BEFORE THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION, LUCKNOW.

IIA Reference No: 3/UPERC/12472 Date: 29th April 2016

In the matter of Public notice issued by U.P. Power Corporation Limited Lucknow regarding petition filed u/s 64 of Electricity Act 2003 by PVVNL, PuVVNL ,MVVNL, DVVNL and KESCO for their ARR and Tariff proposals for the year 2016-17.

AND

In the matter of Objections and Comments of Indian Industries Association, Vibhuti Khand, Gomti Nagar, Lucknow through its Executive Director-D.S.Verma.

MOST RESPECTFULLY, WE WISH TO PLACE THE FOLLOWING FACTS / VIEWS/ OBJECTIONS AND COMMENTS OF THE INDIAN INDUSTRIES ASSOCIATION BEFORE THE HON'BLE COMMISSION: -

1. That Indian Industries Association (IIA) is an Industry Association of Micro, Small and Medium Enterprises (MSMEs) in U.P. One of the objectives of the Association is to ensure uninterrupted, good quality and reasonably priced supply of industrial inputs to MSMEs so that they could contribute to the socio-economic development of the State.

2. That the views expressed hereunder on ARR and Tariff proposal of PVVNL, PuVVNL, MVVNL, DVVNL and KESCO for the year 2016-17 are the combined views of the members of the Association in general, while its members are free to place their views before the Hon'ble Commission.
3. That other points if any will be submitted by Indian Industries Association during the public hearing of Hon,ble Commission to be held at different places in Uttar Pradesh in times to come.

SPECIFIC OBJECTIONS:

A) PROPOSED RATE SCHEDULE FOR FY 2016-17, RETAIL TARIFF FOR FY 2016-17

- **Item no.5 - KVAH Tariff:**

  At times due to electrical load conditions, the Power factor of the consumer is leading. In such situations the leading power factor gets the same treatment as that for lagging Power factor while computing electricity bills and the consumer is penalized with higher electricity bills. Therefore, it is submitted that if the Power factor in the consumer's premises is leading then the Power factor should be treated as unity by way of blocking the recording of leading Power factor.

- **Item no. 7 (ii) – Charges for exceeding Contracted Demand:**

In case of jerk loads or temporary fluctuations in the load the proposed provision to levy demand charges equal to twice the normal rate on the excess demand is HARSH. Therefore, we submit that:

a) That on the first excess demands up to 10% of the contracted load the penalty should not be imposed and demand charges be levied equal to the normal rate.
b) For excess demand of 10% to 20%, such excess load /demand may be levied equal to 1.5 times of the normal rate.
c) Excess demand of more than 20% may be levied equal to twice of the normal rate.

- **Item no. 17: Rebate on payment on or before Due Date –**

The proposal that the consumers having any arrears in the bill shall not be entitled for the rebates is not justified in case where the bills are disputed. However, where the consumer has not paid the normal undisputed bills, IIA do not have any objection for not allowing the rebate. Indian Industries Association (IIA) have come across several examples where the bills are wrongly generated and consumers are either forced to pay the excess bills or forego the rebate for none of their fault.
As such, it is submitted that where the consumer has filed any objection for wrong billing, such objections should be dealt with separately in a time bound manner through the consumer redressal forums and the rebate on the current undisputed bills should be continued.

B) <u>**Proposed rate schedule for FY 2016-17: -**</u>

It is observed that various DISCOMS under UPPCL have different levels of performance as is evident from the following chart:

DISCOMS	Proposed tariff Increase	Av. Tariff increase to meet out Revenue Gap	Revenue gap upto 2012-13 as per commission order dt. 18.06.2015	Total Revenue Gap
PVVNL	4.86%	5.30%	1312.46	3367.27
PuVNL	7.89%	24.22%	6249.70	11773.27
MVVNL	5.65	18.18%	6006.09	958902
DVVNL	4.34	29.74%	6119.51	13018.18
KESCO	4.44	5.75%	909.09	1068.16

Rate schedules of the efficient DISCOMS are affected by the inefficient DISCOMS as common tariff rates are proposed for all the DISCOMS. It is therefore submitted that the inefficient DISCOMS should be pulled up to improve their performance so that the overall tariff rates are reduced and industries in Uttar Pradesh become more competitive. This ultimately will result in economic development of the state.

C) **<u>Proposed variable rates of fixed charges on slab basis as per consumption of energy units for LMV-4 & LMV-6 category & proposal .</u>**

1. We strongly object to the increase in the number consumption ranges and different fixed charges for different ranges. This proposal is not rational and justified because higher consumption of electricity within the contracted load is being discouraged. This will result in cascading negative effect e.g poor load factor and lower capacity utilization. LMV-4 & LMB-6 Categories of consumers are paying for the cross subsidies hence discouraging higher consumption will wipe out the revenue generation for the discoms as well.

