

PRESS NOTE

TARIFF OF BRIHANMUMBAI ELECTRIC SUPPLY AND TRANSPORT UNDERTAKING (BEST) APPLICABLE WITH EFFECT FROM JUNE 1, 2012

The Commission had last revised the tariffs of the Brihanmumbai Electric Supply and Transport Undertaking (BEST) with effect from September 1, 2010. BEST's Petition for approval of ARR and Tariff for FY 2011-12 was admitted by the Commission on February 15, 2012.

2. The Commission invited suggestions from consumers and all stakeholders and held a Public Hearing at Mumbai on March 26, 2012. 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 determined the ARR and Tariff for BEST for FY 2011-12, through its Order dated May 16, 2012. **The revised tariffs will come into force prospectively, from June 1, 2012.**

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

- a) The Commission has approved the ARR of Rs. 3685 crore for FY 2011-12 as compared to the ARR of Rs. 4537 crore projected by BEST in its Petition, primarily due to the following reasons:
 - i. The impact of the wage revision has not been considered by the Commission at this stage, since the same is yet to be implemented.
 - ii. Reduction in Carrying Cost considered on earlier unrecovered amounts.
 - iii. Difference in the revenue gap approved after Truing-Up for FY 2009-10 and Provisional Truing-Up for FY 2010-11, since, the amounts approved vide an earlier Order of the Commission dated March 16, 2012, have been added to the ARR of FY 2011-12, to determine the cumulative revenue gap upto FY 2011-12.
- b) As regards the Transport Division deficit of Rs. 324 crore for FY 2011-12, sought to be recovered from the consumers of the Electricity Supply Division by BEST, the Honourable Supreme Court, in its Judgment dated February 8, 2011, ruled that "***In our opinion it would not be correct to hold that despite the third proviso to Section 51 of the Act, the distribution licensee must not only maintain separate accounts for each of its businesses but must also ensure that the electricity distribution business should not subsidize the other business undertakings***".
- c) Thus, the Honourable Supreme Court has ruled that as per the EA 2003, BEST's Electric Supply Division can subsidise the Transport Division, since it is a Local Authority that has been engaged in the business of electricity distribution since before the commencement of the EA 2003.
- d) The Commission has already allowed surplus to BEST in the form of Return on Equity (RoE) and Return on Internal Funds (ROIF), which have been given over and

above the approved expenses of BEST in the Electricity Distribution Division, which may be used by BEST at its discretion to meet some of its Transport Division deficit. Hence, the Commission has considered the Transport Division deficit for FY 2011-12 as projected by BEST, after deducting the ROE and ROIF allowed to BEST in FY 2011-12, which amounts to Rs. 216 crore.

- e) BEST had sought approval for a cumulative revenue gap of Rs. 2182.62 crore up to FY 2011-12 at existing tariffs, out of which, the recovery of Rs. 979.71 Crore was proposed to be deferred, by conversion into a Regulatory Asset that would be recoverable over a period of 3 years. The revised tariffs proposed by BEST amounted to an average tariff increase of around 51%.
- f) The Commission has approved the cumulative revenue gap of Rs. 1061 crore up to FY 2011-12 at existing tariffs, which mainly comprises of the Transport Division's losses of Rs. 659 crore for FY 2009-10, FY 2010-11 and FY 2011-12.
- g) Based on submissions made by BEST, it is assessed that the cumulative losses of the Transport Division for the period from FY 2004-05 to FY 2008-09 may amount to Rs. 1700 crore, and even after adjusting the ROE and ROIF granted to BEST for these years, the total amount of Transport Division deficit to be allowed to be recovered through the Electricity Supply Division's tariffs may amount to around Rs. 1200 crore, in addition to the carrying cost on these amounts, if any. Hence, the Commission is of the view that it is not desirable to further defer recovery of the Transport Division's losses, and has hence, decided to allow the recovery of the revenue gap of Rs. 659 crore on account of the Transport Division's losses for FY 2009-10, FY 2010-11 and FY 2011-12, as part of the revenue gap of FY 2011-12, through the revised tariffs to be made applicable from June 1, 2012.
- h) The average tariff increase required to bridge this revenue gap is around 39%, which would amount to a tariff shock, even though it is lower than the average tariff increase of 51% sought by BEST. Hence, the Commission has decided to defer the recovery of revenue gap equivalent to Rs. 300 crore, by creating a Regulatory Asset, which will be amortised over the next three years, along with associated carrying cost.
- i) The average tariff increase approved by the Commission in this Order works out to around 27.6%, and the Average Cost of Supply (ACOS) approved by the Commission works out to Rs. 7.78 per kWh.
- j) Since FY 2011-12 is already over, the recovery of the cumulative revenue gap up to FY 2011-12 has been allowed to be recovered through the revised tariffs to be applied in FY 2012-13, as it is likely that the next Tariff Order will be issued by the Commission well into FY 2012-13.
- k) In this Order, the Commission has increased the tariffs in general, while at the same time, reducing the cross-subsidy over the levels approved by the Commission in the previous Tariff Order dated September 12, 2010.
- l) The total additional revenue expected to be generated by the revised tariffs is Rs. 761 crore, and thus, the Transport Division's losses of Rs. 659 crore for FY 2009-10, FY

