ORISSA ELECTRICITY REGULATORY COMMISSION
UNIT-VIII, BHUBANESWAR – 751 012

Suo motu proceeding of Case No.44 of 2011

The Commissioner-cum-Secretary, Department of Energy, Govt. of Orissa, Bhubaneswar have filed a review petition on 08.4.2011 praying the Commission to review the RST Order dated 18.3.2011 for the year 2011-12 passed in Case No.146, 147, 148 & 149 of 2010.

2. In the said review petition the State Govt., the petitioner have submitted that the domestic consumers consuming electricity within erstwhile the1st slab i.e. 0 to 100 units were paying electricity charges @ Rs.1.40 paise per unit and by modifying the slab to 0-50 units and above 50 units to 200 units, a large number of domestic consumers who are relatively poor would be hard hit because the consumers consuming more than 50 and upto 100 units were paying 140 paise per unit and now with the tariff effective from 1.4.2011 they will pay Rs.3.50 paise per unit. The rise in their case is by 2.10 paise per unit. Those who were consuming more than 100 and upto to 200 units would be now paying Rs.3.50 pasie per unit in place of the existing rate (2010-11) at Rs.3.10 paise. In their case the rise is 40 paise per unit. The State Govt., the petitioner has therefore, requested the Commission to give a re-look to revise the tariff structure for 2011-12 particularly, in respect of the domestic consumers in the lower slab i.e. 50-100 units.

Table – 1

Monthly Consumption Slabs	FY 2010-11	FY 2011-12	% increase
	Existing RST (P/U)	Revised RST (P/U)	
0 to 50 units	140	140	0%
50 to 100 units	140	350	150%
100 to 200 units	310	350	13%
200 to 400 units	410	430	5%
Above 400 units	410	480	17%

Further, the state Govt. have stated that from the above table the existing tariff of 140 P/U in the FY 2010-11 has suddenly been raised to 350 P/U

during FY 2011-12, which adversely affects the consumers falling in the consumption group between 50 to 100 Units. Therefore, the Govt. is rather concerned for domestic consumers.

3. In support of their submission the State Govt. stated that Orissa is one of the poorest States in the country with 46.41% belonging to the BPL category. Even, people not classified under BPL category do not possess adequate purchasing power to pay the higher tariff as per the redefined new slabs and rates so determined by the Hon'ble Commission. A higher tariff of 350 P/U from 140 P/U poses a heavy burden on the domestic electricity consumers of lower class and lower middle class consumers.

4. The said review petition was taken up for hearing on 05.5.2011 regarding its admissibility. The Commission in their Order dated 05.5.2011 had observed and directed vide para 5 to 10 as extracted below.

"Observation/directions of the Commission

5. The review can be taken up mainly on the following three grounds:-

(i) When there is clerical mistake or error apparent on the face of the record which can be easily detected by a plain reading of the order;

(ii) When there is any fresh material available which could not be placed at the time of passing of the order and if that fresh material would have been produced at the time hearing the present order would not have been passed;

(iii) When there is any other sufficient reason.

Govt. in their petition have not clearly stated the ground on which the present review petition can be taken up on either of the above three grounds. Govt. must clearly spell out the ground on which the review can be taken up.

6. Secondly, the Govt. in their petition has stated that if the distribution companies reduce the loss there would not be any occasion for tariff rise. In other words government have stated that the increase in tariff for domestic consumers in respect of energy consumption from 50-100 units can be readjusted or revisited if the distribution loss are reduced by the distribution companies. In this context it may be noted that against distribution loss of 37.24% for the year 2009-10 and 37.54% shown by the distribution companies during the year 2010-11 upto September, 2010 and 32.95% projected by the distribution companies for 2011-12, Commission have calculated the Annual Revenue Requirement (ARR) and consequently approved the tariff based on the normative level of distribution loss target of 21.71% for 2011-12 as approved in the Business Plan for the year 2011-12. Since tariff has been fixed on the normative distribution loss of 21.71% for all the distribution companies taken together against 37.24% for 2009-10, and 37.54% upto September, 2010, tariff cannot be reduced on the ground of reduction of distribution loss because the tariff has been calculated on the distribution loss of 21.71% against 37.54% for 2010-11, upto September, 2010. This is evident from the table given below:-

Table – 1

	FY 2009-10		FY 2010-11				FY 2011-12		
	Appro. by OERC	Actual	Prop. by DISCOMs	Appro. by OERC	Actual shown by DISCOMs (upto 9/2010)	Latest esti. for 10-11	Prop. by DISCOMs for 2011-12	Approved for 2011-12 by OERC in the Business Plan order dt.20.3.10	Appro. in ARR
Dist. Loss (%)	24.45	37.24	35.60	22.22	37.54	35.50	32.95	21.70	21.71
Collection Efficiency(%)	98.00	97.00	96.60	98.00	88.28	96.6	98.34	99.00	99.00
AT&C Loss (%)	25.96	39.15	37.80	23.80	44.86	37.8	34.06	22.48	22.49

7. *Section 61(g) read with para 8.3.2 of Tariff Policy, 2006 stipulates "Tariff progressively reflects the cost of supply of electricity, so that latest by the end of 2010-11 the tariffs are within ± 20% of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.*

   On the other hand para 5.5.2 of National Electricity Policy, 2005 states that "a minimum level of support may be required to make the electricity affordable for consumers of very poor category. Consumers below poverty line who consume below a specified level, say 30 units per month, may receive special support in terms of tariff which are cross-subsidized. Tariffs for such designated group of consumers will be at least 50% of the average (overall) cost of supply. This provision will be further re-examined after five years".

   If any class of consumers are to be subsidized, the State Govt. have to pay the subsidy in advance as per Section 65 of the Electricity Act, 2003 which is extracted below:-

   "65. Provision of subsidy by State Government –If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the state Government shall, notwithstanding any direction which may be given under Section 108, pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government."

   Even though the State Government have not agreed to provide subsidy to agriculture or BPL families domestic consumers, tariffs in those cases have been fixed much below -20% of the average cost of supply of 408.87 paise unit determined for the year 2011-12.

   When the average cost of supply for 2011-12 has been determined at 408.87 paise per unit, the tariff for the relatively poor consumers cannot be less than 327.07 paise (i.e. -20% of 408.87) and more than 490.67 paise per unit (+20% of 408.87). However, while the attempt has been made to reduce this cross subsidy by gradually increasing tariff for LT consumers, because of special treatment for Agriculture, allied agricultural activities allied agro industries, BPL families (fixed charged of Rs.30.00 paise per month upto 30 Units) and domestic consumers in the first slab (upto 50 unit per month 140 paise per unit) the target of reduction of cross-subsidy has not yet been achieved). For LT category of consumers the cross subsidy is by (-) 26.54% while for EHT it is +16.77% and for HT it is +17.90% which is evident from the table given below:-

Table – 2
Cross Subsidy in 2011-12

Year	*Level of Voltage*	*Average cost of supply for the State as a whole (P/U)*	*Tariff P/U*	*Cross-Subsidy P/U*	*Percentage of Cross subsidy above/below or cost of supply*
1	*2*	*3*	*4*	*5 (4) – (3)*	*6*
2009-10	*EHT*	*263.00*	*295.05*	*32.05*	*12.19%*
	HT		*308.68*	*45.68*	*17.37%*
	LT		*179.99*	*-83.01*	*-31.56%*
	Kutir Jyoti		*100.00*	*-163.00*	*-61.97%*
	Irrigation		*110.00*	*-153.00*	*-58.17%*
2010-11	*EHT*	*327.37*	*379.93*	*52.56*	*16.06%*
	HT		*383.68*	*56.31*	*17.20%*
	LT		*219.21*	*-108.16*	*-33.04%*
	Kutir Jyoti		*100.00*	*-227.37*	*-69.45%*
	Irrigation		*110.00*	*-217.37*	*-66.39%*
2011-12	*EHT*	*408.87*	*477.43*	*68.56*	*16.77%*
	HT		*482.43*	*73.56*	*17.99%*
	LT		*300.34*	*-108.53*	*-26.54%*
	Kutir Jyoti		*100.00*	*-308.87*	*-75.54%*
	Irrigation		*110.00*	*-298.87*	*-73.09%*

In case of BPL family the cross subsidy paid is 308.87 paise (408.87-100 tariff per unit for 30 units in a month) which is 75.54% less than the average cost of supply.

In case of Agriculture/irrigation the cross subsidy per unit is 298.87 paise (408.87 – 100 paise per unit) which is 73.09% less than the average cost of supply.

In case of domestic consumers the consumers consuming upto 50units per month are paying 140 paise per unit from 2001-02 which has remained unchanged for 2010-11 and 2011-12. In their case per unit subsidy is 268.87 paise (408.87-140 paise per unit) which is (-) 66% less than the average cost of supply.

In case of consumers consuming 100 units per month per unit subsidy is 163.87 paise which (408.87-245.00) which is less than 40% the average cost of supply.

Domestic consumers consuming 200 units per month are being subsidized by -28% of the average cost of supply as for them the average per unit works out to 297 paise.

Domestic consumers consuming 400 units per month are being subsidized by (-)11% as for them the average rate per unit works out to 363 paise.

Domestic consumers consuming 600 units per month are being subsidized by (-) 1.5% as for them the average rate per unit works out to 400 paise.

