BEFORE THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION, LUCKNOW.

IIA Reference No: 3/UPERC/11926

Date: 9th April 2015

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 2015-16.

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 industries (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 2015-16 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) The last revision of tariff including regulatory surcharge for retail consumers had been implemented only in the month of Oct 2014 and as per electricity act 2003 revision of tariff before completion of 12 months is unjustified.

(B) The ARR FY 2015-2016 submitted by UPPCL on behalf of DISCOs may be rejected on the ground that accounts of DISCOMs of previous years have not been audited. There are no estimates/projections notified to the public about expenses and incomes.

(C) DISCOMs and more specifically KESCO had been violating the orders of UPERC more often. This was pointed out to the Hon'ble Chairman UPERC by IIA representatives during public hearing In Kanpur on 04th July 2014. The most serious violation by KESCO is non-implementation of T.O.D. pattern of Billing for industrial consumers under LMV-6 who are compelled to pay extra tariff of 20 paise for every unit of energy (KWH). Several crores of rupees have been collected since tariff revision with effect from 01 Nov 2012. Even erstwhile M.D. KESCO had promised to the respected commission in public hearing Dated 04th July 2014 that T.O.D. Billing would start from billing cycle of the month of August 2014 but nothing is still done. It is suggested that KESCO need to be disciplined with heavy penalties' including refund of extra amount with interest rate @18% to the respective industrial consumers.

(D) Clause-16 on page no-6 to withdraw demand benefit to consumers having contracted load of 10 KW is unjustified particularly for those who are using demand side management techniques.

(E) In the last meeting of UPERC in Kanpur dated 05 July 2014 it was assured by the Hon'ble Chairman that the tariff revisions' in future shall be based on standards of performance of licensees. We observed that the current proposed revision under consideration by UPERC is not at all based on performance of DISCOMs. For example in KESKO there is no performance audit which can show any improvement in their performance. Moreover, consumers have not been given any easy method of their grievance redressal. DISCOMs are also not paying compensations for sub standard performance which as per the commission order in the Distribution Code is to be compensated automatically.

(F) Although licensees are to submit compliance audit of performance every quarter and liability index in prescribed format to UPERC but to the best of our knowledge nothing appears to be effective . Even the directives of the Hon'ble Chairman UPERC in last public hearings at various places bto DISCOMs that there should be control on line loses, distribution service quality etc are not being complied .

(G) It has been learnt through press report that UPPCL has requested UPERC to increase regulatory surcharge by nearly 3 to 4 times. If UPERC is considering such type of request it will burden the industries too heavily and will prove to be the last nail on their coffin .

(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>

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 vode 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 High 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.***

(I) Time of Day (TOD) Tariff.

The TOD Tariff proposed is highly impractical and will not serve any purpose. It is not possible for industry especially Micro, Small & Medium Industries to shift its manufacturing away from the time slot 9:00 hours to 13:00 Hours slab which is mid of the day. The workers in MSME generally prefer to work during the day time. MSME Units therefore will be forced to run their operations during the day only. Hence this will not serve the purpose of flattening the load as is envisaged in the ARR & Tariff Proposal. Moreover, it will only create extra financial burden to MSMEs. This proposal is also contrary to the Government claim to make electricity available to industries for 24 Hours.

The proposal of TOD hours and the way it has been proposed is an indirect way to increase the rate of Electricity consumption.

We therefore strongly object to peak hour tariff proposed for winter season (Oct to Mar) between 9:00 Hours to 13:00 Hours. Hon'ble Commission may not accept this tariff. On the other hand the incentive and disincentive for off peak hours and peak hours should be the same i.e. -/+ 7.5%.

(J) Power should be charged on energy units consumed only :

The ARR on Page no. 48 mentions that the national tariff policy, 2006 focus on introduction of two part tariff and TOD tariffs as it would result in flattening the peak and implementing various energy conservation measures. Clause 8.4.1 of the national tariff policy, 2006 defines the tariff components and its applicability as follows:

> *"Two parts tariff featuring separate fixed and variable charges and time differentiated tariff shall be introduced on priority for large consumers (say consumers with demand exceeding 1MW) within one year……."*

The two part tariff as well said in national tariff policy is justified for loads above 1MW (Large Consumers) because the supply to such consumers are on continuous basis and the fixed charges levied are well distributed on energy units consumed in 24 hours a day.
In SME's (Loads of LMV6 and HV2 Loads) supply of power is hardly 12-14 hours a day.
Moreover supply hours and production hours does not match. So fixed charges levied are distributed on energy units consumed in only 4-6 hours per day which drastically increases effective tariff rates of electricity applicable to LMV 6 and HV2 consumers.
Hence the fix charges part of tariff for LMV 6 and HV2 consumers should be abolished and power should be charged on energy units consumed only.