2. LMV-6 & LMV-4 categories predominantly covers Micro & Small Enterprises consumers which are contributing significantly for the employment generation and economic development of the state. These enterprises in the present tariff are already paying for cross subsidies for other categories of the consumers We have been demanding to spare these categories from the burden of cross subsidies. **As such the proposed increase in the fixed charges and the energy charges for LMV-6 & LMV-4 categories should not be accepted by the Hon'ble Commission.**

3. Said idea to propose different rates of fixed charges as per consumption of energy slab is against the basic meanings of fixed charges, un-workable & hence deserve to be dropped out rightly.

4. The concept / proposal for different slabs / consumption ranges itself is an eyewash and unrealistic because almost all consumers of LMV 6 and HV2 consumers consumes more than 1000-2000 units which is too small a number for an industrial consumer. Hence almost all industrial consumers will be billed on higher slab of tariff which is abnormally high. If the Hon'ble Commissions order on the clarification for billing dated 13.08.2015 is not reconsidered for correction all the consumers will be billed at the highest rates of the highest slab/ range for entire consumed units starting from zero.

   It is therefore submitted that the different consumption ranges should be done away with and not accepted by the Hon'ble Commission.

D) **<u>Proposed increase in energy rates for metered category of LMV – 2</u>**

1. There is improvement in the performance of the DISCOMS and there is ample scope to enhance it. Hence the proposed increase in energy rates of approx. 8.5% in the second & third slab is not justified and must be compensated with improved performance.

2. The proposal to have variable fixed charges connected with range of consumption of energy units is irrational and unjustified. Hence Hon'ble Commission may not accept the proposal.

E) **<u>Rates of energy charges for TOD hours for H-2 & LMV-6 categories</u>**

We suggest to rationalize the period of TOD hours as below: -

Time Hrs.	Proposed TOD rates	Suggestive TOD Rate
22.00 to 06.00	(-)7.5%	(-)10.00%
06.00 to 17.00	0.0%	0.0%
17.00 to 22.00	(+)15.00%	(+)10.00%

The above said proposed TOD rates shall definitely provide some kind of relief to the industries as well as shall also prove helpful in improving the performance of the DISCOMS.

F) <u>Restoration of load factor rebate:</u>

Hon'ble Commission in the tariff order for FY 2001-02 with a view to encourage better load utilization to HV-2 consumers above 50% utilization and lower system losses and better system operation ordered the implementation of Load Factor Rebate.

Licensee submitted to the Hon'ble Commission in the previous tariff proposals (2015-16) that Load factor rebate had been introduced earlier in large and heavy consumers to curb the theft of electricity. But, now Licensees have installed high precision meters to monitor the trend and other parameters and as such it appears that there is no need to provide incentive for consumption.

Contrary to the view of the licensee, we would like to submit before the Hon'ble Commission that giving Load factor rebate is in the interest of both the consumers as well as licensee since the licensee will realize higher revenues due to higher rates of electricity applicable for Industries & lower losses for this category, and the consumers will be motivated to utilize near to full contracted load.

Hence the Load Factor Rebate may be restored.

G) <u>Clarification given by Hon,ble Commission as per point no.4 in clarification no. 1 vide order dt. 13/08/2015 to tariff order dt. 18th Jun 2015 for FY 2015-16 requires 'Reconsideration' in proposed tariff order for FY 2016-17:</u>

We are explaining the problem with an example from rate schedule applicable for LMV-4 category of consumers in the existing tariff as under:

The rate schedule defines the consumption range and the corresponding energy charges as 0-1000 kwh / month @ Rs 6.75 / kwh and Above 1000 kwh @ Rs 7.00 / kwh. Logically & rationally this means that up to 1000 kwh consumption will be billed @ Rs 6.75 / kwh and excess consumption if any is to be billed @ Rs 7.00 / kwh.

However, the clarification so given by Hon'ble Commission in the order dated 13.08.2015 is as under:

1. For consumption of 950 units (which is less than 1000 units) in a month the billing for energy charge shall be 950 units X Rs. 6.75 = Rs. 6,412.50

2. For consumption of 1000 units in one month the billing for energy charges shall be 1000 units X Rs. 6.75 = Rs. 6,750.00

3. For consumption of 1001 units in one month, the billing for energy charges shall be 1001 units X Rs. 7.00 = Rs. 7,007.00 (and not 1000 X 6.75 + 1X7.00 = 6757.00).