Only those high end domestic consumers consuming 700 units per month would be paying (+) 1.22% higher than the average cost of supply of 408.87 paise as for them the average per unit works out to 413 paise against average cost of supply of 408.87 pasie per unit. This is evident from the calculation given in the following table:-

Table – 3

Consumption /Month	*Tariff*	*Total Payment for Energy Charges (Rs.)*	*Average Per Unit Energy Charges(P/U)*	*Cross-Subsidy in %*
50 Units	*Consumption <= 50units per month 140 paise per unit*	*140 paise X 50 units* ***= Rs.70***	*140*	*(-) 66%*
100 Units	*>=50 units <=100*	*140 paiseX50 + 350 paiseX50 =* ***Rs.245***	*245*	*(-)40%*
200 Units	*Consumption <=50units <=200 units per month 350 paise per unit*	*140 paise X 50 + 350 paise X 150 =* ***Rs.595/-***	*297*	*(-) 28%*
400 Units	*Consumption >200<=200 units p/m 430 paise per unit*	*140 paise X 50 + 350 paise X 150 + 430 paise X 200 =* ***Rs.1455***	*363*	*(-)11%*
600 Units	*Consumption >400 <=600 units p/m 480 paise per unit*	*140 paise X 50 + 350 paise X 150 + 430 paise X 200 + 480 paise X 200 =* ***Rs.2415***	*400*	*(-)1.5%*
700 Units	*Consumption >600 <=700 units p/m 480 paise per unit*	*140 paise X 50 + 350 paise X 150 + 430 paise X 200 + 480 paise X 200 + 480 paise X 100 =* ***Rs.2895***	*413*	*(+)1.22 %*

8. In view of the mandatory provision of Section 61(g) regarding the need for reduction of cross subsidy and provision under Section 65 of the Electricity Act, 2003 regarding payment of subsidy in advance in case Govt. wants particular category of consumers to be charged at subsidized rate govt. must come out with a clear cut proposal as to whether they would like to give subsidy in order to comply the provision of Section 61(g) and 65 of Electricity, Act, 2003.

9. The contention of Sri Mahapatra that the Hon'ble Court of Orissa has stayed the tariff order is not correct. The Hon'ble High Court has only ordered that the tariff so fixed by the order of the OERC for FY 2011-12 and effective from 01.04.2011 shall not be collected from the consumers.

10. In view of the above, Govt. is directed to submit their detailed proposal in the light of observations in the preceding paragraphs for consideration by the Commission for examining the admissibility of review petition and hearing thereon on merit."

5. The State Govt. in their reply submitted on 16.6.2011 in compliance to the observation and direction of the Commission contained in their order dated 05.5.2011, among other things, have stated as under:-

(a) The Review petition of the State Govt. is based on the premises that it falls under “Any other sufficient Reasons” because the Commission in its Tariff Order dated 18.3.2011 has introduced altogether a new slab for consumption of electricity units from 51 to 100 units per month in case if domestic consumers and the tariff applicable for this category has been fixed at 350 paise per unit. Since the tariff increase in this category was approved to be as high as 150% as compared to the existing tariff of 140 paise per unit, the Govt. represented before the Hon’ble Commission if this could be reduced to some extent as such increase 150% is a “tariff shock” to the low end domestic consumers.

(b) The State Govt. do not differ with the views expressed by the Hon’ble Commission in their order dated 05.5.2011.

(c) The State Govt., being the ultimate benefactor, do not intend to part with the responsibility of ensuring the equitable distribution of incidence of power tariff on the relevant consumers based upon the notion of ability to pay.

(d) That the RST for the consumers belonging to the slab of 51 to 100 units/month may be considered to be revised to 200 paise per unit instead of 350 paise per unit approved by the Commission vide order dated 18.3.2011.

(e) Due to reduction of 150 p/u the estimated financial loss to the distribution companies would be around Rs.108.00 crore as calculated below:-

12 lakh consumer X 50 units per month X 12 months X 150 paise per unit

(f) In order to compensate this sum of Rs.108.00 crore to the DISCOMS on yearly basis, the average Bulk Supply Price of GRIDCO may be reduced by 5 P/U (Rs108.00 Cr ÷ 22477 MU i.e. annual approved sales quantum by GRIDCO to the DISCOMS). The reduction of BSP may be allowed as Gap/Regulatory Asset to be passed on in future years. Govt. have decided to provide Rs.108

crore to GRIDCO during FY 2011-12 as Share Capital support in order to compensate the reduction of BSP.

(g) Finally the State Govt. vide para 5 of the reply dated 16.6.2011 have submitted as under :-

"It is, therefore, submitted that Admit this Review Petition for hearing and accordingly approve the proposed revised tariff of 200 P/U from the approved tariff of 350 paise /unit for the domestic consumers of the slab consuming electricity from 50 to 100 units/month and approve a reduction of 5 P/U in the average BSP to be charged by GRIDCO on the DISCOMs in order to reduce the consequential burden on them."

6. During the course of hearing on 16.6.2011 almost all the respondents submitted that since the State Govt. have expressed their intention of giving a subsidy to compensate the loss by the distribution companies on account of suggested reduction of tariff of domestic consumers from 350 p/u to 200 p/u in respect of consumption between 51 to 100 units per month, it is not a case of review of the RST order dated 18.3.2011 of the Commission, but rather the revised prayer dated 16.6.2011 comes under section 65 of the Electricity Act, 2003 for consideration by the Commission. The Commission fully agrees with the views of the respondents and accordingly the Commission vide their order dated 18.6.2011 in Case No.25 of 2011 have not allowed the review petition dated 08.4.2011 as prima-facie non-maintainable. In the said order dated 18.6.2011 vide para 29, the Commission had taken the cognizance of the revised petition dated 16.6.2011 of the State govt. to consider under Section 65 of the Electricity Act, 2003. Accordingly, this case is being taken up for consideration and decision under Section 65 of the Electricity Act, 2003 as *suo muto* proceeding based on the reply submitted by the state govt. on 16.6.2011, the feed back received from and opinions expressed by various respondents during course of the hearing of the review petition bearing No.25 of 2011, as well as various representations received from various consumer organization, NGOs, people's

representatives etc. after the RST order for 2011-12 was notified on 18.3.2011.

7. Before we go into the merit of the proposals dated 16.6.2011 of the State Govt. so far as it relates to reducing tariff for domestic consumers consuming electricity from 51 units to 100 units and the modalities of subsidy suggested by the State govt. the Commission would like to clarify and deal with some off the important issues raised during the course of hearing on 16.6.2011 and also through various representation made to the Commission after the RST order dated 18.3.2011 was notified by the Commission. These issues having a bearing on tariff are dealt with in the succeeding paragraphs.

Increasing cost of purchase of power by GRIDCO

8. After 1999-2000 it is invariably seen that GRIDCO has been purchasing power from different sources at an average cost which is higher than the rate approved by the Commission as a result additional burden is being borne by GRIDCO in order to meet the requirement of the consumers of the State. The Table below gives a comparative picture of quantum energy, the rate and total power purchase cost approved by the Commission against which the actual quantum of energy purchased, the average rate and the total power purchase cost are substantially higher.

Table – 2

COMPARISION OF POWER PURCHASE COST OF GRIDCO APPROVED BY THE COMMISSION IN THE ARR VRS ACTUAL

YEAR	Commission's Approval			ACTUAL		
	Energy MU	Rate P/U	Total cost Rs. in Cr.	Energy MU	Rate P/U	Total cost Rs. in Cr.
1999-00	10,176.13	**103.36**	1,051.82	11,197.38	**104.10**	1,165.60
2000-01	11,011.39	**105.76**	1,164.56	12,400.01	**112.88**	1,399.72
2001-02	12,345.07	**94.60**	1,167.82	12,467.03	**95.27**	1,187.77
2002-03	13,312.22	**106.71**	1,420.60	12,025.61	**133.38**	1,603.97
2003-04	14,818.80	**115.52**	1,711.87	15,896.76	**100.33**	1,594.89

YEAR	Commission's Approval			ACTUAL		
	Energy MU	Rate P/U	Total cost Rs. in Cr.	Energy MU	Rate P/U	Total cost Rs. in Cr.
2004-05	17,395.16	**103.67**	1,803.29	17,742.93	**97.46**	1,729.31
2005-06	16,640.02	**110.36**	1,836.38	16,806.08	**120.41**	2,023.58
2006-07	15,414.79	**113.97**	1,756.84	18,866.10	**117.22**	2,211.55
2007-08	17,539.47	**119.91**	2,103.11	20,934.39	**119.91**	2,510.28
2008-09	18,460.26	**127.40**	2,351.75	20,049.27	**149.61**	2,999.64
2009-10	19,719.37	**148.27**	2,923.80	20,956.19	**196.94**	4,127.03
2010-11	21,003.75	**174.58**	3,666.85	23,249.87	**202.93**	4,718.06
2011-12	23,489.18	**210.32**	4,940.30			

9. In this context it may be noted that with the increase in the purchase cost of power by GIRDCO from generators from 174.58 paise per unit for the year 2010-11 to Rs.210.32 paise for 2011-12 and consequently even with the increasing BST rate (sale price to distribution companies) from 170.25 paise per unit in 2010-11 to Rs.231.65 paise per unit for 2011-12 as approved by the Commission a gap of Rs.746.05 has been still left in the account of GRIDCO. The Commission had left Rs.806.16 crore in the ARR account of GRIDCO for the year 2010-11 and because of rise in cost of power purchase the gap has increased to Rs.1296.25 crore at the end of the year 2010-11 and the cumulative gap upto the end of 2010-11 has been now tentatively worked out at Rs.2995.14 crore. The increase in the gap from Rs.806.16 crore to Rs.1296.25 in 2010-11 is mainly because of increase in cost of power compared to the rate approved by the Commission. While the Commission had approved the purchase rate at 174.58 paise per unit on an average for Rs.3666.85 crore, because of higher demand and increase in the cost of power GRIDCO has purchased 23299.87 MU at an average rate of 202.93 paise per unit at a cost of

Rs.4718.06 crore (see table given below) as a result the gap has increased from 806.16 crore to 1296.25 crore for the year 2010-11 in the account of GRICDO. While the cumulative gap in the account of GRIDCO at the end of 2009-10 was Rs.1689.89 crore this has now increased to Rs.2995.14 crore by end of 2010-11.

