing levels.
30. MSEDCL should strive to ensure 100% metering of all consumption, including agricultural consumption, if not at the individual level, then at least at the feeder level and DTC level. In order to incentivise consumers to adopt metering, the metered tariffs have been specified lower than the effective flat rate tariffs. Further, when such metered consumers participate in DSM programmes, then all such consumers who shift to metered tariffs will be entitled to a rebate of 10% in the energy bills to be given by MSEDCL.
31. The Commission has observed that the tariff categorisation and applicability of tariffs is different across different licensees in the State, which is not appropriate. The differences exist because of historical reasons and differences in management policies and approach across licensees. However, within one State, the consumer categorisation and applicability of tariffs should not be significantly different, and the Commission has attempted to achieve this objective in this Order and other Orders for the distribution licensees in the State. There will of course, be some differences, on account of certain consumer categories being present only in certain licence areas, such as agricultural category, power looms, etc., which will exist only in certain licence areas.
32. The existing Fuel Adjustment Cost (FAC) Charge has been brought to zero, on account of the adoption of the existing fuel costs for projection of the fuel expenses. In case of any variation in the fuel prices with respect to these levels,

MSEDCL will be able to pass on the corresponding increase to the consumers through the existing FAC mechanism, subject to the stipulated ceiling of 10% of average energy charges. The FAC will be charged on a monthly basis, and the details of the computation and recovery from the same will have to be submitted to the Commission for post-facto, on a quarterly basis.

33. The Commission has reduced the fixed charges/demand charges applicable for different consumer categories, and correspondingly increased the energy charges, so that the bills are more directly linked to the consumption. Economic theory states that the recovery of fixed costs through fixed charges should be increased, so that a reasonable portion of the fixed costs are recovered through the fixed charges. However, the ability of the Licensees to supply reasonably priced power on continuous basis has been eroded due to the stressed demand-supply position in recent times, and hence, the Commission has reduced the fixed charges. This will provide certain relief to the consumers who have lower load factor, as the consumers will be billed more for their actual consumption rather than the load, and the licensees also have an incentive to ensure that continuous 24 hour supply is given to the consumers. As and when sufficient power is available and contracted by the licensees, the fixed charges can again be increased, and energy charges reduced correspondingly.
34. The applicability of the BPL category tariffs has been modified slightly such that BPL category will be available only to such residential consumers who have a sanctioned load of upto and less than 1 kW, and have consumed less than 360 units per annum in the previous financial year. The eligibility criteria has thus, been modified from a monthly limit of 30 units to an annual limit of 360 units, so that it leaves some flexibility in consumption with the BPL consumer. The applicability of BPL category will have to be assessed at the end of each financial year. In case any BPL consumer has consumed more than 360 units in the previous financial year, then the consumer will henceforth, be considered under the LT-1 residential category. Once a consumer is classified under the LT-1 category, then he cannot be classified under BPL category.
35. The Commission has continued with the practice of charging higher tariffs for residential consumers having monthly consumption above 300 units per month and above 500 units per month, since, the Commission feels that in the residential category, such consumption should be classified as luxurious use, and an economic signal in terms of higher tariff has to be given to such consumers to encourage them to make efforts for energy conservation.
36. In view of the ATE's decision in this regard, the Commission has done away with LT-IX category, the separate consumer categorisation for shopping malls and multiplexes,. All these consumers will henceforth, be classified under LT-2

commercial category, as was being done earlier. Further, three new sub-categories have been created under LT-2 commercial category on the basis of sanctioned load, viz., 0 to 20 kW, 21 kW to 50 kW, and above 50 kW sanctioned load. The Commission has determined the tariffs for these two sub-categories at higher levels.

