

**GUJARAT ELECTRICITY REGULATORY
COMMISSION**

Ahmedabad

TARIFF ORDER

Case No. 21/2000

Of

The Surat Electricity Company Limited

1st December 2001

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**BEFORE THE HON'BLE GUJARAT ELECTRICITY
REGULATORY COMMISSION AT AHMEDABAD**

CASE NO. 21 OF 2000

Date: 1st December 2001

CORAM

JUSTICE S.D.DAVE, Chairman

SHRI B.M. OZA, Member

SHRI R.K.SHARMA, Member

**In the matter of determination of tariff of Surat Electricity Company
Ltd.**

ORDER

1. Introduction

- 1.1 The Surat Electricity Company (SEC) is a sanction holder under Section (28) of the Indian Electricity Act, 1910. The area of jurisdiction covers 52 sq. km in the city of Surat as compared to the municipal area of 112 sq. km. The company purchases power from GEB and distributes it within the area of its jurisdiction. It does not have any generating capacity. One of the terms of the provisions of Section 29 of the Electricity Regulatory Commissions Act, 1998 reads: -
“Notwithstanding anything contained in any other law, the tariff for intra State transmission of electricity and the tariff for supply of electricity, grid, wholesale, bulk or retail, as the case may be, in a State, shall be subject to provisions of this Act and the tariff shall be determined by the State Commission of that State in accordance with the provisions of this Act.”

Since the SEC is engaged in the retail supply of electricity within the State of Gujarat, in terms of the above provision, the determination of tariff for such supply falls within the jurisdiction of the Gujarat Electricity Regulatory Commission, (hereafter referred to as “Commission”), which has been constituted under Section 17 (1) of the ERC Act, 1998 to discharge the duties and perform functions under Section 22 of the Act.

- 1.2 The SEC submitted its tariff application to the Commission with a request to determine the tariffs for various consumer categories within its jurisdiction, on June 14, 2000. The Commission was seized with the GEB tariff order at that time. Subsequently, the Commission issued its Tariff Order for the GEB, on October 10, 2000. The Tariff Order specified the tariff chargeable by the GEB to all its consumers and also to the generating and non-generating licensees in the State. However, it was essential to issue a notice of three months to the licensees before implementing the tariffs for licensees. The GEB served this notice to SEC on October 12, 2000. Accordingly, the revised Grid Tariff has become effective for SEC from January 12, 2000.
- 1.3 Subsequent to the original tariff application submitted by the SEC, the Commission had directed the SEC to submit additional information as per data formats provided by the Commission. In the original tariff application, the SEC had not proposed any specific rates of tariff for the different consumer categories, and had only proposed certain rationalization of categories. The Commission directed the SEC to submit the proposed tariffs as well as the detailed revenue calculations using both, existing and proposed tariffs.
- 1.4 Accordingly, the SEC submitted additional information and the proposed tariffs in additional submissions dated 4th and 27th November 2000, and on 1st and 11th January 2001. The Commission has proceeded to analyze the tariff proposal, on the basis of all the information submitted by the SEC and other published information. The Commission had to make certain assumptions during analysis, which have been detailed, wherever they have been made.

1.5 The Commission, having completed the scrutiny and analysis of SEC's proposal, issued public notices in the press inviting objections and suggestions from the individuals, consumer groups, consumer associations and all other concerned. All those desirous of making suggestions / objections were made available a copy of the material submitted by the SEC to the Commission, including the material furnished in support of subsequent queries by the Commission. Subsequently, during the course of the hearing of an application filed by the Surat Citizens Council Trust on the 8th May, 2001, the Commission decided to grant one more hearing not only to the applicant but also to all the consumers, who wished to make further representation. Accordingly, the advertisements were again given in the newspaper for the public hearing, which was held on 17th and 18th September 2001. The names of the newspapers, wherein the Commission on the dates shown against each newspaper issued such public notices are as under:

Table 1.5
Dates of Publication of advertisements by the Commission

Name of the newspaper	First Hearing	Extension of time	Second Hearing
The Times of India	7/11/2000	24/11/2000	----
Indian Express	7/11/2000	24/11/2000	----
Gujarat Samachar	5/11/2000	21/11/2000	6/9/2001
Sandesh	6/11/2000	24/11/2000	6/9/2001
Gujarat Mitra	6/11/2000	24/11/2000	6/9/2001

1.6 When the Commission was considering the application filed by SEC for determination of retail tariff for consumers, a few applications filed by the individual consumers or consumer groups were also under its consideration. These were as follows:

- (a) N0.21 /2000 filed by Shri Ajaykumar Choksi, Mayor, Surat Municipal Corporation in the matter of application for determination of tariff made by SEC.

- (b) No.22/ 2000 filed by Southern Gujarat Chamber of Commerce and Industry and Others in the matter of special power tariff for power loom segment of textile industry falling in the category of SSI/tiny sector.
- (c) No.25/ 2000 filed by Southern Gujarat Texturising Association in the matter of fixing concessional rate of tariff for texturising and crimping segment of textile industry.

1.7 Since the matter dealt with in the application filed by Shri Choksi was part and parcel of the process of determination of retail tariff for which the SEC has filed the application, we have considered it desirable to deal with this application and pronounce decisions on the same in the course of this Order. As for the other two applications filed by Southern Gujarat Chamber of Commerce and Industry and the Southern Gujarat Texturising Association are concerned, they deal with the special tariff to be provided to the specific segments of textile industry. Since the arguments advanced in these cases are distinct and elaborate we have dealt with these cases in a separate order.

2. The Proposal

2.1 Surat Electricity Company's Proposal.

The application from Surat Electricity Co. Ltd. (SEC) for determination of tariff was received by the Commission on 14th June 2000. In its application, the Surat Electricity Co. mentioned the background of the incorporation of the company and the sanction granted to it by the Government of Gujarat. This sanction was extended by the Government on 2/7/1997 for further period of 30 years i.e. up to 11-4-2028. With this background, the SEC mentioned the details of the past tariff revisions to the end users since 1991. It can be tabulated as follows:

Table 2.1
Revision of Tariff for SEC consumers

Categories	Date of Revision
All Categories	February 10, 1991
All Categories except Residential	March 21, 1992
All Categories except Residential	December 15, 1994
All Categories	December 1, 1996
All Categories except Residential	May 1, 1997

2.2 Mentioning the details of past revisions, the SEC mentioned that on the basis of the proposals submitted by them for tariff revision in 1990, the Government decided as follows:

- (a) Residential consumers consuming up to 125 units per month and industrial consumers of LTP class with a load up to 2 HP be kept at par with those of GEB's consumers of the same class. This came into force with effect from 10-12-1991.
- (b) Residential consumers consuming in excess of 125 units, a surcharge of 20% be levied on GEB rates.

- (c) As a quid-pro-quo to (a) and (b) above, Government directed GEB to give a specific rebate of 5.3 paise per unit on all units billed to SEC. GEB claimed the subsidy from Government.
 - (d) The rebate of 5.3 paise as per (c) above was in addition to the rebate of 2 paise per unit prevailing since June 1, 1989. The rebate of 2 paise was given to all non-generating licensees from June 1, 1989.
- 2.3 As a result of periodical representations and protests by consumers, the Government directed on 14/12/1995 through administrative order to SEC to recover the energy bills as per the GEB's tariff from all the categories of its consumers. The Government agreed to make good the shortfall in the SEC's revenue in the form of subsidy. The subsidy in reality was for the consumers of SEC because of the application of GEB's tariff. The arrangement remained in force from January 1, 1996 till March 31, 1999.
- 2.4 As a sequent to a Committee headed by Shri P.V. Swaminathan appointed by the Government of Gujarat on 30/4/1999, the Government issued an administrative order directing the SEC to charge all its consumers as per GEB tariffs. In turn GEB will charge SEC at rates, which ensure clear profit equal to 80% of the Reasonable Return on annual basis to SEC. The Government also directed SEC and GEB to approach Gujarat Electricity Regulatory Commission for fixation of tariff and follow the decision of the Commission thereafter.
- 2.5 After narrating the background of the revision of tariff at various stages, the SEC in its application presented the cost data relating to all the costs and appropriations for the year 1998-99, 1999-2000 and estimate of years 2000-01 and 2001-02. The data was subsequently updated by SEC in November, 2000. The data presented by the SEC can be summarized as follows:

Table 2.5
Data relating to Costs and Appropriations

(Rs.in Lakhs)

Sr.No.	Details	1998-99	1999-00	2000-01(E)	2001-02(E)
1	Expenditure on power purchase	52520	47635	53156	57019
2	Other expenditure	5531	6985	8097	10029
3	Special Appropriations	542	858	1244	1375
4	Clear Profit (=RR)	1244	1787	1915	2136
5	Total Contribution Required	59837	57265	64412	70559
6	T& D Loss	15.72%	14.63%	14.25%	14.00%

2.6 On the basis of growth in industrial and real estate activities, change in land use pattern, vertical growth and likely economic scenario, the SEC estimated the power supply position for the year 2001-2002 as follows:

Table 2.6
Power Supply Position

Particulars	1998-99	1999-00	2000-01	2001-02
Unit Purchased (MU)	1950	2073	2189	2305
T& D Loss (%)	15.72	14.63	14.25	14.00
Unit Sold (MU)	1644	1770	1877	1982
Max. Demand (MVA)	358	368	386	410
Growth Rate (%)	10.6	7.7	6.1	5.6

- 2.7 In estimating the total requirement of power supply, the T & D losses were assumed 14.63% for the year 1999-2000, 14.25% for the year 2000-01 and 14% for the year 2001-02. The most important component of the total cost for SEC is the purchase cost, which is approximately 85% of the total cost. The current purchase cost is determined as prescribed in Government's letter of 13th April, 1999 which lays down the principle of parity of tariff between SEC and GEB consumers and provides that GEB should charge for bulk sale of energy to SEC from time to time in such a manner as to permit SEC to earn clear profit equivalent to 80% of the reasonable return on annual basis. In their supplementary information submitted on 4th November 2000, the SEC presented the purchases to the extent of 2084.64 MU for the year 2000-01 and 2111.87 MU for the year 2001-02. This is at the projected growth rate of 0.5% and 1.31% for these years as against 6.30% growth for the year 1999-2000. The figures of T& D loss being the same, the units sold were projected as 1787.58 MU for the year 2000-01 and 1816.21MU for the year 2001-02. Taking the rate of Rs. 2.70 per unit as laid down for the grid tariff in the tariff order of GERC dated 10/10/2000, the total cost on the purchase of energy was projected by SEC as Rs.531.56 crores for the year 2000-01 and Rs.570.19 crores for the year 2001-02.
- 2.8 The total revenue requirement of the SEC would be the purchase cost plus expenses plus appropriation plus rate of return.
- 2.9 Following the cost data, the SEC presented the sales analysis for the years 1999-2000, 2000-01 and 2000-02. It is seen that 57.5% units are sold to low-tension industrial consumers followed by 18.2% to residential and 12.2% to commercial consumers. The high-tension consumers have a share of 8.9% only. Based on this sale of units, the SEC projected revenue of Rs. 564.47 crores in 1999-2000, Rs. 637.37 crores in 2000-01 and Rs.698.63 crores in 2001-02 on the basis of the proposed tariff in their application.
- 2.10 The next section of SEC's application deals with certain issues presented by the Company. These were as follows:

(i) SEC's existing tariff to its consumers

SEC presented general background of their existing tariff. It made it clear that the present declared tariff of SEC to its end users is dormant or on hold. The residential tariff is of the same format as that of GEB with some difference. The rates charged in respect of all the categories are the same as GEB in pursuance of the orders of the Government of Gujarat. The Government has also given 25% rebate to residential consumers with monthly consumption up to 50 units from 1-7-1995 and extended this relief to monthly consumption upto 100 units from 1-4-1998

(ii) SEC's proposed tariff to its consumers:

SEC requested the Commission to address, rationalize and determine the tariff structure that is best suited to the load profile and consumer base of SEC on the basis of estimated cost data of its operations for the year 2000-01 and 2001-02 as well as GEB's tariff to SEC.

(iii) Government policy of parity on tariff for SEC consumers:

SEC recalled the history of change of tariff as narrated in paras 2.2 and 2.3 above. The SEC requested the Commission to address the issues of tariff parity between GEB and SEC consumers while determining the tariff.

(iv) Swaminathan Committee Report:

After mentioning the background and broad outcome on the report of the Swaminathan Committee, the SEC mentioned that it has agitated the issue of allowing clear profit equivalent to 80% of RR at various fora. SEC has approached Government of Gujarat for the redressal of the grievances on various grounds such as lack of legal sanction, the financial distress, deterioration of service quality, reduced capacity to invest and hence meet the load growth etc. The SEC also disputed the recommendations and subsequent directives by the Government about maintaining T& D losses at

certain level. It also disputed the observations of the Committee and Government directives related to bad debts and encashment of leave, payment of augmentation charges etc. The Company mentioned that the recommendations of Swaminathan Committee burdened SEC with many unreasonable restrictions like forsaking the RR, prohibiting including what is permitted, linking T & D losses to entitlement of clear profit subject to audit by vested groups etc.

(v) GEB's tariff to SEC

Making its observations on the grid tariff, the SEC put forth its grievances regarding time of use charges, rate of grid tariff and requested the Commission to rationalize this tariff after taking into account its above grievances.

(vi) Reasonable Return:

Mentioning its grievances on the decisions to limit the clear profit to 80% of reasonable return, SEC mentioned that the capping of the profit is unreasonable and is not sustainable under law. It also mentioned that electricity industry is highly capital intensive and has to attract investments from all sources including international sources. It also mentioned that due to reduction in the bank rate large investment made subsequent to liberalization when the RR was 17%, will now earn 12-13% only which is unfair to the investors and licensees. The SEC requested the Commission to address issues of reasonable return through regulatory process.

(vii) Fuel Adjustment Cost:

SEC represented that it is receiving power from GEB at extra high voltage. Therefore the FCA chargeable to SEC should be about 15% less than charged to end users served by the GEB. It also mentioned that for a licensee with T & D loss of more than 9% FAC formula couldn't recover the FAC that it pays on bulk supply. Non-recovered FAC and its adverse effect

on finances were prime drivers for frequent tariff revisions and great public resentment. The SEC therefore requested that the Commission should devise suitable features for FAC recovery by suitable grossing up factors for T & D losses of 15%, the grossing up factor should be 1.18 for LT supply and 1.05 for HT supply. Alternatively the FAC charged by GEB to SEC should be lowered by about 15%.

(viii) T& D losses:

SEC mentioned that over the years, it has made vigorous and tenacious efforts to reduce the system losses. On account of resolute efforts of the Company the T & D losses have come down from 16.47 % in 1996-97 to estimated loss of 14% in 2001-02. The SEC requested the Commission to address the issue of T& D losses keeping in view the investment required, impact on profitability and tariff determination.

(ix) Augmentation charges:

SEC mentioned that this type of expenditure is incurred continuously and the expenses on augmentation of facilities of GEB and charged to SEC, be permitted fully as an item of expenditure in the year in which it is incurred.

- 2.11 When the application of SEC was still under consideration of the Commission, the grid tariff for SEC was already decided by the Commission in its tariff order on 10/10/2000. The Commission thereafter directed the SEC to formulate the actual tariff rates before public suggestions and objections can be invited on their application. In their submission dated 4th Nov. 2000, while giving other details asked for, the SEC also submitted the proposed tariff rates. The average sales realization for different categories of consumers, submitted by SEC, is as follows:

Table 2.11
Existing and the proposed rates of realisation

(In Paise per unit)

Category	Existing	Proposed
Residential	289.90	316.83
Commercial	414.79	441.58
LTP	349.48	-
HTP	417.92	-
GENERAL	-	368.44
ILP-1	-	387.84
LTMD	-	424.15
HTP-1	-	438.99
HTP-2	-	479.00
Others	306.68	382.88

2.12 At the end of this application the SEC prayed for the following prayers:

- (a) The Commission may determine the tariff to be charged by SEC taking cognizance of existing tariff to its end users, facts and submissions made in the application and the business imperatives.
- (b) The Commission may consider that the tariff of GEB to its end users and SEC to its end users be maintained as per the prevailing arrangement in the interregnum.
- (c) The tariff of GEB and SEC be linked in a balanced manner and the vitiating features enumerated in the submissions may be eliminated.
- (d) FAC formula for GEB to SEC be provided in such a way that at a reasonable level of losses, FAC rate to SEC's consumers be such that FAC paid to GEB is fully recovered from the SEC's end-users.
- (e) In the tariff structure, the T& D losses are set at an achievable level with full cognizance of operating conditions, economics of loss reduction and any other factor the Commission may consider appropriate. The Commission may offer sufficient incentive to the licensee for achieving excellence.
- (f) Any expenditure incurred for contracting enhanced power from bulk suppliers is permitted to be written off in the year in which the expenditure is incurred.
- (g) Date for charging GEB tariff to SEC, SEC tariff to its own consumers and GEB's tariff to its own consumers be synchronized.
- (h) SEC is permitted to earn the clear profit equivalent to the Reasonable Return as specified in the Schedule VI of the Electricity Supply Act, 1948.

3. Preliminary Issues

3.1 Learned Counsel, Mr. I.J. Desai, appearing for the Surat Citizens' Council Trust (SCCT) had urged that they have got certain Preliminary Objections against the very proceedings and against the deciding of the tariff by the Commission. Learned Counsel Mr. Desai had preferred to present the written submissions on 20th December 2000 and on 4th January 2001 and once again on 5th September 2001.

The "Preliminary Objections or Issues" as raised by the Learned Counsel could be reproduced thus: -

- (i) *Application/ Case No. 21/16/2000 is not in accordance with the Gujarat Electricity Regulatory Commission (Conduct of Business) Regulations 1999.*
- (ii) *The Petitioner has no locus-standi in law to file a Petition before this Hon'ble Commission under Regulation 24 of the Gujarat Electricity Regulatory Commission (Conduct of Business) Regulations 1999.*
- (iii) *The manner provided in Section 29 (2) (a) is not available to this Hon'ble Commission to determine the tariff of electricity under Section 22 (1) (a) of the Electricity Regulatory Commissions Act, 1998.*
- (iv) *The guidelines framed by the Central Commission as stipulated in Section 13 (g) of the Electricity Regulatory Commissions Act, 1998 are not made available by the Hon'ble Commission in spite of specific demand by the Petitioner.*
- (v) *The National Power Plan as stipulated in Section 22(3) of the Electricity Regulatory Commissions Act, 1998 are not made available by the Hon'ble Commission in spite of specific demand by the Petitioner.*

- (vi) *The principles of natural justice in the form of giving reasonable opportunity of being heard to the affected persons are violated in respect of proceedings before the Hon'ble Commission in connection with the said application/ Case No. 21/16/2000.*
- (vii) *Policy of electricity generation and distribution by Private Sector Scheme as notified by the Central Government in its notification No. 7/8/88 dated 22/10/1991 does not contemplate or recognize any entity only distributing electric energy unless it holds license u/s. 3 of the Indian Electricity Act, 1910.*
- (viii) *The grant and continuance of sanction of the petitioner is the result of obvious breaches of various provisions of Indian Electricity Act, 1910 and Electricity (Supply) Act, 1948 in collusion of the State Government, Gujarat Electricity Board and the Respondent tantamounting to fraud on statute.*
- (ix) *The Respondent itself in the said application calls itself "deemed Licensee" which term is not legally recognized in any of the Acts of electricity in India.*
- (x) *This Hon'ble Commission in its order dated 10/10/2000 considered requirement of parity between SEC's tariffs and GEB's tariffs while revising GEB's tariffs.*

Over and above the above questions, Learned Counsel Mr. Desai has also addressed the Commission on certain other questions, **which according to him are substantive questions of law.**

When a reference is made to the above said Preliminary Objections or Issues, along with the seven (7) substantive questions of law raised by Learned Counsel Mr. Desai, it appears that, there has been overlapping of the questions, the issues and the answers being provided by Learned Counsel.

3.2 So far as the contention coming from Learned Counsel Mr. Desai that the Petition is not being in accordance with the Act and the Regulations is concerned, we are of the opinion that the Petition has been properly presented and the same has been duly registered. It is also our concerned opinion that the Petitioner before us is the Surat Electricity Company Limited, who wants to come before the Commission for the purpose of determining the tariff. We also feel that, under the relevant provisions of the Act and as especially, the provisions contained in Section-22 of the Act of 1998, we at the Commission, have got the necessary jurisdiction to determine the tariff, as urged by the SEC.

The above said conclusions on our part shall decide and dispose off the first three Preliminary Objections or Issues, as raised by Learned Counsel Mr. Desai.

We are unable to agree with the contention coming from Learned Counsel that as the guidelines framed by the Central Commission, as stipulated under Section 13 (g) of the ERC Act, 1998 are not made available by this Commission, in spite of specific demand by the Petitioner, we have no jurisdiction and authority to decide the tariff Petition. In the same way, we are of the opinion that the absence of the National Power Plan as stipulated in Section –22 (3) of the ERC Act, 1998 would not prevent us to decide the tariff as prayed by the utility. **These conclusions on our part shall dispose off the Preliminary Objection or Issues No.4 & 5.**

Everybody concerned, has been heard and reasonable opportunity of being heard has been given to all the affected persons and the Associations. Therefore, it cannot be said that principles of natural justice have been violated by the Commission by not giving the reasonable opportunity of being heard to the affected persons or parties. **This finding of this Commission shall decide and dispose off the Preliminary Objection or Issue No. 6.**

The remaining four Issues appear to be intermingled with the seven substantive questions raised by Learned Counsel for the SCCT.

Question no.1

The Question is as follows: “Having regard to the fact that at the time of making application to the Commission for fixing tariff qua its consumers SEC is the sanction holder under Section 28 of the 1910 Act which sanction specified tariff to be charged by it. Is this application, therefore, for fixing independent tariff before the Commission maintainable?”

In support of his contentions, relating to this question, Learned Counsel Mr. Desai has placed reliance upon the various provisions contained in the ERC Act, 1998 along with the provisions contained in Section-57 of the Electricity (Supply) Act, 1948 and in Section-28 of Indian Electricity Act 1910. He has also placed reliance on the Supreme Court pronouncement in case of Graphite India Vs Durgapur Project Ltd (1999) 7 SCC 645.

Quoting the above said provisions, Learned Counsel has urged that the SEC is a Sanction Holder under Section –28 of the Act of 1910 and the Sanction itself specifies the tariff to be charged by it and therefore the question of fixing the tariff for the Petitioner does not arise and the Petition is not maintainable.

We are unable to accept the above said contention coming from Learned Counsel for the simple reason that under the provisions contained in Section-22 and Section-29 of ERC Act, 1998, the Commission has got the authority and jurisdiction, inter-alia, to determine the tariff of electricity because it is one of the functions of the Commission. **Looking to the clear provisions contained in Section-22 of ERC Act, 1998, it cannot be said that the Commission has no jurisdiction or authority to determine the tariff. We therefore, have to reject the contention coming from Learned Counsel Mr. Desai.**

Question No. 2

The question is as follows: “In view of the scheme of the Electricity Regulatory Commissions Act, 1998 a sanction holder being a Company which has become a generation Company in law, is it eligible for making an application to the Commission for fixing its tariff to be charged to its consumers?”