Table – 3
Comparative position of Power Purchase rate approved vis-à-vis the Actual
Energy in MU, Rate in Paise per unit, cost in Rs. crore

Sources of Generation	**State Hydro**		**State Thermal**		**Central Thermal**		**Total GRIDCO**	
FY2009-10	Comm. App.	Actual	Comm. App.	Actual	Comm. App.	Actual (Upto 12/2010)	Comm. App.	Actual
Energy	6184.44	4056.07	6445.37	8869.10	5905.22	5655.40	19719.37	21040.18
Total Rate	57.67	73.43	181.23	216.77	197.31	226.58	148.27	201.72
Total Cost	356.64	297.83	1168.09	1922.58	1165.18	1281.40	2923.80	4244.27
FY2010-11								
Energy	5881.74	4874.39	8037.08	10122.83	5860.77	6026.26	21003.75	23249.87
Total Rate	62.51	70.51	199.78	208.65	243.54	309.19	174.58	202.93
Total Cost	367.65	343.70	1605.66	2112.15	1427.31	1863.33	3666.85	4718.06
FY2011-12								
Energy	5881.74		10323.18		6056.42		23489.18	
Total Rate	65.96		221.25		331.05		210.32	
Total Cost	387.96		2284.03		2004.97		4940.30	

(Rate for 2010-11 indicated here is unaudited)

10. For the year 2011-12 Commission approved purchase of 23489.18 MU energy by GRIDCO from different sources for consumption within the State at an average rate of Rs.210.32 per unit. After taking into account establishment expenditure of GRIDCO and fuel surcharge paid by GRIDCO to the Central Thermal stations for the year 2010-11 and some other unavoidable expenditure Commission have approved the average cost of supply of power to distribution companies at Rs.231.65 paise per unit. But going by the past experience and in view of the rising cost of coal and furnace oil not only consumption of energy would increase but the rate of purchase price may also rise substantially which is corroborated from the facts and figures of 2010-11 and also from the previous years

(refer to Table-2 & 3). This is again substantiated by rising sale price of 'F' grade and 'G' grade coal used in the thermal power stations by 19% and 23% respectively (average 21%) announced by Mahanadi Coalfield Ltd., a subsidiary of Coal India. Added to this, MCL has started billing of excise duty of 5% from 1.3.2011. Thus with hike in price of coal together with levy of excise duty the coal price is going to increase by 29% which has not been fully factored in the recent tariff hike approved by the Commission from 01.4.2011. Consequently, the GRIDCO's power purchase cost from NTPC and other thermal power stations is going to increase from Rs.3.50 to Rs.4.00 per unit. For the end consumers the hike could possibly in the range of 70-75 paise per unit keeping in view the distribution loss. In case of OPGC the on account of enhanced excise duty the additional burden would be Rs.7.50 crore per annum which would hike up the power purchase cost of GRIDCO.

Tariff hike vis-à-vis reduction in distribution losses

11. The petitioner State Govt. as well as some of the representatives have pleaded that if the distribution companies reduce the losses there would not be any occasion of tariff rise. In other words government have stated that the increase in tariff for domestic consumers in respect of energy consumption from 51-100 units can be readjusted or revisited if the distribution loss are reduced by the distribution companies. In this context it may be noted that against distribution loss of 37.24% for the year 2009-10 and 37.54% shown by the distribution companies during the year 2010-11 upto September, 2010 (for 2010-11 as a whole 37.97% upto 31.3.2011) and 32.95% projected by the distribution companies for 2011-12, the Commission have calculated the Annual Revenue Requirement (ARR) and consequently approved the tariff based on the normative level of distribution loss target of 21.71% for 2011-12 as approved in the Business Plan for the year 2011-12. Since tariff has been fixed on the normative distribution loss of 21.71% for all the distribution companies taken together against 37.24% for 2009-10, and 37.24% upto September, 2010 (37.97% provisional upto 31.3.2011), tariff cannot be reduced on the

ground of reduction of distribution loss because the tariff has been calculated on the distribution loss of 21.71% against 37.54% for 2010-11, upto September, 2010. This is evident from the table given below:-

Table – 4

	FY 2009-10		FY 2010-11				FY 2011-12		
	Appro. by OERC	Actual	Prop. by DISCOMs	Appro.by OERC	Actual shown by DISCOMs (upto 9/2010)	Latest esti. for 10-11	Prop. by DISCOMs for 2011-12	Approved for 2011-12 by OERC in the Business Plan order dt.20.3.10	Appro. in ARR
Dist. Loss (%)	24.45	37.24	35.60	22.22	37.54* (upto 31.3.2011)	35.50	32.95	21.70	21.71
Collection Efficiency (%)	98.00	97.00	96.60	98.00	88.28**	96.6	98.34	99.00	99.00
AT&C Loss (%)	25.96	39.15	37.80	23.80	44.86***	37.8	34.06	22.48	22.49

* Upto 31.3.2011 ….. 37.97%
** Upto 31.3.2011 ….. 94.30%
*** Upto 31.3.2011 ….. 41.50%

12. It may be noted that tariff is being determined on the basis of normative distribution loss and as per the loss reduction trajectory and AT&C loss approved by the Commission for the control period in the Business Plan. This is a product of and an integral part of the Multi Year Tariff exercise as reflected in the Business Plans of the DISCOMs. It is again based on the principle of "Performance Based Regulation" wherein the tariff levels during the control period are indicated on the basis of the various performance parameters as determined in the Business Plan. These parameters are not re-calibrated from year to year based on actual performance or achievement of the previous year. If the indicated parameters are achieved or exceeded then the gain that accrues are retained in full by the DISCOM. If the said parameters are not achieved then the resultant losses and not passed through into the tariff to be determined for the concerned year. The distribution companies have not been able to adhere to the loss reduction trajectory of AT&C losses as in their Business Plan due to various reasons which among other things include their poor billing and collection, lack of investments for upgradation and renovation of the sagging distribution network and rampant theft of

electricity, very often aided and abetted by employees of the distribution companies. The suppression of theft of electricity is as much a management issue of the DISCOMs as much as it is a governance issue of the State Govt. Pro-active steps from the State Govt. are badly wanting to curb the theft of electricity effectively. If the Commission were to accept the losses as shown by the distribution companies, which are their actual losses, there would be a substantial increase in tariff for the consumers. The Commission has gone by the principles of Performance Based Regulation and MYT and has not recognized the loss as indicated by the distribution companies, on account of the failure to achieve the normative distribution loss and AT&C loss approved in the Annual Revenue Requirement and their Business Plan. In other words, the loss arising on account of inefficient functioning of the distribution companies and the governance deficit in suppressing theft are not passed on to the consumers and is being borne by the distribution companies themselves. The comparative table given below would explain the position.

Table – 5

Year	Distribution Loss		AT&C Loss	
	Approved by the Commission in the ARR (%)	Actual (%)	Approved by the Commission in the ARR (%)	Actual (%)
2003-04	31.9	40.8	38.7	49.3
2004-05	37.0	39.2	44.5	44.7
2005-06	34.2	39.6	40.5	44.7
2006-07	32.8	38.6	37.9	43.3
2007-08	27.1	37.5	31.4	41.6
2008-09	27.0	37.5	30.36	41.89
2009-10	24.45	37.24	25.96	39.15
2010-11	22.22	37.96 (Provisional) (35.60 projected by DISCOMs)	23.77	41.49 (Provisional) (37.80 projected by DISCOMs)
2011-12	21.71	32.95 Projected by DISCOMs	22.49	34.06 Projected by DISCOMs

13. From the above table it may be seen that Commission in the year 2004-05 has taken note of actual AT&C loss of DISCOM in its tariff fixation and adopted a loss reduction trajectory year to year on a normative basis for tariff determination purpose. Presently, in the year 2011-12 there is a gap between actual distribution loss and the normative distribution loss adopted by the Commission for fixation of tariff for about 16.25% (37.96% -21.71% approved for 2011-12 in the ARR). The gap between actual AT&C loss and AT&C loss approved by the Commission for 2011-12 is about 19.00% (41.49% - 22.49% approved for 2011-12 in the ARR). On the whole the gap in the distribution loss or AT&C loss is hovering around 16%.

14. By reckoning the normative distribution loss at 21.71% and AT&C loss at 22.49% the retail tariff for 2011-12 has been approved by the Commission. The retail tariff so fixed for 2011-12 represents 19.74% increase over the tariff for 2010-11. If the distribution loss projected by the distribution companies at 32.95% would have been adopted by the Commission the retail tariff increase would have been 33.20% over the tariff of 2010-11. Similarly, if the provisional distribution loss shown by the distribution companies for 2010-11 is taken into account at 37.96% and reduction of 3% is assumed i.e. if the distribution loss is adopted at 34.97% for 2011-12, the tariff increase for 2011-12 would have been 36.13% over the tariff of 2010-11.

15. In adopting the normative distribution loss 21.71% for 2011-12 the cost of supply has been worked out at 408.87 paise per unit whereas if the distribution loss of 32.95% projected by the distribution companies would have been accepted by the Commission for 2011-12 the cost of supply would have been 477.47 paise per unit. Similarly taking 37.96% as provisional distribution loss for 2010-11 and reducing 3% for 2011-12 the cost of supply would have been 492.24 paise for 2011-12 against 408.87 paise approved by the Commission for 2011-12.

