

HARYANA ELECTRICITY REGULATORY COMMISSION
BAYS NO. 33-36, SECTOR 4, PANCHKULA

DATE OF HEARING: 30.4.2009

DATE OF ORDER: 18/06/2009

In the matter of Petition filed by UHBVNL vide Memo No. ch-44/GM/RA/N/F-25/Vol. XXI dated 14.1.2009 under clause No. 78 (2)(c) of chapter VI of Conduct of Business Regulation 2004 seeking review and/or modification of the order dated 20th November 2008 issued by the Commission in respect of Annual Revenue Requirement for Distribution and Retail Supply Business for FY 2008-09 of UHBVNL.

PRESENT	Sh. Bhaskar Chatterjee, Chairman
	Sh. T.S. Tewatia, Member
On behalf of UHBVNL	Sh. R.K.Sangwan, CGM/ Admn
	Sh. R. K. Garg, GM/ RA

The Haryana Electricity Regulatory Commission (Conduct of Business) Regulations, 2004 provides for review of the orders of the Commission as given below:

“78 (1) Within 30 days after making any decision, direction or order, the Commission may on its own motion or on the application of any party or person concerned review any decision, direction or order against which an appeal has been referred for the reasons set forth in sub-regulation (2) below.

(2) The Commission may review its orders or decisions if:

(a) there exists an error apparent on the face of the record; or

(b) any new and important matter of evidence was discovered which after the exercise of due diligence, was not within the knowledge of or could not be produced by the party concerned at the time when the order or decision was made; or

(c) for any other sufficient reason. “

The review sought does not fall within sub regulations 2 (a) and (b). The Commission has therefore considered the instant review petition under sub regulation 2 (c) of regulation 78.

Relief sought by the petitioner is set out as given below:

1. The licensee has sought review against the Commission's order directing the utility to reduce losses by an additional 1% over and above the proposed loss target of 26% in order to generate additional revenue of Rs.52.2 crores, resultantly depriving the Nigam of additional RE subsidy on account of sale to the agriculture tube-well consumers.
2. UHBVNL has submitted that computation of revenue from efficiency gain has been done by the Commission by considering the saving/loss reduction from both agriculture and non-agriculture category but sale of these saved units (138 MU) has been considered only to non-agriculture category to arrive at a figure of 52.2 crores. UHBVNL submits that the methodology needs re-examination from the Commission as it is not realistic to assume that the units saved by reduction of losses in agriculture category could be entirely transferred to non-agriculture category.
3. UHBVNL has commented that the Commission has been calculating higher sales to HT consumer category than the licensee estimates which in turn are already far less than the actual revenue based on actual consumption. This has resulted in fewer subsidies from the State Government to the licensee.

The review sought may thus be summarized as below:

1. Whether the additional loss reduction target of 1% set by the Commission has any adverse impact on the RE subsidy to be paid by the State Government?
2. Whether the sale of additional units of electricity available on account of loss reduction is rightly allocated to non agriculture consumers?
3. Whether the estimation of sale to HT consumer category is accurate?

Order:

1. Whether the additional loss reduction target of 1% set by the Commission has any adverse impact on the RE subsidy to be paid by the State Government?

The Summary of the approved ARR given on page 49 of the Commission's order under review clearly establishes the fact that the RE subsidy is calculated before calculation of the impact of loss reduction target. The gap between revenue and cost to serve of agriculture tube-well consumers in Haryana in FY 2008-09, as per Commission estimates, based on the approved Annual Revenue Requirement amounting to Rs. 23,593 millions, has been considered as agriculture subsidy payable by the State Government. Consequently, the Commission having determined the optimum sales volume to the agriculture tube-well consumers based on Annual Load Factor (ALF) and hence running hours of the tube-wells could not have allocated any additional sales to this category out of power available on account of additional 1% distribution loss target. Resultantly the question of any additional subsidy does not arise. The correlation established by UHBVNL between 1% reduction in distribution losses and loss of additional subsidy is misplaced. The Commission therefore rejects the review sought by UHBVNL on this issue as devoid of merit.