Learned Counsel Mr Desai, while taking up this question, has urged that the Company being a Sanction Holder and also a generating Company, is not eligible for making any Petition to the Commission for fixing the tariff to be charged to its consumers. Mr. Desai, in support of his contentions, has placed reliance upon the provisions contained in Section-2 (6), 26, 26(a) and Section 22 (i) (c) of the ERC Act, 1998. Mr. H.B. Shah, Learned Counsel, who appears for the SEC has urged that the Company is both a Sanction Holder and a generating Company and that the question raised by Mr. Desai is pending before the Supreme Court of India and till the same case is decided by the Supreme Court of India, the status of SEC as a Sanction Holder is not obliterated or lost.

We are of the opinion that, this question has been raised before the Supreme Court of India and awaits the decision, despite this, this Commission has been directed by the Supreme Court to proceed ahead in the direction of deciding the Petition. We are of the opinion that this contention as raised by Mr. Desai has no force and it cannot be recognized. (The factual position emerges from the Orders of the Supreme Court in Petition for Special Leave to Appeal (Civil) No. 10562/1998 dated 14-11-2000)

Question No.3

The question is as follows: “Having regard to the fact that in exercise of the powers conferred by Sec. 28, Government of Gujarat has issued orders dated 14/12/95 and 13/4/99 directing Surat Electricity Co. Ltd. to charge tariff at the rate chargeable by Gujarat Electricity Board for consumers similarly situate and having regard to the provisions contained in Sec. 29 of 1998 Act, is the application of Surat Electricity Company maintainable?”

Taking up this question, Learned Counsel Mr. Desai has urged that, the State Government has exercised their powers and rights under the Sanction Order and have directed the SEC to introduce the same tariff and to charge at the same rate as is being done by the GEB. The contention appears to be that since the Government of Gujarat has issued the Orders dated 14th December, 1995 and 13th April, 1999, directing the SEC to charge the tariff at

the rate of GEB, the Petition before the Commission being without substance, is not maintainable.

We are of the opinion that, the above said letters, directing the SEC to charge the tariff at the rate of GEB do not become the final Orders regarding the tariff and looking to the provisions contained in Section –22 and Section –29 of the ERC Act, 1998, the said exercise is the right and duty of the Commission. We therefore, are not in a position to accept the contention coming from Learned Counsel, Mr. Desai.

Question-4

The question is as follows: ‘ Having regard to the fact that the Commission has already determined tariff chargeable by Gujarat Electricity Board for various classes of consumers differentiating between local conditions such as Ahmedabad and others, and the Surat Electricity Co, being a sanction holder subject to the orders of the Government, has not the Commission become functus officio in the matter of determining tariff for Surat Electricity Co. Ltd?

Learned Counsel Mr. Desai has urged that the Commission has become functus officio after determining the tariff chargeable by the GEB. In our opinion, Learned Counsel takes up this contention apparently because the SEC is not a generating Company, but is merely a distributing utility. The Company purchases power or energy from the GEB and supplies to the consumers. **Merely because the Commission has determined the tariff of GEB, it cannot be concluded that the Commission has become functus officio. Even after deciding the tariff of GEB, this Commission has to decide so many questions relating to the tariff to be charged by the SEC, the Company which purchases the power from the GEB. We therefore, do not find any merit in this contention coming from Mr. Desai.**

Question -5

The question is as follows: “ Keeping in view the provision contained in Sec.22 of 1998Act, specifying the functions of GERC, which provision is subject to the provisions of Chapter III in which Sec. 13 specifies the functions of the Central Commission, which have prescribed conditions precedent to the exercise of the jurisdiction by the State

Commission with reference to the condition precedent prescribed in Sec 2(3) of 1998 Act, these conditions precedent in legal parlance called jurisdictional fact having not been fulfilled, whether the Commission has jurisdiction to entertain the application of the Surat Electricity Co. Ltd?''.

Learned Counsel, Mr. Desai, raises two contentions related to this question. His first contention is that the State Commission shall have to determine the tariff in accordance with the guidelines relating to the tariff to be framed by the Central Commission and the State Commission shall exercise its functions in conformity with the National Power Plan and as this has not been done we lack the jurisdiction.

Our attention has been drawn by Learned Counsel for the SEC to the provisions contained in Section-22 and 29 of the ERC Act, 1998 and has urged that the Commission is empowered to entertain and decide such a Petition in view of Section-22 of the ERC Act, 1998.

We are of the opinion that, looking to the provisions contained in Section-22 and 29 of the ERC Act, 1998, this Commission has got the jurisdiction to decide the tariff Petition. It is true that, the State Commission shall exercise its jurisdiction in confirmation of the National Power Plan. But, it should not be over looked that Learned Counsel, Mr. Desai has not been able to substantiate before us that our decision on tariff and our exercise of the jurisdiction would not be in confirmation of the National Power Plan. Learned Counsel, Mr. Desai has urged that the Commission cannot assume the jurisdiction to entertain, hear, decide and dispose off, the Petition filed by the SEC. But, it requires to be appreciated that the Commission assumes the jurisdiction by virtue of Section-22 & Section -29 of the ERC Act, 1998 and therefore, we do not find any jurisdictional error on our part. This contention also therefore, as raised by Learned Counsel, Mr. Desai fails and the same deserves to be discarded.

Question No. 6

The question is as follows: “Having regard to the powers and functions of Gujarat Electricity Regulatory Commission, which appear to be quasi-judicial in character, do not the provisions of 1998 Act for appointment of Chairperson and Members of the Commission violate or infringe the basic features of the Constitution in as much as the scheme of the Act leaves it open to appoint any one from amongst qualified members who is not or has not been a Judge of the High Court?”

Question No. 6 pertains to the constitution of the Commission, Learned Counsel, Mr. Desai urged that because of the absence of the Chairperson of the Commission, who must be a Judge of the High Court, there is no valid constitution of the Commission. **As the Commission would point out at a different juncture, now the say of Learned Counsel does not survive because the Chairperson has been appointed and Learned Counsel, Mr. Desai and his counter parts have addressed, us three, at the Commission. We have elaborated this at the last Para of the present Tariff Orders.**

Question-7

“Surat Electricity Co. Ltd. at present is a sanction holder U/s 28 of 1910 Act. In the matter pending before Supreme Court of India, the legality and validity of sanction granted to the company is directly and substantially in issue. The question is: whether this Commission has jurisdiction to pronounce upon the validity or otherwise of the Sanction granted to Surat Electricity Co. Ltd.? If the answer is in negative, is not the hearing of application, an exercise in futility?”

It is not in dispute that the clients of Learned Counsel, Mr. Desai had raised the same or the similar contentions before the High Court of Gujarat and having failed in their efforts have approached the Supreme Court, where the matter is sub-judice. But, this fact alone would not prevent the Commission from deciding the tariff Petition because, on the contrary, this Commission has been directed by the Supreme Court to proceed ahead with the Petition and to fix the tariff.

Thus, in our opinion, none of the Preliminary Objections or Issues or Substantive questions of Law raised by Learned Counsel Mr. Desai would prevent us from hearing the Petition and deciding the tariff according to law. We therefore, accordingly, proceed ahead to determine the issues in controversy.

We may add that we have reached the above said conclusions, despite the great vehemence on the part of Mr. Desai, in placing heavy reliance, upon the Supreme Court pronouncements in the cases of Okara Electricity Co. Ltd Vs. State of Punjab (1960) 2 SCC 239 and of Graphite India Limited Vs. Durgapur Project Ltd (1999) 7 SCC 654, because these two cases, really do not speak on the contentions being raised by Mr. Desai, as the former says that the grant of Sanction under Section-28 (1) of the Electricity Act 1910 can not be permanent and is bound to be temporary to be issued on ad-hoc basis according to the requirement of each case, while the latter spells out the distinction between the statutory and contractual conditions.

4. Public Hearings, Objections and Replies of SEC

Objections raised during the hearing

4.1 As mentioned earlier, the Commission circulated a public notice inviting objections and suggestions and also extended the date for submitting the same. Subsequently the second hearing was also held in September 2001 as mentioned in para 1.5 above, and notices were issued for the same. In response to the aforesaid public notices, which appeared in the press, the Commission received suggestions and objections, from as many as 80 consumers and consumer organizations. The individuals and organizations who raised their objections and made suggestions in reply to the proposal of SEC for revision of tariff, are listed as under: -

Table 4.1

List of organizations and individuals who sent objections / suggestions

Sr.No.	Name
1.	The President, Southern Gujarat Chamber of Commerce & Industry*+
2	The Managing Trustee, Surat Citizens Council, Surat*+
3	Vice President Surat Consumers Association, Surat *
4	The President, Surat Jari Merchants Association, Surat*+
5	The President, Surat Electrical Contractors Association, Surat*
6	The Secretary, Kanjibhai Desai Samaj Shikshan Bhavan Trust*
7	The President, Surat Diamond Association*
8	The President, The Surat Vankar Sahakari Sangh, Surat*
9	The Surat District Co-operative Milk Producers Union, Surat*
10	The President, Katargam Industrial Estate Shed Owners Association*
11	The President, Shri Ambica Industrial Coop Service Society Ltd, Surat
12	Hon. Director (Representation), Consumer Education Research Society, Ahmedabad.
13	Sasme Cooperative Society, Surat*
14	The President, Surat Hotel and Restaurants Associations, Surat*+
15	The President, The Income tax Practitioners Association, Surat *

16	Surat Municipal Corporation*
17	Jai Shri Alarm Industries Cooperative Society Ltd
18	Shri Radhakrishna Industrial Cooperative Society Ltd
19	Surat Shaher Lok Adhikar Manch
20	Saurashtra Patidar Social Trust
21	Surat Hotel Owners Association
22	Surat City Janata Dal
23	Ratilal Virchand Shah
24	Ahmed Abdul Majeed Patel
25	Vrajlal A Jariwala and Ashok N Shah
26	Cjhamdraletu D Asarawala
27	Sanmukhlal Rangiladas Ghayal
28	Dr. Vithal N Kamat, Centre for Apparent Energy Research*
29	Ajaymukar Jashvantlal Choksi, Mayor, Surat Municipal Corporation.
30	Pestonji P Tadiwala
31	Chandravadan Ratilal Desai
32	Natubhai Ishwarlal Rangrez
33	Deepak N Thakkar, Chartered Accountant
34	Amrutlal Lajibhai Patel, Chartered Accountant
35	Saurin Bharatbhai Shah
36	Hemant D Desai, Sales Tax Consultant
37	Suresh N Raghuvanshi
38	Laxman K Dobarua
39	M Chunilal and Company
40	Motilal Chunilal & Company
41	Dilip Natwarlal Chashmawala
42	Shreeji Industries
43	SG Kagazi & Company
44	Surat District Chemical Manufactures Association
45	Mulrajbhai Ghanshyambhai Pandya.
46	Super Sagar Compound Industries Association.
47	Vivekanand Apartment Owners Association(President)

48	Navinchandra Ishwarlal Patel
49	Champaklal Kushaldas Chauhan, Surat City Dhhobi Association
50	Naresh Textiles (Proprietor)
51	Surat South India Zari Manufactures Association (President)
52	Surat Andhra Karnatak Jari Assocaition.
53	Surat Varanasi Jari Vepari Mandal
54	Surat Jari Kasab Spirit Guilders Association(Hon. Secretary)
55	Surat Jari Goods Producers Co-op. Society (Hon. Secretary)
56	Shrimali Soni Samaj Association.
57	Suresh Kumar Manganlal Patel
58	Maskati Plots and Flats Owners Service Society
59	Shri Radhakrishna Industrial Service Society Ltd (Chairman)
60	Jaishri Jalarm Industrial Co-op. Society Ltd (Secretary)
61	Surat Fine Real Zari Mfrs Co-op. Society Ltd (Secretary)
62	Bhogilal Tulsidas Vankar
63	Dr. Nishit Hiralal Sheth
64	Ruchita Premises (Surat) Association (President)
65	Hira Jari Industries (Proprietor)
66	Dinesh Textiles (Partner)*
67	South Gujarat Pleatters Mfrs Association (Vice President)
68	Surat Scooter Part Research Association
69	Federation of Surat Textile Traders Association (Vice President)
70	Sri Salaskar Hanuman Prachar Mandal (Secretary)
71	Dhaval Coop. Housing Society Ltd (President)
72	Shri Shantidham Sewa Samiti
73	Tapi Industrial Co-op. Service Society Ltd (President)
74	Shri Apartment Co-op. Housing Society Ltd
75	Rudraksh Apartment Coml. Co-op. Housing Society
76	Surat Grey Kapad Utpadak Sangh
77	Chunilal Raghunath
78	Vasantlal Meghji Bhagat

79	Hiralal Chunilal
80	South Gujarat Texturising Association*+

*These organizations/ persons appeared during the course of hearings.

+These organizations / persons appeared during the course of second hearing.

4.2 In addition to the objections and suggestions listed above, the Commission also received a mass petition, in which identically worded and printed representations were given by 17991 consumers and these objections were forwarded by the Southern Gujarat Chamber of Commerce & Industry in their letter dated 8th December, 2000 to the Commission.

4.3 The Commission examined and studied the objections and suggestions as received in the above communications. Some of the objections are general in nature, whereas some are specific to the proposal submitted by the SEC for tariff revision. In the course of the hearing in the month of January, 2001 and during the second hearing held in September, 2001 the individual objectors as well as the organizations substantially repeated the same arguments and objections in the course of the presentation of their case. We find that the objections are by and large repetitive in nature. The Commission therefore does not feel it appropriate to refer to each of such suggestions/ objections in detail and feel that it would be expedient to group such objections in several categories, having regard to the nature and character of the objections raised by the individuals or organizations. Some of the objections and suggestions, which exclusively deal with technical or financial performance, have been dealt with under other appropriate headings in subsequent paragraphs of this order. The remaining objections as have been raised and suggestions as have been received from various consumers and organizations have been summarized in the succeeding paragraphs. While summarizing them, we have placed common objections first, followed by those, which have been raised by a large number of consumers, and those objections and suggestions, which have been raised by the consumers of specific group or category.

4.4 Tariff parity with GEB.

As mentioned above, about 17991 consumers gave representations to the Commission in identically worded and printed forms. All these consumers pleaded for parity of tariff with the rates prevalent for the consumers of the GEB. These representations stated that the citizens of the city of Surat, shop keepers, industrialists and other industrial units have consistently demanded, for several years, that the people of Surat should get the electricity at the same rates and same conditions as of other people in Gujarat who are being supplied electricity by GEB. The rates of SEC in the past were more than the rates of GEB. As a result of this, till the year 1996, great injustice was done to the people of Surat and there have been many agitations on this issue. As a result of this, from 1/1/96, the State Government has given direction to give the people of Surat the electricity at the same rate as those of GEB. The representations further stated that, they were not concerned with anything else but they only want that they should get the electricity at the same rate as the GEB. In any circumstance, there should not be injustice to the people of Surat. This demand for tariff parity was also repeated by almost every person, who appeared before the Commission or who sent the objections/ suggestions. It can therefore be concluded that there is a strong feeling among the people of Surat, on this issue and there is a strong demand about the tariff parity with the consumers of GEB.

4.5 Legal issues dealing with the status of SEC.

At least 41 persons who appeared before the Commission or sent the suggestions, signed identically worded printed representations that deal with various points raised by the Surat Citizens Council Trust in their petition and also support them. These objectors made the following points:

- (a) According to the “ruling” given by the Supreme Court of India in the case of Onkara Electricity Supply Co., the SEC has no legal existence. For this purpose, the Southern Gujarat Chamber of Commerce & Industry as well as the Surat Citizens Council Trust has appealed against the judgment of the High Court of Gujarat, before in the Supreme Court of India. The decision

on this is likely to come soon. They stated that looking to the provisions of law, it is beyond the jurisdiction of the Commission to entertain the application of SEC. They also stated that the license given to the SEC is also illegal and while extending it from time to time, the consent of the Surat Municipal Corporation has not been taken by the State Government. According to the amendments made in various laws, the SEC is excluded from the definition of the "licensee" from 15/10/91 and therefore it is not proper to entertain its application.

- (b) In the judgment given by the Hon'ble Supreme Court of India, in the case of Graphite India, Section 57 of the Electricity (Supply) Act 1948 and Schedule VI thereof are not applicable to SEC. But still it has applied the same from 1968 to 1995 and has collected at least Rs. 2000 crores from the consumers. Instead of giving them higher rates, this amount should be refunded to the consumers.
- (c) On this matter, the Southern Gujarat Chamber of Commerce & Industry and Surat Citizens Council Trust had launched big agitation and therefore the Government ordered that the people of Surat should be supplied electricity at the same rate as that of GEB. This position should be continued. They also stated that they have no objection in paying additional rates, which the Commission has approved for GEB, but in no circumstances, they can pay more than that.
- (d) It is discriminatory under article 14 of the Constitution of India that different rates of electricity are applied to different people in the same State.
- (e) SEC is only a GEB's agent for distribution of electricity. No such existence is implied in the law. If the GEB wants to continue this arrangement, it is their responsibility to give them the commission. The SEC has no right to charge higher rates to the people of Surat.

- (f) It would be cheaper for the Government and GEB to purchase the undertaking of SEC. It is not understood as to why such arrangement is being continued at the cost of consumers.
- (g) SEC has misused the monopoly status and has enforced the conditions of supply, which are not tenable under the law. The consumers are therefore extremely dis-satisfied. In these circumstances, there is no question of giving raise to SEC. In addition, they stated that they support the written objections raised by the Surat Citizens Council Trust.

4.6 Unhelpful and anti-consumer attitude of SEC.

Apart from the two issues mentioned above, the third issue, which was more or less common in the representations made by most of the consumers, had been the non-helpful and anti-consumer attitude of SEC. The Southern Gujarat Chamber of Commerce & Industry, Surat Citizens Council Trust, Surat Consumer Association, Surat Jari Merchants Association, Surat Electrical Contractors' Association, Surat Diamond Association, Surat Art Silk Weavers Association, Surat Hotels and Restaurants Association and many other Associations as well as individual consumers, bitterly complained about the attitude of the SEC and its officers. The consumers felt that the conditions of supply enforced on them were illegal and harsh and were interpreted in an unhelpful manner. They felt that SEC had no intention to serve the consumers and was not worried about their legitimate grievances.

4.7. Performance related issues:

- (a) T& D losses:

The most important issue, which came up for discussion, was the T& D loss. The company projected 14% T & D losses, which was strongly objected by most of the consumers. The Southern Gujarat Chamber of Commerce & Industry mentioned that the T& D losses estimated by SEC were unduly high and legitimate losses should be only 7%. The Surat Electric Contractors

Association, Surat Diamond Association and many other Associations felt that since the area of Surat city was small and the agricultural consumption was very low, there is no justification for SEC to project T& D losses as high as 14%. The Surat Hotels & Restaurant Association felt that the correct level of T&D losses should be 9% only. Dr. Vithal Kamat of Centre for Apparent Energy Research stressed the need to promote apparent energy as unit of measurement of electricity to control the losses. He also stressed the need for energy audit and bench marking of losses. Dr. Kamat mentioned that in addition to controlling

T & D losses, the quality of supply also needs to be monitored. The level of voltage fluctuation needs to be properly regulated to ensure quality of supply.

(b) Metering:

Metering was another important issue, which was raised by consumers. Many consumers felt that the meters were moving very fast and no facility was available for independent testing of meters. Dr. Kamat, from Centre for Apparent Energy Research, mentioned that voltage variation should also be independently measured by providing suitable meters. He stressed the need for providing, temper proof meters so that any tempering can be detected. The consumers felt that adequate measures should be taken for independent testing of meters by the consumers.

(c) Voltage regulation:

The third important performance related issue raised by the consumers was about voltage regulation. Surat Electrical Contractors Association mentioned that there is no voltage regulation and voltage was frequently changing, affecting various operations.

(d) Economy of expenditure:

Most of the consumers felt that administrative cost of SEC was very high and needed to be controlled. The Surat Hotels & Restaurant Association as well as the Surat Electrical Contractors Association mentioned about the high salary being given to officials of SEC, resulting in high cost to consumers. Dr. Kamat of Centre for Apparent Energy Research, also mentioned that in order to achieve economy in expenditure, procurement should be regularized by proper tender system.

4.8 Tariff related issues:

(a) Growth rate projected low:

Many organizations as well as individual consumers felt that the growth rate of 1% projected by the SEC were unreasonable and misleading. The Southern Gujarat Chamber of Commerce & Industry felt that 1% growth rate was misleading and in their earlier submissions, the SEC had estimated higher growth rate. Several individual consumers also complained that the growth rate estimated is too low.

(b) LT MD Tariff:

The Surat Electrical Contractors Association mentioned that Section 23(3) is restraining SEC from formulating LTMD tariff without the approval of GoG. The LTMD tariff charged by SEC was illegal. The Southern Gujarat Chamber of Commerce & Industry mentioned that LTMD tariff was compulsory to consumers of GEB having contracted load of 50 HP and above. However for the consumers of SEC, it was proposed to make LTMD tariff compulsory for those having contracted load up to 40 HP and above. They mentioned that this discrimination should not be there.

(c) Augmentation charges:

The Surat Electrical Contractors Association mentioned that augmentation charges, for additional power demand, would be capital expenditure, but the company has shown it as a revenue expenditure and has sought recovery of it through the tariff increase. Shri I.J. Desai, Advocate speaking on behalf of Southern Gujarat Chamber of Commerce & Industry, mentioned that there was no justification in taking augmentation charges as revenue expenditure.

(d) Depreciation:

The Southern Gujarat Chamber of Commerce & Industry mentioned that there is no cash out flow in the depreciation and therefore the expenditure on depreciation should not be taken in to account while computing the profit of the Company.

4.9 Issues relating to customer service and conditions of supply:

(a) Meter deposit:

Surat Electrical Contractors Association represented that meter deposits are levied although no such deposit is included in the miscellaneous charges. Many individual consumers mentioned that very high charges are being recovered by the Company in case of breakage of glass of the meter or similar replacement.

(b) Delayed payment charges:

There was almost a universal complaint from all the consumers that delayed payment charges @ 2% per month, were too high and almost oppressive. Many consumers also complained that although they have delayed the payment for a week or so, the delayed payment charges are calculated for the entire month. They also mentioned that in such cases, the delayed

payment charges should be calculated only proportionately and not for the entire month.

(c) Benefit of P.F improvement to be given to the consumers:

The Surat Electrical Contractors Association mentioned that the improvement in power factor from 85% to 90% is for the benefit of SEC only. Consumers are not benefited. They also mentioned that according to the Electricity Rules, the power factor is required to be maintained at 85% but SEC was insisting at 90% and no benefit was passed on to the consumers.