16. The Table given below explains the comparative position as to how additional tariff increase would have been by 13.46% (33.20%-19.74%) or by 16.39% (36.13%-19.74%) if Commission had considered the proposal of DISCOM in its filing of ARR for 2011-12 or the actual loss level of the preceding year less 3% respectively. Similarly, the cost of supply would have been increased by 68.60 paise (477.47-408.87 approved for 2011-12) or 83.37 paise (492.24-408.87 approved for 2011-12). In other words if we consider the ground realities by adopting the loss projected by the distribution companies, the tariff for 2011-12 would have been further increased by 15% to 18% and the cost of supply would have been further increased by 69 paise to 84 paise. Or worse, if we fix the tariff, making its justification low due to ground realities or considering the capacity of the consumer to pay, we will be loaded with a huge 'Regulatory Asset' burdening the future consumers. Hence, in order to financially penalize the distribution companies for their failure to reduce the loss and to safeguard the interest of the consumers the Commission all along have been adopting a normative level of distribution loss instead of accepting the distribution loss proposed by the distribution companies.

Table – 6

IMPACT OF ACTUAL LOSS ON TARIFF **Annexure-1**

	2010-11 (Approved)	**2011-12 (Approved)**	**2011-12 (calculated considering Dist. Loss projected by Licensees)**	**2011-12 (calculated considering actual Dist. Loss for 2010-11 minus 3%)**
Power Purchased from GRIDCO by DISCOM (MU)	20,154.00	22,477.00	22,477.00	22,477.00
Power Sold by DISCOM to Consumer (MU)	15,676.55	17,597.37	15,069.12	14,616.84
EHT (MU)	4,514.03	5,389.97	5,389.97	5,389.97
HT (MU)	3,415.14	3,164.28	3,164.28	3,164.28
LT (MU)	7,747.39	9,043.12	6,514.86	6,062.59
Distribution Loss %	**22.22%**	**21.71%**	**32.96%**	**34.97%**
Collection Efficiency %	98.00%	99.00%	98.34%	99.00%
AT & C Loss %	**23.77%**	**22.49%**	**34.07%**	**35.62%**
Avg. BSP P/KWH	170.25	231.65	231.65	231.65
Power Purchase Cost of GRIDCO (Rs. crore)	3,431.19	5,206.88	5,206.88	5,206.88

	2010-11 (Approved)	2011-12 (Approved)	2011-12 (calculated considering Dist. Loss projected by Licensees)	2011-12 (calculated considering actual Dist. Loss for 2010-11 minus 3%)
Transmission Cost of OPTCL (P/KWH)	23.50	25.00	25.00	25.00
Transmission Cost of OPTCL (Rs. crore)	473.62	561.94	561.94	561.94
SLDC Cost (Rs. Crore)	3.58	4.04	4.04	4.04
Net Distribution Cost excl. Misc. receipt (Rs. crore)	1100.96	1283.67	1283.67	1283.67
ARR OF DISCOMs (Rs. crore)	**5,009.35**	**7,056.53**	**7,056.53**	**7,056.53**
Revenue Realised by DISCOMs through tariff (Rs. crore)	5,025.53	7,109.57	7,056.53	7,056.53
Avg. Tariff P/Kwh	**320.58**	**404.01**	**468.28**	**482.77**
Revenue with existing Tariff (Rs. crore)		**5,937.60**	**5,297.74**	**5,183.83**
Revenue/ Tariff Rise %	**22.20%**	**19.74%**	**33.20%**	**36.13%**
Cost of Supply P/U		**408.87**	**477.47**	**492.24**

Low hydro generation vis-à-vis the Tariff

17. Some of the objectors during the course of hearing have pointed out that if the hydro generation would have increased the scope for increase of tariff would have been reduced. In this connection it may be noted that even though generation from state hydro stations have declined because of erratic rain fall, desilting, etc., while fixing generation tariff Commission has adopted the normative level of generation as per the approved original design of the hydro stations but not on the revised design energy proposed by the OHPC based on the study conducted by an Expert Committee or based on the actual level of low hydro generation in the past.

18. It is a fact that in 2004-05 about 56.71% of state demand was met from low cost hydro power. With increase in demand and declining generation from hydro stations because of erratic rain fall and silting of the water reservoirs it has reduced to 21.62% in 2009-10 and during 2010-11 upto September, 2010 it was 16.66% (24.3% for 2010-11). However, while fixing the tariff for 2010-11 and also for 2011-12 Commission has adopted normative level of generation of hydro power as per the original approved

design energy of the hydro stations but not on the revised designed energy proposed by OHPC based on study conducted by an Expert Committee or based on the actual low generation. As a result for the year 2011-12 about 27.50% of state demand of 22477 MU has been assumed from state hydro power at 6181.74 MU based on the normative generation based on the approved original designed energy. This may be seen from the table given below:-

Table – 7
Declination of Hydro generation in over all Power Pool

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11 (Upto Sept-10)	FY 11-12 (Approved)
State Demand (in MU)	12499.45	13483.75	15119.93	17212.51	18771.82	19480.85	10554.45*	22477
State Hydro Generation for Sale (incl. small Hydro) (in MU)	7087.82	5234.48	7357.58	7885.81	5826.12	4211.86	1769.70**	6181.74 (based on normative assessment)
% of state hydro to total state demand	56.71	38.82	48.66	45.81	31.04	21.62	16.66***	27.50
Hydro Generation contribution has reduced from 57% to 17% which is a cheaper source of power								

* Upto 31.3.2011 ….. 21112.39 MU
** Upto 31.3.2011 ….. 5124.46 MU
*** Upto 31.3.2011 ….. 24.3%

19. The average generation tariff for hydro stations for 2010-11 with the existing approved designed energy was fixed at 64.40 p/u (excluding Machhkund) but with the revised design energy the tariff would have been 74.54 p/u being 9.34 p/u higher. Similarly for 2011-12 the average energy charges have been fixed at 68.01 paise per unit and with revised design energy the energy charges would have been 78.72 paise per unit being 9.86 paise per unit higher. When OHPC generates power less than approved in the ARR, the loss is borne by OHPC whereas if generation is more than approved by the Commission the gain is retained by OHPC (Table 9). It does not affect the tariff because tariff is being determined on the original design energy. For 2008-09 the Commission had approved

5619.24 MU of energy based on the original design energy of OHPC hydro stations at an average of 53.25 paise per unit with approved ARR of Rs.299.80 crore but actually there was generate of 5660.6018 MU and OHPC got a revenue of Rs.327.9841 crore which resulted in gain of Rs.28.18 crore to OHPC for 2008-09. But because of low generation OHPC sustained a loss of Rs.41.03 crore for 2009-10 and Rs.28.80 crore for 2010-11 (column 9 of Table -9). This would be evident from the table given below:-

Table – 8
Summary of OHPC Tariff

		2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
1.	**ARR approved (Rs.cr.)**					
	Old Stations	162.14	169.12	192.87	215.06	232.20
	UIHEP	130.46	130.68	142.47	146.82	149.97
	Sub-Total	292.60	299.80	335.34	361.88	382.18
	Machkund	4.78	6.64	3.65	5.76	5.79
	Total	**297.38**	**306.44**	**33.99**	**367.64**	**387.96**
2.	**Design Energy (existing) MU**					
	Old Stations	3676.86	3676.86	3676.86	3676.86	3676.86
	UIHEP	1942.38	1942.38	1942.38	1942.38	1942.38
	Sub-Total	5619.24	5619.24	5619.24	5619.24	5619.24
	Machkund	262.50	262.50	262.50	262.50	262.50
	Total	**5881.74**	**5881.74**	**5881.74**	**5881.74**	**5881.74**
3.	**Average Tariff (p/u)**					
	Old Stations	44.10	46.00	52.46	58.49	63.15
	UIHEP	67.16	67.28	73.35	75.59	77.21
	Sub-Total	52.07	53.35	59.68	64.40	68.01
	Machkund	18.21	25.30	13.90	21.95	22.05
	Total	**50.56**	**52.10**	**57.63**	**62.51**	**65.96**
		2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
4.	**Design Energy (revised) MU**					
	Old Stations	3167.81	3167.81	3167.81	3167.81	3167.81
	UIHEP	1686.78	1686.78	1686.78	1686.78	1686.78
	Sub-Total	4854.59	4854.59	4854.59	4854.59	4854.59
	Machkund	262.50	262.50	262.50	262.50	262.50
	Total	**5117.09**	**5117.09**	**5117.09**	**5117.09**	**5117.09**

		2007-08	2008-09	2009-10	2010-11	2011-12
5.	**Average Tariff (p/u)**					
	Old Stations	51.18	53.39	60.88	67.89	73.30
	UIHEP	77.34	77.47	84.46	87.04	88.91
	Sub-Total	60.27	61.76	69.08	74.54	78.72
	Machkund	18.21	25.30	13.90	21.95	22.05
	Total	**58.12**	**59.89**	**66.25**	**71.85**	**75.82**
6.	**Difference (5-3) p/u**	**7.56**	**7.79**	**8.61**	**9.34**	**9.86**

Table – 9

Tariff approved for OHPC Power Stations by OERC

FY	Based on Design Energy p/u	ARR (in Crs.)	Reassessed Design Energy (p/u)	App. Gen. MU	Actual Gen. MU	Energy Sold to GRIDCO MU	Revenue earned (in crs)	Gain (+) / Loss (-) of revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	9 (8-3)
2007-08	52.07	292.60	60.27	5619.24	7885.1626	7717.148	387.556	+94.956
2008-09	53.35	299.80	61.75	5619.24	5660.6018	5479.9088	327.9841	+28.18
2009-10	59.68	335.35	69.07	5619.24	3721.1268	3785.405	294.320	-41.03
2010-11	64.40	361.88	74.54	5619.24	4755.5428	4707.98	333.000	-28.8
2011-12	68.01	382.18	78.72	5619.24	-	-	-	-