   Clarification at 3 above given by Hon'ble Commission in its order dated 13.08.2015 is not logical and needs reconsideration.

We therefore submit to Hon'ble Commission to reconsider above clarification issued vide is order dated 13.08.2015 in line with the explanation given by us in second para above.

H) <u>T&D Losses are not being controlled inspite of Hon'ble Commission's directives from time to time resulting in loading of this lapse of the DISCOMs on to the Consumers</u>

We submitted before the Hon'ble Commission in 2015-16 ARR & Tariff objections that T&D losses are not being controlled by the DISCOMs. We are reproducing the text we submitted last year as under for ready reference:

"Time and again Hon'ble Commission has set target for reducing the losses in a calibrated manner. For example Tariff Order for 2007-08 and 2008-09 had set the loss targets (para 3.4.3) as follows: -

F.Y.	2006	2007	2008	2009	2010	2011	2012
Target	30%	30%	28%	24%	23%	21%	20%

In the Tariff Order 2013-14, Hon'ble Commission vide para 3.7.14 have directed the DISCOMS to act speedily on this issue. Even in the Tariff Order 204-15, Hon'ble Commission vide para 9.3.17 have emphasised that "The distribution losses and the collection efficiency are the two critical parameters to evaluate the performance of a Distribution Licensee and have to be brought to the desired levels, based on sound and authentic data and study analysis."

The above figures should be viewed in the background of the fact that private sector DISCOMS have succeeded in controlling their losses to an average of less than 10%. (*NDPL,Delhi has managed to reduce the losses to 10% from inherited figure of 57% by data logging, efficient distribution system and fixing accountability. Same in Jamshedpur by Tata Power (losses 7%)*
Even in the case of some Industrial feeders in Uttar Pradesh, the losses are as low as 7.5%.

Indian Industries Association have been raising its objections since many years in the past also on un-controlled losses in the DISCOMS which are mainly due to the inefficiency / mismanagement of DISCOMs. We are surprised to note that in ARR for 2015-16 the average losses in various DISCOMS are projected as high as 25.5%. In one DISCOM it is as high as 32.47%. The situation in some specific areas is still worse where the losses are more than 50%. Incurring such heavy losses should be treated as a criminal act and treated as such.

It seems that the DISCOMs are not inclined to reduce the T&D Losses for whatever reasons best known to them. Loading the cost of this inefficiency / mismanagement of DISCOMs on the Consumers is not justified at all. We believe that if these losses are curtailed to a reasonable level, there will be no need to hike the tariff rather the tariff will come down .

We therefore humbly request Hon'ble Commission as under:

- ***Incentives should be extended to the consumers and DISCOM Employees where T&D Losses are less. Lower the losses higher should be the incentive.***
- ***Till DISCOMs brings down the losses to less than 15% strict actions may be taken against them and should not be allowed any hike in the tariff."***

<u>Hon'ble Commission in its tariff order 2015-16 stated that:</u>

"In this regard, the Commission had directed the Licensee to conduct the base line loss estimation studies for assessment of technical and commercial losses. As discussed in subsequent chapters of this Order the Licensees submitted that M/s PFC Consulting Ltd. was appointed to conduct the required study and it has submitted a draft approach paper which is in discussion stage. The Licensee submitted that once the approach paper is finalized, it would submit the same to the Commission. The Commission stresses that the Distribution Licensees may act speedily upon the directives and report the status on a regular monthly basis to the Commission as losses play a very crucial role in the entire process."

It is evident from the tariff proposals for the year 2016-17 that DISCOM's are still not adhering to the orders of Hon'ble Commission. We found that T&D Losses projected for the year 2016-17 are still around 25%. It is therefore evident that the DISCOM are not able to achieve the target as yet which were set for them to be achieved in 2009.
Hon'ble Commission may like to take effective steps to control the situation.

I) <u>Burden of cross subsidy on LMV-6 & HV2 consumers:</u>

Hon'ble Commission in its tariff order 2015- 16 para 7.1.2 have recorded that:

"The linkage of tariffs to cost of service and elimination of cross-subsidies is an important feature of the Electricity Act, 2003. Section 61 (g) of the Electricity Act, 2003 states that the tariffs should progressively reflect the cost of supply and it also requires the Commission to reduce cross subsidies within a timeframe specified by it. The need for progressive reduction of cross subsidies has also been underlined in Sections 39, 40 and 42 of the Electricity Act, 2003. The Tariff Policy also advocates for adoption of average cost of supply, which should be taken as reference point for fixing the tariff bands for different categories."