(d) Temporary supply for building construction:

The same Association mentioned that SEC was giving only temporary supply for building construction for months together and refusing to give them regular supply. This was very unreasonable and added to the cost of electricity in construction.

(e) Fuel Adjustment Charges changing every month:

The Surat Hotel & Restaurant Association mentioned that the Company was enhancing FAC charges almost every month. It was not possible for them to include these charges on their service to recover the additional cost. Such frequent changes in FAC were therefore causing inconvenience to the consumers.

(f) Double deposits from those keeping generators:

The Surat Hotel & Restaurant Association also complained that if they were keeping generator sets for stand-by supply, an additional deposit was being obtained from them. They submitted that is highly discriminatory.

4.10 Issues relating to specific consumer groups:

(i) Surat Jari Merchants Association:

The Surat Jari Merchants Association presented their case and pleaded for special treatment to their industry. They referred to the waiver of electricity charges to the extent of 30% given to the power loom industry by the State Government and mentioned that the extent of relief required by the Jari industry was 50% of electricity charges.

(ii) Surat Hotel & Restaurant Association:

The Surat Hotel & Restaurant Association made the following points for special relief to their Association.

- (a) They mentioned that the hospitality trade has the status of industry, but they were not getting power at industrial rates. They pleaded that they should be given power at industrial rate and not at commercial rate.
- (b) They also represented that cost of power for them was 20% of gross revenue as against all India average of 12%.
- (c) The electricity duty and taxes on sale of electricity were too high in Gujarat.
- (d) They also pleaded for night concession and incentives for improving power factor. They mentioned that the burden of cross subsidization should not fall on them.

(iii) Income tax Practitioners Association

The Income tax practitioners Association pleaded that on the line of the decision, by the Maharashtra Electricity Regulatory Commission, the electricity used by professionals should be charged at residential rate and not as commercial rate.

(iv) Surat Shaher Dhobi Association:

Surat Shaher Dhobi Association represented that in accordance with the decision taken by the Government, they should be given separate meters for use of electricity for ironing, so that they can pay lesser rate of duty for that consumption and get the benefit.

5. SEC's replies to objections

5.1 The Surat Electricity Co. submitted replies in respect of objections and suggestions received by the Commission. The copies of the replies were also furnished by SEC to the concerned parties. The replies were given by SEC in two stages. In the first stage, the replies were given on the basis of written objections given by the consumers and in the second stage after the hearing, on the basis of various points raised during the course of hearing, SEC furnished a detailed reply to the Commission dealing with various points. The major points emerging from the replies given by the SEC in respect of the various objections and suggestions grouped in para 4 above, can be summarized as follows:

5.2 Tariff parity with GEB

As mentioned in para 4 above, the tariff parity with the rates prevalent for the consumers of the GEB was one of the major points made by most of the persons who represented before the Commission. The SEC neither opposed nor supported this point. It merely mentioned that the application of the Company for determination of tariff is pending before the Commission and the Commission may take this point in to account while determining the tariff for SEC.

5.3 Legal issues dealing with the status of SEC

As regards, all the legal issues raised by a number of persons in support of the memorandum of Surat Citizen Council Trust, the SEC stated as follows:

- (a) Many of these points were raised before the High Court of Gujarat and the High Court giving detailed reasons had rejected these points.
- (b) S.L.P. was filed in respect of these points against the judgment of the High Court of Gujarat before the Supreme Court of India. In this context, the Supreme Court has ordered on 14/11/2000 that the pendency of the petition

before the Supreme Court should not come in the way of the Commission for determining the tariff for SEC.

- (c) In accordance with Section 2 (h) of the Electricity Regulatory Commissions Act 1998, the matter regarding determination of tariff for SEC is within the jurisdiction of the Commission.
- (d) SEC denies all allegations against it for not observing the provisions of law.

5.4 Non-helpful anti consumer attitude of SEC

- (a) The SEC in response to this point stated that the Company had always made its best efforts to provide the services of best quality to its consumers. For this purpose, the company had also created Consumer Grievances Redressal Centers and had also formed a Consultative Committee. The company had also created Consumer Cells for providing better services to the consumers.
- (b) In their detailed reply furnished to the Commission, the SEC dealt with at length the normal grievances of the consumers. They stated that the consumers being under misconception about FCA, lack of proper interpretation of slabs in different categories among the consumers and the consumers not being energy conscious, complain about excess bill. They also mentioned the reasons for the estimated charges being too high. The SEC mentioned that the reasons for this are road reinstatement charges, charged by the Surat Municipal Corporation, which is about Rs. 590/- per meter. These are included in the estimate. Sometimes, the consumers do not declare their correct load, which in turn badly affects the distribution network. The Company stated that they are trying to get space from the Surat Municipal Corporation in the city for sub station and looking to the value of and shortage of the land, Company has designed, compact substation in which, space requirement has been reduced considerably.

(c) The Company also detailed the steps that it has taken for consumer satisfaction. These include the following:

- ✓ Enhanced communication with consumers by meeting them personally at regular intervals to deal with their problems.
- ✓ Information about energy conservation, complaint handling etc. is being published in the newspapers and also released on cable T.V.
- ✓ Consultative committee is formed and every 3 months meetings have been arranged to discuss Company's policy and difficulties faced by the consumers.
- ✓ Appellate committee to review vigilance cases is formed.
- ✓ Bill collection centers are increased to facilitate consumers for timely payment of their bills.
- ✓ Billing format is improved and refund procedure is made faster for estimate charges.
- ✓ Detailed information of estimate charges actually incurred is given when the refund is given.
- ✓ To keep pace with the time, SEC has adopted modernization under which full-fledged ERP system is implemented enabling smooth administrative operations within the Company.
- ✓ LT mapping is carried out in which all the data will be available, which in turn will be utilized in monitoring of sales, attending to consumer complaints and preparation of estimates etc.
- ✓ New spacious Control Room has been constructed for consumers, where 24 hrs complaints are received. The average time to attend to power complaint is 90 minutes, which was earlier 150 minutes. This has been made possible by installing wireless sets and mobile vans equipped with mobile wireless sets in different zones for better and faster communication. Lodging complaint time is reduced from 3 minutes to 1 minute. Staggering and load shedding which was prevailing before 2 years is now no more.

(d) SEC also mentioned about their future plans for consumer satisfaction. This includes the following:

- ✓ Single- window online inquiry clearance.
- ✓ Energy Audit in industrial sectors.
- ✓ Promote energy efficiency equipment in Diamond, Textile industry and other industries in particular and consumers in general.
- ✓ Promote energy efficient lighting in residential and commercial area.
- ✓ To educate consumers for using electricity most efficiently by conducting more meetings with consumers in each and every sectors.
- ✓ To promote safety and guide consumers for improvement of power factor.
- ✓ To give last 12 months' consumption to facilitate consumers to compare and hence reduce excess bill complaints.

5.5. Performance related issues

(a) T& D Losses

As regard the T& D losses, the SEC stated that it had made every effort to reduce the T& D losses. In the year 1997-98 this loss was 16.82%. As a result of improvement in the Company's infrastructure of electricity distribution and the efforts of vigilance department this loss now has been brought down to 14.63%. The Company is very much conscious about this issue and is making all efforts to reduce the losses. The Company also stated that the income of the vigilance department is shown in the accounts of the respective year as part of receipts from sale of electricity in accordance with Schedule VI of the Electricity Supply Act, 1948.

In the detailed submissions made to the Commission in response to the points raised during the course of hearing, the SEC strongly defended its stand about T& D losses. The Company stated that comparison with BSES and BEST was not justified since the nature of infrastructure available to those companies was different and considerable investment will be required to bring the SEC system to that level. They stated that, they have taken steps to strengthen the system and they have invested in the system to keep

HT and LT ratio of 1:1, though on the accumulated level, it is 3:3 (Three). They stated that in 1986-87, the loss was in the region of 11 to 12 %, but it had increased subsequently. The SEC replied that in 80's it was a period of low growth and funds available were enough to take care of the load growth. It was only in the 90s when high growth rate was recorded, the available funds had to compete on two fronts, one to give supply to the new applications and the other to reinforce the investment in the system to keep the loading at economic levels. Because of the shortage of funds adequate investment could not be made to strengthen the power system. Also, a lot of construction activities had started in small-scale industrial sector in 90's and this had a lot of impact of increasing the load on the system. Another factor was unauthorized connections and drawl of power, where electricity was considered as an input and corner can be cut to maintain margins. The Company also mentioned that undisciplined and unauthorized industrial growth in the city was also responsible for high losses. They also stated that in many cases, production commenced by using illegally drawing power from neighboring places. All these resulted in frequent disruption of service, overloading the mains and burning of meters in service lines All this callous attitude towards power system gave rise to higher losses.

(b) Metering:

The Company did not give any specific reply on this issue. However, in response to the suggestions made by Dr. Kamat from Center for Apparent Energy Research, the Company stated that there could be variants of products, meeting the same functional requirements. SEC evaluates and draws specifications to suit its own requirements and buys complements. The advice on quality of supply on injecting harmonics, theft and pilferage is noted and will be evaluated and implemented appropriately. There was no response from the Company on independent testing of meters.

(c) Voltage regulation:

The Company stated that all allegations of fluctuation of voltage from 175 to 225 volts are malicious. The Company stated further that though the substations density is approximately 25 per sq. meter, LT lengths in the rate of 150 to 200 meters and that on Load Tap Changer at sending end of 11 KV and GEB's voltage at 66 KV remaining fairly within the limit, this allegation cannot hold any ground. This could have been true around 4-5 years back when the system was not as robust as it is today. There could be some pockets, where due to lack of availability of space, the Company has not been able to put sub stations, but it does not find a place at which such fluctuation is felt. If it is so, then the Company will put voltage recorder at such positions and arrive at voltage profile.

5.6. Economy of expenditure

A detailed explanation given by the Company as regard the various costs projected in their proposal and also dealing with various points raised in the course of hearing, have been dealt with in the subsequent paragraphs while analyzing the tariff proposal of the Company.

5.7 Tariff related issues

(a) Growth rate projected low:

In detailed submissions made to the Commission in response to the points raised during the course of hearing, the Company stated that there is not a single submission made before the Commission that there are bright prospects for industrial growth. In other tariff hearings across the country, industry has painted a bleak picture of the growth. In view of the bearish atmosphere prevailing particularly, from energy consuming sector, the Company feels that its assessment seems to be in order. The Company pointed out that 70% of its sale was to industries, majority of them being the

small scale. The small scale industry is not a producer of final goods but, produce accessories and add values at different steps and at different links in the manufacturing chain, so what ever is general atmosphere the same is reflected in their sale forecast.

(b) LTMD tariff:

The Company stated that for introducing the LTMD tariff, Government permission has been taken as early as on 1/12/90. The Company also enclosed a copy of the said order along with their submissions.

(c) Augmentation charges

The Company submitted that augmentation charges are paid to GEB for contracting additional contract demand to meet the load growth in its area of jurisdiction. As per the practice of GEB, it charges the requestor the cost of supply lines, the cost of augmentation facility at their sending points and it is subject to the condition that though it is paid for by the requestor, it will remain the property of GEB. The Company also stated that it has obtained a judicial finding that if the assets are not owned by the SEC, then expenditure is of revenue nature and be treated likewise. Hence for the purpose of calculation of Income Tax it is treated as revenue expenditure. While for the purpose of calculation of clear profit, under Schedule VI of the Electricity Supply Act, it is treated as special appropriation to the extent of one fifth of the original expenditure.

5.8 Issues relating to customer service and conditions of supply:

No specific reply was given by the SEC for each of these points. In the various replies furnished to the Commission, the SEC however stated that improvement of power factor is beneficial for both Company as well as the consumers. As regard the FCA, the Company gave a detailed explanation as to how the FCA is arrived

at and how the GEB charges FCA and how the grossing up was required in case of SEC.

5.9 Issues relating to specific consumer groups

The SEC did not give any specific reply in response to issues raised by various consumer groups. It merely stated that, this may be considered by the Commission while determining the tariff.

6. Surat Municipal Corporation

6.1 The objections raised by various consumers and consumers' organizations in the course of the hearings have already been dealt with in para 4 above. The replies given by SEC to these objections have also been dealt with in para 5 above. In the course of the hearings the Surat Municipal Corporation also came up with a number of objections against the petition filed by the SEC and requested for a special tariff. Shri Ajaykumar Choksi, the Mayor of Surat Municipal Corporation also filed objections in respect of the tariff application filed by SEC. Shri I.J. Desai appeared before the commission and argued in both these matters. Since the objections raised on this matter are numerous and were also argued at considerable length, we have considered it appropriate to deal with all the objections, replies etc in this matter, under a distinct and a separate heading.

6.2 Submissions made by the Surat Municipal Corporation.

The Surat Municipal Corporation filed an application with the Commission on 3rd September, 2000. In this application, the Corporation made the following submissions:

- (a) The Corporation drew the attention of the Commission on the provisions of Section-49 of Electricity (Supply) Act 1948 and also the provisions of Section-29(3) of the Electricity Regulatory Commissions Act, 1998. The applicant submitted that it is always desirable to fix different tariffs for the supply of electricity to any person not being a licensee, having regard to the nature of the supply and the purpose for which supply is required and other relevant factors.
- (b) The Corporation pointed out that the high cost of supply of electricity included various charges like demand charges, peak hour charges, fuel cost adjustment, electricity duty and sales tax, apart from the energy charges. The Corporation mentioned that SEC and GEB should not collect estimated

expenses in advance blocking substantial amount of advance because of the long gap between payment of advance and the completion of the work by the respondent 3. It also pointed out that huge amounts are collected as security deposits on a nominal interest, unrelated to market rate of interest causing additional burden to the Corporation.

- (c) The Corporation pointed out that by the very nature of the duty it had no choice because it is mandatory under the Act to provide services to the public. Excess electricity charges are taking away 8% of its total revenue.
- (d) The Corporation pleaded that there should be distinction between a person who use electricity for public utilities and services and who uses electricity for the purpose other than public utility and services be for self interest or purpose.
- (e) The Corporation raised the issue about the charges recovered by the utilities for pole shifting and road widening and stated that they should be directed not to recover such cost from the Corporation.
- (f) The Corporation also submitted, that the utilities should be asked not to recover the cost of sub-stations/ transformers etc., while giving connection to the Corporation.
- (g) The Corporation pointed out that in other States like Maharashtra and Madhya Pradesh, the State Electricity Boards have treated Municipal Corporation on a different footing in respect of electricity charges. Similar relief should be given to the applicant in Gujarat also.
- (h) The Corporation pointed out that Sub-Section 3 (2) of the Bombay Electricity Duty Act, 1958, exempts Municipal Corporations of the State from payment of electricity duty in respect of consumption of electric energy for sewerage plants. However, the respondents No. 2 & 3 are not

considering pumping stations and treatment plants connected with the sewerage for the purpose of the said exemption. The electric energy consumption, on such plants should be exempted from the duty.

- (i) The Corporation submitted that Gujarat has the highest electricity tariff in India. It quoted comparative tariff in all categories to prove this point.

6.3 Prayer for relief.

At the end of the above submissions, the Corporation requested for the following relief:

- (a) To fix special appropriate power tariff, giving substantial relief to the Municipal Corporation, in respect of its use of electricity for public utilities and services as also to give appropriate directions not to collect certain charges and electricity duty against the provisions of respective laws.
- (b) To grant such other further relief as may be deemed just and proper.

6.4 Reply given by SEC.

The Surat Electricity Company to whom the notice was issued for reply has stated in their reply that the application for special tariff be processed such that it safeguards the commercial viability of energy suppliers. The Company requested that the tariff be determined as per the provisions of Section 29 (e) of ERC Act, 1998 which stipulates “ The interests of the consumers are safe guarded and at the same time, the consumers pay for use of electricity in a reasonable manner based on average cost of supply of energy”. As regards the specific points raised, by the Corporation the Company stated as follows:

- (a) SEC pays to SMC road reinstatement charges in advance before it commences any capital work.
- (b) SEC submitted that peak hour charges could be reduced by reducing the load at peak hour and shifting to off peak hour.
- (c) The SEC denied that prompt payment was made by SMC against their dues.
- (d) The SEC mentioned that since deposits are demanded as per the formula approved by the Government considering the fact that it is deposit against payment of energy bill and not any deposit, it should not be considered unreasonable. It is also well known that electricity is supplied on credit and duration of consumption and amount of realization is up to two months.
- (e) The contention of SMC that recovery of cost of shifting or conversion of power lines, is not legal, is void and is without any base in law. In this context SEC invited the attention to Section 13 of Electricity Act 1910.
- (f) The SEC mentioned that it does not charge for transformers. For additional load, no amount is charged again and only the amount based on additional requirement is demanded.
- (g) SEC pointed out that the power to grant exemption from the payment of electricity duty, vests with the Government of Gujarat. SEC was bound to act as per the procedure laid down by the Government of Gujarat.
- (h) SEC submitted its grievances that cumbersome procedures of giving permission to commence work add to the cost of the service without adding any value.

6.5 Rejoinder filed by the Surat Municipal Corporation.

- (a) The Surat Municipal Corporation filed rejoinder to the reply filed by the SEC substantially stating the same facts as in their application and pointed out that as a result of extensive electricity charges, which is more than 9% of total revenues after revision to the Corporation suffers in respect of performance of its duties to the detriment the quality of human life of those who live in the city. The Corporation also pointed out the total expenditure on electricity in respect of various services was likely to be over Rs. 30 crores after upward revision of tariff in GEB and 85% of the expenditure is in respect of services for water, sewerage pumping, drainage and street light.

- (b) The Corporation also pointed out that from the nature of use of electricity in pumping station by the Corporation , it is obvious that they use only for 3 to 4 hours in 24 hours and claimed the benefit of non-use by way of availability of power during that time to others, the supplier benefits. The corporation therefore submitted that this benefits, should be passed on to the Corporation or at least shared with the Corporation, by way of reduction in demand charges, to that extent.
- (c) The Corporation also submitted that the delayed payment charges are collected for the whole month, contrary to reasonable provision of calculating the demand charges to the extent of delay. The applicant submitted that it would be fair if provision were made for prompt payment discount, on the same basis.
- (d) The Corporation also submitted that in SEC tariff also the provision regarding power factor rebate should be included.
- (e) As regards, billing demand, the Corporation submitted that on the same pattern as in GEB, 85% contract demand should be taken as billing demand and the SEC should not be allowed to keep difference of 5% on higher as before.
- (f) The Corporation also submitted that concession for night use, should be given in SEC tariff without any such ceiling for entire consumption during the month.
- (g) It also submitted that since Corporation is a bulk consumer, the provision with regard to security deposit should be waived and the Corporation should be treated as bulk purchaser of electricity to deserve concessional treatment.

Analysis of the proposal

The analysis of the Commission along with the projections made for demand; expenses, etc. have been described in the following paragraphs.

7 Reclassification of Consumers

The SEC has submitted its projections of category-wise sales for the years 2000-01 and 2001-02, and the rationale applied, while projecting the sales. The SEC has proposed restructuring of the consumption slabs, and reclassification of consumers, as explained below. The SEC has also submitted the actual category-wise consumption for the year 2000-01.

The rationalisation of slabs proposed by the SEC within each category is along similar lines, as that applied in case of the GEB by the Commission in its tariff order dated October 10, 2000. The reclassification proposed by the SEC, the rationale and the Commission's view in this regard are as follows:

7.1 Shift from LTP to Residential and Commercial Category

The consumption by residential and commercial consumers for water pumps and lifts with connected load up to 30 kW was earlier categorised under LTP. SEC proposes to classify such consumption under the respective heads, i.e. residential, commercial, etc., to reflect the sector-wise consumption.

The Commission is of the view that the present classification is based on the nature of load and separate metering system for such loads is already in position. Incidentally SEC proposition if accepted may impose additional burden on the consumers. *The Commission has therefore decided not to accept the proposed reclassification and maintain status quo in this regard.*

7.2 Shift from Commercial to LTP

The consumption by LT Industry for lighting purposes is currently being charged at tariff applicable to commercial category, while the motive power is billed as per industrial tariff. As per SEC due to difference in tariff for commercial and industrial consumption, there is a large scope for misuse, by utilising the motive power meter for lighting load. The SEC has proposed that the concept of 'one premises, one meter' be applied, as this will avoid misuse, and also save the cost of double wiring. Using this concept, the SEC has proposed, that the entire consumption by LTP consumers should be recorded by the industrial meter, and charged at industrial rate.

The Commission feels that the advantage of double wiring is not of any significance because in any case light and power wiring are always separate. Further more the Commission is of the view that, to encourage growth of industry, efforts have to be made to rationalize the industrial tariff with less burden. By clubbing lighting load with industrial load, there will be unnecessary jacking of the industrial load that is not factual and spring the commercial load that is justifiable for further loading. Further more, classification is based on nature of load. *Therefore the Commission does not accepted the SEC 's proposal for this change.*

7.3 Creation of new category – GENERAL

SEC proposes to transfer consumption by religious institutions and charitable institutions, registered with the Charity Commissioner, public street lighting consumption, and water works and sewerage pumping services run by the Municipal Corporation to a newly created category called GENERAL. As a result of this reclassification, 15.74 MU of sales per annum will be shifted from residential and commercial category to GENERAL category. *The Commission has accepted this reclassification proposal of the SEC.*

7.4 Shift from LTP to LTMD

Maximum demand tariff is applicable to LT industries with connected load, above 50 HP. SEC has proposed to lower the limit to 40 HP, for compulsory supply under maximum demand tariff, i.e. LTMD category. The rationale for this reclassification, proposed by the SEC, is that demand-based tariff is more scientific as the billing determinants can be priced more effectively. Moreover, direct reading meters up to 50 Amps are available for 40 HP load; beyond 50 Amps, CT operated meters have to be used. As a result of this reclassification 54MU of sales per annum would have been shifted from LTP category to LTMD category.

The Commission is of the view that shifting consumers from LTP to LTMD would constitute a substantial shift in categorisation, and more debate has to be undertaken before such a step is allowed. *The Commission hence does not accept this reclassification. However, the Commission finds that there is merit in the argument that billing demand, based metering will help in flattening the load curve, and will benefit the utility as well as consumers having higher connected load but very low diversity factor. Accordingly, the Commission has provided for optional LTMD tariff for all LTP consumers, though compulsory LTMD tariff will continue to be applicable for consumers having connected load above 50 HP.*

7.5 Creation of new slabs within Temporary Category

The SEC has submitted that temporary supplies are taken for various purposes for different duration, e.g. supply for construction activity lasts for few months, supply of circus, exhibitions, etc. last for a few weeks, and supply for marriages lasts for only few days. The SEC has proposed that the Temporary Supply should be segregated in the following categories:

- ✓ Construction work
- ✓ Circus, exhibitions
- ✓ Religious festivals like Navratri, Ganesh Utsav, etc.
- ✓ Decorative lighting on buildings, street, film shooting, marriages, etc.

