

FORM – I
BEFORE ORISSA ELECTRICITY REGULATORY COMMISSION,
BHUBANESWAR

FILING NO.

IN THE MATTER OF:

CASE NO.: 1 OF 2004

PETITION SEEKING TO INTRODUCE SEPARATE RATIOFF BY SOUTHERN
ELECTRIC COMPANY (SOUTH CO) ORISSA STATE ELECTRICITY DEPTT.
FOR BULK SUPPLY TO GOPALPUR MIL STATION

IN BETWEEN

PRESIDENT OF INDIA PRESENTED BY PETITIONER
ZONAL CHIEF ENGINEER JABALPUR

VERSUS

SOUTH CO. RESPONDENT
ELECTRIC COMPANY OF ORISSA STATE
BERHAMPUR

1. The aim of this petition in two fold, firstly to render a deliberate appraisal about the role of MES (military Engineering Services) in receiving of bulk power (As a license) which is akin to a SEB (State Electricity Board) and secondly to put across out claim for reduction in tariff rates for electric power received by MES.

Facts of the Case

2. MES is responsible for supply and distribution of Electric Power to the defence services in the cantonments/military stations in the country. Accordingly electric supply is being drawn by MES at 11 KV from SOUTHCO at Defence Establishment located at Gopalpur On Sea Mil Station in the State of Orissa. The electric supply is distributed at 415 Volts under the arrangement of MES to all the defence establishments. At present SOUTHCO is levying tariff in the GP category.

3. **Type of Defence consumers:** Defence consumer can b categorized as under :-

(a) **Hospitals** Hospital in defence establishments are required to provide free medical facilities to the troops and their families. These are purely non profit making and commercial orgnisations. This service is fully subsidized to keep the troops fit since they have to perform their duties efficiently at high attitude/difficult areas and other places in the country.

(b) **Work Shops** Defence services workshops like Army Base Workshops, AF Repair Depots, Naval Armament/Supply Depots and other such Depots are

meant for carrying out repairs to Army vehicles/equipments/air crafts/plant and machineries etc, which are ultimately deployed for the defence of the country. These are not profit-oriented establishments, unlike in the corporate sectors. The electricity supplied to these installations by MES is absolutely free of cost.

(c) Training Establishments All the training establishments of Defence Services such as Army Air Defence College Gopalpur & Arty Centre Gopalpur training establishments for all ranks are meant for training of troops/Cades/Officer of the Defece Services at various levels. These are not profit earning organizations. In fact training of troops is a capital investment to the Nation and the returns are visible only during hostilities. These establishments also receive electric power free of cost being supplied by MES.

(d) Other than Married Accommodation These are primarily accommodation for offices, utility services such as water supply, sewage an air conditioning installations etc. and receive electric power being supplied by MES free of cost.

(e) Married Accommodation These are meant for the families of the troops who are deployed for security of the nation. In fact about 80% of the total electrical load in any station is on account of the married accommodation.

4. To summarise, it is emphasized that the electric load of any defence establishment is predominantly domestic load having only a small percentage (15 to 20%) load for administrative buildings, unit accommodations and installations for utility services. As such MES, which is supplying electric power to the defence establishment, must not be identified with any commercial or industrial establishment which are profit making consumer of electricity. Unlike other bulk consumers, MES is a department under Min of Def and is not repeat not a profit-making organization. It receives bulk supply for consumption of defence personnel only. A very small fraction of the tariff paid by MES for bulk supply get reimburse to the Government. Since electricity is supplied free of cost to defence establishments, living accommodations and other facilities for the troops. Therefore, tariff levied to MES calls for an objective review. Hence the MES should be placed under a separate category of tariff which should take into account all the above factors. In this context the Andhra Pradesh APTRANSCO is correctly charging MES under a category, which caters for 80% domestic, 10% water supply, sewerage and street lighting and 10% non domestic/commercial and general purposes put together, which is not appropriate category for Defense.