Impact of arrear collection of electricity dues on current tariff

20. It has been generally argued that the distribution companies are not taking adequate steps to collect huge arrear outstand and if this arrear would have been collected it would have reduced the tariff. It is a fact that the steps taken by the distribution companies to collect the arrear electricity dues is not upto the mark which is evident from the fact that the arrear outstanding at Rs.3493.54 crore as on 31.3.2010 has increased to Rs.3722.09 crore as on 31.3.2011 thereby adding Rs.278.55 crore to the arrear, which may be seen from the table given below:-

Table – 10

STATUS OF ARREAR-WESCO							
							Rs in crore
	As on 31.03.2010			**As on 31.03.2011**			
Category	Non-Govt	Govt & Psu	Total	Non-Govt	Govt & Psu	Total	% to total
EHT	-12.63	0	-12.63	-6.76	0	-6.76	-0.73
HT	13.30	14.92	28.22	16.89	16.62	33.51	3.61
LT	758.02	54.55	812.57	841.57	60.73	902.3	97.12
TOTAL	758.69	69.47	828.16	851.7	77.35	929.05	100.00

STATUS OF ARREAR-NESCO							
	As on 31.03.2010			**As on 31.03.2011**			
Category	Non-Govt	Govt & Psu	Total	Non-Govt	Govt & Psu	Total	% to total
EHT	101.44	0	101.44	90.8	0	90.8	9.64
HT	19.42	12.14	31.56	19.58	11.96	31.54	3.35
LT	679.28	58.53	737.81	756.84	62.58	819.42	87.01
TOTAL	800.14	70.67	870.81	867.22	74.54	941.76	100.00
STATUS OF ARREAR-SOUTHCO							
	As on 31.03.2010			**As on 31.03.2011**			
Category	Non-Govt	Govt & Psu	Total	Non-Govt	Govt & Psu	Total	% to total
EHT	0.73	0	0.73	0.51	0	0.51	0.11
HT	9.89	21.94	31.83	8.02	27.00	35.02	7.72
LT	329.51	57.02	386.53	359.07	59.23	418.3	92.17
TOTAL	340.13	78.96	419.09	367.60	86.23	453.83	100.00
STATUS OF ARREAR-CESU							
	As on 31.03.2010			**As on 31.03.2011**			% to total
Category	Non-Govt	Govt & Psu	Total	Non-Govt	Govt & Psu	Total	
EHT	15.56	0	15.56	15.95	0	15.95	1.10
HT	49.69	113.86	163.55	62.83	113.86	176.69	12.21
LT	1115.74	80.63	1196.37	1162.22	92.59	1254.81	86.69
TOTAL	1180.99	194.49	1375.48	1241.00	206.45	1447.45	100
STATUS OF ARREAR-ALL ORISSA							
	As on 31.03.2010			**As on 31.03.2011**			% to total
Category	Non-Govt	Govt & Psu	Total	Non-Govt	Govt & Psu	Total	
EHT	105.1	0	105.1	100.5	0	100.5	2.66
HT	92.3	162.86	255.16	107.32	169.44	276.76	7.34
LT	2882.55	250.73	3133.28	3119.7	275.13	3394.83	90.00
TOTAL	3079.95	413.59	3493.54	3327.52	444.57	3772.09	100.00

From the Table above it may be noted while the arrear Electricity charges of all distribution company taken together by LT consumers constitute 90% those of EHT constitutes 2.66% and HT constitutes 7.34% as on 31.3.2011.

21. The Annual Revenue Requirement (ARR) of the distribution companies are determined and approved by the Commission on a normative basis after prudent check and verification. This ARR includes power purchase cost, transmission cost, SLDC charges, administrative and general expenditure, return of equity, payment of interest etc. for the relevant financial year only. While power purchase cost constitutes -72.4%, Net

Employee Cost – 10.8%, Interest cost -1.8% and other requirement as indicated below.

Table – 11
Revenue requirement of DISCOMs for 2011-12

	Rs. in Cr.	%age for the Total
Power Purchase cost	5206.88	72.37
Cost of Transmission incl. SLDC	565.98	7.87
Total Power Purchase Transmission & SLDC cost	5772.86	80.24
Net Employee cost	775.79	10.78
R & M Cost	169.51	2.36
A&G Cost	125.17	1.74
Bad Debts	43.77	0.61
Depreciation	98.91	1.37
Interest Cost	130.69	1.82
Return of equity	36.00	0.50
Amortization of Regulatory Asset	42.30	0.59

22. In order to meet the annual revenue requirement of the year, the ARR is determined which comes from the tariff of the sale of power to the consumers during the year and to some extent from other miscellaneous receipts. While approving the estimate of revenue to be realized by the distribution companies in the financial year a normative level of distribution loss is considered instead of accepting the loss projected by the distribution companies. For example, for the year 2010-11 the four distribution companies taken together had projected distribution loss of 35.6% against distribution loss of 37.24% for the year 2009-10. But, while estimating the revenue, Commission had adopted a normative level of distribution loss of 22.2% for 2010-11. Similarly for the year 2011-12 while the distribution companies projected a distribution loss of 32.95%, Commission had approved the annual revenue requirement based on a normative level of 21.71%.

23. While the distribution companies raise bill based on the consumption of electricity the balance amount not billed represents the distribution loss. Similarly, out of the bill raised a substantial amount is collected and certain amount is not collected during that year. The total Aggregate Technical and Commercial (AT&C) loss represents the combined effect of

distribution loss, collection efficiency. When the AT&C loss for the year 2009-10 was 39.15% and distribution loss of 37.24% it means that out of 100 MU purchased by the distribution companies bills were raised for 62.76 MU (100-37.24 distribution loss). But realization of revenue was made from 59.85 MU (100-39.15 AT&C loss). The revenue not realized for 39.15 MU is accounted in the loss of distribution companies in that year. If a part of the amount not realized during a year is realized in subsequent year it does not affect the tariff of the subsequent year but it helps in reducing the cumulative loss. Because in the respective current year tariff is determined based on the annual revenue requirement and current revenue realization estimated which are assumed on normative basis. While the collection of arrear electricity charges during a year will help in reducing the cumulative losses and a part of that arrear can be utilized to meet the arrear outstanding of GRIDCO and to help the distribution companies to meet their other essential expenditure, but this would not affect the tariff of that current year. The position can be seen from the table given below for the year 2009-10 which indicates that against a gap of Rs.37.05 cr. between total revenue requirement (Rs.3827.50 cr.) and estimated revenue for the sale of power (Rs.3790.45 cr.) approved by the Commission the actual gap was Rs.260.04 cr. between the actual expenditure (Rs.3969.09 cr.) and the actual revenue from the sale of power (Rs.3709.05 Cr.). The additional gap of Rs.222.99 cr. (Rs.260.04 cr. – Rs.37.05 cr.) is borne by the distribution companies because of their inability to collect the full current revenue relative able to the quantum of power purchase approved by the Commission.

Table – 12

Revenue requirement for DISCOMs for FY 2009-10

(Rs. Crore)

	Approved	**Audited**
Power Purchase cost incl. transmission cost and SLDC cost	2709.46	2830.33
Net Employee cost	546.60	583.15
R & M Cost	116.08	99.16
A&G Cost	82.17	91.27
Bad Debts	75.82	202.36

	Approved	Audited
Depreciation	31.70	27.80
Interest Cost	89.22	130.48
Return of equity	36.00	-
Amortization of Regulatory Asset	170.00	-
Carrying cost of Regulatory Asset	72.39	100.12
Other Expenses		64.41
Less Expenses Capitalized	5.40	0.80
Less Misc. Receipt	96.54	156.20
Total Revenue Requirement	3827.50	3969.09
Revenue from sale of power	3790.45	3709.05
Gap	(37.05)	(260.04)

Alleged Stiff Tariff rise

24. Before power sector reform was undertaken with effect from 01.4.1996 there was frequent revision of tariff ranging from 29% to 17%. But from 2001-02 to 2009-10 the average tariff has remained more or less constant with some minor changes here and there. The average tariff was revised by 22.2% (revenue to revenue) in 2010-11 after a gap of nine years and the recent revision for 2011-12 is about 19.74% over the tariff of 2010-11. There has been substantial hike in price of different commodities including cost of equipment, cost of coal, furnace oil, wages and salaries, pension, etc., but still then the Commission had not revised the tariff for nine years only to give benefit to the consumers. This was possible because the demand of the consumers of the State was limited and power generation was more than the requirement as a result the Commission was allowing gap in the account of GRIDCO to keep the tariff unchanged and the said gap was being met from the profit from the sale of surplus power by GRIDCO. With rise in demand the scope of selling surplus power has been reduced and in fact in order to meet the demand of the consumers the GRIDCO is resorting to purchasing of high cost power. The table below indicates the year wise tariff before the power sector reform and thereafter.