The Commission does not see any merit in this suggestion, as no real benefit will be achieved by creating further sub categories within temporary category, more so, because the total annual consumption by this category is only 3 to 4 MUS. *Hence, the Commission decides that there will be no sub-categories within this category.*

7.6 Optional Flat rate tariff to Agriculture

The SEC has proposed alternative flat rate tariff for agricultural consumers, though all the agricultural consumers within SEC area have meters installed, and are currently being charged on the basis of metered consumption. The total number of agricultural consumers in SEC area is 276, and the annual agricultural consumption is less than 1 MU.

The Commission does not see any reason to accept this proposal of the SEC, as the intention of the Commission is to levy metered tariff to all consumers. In the case of the GEB, agricultural consumption accounts for a substantial part of the consumption and majority of the consumption is un-metered. As the GEB will not be able to install meters for all consumers in one year, the Commission, as an interim measure, has prescribed flat rate tariffs for agriculture. Even in this case the metered tariffs are much lower than the HP based tariffs. Since in the area served by the SEC, the consumers are already using meters, flat rate is not necessary.

8 Demands for Electricity

- 8.1 The SEC, in its original tariff application, dated June 14, 2000, had assumed an overall growth rate of 6.1 % and 5.6 % per year, for 2000-01 and 2001-02, respectively, to project the category-wise sales, citing the decline in growth rate in 1999-00 over 1998-99. However, subsequent to the Commission's tariff order dated October 10, 2000, the SEC has revised its sales projections downward, based on the GEB's views on sales growth and the actual sales over the six-month period, viz. April 2000 to September 2000. The revised growth rates used by the SEC are 1 % and 1.6 %, in 2000-01 and 2001-02, respectively.
- 8.2 The overall growth rate in sales has been fluctuating over the years, with year-on-year (YoY) growth rates ranging between 8 % in 1996-97 and 1997-98 to 10.5 % in 1998-99 and back to 8 % in 1999-00. In terms of Compounded Annual Growth Rate (CAGR), the sales have been growing at an overall rate of about 8 % over the period 1995-96 to 1999-00.

The SEC has also submitted its rationale for projecting the sales to each category in 2001-02, which is as follows:

- ✓ SEC's judgment of the current economic scenario.
- ✓ Projections made by various trade and commerce organisations.
- ✓ Submissions of power loom industry before the Commission, projecting stagnant growth in industry.
- ✓ Scenario projected by the GEB in its tariff application.

The SEC has submitted that it is in agreement with the GEB projections of zero growth in industrial consumption, which is exemplified by the fall in sales to LTP category by SEC in the year 2000-01. In fact, the actual sales figures submitted by the SEC for the year 2000-01 show that the overall sales have declined, as shown in the next para.

Actual sales for the year 2000-01 is 1754 MUs which shows a negative growth rate of 0.91 % over actual sales for the year 1999-2000. SEC has projected a growth rate of 3.56 % for the year 2001-02 over actual sales of 2000-01.

8.3 Sales Projection

The Commission has verified the sales projections of the SEC, and having found it reasonable, has accepted the sales projected by the SEC. *The Commission has also incorporated the effect of the reclassification (as approved by the Commission) of consumer categories.*

The category-wise sales projected for 2001-02 are presented in the following table:

Table 8.3
Category-wise sales projected for 2001-02

(In MU)				
Sr.	Category	1999-00 (Actual)	2000-01 (Actual)	2001-02
1	Residential	320.55	331.90	345.28
2	Commercial	220.01	224.39	229.93
3	General	0.00	0.00	15.74
4	LTP	1044.94	1005.00	986.19
5	LTMD	0.00**	0.00**	47.29
6	Agricultural	0.00\$	0.00\$	0.89
7	Temporary	0.00***	0.00***	3.07
8	Others	12.27	14.85	0.00
	<i>Sub total LT</i>	<i>1597.77</i>	<i>1576.14</i>	<i>1628.39</i>
9	HTMD-1	159.42	N.A.	173.87
10	HTMD-2	12.70	N.A.	13.95
	<i>Sub total HT</i>	<i>172.12</i>	<i>177.64</i>	<i>187.82</i>
	Total	1769.89	1753.78	1816.21

Note: ** LTMD is part of LTP for FY 99-2000 & 2000-01.

*** Temporary is part of 'Others' for FY 99-2000 & 2000-01.

\$ Included in 'Others' for FY 99-2000 & 2000-01.

Thus, the total sales projected for 2001-02 is 1816 MU.

8.4 Transmission and Distribution Losses

- 8.4.1 The SEC, in its tariff application, has stated that its 80-year-old distribution system has deteriorated in the early nineties, due to lack of finance, and consequent non-strengthening of the HT and LT network. The loading of the system beyond the economic and thermal limits has resulted in high technical losses. The SEC has submitted that it has been making every effort to reduce the losses, and has succeeded in reducing the distribution losses over the years.
- 8.4.2 In this context, the Commission would also like to refer to the recommendations of the Swaminathan Committee set up by the Government of Gujarat (GoG). The Committee had recommended a phased reduction in distribution losses, with the proviso that the Reasonable Return (RR) would be linked to achievement of pre-set targets for reduction in T & D Loss. In this regard, the SEC has submitted that there is no provision in the Electricity (Supply) Act, enabling the linkage of RR to the T& D loss level of the utility. The Commission would like to clarify at this stage that under Section 22 & 29 and of the Electricity Regulatory Commissions (ERC) Act 1998, the Commission has been empowered to set parameters, which will bring efficiency and economy in the operation of the utility. The Commission is fully empowered to establish such a linkage of Clear Profit to achievement of performance benchmarks, and several ERCs have already done so in their Tariff Orders.
- 8.4.3 The SEC has submitted details of T & D loss as a percentage of available energy for last five years. The following table gives the performance of the SEC in this regard.

Table 8.4.3
Distribution loss – SEC Performance

(in MU)

Sr.	Particulars	1995-96	1996-97	1997-98	1998-99	1999-00
1	Energy Available	1475	1640	1788	1950	2073
2	Sales	1256	1370	1487	1644	1770
3	Distribution loss	219	270	301	307	303
4	Distribution loss as % of Energy Available	14.85	16.46	16.83	15.74	14.63

The above table shows that, since 1997-98, the SEC has been able to reduce the distribution loss as a percentage of energy available by about one percentage point every year, and has achieved a loss level of 14.63 % in 1999-00.

8.4.4 The SEC has further submitted the results of the Study of T & D losses, carried out by it in 1998-99. Based on this study, the SEC has submitted its estimate of the break-up of distribution losses into technical and commercial losses, as follows:

Table-8.4.4 A
Break-up of distribution losses into technical and commercial losses

Sr.	Category	Distribution loss as % of Total Energy Available		
		1999-2000	2000-01	2001-02
1	Technical	10.50	10.25	10.10
	EHV	1.00	1.00	1.00
	11 kV	3.50	3.38	3.33
	LV	6.00	5.87	5.77
2	Commercial	4.13	4.00	3.90
	Total (1 + 2)	14.63	14.25	14.00

The SEC also conducted a study of its own system through an independent agency, ESBI Ireland. The SEC has submitted a copy of this report to the Commission. The comparison of the findings of SEC and ESBI is shown below:

Table-8.4.4 B
Comparative findings on losses in SEC

Category of Loss	ESBI Study	SEC Study
EHV System	0.5	0.41
11 kV System	2.2	2.22
LV System	5.5	6.58
<i>Total Technical Losses</i>	8.2	9.21
Metering Equipment	3.4	2.01
Other Commercial Loss	4.1	4.53
<i>Total Commercial Losses</i>	7.5	6.54
Total Distribution Losses	15.7	15.72

The SEC has submitted that the total losses estimated by both the studies compare favorably; the difference in estimation of commercial loss is said to depend on the accuracy of the meter and the willful act on the part of the consumers. The Commission notes that the difference in estimate of technical losses at LV level, which comprises the bulk of the SEC supply network, and the estimate of the commercial losses have balanced each other; hence the estimate of the total losses are comparable. The Commission accepts these estimates, which state that the commercial losses range between 6.54 % and 7.5 % in 1998-99, while the technical losses range between 8.21 % and 9.21 %.

The SEC has also submitted data on month-wise energy received and energy sent out, to support its argument that the distribution losses (as a % of energy input) in the second half of the year are higher than those achieved in the first half of the year. The SEC has reasoned that the losses are higher in the second half, on account of the lower sales in the second half.

8.4.5 Analysis of the data submitted by the SEC shows that the distribution losses have exhibited a declining trend from April to March, in 1998-99 and 1999-00. The SEC has achieved a loss level of 13.75 % till September 2000. The SEC has projected that it would reduce the distribution loss as a % of energy available from

14.63% in 1999-00 to 14 % in 2001-02, though in terms of units, the projected distribution loss is almost stagnant at around 300 MU.. The SEC’s projections are shown below:

T able 8.4 .5
SEC’s Projection of Distribution Losses

		(in MU)	
Sr.	Particulars	2000-01	2001-02
1	Energy Purchased/Available	2085	2111
2	Sales	1788	1816
3	Distribution loss	297	296
4	Distribution loss as % of Energy Available	14.25	14.00

The data submitted by the SEC on actual sales and power purchase indicate that the SEC has achieved a loss level of 14.21 % in 2000-01. The Commission is of the view that the SEC should target reduction of commercial losses on a priority basis, as a loss level of over 14 % for a system of SEC’s size is high. **The SEC should target incidences of zero faulty meter reading, and take** appropriate measures to detect theft of electricity.

The Commission directs the SEC to achieve a distribution loss level of 13.5 % in 2001-02. This target is achievable considering the SEC’s past performance in this regard. Moreover, the SEC has incurred substantial capital expenditure on system improvement, and has also spent substantial amounts on repairs and maintenance. The Commission is of the opinion that, this expenditure has to reflect in lower distribution losses. The Commission appreciates the fact that the scope for reduction, reduces as the loss level percentage drops, and in its opinion the target of 0.5 % point reduction. from the base level in 1999-00, is very reasonable. The distribution loss levels allowed by the Commission and the consequent energy requirement are presented in the table below:

8.5 Total Energy Requirement (Power Purchase)

Table 8.5
Commission's Projections of Distribution Loss and Energy Required

Sr.	Particulars	SEC			GERC
		1999-00 Actual	2000-01 Actual	2001-02 (Esti.)	2001-02
1	Sales in MU	1770	1754	1816	1816
2	Distribution loss in MU	303	290	296	284
3	Loss as % of Input	14.63 %	14.21 %	14.02 %	13.50 %
4	Energy Required (MU)	2073	2044	2112	2100

The total energy requirement approved by the Commission is 2100 MU in 2001-02.

9 Expenditure

The Commission has addressed the issue of allowable expenses in this section. While determining the allowable expenses, the Commission has followed following principles.

1. The targets for cost cutting should be achievable with reasonable efforts..
2. Cost cutting should not hamper the repairs and maintenance and the quality of service.
3. Financial viability of the utility should not suffer.
4. To allow abnormal expenses only if strong justification exists.
5. No directive should be given that will have retrospective impact.

However, in 2001-02, the Commission desires that SEC make serious efforts to reduce the costs. The Commission has attempted to restrict the expenditure, where it felt that the expenditure is not justified.

9.1 Power Purchase

- 9.1.1 The power purchase accounts for more than 85% of the SEC's total expenses. As the SEC has no generation capacity of its own, it has to source its entire energy requirement from the GEB. The Commission, in its GEB Tariff Order dated October 10, 2000, has specified the grid tariff applicable to non-generating licensees and sanction holders like the SEC, under EL-I (B), at an all-inclusive rate of 270 p/u. This revised grid tariff has become applicable from January 12, 2001. For the period April 2000 to January 11, 2001, the SEC will continue to pay the previous grid tariff to the GEB.

9.1.2 The existing grid tariff is arrived at by a formula determined by the GoG, based on the recommendations of the Swaminathan Committee, as per the GoG letter dated April 13, 1999. This formula specified that the grid tariff for sale of power from GEB to SEC should be such that the SEC can earn a clear profit equal to 80 % of the Reasonable Return (RR). The SEC has challenged the restriction of clear profit to 80 % of RR, in its tariff application, citing legal advice for the same.

The existing arrangement between the GEB and the SEC is that the GEB bills the SEC for energy purchased every month, at a provisional rate of 201 p/u plus FCA. At the end of the year, the GEB and the SEC settle the bills in such a manner that the SEC earns 80 % of RR.

9.1.3 The power purchase expense for the year 2001-02 is based on the power purchase rate of 270p/u. The power purchase expense projected by the Commission is:

Table 9.1.3

Power purchase expense projected by the Commission

(Units in MU, charges in Rs. Lakh)

Sr.	Particulars	SEC			GERC
		1999-00 (Actual)	2000-01 (Actual)	2001-02 (Esti.)	2001-02
1	Units Purchased	2073	2044	2112	2100
2	Demand Charges	0			
3	Energy Charges	44474			
4	Fuel Adjustment Charges	3161			
	Total Purchase Cost	47635	52295	57019	56692
	Purchase Cost (p/u)	230	256	270	270

Thus, the total power purchase cost projected by the Commission in 2001-02 is Rs. 56692 lakh.

9.2 Other Expenditure

The SEC has submitted its projections for all the other heads of expenditure, such as administration, employee, etc., which are listed below.

Table 9.2
Other expenditure of SEC

Rs. in lakhs

Sr.	Expenditure Head (Rs. Lakh)	SEC		
		1999-00 (Actual)	2000-01 (Actual)	2001-02 (Esti.)
1	Repairs & Maintenance	1599	2118	2211
2	Employee Expenses	1081	1141	1535
3	Administration & General	564	633	693
4	Bad Debts	235	137	390
5	Augmentation Charges	0	0	580
6	Interest Expenses	868	646	1205
7	Depreciation	2138	2469	2994
8	Tax on Income	352	571	901
9	Statutory Appropriation	145	170	199
10	Other Expenses in CP calculation (legal, auditors, rates & taxes etc)	861	616	697
11	Reasonable Return	1791	1674	2136
	Total	9634	10175	13541

9.2.1 Repairs & Maintenance

The SEC has projected a 17 % to 18 % increase in R & M expenditure in 2000-01 and 2001-02, amounting to Rs. 1884 lakh and Rs. 2211 lakh in 2000-01 and 2001-02, respectively. Analysis of the past trend in R & M expense, and its sub-heads shows a CAGR of almost 22 % over the five-year period from 1995-96 to 1999-00, while on a year-on-year (YoY) basis, the growth is erratic, and no trend can be established. The expenditure on repair of buildings has been increasing steeply,

with a CAGR of 85 %, while the expenditure on repair of plant and machinery has been growing at a CAGR of 19 % over the same period. The following table shows the growth in R & M expenditure over the years:

Table 9.2.1-a
Expenditure on Repairs & Maintenance expenditure

(Rs. Lakh)

Sr	Particulars	1995-96	1996-97	1997-98	1998-99	1999-00	CAGR
1	Repair to Buildings	17.06	21.47	82.61	143.10	199.98	85 %
2	Repair to Equipment	676.98	921.81	820.84	1322.15	1356.78	19 %
3	Miscellaneous Repairs	28.86	28.01	32.48	45.90	42.32	10 %
	Total	722.91	971.29	935.93	1511.15	1599.08	22 %

The SEC has submitted further break-up of these expenses, and has claimed that the steep increase in R & M expenses over the years, is on account of :-

- ✓ Increase in contract labour expenses, on account of low/zero increase in number of employees, despite the increase in the sales volume and distribution network,
- ✓ Increase in salary and wages, allocated to R & M, by 18 % over the past five years,
- ✓ R & M of all 1179 substations, 9 receiving stations, and all administrative buildings on a regular basis, and
- ✓ Steep increase in Road Reinstatement (RR) Charges, which have to be paid to the Surat Municipal Corporation (SMC), for digging up the pavements, undertaken when there is a cable fault or when new connections have to be released. The RR charges have been increased from Rs. 567 per meter to Rs. 590 per meter, and if the pavement is made within the last six months, then the rate doubles.

The Commission had asked the SEC to justify the high incidence of such digging up of pavements, on account of which Rs. 131 lakh was paid to the SMC in FY00. The SEC explained that the other underground utilities damage its cables while working on their pipes etc requiring the SEC to repair the cables frequently.

The SEC has submitted that the increase in R & M expenses is due to efforts to improve the performance, and has submitted performance parameters, which show improvement on some counts, like reduction in HT cable faults, and reduction in distribution transformer failure rate. However, there is marginal or no improvement in parameters like LT cable faults and number of consumer complaints.

The SEC has further submitted that the steep increase in R & M expense, in FY99 was on account of floods, when more than 70 % of Surat was submerged in water, and the SEC had to spend a heavy amount to revive the system. According to the SEC, the normal annual increase in R & M expense is about 16 % to 18 %. Even if this contention is accepted, and the impact of the floods is ignored, the Commission finds that applying a normal growth rate of 17% to R & M expense in FY96, results in lower R & M expense projections for FY01 and FY02.

The actual expenditure on R & M as submitted by SEC indicates that the expenses (Rs.2118 lakhs) have been even higher than the projected expenditure (Rs.1884 lakhs), which was already very high. The Commission is of the view that R & M expenses are essential to maintain the service reliability and to increase the life of the equipments. However, the growth in expense projected by the SEC appears very high, and is not commensurate with the system improvement, achieved by the SEC. After due consideration of all these factors, the Commission held the view that no increase should be made in 2001-02 over actual R & M expenses (Rs.2118 lakhs) incurred for the year 2000-01 on the basis of following points:

1. Actual R & M expenses for the year 2000-01 (Rs.2118 lakhs) is higher than that for the year 1999-2000 (Rs.1599 lakhs) by 32 %.
2. CAGR of almost 22 % over the period from 1995-96 to 1999-00.
3. As per SEC, the normal annual increase in R&M expenses is about 16 % to 18 %.
4. If normal increase of 15 % is applied on R & M (Rs.1599 lakhs) for the base year 1999-2000, estimated R & M for 2000-01 comes to Rs. 1839 lakhs. If

normal increase of 15 % is applied again on Rs.1839 lakhs, estimated R & M expense for the year 2001-02 comes to Rs. 2118 lakhs.

Normal increase of 15 % over the base year 1999-2000 is allowed with a condition that SEC should reduce interruptions, LT cable faults and improve quality of supply.

The allocation of the allowed R & M expense according to the Clear Profit calculations has been done on the basis of the actuals for 2000-01.

Table 9.2.1-b

Expenditure on R & M allowed by the Commission

Sr.	Expenditure Head	SEC				GERC
		1999-00 (Actual)	2000-01 (Esti.)	2000-01 (Actual)	2001-02 (Esti.)	2001-02
1	Distribution & Sale of Energy	1509	1790	2050	2100	2050
2	Management Expenses	90	94	68	111	68
	Total Repairs & Maintenance	1599	1884	2118	2211	2118

9.2.2 Employee Expenses

The SEC has projected a 16 % and 22 % hike in employee expenditure in FY01 and FY02, amounting to Rs. 1259 lakh and Rs. 1535 lakh. In terms of gross salary, the hike amounts to 13% and 16%. Analysis of the past trend in gross salary expenses (including basic, dearness allowance, overtime, ex-gratia, leave encashment, provident fund, etc.) shows a CAGR of 11.7 % over the five-year period from 1995-96 to 1999-00, while on a year-on-year (YoY) basis, the growth varies from 32% to a reduction of 8%. The following table shows the growth in gross and net employee expenditure over the years:

Table 9.2.2 a
Employee Expenses

(Rs. Lakh)						
Sr.	Particulars	95-96	96-97	97-98	98-99	99-00
1	Gross Salary	949	869	1150	1321	1476
2	Less: Allocated to capital & R & M	349	389	373	657	395
	Total	600	480	777	664	1081

The SEC has submitted that most of the increase, in employee expenses, in the past has been on account of extra-ordinary causes like wage revision, etc. The Commission is of the opinion that the steep hike in employee expenses is not justified, as there is no substantial improvement in the performance of the SEC. Moreover, the number of employees has remained the same and the use of contract labour has increased very steeply. The SEC has submitted the actual employee expenses in 2000-01. The Commission has decided to allow an increase of 10 % over the base expenditure level in 2000-01. The allocation of R & M expenses has been done in the same ratio as per actual of 2000-01. The Commission has allowed employee expenditure of Rs. 1255 lakh in FY02. The allocation of the allowed employee expense according to the Clear Profit calculations has been done on the basis of the past trend.

Table 9.2.2 b
Employee Expenses allowed by the Commission

(Rs. lakh)						
Sr.	Expenditure Head	SEC				GERC
		1999-00 (Actual)	2000-01 (Esti.)	2000-01 (Actual)	2001-02 (Esti.)	2001-02
1	Gross Salary	1476	1662	1619	1928	1781
2	Less: Capitalised	395	403	478	393	526
	Net Employee Expenses	1081	1259	1141	1535	1255
	Allocation					
1	Distribution & Sale of Energy	478	537	533	655	586
2	Management Expenses	603	722	608	880	669

9.2.3 Administration & General Expenses

The SEC has requested for an increase of 4 % and 18 % in Administration & General expenditure, amounting to Rs. 586 lakh and Rs. 693 lakh in FY01 and FY02, respectively. Analysis of the past trend in Administration & General expense, and its sub-heads shows a CAGR of 22 % over the five-year period from FY96 to FY00, while on a year-on-year (YoY) basis, the growth is erratic, and no trend can be established. The expenditure on miscellaneous items, such as traveling, telegrams, advertising, etc. contributes almost 80% of the total expenditure, and has been increasing steeply, with a CAGR of 28%. The following table shows the growth in A&G expenditure over the years:

Table 9.2.3-a
Administration & General expenditure

(Rs. Lakh)

Particulars	1995-96	1996-97	1997-98	1998-99	1999-00
A & G Expenses	258	332	596	541	564

The SEC has submitted that A & G expenses have increased in tandem with increase in business volume. However, the Commission has found that the sales volume has increased by 9%, and the number of consumers have increased by 3.5% over the period FY96 to FY00, whereas, the A & G expenses have increased by 22% in the same period. The Commission is of the view that A & G expenses such as advertisement, traveling, printing, legal, etc. need to be controlled, and such expenses, should be incurred in a more efficient manner, so as to maximise the returns from such expenses. The consumers should not be unduly burdened on account of such expenses, which do not directly benefit them.

The SEC has presented the actual A & G expenses incurred in 2000-01. For the year FY02, the Commission has allowed an increase of 10 % over the base level in 2000-01 with the condition that the expenses must be incurred with a view to improve the quality of service to the consumers, to come to the expectation of the consumers. The Commission has allowed A & G expenditure of Rs. 693 lakh in

FY02. The allocation as per the Clear Profit calculations has been done on the basis of the allocation during 2000-01.