5. Demand Charges : Since the movement of troops due to obvious reasons is unforeseen, it becomes very difficult to adhere to the contracted maximum demand as per agreement at times. Therefore, MES should not be billed for Demand charges and the billing should be for actual units consumed only. Hence the element of demand charges should be waived from the tariff structure applicable to Defence (MES). Incidentally, APTRANSCO has correctly categorized defence in the IIT-VI category which does not have the element of demand charges.

6. Apart from the nature of defence load brought out above, it also merits due attention that a very substantial saving in capital investment infrastructure accrues to SEBs due to the various factors brought out in the subsequent paras. Due consideration to these aspects need to be given for evolving a concessional tariff category for MES.

- a) Single point wiring : The bulk electric power is received by the MES at a single point and further distributed to its consumers within the Cantonments, Military Station/Defence Establishments by MES. SOUTHCO installs only one set of metering device at the electricity take off point. Further, meters are provided by MES, to the Defence consumers and subsequent maintenance is also carried out by the MES. Thus SOUTHCO the electric supplying agency does not have to bear the additional expenditure required for distribution of electric supply at 415 V to the consumer premises.
- b) Distribution Network : A huge expenditure is incurred by MES for installation of switchgears, transformers and HT/LT distribution network right up to the consumers premises. Thus MES carries out the same function as that of the State Electricity Board by creating all necessary infrastructures for distribution. Thus MES makes large capital investment. The element of interest and depreciation is thus borne by MES.
- c) Maintenance: Recurring maintenance expenditure involved in the maintenance of the above infrastructure including manning of the installation is incurred by MES. Thus MES undertakes all the functions beyond the bulk take over point on behalf of SOUTHCO by incurring the extra expenditure, which results in huge saving to SOUTHCO.
- d) Transmission and Distribution Losses : Major percentage of transmission and distribution losses (which are as high as 25% to 30%) is borne by MES due to its own distribution network. Thus MES bears the major burden of SOUTHCO on account of these losses.
- e) Revenue Recovery : SOUTHCO meters the consumption of electricity by MES at the bulk take over point only, and not for the individual consumers. Thus MES carries out the metering of electric consumption of the individual consumers which results in substantial saving to SOUTHCO.
- f) Theft of power and equipments: Since the complete distribution of HT/LT beyond the single point metering/bulk take off point is carried out by MES, SOUTHCO is not put to any loss due to probable theft etc in the distribution system thus SOUTHCO is not put to any loss due to possible thefts of power/equipments etc. A substantial saving occurs to SOUTHCO/CESCO in this account.
- g) Promptness in Payment of bills: In spite of all the above investment, MES always ensures prompt payment of electricity charges to the SOUTHCO at all stations.

Rebate for Maintaining Own Distribution System: All the above aspects warrant that a separate tariff structure should be evolved for MES. The impact of the above factors has been worked out in the form of a case study for a station given at Appendix 'A' attached. It is obvious from the case study that MES has to incur an expenditure of Rs.1.60 per unit for the above mentioned functions. Further, MES being a supplying agency to defence (under Sec 15(2) (ii) of Electricity Act 2003) is a "Govt. Company" and therefore as per, Section 14, para 6 of Electricity Act 2003 is deemed to be license. Therefore there is a strong case for MES to be charged at tariff having the provision of a rebate in the tariff structure for under taking various functions on behalf of SOUTHCO beyond the Bulk take over point and in the capacity of a licensee on demand charges should be levied to the MES incidentally such rebate is being given to MES by RSEB @17.5% on the tariff bills for all the HT bulk connections and 10% on LT bulk connections. At present no such rebate is being given by SOUTHCO to MES.

Exemption from Taxes on Electricity, Paid to State Govt. : In some stations Electricity Departments have been levying electricity duty to MES. As per article 287 of the Constitutions of India, the defence department (i.e. Army, Navy and Air Force) are exempted from any Electricity duty being charged in the tariff bills by State Electricity Deptt. Such an act is against the statutory provisions as laid down in Articles 287 of the constitution of India which clearly stipulated that no law of State shall impose or authorize the imposition of a tax on the consumption or electricity consumed by the Govt. of India. Therefore, no such Electricity duty/Tax be levied by Electricity Deptt. In the bills preferred on MES Defence Deptt. I.e. Army, Navy and Air Force. Therefore, ED charges wrongly levied to MES should be refunded. A suitable clause be incorporated in the tariff schedule of SOUTHCO to avoid recurrence in the future.