37. When the ASC was being charged earlier, a lower base energy charge was applicable for the HT Continuous industry as compared to HT non-continuous industry, which was off-set by the higher ASC percentage charged to HT continuous industry. However, the ASC has now been removed. Since the continuous process industries are getting supply on a continuous basis, and are not subjected to load shedding, including staggering day, the tariff for HT continuous industry has been specified slightly higher than that applicable for HT non-continuous industry.
38. The Commission has created a new category, viz., HT-II Commercial, to cater to all commercial category consumers availing supply at HT voltages, and currently classified under the existing HT-I Industrial or LT-IX (multiplexes and shopping malls). This category will include Hospitals getting supply at HT voltages, irrespective of whether they are charitable, trust, Government owned and operated, etc. The tariff for such HT-II commercial category consumers has been determined higher than the tariff applicable for HT-I industrial, in line with the philosophy adopted for LT commercial consumers. Such categorisation already exists in other licence areas in the State, and is hence, being extended to MSEDCL licence area also.
39. The Commission has created a new category, viz., LT IX, which will include all crematoriums and cremation and burial grounds, irrespective of whether these are electric crematoriums, or otherwise, and the tariffs have been specified at lower levels. This is in line with the other distribution licensees in the State, where this category exists. However, this lower tariff will be applicable only to the portion catering to such activities, and in case part of the area is being used for other commercial purposes, then a separate meter will have to be provided for the same, and the consumption in this meter will be chargeable under LT-II Commercial rates.
40. The Commission has ensured that the average billing rate for HT Group Housing societies is lower than the average billing rate for LT residential category, since the Group Housing societies take supply at single point and supply it to the individual residences using their own network.
41. MSEDCL had sought significant reduction in the tariffs applicable to LT and HT Public Water Works (PWW). The Commission has reduced the tariff for LT PWW by around 2.25% and by 8.5% for HT PWW consumers, since these are

Public Utilities and benefit the society at large, while at the same time, the Commission cannot increase the cross-subsidy. If the State Government wishes to offer additional subsidy to this category, it may do so by compensating the MSEDCL for the resultant loss in revenue.

42. MSEDCL had proposed to reduce the tariff to MPECS by 50%. Keeping in view the fact that MPECS is an embedded distribution licensee within MSEDCL licence area, and has a predominantly agricultural mix of consumers, and is also subjected to load shedding in accordance with the prevailing load shedding protocol for that region, the Commission has reduced the tariff applicable to MPECS, though not to the extent proposed by MSEDCL. Further, in accordance with the Judgment of the Honourable Appellate Tribunal for Electricity (ATE) on the Appeal filed by MPECS against the Commission's Tariff Order for MPECS, the Commission rules that MSEDCL should install meters capable of recording the Simultaneous Maximum Demand (SMD) at all the energy interchange points with MPECS, and levy demand charges on MPECS on the basis of the recorded SMD, rather than on the arithmetic summation of the demand at all the 22 energy interchange points.
43. MSEDCL had proposed to introduce two new sub-categories within LT V industrial category, viz., (a) Power looms, and (b) Flour mills below 10 HP sanctioned load, and proposed a lower tariff for these two new sub-categories. The Commission has not created these two sub-categories, and has retained them under the LT V industrial category. However, the Commission has ensured that there is no tariff increase for the sub-category 0 to 20 kW, thereby protecting the smaller consumers from a tariff shock.
44. The Time of Day (ToD) tariffs will be applicable compulsorily to most HT consumer categories, including the newly created HT II commercial category, but excluding HT III Railways, Mula Pravara Electric Co-operative Society, which is a licensee, HT Agriculture and HT VI Group Housing Societies. ToD tariffs will also be compulsorily applicable to LT V industrial category above 20 kW sanctioned load, as well as optionally available to LT – V category consumers having sanctioned load below 20 kW, who have TOD meters. The TOD tariffs have been retained at existing levels.
45. Additional demand charges of Rs 20 per kVA per month would be chargeable for the stand by component, for CPPs, only if the actual demand recorded exceeds the Contract Demand.
46. The Billing Demand definition has been retained at the existing levels, i.e.,

    Monthly Billing Demand will be the higher of the following:

    (a) Actual Maximum Demand recorded in the month during 0600 hours to 2200 hours;

(b) 75% of the highest billing demand/Contract Demand, whichever is lower, recorded during the preceding eleven months;

(c) 50% of the Contract Demand.