Table 9.2.3-b

A & G Expenses allowed by the commission

(Rs. lakh)

Sr.	Expenditure Head	SEC				GERC
		1999-00 Actual	2000-01 (Esti.)	2000-01 Actual	2001-02 (Esti.)	2001-02
1	Distribution & Sales Expenses	119	124	81	144	89
2	Management Expenses	422	435	520	518	569
3	Other Expenses	23	27	32	31	35
	Administration & General Expenses	564	586	633	693	693

9.3 Provision for Bad Debts

The SEC has requested for allowing a provision of Rs. 137 lakh and Rs. 390 lakh in FY01 and FY02, respectively, for bad debts. Bad debts are a by-product of the sales in the respective year. As a prudent utility practice, the SEC should make all efforts to recover its dues from consumers. However, it is inevitable that there will be some amount of bad debts, which occur in all businesses. The Commission has analysed the incidence of bad debts in comparison with the sales in each year, as follows:

Table 9.3-a

Bad Debts and Revenue

(Rs. Lakh)

Sr.	Particulars	1995-96	1996-97	1997-98	1998-99	1999-00
1	Bad Debts & Provision for Bad debts	66.17	450.53	371.70	175.16	234.89
2	Revenue from Sale of Electricity	28568	38632	48812	59164	56447
	Bad debts as % of sales rev.	0.23 %	1.10 %	0.76 %	0.30 %	0.42 %

The average proportion of bad debts is 0.49% as a percentage of sales during the period 97-98 to 99-00. In comparison, the SEC has requested for allowing bad debts amounting to 0.22% and 0.56% of sales in FY01 and FY02, respectively. The SEC has submitted that the actual bad debts incurred in 00-01 were Rs. 137 lakh, which amounts to 0.22 % of sales revenue. Taking into account the trend of bad debts during the last five years, coupled with the SEC's policy of realizing the dues diligently, the Commission has considered it adequate to allow bad debts at the same percentage of revenue from energy sales as of 2000-01 (i.e,0.22%). Thus, the bad debts allowed for the calculation of Clear Profit for the year 2001-02 is Rs. 149 lakh.

Table 9.3-b
Bad Debts allowed by commission

(Rs. lakh)

Sr.	Expenditure Head	SEC				GERC
		1999-00 Actual	2000-01 (Esti.)	2000-01 Actual	2001-02 (Esti.)	2001-02
1	Bad Debts	275	362	137	390	149

9.4 Augmentation Expenses

Augmentation Expenses are on account of investment made in strengthening the system at the receiving points, i.e. the points of interlinking between the GEB and the SEC system, from which the GEB supplies electricity at 66 kV to SEC. There are ten such interconnecting points. Over the past few years, the SEC has made substantial investment in augmenting the receiving stations to cater to the increased level of supply. The SEC has claimed that as per the Electricity (Supply) Act, the GEB is bound to supply power at bulk points, and the GEB has to make all the investment, required at the agreed voltage, before the interconnection point. However, the GEB treats the SEC at par with other HT consumers and says that SEC has to pay the Service Line Charges (SLC) including the cost of supply line, augmentation of transformer capacity, associated switchgear etc.

The Swaminathan Committee had recommended that augmentation expenses should be treated as extra-ordinary expenditure and amortised over a period of five years, rather than being deducted as revenue expenditure in the same year. The SEC has been following this recommendation and has been writing off augmentation charges over a five-year period, and the balance is being shown under intangible assets. However, the SEC has submitted that these are revenue expenses and should be written off in the same year in which they are incurred.

The issue can be brought into the right perspective if the quantum of investment under this head over the past five years is considered.

Table 9.4-a
Augmentation charges

(Rs. lakh)

Sr.	Expenditure Head	1995-96	1996-97	1997-98	1998-99	1999-00
1	Augmentation Charges	15.00	15.00	1151.30	463.46	886.50

The above table shows that the investment in system augmentation over the years has been substantial, and even higher than some of the regular expenses such as A & G, interest, etc.

The Commission has carefully considered all the issues and is of the view that as the benefit of augmentation expenses accrue over a long period of time, this expense should be charged over the revenue account accordingly. Moreover, in case this expense is written off entirely in the same year, then it will distort the revenue requirement and consequently, the tariff chargeable in a particular year. In certain situations, there might arise a need for reduction in tariff, while in another year, the tariff may increase steeply. To avoid such distortions in tariff, the Commission has taken a view that the augmentation charges should continue to be written off over a five-year period, as is the current practice.

The SEC has projected Augmentation expenditure to the tune of Rs. 50 lakh and Rs. 580 lakh in FY01 and FY02, respectively, towards up gradation of receiving stations. These expenses are towards the service line charges. The enquiries with

the SEC revealed that they have so far not requested the GEB for any additional service line. The expenditure does not seem likely during 2001-02. The Commission has decided to allow the augmentation expense as described in the following table.

Table 9.4-b
Augmentation Charges allowed by the commission

(Rs. Lakh)

Sr.	Expenditure Head	SEC				GERC
		1999-00 (Actual)	2000-01 (Esti.)	2000-01 (Actual)	2001-02 (Esti.)	2001-02
1	Service Line Charges	0	50	0	580	0
2	Write-off of intangible assets	270	270	270	270	270
	Total Expenditure on account of system augmentation	270	320	270	850	270

The calculation of the amount of intangible assets to be written-off has been shown in the table below:

Table 9.4-c
Intangible assets to be written-off

(Rs. Lakh)

Sr.	Expenditure Head	SEC				GERC
		1999-00 (Actual)	2000-01 (Esti.)	2000-01 (Actual)	2001-02 (Esti.)	2001-02
1	1998-99 investment – 463.00	93	93	93	93	93
2	1999-00 investment – 886.00	177	177	177	177	177
3	2000-01 investment – 0.00	0	0	0	0	0
4	2001-02 investment – 0.00	0	0	0	0	0
	Total Augmentation Expense	270	270	270	270	270

The total allowed expenses on account of augmentation expenses is Rs 270 lakhs for the FY02.

9.5 Interest Expenses

The SEC has requested for an increase of 21% in FY01 and 15% in FY02 in interest expenses, amounting to Rs. 1051 lakh and Rs. 1205 lakh in FY01 and FY02, respectively. Analysis of the past trend in interest expense, and its sub-heads shows that interest on security deposits of consumers and term loans form the biggest component of interest expenditure. The following table shows the growth in interest expenditure over the years:

Table 9.5-a
Interest Expenditure

(Rs. Lakh)

Sr.	Interest Expenses	1995-96	1996-97	1997-98	1998-99	1999-00
1	Fixed Deposits	101.38	112.19	131.97	124.62	91.42
2	Bank Cash Credit	210.26	201.44	225.55	38.78	11.97
3	Consumers' Security Deposits	68.48	83.61	107.70	279.90	341.97
4	Debentures	85.46	62.31	41.55	30.18	16.60
5	Term Loan	0.28	0.00	152.28	176.94	271.59
6	Grid Bill & Elec. Duty	362.08	706.47	57.94	0	0
7	Other Loans	70.39	58.01	63.44	58.22	38.76
8	Compensation in lieu of Dividend	0	0	21.63	0	0
9	Other Financial Charges	0	0	0	124.91	95.97
	Total Interest Expenses	898.12	1224.03	802.06	833.55	868.28

The above table shows that the SEC has also been claiming interest on grid bill and electricity duty from FY96 to FY98. Though this head of expenditure has not been claimed in FY99 and FY00, there is a claim for Other Financial Charges. The Commission had asked the SEC to submit additional details on the other financial charges, to ensure that there were no claims on account of delayed payment of grid bill or electricity duty. This clarification was required to ensure that the consumers were not being penalized on account of the SEC's failure to meet its commitments on time, as the SEC merely has to pass through, these charges received from the consumers.

The SEC also submitted that the higher interest charges on consumers' security deposits were on account of the increase in interest rate from 6% to 9% p.a, effective from June 1998. The debentures are being redeemed in FY01, and hence there is no interest payable in FY02 on debentures.

The details of actual interest expenses incurred by the SEC in 2000-01, reveals that the SEC has reduced its dependence on term loans on account of higher proportion of fixed deposits and consumers' security deposits.

For FY02, the Commission has projected the interest expenses as shown in the following table:

Table 9.5-b
Details of Interest Expenses allowed

(Rs. lakh)

Sr.	Expenditure Head	SEC				GERC
		1999-00 (Actual)	2000-01 (Esti.)	2000-01 (Actual)	2001-02 (Esti.)	2001-02
1	Interest on loan advanced by Board	0	0	0	0	0
2	Interest on loan borrowed from Organisations	322	470	97	677	183
3	Interest on debenture issued by SEC	17	7	3	0	0
4	Interest on Security deposit	342	404	424	458	458
5	Management Expenses – finance and other charges	96	131	76	64	64
6	Interest on fixed deposit	91	39	46	6	6
	Total Interest Expenses	868	1051	646	1205	711

9.6 Depreciation Expenses

The SEC has projected addition of Rs. 5608 lakh and Rs. 5000 lakh to its gross block in FY01 and FY02, respectively. SEC has projected depreciation expense of Rs. 2577 lakh and Rs. 2994 lakh in FY01 and FY02, respectively.

The Commission has deducted the assets and depreciation of the contract division from the total gross block and depreciation, as the contract division forms part of unregulated business, and the tariff fixation exercise is based on the expenses and revenue of regulated business only, viz. supply of electricity. The CAGR of gross fixed assets (GFA) and depreciation is 21% over the five-year period FY96 to FY00. As against this, the SEC has projected an increase of 20% and 15% in GFA, and 21% and 18% in Depreciation.

The Commission is of the view that the asset base has to be expanded on a continuous basis to maintain the system efficiency, and to cater to the growth in sales volume. The details of actual depreciation expenses incurred by SEC in FY01 indicate that the depreciation expense has been slightly lower than that projected, by Rs.108 lakh. As against depreciation projected by SEC at Rs.2994 lakh for FY02, depreciation is allowed at Rs.2878 lakh on the basis of 'estimated additions of Rs.5000 lakh on Gross Block as at the beginning of the FY02'. Depreciation figures are shown in the following table:

Table 9.6
Allowed Depreciation expenses

(Rs. Lakh)

Sr.	Expenditure Head	SEC				GERC
		1999-00 (Actual)	2000-01 (Esti.)	2000-01 (Actual)	2001-02 (Esti.)	2001-02
1	Depreciation	2138	2577	2469	2994	2878

However, the Commission is of the opinion that the capital investment decisions need to be scrutinized more closely, as any addition in the capital base increases the return to the utility. Hence, **the Commission directs the SEC that henceforth, all capital investment proposals have to be submitted to the**

Commission, with detailed Cost-Benefit-Analysis calculations, and the Commission's approval would be required before incurring any capital expenditure.

9.7 Tax on Income

The SEC has projected tax on income to the extent of Rs. 762 lakh and Rs. 901 lakh, as compared to clear profit projections of Rs. 1915 lakh and Rs. 2136 lakh, in FY01 and FY02, respectively. The Commission has allowed this expense, as this is a statutory expense as determined by the Income Tax Act and permitted under Schedule VI of the Electricity (Supply) Act 1948. For the year 2001-02, the Commission has projected tax on income at Rs. 611 lakh.

9.8 Statutory Appropriations

As per the Electricity (Supply) Act, 1948, the SEC has to invest specified amounts each year, under contingency reserve and debenture redemption reserve. The investment made by SEC under these heads over the past five years is as follows:

Table 9.8
Statutory Appropriations

(Rs. Lakh)

Sr.	Particulars	1995-96	1996-97	1997-98	1998-99	1999-00
1	Contingency Reserve	33.96	40.60	47.43	61.18	144.70
2	Debenture Redemption Reserve	31.98	16.98	16.50	38.81	33.34
3	Miscellaneous Expenditure (write off of issue expenses)	17.22	0.00	0.00	0.00	0.00
	Total Statutory Investment	83.16	57.58	63.93	99.99	178.04

Para IV (i) of the Sixth Schedule of the Electricity(Supply) Act, 1948, states that,“ The licensee shall appropriate to Contingency Reserve from the revenues of each year of account, a sum not less than one-quarter of one per centum and not more than one-half of one per centum of the original cost of fixed asset, provided that if the said reserve exceeds, or would by such appropriation, be caused to exceed,

five per centum of the original cost of fixed assets, no appropriation shall be made which would have the effect of increasing the said reserve beyond the said maximum”.

In short, the Electricity (Supply) Act says that the SEC should appropriate an amount not less than 0.25 % and not more than 0.5 % of the original cost of fixed assets, under contingency reserve. The SEC has proposed an investment in contingency reserve, amounting to 0.5 % of the original gross fixed assets, and the Commission has allowed this investment, as it is within the specified limits. As the debentures are being redeemed in FY01, there is no need to invest in Debenture Redemption Reserve. The total statutory investment permitted by the Commission is Rs. 195 lakh in FY02.

9.9 Other Expenses allowed in Clear Profit calculation

Apart from the above expenses, the SEC is also allowed certain expenditure, such as rent, legal charges, auditors’ fees, staff welfare, insurance, contribution to staff provident fund, etc. The Commission has considered each of these expenses claimed by the SEC, and has allowed the expenses considered prudent, as shown in the following table.

Table 9.9
Other Expenses allowed by the Commission

(Rs. Lakh)

Sr.	Expenditure Head	SEC				GERC
		1999-00 (Actual)	2000-01 (Esti.)	2000-01 (Actual)	2001-02 (Esti.)	2001-02
1	Rents, rates and taxes, other than tax on profit	32	24	34	31	28
2	Legal charges	13	52	11	60	16
3	Auditors fees	3	4	6	6	6
4	Staff Welfare	106	52	53	64	64
5	Insurance	2	2	2	2	2
6	Contribution to PF, pension and gratuity	414	157	156	181	181
7	Expenses on apprentice and other training schemes	11	10	11	10	10
8	Bonus	2	3	2	3	3
9	Donation	8	65	72	70	0
	Total Other Expenses	591	369	346	427	310

The above table shows, that the Commission has accepted the SEC's projection for other expenses in most cases, except for legal charges and donation expenses. The expense on rents, rates and taxes has been projected higher based on the actual expense on this account in 2000-01. The expenses that were in line with the past trend and appeared reasonable have been allowed. The legal charges, however, have been projected to be four times the expense in FY00, and the Commission is of the opinion that an increase in legal expenses is not justified. Also, the SEC has projected a very high expenditure on donation, at Rs. 65 lakh and Rs. 70 lakh, for FY01 and FY02, respectively. The Commission is of the opinion that the SEC's consumers should not have to bear the expense of SEC's philanthropy. The SEC may contribute to any good causes out of its clear profit.

Hence, the Commission has disallowed expenditure on donation, in the clear profit calculations. The total Other Expenses allowed by the Commission is Rs. Rs. 310 lakh in FY02.

10 Capital Base Calculation

The Reasonable Return for sanction holders and licensees requires the calculation of the Capital Base. The Capital Base is the difference between the asset base and the liabilities. The asset base has several components like fixed assets, intangible assets, work in progress and working capital requirement, while the liabilities include depreciation, amount of loan, consumers' security deposit, debenture redemption reserve and development reserve. The detailed calculation of the Capital Base is given in the table on the following page.

The following table explains the calculation of the intangible asset base.

Table 10-a
Intangible Asset Base

(Rs. Lakh)

Particulars	SEC				GERC
	1999-00 (Actual)	2000-01 (Esti.)	2000-01 (Actual)	2001-02 (Esti.)	2001-02
Opening Balance	370	987	987	717	717
Addition during the year	886.5	0	0	0	0
Less:					
20 % of 98-99 SLC investment – Rs. 463 lakh	93	93	93	93	93
20 % of 99-00 SLC investment – Rs. 886.5 lakh	177	177	177	177	177
20 % of 00-01 SLC investment – Rs.4 lakh	0	0	0	0	0
20 % of 01-02 SLC investment – Rs.0 lakh	0	0	0	0	0
Closing Balance	987	717	717	447	447

The SEC has submitted the calculation of other assets and liabilities. The Commission has reduced the level of cash and bank balance as well as the stores, as the Commission is of the opinion that such a high level of working capital is

not required. The Commission has also reduced original cost of fixed assets on the basis of actuals for 2000-01 and estimated additions for 2001-02. Service line contribution from consumers and security deposits from consumers have been increased considering normal growth. The Capital Base of the SEC is Rs. 14790 lakh and Rs. 14464 lakh in FY01 and FY02, respectively.

Table 10-b
Capital Base of SEC

(Rs. Lakh)

Sr.	Particulars	SEC			GERC
		2000-01 (Esti.)	2000-01 (Actual)	2001-02 (Esti.)	2001-02
A	Asset Base				
1.	Original Cost of Fixed Assets	34571	34061	39722	39061
	<i>Less: Consumer contribution</i>	4986	5432	5586	5975
	<i>Rural electrification reserve</i>	4	4	4	4
	Sub total	29581	28625	34132	33082
2	Cost of Intangible Assets	717	717	447	447
3	Original cost of work in progress	200	455	345	345
4	Amount of investment compulsorily made under Para IV	534	545	707	707
5	Amount of working capital				
	a) Average cost of stores	1600	1462	1700	1275
	b) Average cash & bank balance	1000	1219	1200	1100
	Total Assets (A)	33632	33024	38531	36956
B	Liabilities				
1	Amount written off or set aside on account of depreciation	12984	12749	16088	15627
2	Amount of loan				
	a) borrowed from organizations	1392	71	1278	1278
	b) debenture and FDR	81	92	0	0
3	Consumers' Security Deposit	4794	5279	5394	5543

4	Credit balance in Debenture Redemption Control Reserve	15	15	15	15
5	Credit balance in Development Reserve	0	0	0	0
6	Amount carried forward for distribution to consumers	29	29	29	29
	Total Liabilities (B)	19295	18233	22804	22492
	Capital Base (A – B)	14337	14790	15727	14464

11 Reasonable Return on Investment

The SEC, being a sanction holder, is entitled to earn a Reasonable Return on its investment, as per the Sixth Schedule of the E(S) Act, 1948. The rate of return is linked to the Bank Rate declared by the Reserve Bank of India (RBI), from time to time. The current Bank Rate as per the latest RBI notification is 7 %. The bank rate at the beginning of the year was also 7 %. The rate of return permitted for investment made at different times, is as follows:

Investment made up to 31.3.55	:	@ 7 %
Investment made between 1.4.55 and 14.10.91	:	@ Bank Rate + 2 %, i.e. 9 %
Investment made between 15.10.91 and 31.3.99	:	@ Bank Rate + 5 %, i.e. 12 %
Balance Investment	:	@ 16 %

The calculation of the Reasonable Return on the Capital Base is given in the following table:

Table 11
Reasonable Return

(Rs. Lakh)

Sr.	Particulars	2001-02	
		Investment	Return
1	Standard rate in respect of:		
	a) Upto 31.3.1955 @ 7 %	152	11
	b) From 1.4.55 to 14.10.91 @ 9%	886	80
	c) From 14.10.91 to 13.3.99 @ 12%	7816	938
	d) Balance @ 16 %	5610	897
	Total	14464	1926
2	Income derived from other investments	0	0
3	On loans @ 0.5%		
	a) From approved institutions	1278	6
	b) Debentures	0	0
4	On investment allowance reserve @ 0.5 %	380	2
	Reasonable Return		1934

The Reasonable Return approved by the Commission is Rs. 1934 lakh in 2001-02.

12 Total Revenue Requirement

The Commission has summarized all the expenses of the SEC as approved by the Commission, in the following table:

Table 12
Total Revenue Requirement

(Rs. Lakh)

Sr.	Expenditure Head	SEC			GERC
		2000-01 (Esti.)	2000-01 (Actual)	2001-02 (Esti.)	2001-02
1	Power Purchase	53156	52295	57019	56692
2	Repairs & Maintenance	1884	2118	2211	2118
3	Employee Expenses	1259	1141	1535	1255
4	Administration & General	586	633	693	693
5	Bad Debts	362	137	390	149
6	Augmentation & Write-off of Intangible Expenses	320	270	850	270
7	Interest Expenses	1051	646	1205	711
8	Depreciation	2577	2469	2994	2878
9	Income Tax	762	571	901	611
10	Statutory Investment	173	170	199	195
11	Other Expenses	369	346	427	310
12	Reasonable Return	1915	1674	2137	1934
	Revenue Requirement	64414	62470	70561	67816

12.1 Revenue Requirement

The above table shows that the revenue requirement disallowed by the Commission for the year FY02, is Rs. 2745 lakh, as compared to the projections of the SEC.

12.2 Revenue from Sale of Electricity

The revenue from sale of electricity is a resultant of the category-wise tariff multiplied with the category and slab-wise consumption. Before determining the category-wise tariff, it is essential to determine the average cost of supply for the SEC, as Section 29 (2)(c) and Section 29 (2)(e) of the Electricity Regulatory Commissions Act, 1998, states that:

“The tariffs should progressively reflect the Cost of Supply of electricity at an adequate and improving level of efficiency”

and that

“the interests of the consumers are safeguarded and at the same time, the consumers pay for the use of electricity in a reasonable manner based on the average Cost of Supply of energy”.

13 Cost of Supply

The SEC has submitted that it does not maintain data in the form required to estimate the cost of supply at HT and LT levels, separately. **The Commission directs the SEC to henceforth maintain data in such a form as to enable the estimation of HT and LT cost of supply.** In the light of this data gap, the Commission has estimated the average cost of supply by adding up all allowable expenses and dividing it by the total number of units sold, as shown below:

Table 13
Cost of Supply

(Units and Expenses in Lakhs)

Sr.	Particulars	2001-02(E)
1	Total Expense including Reasonable Return	67816
2	Total sale in units	18162
	Average Cost of Supply	3.73 Rs/unit

14 Principles of Tariff Determination

14.1 Rationalisation of Slabs

The first step towards shifting of tariffs towards the cost of supply, is the rationalisation of the slab structure within each category, and the reduction of categories. In the case of the SEC, the number of categories is reasonable, and *the Commission is of the opinion that there is no need to further reduce the number of categories*. However, the number of slabs is quite high in most categories, and the Commission has endeavored to reduce the number of slabs to a large extent. However, it may so happen that the consumers in a particular slab may face a steeper hike in tariff than consumers in other slabs. This is unavoidable, as the number of slabs has to be reduced sooner than later, as a means to move tariffs towards the cost of supply and to simplify the tariff.

14.2 KVAh billing and Load Factor Billing

Another important issue is the proposal of the SEC to implement kVAh and load factor billing, for LTMD, HTMD1 and HTMD2 categories, and load factor billing for LTP consumers. The Commission is of the opinion that implementation of kVAh billing has to be done after discussion with all stake holders, as the consumers have to be made aware of the advantages and disadvantages of kVAh billing. The SEC has assumed a power factor of 0.9, while determining the kVAh tariffs. The SEC has submitted that the average power factor for these categories in the recent past is:

Table 14.2

Average power factor for various categories

Category	Power Factor
LTP	0.75
LTMD	0.89
HTMD-1	0.92
HTMD-2	0.90

Though the above table shows that all the categories for whom the SEC has proposed kVAh billing are displaying PF around 0.9, it is important to note that in case the PF is lower than 0.9, then the consumers will get billed for a higher amount of kVAh consumption than the KWH consumption as is being measured now . Moreover, fears have been raised in some quarters that kVAh metering records higher consumption as compared to normal kWh metering, as the kVAh meter also measures the harmonics generated by the connected equipment. These fears have not been proved yet, but the Commission is of the opinion that sufficient research and discussion has to be undertaken before implementing kVAh tariffs, and such a move cannot be undertaken hastily.