Table – 13

Average Tariff Rise in the Past

Year	Average Tariff Rise (%)
1993-94	28.58 %
1994-95	15.73 %
1995.96	17.47 %
1996-97	17.00 %
1997-98	10.33 %
1998-99	9.30 %
1999-00	4.50 %
2000-01	10.23 %
2001-02 to 2009-10	0%
2010-11	22.2%
2011-12	19.74%

25. It may be appreciated that GRIDCO is Purchasing Power at a higher price but selling at a lower price to the distribution companies to keep the Retail Tariff at reasonable level in order to safeguard the interest of the consumers. Even though GRIDCO is purchasing power from different sources at a higher cost this is not being fully factored into the retail tariff for recovery from the consumers and the BST price which forms a major component of retail tariff has been kept in some years at a level lower than the purchase price. The gap left in the ARR of GRIDCO was supposed to be filled up through profit earned from sale of surplus power but with the rise in demand of the existing consumers as well as increase in number of consumers the surplus power is not available. Still then the Commission has left gap in the account of GRIDCO to keep the BST price at a low level in order to keep the retail tariff at an affordable level. This would be evident from the table given below:-

Table – 14
ARR GAP OF GRIDCO

(Rs. in crore)

Financial Year	Gap in ARR (Approved)	Actual Gap	Net Gap	Rate approved & power purchase by GRIDCO(P/U)	BST Rate approved for sale to DISCOMs (P/U)
2006-07	(-) 504.52	547.55	43.03	113.97	120.85
2007-08	(-) 464.86	1052.34	587.48	119.91	121.59
2008-09	(-)410.05	528.62	118.27	127.40	122.15
2009-10	(-)882.85	(-)1540.69	(-)15440.69	148.27	122.20
2010-11	(-)806.16	(-)598.87 (Up to 9/2010	(-)598.87* (Up to 9/2010)	174.58	170.25
2011-12	(-)746.05			210.32	231.65

* Upto 03/2011 the gap is (-) Rs.1296.25 crore

26. With rise in demand and consequently non-availability of surplus power for trading to earn profit, it is no longer possible to keep the BST at a lower level to ensure low retail tariff for the consumers. In fact, the low BST for 2008-09, 2009-10 and 2010-11has resulted in increased gap in the account of GRIDCO and the cumulative gap at the end of 2010-11 has reached -2995.14 crore. Even with the average BST of 231.65 paise per unit for 2011-12 and if there is no further increase in cost of purchase of power by GRIDCO approved at 210.32 paise per unit the gap for the year has been estimated at Rs.746.05 crore and the cumulative gap upto 31.3.2012 may go up to -3741.19 crore. The table given below explained how the gap is going up from year to year.

Table – 15
Truing up of GRIDCO for 2010-11 (Provisional)

Rs. in Crore

Financial Year	Gap in revenue requirement compared to the approved amount	Gap in revenue from sale of power compared to the approved amount	Total gap (for the year)	Add: approved gap in ARR allowed by the Commission	Gap considered for true up	Cumulative Gap (+/-)
(1)	(2)	(3)	4 (2+3)	5	6 (4+5)	7
1996-97						-295.00
1997-98	-310.15	5.86	-304.29	0.68	-303.61	-598.61
1998-99	-236.10	-420.39	-656.49	0.19	-656.30	-1254.91
1999-00	-230.33	244.14	13.81	-30.91	-17.10	-1272.01
2000-01	-359.42	194.43	-164.99	0.00	-561.97	-1437.00
2001-02	13.74	65.61	79.35	43.59	122.94	-1314.06
2002-03	-297.86	-264.11	-561.97	0.00	-561.97	-1876.03
2003-04	-79.79	586.13	506.34	0.00	506.34	-1369.69
2004-05	-73.19	322.13	248.94	217.35	466.29	-903.40
2005-06	-403.92	384.32	-19.60	15.72	-3.88	-907.28
2006-07	-175.47	723.02	547.55	-504.52	43.03	-864.25
2007-08	149.93	902.41	1052.34	-464.86	587.48	-276.77
2008-09	-410.14	938.76	528.62	-410.05	118.57	-158.20
2009-10	-1006.67	348.83	-657.84	-882.85	-1540.69	-1698.89
2010-11 (Provisional as per performance Review)	-1130.36	640.26	-490.10	-806.15	-1296.25	-2995.14
2011-12 (based on approved BSP)				-746.05		-3741.19

27. <u>Tariff hike is inevitable on account of increase of power purchase cost.</u>

(i) The retail tariff for the consumer consist of bulk supply price of GRIDCO to the distribution companies, transmission charges payable to OPTCL by the distribution companies, SLDC charges and the distribution cost incurred by the distribution companies for maintaining their distribution network. The average tariff for the distribution companies consists of 57.33 % towards power purchase cost, 6% towards transmission & SLDC charges and 36.42% towards distribution cost. If there is increase in the cost of generation and consequently the power purchase cost of GRIDCO, the retail tariff is bound to increase. Similarly, when OPTCL invests in up gradation of the GRID substation, power transformers or construction of new grid substations and transmission lines etc., it is to service the loan obtained from different financial institutions and this has to be recovered in shape of transmission charges from the distribution companies which ultimately is passed on to the consumers.

(ii) The table given below explains as to how the average cost of supply and average retail tariff is increasing mostly because of increase in the cost of power.

Table-16
Comparative position of approved Bulk Supply, Transmission and Retail Tariff approved by the Commission

		2008-09	2009-10	2010-11	2011-12	% increase
1	Avg. Cost of OHPC Power P/U	53.35	59.36	64.40	68.01	6%
2	Avg. Cost of OHPC Including Machhakund Power P/U	52.01	57.63	62.51	65.96	6%
3	Avg. Power Purchase cost of GRIDCO P/U	127.40	148.27	174.58	210.32	20.47%
4	Avg. BSP P/U	122.15	122.20	170.25	231.65	36.06^
5	**Difference between BSP & Power purchase (p/u) (3) – (4) / (4) – (3) as the case may be**	**-5.25**	**-26.07**	**-4.33**	**21.33**	
6	**Break-Up of BSP P/U vide Sl No.4**					
	CESU	101.50	101.50	157.00	219.00	40%
	NESCO	125.00	130.00	195.00	262.00	35%
	WESCO	157.25	154.00	194.00	262.00	35%
	SOUTHCO	70.00	70.00	90.00	135.00	50%
	TOTAL	**122.15**	**122.20**	**170.25**	**213.65**	**36.06%**
7	Avg. Transmission Charge P/U	21.00	20.50	23.50	25.00	7%
	DISCOMS					
	Average cost of supply	**272**	**263**	**327.37**	**408.87**	**25.00%**

		2008-09	2009-10	2010-11	2011-12	% increase
8	Avg. RST P/U (Revenue)	281.40	265.15	320.58	404.01	26.02%*
9	Avg. BSP (P/U)	122.15	122.20	170.25	231.65	36.06%
10	Transmission Cost incl. SLDC (P/U)	21.00	21.00	23.68	25.18	7.0%
11	***Difference to DISCOMs (8 – 9 – 10) (P/U)***	***138.25***	***121.95***	***126.65***	***147.18***	***17%***
12	**Break-up of the Retail Tariff voltage wise**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**% increase**
	EHT	***295.05***	***295.05***	***379.93***	***477.43***	***26&***
	HT	***308.68***	***308.68***	***383.68***	***482.43***	***26%***
	LT	***212.00***	***179.99***	***219.21***	***300.34***	***37%***
	Overall	***281.40***	***265.15***	***320.58***	***404.01***	***19.74%*****

* Revenue based 19.74% for 2011-12 against 22.22% in 2010-11

** Revenue to Revenue 19.74% (Tariff to Tariff 26.02% in 2011-12 against 21% in 2010-11)

28. The interest of low end consumers like domestic, BPL, agriculture and LT consumers as a whole has been protected in the tariff for 2011-12

Section 61(g) read with para 8.3.2 of Tariff Policy, 2006 stipulates "Tariff progressively reflects the cost of supply of electricity, so that latest by the end of 2010-11 the tariffs are within ± 20% of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.

On the other hand para 5.5.2 of National Electricity Policy, 2005 states that "a minimum level of support may be required to make the electricity affordable for consumers of very poor category. Consumers below poverty line who consume below a specified level, say 30 units per month, may receive special support in terms of tariff which are cross-subsidized. Tariffs for such designated group of consumers will be at least 50% of the average (overall) cost of supply. This provision will be further re-examined after five years".

If any class of consumers are to be subsidized the State Govt. have to pay the subsidy in advance as per Section 65 of the Electricity Act, 2003 which is extracted below:-

> *"65. Provision of subsidy by State Government –If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the state Government shall, notwithstanding any direction which may be given under Section 108, pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government."*

Even though the State Government have not agreed to provide subsidy to agriculture or BPL families and domestic consumers, tariffs in those cases have been fixed much below -20% of the average cost of supply of 408.87 paise unit determined for the year 2011-12.

29. The Commission cannot fix tariff in any manner for different type of consumers. It is mandated under Section 61(g) of the Electricity Act, 2003 read with para 8.3.2 of Tariff Policy, 2006 and para 5.5.2 of the National Electricity Policy to ensure that tariff progressively reflects the cost of supply of electricity, so that latest by the end of 2010-11 the tariffs are within ± 20% of the cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.

When the average cost of supply for 2011-12 has been determined at 408.87 paise per unit, the tariff for the relatively poor consumers cannot be less than 327.07 paise (i.e. -20% of 408.87) and more than 490.67 paise per unit (+20% of 408.87). However, while the attempt has been made to reduce this cross subsidy by gradually increasing tariff for LT consumers, because of special treatment for Agriculture, allied agricultural activities allied agro industries, BPL families (fixed charged of Rs.30.00 paise per month upto 30 Units) and domestic consumers in the first slab (upto 50 unit per month 140 paise per unit) the target of reduction of cross-subsidy has not yet been achieved). For LT category of consumers the cross subsidy is by (-) 26.54% while for EHT it is +16.77% and for HT it is +17.90% which is evident from the table given below:-

Table – 17
Cross Subsidy in 2011-12

Year	Level of Voltage	Average cost of supply for the State as a whole (P/U)	Tariff P/U	Cross-Subsidy P/U	Percentage of Cross subsidy above/below or cost of supply
1	2	3	4	5 (4) – (3)	6
2009-10	EHT	263.00	295.05	32.05	12.19%
	HT		308.68	45.68	17.37%
	LT		179.99	-83.01	-31.56%
	Kutir Jyoti		100.00	-163.00	-61.97%
	Irrigation		110.00	-153.00	-58.17%
2010-11	EHT	327.37	379.93	52.56	16.06%
	HT		383.68	56.31	17.20%
	LT		219.21	-108.16	-33.04%
	Kutir Jyoti		100.00	-227.37	-69.45%
	Irrigation		110.00	-217.37	-66.39%
2011-12	EHT	408.87	477.43	68.56	16.77%
	HT		482.43	73.56	17.99%
	LT		300.34	-108.53	-26.54%
	Kutir Jyoti		100.00	-308.87	-75.54%
	Irrigation		110.00	-298.87	-73.09%