47. In line with the Commission's ruling in the MYT Order, since MSEDCL is yet to achieve 100% MD metering for LT V industrial consumers above 20 kW (around 97% completion has been indicated by MSEDCL till date), the MD tariffs for LT V industrial consumers will not be made effective. Till the MD meters are installed, MSEDCL will be allowed to charge only the earlier HP based tariffs, though the revenue has been assessed based on MD based tariffs.
48. The Commission reiterates that that HT-V Residential would be applicable only to the Group Housing Societies. MSEDCL had been directed to ensure metering arrangements so that consumers currently classified under HT-V Commercial Category, and requiring a single point supply, will have to either operate through a franchise route or take individual connections under relevant category. MSEDCL is directed to ensure compliance with this directive immediately.
49. The Commission has directed MSEDCL to adopt Demand Side Management Measures (DSM) and reduce the demand for power in its license area. The cost of such DSM projects shall be allowed by the Commission as a part of the Annual Revenue Requirement of MSEDCL, which would be more than offset by the savings in power purchase cost due to reduction in demand.
50. The rebates/incentives and disincentives have been retained at the existing levels.
51. In line with the MYT Order, only HT industries connected on express feeders and demanding continuous supply will be deemed as HT continuous industry and given continuous supply, while all other HT industrial consumers will be deemed as HT non-continuous industry.
52. While the tariffs have been determined such that the revenue gap considered for the year is met entirely through the revision in tariffs, it is likely that the actual revenue earned by MSEDCL may be higher than that considered by the Commission, on account of tariff changes such as introduction of demand charges for LT commercial category, as well as creation of the new HT-II Commercial category. Any additional revenue/shortfall in revenue due to the impact not being assessed at this stage will be trued up at the time of final truing up for FY 2008-09.
53. The Commission approves MSEDCL's proposal for modification to the load shedding protocol, with the following basic changes, viz.,
    a. Introduction of two more Groups taking the number of Groups identified on the basis of distribution losses and collection efficiency, to six.
    b. Merger of the Categorisation of 'Urban and Industrial Agglomerations' and 'Other Regions'

54. The revised groups and classifications, created on the basis of the distribution losses and collection efficiency are given below:

Group	**Weighted average distribution loss and collection efficiency level (DCL 70/30)**	
	Other Region	**Ag. dominated**
A	0% to 18%	0% to 21%
B	>18% to 26%	>21% to 29%
C	>26% to 34%	>29% to 37%
D	>34% to 42%	>37% to 45%
E	>42% to 50%	>45% to 53%
F	Above 50%	Above 53%

55. The approved ceiling hours of load shedding for different divisions grouped under the above load shedding matrix, for a demand-supply gap of around 4500 MW, are given below:

Group	**Other Regions**	**Agriculture dominated regions**
A	2.75	10.00
B	3.50	10.50
C	4.25	11.00
D	5.00	11.50
E	5.75	12.00
F	6.50	12.00

56. The modification to the load shedding protocol is in public interest, as the remaining differentiation between urban and other regions has been eliminated, while at the same time, rewarding regions with lower distribution losses and higher collection efficiency, with reduced load shedding. The above load shedding matrix only indicates the ceiling hours of load shedding, and the actual number of hours of load shedding will depend on the demand-supply balance, and the timing of load shedding in different regions has to be formulated by MSEDCL, keeping in mind the local requirements. Moreover, due to the above changes, divisions that were hitherto performing well on the aspect of distribution loss and collection efficiency will have either the existing level of load shedding or benefit from reduced load shedding, despite the merger of Urban and Industrial Agglomerations with Other Regions.