2010-11 and FY 2011-12 contribute around 87% of the total tariff revision allowed through this Order. Hence, **in order to sensitize the consumers of BEST to the impact of the Transport Division's losses being passed on through the Electricity Supply Division's tariffs, the Commission has created a new charge called "Transport Division Loss Recovery Charge"**, and this charge has been levied in proportion to the Energy Charges of the respective category/consumption slab.

- m) In accordance with the Judgment of the Honourable Appellate Tribunal for Electricity (ATE), the Commission has created two new consumer categories (LT IX and HT V) to cater to hospitals and educational institutions, irrespective of ownership, and religious and charitable institutions.
- n) The Commission has reduced the consumption slabs in LT II (a) and LT III categories to two, as under:
 - 0 to 500 units
 - Above 500 units
- o) The Commission has analysed the recovery of the fixed costs of BEST through the fixed/demand charges. It needs to be understood that all the ARR components, except the variable cost of power purchase, are fixed in nature. In case of BEST, the recovery of fixed costs through the existing Fixed/Demand Charges is very low, at around 12%, which should normally be higher, at around 30-40%, so that the Licensee is assured of stability of revenue irrespective of the consumption, and the consumer also pays for the costs in line with the nature of the costs. However, it is not appropriate to increase the fixed/demand charges steeply, hence, the Commission has decided to gradually increase the fixed/demand charges for all categories, such that the recovery of fixed costs through the fixed charges is increased, to around 15.7%.
- p) The rebates/incentives and disincentives have been retained at the earlier levels.
- q) The comparison of existing and revised tariffs applicable for BEST's consumers has been given in **Annexure 1**.
- r) The category-wise increase in tariffs approved by the Commission as compared to the tariff increase sought by BEST is given in **Annexure 2**.
- s) The category-wise reduction in cross-subsidy is given in **Annexure 3**.
- t) The Commission's detailed Order on BEST's ARR and Tariff Petition can be downloaded from the Commission's website www.mercindia.org.in

Annexure 1: Category-wise Tariffs for BEST's Consumers Effective from June 1, 2012

Sl.	Consumer Category & Consumption Slab	Existing Tariffs w.e.f. September 1, 2010		Revised Tariffs w.e.f. June 1, 2012		
		Fixed/ Demand Charge	Energy Charge (Rs/kWh)	Fixed/ Demand Charge	Variable Charge (Rs/kWh)	
					Energy Charge (Rs/kWh)	Transport Division Loss Recovery Charge (Rs/kWh)
LOW TENSION CATEGORIES						
1	LT I - Residential (BPL)	Rs. 3 per month	0.40	Rs. 3 per month	0.44	0.12
	LT I – Residential					
	<i>0-100 units</i>	Rs. 30 per month	1.55	Rs. 40 per month	2.06	0.55
	<i>101-300 units</i>	Rs. 50 per month	3.30	Rs. 75 per month	3.81	1.03
	<i>301 to 500 units</i>		5.30		5.36	1.44
	<i>Above 500 units (balance units)</i>	Rs. 100 per month	6.80	Rs. 100 per month	6.86	1.85
2	LT II - LT Non-residential or Commercial					
(A)	0-20 kW					
	<i>0-300 units</i>	Rs. 200 per month	4.00	Rs. 250 per month	5.50	1.48
	<i>301-500 units</i>		6.00			
	<i>501-1000 units</i>		6.90		8.16	2.20
	<i>Above 1000 units (balance units)</i>		7.60			
(B)	> 20 kW and ≤ 50 kW	Rs. 150 per kVA per month	7.30	Rs. 200 per kVA per month	8.00	2.15
(C)	> 50 kW		7.55		8.09	2.18
3	LT III - LT Industrial category (0-20 kW)					
	<i>0-300 units</i>	Rs. 250 per month	3.70	Rs. 325 per month	5.21	1.40
	<i>301-500 units</i>	Rs. 300 per month	5.50			