We found that Hon,ble Commission is committed to implement the provisions of the Electricity Act 2003. Yet in the tariff and rate schedule proposals 2016-17 it appears that LMV-6 & HV-2 categories of the consumers are proposed to be burdened with the cross subsidies.

Hon'ble Commission is requested not to allow this burden of cross subsidy on LMV-6 & HV-2 categories in view to help the industries to be competitive globally.

J) <u>Un-metered supply of Power to any consumers should be stopped:</u>

Hon'ble Commission for the past 16 years has been passing the orders on Un-metered supply of Power. Few such orders / directives are reproduced below:

- Chapter 8 of the Tariff Order FY03 records that "The Commission had spelt out its approval on the issue of concessional supply to this category of consumers (Departmental Employees) in its Tariff Order 2000-2001. It was pointed out that "No one should be entitled to free or un-metered electricity supply. Consumption by employees should be metered. They should be charged at the same rate as other domestic consumers. This would ensure energy auditing and promote good accounting practices." Again in the Tariff Order 2001-02 the Commission has stated that "un-metered supply to any category of consumer is not conducive to efficient consumption and hence is unacceptable." Detailed reasons were given why un-metered supply to the departmental employee was not an efficient practice.

- "Hon'ble Commission in its ARR and Tariff Order 2013-14 vide clause 3.15.4 have expressed concern and have ordered the licensee to take up this issue very seriously. Hon'ble Commission have ordered that the licensee should draw up a plan of 2 years with quarterly milestones to achieve 100% metering.

- Hon'ble Commission in its ARR and Tariff Order 2014-15 have ordered that "While according a final opportunity to the distribution licensees directing them to ensure that all their unmetered consumers get converted to metered connections by 31st March 2015 beyond which, the tariff for unmetered categories shall be discontinued."

- Hon'ble Commission in its ARR and Tariff Order 2015-16 vide clause 5.2.37 & 5.2.38 have ordered that:

  "5.2.37: In this regard, the Commission expressing its utmost concern directs the Distribution Licensees to ensure that all their unmetered consumers of LMV-1(a) i.e. Consumers getting supply as per "Rural Schedule" shall be converted into metered connection by December 31, 2015 beyond which the Tariff for unmetered category of LMV-1(a) shall be increased by 10%.

5.2.38 The unmetered consumers of LMV-10 category shall be converted into metered consumers by December 31, 2015 beyond which the tariff for consumers under this category shall be same as that of "other metered consumers" under LMV-1 category as detailed in the Rate Schedule provided subsequently in this Order.

From the facts and Hon'ble Commissions Orders stated above it appears that the licensees are not listening to the repeated directives of Hon'ble Commission. If this situation in power starved and loss incurring Discoms is not corrected in 16 long years, we have our doubts as to when to put an end to this irregularity.

We therefore request Hon'ble Commission to take a strict action not to allow supply of unmetered electrical supply to any category of the consumers.

K) Regulatory Surcharge

Allowing Regulatory surcharges encourages inefficiencies in DISCOM's. Moreover, in this system, the consumers are required to pay for the previous year's accounts of the licenses which is not justified.

It is a proven fact that the revenue losses incurred by the DISCOMs are mainly due to very high T&D losses and collection inefficiency. In both the cases Govt of Uttar Pradesh is also involved. As such putting the burden of Regulatory Surcharge on consumers for previous years' losses of DISCOMs is not justified. Such losses if at all are to be compensated, should be done by the Government directly.

L) Fixed/Demand Charges in case of LMV-6 Category Consumers

Fixed Charges in case of LMV-6 consumers are proposed on contracted load in the tariff proposals / rate schedule. Whereas the actual demand of LMV-6 consumers keeps on varying depending upon the load requirements.

In HV-2 category tariff the demand charges are payable on the basis of actual demand recorded with a minimum billable demand of 75% of the contracted load. This system of billing for HV-2 is genuine / rational and should be made applicable to LMV-6 consumers as well.

AFFIDAVIT

I, D.S.Verma, aged about 62 years S/O late Shri S.R.Verma employed in Indian Industries Association, Vibhuti Khand Gomati nagar, Lucknow do solemnly affirm and say on oath as follows:

1. That I am the applicant / objectioner in the above matter and am duly authorised to make this affidavit on behalf of the Indian Industries Association.

2. That the statements made by me in the application / objections are true to my personal knowledge and belief.

Lucknow Deponent
Dated: 29th April 2016 (D.S. Verma)

Verification

I the above deponent do hereby verify that the contents of para 1 and 2 of this affidavit are true to my personal knowledge. No part of it is false. So help me God.

Lucknow Deponent
Dated: 29th April 2016 (D.S. Verma)