(K) Two Slabs of Tariff:-

Introducing two slabs of tariff that is rates up to 1000 units and highly increased rates above one 1000 units are mere eyewash and unrealistic because almost all consumers of LMV 6 and HV2 consumers consumes more than 1000 units which is too small a number for an industrial consumers. Hence almost all industrial consumers are billed on higher slab of tariff which is abnormally too high.

Therefore two slabs of tariff should be converted into single slab tariff as in the previous year or the mark of 1000 units in first slab should be increased reasonably to match the average consumption of LMV 6 and HV2 consumers.

(L) Burden of cross subsidy on LMV-6 & HV2 consumers:

Kindly refer to the table on page no 53 of ARR table shows that average revenue per unit % of ACOS is proposed to be increased from 112% to 117% in 2015-16 resulting in increase of unit rates for LMV 6 and HV2 category. Already SME's are reeling under the pressure of cross subsidy. SME's which generate maximum employment should not be burdened excessively to benefit the other segments.

This increase in burden of cross subsidy on LMV 6 and HV2 consumers should not be allowed.

(M) Proposed hike in Energy Charges of LMV-6 & HV-2 Categories

The proposed hike in Energy Charges for LMV-6 and HV-2 categories is not justified because of the following reasons:

- Line losses on the distribution transformers feeding supply to HV-2 & LMV-6 consumers are very low. Electricity bills are paid by LMV-6 & HV-2 categories promptly. Still these categories are burdened with cross subsidy for those who are indulged in use of free electricity legally / illegally and are not making payments of the electricity bills in time / at all.

- Due to substantial increase in Energy Rates, Electricity duty and regulatory surcharges in the past , electricity consumption rates in U.P compared to neighbouring states are already high. Further increase in the rates will worsen the situation.

- Due to high rates of Electricity in U.P large number of Industries in U.P are not able to stand in the competition and are either closed or are at the verge of closure. Typical example is of Steel Industries in U.P. More than 58 steel industries in western U.P whose data is available with Indian Industries Association are either closed or are on the death bed. This has already caused the problem of unemployment, loss of govt revenue , wastage of capital cost and acute miseries for the concerned entrepreneurs.

- LMV-6 category of consumers who are mainly Micro, Small and Medium power consumers were subjected to a steep hike in the tariff of more than 40% during past two years. Simultaneously, Government of U.P. also hiked the electricity duty which has put extra burden on them. These consumers have to face many other odds in order to survive. The contribution of this sector in Socio-economic development of the Nation as well as the state is next to agriculture. This fact has also been recognised by Hon,ble Prime Minister recently while inaugurating MUDRA. Hence, consumers of this category are required to be spared from the load of any kinds of cross-subsidies / further tariff hike.

Hence we strongly object to the proposed increase in the energy change for LMV-6 and HV-2 categories. Hon'ble Commission may therefore not accept the proposal to increase the energy charges for LMV-6 and HV-2 categories.

(N) Un-metered supply of Power to any consumers should be stopped:

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 tarrif for unmetered categories shall be discontinued." We request Hon,ble Commission to take a serious view on this this time since the unmetered supply is still being given.

In this regard we also reiterate our objections submitted last year as under:

"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.

Not only in the Tariff Order of 2013-14 but in the past since 2000-01, Hon,ble Commission has been issuing such orders. For example 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.

Even after 15 years the practice of Un- metered supply is continuing. Hence, Hon,ble Commission may kindly put a full stop to this practice now.

(O) Regulatory Surcharge

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.

(P) Anomaly in KVAH & KWH Billing

Hon,ble Commission have allowed >0.95 to 1 Power factor to be considered as acceptable load condition. As such within this range of Power Factor the KVAH and KWH billing should be same. But the meters provided by DISCOMs are not designed so. Hence within this range the KVAH reading is higher than the KWH reading. As such Hon'ble

Commission may consider giving directions to DISCOMS to raise the bills on the basis of KWH reading instead of KVAH.

(Q) Fixed/Demand Charges

It is submitted that where TVM Meters/Electronic meters are installed and maximum demand is recorded, the fixed/demand charges should be applicable @ 75% of the contracted load or maximum demand recorded which ever is higher. We are proposing this because generally consumers apply for loads much more than their actual consumption and have to pay unnecessarily for excess contracted load.

(R) Subsidised power supply to BPL Families in U.P

In Uttar Pradesh BPL families are given subsidised power @ 150 Units / KW load which is too high compared to other states where 50 Units are free and thereafter normal tariff applies to BPL Families. 150 Units power consumption per month is too high for any BPL family. Hon,ble Commission may like to regulate this subsidy reasonably.

AFFIDAVIT

I, D.S.Verma, aged about 61 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
Dated: 9th April 2015

Deponent
(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
Dated: 9th April 2015

Deponent
(D.S. Verma)