Sl.	Consumer Category & Consumption Slab	Existing Tariffs w.e.f. September 1, 2010		Revised Tariffs w.e.f. June 1, 2012		
		Fixed/ Demand Charge	Energy Charge (Rs/kWh)	Fixed/ Demand Charge	Variable Charge (Rs/kWh)	
					Energy Charge (Rs/kWh)	Transport Division Loss Recovery Charge (Rs/kWh)
	<i>501-1000 units</i>	Rs. 350 per month	5.95	Rs. 425 per month	7.28	1.96
	<i>Above 1000 units (balance units)</i>	Rs. 350 per month	6.40			
4	LT IV - LT Industrial above 20 kW					
(A)	LT Industrial category above 20 kW and upto 100 kW load	Rs 150 per kVA per month	5.40	Rs 200 per kVA per month	6.52	1.75
(B)	LT Industrial category above 100 kW load		5.30		6.39	1.72
5	LT V - Advertisement & Hoardings, incl. floodlights & neon signs	Rs. 300 per month	11.40	Rs. 400 per month	11.75	3.16
6	LT VI – Streetlights	Rs 150 per kVA per month	5.30	Rs 200 per kVA per month	5.66	1.52
7	LT VII – Temporary Supply					
(A)	TSR – Temporary Supply Religious	Rs 150 per month	2.85	Rs 200 per month	3.23	0.87
(B)	TSO – Temporary Supply Others	Rs 150 per month	8.75	Rs 200 per month	9.39	2.53
8	LT VIII – Crematoriums and Burial Grounds	Rs 100 per month	2.65	Rs 150 per month	3.10	0.83
9	LT IX (A) - Hospitals & Educational Institutions (0 - 20 kW)	New Consumer Category		Rs 250 per month	6.80	1.83
10	LT IX (B) - Hospitals & Educational Institutions (Above 20 kW)	New Consumer Category		Rs. 200 per kVA per month	6.80	1.83

Sl.	Consumer Category & Consumption Slab	Existing Tariffs w.e.f. September 1, 2010		Revised Tariffs w.e.f. June 1, 2012		
		Fixed/ Demand Charge	Energy Charge (Rs/kWh)	Fixed/ Demand Charge	Variable Charge (Rs/kWh)	
					Energy Charge (Rs/kWh)	Transport Division Loss Recovery Charge (Rs/kWh)
<i>TOD Tariffs (in addition to above base tariffs) – compulsory for LT II (B) and (C), LT IV, and LT IX (B) categories, and optional for LT II (A), LT III, and LT IX (A) categories</i>						
	0600 hours to 0900 hours		0.00		0.00	
	0900 hours to 1200 hours		0.50		0.50	
	1200 hours to 1800 hours		0.00		0.00	
	1800 hours to 2200 hours		1.00		1.00	
	2200 hours to 0600 hours		-0.75		-0.75	
HIGH TENSION CATEGORIES						
10	HT I – Industry	Rs 150 per kVA per month	5.05	Rs 200 per kVA per month	5.90	1.59
11	HT II – Commercial		5.35		6.35	1.71
12	HT III – Group Housing Society		3.00		3.40	0.91
13	HT IV – Temporary Supply	Rs 200 per month	8.20	Rs 250 per month	8.65	2.33
14	HT V - Hospitals & Educational Institutions	New Consumer Category		Rs 200 per kVA per month	5.60	1.51
<i>TOD Tariffs (in addition to above base tariffs) for HT I, HT II, and HT V categories</i>						
	0600 hours to 0900 hours		0.00		0.00	
	0900 hours to 1200 hours		0.50		0.50	
	1200 hours to 1800 hours		0.00		0.00	
	1800 hours to 2200 hours		1.00		1.00	
	2200 hours to 0600 hours		-0.75		-0.75	