Incentive for power factor : MES generally ensures a very high power factor in its distribution system. The power factor in most of the states is above 0.90. Therefore a suitable incentive must be given to MES for maintaining high level of power factor as is being done by Electricity Board in Gujrat, Rajasthan who are offering incentive @1% per 0.01 increase in power factor over 0.90/0.95.

Relief Requested : In view of the above facts, it is prayed that the relief as under may please be given to MES for Gopalpur Mil Station in Orissa, where SOUTHCO is the electric supplying agency:-

(a) As deliberated in detail about the type of electric load in Defence Establishment, which is predominantly Domestic in nature and also the fact that no establishment under Defence is profit oriented as explained herein before, the entire load be classified as Domestic load under a separate tariff category for Defence.

(b) The tariff rates may please be fixed for Defence after considering the rebate worked out in the Appendix 'A'. After considering rebate of Rs.1.60 per unit, the rate under the existing category for domestic load works out for Rs.1.40 per unit.

(c) Electricity tariff for Military/Air Force/Naval Hospitals be fixed of Rs.1.40 per unit as in the case of BEST.

(d) Power factor incentive be provided to the MES where the power factor is maintained above the permissible fixed limit i.e.0.90.

(e) Electricity consumed by the MES/Defence department be exempted from any taxes or duties as per the provisions of the Article 287 Constitution of India.

(f) ED levied erroneously by South Co at Gopalpur Mil Station should be retained/adjusted in their future electricity bills; further suitable clause needs to be incorporated in the tariff schedule to avoid such recurrence in future.

APPENDIX - A

EXISTING TARRIF RATE :3.00/Unit
FOR GE(I) GOPALPUR ON SEA

Sl.No.	Cost of Bldg	Amount/Unit Rate
A. Working out details: Cost of Bldg & Distribution	Cost of Bldg	7,84,715.00
	Cost of distribution system	1,77,07,341.00
	Total Cost	1,84,92,056.00
	Annual interest & depreciation @ 10%	18,49,205.00
	Total number of units billed by South Co	39,60,080.00
	Annual interest and depreciation (Total cost/total units)	0.46 per unit
B. Annual repairs & Maint charges of distribution system	Annual Salary & Wages	6,96,000.00
	Annual cost of repairs & spares	14,56,700.00
	Total Cost	21,52,700.00
	Total units billed by South Co	39,60,000.00
	Maint cost incurred per unit Total cost/Total Unit	0.54 per Unit
C. Distribution Losses	20% of energy distributed 200% of Rs.3.00	Rs.0.60 per Unit
	Total expenditure per unit	Rs.1.60

OBSERVATIONS OF THE COMMISSION

1. As clarified by the Ministry of Power, Govt. of India letter Dt.26.07.2004 MES under Section 14 proviso 3, shall be deemed to be a licensee but shall not be required to obtain a license under this Act, 2003.
2. The status of a deemed licensee authorizes them to carryout power supply works within their jurisdiction.
3. We do not have a separate tariff for any licensee for supply of power by a distribution licensee.
4. MES establishments cannot directly received power supply from GRIDCO the licensee for trading without going through a DISTCO.
5. Therefore MES shall be a consumer of appropriate category of a DISTCO and distribute power as a licensee within their area.
6. (i) We may point out that any tariff need to be decided by the Commission has to go through a process of public hearing. They were given the opportunity earlier to be present before the Commission at the time of tariff hearing scheduled in the month of January, 2005. But they did not turn up. As such, the sleeping lion cannot enjoy its share.

(ii) As regards levy of electricity duty is concerned, they have to take up the matter with the State Govt. as the subject is entirely dealt with by them.

Sd/-
(S.K. Jena)
Member

Sd/-
(B.C. Jena)
Member

Sd/-
(D.C. Sahoo)
Chairperson