

**THE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION
SHIMLA**

Petition No. 36/2015

IN THE MATTER OF –

Petition under regulation 14 of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 for approval of Schedule of Service Connection Charges, containing normative rates of Infrastructure Development Charges to be recovered under sub-regulation (2) of Regulation 5 of the said Regulations.

**CORAM
SUBHASH C. NEGI
CHAIRMAN**

ORDER

The Commission notified HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 (herein after referred to as “the said Regulations of 2012” for the sake of brevity) vide notification NO.HPERC/419 dated 18.05.2012 which were published in the Rajpatra, HP on 23.05.2012.

2. The Commission vide its orders dated 30.04.2013 and 04.05.2013 made in the matter of petition No. 172/2012 and M.A No. 08/2013 approved the normative rates of Infrastructure charges development (IDC) recoverable under sub-regulation (2) of Regulation 5 of the regulations (ibid). The applicability of said normative infrastructure charges has been extended upto 31.03.2015 vide Order dated 14th July, 2014 in petition No. 89/2014 as per interim order dated 31.03.2015. The IDC rates have further been extended upto FY 2015-16 till the disposal of the petition No. 36/2015.
3. The sub-regulation (2) of Regulation 5 of the said Regulation of 2012 inter alia provide that the distribution licensee shall recover the expenses in the shape of infrastructural development charges at the normative rates and associated terms and conditions, as may be approved by the Commission

for the various slabs and categories based on the connected load or contract demand and /or supply voltages and /or nature of loads and /or geographical areas and /or tariff classification. As per various other provisions of the said Regulations of 2012, certain other expenses/charges etc. are also recoverable in addition to the aforesaid Infrastructural Development Charges. The first proviso of sub-regulation (1) of regulation 14 of said Regulations of 2012, provides that the distribution licensee shall also file the schedule of service connection charges alongwith every application for determination of tariff under section 64 of the Electricity Act, 2003.

4. The HPSEB Ltd., filed petition vide their petition no. 36/2015 and MA No. 74/2015, under regulation 14 of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 for approval of Schedule of Service Connection Charges, containing normative rates of Infrastructure Development Charges to be recovered under sub-regulation (2) of Regulation 5 of the said Regulations of 2012. On the directions from the Commission, the HPSEB Ltd. published the said proposal in the abridged form by way of insertions in the two news papers i.e. “Amar Ujala” and “The Tribune” on 23rd April, 2015 and again on 26th April, 2015 in the newspaper i.e. “Hindustan Times and “Divya Himachal”. The full text of the petition was also made available on the website of HPSEBL. The abstract of salient features of the proposal/petition as published by HPSEBL are as under:

Proposal Submitted by HPSEBL for approval of Normative Charges to be Collected from various Category of Consumers for the year 2015-16

Sr. No.	Range of Connected Load (in kW) & Contract Demand (kVA)	Category of Consumers	Normative Rates as Approved by HPERC till 31.03.2015 (Vide order dated 14.07.2014 in Case No. 89/2014)	Normative Rates Now Proposed
1	2	3	4	5=(4+0.056*4)
Normative rates of infrastructure Development Charges for Applicants under single part tariff.				
i)	Upto 5 kW	Domestic Supply	Nil	Nil

		BPL		
ii)	For others (not covered in (i))			
A)	Upto 5 kW	All Single Part Tariff users except Sr. No. i)	Rs. 50/- per kW	Rs. 52/- per kW
B)	5 kW to 10 kW	All Single Part Tariff users except Sr. No. i)	Rs. 100/- per kW	Rs. 106/- per kW
C)	10 kW to 20 kW	All Single Part Tariff users except Sr. No. i)	Rs. 250/- per kW (or part thereof) by which the connected load exceeds 10 kW.	Rs. 260/- per kW (or part thereof) by which the connected load exceeds 10 kW.

Sr. No.	Range of Connected Load (in kW) & Contract Demand (kVA)	Category of Consumers	Normative Rates as Approved by HPERC till 31.03.2015 (Vide order dated 14.07.2014 in Case No. 89/2014)	Normative Rates Now Proposed
1	2	3	4	5=(4+0.056*4)
Normative rates of infrastructure Development Charges for Applicants under single part tariff.				
i)	For the first 30 kVA of contract demand	All categories of Consumers per kVA on Contract Demand	Rs.300/- per kVA (or part thereof) of the contract demand.	Rs.315/- per kVA (or part thereof) of the contract demand.
ii)	For the next 20 kVA of contract demand	All categories of Consumers per kVA on Contract Demand	Rs. 500/- per kVA (or part thereof) by which the contract demand exceeds 30 kVA.	Rs. 530/- per kVA (or part thereof) by which the contract demand exceeds 30 kVA.
iii)	For the next 50 kVA of contract demand	All categories of Consumers per kVA on Contract Demand	Rs. 1000/- per kVA (or part thereof) by which the contract demand exceeds 50 kVA.	Rs. 1050/- per kVA (or part thereof) by which the contract demand exceeds 50 kVA.
iv)	For the balance contract demand, if any,	All categories of Consumers per kVA on Contract Demand	Rs. 2000/- per kVA (or part thereof) by which the contract demand exceeds 100 kVA.	Rs. 2100/- per kVA (or part thereof) by which the contract demand exceeds 100 kVA.