Annexure 2: Category-wise increase in tariffs approved by the Commission

Category	Average Cost of Supply (Rs./unit)	Average Billing Rate (Rs./unit)				
		Existing Tariff	Tariff Proposed by BEST		Revised Tariff	
			ABR	% Increase	ABR	% Increase
LT Category						
LT I – BPL	7.78	0.50	0.48	-4%	0.62	24%
LT I - Residential		4.05	5.99	48%	5.25	30%
LT II A – Comml. upto 20 kW		7.10	10.06	42%	9.46	33%
LT II B - Comml > 20 kW & <=50 kW		8.58	9.72	13%	10.79	26%
LT II C - Comml > 50 kW		8.87	10.58	19%	10.9	23%
LT III - LT Incl. upto 20 kW		6.50	10.31	59%	8.81	36%
LT IV A - LT Incl >20 kW & <= 100 kW		6.50	10.13	56%	8.92	37%
LT-IV B - LT Incl > 100 kW		6.37	9.96	56%	8.75	37%
LT-V - Advt & Hoardings		13.37	15.21	14%	16.07	20%
LT-VI - Street Lighting		6.39	8.72	36%	7.82	22%
LT-VII (A) - Temporary Religious		6.11	18.74	207%	7.81	28%
LT VII (B) - Temporary – Others		9.39	12.00	28%	11.91	27%
LT VIII - Crematorium & Burial Grounds		2.89	4.04	40%	3.97	37%
LT IX (A) - Hospitals & Edu. Institutions (0 - 20 kW)		6.40	8.99	40%	8.83	38%
LT IX (B) - Hospitals & Edu. Institutions (Above 20 kW)		8.58	9.27	8%	9.27	8%
HT Category						
HT I - Industrial	7.78	6.13	9.51	55%	8.13	33%
HT II - Commercial		6.39	9.65	51%	8.71	36%
HT III - Group Housing Society		3.76	9.31	148%	4.96	32%
HT IV – Temporary		8.66	10.00	15%	10.97	27%
HT V - Hospitals & Educational Institutions		6.39	9.00	41%	7.75	21%

Annexure 3: Category-wise Cross-subsidy approved by the Commission

Category	Average Cost of Supply (Rs./unit)	Ratio of Average Billing Rate to Average Cost of Supply (%)		
		APR Order dt. 12.09.10	Existing Tariff to current ACOS	Revised Tariff to current ACOS
LT Category				
LT I – BPL	7.78	9%	6%	8%
LT I - Residential		64%	52%	67%
LT II A – Comml. upto 20 kW		115%	91%	122%
LT II B - Comml > 20 kW & <=50 kW		143%	110%	139%
LT II C - Comml > 50 kW		147%	114%	140%
LT III - LT Incl. upto 20 kW		106%	84%	113%
LT IV A - LT Incl >20 kW & <= 100 kW		120%	84%	115%
LT-IV B - LT Incl > 100 kW		107%	82%	112%
LT-V - Advt & Hoardings		210%	172%	206%
LT-VI - Street Lighting		103%	82%	101%
LT-VII (A) - Temporary Religious		50%	79%	100%
LT VII (B) - Temporary – Others		153%	121%	153%
LT VIII - Crematorium & Burial Grounds		46%	37%	51%
LT IX (A) - Hospitals & Edu. Institutions (0 - 20 kW)		115%	82%	114%
LT IX (B) - Hospitals & Edu. Institutions (Above 20 kW)		143%	110%	119%
HT Category				
HT I - Industrial	7.78	99%	79%	104%
HT II - Commercial		101%	82%	112%
HT III - Group Housing Society		63%	48%	64%
HT IV – Temporary		143%	111%	141%
HT V - Hospitals & Educational Institutions		101%	82%	100%