57. MSEDCL should strive to reduce the load shedding to different regions and categories, by procuring the required quantum of power at reasonable rates through long-term power purchase agreements.
58. The Commission has determined the wheeling charges for eligible open access consumers for each voltage level based on the voltage-wise asset base and capacity levels at each voltage, as submitted by MSEDCL, with certain assumptions. The ARR of MSEDCL has been segregated between wires business and retail supply business in accordance with the principles adopted by the Commission in the MYT Order. Consumers connected directly to the transmission network would not be required to pay the wheeling charges. Open access consumers will pay the wheeling charges and the wheeling loss in kind linked to distribution loss at respective voltage level.
59. The cross-subsidy surcharge for eligible open access consumers will continue to be zero, in continuation of the Commission's decision in this regard in the previous Tariff Order.
60. The Commission will undertake the Annual Review of MSEDCL's performance for FY 2008-09 during the last quarter of FY 2008-09. MSEDCL is directed to submit its Petition for Annual Review of its performance during the first half of FY 2008-09, as well as truing up of revenue and expenses for FY 2007-08, with detailed reasons for deviation in performance, latest by November 30, 2008.

The detailed Order will follow.

(S. B. Kulkarni) Member	(A. Velayutham) Member	(Pramod Deo) Chairman, MERC

(P B Patil)
Secretary, MERC

Table 1: Aggregate Revenue Requirement for FY 2006-07, FY 2007-08 and FY 2008-09 (Rs. Crore)

Sl.	Particulars	Previous Year FY 07			FY 2007-08			FY 2008-09		
		Order	Audited	Approved after truing up	MYT Order	Revised Estimate by MSEDCL	Approved after provisional truing up	MYT Order	Revised Estimate by MSEDCL	Approved
1	Power Purchase Expenses	13632	14925	14925	16899	16597	14963		19743	19403
2	Operation & Maintenance Expenses									
2.1	Employee Expenses	1445	1926	1593	1572	1644	1727	1657	1791	1874
2.2	Administration & General Expenses	108	148	148	116	172	156	122	235	181
2.3	Repair & Maintenance Expenses	340	416	416	359	447	436	378	481	456
3	Depreciation, including advance against depreciation	352	608	366	389	417	384	435	463	428
4	Interest on Long-term Loan Capital	116	314	154	261	422	237	323	679	347
5	Interest on Working Capital, consumer security deposits and Finance Charges	140	185	182	285	255	252	285	274	271
6	Provision for Bad Debts	207	299	283	267	325	267	276	269	335
7	Other Expenses	41	44	44	2	5	5	2	5	5
8	Income Tax				86	86	0	86	86	86
9	Transmission Charges paid to Transmission Licensee	1265	1352	1352	1460	1471	1460		1472	1786
10	SLDC Charges	16								
11	Contribution to contingency reserves	49.295	50	47	50	53	52	56	63	29

Sl.	Particulars	Previous Year FY 07			FY 2007-08			FY 2008-09		
		Order	Audited	Approved after truing up	MYT Order	Revised Estimate by MSEDCL	Approved after provisional truing up	MYT Order	Revised Estimate by MSEDCL	Approved
12	Adjustment for profit/loss on account controllable/uncontrollable factors									
13	Incentives/Discounts	166	72	72	66	75	75	72	79	79
14	Interest on Working Capital required on account of shortfall of Collection Efficiency					67	0		53	0
15	**Total Revenue Expenditure**	**17877**	**20338**	**19582**	**21812**	**22036**	**20013**	**3692**	**25692**	**25278**
16	Return on Equity Capital	390.88	518	518	409	563	555	430	635	581
17	**Aggregate Revenue Requirement**	**18268**	**20856**	**20100**	**19939**	**22599**	**20568**	**4122**	**26327**	**25860**
18										
19	Less: Non Tariff Income	734	887	887	953	904	904	1072	1074	1074
20	Surplus of previous years - FY 2004-05	137	137	137						
21	Surplus of previous years - FY 2005-06	227								
22	**Aggregate Revenue Requirement from Retail Tariff**	**17170**	**19832**	**19076**	**18986**	**21695**	**19664**	**3050**	**25253**	**24785**