- In case of BPL family the cross subsidy paid is 308.87 paise (408.87-100 tariff per unit for 30 units in a month) which is 75.54% less than the average cost of supply.
- In case of Agriculture/irrigation the cross subsidy per unit is 298.87 paise (408.87 – 100 paise per unit) which is 73.09% less than the average cost of supply.
- In case of domestic consumers the consumers consuming upto 50units per month are pay 140 paise per unit from 2001-02 which has remained unchanged for 2010-11 and 2011-12. In their case per unit subsidy is 268.87 paise (408.87-140 paise per unit) which is (-) 66% less than the average cost of supply.
- Domestic consumers consuming 200 units per month are being subsidized by -28% of the average cost of supply as for them the average per unit works out to 297 paise.
- Domestic consumers consuming 400 units per month are being subsidized by (-)11% as for them the average rate per unit works out to 363 paise.
- Domestic consumers consuming 600 units per month are being subsidized by (-) 1.5% as for them the average rate per unit works out to 400 paise.
- Only those high end domestic consumers consuming 700 units per month would be paying (+)1.22% higher than the average cost of supply of 408.87 paise as for them the average per unit works out to

413 paise against average cost of supply of 408.87 pasie per unit. This is evident from the calculation given in the following table:-

Table – 18

Consumption/ Month	Tariff	Total Payment for Energy Charges (Rs.)	Average Per Unit Energy Charges(P/U)	Cross-Subsidy in %
50 Units	Consumption <= 50units per month 140 paise per unit	140 paise X 50 units **= Rs.70**	140	(-) 66%
200 Units	Consumption <=50units <=200 units per month 350 paise per unit	140 paise X 50 + 350 paise X 150 = **Rs.595/-**	297	(-) 28%
400 Units	Consumption >200<=200 units p/m 430 paise per unit	140 paise X 50 + 350 paise X 150 + 430 paise X 200 = **Rs.1455**	363	(-)11%
600 Units	Consumption >400 <=600 units p/m 480 paise per unit	140 paise X 50 + 350 paise X 150 + 430 paise X 200 + 480 paise X 200 = **Rs.2415**	400	(-)1.5%
700 Units	Consumption >600 <=700 units p/m 480 paise per unit	140 paise X 50 + 350 paise X 150 + 430 paise X 200 + 480 paise X 200 + 480 paise X 100 = **Rs.2895**	413	(+)1.22%

Observation and Direction of the Commission

30. It has been pointed out by Shri R.P. Mahapatra and others during hearing on 16.6.2011 that the Commission in RST order dated 20.3.2010 for 2010-11 and RST order dated 18.3.2011 for 2011-12 have calculated the cross subsidy being paid as the different between the average tariff of HT & EHT industries at 80% Load Factor and the average cost of supply for the State as a whole. That the Hon'ble Commission in Paragraph 391 of the RST Order dated 18.3.2011 for the FY 2011-12 have indicated the cross subsidy in P/U calculated on the above methodology. The cross subsidy for EHT, HT & LT consumers in P/U from 2009-10 to 2011-12 is as follows:-

Table – 19

Year	Cross Subsidy in P/U		
	EHT	HT	LT
2009-10	32.5	45.48	(-) 83.01
2010-11	52.56	56.31	(-) 108.16
2011-12	68.56	73.56	(-)108.3

Hence, there is no scope for reducing the RST for LT Domestic consumers, as the cross-subsidy burden on the subsidizing category of consumers is very high and needs reduction. The only procedure by which the RST for the LT Domestic Consumers can be reduced is, by the provision of subsidy by the State Govt., in accordance with Section 65 of the Electricity Act, 2003.

31. In view of the mandatory provision of Section 61(g) regarding the need for reduction of cross subsidy and provision under Section 65 of the Electricity Act, 2003 regarding payment of subsidy in advance in case Govt. wants particular category of consumers to be charged at subsidized rate, the Commission in its order dated 05.5.2011 directed that the State govt. must come out with a clear cut proposal as to whether they would like to give subsidy in accordance with the provisions of Section 61(g) and 65 of Electricity, Act, 2003.

32. If there is any downward revision in the tariff rate approved for domestic consumers for 2011-12, the loss arising from such downward revision is to be borne by the state government by way of direct payment of subsidy to distribution companies as per the provision of section 65 of the Electricity Act, 2003.

33. It has been submitted by Shri A.K. Sahani and others that at present the BPL consumers are being provided @ Rs.1 per unit limiting to 30 units per month. Further, in case of Agricultural and Allied activities and Agro Industrial activities the rate notified is much below the cost of supply estimated at 408.87 paise per unit for 2011-12. As per the projection of consumption of BPL families, Agriculture, Agricultural and Allied activities etc., for 2011-12 the subsidy works out to Rs.281.29 crore as indicated below:-

Table – 20

Average Rate of supply of electricity per units approved for 2011-12 for all category of consumers taken together p/u	Category of consumers (subsidized)	Energy Tariff approved for 2011-12 for those subsidized category p/u	Subsidy required per unit for 2011-12 p/u (1-3)	Estimated consumption of electricity in MU in 2011-12	Amount of subsidy required Rs. In Crore (5x4)
(1)	(2)	(3)	(4)	(5)	(6)
408.87	BPL/Kutir Jyoti	100.00	308.87	545.13	168.37
408.87	Agriculture, Irrigation, Allied agriculture	110.00	298.87	377.87	112.92
408.87	Total	-	-	923.00	281.29

Besides the above insofar as the 26 lakh domestic consumers are concerned, the amount of cross-subsidy required at the pre-revised rate of 140 P/U for the first 100 units, works out to Rs.838.80 crore (26 lakhs X 100 Units) X 12 months X (408.87 -140.00). It has been pointed out that it is the responsibility of the Govt. to take care of the interest of BPL, Agriculture and Domestic consumers and certainly not by way of cross-subsidy for EHT/HT/Commercial consumers. Hence, some respondents during hearing on 16.6.2011 have submitted that in the interest of justice and equity the Commission should direct the State Govt. to grant subsidy of Rs.1007.00 crore for such subsidized BPL and domestic consumers.

34. It must also be noted that if the tariff does not ensure cost of supply in a reasonable manner financial institutions would be reluctant to sanction loan to the distribution companies to meet their share of counter part funding under Capex programme of Rs.2400.00 approved by the State Govt. for implementation during 2010-11 to 2013-14. Out of Rs.1200 crore of counter part funding by the four distribution companies from 2011-12 to 2013-14 (nil counter part funding during 2010-11), Rs.200.00 crore is to be provided during 2011-12 (CESU Rs.78.00 crore, WESCO Rs.39.00 crore, NESCO Rs.42.00 crore and SOUTHCO Rs.41.00 crore). If the Tariff for 2011-12 does not give comfort to the Financial Institution for servicing of their loan they may not sanction the counter part funding. As a result the

system improvement envisaged under capex would be affected and consequently the quality of supply and loss reduction efforts.

35. Further, if in the case of domestic consumers, the retail tariff is revised downwards, the resultant reduction in revenues to DISCOMs and GRIDCO will necessitate load-shedding to containing the losses of GRIDCO at a reasonable level by not going for purchase of high cost power. The Commission had left a gap of 882.85 crore in the ARR of GRIDCO for 2009-10. But it ended up with a gap of Rs.1540.69 crore. Against 806.16 crore gap left in the Revenue of GRIDCO for 2010-11 the gap has reached Rs.1296.25 crore by the end of March, 2011. If there would be any downward revision in the Retail Supply Tariff for 2011-12, there would necessarily be linked reduction in the Bulk Supply Price of GRIDCO and also in the transmission charges of OPTCL, further resulting in a spiral of losses for all the linked utilities and the sector as a whole.

There is no possibility of decline in the rate of power purchase by GRIDCO from different sources because of the continuing rise in coal prices. The quantum of power purchase and the prices paid by GRIDCO is going to increase as has been seen in the past. For example, for 2009-10 the Commission had approved purchase of 19719.37 MU from different sources for consumption in the State at an average rate of 148.27 paise per unit but actually purchase was 21040.18 MU at an average of 201.72 paise per unit. Similarly for 2010-11 the Commission had approved purchase of 2103.75 MU at an average of 174.58 paise per unit but GRIDCO had purchased 23299.87 MU at an average rate of 202.93 paise per unit.

36. The petitioner, the state government among other things has expressed concern regarding the substantial hike in the retail tariff of those domestic consumers who were enjoying the retail tariff of Rs1.40 p/u in respect of the lower slab of 0-100 unit. Now the Commission has increased the same from 1.40 paise p/u to Rs.3.50 p/u for the consumption of above 50 units to 100 units and from the existing tariff of Rs.3.10 p/u to Rs.3.50 p/u for

the consumption above 100 units and upto 200 units. As a result the lower middle class consumers who were consuming electricity upto 100 units per month would be hit. They have prayed before the Commission to reconsider this tariff hike in respect of those domestic consumers consuming electricity from 51 to 100 units per month.

