

PRESS NOTE

Electricity Tariff Order

HP Electricity Regulatory Commission (**Commission**) **has approved the Annual Revenue Requirement (ARR) of HPSEBL for a five year period of 2014-15 to 2018-19** for electricity distribution business in Himachal.

Commission has **adopted 5-year tariff period so as to provide better regulatory certainty, longer-term performance parameters, perspective plan and visibility of tariff.** Based on revenue requirements and revenue/income projections, the Commission has also determined the tariff for 2014-15, and based on this tariff, the revenue realisation and net revenue gap for the next 4 years i.e. FY 16 to FY19 have also been approved.

Tariff of 2013-14 shall continue to be applicable up to 31.07.2014 and the **revised tariff now approved shall be applicable from 01.08.2014 to 31.03.2015** or as extended further.

Highlights of the Tariff order are as under:-

- (1) **There is no increase in tariff for any category** in the revised tariff for 2014-15.
- (2) **In the process of tariff rationalization and redesign, tariff for certain categories has been reduced ranging up to 30 paise per unit.**
- (3) **No tariff increase will be necessitated during the remaining four years** i.e. 2015-16 to 2018-19 also, as based on current estimates.
- (4) Total **revenue requirement approved for the 5 years is Rs.24,552 Crs.** of which Rs. 4,543 Crs is for 2014-15, for supply business (excluding generation and projects).
- (5) In addition **Rs. 2,220 Crs. have been approved for capital expenditure for works**, of which Rs. 430 Crs. is for 2014-15. These are meant for new lines, sub-stations, transformers, poles, meters etc., as well as for augmentation of existing ones.
- (6) Income approved for **5 years is Rs.25,415 Crs**, of which Rs. 4,544 Crs is for 2014-15.
- (7) **Net revenue surplus during 5 years is Rs. 863 Crs.**, including Rs. 1.54 Crs in 2014-15.
- (8) Year-wise revenue expenditure and income approved by Commission is as under:-

	FY15	FY16	FY17	FY18	FY19
Total revenue expenses (Rs. in Crs.)	4,543	4,389	4,718	5,196	5,707
Total income (Rs. in Crs.)	4,544	4,760	5,051	5,371	5,689
Net surplus/deficit (Rs. in Crs.)	+1	+371	+333	+175	(-)18

- (9) Ratio of costs components in ARR:

	2014-15	Total FY15-19
Power purchase cost	64 %	61%
Employees cost	29%	30%
Other costs (interest, depreciation, return on equity etc.)	7%	9%

MAJOR CHANGES IN TARIFF:-

1. Domestic Category:

Existing tariff				Revised Tariff	
Slab	Service charges (Rs. Per Month)	Electricity Charges (Rs. Per unit)	Subsidised Electricity charges with Govt. Subsidy (Rs. Per unit)	Revised slab Tariff	Electricity Charges (Rs. Per unit)
0-40 lifeline consumer	30	2.85	1.00	0-60 lifeline consumer	No. change in Tariff
0-125	40	3.50	1.30	0-125	
126-250	40	4.40	2.70	126-300	
Above 250	40	4.70	3.95	Above 300	

Impact on consumers:-

Lifeline consumer i.e. small consumers particularly BPL, poor and remotely located, where consumption up to 60 units per month will be adequate for essential use of five CFLs, one fan, TV and recharge point, ironing and occasional water heating, those consuming 41 to 60 units, who were earlier paying higher, will now pay Rs.10/- per month less for service charge and 65 paise per unit less (subsidized 30 paise less) for additional 20 units also. Similarly consumers who are consuming 251 to 300 units and paying higher will now be in lower category paying less for additional 50 units also by 30 paise (subsidized 125 paise less).

2. Non Domestic & Non commercial Supply (NDNCS)

Existing energy charges		Revised energy		
Slab	Electricity charges (per unit/ per kVAH)	Slab	Electricity charges (per unit/ per kVAH)	Difference
up to 20 KW	5.00	Up to 20 KVA	4.70	(-30 paise)
above 20 KW	4.60	Above 20 KVA	4.40	(-20 paise)

Impact on Consumer

This Tariff of NDNCS category applies to Govt/semi Govt. offices, educational and sports institutions including hostels, Mahila Mandal, Panchyat Bhawan, Religious Places, Sarai, Dharmshala etc. The energy charges of this category have been reduced by 20 to 30 paise per unit. Due to change in two part tariff applicability from KW to KVA, previous consumer who were up to 50 kW in many cases and paying higher due to demand charge of 120 will now shift to up to 20 KVA slab and pay less. In addition service charge of Rs. 140 for consumers above 20 KVA has been abolished.

3. Commercial Supply (CS)

Existing energy charges		Revised energy		
Slab	Electricity charges (per unit/ per kVAH)	Slab	Electricity charges (per unit/ per kVAH)	Difference
up to 20 KW	5.25	Up to 20 KVA	4.95	(-30 paise)
above 20 kW up to 100 kW	4.85	Above 20 KVA up to 100 kVA	4.70	(-15 paise)
Above 100 kW	4.75	Above 100 kVA	4.60	(-15 paise)

Impact on Consumer

This tariff is applicable to commercial premises such as shops, business houses, cinemas, clubs, banks, private offices, private hospitals, hotels/ motels, restaurants, private rest/ guest houses, lodging and boarding houses etc. The energy charges in this category have been reduced by 15 paise to 30 paise per unit. Due to change in two part tariff applicability from KW to KVA, many consumers with connected load above 100 kW and contract demand less than 100 kVA will be shifted to lower slab and will have to pay lower demand charges. The demand charges for consumers in category of above 20 kVA to 100 kVA has been reduced by Rs. 10 per month. The service charge for consumers with contract demand above 20 KVA has been abolished.