Table 2: Revenue Gap in FY 2006-07, FY 2007-08 and FY 2008-09 (Rs. Crore)

Sl.	Particulars	Previous Year FY 07			FY 2007-08			FY 2008-09		
		Order	Audited	Approved after truing up	MYT Order	Revised Estimate by MSEDCL	Approved after provisional truing up	MYT Order	Revised Estimate by MSEDCL	Approved
23	**Revenue from existing tariff**	**17170**	**18863**	**18863**	**18205**	**21292**	**17821.97**		**24471**	**22348**
24	Subsidy from Government of Maharashtra					**0**	1829.23			
25	Part of ASC over-recovery set off against non-costly power			427		**0**	768.08			
26	**Total Revenue**	**17170**	**18863**	**19290**	**18205**	**21292**	**20419**		**24471**	**22348**
27	**Revenue Gap for the year**	**0**	**969**	**-214**	**781**	**403**	**-756**		**782**	**2437**

Table 3: Total Revenue Gap to be recovered through sale of electricity in FY 2008-09 (Rs. Crore)

Particulars	MSEDCL	Commission
Truing up for FY 2001-02 - Regulatory Asset	1064.6	-468.82
Truing up for FY 2006-07	969	-214
Provisional Truing up for FY 2007-08	403	-756
Revenue Gap for FY 2008-09	782	2437
Additional claim due to ATE Order	88	0
Pending Claim - FAC interest	11.59	11.59
Total Revenue Gap to be recovered through tariffs in FY 2008-09	**3318**	**1010**
Average tariff increase	19.36%	4.52%
Additional revenue requirement due to refund of Regulatory Liability Charges		500
Effective Revenue Gap to be recovered through tariffs in FY 2008-09		**1510**
Average tariff increase		**6.76%**

Table 4: Summary of LT Tariff Effective from June 1, 2008

Consumer Category	Demand Charges (Rs/KVA/month) or(Rs/HP/month) or (Rs/ connection/month)	Energy Charges (Paise/kWh)
LT I - Domestic		
Consumption less than 30 Units Per Month (BPL)	Rs 3 per service connection	40
Consumption more than 30 Units Per Month		
0-100 Units	Single Phase: Rs. 30 per service connection; Three Phase: Rs. 100 per service connection; Additional Fixed charge of Rs. 100 per 10 kW load or part thereof above 10 kW load shall be payable.	205
101- 300 Units		390
301-500 Units		530
Above 500 units (Only balance Units)		620
LT II - Non Domestic		
0-20 kW	Rs. 150 per connection per month	340
>20 - 50 kW	Rs. 150 per kVA per month	550
> 50 kW	Rs. 150 per kVA per month	750
LT III - Public Water Works		
0- 20 KW	Rs 40 per kVA per month	125
>20-40 KW	Rs 50 per kVA per month	175
>40-50 KW	Rs 70 per kVA per month	250
LT IV - Agriculture		
Un-metered Tariff		
Category 1 Zones*	Rs. 241 per kW per month (Rs 180 per HP per month)	0
Category 2 Zones#	Rs 201 per kW per month (Rs. 150 per HP per month)	0
Metered Tariff (including Poultry Farms)	Rs 20 per kW per month (Rs 15 per HP per month)	110
LT V - Industrial		
0-20 kW (upto and including 27 HP)	Rs. 150 per connection per month	300

Consumer Category	**Demand Charges (Rs/KVA/month) or(Rs/HP/month) or (Rs/ connection/month)**	**Energy Charges (Paise/kWh)**
Above 20 kW (above 27 HP)	Rs. 100 per kVA per month for 65% of maximum demand or 40% of contract demand, whichever is higher	450
	Rs. 60 per HP per month for 50% of sanctioned load, till such time MD meters are installed for all consumers	
TOD Tariff (in addition to base tariff, after installation of MD meter)		
2200 hrs – 0600 hrs	-	(85)
0600 hrs – 0900 hrs		0
0900 hrs – 1200 hrs		80
1200 hrs – 1800 hrs		0
1800 hrs – 2200 hrs		110
LT VI - Street Light		
Grampanchayat, A, B & C Class Municipal Council	Rs 30 per KW per month	240
Municipal Corporation Areas		290
LT VII - Temporary		
Temporary Connections –Other Purpose	Rs 250 per connection per occasion of supply	1200
Temporary Connections - Religious	Rs 200 per connection per occasion of supply	200
LTVIII - Advertisement & Hoardings	Rs 400 per connection	1400
LT IX – Crematoriums & Burial Grounds	Rs 200 per connection per occasion of supply	200