As regards load factor billing, while there is no gainsaying that higher load factor benefits the system, and the consumers maintaining higher load factor should be rewarded, the SEC, for certain categories, has proposed a higher tariff for higher load factor, which rewards a lower load factor. *The Commission is of the opinion that kWh tariffs are simple to understand and implement, and the consumers are also comfortable with this method of billing.*

For the above reasons, the Commission has not accepted the SEC's proposal for implementation of kVAh and load factor billing, and has fixed the tariff in terms of kWh, as is the existing practice.

14.3 Levy of Fixed Charges and Minimum Charges

The Commission is of the view that the utility should be assured of certain revenue to recover its fixed costs, such as R & M, employee expenses, A & G, etc. irrespective of the consumers' consumption levels. Towards this, the usual practice is to either levy a minimum charge or fixed charge or both. The minimum charge is applicable till consumption reaches a certain level, and if the consumption exceeds the minimum level, the consumer does not pay any minimum charge separately. In case of fixed charges, however, the charge is applicable irrespective of the consumption. The Commission is of the opinion that

the fixed charge is a better way to ensure that the utility earns at least enough revenue to meet its fixed costs.

In the case of the SEC, the power purchase cost contributing to almost 80 % of its cost, is a variable cost, and the balance 20 % of the costs are fixed. *The Commission has designed the tariffs such that a part of the fixed costs are recovered through the fixed charges, and the remaining costs are recovered through the energy charges that are linked to the consumption. The minimum charges have been kept equal to the fixed charges, and the consumers will not have to pay any additional minimum charge.*

14.4 Time of Use Tariff

The principle behind levy of time of use tariff is that the cost of power at peak time and off-peak time is different. This is on account of the fact that the utility has a certain base load capacity that is required throughout the day, and during peak times, the utility has to source additional energy from other sources. The SEC sources its entire energy requirement from the GEB. The GEB will be allocating a certain portion of its generating capacity towards meeting the requirement of the SEC. The peak demand occurs generally for around 6 to 8 hours each day, on two occasions, in the morning and evening. In the case of the Gujarat grid, the peak occurs between 0700 to 1100 hours and between 1800 to 2200 hours each day. At times of peak load, the GEB will have to source additional energy from costlier sources of power, such as IPPs, NTPC, etc.

The Commission is of the opinion that the SEC's consumers should also pay additional tariff for usage towards peak time, despite the fact that the grid tariff to SEC does not have any ToU tariff clause. This will help the GEB to manage its resources better, and help in Demand Side Management (DSM), which will result in flattening the load curve, so that the difference between peak load and base load is reduced. The Commission has also fixed rebates for off-peak usage, along the same lines as that for GEB's consumers.

14.5 Fuel Cost Adjustment (FCA)

FCA is charged by the GEB to the SEC for increase in its fuel costs over the base level considered while determining the GEB's tariffs, as well as on account of passing the FCA charged by its power suppliers like NTPC, IPP's, etc. As of now, after the tariff revision of the GEB, the FCA has been made equal to zero. The GEB has been asked to submit a formula for charging the FCA, which will be approved by the Commission. Once the FCA formula is approved, the GEB will be able to pass on the hike in fuel costs to its consumers, including the SEC, by using the formula.

The FCA is made equal to zero for SEC's consumers, after the tariff revision. **The SEC is hereby directed to submit a formula to charge FCA from its consumers, to offset the FCA charged by the GEB to the SEC. Since the GEB will pass on their charges in fuel increase, once the formula is approved, we also direct the SEC to submit a formula to charge FCA from its consumers, to offset the FCA charged by the GEB to SEC, as soon as such a formula is made available to them by GEB. Once the Commission approves the formula, the SEC can charge FCA from the consumers as per the approved formula. The SEC is directed to give a detailed explanation on the need for the grossing up factor, and other issues in charging FCA to its consumers, at the time of filing the FCA formula for the Commission's approval.**

14.6 Clear Profit equal to Reasonable Return

The Commission has fixed the tariffs such that the SEC will be able to earn a Clear Profit equal to the Reasonable Return. The Clear Profit (CP) is the difference between the Total Income and the Total Expenses. The SEC has submitted that it is illegal to restrict its Clear Profit to 80% of Reasonable Return, as per the GoG directive dated April 13, 1999. We find that the Swaminathan Committee had restricted the return to 80 %, "in view of the fact that the GEB, SEC's consumers and the State Government are all contributing towards the resolution of the problem on hand." We are of the view that it was an appropriate solution at a given point in time. However, looking at the provisions of law,

performance of SEC and other attendant circumstances, we are of the opinion that for the year 2001-02, from the time of operation of new tariff the SEC is entitled to be given the full return as provided in the ESA, 1948. *The Commission has therefore allowed the SEC to earn Clear Profit equal to Reasonable Return, enabling them to earn this return over a period of one year of operation of the revised tariff.*

15 Classification, Rationalisation and Simplification of Tariff

The Commission has simplified the Tariff structure in each category and reduced the tariff components. The detailed category wise tariffs proposals are hereunder:-

15.1 Residential Category

The number of slabs in the residential category has been reduced to 3, from the earlier complex slab structure of three different slab structures within the residential category. The three slabs are: 1 – 100 units, 101 – 300 units, and consumption above 300 units per month. The slab-wise tariffs are inverted, i.e. the consumption in higher slabs will be charged at higher rate. The consumption will be billed on a sliding scale basis, i.e. only the residual consumption will be charged at the rate of the higher slab, and all consumers will benefit from the lower rates for the lower slab.

All the consumers will have to pay a flat fixed charge per month, in addition to the energy charges. The fixed charges for three-phase connections have been kept higher than that for single-phase connections. The energy charges range from 270 paise/unit for the lowest slab to 395 paise/unit for the highest slab.

15.2 Commercial Category

The number of slabs in commercial category is four, viz. 1 – 100 units, 101 – 500 units, 501 – 1000 units, and above 1000 units per month. The slab-wise tariffs are inverted, i.e. the consumption in higher slabs will be charged at higher rate. The consumption will be billed on a sliding scale basis, i.e. only the residual consumption will be charged at the rate of the higher slab, and all consumers will benefit from the lower rates for the lower slab.

All the consumers will have to pay a flat fixed charge per month, in addition to the energy charges. The fixed charges for three-phase connections have been kept higher than that for single-phase connections. The energy charges range from 330 paise/unit for the lowest slab to 450 paise/unit for the highest slab.

15.3 General

The new category General, created by combining consumption of the charity institutions, public institutions Water Works and street lighting connections operated by the local authority. This category does not have any slabs, and the entire consumption will be charged at the same rate. This category will have to pay Rs 25/- flat fixed charges every month, in addition to the energy charges of Rs 3.10 per unit.

15.4 LTP

This category, comprising of the power looms and the jewellery-manufacturing units, consumes almost 60 % of the SEC's supply. The slabs have been based on the connected load. For Demand Charges four slabs have been retained, i.e. from 0 – 10 HP connected load, 10HP to 20HP, 20 HP to 40 HP and over 40 HP connected load. For energy charges there are only two slabs are proposed .i. e. up to 15 HP @ Rs . 3.20 and above 15 HP Rs. 3.70 per unit.

The consumers in this category have to pay fixed charges on the basis of the connected load. The fixed charges for these consumers' ranges from Rs. 20 per HP per month to Rs35 per HP per month. The energy charges range from 320 paise/unit to 370 paise/unit for the three slabs. The lower slab has been intentionally created to give benefit to small and marginal industrial units who have been worst affected due to industrial recession.

15.5 LTMD

This category comprises the bigger units involved in power loom and jewellery manufacturing. The units having connected load above 50 HP have to compulsorily shift to LTMD category. The LTP consumers having connected load lesser than 50 HP can also opt for demand based tariffs.

For levy of fixed charges, however, 3 slabs have been created, viz. 0 –50 kVA, above 50 kVA to 60 kVA, and above 60 kVA.

All the consumers in this category have to pay between Rs. 50 per kVA to Rs. 70 per kVA per month as demand charges, and 380 paise/unit of consumption, up to 75 KVA and for above consumption 390 paise/unit as energy charges.

The billing demand is defined as the highest of (a) Actual maximum demand recorded during the month (b) 85 % of the contract demand and (c) 20 kW.

The reactive energy drawl charges are being levied to encourage the consumers to provide capacitors for improving the power factor of their installations.

15.6 Agricultural Category

The agricultural consumption in the SEC's area is marginal. The Commission has fixed the agricultural tariff at the same rate as that for GEB's agricultural consumers. In the case of SEC, the entire consumption is metered. For the agricultural tariff the fixed charge has been fixed at Rs. 10 per HP per month, and the energy charges are 50 paise/unit.

15.7 Temporary Connections

The SEC had proposed the creation of slabs within the temporary category, as mentioned earlier. However, the Commission sees no merit in this suggestion, and has categorized the entire consumption at the same tariffs. There is no fixed charge for temporary consumption, as it is difficult to determine the connected load. Hence, the energy charges have been kept higher at 470 paise/unit. Moreover, the temporary connections create additional load on the system, and the SEC has to keep ready additional facilities as stand-by for temporary connections.

15.8 HTMD-1 and HTMD-2

Conceptually, there is no requirement of any slabs within HTMD-1 and HTMD-2, as the principles of contract and billing demand apply in these cases too. However, in order to ensure that there is no tariff shock to any consumer and to balance the revenue with the expenses, the Commission has retained three slabs in

these HTMD categories. The lowest slab is for consumers having billing demand below 0.5 MVA, the second slab for consumers having billing demand between 0.5 MVA to 1 MVA, and the highest slab for consumers having billing demand above 1 MVA.

The energy charge for HTMD-1 and HTMD-2 consumers has been fixed at the same level, and the demand charges for HTMD-2 have been kept slightly above those for HTMD-1, on the rationale that HTMD-2 category are commercial establishments, while HTMD-1 are industrial establishments. In addition, these consumers would have to pay ToU tariff of 60 paise/unit for consumption between 0700 hours to 1100 hours and between 1800 hours to 2200 hours.

The entire consumption including lighting load will be charged at the industrial rate. The billing demand is defined as the highest of (a) Actual maximum demand recorded during the month (b) 85 % of the contract demand and (c) 100 kVA.

16 Revenue and Clear Profit

16.1 LTMD

For installations having contract demand of 50 HP and above, reactive energy charges will be charged at ps. 10 per kVARh per month.

16.2 HTMD-1

16.2.1 Power Factor Penalty

The power factor penalty shall be at the rate of 1 % of total amount of electricity bill for the month, under the head 'Demand Charges' and 'Energy Charges' for every 1 % drop or part thereof in the average power factor during the month below 0.9 up to 0.85.

In addition to the above clause, for every 1 % drop or part thereof in the average power factor during the month below 0.85 at the rate of 2 % on the total amount of electricity bill for that month under the head 'Demand Charges' and 'Energy Charges', will be charged.

16.2.2 Power Factor Rebate

If the average power factor of the consumer's installation in any month is above 0.95, the consumer will be entitled to a rebate of 1 % in excess of 0.95 on the total amount of electricity bill for that month under the head 'Demand Charges' and 'Energy Charges', for every 1 % rise or part thereof in the average power factor during the month above 0.95

16.2.3 Concessional night tariff

The HT consumers will get a rebate of 50 paise/unit on night consumption, where consumption during night hours is in excess of one-third of total consumption during the month.

16.2.4 Voltage Rebate

HT consumers operating at higher voltages help the SEC to reduce the system losses. The Commission is of the opinion that consumers should be encouraged to source electricity at higher voltages, and has hence provided rebate for HT consumers as follows:

Supply at 33 kV/66 kV	-	0.5 % of energy charges
Supply at 132 kV/220 kV	-	1 % of energy charges

16.3. Summary of Tariff approved by the Commission

16.3.1 The category-wise tariffs have been summarised in the following table:

Table 16.3.1

Category-wise tariffs approved by the Commission

Sr.	Category and Slabs	Demand Charges	Energy Charges in paise/unit	ToU charges in paise/unit
	LT Category			
1	Residential	1 phase – Rs. 5 per month per installation; 3 phase – Rs. 15 per month per installation		
	<i>1-100 units</i>		270	0
	<i>101-300 units</i>		330	0
	<i>Above 300 units</i>		395	0
2	Commercial	1 phase – Rs. 45 per month per installation; 3 phase – Rs. 75 per month per installation		
	<i>1-100 units</i>		330	0
	<i>101-500 units</i>		400	0
	<i>501-1000 units</i>		415	0
	<i>Above 1000 units</i>		450	0
3	General	Rs. 25 per month per installation	310	0

4	LTP			
	<i>0-10 HP</i>	Rs. 20 per HP per month	320	0
	<u>10.5 – 20 HP</u>			
	<i>10.5-15 HP</i>	Rs. 30 per HP per month	320	
	<i>15.5-20 HP</i>	Rs 30 per HP per month	370	
	<i>20.5 – 40 HP</i>	Rs. 35 per HP per month	370	0
	<i>40.5-50 HP</i>	Rs .40 per HP per month	370	
5	LTMD			
	<i>0 – 50 KVA</i>	Rs. 50 per KVA per month	375	0
	<i>50.5 – 60 KVA</i>	Rs. 60 per KVA per month	375	0
	<i>Above 60 KVA</i>	Rs 70 per KVA per month	375	0
6	Agriculture	Rs. 10 per HP per month	50	0
7	Temporary Connection	Nil	470	0
	HT Category			
8	HTMD-1			
	<i>1-500 KVA</i>	Rs. 75 per KVA per month	370	
	<i>501 – 1000 KVA</i>	Rs.100 per KVA per month	375	60
	<i>Above 1000 KVA</i>	Rs.125 per KVA per month	380	60
9	HTMD-2			
	<i>1-500 KVA</i>	Rs. 100 per KVA per month	380	
	<i>Above 500 KVA</i>	Rs.120 per KVA per month	390	60

16.3.2 Revenue from Sale of Electricity

The total category-wise sales and the revenue from sale of electricity, projected by the Commission for the year FY02, is:

Table 16.3.2
Revenue from Sale of Electricity

Sr.	Category	Annual Consumption in Million Units	Annual Revenue in Rs. lakh
1	Residential	345.28	11229.24
2	Commercial	229.94	9988.12
3	General	15.74	493.66
4	LTP	986.19	35417.77
5	LTMD	47.29	1919.33
6	Agriculture	0.89	5.70
7	Temporary Connections	3.07	144.32
8	HTMD-1	173.87	7018.58
9	HTMD-2	13.95	621.98
	Total	1816.21	66838.69

In addition to this, the Commission has assumed that SEC will get additional revenue of Rs. 230 lakhs from Delayed payment charges, Reactive energy charges and power factor charges

16.3.3 Other Income

The SEC has submitted details of all sources of other income such as charges for transformers and other appliances, miscellaneous income, income from short term loans, income from long term investments, etc. The Commission has scrutinised all the other sources of income, and has the following observations:

- ✓ In cases where the trend has been inconsistent, the SEC estimate has been accepted.

- ✓ If a certain source of income has shown a secular trend in growth, then the past growth rate has been used to project the future income, with adjustment made for recent YoY increases.
- ✓ In case of interest on short term deposits, the SEC has submitted that in FY00, the SEC had deployed excess short term funds in short term deposits, and the income from these funds should not be considered as a regular source of income. The Commission has assumed a growth rate of 40 % over the base income level in FY99, to project this income for FY02.
- ✓ The SEC has submitted that excess scrap has already been disposed off, and the income from sale of scrap will reduce. The Commission has accepted this submission.

The Commission has projected Other Income of Rs. 748 lakh for FY02. The other income has been allocated in the Clear Profit calculations as follows:

Table 16.3.3
Allowed Other Income

(Rs, lakh)

Sr.	Other Income Particulars	SEC			GERC
		2000-01 (Esti.)	2000-01 Actual	2001-02 (Esti.)	2001-02
1	Rental of meters & other miscellaneous charges	434	440	446	451
2	Sale & repair of lamps	0	0	0	0
3	Rents	4	4	4	4
4	Transfer fees	0	0	0	0
5	Interest on investment	40	28	46	46
6	Other general receipts	201	269	200	247
	Total Other Income	679	741	696	748

The total income for FY02, as projected by the Commission from all sources is Rs. 67816 lakhs.

16.4 Clear Profit

The clear profit is the difference between the revenue and the expenses. The Clear Profit projections made by the Commission is given in the following table:

Table 16.4
Calculation of Clear Profit

(Rs. Lakh)

Sr.	Particulars	SEC			GERC
		2000-01 (Esti.)	2000-01 (Actual) **	2001-02 (Esti.)	2001-02
A	Income derived from:				
1	Sale of Electricity	63733	61729	69863	67068
2	Rental of meters & other miscellaneous charges	434	440	446	451
3	Sale & repair of lamps	0	0	0	0
4	Rents	4	4	4	4
5	Transfer fees	0	0	0	0
6	Interest on investment	40	28	46	46
7	Other general receipts	201	269	200	247
	Total Income	64412	62470	70559	67816

B	Expenditure properly incurred on:				
1	Purchase of Energy	53156	52295	57019	56692

2	Distribution & Sale of Energy				
	a) Employee Cost	537	533	655	586
	b) R & M	1790	2050	2100	2050
	c) Admin & General Expenses	124	81	144	89
	d) Service Line Charges	50	0	580	0
3	Rents, rates & taxes, other than income tax	24	34	31	28
4	Interest on loans				
	a) Advanced by GEB	0	0	0	0
	b) Borrowed from Organisation	470	97	677	183
	c) Debenture issued by SEC	7	3	0	0
5	Interest on security deposit	404	424	458	458
6	Legal charges	52	11	60	16
7	Bad debts	362	137	390	149
8	Auditors fees	4	6	6	6
9	Management Expenses				
	a) R & M	94	68	111	68
	b) Salary & wages	722	608	880	669
	c) Staff Welfare	52	53	64	64
	d) Insurance	2	2	2	2
	e) Misc. revenue expenses	435	520	518	569
	f) Finance & other charges	131	76	64	64
10	Depreciation	2577	2469	2994	2878
11	Other Expenses	27	32	31	35
12	Contribution to PF, staff pension and gratuity	157	156	181	181
13	Expenses on apprentice & other training schemes	10	11	10	10
14	Bonus	3	2	3	3
15	Donation	65	72	70	0
	Total Expenditure (B)	61255	59740	67048	64800

C	Special Appropriation to cover:				
1	Previous losses	0	0	0	0
2	All tax on income & profits	762	571	901	611
3	Installment of written down amounts in respect of intangible assets	270	270	270	270
4	Contribution to contingency reserve	173	170	199	195
5	Contribution towards depreciation arrears	0	0	0	0
6	Contribution to development reserve	0	0	0	0
7	Interest on fixed deposit	39	46	6	6
8	Other special appropriation permitted by GoG	0	0	0	0
	Total Special Appropriations(C)	1244	1057	1375	1082

	Clear Profit (A-B-C)	1915	1674	2136	1934
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Notes:

**Clear profit calculations under 2000-01 (Actual) column are reproduced from data submitted by SEC.

As shown above, Clear profit is Rs.1934 lakhs vis-à-vis reasonable return of Rs.1934 lakhs approved by the Commission for the year 2001-02.

17 Consideration of objections and suggestions:

17.1 As has been mentioned in para-4 above, the Commission received a number of suggestions and objections from large number of consumers and consumer organizations. Some of these have been dealt with while analyzing the various financial aspects of the proposal. Remaining objections have been grouped under various heads in para-4 above. The Commission has considered all the objections and suggestions very carefully. The Commission is happy to mention that the suggestions and objections have provided a crucial input to the Commission for determination of the tariff. The objections and suggestions have been dealt with in the following paragraphs.

17.2 Tariff parity

This most important point, which was voiced by almost all the consumers has received very serious consideration by the Commission. According to provisions of Electricity Regulatory Commissions Act 1998, the Commission is required to determine the tariff in accordance with the guidelines provided under Section – 29 of the said Act. Sub- Section (2) of Section 29 clearly mentions that the tariff should progressively reflect the cost of supply of electricity at an adequate and improving level of efficiency. The provisions of Section-29 clearly established the link of tariff with the cost. The Commission therefore is constrained by the provisions of the Act governing it, to determine the tariff, in accordance with the cost and not taking in to account other extraneous factors. The SEC being a separate distributing agency, purchases power from GEB. It has its own distributing infrastructure and it performs the function of distribution and supply to various consumers in the city of Surat within the area of its jurisdiction. Thus its cost of distribution and supply is distinctly different from that of GEB. This cost being a very important element of the total cost, cannot be ignored. Therefore, the tariff for the consumers of SEC have to be necessarily decided on the basis of the total cost of supply and not on any other factor like what are the rates prevalent in GEB or else where. We therefore regret that it is not possible

to accept this principle for determination of tariff i.e. that the tariff for the consumers of SEC should be at par with tariff for consumers of GEB.

Having said this, we would like to add that although the principle of tariff parity cannot be accepted because it is not related to the cost, it must be mentioned that as long as the SEC gets its entire supply from GEB, the tariff prevalent among the GEB consumers should be considered as an important factor for determining the tariff for SEC consumers. This is because both GEB and SEC purchase power from identical sources and therefore final tariff level should be indicative of the efficiency of working in some way or other.

17.3 Legal issues dealing with the status of SEC

There are large number of issues raised by a number of objectors and have been also extensively raised in the preliminary issues made out by the Surat Citizen's Council Trust. All these issues have been dealt with in detail in para-3 of this order herein above. It should be sufficient to mention here that the Supreme Court of India, in a petition filed against the judgment and Orders of the High Court of Gujarat by the Surat Citizen's Council Trust, has observed as follows in the orders dated 15/11/2000.

“ We are informed that the Gujarat Electricity Regulatory Commission constituted under the Electricity Regulatory Commissions Act 1998 is going into the question of electricity tariff. We therefore adjourn this matter by four months, but the pendency of these cases will not come in the way of the above Commission while disposing of the matters pending before it”

In pursuance of the above order, while we have gone ahead in disposing of the application of SEC before us, we have chosen not to consider and/or decide the matters, which are pending for decision before the Supreme Court of India.