37. Representations have been made by different organizations, individuals, industries, etc. to reconsider the tariff hike proposed to be effective from 01.4.2011. In the past there was tariff hike on regular basis ranging from 28.58% in 1993-94 to 15.73 in 1994-95, 17.47 in 1995-96, 17% in 1996-97, 10.33% in 1997-98 and the latest rise was 10.23% in 2000-01. There was no tariff hike from 2001-02 to 2009-10. After a gap of nine years the average tariff hike was 22.2% in 2010-11 and Commission has approved the revision of tariff for 2011-12 with average increase of 19.7% over the rate of 2010-11. There has been tremendous increase in the cost of thermal power and the ratio of hydro power is considerably declining from 57% in 2004-05 to about 17% in 2010-11 upto September, 2010 (24.3% upto 31.3.2011 provisional). When there is increase in the cost of power, cost of transmission and increase in cost of operation and maintenance including increase in salary and pension etc. the cost of supply is bound to increase. The Electricity Act, 2003 under section 61(g) read with para 8.3.2 of the National Tariff Policy mandates that tariff progressively reflects the cost of supply of electricity and also reduces the cross-subsidies so that tariff remains within $\pm$20% of the cost of supply. While expectations of the consumers from different organizations are genuine the Commission has to act within the provisions of the Electricity Act, 2003, Electricity Tariff Policy, 2006 and National Electricity Policy, 2005. Commission in its retail tariff order for 2011-12 has tried to strike a delicate balance between the commercial viability of the power utilities and the interest of different category of consumers.

38. The State Govt. have suggested that in the case of domestic consumers consuming electricity between 51 to 100 units per month with a tariff of

350 p/u approved to be effective from 01.04.2011 may be reduced to 200 p/u and the consequential loss of revenue estimated at Rs.108 cr. for 2011-12 would be compensated for distribution companies by reducing the BST for 2011-12 by 5 paise per unit on the average payable by them to GRIDCO and in turn State Govt. would compensate GRIDCO by providing share capital of Rs.108 cr. It may be noted that this modality suggested by State Govt. is not in accordance with the provisions of the Section 65 of the Electricity Act, 2003 which is extracted below:

> *"65. Provision of subsidy by State Government: - If the State Government requires the grant of any subsidy to any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under Section 62, the State Govt. shall, notwithstanding any direction which may be given under Section108, pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the license or any other person concerned to implement the subsidy provided for by the State Government.*
>
> *Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by the State Commission shall be applicable from the date of issue of orders by the Commission in this regard.*
>
> *This clause provides that where the State Government requires the grant of any subsidy to any consumer or class of consumers, it shall pay in advance and in the manner as may be specified, the amount to compensate the person affected by the grant of subsidy in such manner as the State Commission may direct. However, the directions of the State Government shall not be operative if the payment is not made in the aforesaid manner and the tariff fixed by the State Commission shall be applicable from the date of issue of orders by it."*

39. Thus, the essential requirement of the Section 65 of the Electricity Act, 2003 is that if the State Govt. wants to supply electricity at subsidized rate to any consumer or class of consumers in the tariff determined by the State Commission under Section 62, the State Govt. shall pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licensee or any other person concerned to implement the subsidy provided for by the State Government. Keeping in view the revenue requirement by the DISCOMs and based on normative loss reduction target fixed by the Commission

and the provisions of Section 61(g) the tariff has been determined for the distribution licensees for different category of consumers. If the domestic consumers consume electricity within 51 to 100 units are to pay tariff at the rate of Rs.2.00 in place of Rs.3.50 approved by the Commission with effect from 01.4.2011, the DISCOMs will incur a loss and as such the DISCOMS are the affected entities. Therefore, the DISCOMs are to be paid a subsidy in advance in order to compensate the anticipated loss by such reduction of tariff for those categories of domestic consumers. On the other hand, GRIDCO's supply of power to DISCOMs in the state and its price is governed by the Bulk Supply Price as determined by the Commission and the procurement price which depends on the cost of generation or the selling price of the Generator. The question of subsidy is a revenue subsidy to the DISCOM and not any other manner of subsidy to the other entities such as the Generator or the Bulk Supplier. Hence, keeping in view the provision of Section 65, the subsidy to the DISCOMs may be given in a manner that it flows to the DISCOMs directly. We have in our earlier order dtd.18.6.2011 in Case No.25 of 2011 dismissing the review petition have made it amply clear that no fresh look is called for into the tariffs determined for each category of consumers and as enumerated in the Tariff Schedule. Therefore, if the promised financial assistance of Rs.108 crore for the FY 2011-12 by the State Govt. to GRIDCO, is to be ultimately passed on to the domestic consumers of the State in the slab range of 51 – 100 units/month may be ensured by the arrangement indicated below:-

(1) The State Govt. may make an on-account payment to GRIDCO, in cash, in advance and to start with pay Rs.60.00 crore to GRIDCO immediately.

(2) The DISCOMs in their monthly bill to the domestic consumers prepared as per the RST order of the Commission, shall add a separate item as State Govt. cash assistance to the domestic consumers called "Special Rebate" at a rate of Rs.1.50/Kwh for

consumption above 50 units/month subject to a maximum of Rs.75.00/month. (This special rebate shall be in addition to the normal rebate which otherwise a consumer is eligible as per the RST order of the Commission, if the bill is paid within the due date of the bill).

(3) The “Special Rebate” shall be allowed to such consumers who pays their current bill within the due date of the bill like that of availing the normal rebate. The current bill is defined as the bill for the consumption of the subject month as well as any arrear of the bills of the past months of the financial year 2011-12.

(4) In order to avail the ‘Special Rebate’, the consumer has to first clear his current bill in full and in case he has any grievance, the issue of revision of bill can be settled separately and any revision made, subsequently shall be adjusted in the future bill. DISCOMs shall take expeditious action of any grievance of the consumer through its Complaint Handling Procedure and GRF mechanism.

(5) The “DISCOM” based on money receipt providing ‘Special Rebate’ to the domestic consumer can claim reimbursement from GRIDCO in the form of adjustment in its bulk supply payment of GRIDCO. Thus, the provision of ‘Special Rebate’ to the consumer shall be ARR neutral to the DISCOM, and no claim for ARR adjustment and/or truing up exercise in the future year tariff shall be entertained by the Commission. The Commission strongly feels that with the above arrangement, the honest and bonafide consumer shall be incentivised to pay their bills in time to avail the substantial rebate in form of both normal as well as ‘Special Rebate’ and the cash-flow of the DISCOMs shall improve and the exercise will be a alround beneficial arrangement for both consumers as well as DISCOMs. The extra work to be taken by DISCOM for keeping track of actual money receipt to claim reimbursement for adjustment in BSP bill from GRIDCO is a small exercise compared to greater benefit in form of better cash-flow by the DISCOM.

(6) GRIDCO shall adjust the claim of DISCOM on account of financial benefit given to the ultimate consumers from the upfront payment received from the State Govt. and shall make a demand of the balance payment of Rs.68 crore from the State Govt. once the initial payment of Rs.60 crore is nearing exhaustion.

(7) The Commission, here would like to stress that the above exercise also shall be ARR neutral for GRIDCO and whatever cash assistance, so received from State Govt. shall be *pari pasu* adjusted with the claim of DISCOM on account of Special Rebate. In case, the proposed cash assistance of Rs.108 crore falls short of the requirement (in view of the DISCOM's observation that the assessment of 12 lakh consumer, be eligible for special rebate by Govt. and GRIDCO is grossly under estimated), GRIDCO would make an additional claim of cash assistance to the State Govt. under intimation to the Commission. The Commission advises the State Govt. that on receipt of additional claim from GRIDCO, on prudent check, the State Govt. shall provide further cash payment to GRIDCO or allow GRIDCO to make commercial burrowing with carrying cost of such burrowing (Interest and other financial charges) being fully borne by the State Govt. The Commission would not entertain any extra financial liability on this account of GRIDCO, either in the current year or in truing-up exercise in the future years.

(8) The assessment of domestic consumers for the year 2011-12 has been projected by the DISCOM in their Tariff filing (T-1) format are as under:

Name of the DISCOMs	**No. of domestic consumers projected for 2011-12(*)**	**Percentage (%) of the total domestic consumers**
CESU	1123607	38.26
NESCO	718310	24.46
WESCO	507112	17.27
SOUTHCO	587541	20.01
Total	**2936570**	**100.00**

(*) based on the tariff filing by the DISCOMs in T-1 format.

Pending verification of the money receipt of the DISCOMs of actual relief to the consumer on account of special rebate, GRIDCO may allow monthly BST bill adjustment (reduction) of Rs.3.80 crore for CESU, Rs.2.50 crore for NESCO, Rs.1.70 crore for WESCO and Rs.2.00 crore for SOUTHCO totaling Rs.10.00 crore/month on a provisional basis. The exercise of verification, prudent check of GRIDCO on DISCOM's claim shall be completed within one month of DISCOM's claim, failing which the claim of DISCOMs shall be deemed to be approved by GRIDCO.

40. The Commission fully appreciates the concern of the State govt. that consumers be extended certain relief to be able to bear the burden of the rising tariffs. Nevertheless, the Commission is duty bound to ensure that the supply and distribution business of the DISCOMs shall be sustainable and viable. The burden of rising tariffs is not a phenomenon confined to the electricity business alone but a general phenomenon of the current economic situation which is witnessing an unexpected inflationary trend and inflationary expectations. The assistance meant for the consumers must, therefore, be ring fenced in the manner indicated in the foregoing paras and shall flow to the DISCOMs in the manner and method indicated. We must make it clear that if at any time the direct cash assistance meant for consumers does not flow smoothly to the DISCOMs as indicated above, the Commission will have no option but to halt the entire process as the burden and responsibility undertaken by Govt. cannot be shouldered by either GRIDCO or the DISCOM.

41. The above order is effective from 01.4.2011 subject to outcome of the writ-petition vide W.P.(C) No.8409 of 2011 pending before the Hon'ble Orissa High Court on Commission's RST order dated 18.3.2011 for the FY 2011-12.

42. This matter is accordingly disposed of.

Sd/-	**Sd/-**	**Sd/-**
Member	**Member**	**Chairperson**
(B.K. Misra)	**(K.C. Badu)**	**(B.K. Das)**