***Category 1 Zones (with consumption norm above 1318 hours/HP/year)**					
1	Bhandup (U)	2	Pune	3	Nashik

#Category 2 Zones (with consumption norm below 1318 hours/HP/year)					
1	Amravati	2	Aurangabad	3	Kalyan
4	Konkan	5	Kolhapur	6	Latur
7	Nagpur(U)	8	Nagpur		

Notes:

1. FAC will be determined every month based on the FAC Formula approved by the Commission.
2. Billing Demand for LT V categories and LT II category having MD based tariff :

   Monthly Billing Demand will be the higher of the following:

   a) 65% of the Actual Maximum Demand recorded in the month during 0600 hours to 2200 hours
   b) 40% of the Contract Demand

Table 5: Summary of HT Tariff Effective from June 1, 2008

Consumer Category	Demand Charges (Rs/kVA/month)	Energy Charge (Paise/kWh)
HT I - Industry		
Continuous Industry (on express feeder)	150	400
Non-continuous Industry (not on express feeder)	150	395
Seasonal Industry	150	500
HT II - Commercial		
HT – III - Railway Traction	0	470
HT IV - Public Water Works		
Express Feeders	150	300
Non- Express Feeders	150	320
TOD Tariff (for HT I, HT I A, HT II & HT IV)		
2200 hrs – 0600 hrs		(85)
0600 hrs – 0900 hrs		0
0900 hrs – 1200 hrs		80
1200 hrs – 1800 hrs		0
1800 hrs – 2200 hrs		110
HT V- Agriculture	25	160
HT- VI		
Group Housing Society	125	300
Commercial Complex	125	525
HT VII - Mula Pravara Electric Co-op Society	100	200

Notes:

1. HT V category includes HT Lift Irrigation Schemes irrespective of ownership.
2. FAC will be determined every month based on the FAC Formula approved by the Commission
3. <u>HT Industries & HT Water Works (HT I & HT IV)</u>

   Monthly Billing Demand will be the higher of the following:

   i. Actual Maximum Demand recorded in the month during 0600 hours to 2200 hours

   ii. 75% of the highest billing demand recorded during preceding eleven months

iii. 50% of the Contract Demand.

4. HT Seasonal Category (HT I A)

During Declared Season Monthly Billing Demand will be the higher of the following:

i. Actual Maximum Demand recorded in the month during 0600 hours to 2200 hours
ii. 75% of the Contract Demand
iii. 50 kVA.

During Declared Off-season
Monthly Billing Demand will be the following:
i) Actual Maximum Demand recorded in the month during 0600 hours to 2200 hours

5. HT Industrial consumers having captive generation facilities synchronized with the grid will pay additional demand charges of Rs. 20 per kVA per month only for the standby contract demand component.

Incentives and Disincentives:

Power Factor Calculation
Wherever, the average power factor measurement is not possible through already installed meter, the following method for calculating the average power factor during the billing period shall be adopted-

$$\text{Average Power Factor} = \frac{Total(kWH)}{Total(kVAh)}$$

Wherein the kVAh is the square root of the summation of the squares of kWh and RkVAh

Power Factor Incentive (Applicable for all HT categories, except HTP III with specific dispensation, and LT III, LT V and LT IX categories)
Whenever the average power factor is more than 0.95, an incentive shall be given at the rate of 1% (one percent) of the amount of the monthly bill including energy charges, FAC, and Fixed/Demand Charges, but excluding Taxes and Duties for every 1% (one percent) improvement in the power factor (PF) above 0.95. For PF of 0.99, the effective incentive will amount to 5% (five percent) reduction in the monthly bill

and for unity PF, the effective incentive will amount to 7% (seven percent) reduction in the monthly bill.