17.4 Non-helpful and anti-consumer attitude by SEC

This is another strong point, which was advanced by almost all the consumer organizations, as well as, the individual consumers. We have gone through very carefully the replies given by SEC. We appreciate the steps taken by the company for technical improvement and better management. However, the claims made by the company for improving the consumer services and establishing contact and rapport with the consumers do not, some how, seem to be compatible with the near out cry of the consumer organizations before the Commission in the course of hearing. The proof of pudding is in the eating. *The Commission feels that SEC should seriously consider the issues since something is certainly missing somewhere in this arena.*

This view is also supported by the observations made by an expert committee headed by Shri P.V Swaminathan, which submitted its report in September 1999 on the issue of tariff and subsidy of the SEC. In para 10-27, this committee made the following observations.

“ The Committee felt that there appeared to be inadequate dialogue and interaction between the SEC and its consumers in an institutionalized manner. As a result the consumer has a feeling that his concerns are not being adequately addressed, owing to the inadequate service attitude of SEC.”

We are in entire agreement with the observations of Swaminathan Committee. We feel that in order to be a successful distributing company, it is of paramount importance for SEC to improve its consumer relations. The first requirement for this is, to establish a proper institutional mechanism. SEC has stated in its reply that they have already instituted a Consultative Committee. **We feel that the existing method of dialogue with consumers has become out dated. The SEC should obtain advice from competent quarters and revamp the entire institutional arrangement of contact with the consumers and redressal of consumers' grievances. They should establish a Consumer Advisory Council as an apex body with appropriate representations from all sections of consumers. There can also be such small forums in various zones or areas**

depending upon the requirements. The Consumer Advisory Council should meet at regular intervals, to resolve the problems faced by the consumers. Looking at the strong feelings advanced by all sections of consumers, we direct the SEC to undertake revamping process at the earliest and complete the same within a period of three months from the date of this order. A report on the action taken in this regard should be sent to the Commission on the expiry of a period of three months from the date of this order.

In addition to the institutional mechanism we feel that it is very much necessary for the senior officers of the company to involve themselves actively for redressal of the consumers grievances. The consumers do not seem to have faith that their grievances will to be heard in the highest quarters and the needful will be done. This faith needs to be restored. This can be done only by senior management actively participating in the process.

We also feel that the attitude of the officers and staff of the company needs to be made service oriented. It may be worthwhile for the company to arrange proper orientation training for the staff including a formal training as to how they should cultivate a consumer friendly attitude. We do hope that with these changes in place, we will not have an opportunity to hear the complaint about ‘monopolistic behavior’ of the SEC.

The problems in the electricity supply in Surat are affecting both the consumers as well as the SEC. **We appeal to all sections of consumers to extend co-operation to the SEC in reorienting its work procedure and attitude so that the problems of all sections of consumers can be fruitfully attended to.**

17.5 Performance related issues.

17.5.1 T& D Losses

Various opinions have been voiced about the level of T& D losses in the SEC system. Many of these opinions are general feelings of individual consumers or organizations. While deeply appreciating these feelings, in our view, these are not

supported by technical realities. The highest losses are incurred in the process of distribution and supply. Because of stepping down of the voltage and transmitting power at a low voltage, the losses are high. The density of consumers, overloading of cables and the local conditions play an important part in deciding the reasonable level of losses. We find that this problem was also considered in detail by the Swaminathan Committee, which we have referred to above. This committee came to the conclusion that the distributing loss level of 16.82% for the year 1997-98 is unacceptably high and needs to be brought down immediately. They also recommended that in the medium term, if SEC is to be an efficient service provider, it should bring down the distribution loss level to 14% by March 2001. As against this, the SEC has projected its losses for the year 2001-02 to the level of 14%. Taking into account the difficulties in reduction of losses, the amount of investment required as well as other factors involved, we have allowed the losses at 13.5% to SEC for the year 2001-02. We do hope that in the following years SEC will be in a position to make more investments and will be able to achieve rapid progress in loss reduction.

17.5.2 Metering

We have dealt with the aspects of apparent energy measurement in para 5.5 (b) of this order. We feel that new concept like this needs to be widely discussed among the consumers before it is introduced in the tariff. However, there is no doubt that meters must be accurate and temper proof. We have noted the complaints voiced by many consumers about lack of facility of independent testing of meters. It is very essential that the consumer should be satisfied about the accuracy of meters on the basis of which he is charged. As institutional mechanism for this purpose is absolutely essential. **We therefore direct that SEC should make suitable arrangement in co-operation with independent institution like ERDA, CAER or such other Organisations to enable the consumers to get their meters tested. The arrangement made in this regard may be intimated to the Commission for the approval within one month of this order.**

17.5.3 Voltage regularization

The SEC has denied the allegations of wide fluctuations of voltage and in fact offered to monitor such positions where voltage fluctuations are said to be very high. In the light of this assurance, we would advise the consumers to lodge complaint with SEC wherever the voltage fluctuation is very large and SEC on receipt of such complaint should monitor the situation and take adequate measures to remedy the same.

17.5.4 Economy in expenditure

A number of consumers have raised the point of excessive cost. While cost of employees, distributing cost etc has been dealt with in appropriate places in this order, in general the Commission is concerned about the economy in expenditure. **It is very much necessary that the expenditure should be controlled and that its productivity must be kept very high. In order to achieve this, we direct that SEC should take the following steps.**

- (a) All materials proposed to be procured for the company must be procured in most economical manner. Suitable measures should be devised for the same.**
- (b) From now onwards, whenever any increase in the expenditure in any head is projected by SEC, such an increase must be clearly justified, as to how much of it is on account of inflation and how much of it otherwise. The increase in cost must be explained to match with the gains in productivity.**
- (c) The efforts made during the previous year to reduce expenditure or to contain it to certain levels must also be mentioned in detail along with the tariff proposals in future.**

17.6 Tariff related issues

17.6.1 Growth rate

The overall growth rate in sales has been fluctuating over the years, with year-on-year (YoY) growth rates ranging between 8 % in 1996-97 and 1997-98 to 10.5 % in 1998-99 and back to 8 % in 1999-00. In terms of Compounded Annual Growth Rate (CAGR), the sales have been growing at an overall rate of about 8 % over the period 1995-96 to 1999-00.

The SEC has also submitted its rationale for projecting the sales to each category in 2001-02, as follows:

- ✓ SEC's judgment of the current economic scenario.
- ✓ Projections made by various trade and commerce organisations.
- ✓ Submissions of power loom industry before the Commission, projecting stagnant growth in industry.
- ✓ Scenario projected by the GEB in its tariff application.

The SEC has submitted that it is in agreement with the GEB projections of zero growth in industrial consumption, which is exemplified by the fall in sales to LTP category by SEC in the year 2000-01. In fact, the actual sales figures submitted by the SEC for the year 2000-01 show that the overall sales have declined, as shown in the next para.

Actual sales for the year 2000-01 is 1754 MUs which shows a negative growth rate of 0.91 % over actual sales for the year 1999-2000. SEC has projected a growth rate of 3.56 % for the year 2001-02 over actual sales of 2000-01.

The Commission has therefore accepted the projection of growth rate.

17.6.2 LTMD tariff

The SEC has already produced the Government's notification permitting it to introduce LTMD tariff, therefore the point raised by Surat Electrical Contractors Association does not survive. The Southern Gujarat Chamber of Commerce &

Industry have pointed out the discrimination in the application of LTMD tariff between the consumers of GEB and those of SEC. The Commission has taken note of this, and in the interest of consumers has made necessary changes in the contracted load level after which the LTMD tariff would be made compulsory.

17.6.3 Depreciation

The Southern Gujarat Chamber of Commerce & Industry have argued that there is no cash flow in depreciation and therefore expenditure in depreciation should not be taken in to account while computing profit of the company. It is a settled commercial principle that the depreciation of assets is an expenditure, which should be included in the profit and loss account of the company. Depreciation has an important purpose namely to meet the cost of assets and to provide for its replacement. It is an expenditure clearly provided in the Schedule VI of the Electricity Supply Act 1948. In these circumstances, we are unable to accept the arguments advanced by the Southern Gujarat Chamber of Commerce & Industry.

17.7 Issues relating to customer service and conditions of supply

17.7.1 Delayed payment charges

A number of organizations and individual consumers have submitted that delayed payment charges at the rate of 2% per month were very high. There was also an opposition against the manner in which these charges were applied. Even for a day of 2-3 days, the entire 2% for the delay of one month was being charged. The Commission has carefully considered these submissions. The delayed payment charges are primarily deterrent charges and they become applicable only after the last date of payment is over. It should not be therefore confused with any interest. However we do feel that for levying delayed payment for the entire month is not consistent with the purpose of levying this charge. We therefore direct that the delayed payment charges may be levied for the delay of one week or part thereof at the rate of ½% per week. This will meet the difficulties faced by the consumers in paying the delayed payment charges for the entire month even for delay of couple of days.

17.7.2 Benefit of Power Factor to be given to the consumers

The Surat Electrical Contractors Association has argued that according to Indian Electricity Rules the Power Factor is required to be maintained at 85%, but SEC was insisting at 90%. As per Rule No.27 of Indian Electricity Rules 1956, variations in the model Conditions of Supply contained in Annexure – VI of Indian Electricity Rules are allowed with previous sanction of State Government. Accordingly, Surat Electricity Company has got the sanction for their revised “Condition of Supply from Government of Gujarat vide Gazette Notification No.GU-97-73-SEC-1695/380-K dated 1st October, 1997. Now condition no.8.17 of this revised ‘Condition of Supply’ clearly states: *”every three phase installation shall maintain an average Power Factor of not less than 90%”*. As per the practice being followed, through out the country, the power factor is being maintained at 90% so as to limit losses and reactive power in the circuit. In order to encourage better PF the Commission has allowed rebate in case PF is maintained above 95% and has also imposed penalty of 1% for power factor below 90% and heavy penalty of 2% in case PF is maintained below 85%.

17.7.3 Temporary supply for building construction:

Irrespective of the purpose, the rates of electricity are governed by the nature of supply. Therefore, if the supply asked for building construction, falls in the category of temporary supply, then it has to be charged on that rate. In case this is in violation of any condition of supply, the affected parties should separately make a representation to the competent authority so that it can be considered.

17.7.4 Fuel Adjustment Charges:

The Surat Electricity Co. has given detailed explanation about the FCA, which is directly dependent on the charges levied by GEB. We do agree that frequent changes in FCA causes inconvenience to the consumers. Since FCA for GEB are

yet to be decided, after ascertaining the views of the consumers, this factor will be kept in view while determining such charges for GEB as well as SEC.

17.8 Issues relating to customer service and conditions of supply

Many issues raised by the consumers like meter deposit, double deposit from those keeping generator, charges levied for breakage of meters etc are covered by the condition of supply. We find that these conditions of supply are decided by the licensee under Section 21(2) of the Indian Electricity Act 1910 with the previous sanction of the State Government. Therefore in case any of the conditions of supply are considered unreasonable or is found causing inconvenience to the consumers or are considered unjust, we would advise the consumers to make a representation in this regard to the Commissioner of Electricity, so that this matter can be appropriately considered and necessary changes in the conditions of supply can be made if required.

17.9 Conditions of Supply

17.9.1 Surat Jari Merchant Association:

The Surat Jari Merchant Association have referred to the waiver of electricity charges to the extent of 30% given to the Power loom industries by the State Government and mentioned that the extent of relief required by the Jari industry was 50% of electricity charges. The relief referred to above has been granted by the State Government. As far as the Commission is concerned, it has to decide the tariff of different consumer groups on the basis of representations made before it and after taking into account the cases presented by various consumers. The tariff applicable to Surat Jari Merchant Association has also been decided on the same basis.

17.9.2 Surat Hotel & Restaurant Association.

The Association has argued that since hospitality trade has status of industry, industrial tariff should be made applicable to them. The Commission had an

occasion to consider this matter in the course of tariff hearing for GEB. This matter has been dealt with in para 9.8.10 in the tariff order for GEB. It was found that in the hotels, the nature of load is not purely industrial load. It is the mix load having considerable component of commercial nature. It was therefore decided that the hotels must continue to be covered by the commercial tariff as at present. We do not see any reason to have a different view in the case of hotels located in the SEC area. Another point raised by the Association was about electricity duty and taxes on sale of electricity. In its tariff order for the GEB, the Commission had already recommended the State Government to review the structure and rationalize it so that rate of duty becomes reasonable, stable and predictable. The Commission do hope that comprehensive review would be undertaken by the Government on the structure of electricity duty and taxes on sale of electricity. The Association also pleaded for night concession and incentives for improving power factor. They also mentioned that burden of cross subsidization should not fall on them. While we appreciate the arguments advanced by the Association, it is only in phased manner these things can be achieved.

17.9.3 Income tax Practitioners Association.

The Income tax Practitioners Association have pleaded that the electricity used by professionals should be charged at residential rate and not on commercial rate. This view is based on the fact that professionals are not engaged in any business activity. The professionals who are engaged in their profession cannot claim to be covered by residential rates because the premises is not being used for residential purpose. In view of this, we do not consider it necessary to make applicable residential rate to the Income-tax Practitioners or other professionals.

17.9.4 Surat Shaher Dhobi Association:

We find that the Government of Gujarat has already issued necessary orders reducing the duty to 10% on the power used by Dhobis for the purpose of ironing. It is quite desirable that necessary facilities should be provided for metering this power separately so that they can avail the benefit of reduced duty. **We therefore direct the SEC to make necessary arrangements to install separate**

meters in the premises of those persons who are engaged in the business of ironing so as to enable them to separately meter the power exclusively used for ironing purpose.

17.10 Surat Municipal Corporation

17.10.1 The various objections raised by the Surat Municipal Corporation have been summed up in para 6 above. Some of these arguments, including the legal arguments dealt with in para 3 above were also repeated by Mr. Ajaykumar Chokshi, Mayor of Surat Municipal Corporation who also filed objections before the Commission. The replies given by the SEC on these objections have also been dealt with in para 6.5 above. These objections along with the replies of SEC were also considered by the Commission and formed an important input to the formulation of tariff.

17.10.2 Special Tariff

One of the important submissions on behalf of the Surat Municipal Corporation was that special tariff should be granted to them, since, in terms of Section 49 of the Electricity Supply Act and Section 29(3) of the Electricity Regulatory Commissions Act, 1998 different tariffs may be fixed for supply of electricity to any person, not being a licensee, having regard to the nature of supply and the purpose for which supply is required and other relevant factors.

The question of prescribing special tariff came before the Commission in the matter relating to All India Induction Furnace Manufacturing Association (Gujarat Branch). This Association had pleaded for special tariff before the Commission in their application No.4 of 1999. The Commission however held in that case that in terms of the scheme of the Act under which the Commission is functioning, no discrimination between different consumers can be made by the Commission, except on the ground of improving efficiency of the system of electricity supply. The Commission also observed that it was not possible to distinguish one industry from other on the basis of economics of that industry. The Commission felt that, this being a larger issue, it requires to be taken care of

by agencies other than the Commission. We are of the view that these arguments will equally hold good even for differentiation in favour of a public organization like Surat Municipal Corporation.

After consideration of factors stated above, we are of the view that Section 29(3) cannot be interpreted in isolation and has to be necessarily read with other guiding principles stated in Section 29(2) in consonance with the functions entrusted to the Commission under Section 22 of the Act. The main principle among those included in Section 29 (2) includes that the tariff should progressively reflect the cost of supply of electricity at an adequate and improving level of efficiency. Section 29 (2) (d) also states another guiding principle namely, the factors which would encourage efficiency, economical use of the resources, good performance, optimum investments, and other matters which the State Commission considers appropriate for the purpose of this Act be considered Section 29 (f) states another guiding principle, namely, electricity generation, transmission, distribution and supply are to be conducted on commercial principles. These taken with the main function of the Commission, among which the function under Section 22(1) (d) which is “ to promote competition, efficiency and economy in the activities of the electricity industry to achieve the objects and purposes of this Act.”, would provide proper framework,. for interpreting this provision.

Therefore the differentiation envisaged in Section 29(3) has to be necessarily in consonance with the principles of Section 29(2) as stated above, as well as the main functions of the Commission. The Commission cannot make any differentiation, which would result in the supply at uncommercial rate. Similarly, the Commission cannot make differentiation, which will discourage efficiency or economic use of resources. Above all the Commission has to limit its objectives within the overall function to promote competition, efficiency and economy in the activities of the electricity industry and to achieve the purpose of the Act, namely rationalization of electricity tariff, promotion of efficiency and environmentally benign policy as well as transparent policies regarding subsidy. The conclusion therefore is that such differentiation cannot be made by the Commission except on the ground of improving efficiency of the system of

electricity supply. It is in pursuance of this principle, that rebates have been provided for high voltage supplies, incentives have been provided for maintaining high power factors and concessional tariff has been provided for night supply. However, it is not possible for the Commission to differentiate any particular consumer like Surat Municipal Corporation, merely because of its financial viability or the nature of duties it is called upon to discharge. This function has to be performed by other agencies of the State, which are vitally concerned with the function of looking after such institutions.

The tariff has therefore to be necessarily fixed on the cost of supply and therefore, the nature of functions for which the supply is required need not necessarily be distinguished from consumer to consumer. It is in this context that the tariff has been fixed for different category of consumers, viz., domestic, industrial, commercial etc. The attention of the Commission was drawn to the fact that the Commission has already given the distinct and different treatment to the agricultural consumers thereby making a distinction. The case of agricultural consumers cannot be equated with any particular public or private organization. The tariff for the purpose of agricultural supply is being regulated in a distinctly different manner in respect of such supply because of a number of economic reasons. It is in this context that the agriculturists constitute a different class and have been recognized as such for the purpose of supply of electricity. The Surat Municipal Corporation cannot claim such distinction. While it is true that the electricity being used by the Municipal Corporation is for the public purpose, which is distinct from private, this, however, in any way does not reduce the cost of supply and hence, the obligation of the Commission is to determine tariff with reference to the cost. It is equally important for the Corporation to economize in the use and maximize in the efficiency of the use of electricity. It is in this context that the tariffs given to the Corporation have been on the same lines as to other consumers. However, the Commission has recognized that Corporation deserves consideration for use of electricity for certain purpose. Therefore, in deviation from the existing system, the consumption of electricity for the public lighting, which is the major expenditure on electricity by Corporation, has been brought under the different category of tariff viz. GLP-I which enjoys concessional rate along with

charitable and other institutions. Similarly the concessions on high voltage use, as well as the night use, can also be availed by the Corporation, like other consumers.

17.10.3 Simplification of tariff

The present tariff includes a number of charges and the Corporation had pleaded for simplification of this. An attempt has been made by the Commission to simplify the tariff structure to the extent it is possible. A number of issues regarding payment of advance security deposit etc. as well as interest thereon raised by the Corporation deal with the conditions of supply and therefore, have not been addressed in the course of this order.

17.10.4 The charges towards pole shifting, road widening and substation.

The Corporation has submitted that the SEC should not recover any charges for pole shifting, road widening and cost of sub-station transformers etc. Since SEC has to run on commercial basis and these activities do cost them, it is very difficult to accede to the request that these charges should not be recovered. No case has been made out that the charges are excessive or unreasonable. As long as SEC charges reasonable rates, we feel that there will not be any reason for the Commission to interfere in such a procedure.

17.10.5 Exemption from payment of excise duty.

The Corporation has also pointed out that under sub-section 3(2) of the Payment of Electricity Duty Act, 1956, the Municipal Corporations of the State, enjoy exemption from payment of electricity duty in respect of consumption of electrical energy to sewerage plant; however, this exemption is not being given to them. We find that administration of the electricity duty and exemption therefrom is by the Commissioner of Electricity Duty in Gujarat. It is, therefore, appropriate for the Corporation, to approach the said authority for the exemption, which may be available to them under the provisions of the Act.

17.10.6 In addition, the Corporation has also demanded that provision regarding power factor rebate should be included. The demand of the Corporation has been considered and the provision regarding power factor rebate as well as tariff during night period have been included in the new tariff ordered by the Commission. On the point of billing demand also formula has been made to include 85% of the contract demand as requested by the Corporation. Similarly, the discount for the bulk consumption has also been provided in the new tariff so that the Corporation can avail of such benefits. In the light of the above, while many of the demands to bring out changes in the tariff have been considered in the new tariff structure, the Commission has not been able to consider the demand of the Corporation to grant special tariff for the reasons stated above.

17.11 The proceedings were heard by the Commission in its full strength at various occasions. Later on, when the precious services of Hon'ble Mr. Justice D.G. Karia were not available to this Commission, the proceedings were heard by two Members. Any how, after the appointment of a third Member, who is also appointed as the Chairperson, there was a say coming from Learned Counsel Mr. I.J.Desai that the reconstituted, full strength Commission should hear him in brief, so that, he could invite our attention to the relevant submissions and put before us certain highlights. Without examining legal and technical questions, we have permitted Learned Counsels Mr. I.J. Desai and Mr. H.B. Shah, along with other people who appeared as party in person, to follow the above said course, and as a result thereof, they have been heard, once again in brief by, the three of us.

In view of the factors brought out above and the various considerations discussed above, we make the following order :

18 O R D E R

18.1 In the above premises, the application of the Surat Electricity Co. Ltd is partly allowed. The electricity tariffs in the area of the city of Surat licensed to the Surat Electricity Co. Ltd are hereby revised at the rates and subject to the terms and conditions mentioned in the Annexure.

18.2 In the course of application filed by the Surat Electricity Co. Ltd, the Commission had ordered on 13.2.2001 as follows :

- (a) The arrangement regarding charging of the fuel cost adjustment charges will continue undisturbed on the same basis as it was prevalent prior to 10.1.2001. The SECo will continue to charge FCA to their consumers on the basis of the FCA intimated by the GEB from time to time. GEB will, for the time being, continue to issue FCA as was being done in the past.**
- (b) The SECo. will continue to pay GEB the new tariff of Rs. 2.70 per unit as decided by the Commission with effect from 10.1.2001.**
- (c) The date of effect of the new tariff to be ordered by the Commission will be the same as the date on which the new bulk tariff for SECo. has been charged by the GEB. In other words, the new SEC tariff will be applicable to the consumers with effect from 10.1.2001.**

18.3 The Commission has reviewed the above orders in the light of certain important developments after passing the above order. This may be summed up as follows :

- i) The period for which retrospective effect to the tariff is required to be given is now about 10 months.**
- ii) Since the SECo. has already been permitted to charge FCA charges, over and above the tariff, which was prevalent earlier, the losses, if any, due to revision of grid tariff have been substantially met by the company.**
- iii) The new tariff now being given to the company is subject to certain parameters as well as limiting certain expenses to the specific level. Since these two conditions cannot be enforced retrospectively, it is considered impractical to give effect to the new tariff w.e.f. 10.01.2001.**

18.4 In view of above factors, the Commission has now decided that the new rates of tariff mentioned in the Annexure to this order will be effective w.e.f. 01.11.2001. We, further order that till 31st October 2001 the SECo. will be governed by the arrangements laid down by the Swaminathan Committee. The rate of return will be regulated accordingly.