4. Industrial

(a) Small and Medium Industrial Power Supply

Impact on Consumer:

Two separate categories of Small Industrial Power (SIP) with contract demand upto 50 kVA and Medium Industrial Power(MIP) with contract demand above 50 kVA to 100 kVA have been carved out of the earlier Small and Medium Industrial Power Supply (SMS) category. Though tariff has not been changed, many consumers in this category with connected load above 100 kW and contract demand below 100 kVA will be benefit as they will have to pay lower demand charges. The service charges for two part tariff consumers have been abolished. Peak load restrictions have been removed and charges for usage during peak hours have been reduced. Night time concession during summer months of June to August has been increased.

(b) Large Industrial Power Supply :-

Existing energy charges		Revised energy	
Slab	Electricity charges (per kVAH)	Slab	Electricity charges (per kVAH)
EHT	4.05, 4.30	EHT	4.10

HT1 (upto 1 MW)	4.50, 4.75	HT1 (upto 1 MVA)	4.50
HT2 (Above 1 MW)	4.15, 4.40	HT2 (Above 1 MVA)	4.20

Impact on Consumer:

This tariff is applicable to industrial consumer with contract demand above 100 kVA. To propel the manufacturing sector, the higher energy charges for all categories for above 300 kVAh/ kVA have been abolished and the effective tariff of this category has been reduced by up to 10 paisa per kVAh. The service charges for two part tariff consumers have been abolished. The peak load restrictions have also been removed and charges for usage during peak hours have been reduced. Night time concession during summer months of June to August has been increased.

5. Irrigation and Drinking Water Pumping Supply(IDWPS):

Existing energy charges		Revised energy	
Slab	Electricity charges (per unit/ per kVAH)	Slab	Electricity charges (per unit/ per kVAH)
Upto 20 kW	3.50	Upto 20 kVA	3.50
LT	4.60	LT	4.60
HT	4.50	HT	4.20
EHT	4.30	EHT	4.00

Impact on Consumer:

This tariff is applicable to water and irrigation pumping, private irrigation loads green houses, poly houses, horticulture, floriculture, fisheries, agriculture and mushroom growing facilities etc. The energy charges under this category have been reduced by up to 30 paise per unit. The demand charges of consumers at LT have been reduced from Rs. 80 to Rs.40 per kVA per month to provide benefit to farmers using water pumps to utilize surface runoff water in rivers/ ponds for agriculture purposes. Service charges of two part tariff consumers have been abolished. Peak load restrictions have been removed and charges for usage of energy during peak hours have been reduced.

Reasons of tariff stability:

The following factors contribute to the tariff stability during these 5 years:-

1. Main source being hydel, power is available at cheaper and stable rates. GoHP has allotted its free and equity power on long term basis.
2. Past liabilities of arrears of pay and pension revisions and power purchase costs have been fully paid during past 3 years tariff increases and hence no carry forward liability.

3. **HPSEBL has commendable achievements** in certain areas like low transmission and distribution losses at 13%, near 100% collection efficiency, universal electrification with metered supply etc. which has consolidated as its organisational strength on sustained basis.
4. Liberal **capital expenditure** plan for capacity and quality enhancement and full **funding of pay and pension** costs, including contingent **surplus for next pay revision in 2016, have been provided** to incentivise employees.
5. Financial Restructuring Programme adopted by HPSEBL recently will improve finances.
6. The Commission has introduced certain Regulatory and governance reform measures which will improve capacities, efficiencies and business volumes.

Reforms Measures:-

Regulatory reforms, those open up the human and network capacities are required to enable the customers to access energy, which is available in plenty, with ease. Increased volume of business will reduce the fixed costs of licensee, particularly the disproportionately high employees cost, to **make tariff affordable for the customers in competitive terms with respect to their investments in businesses, particularly industry. Therefore, reform measures have been introduced to enhance the capacities, improve governance, make doing business easy and to care the customers.** Some of the key reform measures undertaken by the Commission in this tariff order, as well by harmonising and amending relevant Regulations of the Commission, are as under:-

1. **As its procurement policy, HPSEBL shall procure green energy, only from within the State**, from hydel sources, to be supplemented by solar and wind sources and will not purchase from thermal and other sources from outside in view of surplus capacities/energy available in the State at cheaper rates, **for energy security on sustainable basis, by being 100% green/clean energy consumer.** Hydel energy being cheaper will enable tariff stability. Cheaper **surpluses can also be used as a powerful commercial tool** for banking or purchases to meet winter deficits.
2. **For assured 24x7x365 supply, peak load restrictions have been removed** and no violations charges are involved for drawl of power during peak hours. **A contingent surplus of about 4% additional power from long term PPA sources**, in addition to estimated demand, has been allowed to be purchased to meet unforeseen situations on real time basis.
3. To free up capacities of the network for drawl of additional power, **connected load limits for supply at various voltages have been increased by more than 50%.**
4. For making operations of tariff transparent, visible and discretion free; **contract demand based tariff classification has been introduced** instead of connected load basis.
5. **Cross subsidisation will be reduced** to reach +10% and -15% level of average cost by 2019, as against $\pm 20\%$ now.
6. To facilitate open access, **T&D losses will be accounted on voltage basis.**
7. Small **Hydro Projects (Renewable) will be charged concessional wheeling cost @ 46 paise/unit**, irrespective of injection voltage and locations.
8. For short-term open access, wheeling cost will be 50% i.e. 23 paise per unit, for consumers paying demand charges.
9. Open Access and Captive consumers have option to buy renewal power from HPSEBL to meet RPP0 by paying a differential price of 75 paise per unit or to purchase RECs.

For any clarification please contact:

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