The per kVA cost has been worked out at each load range and voltages by applying demand factor /utilization factors on the works envisaged. The above petition is to envisage recovery of the above service connection charges from the consumers to whom the connections shall be released after approval of proposed charges, by the Commission.

5. Subsequently, the HPERC also issued a public notice inviting objections/ suggestions on the aforesaid petition No. 36/2015 by way of insertions in the two news papers i.e. “The Tribune” and “Divya Himachal”. The stakeholders were requested to file their objections/ suggestions by 30th May, 2015 to HPSEBL.
6. The comments/suggestions were received from the following stakeholders:-

Sr. No.	Name of the Stakeholders	
i)	Confederation of Indian Industry (CII), (Northern Region), Sector-31A, Chandigarh.	Represent ed jointly.
ii)	Baddi Barotiwala Nalagarh Industries Association, C/o Single Window Clearing Agency, Industrial Area, Baddi, Distt . Solan (BBNIA).	
iii)	Parwanoo Industries Association (PIA), HPCED Building, Deptt of Industries Complex, Sector-1, Parwanoo. Distt Solan.	
iv)	Nalagrah Industries Association, Nalagarh(NIA).	
v)	Himachal Chamber of Commerce & Industry, Chamber House, Paonta Sahib, Distt. Sirmour (HCCI)	
vi)	Himachal Pensioners Kalyan Sangh, H. No. 70, Thakur Lodge, Sultanpur, Distt Kullu (HP).	
vii)	Kamlesh Thakur, Thakur Niwas, Sultanpur, Distt. Kullu (HP)	

7. The gist of comments received from the above stakeholders and the itemwise replies given by HPSEBL vide MA No. 78/2015 are briefly given as under :

Comparative statement of Stakeholder’s Comments/Suggestions and reply of HPSEBL on the proposal for schedule of service connection charges (excluding service line charges) as per IDC Regulations, 2012.		
A	Indian Industry (CII), Baddi Barotiwala Nalagarh Industries Association (BBNIA), Parwanoo Industries Association(PIA), Nalagrah Industries Association (NIA) and Himachal Chamber of Commerce & Industries (HCCI)	Reply of HPSEBL
2.1	The IDC charge is an entry cost for a consumer. Any prospective investors/consumers make their decision to invest on the basis of availability and cost of the infrastructure, may it be electricity infrastructure or any other infrastructure. The State Government at this juncture is	A nominal hike of 5.6% based on the cost data has been proposed keeping in view the interest of the consumers in the State.

	trying hard to invite the new industry to the State, particularly on the trump card of power availability in the State. The cost at which the power infrastructure is made available to the consumers is of utmost importance both to the consumers as well as the State Government.	
2.2	Increase in normative rates of IDC will have negative impact on the growth of the industry in the State. The days of fiscal incentives have finally come to an end. During the regime of fiscal incentives, the consumers did bear the cost, at whatever level it was, because the consumers were eyeing the larger fiscal incentives. At this stage, when GST is about to be introduced in the country, and fiscal incentives have largely been phased out, the state is finding very difficult to attract investment.	Every industry wants uninterrupted power supply throughout the year and to provide the same, HPSEBL needs to invest in its infrastructure for development / strengthening of the system for which nominal hike on the normative rates has been proposed based on the approved cost data.
2.3	Normative rates of IDC must be fixed at a rate which is lower than the neighboring States in order to attract the investment in the State. In our view, the IDC charges should be brought down to a level of Rs. 1100/kVA. The objectors are making this suggestion to reduce the IDC charges on the basis that the balance cost may be capitalized to form a part of the tariff by way of interest and depreciation cost in the ARR, thereby not incurring overall loss to the petitioner.	Neighboring states have different regulations and the same cannot govern fixation of IDC in Himachal Pradesh which are governed by Hon'ble HPERC regulations No. 419 (Recovery of expenditure for supply of Electricity), Regulations 2012. The Normative rates proposed are strictly as per these regulations.
2.4	The IDC is chargeable repetitively, as and when the consumers keep opening and closing their businesses. So, the factor of multiple recoveries from the same infrastructure when it changes ownership etc. in the normal course of business, must be kept in mind while deciding the IDC charges.	The charges are governed by the HPERC regulations 419/2012 and HP Electricity Supply Code, 2009 and HPSEBL collects these charges as per the provisions contained in these regulations and supply code.
2.5	In the period when the inflation is declining, the claim of the petitioner to increase the cost is not maintainable.	The hike is based on the cost data, approved by Hon'ble HPERC, which is compiled by taking into consideration procurement cost of items/equipments on year to year basis.
3	Specific Objections	
3.1	The petitioner has specifically mentioned in the Public Disclosure Statement published in the newspapers, the words PIU. The respondent should use the words "Special Category Loads" as have been mentioned in the latest Supply Code. The objectors have	The word "PIU" was inadvertently written in the Public Disclosure and same shall be corrected as per HP Supply Code First amendment Regulation, 2014 and relevant tariff order.