18.5 The following directions are also issued to the SEC:

- (A) The Commission directs the SECo. to achieve distribution losses level of 13.5% in the year 2001-02. This target is achievable, considering SEC's past performance in this regard. Moreover, the SEC has incurred substantial capital expenditure on system improvement and also considerable amount on repairs and maintenance. The Commission is of the opinion that this expenditure has to reflect in lower distribution losses. The Commission appreciates the fact that the scope for**

reduction, reduces as the loss level percentage drops, and in its opinion, the target of 0.5% reduction from the base level in 1999-2000 is very reasonable.

- (B) The Commission directs the SEC that henceforth all capital investment proposals should be submitted to the Commission with detailed cost benefits and analysis calculation and the Commission's approval would be obtained before incurring any capital expenditure.
- (C) The Commission directs the SEC to henceforth maintain data in such form so as to enable estimation of HT and LT cost of supply.
- (D) The SEC is directed to submit a formula to charge FCA from its consumers to offset the charge by the GEB to SEC. Since GEB will pass on their charges in fuel increase, once their formula is approved, we also direct the SEC to submit a formula from its consumers to off-set the charges charged by GEB to SEC, as soon as such a formula submitted by GEB is made available to them. Once the Commission approves the formula, the SEC can charge FCA from the consumers as per the approved formula. The SEC is directed to give a detailed explanation on the need for grossing up factor and other issues in charging FCA to its consumers at the time of filing FCA formula for the Commission's approval.
- (E) We feel that the existing method of dialogue with consumers has become outdated. The SEC should obtain advice from competent quarters and revamp the entire institutional arrangement of contact with the consumers and redressal of consumers' grievances. They should establish a Consumer Advisory Council as an apex body with appropriate representations from all sections of consumers. There can also be such small forums in various zones or areas depending upon the requirements. The Consumer Advisory Council should, meet at regular

intervals to resolve the problems faced by the consumers. Looking to the strong feelings advanced by all sections of the consumers, we direct the SEC to undertake revamping process at the earliest and complete the same within a period of three months, from the date of this order. A report on the action taken in this regard should be sent to the Commission on the expiry of a period of three months from the date of this order.

- (F) We feel that it is very much necessary for the senior officers of the company to involve themselves actively for the redressal of the consumers' grievances. The consumers do not seem to have faith that their grievances will be heard in the highest quarters and the needful will be done. This faith needs to be restored. This can be done only by senior management actively participating in the process.**

- (G) We feel that the attitude of the officers and staff of the company needs to be made service oriented. It may be worthwhile for the company to arrange proper orientation training for the staff, including a formal training as to how they should cultivate a consumer friendly attitude.**

- (H) We direct the SEC to make suitable arrangements, in co-operation with independent Institutions like ERDA, CAER or such other organizations, to enable the consumers to get their meters tested. The arrangements made in this regard may be intimated to the Commission for its approval within one month of this order.**

- (I) The SEC should monitor the complaints regarding voltage fluctuations and take adequate measures to remedy the same.**

- (J) It is very much necessary that the expenditure should be controlled and that its productivity must be kept very high. In order to achieve this, we direct that the SEC should take the following steps :**
- (i) All materials, proposed to be procured for the company must be procured in the most economical manner. Suitable procedures should be devised for the same.**
 - (ii) From now onwards, whenever any increase in the expenditure in any head is projected by SEC, such an increase must be clearly justified and the justification should show as to how much is on account of inflation and how much of it is otherwise. The increase in cost must be explained to match with the gains in productivity.**
 - (iii) The efforts made during the previous year to reduce expenditure or to contain it to certain levels must, also, be mentioned in details along with the tariff proposals in future.**
- (K) We do feel that for levying delayed payment charges for the entire month is, not consistent with the purpose of levying this charge. We, therefore, direct that the delayed payment charges may be levied for the delay of one week or part thereof at the rate of ½% per week. This will meet the difficulties faced by the consumers, in paying the delayed payment charges for the entire month even for delay of couple of days.**
- (L) We direct the SEC to make necessary arrangements to install separate meters, in the premises of those persons, who are engaged in the business of ironing so as to enable them to separately meter the power, exclusively used for ironing purpose.**

(M) The Commission further directs that the SEC will send the action taken report in respect of each of the directions contained in this order within the time limit prescribed. Anyhow where no time limit is prescribed the action taken would be intimated within a period of six weeks.

**(JUSTICE S. D. DAVE)
CHAIRMAN**

**(B. M. OZA)
MEMBER**

**(R. K. SHARMA)
MEMBER**

**Place: Ahmedabad
Date: 01/12/2001**

ANNEXURE

TARIFF FOR SUPPLY OF ELECTRICITY AT LOW TENSION, HIGH TENSION AND EXTRA HIGH TENSION

GENERAL

- 1) This tariff schedule is applicable to all the consumers who take supply from Surat Electricity Company Ltd. (SEC), (i.e. Sanction holder) for all purpose at low voltage, high voltage or extra high voltage, permanent, as well as temporary purposes.
- 2) This tariff schedule supersedes all tariffs in force and shall be effective from 1/11/2001.
- 3) All these tariffs for power supply are applicable to only one point of supply.
- 4) The meter charges shall be applicable as prescribed under SEC's "Conditions and Miscellaneous Charges for Supply of Electrical Energy"
- 5) The energy supplied under these tariffs can be utilized only within the compact area of the premises not intervened by any area/road belonging to any person or authority other than the consumer.
- 6) Except in cases where the supply is used for purposes for which the Company has permitted lower tariff, the power supplied to any consumer shall be utilized only for the purpose for which supply is taken and as provided for in the tariff.
- 7) The Various Provisions of the Company's "Conditions and Miscellaneous Charges for Supply of Electrical Energy" as in force from time to time will continue to apply.
- 8) The charges specified in the tariff are on monthly basis, the Company may decide the period of billing and adjust the rates accordingly.
- 9) The billing of fixed charges based on contracted load or maximum demand shall be done in multiples of 0.5 (one half) Horse Power, kilo -Watt, kilo- Volt -Ampere (HP, kW, KVA), as the case may be. The fraction of less than 0.5 shall be rounded to next 0.5. The billing of energy charges will be done on complete one kilo-watt-hour (kWh) or kilo-volt-ampere-hour (kVAh) or kilo-volt-ampere-reactive hour (kVArh), as the case may be.

- 10) Maximum Demand in a month means the highest value of average KVA or kW as the case may be, delivered at the point of supply of the consumer during any consecutive 30 minutes in the said month.
- 11) The Company may install KWh and RkVAh meter for ascertaining power factor, reactive units and KWh units.
- 12) Payment of penal charges for usage in excess of contract demand/load for any billing period does not entitle the consumer to draw in excess of contract demand/load as a matter of right.
- 13) ToU charges wherever applicable unless other wise notified shall be levied for the energy consumption during the period between 07.00 hours and 11.00 hours; and between 18.00 hours and 22.00 hours' termed as PEAK HOURS. Night hours concession wherever applicable will be given for the energy consumption during the period between '22.00 hours and 06.00 hours next day' termed as 'OFF PEAK HOURS'.
- 14) Applicable rates for all the categories are mentioned in Part I, Part II & Appendix attached.

PART-I

RATE SCHEDULE - LOW /MEDIUM TENSION

230/400 Volts

1. Rate: Residential

This tariff shall be applicable to the services for the lights, fans, heating and small electrical appliances such as refrigerators, cookers, heaters, water pump and small motors having individual capacity not exceeding 2 BHP attached to domestic appliances in residential premises.

- a) Single phase supply (aggregate load up to 6 KW)
- b) Three phase supply (aggregate load including motor load exceeding 6 KW)

1.1 FIXED CHARGES: -

A	Single Phase Supply	Rs. 5.00 per installation per month
B	Three Phase Supply	Rs.15.00 per installation per month

PLUS

1.2 ENERGY CHARGES: -

i	First 100 units during the month	270 Paise/unit
ii	Next 200 units during the month	330 Paise/unit
iii	Above 300 units during the month	395 Paise/unit

2. Rate: Commercial

This tariff shall be applicable to services for lights, fans, heating and electrical appliances such as refrigerators, cookers, heaters, HVAC and small motors having individual capacity not exceeding 2 BHP attached to the appliances in Commercial Premises which are not covered in Residential and General.

- a) Single phase supply (aggregate load up to 6 KW)
- b) Three phase supply (aggregate load including motor load exceeding 6 KW)

2.1 FIXED CHARGES:

A	Single Phase Supply	Rs. 45.00 per installation per month
B	Three Phase Supply	Rs. 75.00 per installation per month

PLUS

2.2 ENERGY CHARGES:

i	First 100 units during the month	330 Paise/unit
ii	Next 400 units during the month	400 Paise/unit
iii	Next 500 units during the month	415 Paise/unit
iv	Above 1000 units during the month	450 Paise/unit

3. Rate: General

This tariff will be applicable for use of energy for lights, fans, heating, general load and motive power in premises: -

- i. Government and Municipal Hospitals and Electric Crematorium.
- ii. Charitable Institutions like hospital, dispensary, educational and Research Institute and Hostel attached to such Institution, religious premises exclusively used for worship or community prayers, registered with Charity Commissioner and specifically exempted from levy of general tax under section 2 (13) of Bombay Trust Act, 1950 read with section 9 of The Income Tax Act, 1961.
- iii. Public streets Lights, gardens and conveniences.
- iv. Water works and sewerage pumping services operated by Municipal Corporations.

Note: Halls or gardens or any portion of the above premises let out for consideration or used for commercial activities at any time shall be charged at Commercial tariff.

a) Single phase supply (aggregate load up to 6 KW)

b) Three phase supply (aggregate load including motor load exceeding 6 KW)

3.1 FIXED CHARGES:

A	Fixed Charges	Rs.25.00 per installation per month
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PLUS

3.2 ENERGY CHARGES:

i	Energy charges	310 Paise/unit
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4. Rate: LTP

This tariff is applicable for aggregate contracted motive power load not exceeding 50 BHP.

4.1 FIXED CHARGES:

A	First 10 BHP	Rs.20/- Per BHP per month
B	Next 10 BHP	Rs.30/- Per BHP per month
C	Next 20 BHP	Rs.35/- Per BHP per month
D	Above 40 BHP	Rs.40/- Per BHP per month

PLUS

4.2 ENERGY CHARGES:

i	Up to 15 BHP	320 Paise/unit
ii	Above 15 BHP	370 Paise/unit

4.3 MINIMUM BILL per installation per month (excluding meter charges):

(a)	For the Contracted load	Rs 100/- per BHP per month
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Note:

- 1 The minimum charges specified above should be payable only if fixed charges and Energy Charges fall short by minimum billed amount.

- 2 The consumers having aggregate contracted load above 20 KVA can opt for Rate LTMD. The option to switch over from Rate LTP to Rate LTMD and vice versa can be exercised twice in a calendar year by giving one-month notice in writing.

5. Rate: LTMD

This tariff shall be optionally available to consumers using electricity for motive power services with contracted load up to 50 HP and having minimum contract demand of 20 KVA and compulsory for contracted load above 50 HP to 125 HP

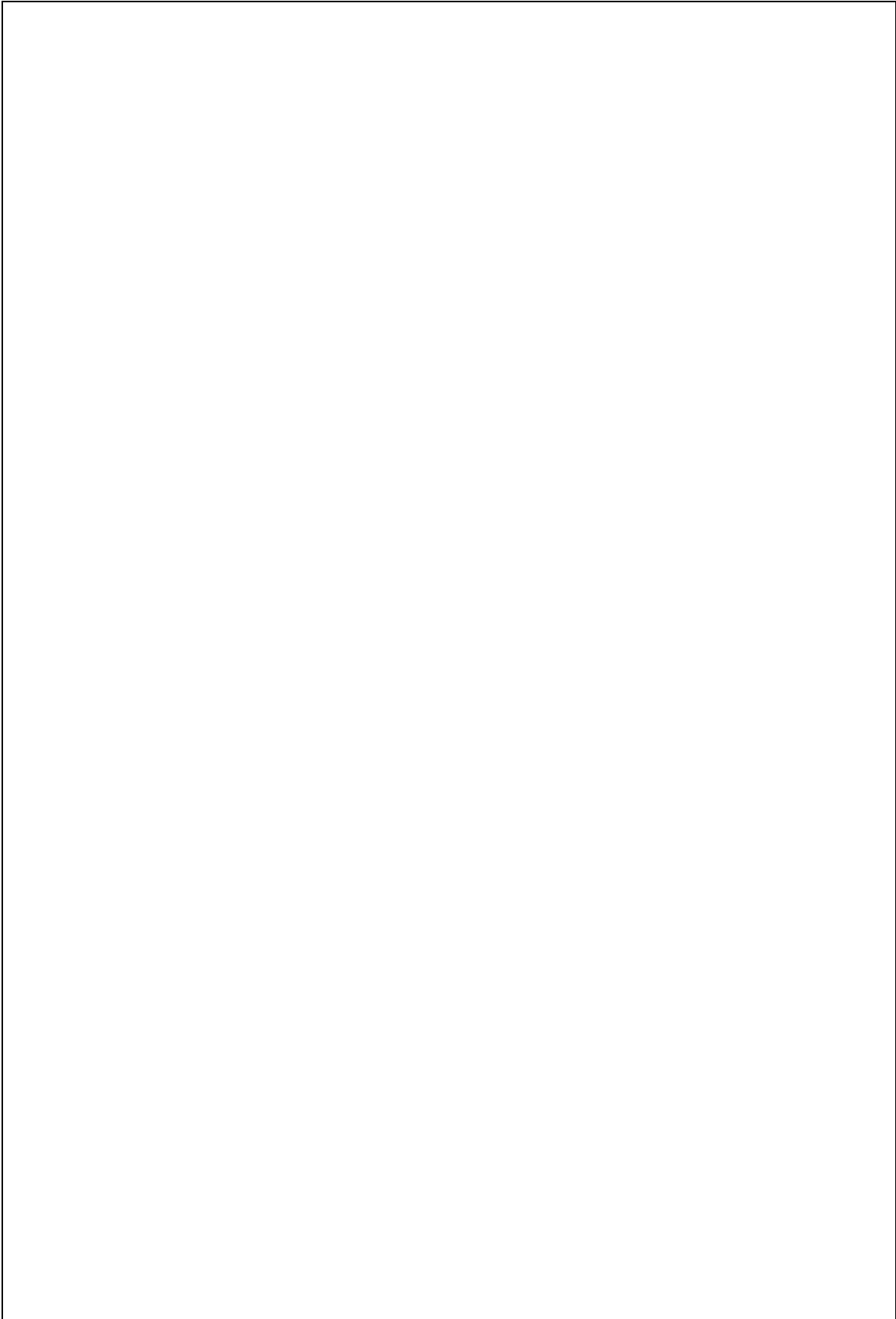
- i) The option can be exercised to switchover from LTMD to LTP and vice versa twice in a calendar year by giving not less than 30 days notice in writing for connected load up to 50HP.
- ii) For the optional LTMD tariff consumers has to provide metering system in the event when proper metering is not provided by the Company.

5.1 DEMAND CHARGES:

A	Up to 50 KVA of billing demand.	Rs. 50/- per KVA/month
B	Above 50 KVA & up to 60 KVA billing demand	Rs. 60/- per KVA/month
C	Above 60 KVA of billing demand	Rs.70/- per KVA/month
D	In excess of contract demand	Rs. 200/- per KVA/month

Note: BILLING DEMAND: - Billing demand during the month shall be the highest of the following:

- a) Maximum demand recorded during the month.
- b) 85 % of the contract demand.
- c) 20 KVA



PLUS

5.2. ENERGY CHARGES:

i	Energy charges	375 Paise/unit
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PLUS

5.3 REACTIVE ENERGY CHARGES (KVARH units):

For installation having contracted load of 50 HP and above

(a)	For all the reactive units drawn during the month	10 Paise/kVArh
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6. Rate: TS- Temporary Supplies:

6.1 ENERGY CHARGES:

i	Energy Charges	470 Paise/ unit
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7. Rate: AGP

This tariff is applicable to motive power services used for irrigation purpose.

The rates for following group are as under

7.1 FIXED CHARGES:

A	Fixed Charges	Rs. 10.00 per BHP per month
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PLUS

7.2 ENERGY CHARGES:

i	Energy Charges	50 Paise/unit
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Note:

1. The agricultural consumers shall be permitted to utilize one bulb up to 40 watts in the Pump House without recovering any charges. Any further extension or addition of load will amount to unauthorized extension.
2. No machinery other than pump for irrigation will be permitted under this tariff.

PART-II

RATE SCHEDULE FOR SERVICE AT HIGH TENSION

8 Rate: HTMD -1

This tariff shall be applicable for supply of energy at 3.3KV and above for industrial purpose, water works, pumping and similar activities and contracting for demand of 100 KVA or more.

8.1. DEMAND CHARGES:

8.1.1 For billing demand up to contract demand

A	First 500 KVA of billing demand	Rs. 75/- per KVA per month
B	Next 500 KVA of billing demand	Rs. 100/- per KVA per month
C	Above 1000 KVA of billing demand	Rs 125/- per KVA per month

8.1.2 For billing demand in excess of contract demand

For Billing demand in excess over Contract demand	Rs. 335/- per KVA per month
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Note: BILLING DEMAND: Billing demand shall be the highest of the following: -

- a. Actual maximum demand established during the month
- b. 85 per cent of the Contract Demand, and
- c. 100 KVA

PLUS

8.2. ENERGY CHARGES:

i	Up to 500 KVA	370 Paise/unit
ii	Above 500 KVA & up to 1000 KVA	375 Paise/unit
iii	Above 1000 KVA	380 Paise/unit

PLUS

8.3. TIME OF USE CHARGES:

(These charges shall be levied from a consumer having Contract Demand or actual demand of 500 KVA and above)

For energy consumption during the two peak periods, viz 0700 Hrs to 1100 Hrs and 1800 Hrs to 2200 Hrs	60 paise per unit
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PLUS

8.4 POWER FACTOR:**8.4.1 Power Factor Adjustment Charges: -**

- (a) The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Demand Charges" and "Energy Charges " for every 1% drop or part thereof in the average power factor during the month below 90% up to 85 %.
- (b) In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Demand Charges" and "Energy Charges ", will be charged.

8.4.2 Power Factor Adjustment Rebate: -

If the average power factor of the consumer's installation in any month is 95%, the consumer will be entitled to a rebate at the rate of 1% in excess of 95% power factor on the total amount of electricity bill for that month under the head "Demand Charges" and "Energy Charges ", for every 1% rise or part thereof in the average power factor during the month above 95%.

8.5 LIGHTING AND NON-INDUSTRIAL LOADS:

The consumption of lights and fans and other non-industrial loads of the factory building as also the consumption of crèche, laboratory, stores, timekeeper's Office, yards, watch and ward, first aid centers, and dispensaries during a month registered at the main meter on HT side shall be charged at the energy charges specified above.

8.6 NIGHT TIME CONCESSION: - The energy consumed during night hours between 22.00 hours and 06.00 hours next day (recorded by the tariff meter operated through time switch or built in feature of time segments, if incorporated) as is in excess of one third of total energy consumed during the month, shall be eligible for concession of 50 Paise per KWH. The meter and time switch shall be procured and installed by consumer at his cost, if required by the Company. The Company, if provided by consumer, will seal the metering equipment.

8.7 REBATE FOR SUPPLY AT EHV:

Sr. No.	On Energy Charges:	Rebate @
(a)	If supply is availed at 33/66 KV	0.5 %
(b)	If supply is availed at 132 KV and above	1.0 %

9 Rate HTMD - 2

This tariff shall be applicable for supply of energy to consumers at 3.3 KV and above for contracting the demand of 100 KVA and above and requiring power for:

- a) Hospitals, Hotels, Military Installations, Studios, Aerodrome, Cinema, Auditorium,
- b) Bank Offices, Educational Institutions, Film Production, Railways and such other establishments where load is of non-industrial nature.
- c) Purposes not covered under the tariff HTMD-1.

9.1. DEMAND CHARGES:

9.1.1 For billing demand up to contract demand

A	First 500 KVA of billing demand	Rs 100/-per KVA
B	Above 500 KVA	Rs 120/- per KVA

9.1.2 For billing demand in excess over contract demand

For billing demand in excess over contract demand	Rs.360/- per KVA
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Note: BILLING DEMAND: Billing demand shall be the highest of the following: -

- a. Actual maximum demand established during the month
- b. 85 per cent of the Contract Demand, and
- c. 100 KVA

PLUS

9.2. ENERGY CHARGES:

i	Up to 500 KVA	380 Paise/unit
ii	Above 500 KVA	390 Paise/unit

PLUS

9.3. TIME OF USE CHARGE:

(These charges shall be levied from a consumer having contract demand or actual demand of 500 KVA and above)

For energy consumption during the two peak periods, viz, 0700 Hrs to 1100 Hrs and 1800 Hrs to 2200 Hrs.	60 paise per unit
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PLUS

9.4 POWER FACTOR:

9.4.1 Power Factor Adjustment Charges: -

- a) The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Demand Charges" and "Energy Charges " for every 1% drop or part thereof in the average power factor during the month below 90% up to 85 %.
- b) In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Demand Charges" and "Energy Charges ", will be charged.

9.4.2 Power Factor Adjustment Rebate: -

If the average power factor of the consumer's installation in any month is 95%, the consumer will be entitled to a rebate at the rate of 1% in excess of 95% power factor on the total amount of electricity bill for that month under the head "Demand Charges" and "Energy Charges ", for every 1% rise or part thereof in the average power factor during the month above 95%.

9.5 REBATE FOR SUPPLY AT EHV:

Sr. No.	On Energy Charges:	Rebate @
(a)	If supply is availed at 33/66 KV	0.5 %
(b)	If supply is availed at 132 KV and above	1.0 %

10 Rate- NTCT (NIGHT TIME CONCESSIONAL TARIFF)

This is nighttime concessional tariff for consumers for regular power supply who opt to use electricity **EXCLUSIVELY** during night hours between 22.00 hours and 06.00 hours next day. The consumer shall provide the switching arrangement as shall be acceptable to the Company to regulate supply hours.

a) Fixed Charges: 30 % of the fixed/demand charge
(Under the relevant tariff)

PLUS

b) Energy Charge: 310 Paise per KWH

APPENDIX

In addition to rates and/or charges specified hereinbefore, the consumer shall pay charges/ adjustments as stated in the respective category and described below:

1. **FUEL COST ADJUSTMENT CHARGE (FCA):** shall be applicable as approved by the Gujarat Electricity Regulatory Commission from time to time.
2. **METER CHARGES.**
3. **DELAY PAYMENT CHARGES**
 - 3.1. No delay payment charges will be levied if the bill is paid on or before due date indicated in the bill.
 - 3.2. Delay payment charges, if the bill is paid after due date, will be levied at the rate of 0.5% per week or part thereof on the outstanding bill from the date of billing till the date of payment.
4. **STATUTORY LEVIES:**

These tariffs are exclusive of Electricity Duty, Tax on Sales of Electricity, Taxes and other Charges levied/may be levied or such other taxes as may be levied by the Government or other Competent Authorities on bulk/retail supplies from time to time.