2. Whether the sale of additional units of electricity available on account of loss reduction is rightly allocated to non agriculture consumers?

The sale volume for agriculture tube-well consumer category is calculated on the basis of ALF of the metered tube-well consumers and consequently hours of supply per pump per day is arrived at for the metered category and the same is applied to the projected connected load of the un-metered category to arrive at projected sales volume. Any additional availability of power on account of distribution loss reduction would therefore have no impact on the sale projections of the agriculture tube - well consumers and hence the additional power would necessarily be allocated to consumer categories other than agriculture. The Commission has commented on the quality of data of agriculture pump-set sales in its order dated 20th November, 2008 that, "...the rising trend started from FY 2002-03 and peaked in FY 2006-07. This compelled the Commission to scrutinize the underlying ALF data of the metered agriculture consumption which forms the basis of projecting un-metered agriculture tube - well consumption. The Commission pointed out quite a few in -consistencies in the data and hence froze the running hours of the unmetered category in FY 2007- 08 till authentic field data including those from the segregated agriculture feeder is made available. In the absence of such authentic data, the Commission is constrained to continue its existing methodology of estimating sales for the purpose of ARR". It is therefore evident that the Commission is already seized with the issue of accurate quantification of power flowing to the agriculture tube -well consumers as nearly two third of the supply is un-metered. Thus in the absence of any other alternative the Commission continued with its earlier methodology in vogue since FY 2001 for assessing consumption of the agriculture tube -well consumers.

UHBVNL has achieved considerable progress in segregating 11 KV agriculture feeders. Thus as and when data emanating from the segregated feeders are submitted to the Commission, a fresh view shall be taken on the volume of sales to the agriculture tube –well consumers eligible for RE subsidy committed by the State Government. Meanwhile the order under review clearly mentions the basis of calculation of power supplied to agriculture tube well consumers. Hence it is reiterated that additional availability of power on account of lower losses will neither change the hours supplied nor the ALF of the metered tube-well consumers and thus would not impact the calculation of sale to the unmetered tube-well consumers. Resultantly, the sale volume to the agriculture tube-well consumers will not undergo any change. Thus the Commission finds no merit in the review petition of UHBVNL on this issue and rejects the same as devoid of merit.

3. Whether the estimation of sale to HT consumer category is accurate?

The estimation of consumer category wise sales, except agriculture, is first done on the basis of ALF and connected load projected on the basis of CAGR of consumer category-wise past data on sales volume and connected load on the demand side. On the supply side, availability from different sources is worked out after adjusting for Transmission and Distribution losses to arrive at net available sales to the Distribution Licensees. Any additional volume i.e difference between the net available units for sale and sales projected on ALF basis is then allocated to all consumer categories except agriculture tube – well consumers in proportion to their percentage in the sale mix. The projection of sales volume to the agriculture pump-set consumers is independent of power availability as has been explained in Para 2 of this order. As adequate running hours are

provided to the tube -well consumers hence no additional volume is allocated to them. The allocation to non agriculture segment is done strictly in proportion and without prejudice to any consumer category. The quantum of sales including HT industry sales is projected on a best estimate basis following a consistent methodology at the beginning of the financial year. Thus the actual consumer category wise sales, which in Haryana, is largely dependent on actual availability of power as well as need driven short term purchases from the market and power regulatory measures adopted by the utilities during the year, may vary vis – a- vis those approved by the Commission. To take care of such exigencies a ‘true up’ mechanism exists in the form of Fuel Surcharge Adjustment (FSA) wherein consumer category wise recovery is based on actual consumer category wise sales on a six monthly basis. It would thus be evident that HT consumers are not treated separately and therefore no reconsideration on this point is warranted.

In view of the points explained in the preceding paragraphs the review petition is rejected as being devoid of merit.

This order is signed, dated and issued by Haryana Electricity Regulatory Commission on 18th June 2009.

Date: 18/06/2009
Place: Panchkula

T.S. Tewatia
Member

Bhaskar Chatterjee
Chairman