Power Factor Penalty (Applicable for all HT categories, except HTP III with specific dispensation, and LT III, LT V and LT IX categories)

Whenever the average PF is less than 0.9, penal charges shall be levied at the rate of 2% (two percent) of the amount of the monthly bill including energy charges, FAC, and Fixed/Demand Charges, but excluding Taxes and Duties for the first 1% (one percent) fall in the power factor below 0.9, beyond which the penal charges shall be levied at the rate of 1% (one percent) for each percentage point fall in the PF below 0.89.

Prompt Payment Discount

A prompt payment discount of one percent on the monthly bill (excluding Taxes and Duties) shall be available to the consumers if the bills are paid within a period of 7 days from the date of issue of the bill.

Delayed Payment Charges (DPC)

In case the electricity bills are not paid within the due date mentioned on the bill, delayed payment charges of 2 percent on the total electricity bill (including Taxes and Duties) shall be levied on the bill amount. For the purpose of computation of time limit for payment of bills, "the day of presentation of bill" or "the date of the bill" or "the date of issue of the bill", etc. as the case may be, will not be excluded.

Rate of Interest on Arrears

The rate of interest chargeable on arrears will be as given below for payment of arrears-

Sr. No.	Delay in Payment (months)	Interest Rate p.a. (%)
1	Payment after due date upto 3 months (0 - 3)	12%
2	Payment made after 3 months and before 6 months (3 - 6)	15%
3	Payment made after 6 months (> 6)	18%

Load Factor Incentive

The Commission has retained the Load factor incentive for consumers having Load Factor above 75% based on contract demand. Consumers having load factor over 75% upto 85% will be entitled to a rebate of 0.75% on the energy charges for every percentage point increase in load factor from 75% to 85%. Consumers having a load factor over 85 % will be entitled to rebate of 1% on the energy charges for every percentage point increase in load factor from 85%. The total rebate under this head will be subject to a ceiling of 15% of the energy charges for that consumer. This incentive is limited to HT-I category only. Further, the load factor rebate will be available only if the consumer has no arrears with the MSEDCL, and payment is made within seven days from the date of the bill or within 5 days of the receipt of the bill, whichever is later. However, this incentive will be applicable to consumers where payment of arrears in instalments has been granted by the MSEDCL, and the same is being made as scheduled. The MSEDCL has to take a commercial decision on the issue of how to determine the time frame for which the payments should have been made as scheduled, in order to be eligible for the Load Factor incentive.

The Load Factor has been defined below:

$$\text{Load Factor} = \frac{\text{Consumption during the month in MU}}{\text{Maximum Consumption Possible during the month in MU}}$$

Maximum consumption possible = Contract Demand (kVA) x Actual Power Factor x (Total no. of hrs during the month less planned load shedding hours*)

* - Interruption/non-supply to the extent of 60 hours in a 30 day month has been built in the scheme.

In case the billing demand exceeds the contract demand in any particular month, then the load factor incentive will not be payable in that month. (The billing demand definition excludes the demand recorded during the non-peak hours i.e. 22:00 hrs to 06:00 hrs and therefore, even if the maximum demand exceeds the contract demand in that duration, load factor incentives would be applicable. However, the consumer would be subjected to the penal charges for exceeding the contract demand and has to pay the applicable penal charges).

Table: Summary of Wheeling Charges and Wheeling Losses for eligible Open Access Consumers Effective from June 1, 2008

Voltage level	Rs/kW/Month	Distribution Loss (%)
33 kV	20	6%
22 kV & 11 kV	110	9%
LT	191	14%

The cross-subsidy surcharge for eligible open access consumers has been specified as zero.