	objection to use of PIU at item number (D) of the table in the public disclosure. Also, the petitioner has used the words “furnace/rolling mills” at serial number (C) of the same table. The petitioner is in the habit of categorizing rolling mills also synonymously with induction melting furnace. The rolling mill load in no way falls under the special category load as defined in the Supply Code.	However, the “furnace / rolling mills” are under Special Category Load as notified by GoHP in Single Window meeting.
3.2	The petitioner has also erred in specifying the 100 kW as ceiling limit for induction furnace, whereas the limit for such load in the supply code has been specified at 750 kW at 11 kV.	The inadvertent mistake is regretted, ceiling for induction furnace is 750 kW at 11 kV as per HP Electricity Supply Code First Amendment Regulation, 2014.
3.3	The average length of 11 kV outgoing line has been taken as 33 km while arriving at the cost, which is much less in actual. The industrial consumer density has grown over the years in the industrial areas and the average length in the industrial areas must be taken into account, when calculating the IDC for industrial consumers.	The average length of 11 kV outgoing line has no relevance in the proposed Normative rates as Hon’ble Commission vide its earlier order has fixed the normative rates based on total load in the system and discarding the aspects of line length and feeders which were resulting in exorbitant high Normative rates.
3.4	Similarly, the average length of outgoing and incoming lines must be estimated on the basis of average length in the industrial area feeders and not for the entire state.	The average length of 11 kV outgoing line has no relevance in the proposed Normative rates as Hon’ble Commission vide its earlier order has fixed the normative rates based on total load in the system and discarding the aspects of line length and feeders which were resulting in exorbitant high Normative rates.
3.5	Departmental Charges have been taken at 11% in the calculations, which are very high as most of the time, the department is outsourcing the works to contractors. Also service tax has been taken into estimates at the applicable rates. It may be noted that the petitioner does not provide a proper bill under the service tax law to the consumer, so that he can avail the credit of service tax, Service Tax should not be allowed unless it is provided as Service Tax Creditable Invoice to the industry.	In accordance with the provisions made under Regulation 17 of HPERC/419 Regulations of 2012, the provision of 11% Department charges is there in case the work is to be got executed by the licensee and in case of mutual understanding the works are to be executed by the applicant or consumer, thus 6.25% departmental charges are applicable.

8. Himachal Pensioners Kalyan Sangh, H. No. 70, Thakur Lodge, Sultanpur, Distt Kullu (HP) and Shri Kamlesh Thakur, Thakur Niwas, Sultanpur,

Distt. Kullu (HP) in response to public notice (referred in para-5) have represented against the high Tariff rates of State utility duly approved by the Commission and have also raised other issues like monthly consumers service charges etc. The Commission finds that the issues raised by these stakeholders are not the subject matter of Public Notice issued on 02.05.2015.

9. The Industrial Associations vide MA No. 74/2015, interalia, have also requested the Commission, to keep the IDC at a lower level in the interest of the growth of the industry in the State. It has also been suggested that these rates should be reduced. The rates were fixed at reasonable level in FY 2012-13 after duly taking into account the concerns expressed by the industries. No increase has been made in the last three years, as such, the Commission, does not find any merit in the suggestion from the objectors to reduce the rate of IDC.
10. The Commission observes that the HPSEBL has proposed an increase of only about 5-6%, on the existing rates of IDC. This may fetch additional amount of about Rs.1.0 crore during the current financial year, most of which may be contributed by new industrial consumers. This amount is very nominal as compared to the funds already available with HPSEBL for the CAPEX works. The Commission feels that since the growth in industrial connections is already very low, the increase in rates of IDC at the present stage may only prove to be counter productive for the growth in industrial connections and that too without any material addition in receipts. The Commission therefore finds it appropriate to keep the rates of IDC unchanged at present. The proposal based on the updated cost data can however be considered alongwith tariff for FY 2016-17. It is also worth mentioning that the revised rates as per the latest cost data shall automatically be applicable for recovery of the cost of service line and there shall not be any shortfall of receipts on this account. The Commission expects HPSEBL to carry on the CAPEX works expeditiously as there is no dearth of funds for the purpose and the Commission has been quite liberal

in allowing funds for this purpose and in view of above, the Commission decides to extend the present rates of IDC and associates conditions as notified vide its order dated 31.03.2015 till 31.03.2016 and the petition No. 36 of 2015 is disposed of accordingly.

The HPSEBL i.e. the distribution licensee shall accordingly take necessary action to implement these orders.

Date: 16.07.2015

Sd/-
(Subhash C. Negi)
Chairman