THE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION, SHIMLA

Petition No. 23/2016

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 Infrastructural Development Charges (IDC) to be recovered under sub-regulation (2) of Regulation 5 of the said Regulations.

CORAM

S.K.B.S NEGI
CHAIRMAN

ORDER

The Commission notified HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 (herein after referred to as "the Regulations of 2012") vide notification NO.HPERC/419 dated 18.05.2012 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 Petition No. 172/2012 and M.A No. 08/2013, approved the normative rates of Infrastructural Development Charges (IDC) recoverable under sub-regulation (2) of Regulation 5 of the Regulations of 2012. The applicability of said normative infrastructure charges had been extended upto 31.03.2015, vide Order dated 14th July, 2014 in Petition No. 89/2014 and extended the normative IDC rates upto 31.03.2016, vide Order dated 16.07.2015 in Petition No. 36/2015.
3. The sub-regulation (2) of Regulation 5 of the Regulations of 2012 inter alia provides 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 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 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 Himachal Pradesh State Electricity Board Limited (HPSEB Ltd.), filed petition No. 23/2016, 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 Regulations of 2012.

5. On the directions from the Commission, the HPSEB Ltd. published the said Petition in the abridged form by way of insertions in the news papers i.e. "Amar Ujala" and "The Tribune" on 13.05.2016 and again in "Hindustan Times and "Divya Himachal" on 16.05.2016. The full text of the petition is also made available on the website of HPSEBL. The salient features of the proposal/petition as published by HPSEBL are as under:-

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] and continued till 31.3.2016 [Vide Order Dated 16.7.2015 in Case No. 36/2015]**	**Normative Rates Now Proposed by HPSEB Ltd.**
1	**2**	**3**	**4**	**5=(4+0.0632*4)**
Normative rates of Infrastructural Development Charges for applicants under single part tariff.				
(i)	Upto5 kW	Domestic Supply-BPL	Nil	Nil
(ii)	For others (not covered in (i) above)			
(A)	Up to 5 kW	All Single Part Tariff users except Sr. No. i)	Rs. 50/- per kW	Rs. 53/- per kW
(B)	Above 5 kW to 10 kW		Rs.100/- per kW	Rs.106/- per kW
(C)	Above 10 kW to 20 kW		Rs.250/- per kW (or part thereof) by which the connected load exceeds 10 kW.	Rs.265/- per kW (or part thereof) by which the connected load exceeds 10 kW.
Normative rates of Infrastructural Development Charges for applicants under two parts tariff.				
(i)	For the first 30 kVA of contract demand	All Categories of Consumers per kVA of Contract Demand	Rs.300/-per kVA (or part thereof) of the contract demand.	Rs.319/-per kVA (or part thereof) of the contract demand.
(ii)	For the next 20 kVA of the contract demand		Rs.500/- per kVA (or part thereof) by which the contract demand exceeds 30kVA	Rs.531/- per kVA (or part thereof) by which the contract demand exceeds 30kVA
(iii)	For the next 50 kVA of the contract demand		Rs.1,000/- per kVA (or part thereof) by which the contract demand exceeds 50kVA	Rs.1,063/- per kVA (or part thereof) by which the contract demand exceeds 50kVA
(iv)	For the balance contract demand, if any,		Rs.2000/- per kVA (or part thereof) by which the contract demand exceeds 100 kVA.	Rs.2126/- per kVA (or part thereof) by which the contract demand exceeds 100 kVA.

(a) A hike of 6.32% on the previous notified rates has been proposed in the petition, based on the increase in cost of various components in the cost data for FY 2015-16 in comparison to cost data for FY 2014-15.

(b) The proposal for normative rates per kW for single part tariff consumers and per kVA for two parts tariff consumers for different categories, voltage wise has been worked out, based on the comparison of rates of approved cost data for the FY 2014-15 and FY 2015-16.

(c) Various other factors such as demand/utilization factors, considered in the sub-stations/lines along with normative line lengths and components are given in table below.

Sr. No.	Range of load and supply voltage	Works taken	Normative quantities taken (Sub-Station rating and Transmission line lengths)	Demand factor taken	Utilisation factor of feeding line taken
(A)	Connected load up to 20 kW [Supply Voltage-LT: 1 Phase/3 Phase]	Incoming 11kV lines	1kM(0.25 km per DTR)	30% for domestic consumers and 40% for non-residential consumers	0.17
		Distribution Transformers (DTRs)			
		25 kVA	1 No.		
		63 kVA	1 No.		
		100 kVA	1 No.		
		250 kVA	1 No.		
		Outgoing feeder (LT)	0.5kM (0.125 kM per DTR)		NA
(B)	Connected load > 20 kW and up to 50 kW [Supply Voltage-LT: 3 Phase]	Incoming lines	1kM(0.25 km per DTR)	NA	0.17
		Distribution Transformers (DTRs)			
		25 kVA	1 No.		
		63 kVA	1 No.		
		100 kVA	1 No.		
		250 kVA	1 No.		
		Outgoing feeder (LT)	0.5 kM (0.125 kM per DTR)		
(C)	Connected load between 50 kW and 750 kW for special category loads and up to 3000 kW for general load [Supply Voltage-11kV]	Incoming lines		NA	
		33 kV	12 kM		0.24
		66 kV	25 kM		0.63
		132 kV	26 kM		0.41
		Transformers/ S.Stn.			
		33/ 11 kV	1 No., 3.15 MVA		
		66/ 11 kV	1 No., 20 MVA		
		132/ 11 kV	1 No., 31.5 MVA		
		Outgoing lines			
		11 kV	33 kM (11kM per S/Stn.)		NA
(D)	Connected load between 750 kW and 12000 kW for special category load and between 3000 and 12000 kW for general load [Supply Voltage-33 kV]	Incoming lines		NA	
		66 kV	25 kM		0.63
		132 kV	26 kM		0.41
		220 kV	27 kM		0.16
		Transformers/ S.Stn.			
		66/ 33 kV	1 No., 20 MVA		
		132/ 33 kV	1 No., 31.5 MVA		
		220/ 33 kV	1 No., 31.5 MVA		
		Outgoing lines			
		33 kV	36 kM (12kM per S/Stn.)		NA
(E)	Connected load between 750 kW and 14000 kW for special category load and between 3000 and 14000 kW for general load [Supply Voltage-33 kV]	Incoming lines		NA	
		220 kV	27 kM		0.51
		Transformers/ S.Stn.			
		220/66 kV	1 No., 100 MVA		
		Outgoing lines			
		66 kV	25 kM		NA
(F)	Above 14 MW	Incoming lines		NA	
		220 kV	27 kM		0.51
		Transformers/ S.Stn.			
		220/132 kV	1 No., 100 MVA		
		Outgoing lines			
		132 kV	26 kM		NA

6. The per kVA cost has been worked out at each load range and voltages by applying demand factor/utilization factor 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.

7. Subsequently, the HPERC also issued a public notice, inviting objections/ suggestions on the aforesaid petition No. 23/2016 by way of insertions in the two newspapers i.e. "The Tribune" and "Amar Ujala" on 20.05.2016. The stakeholders were requested to file their objections/ suggestions to the HPSEB Ltd.

8. The comments/suggestions were received from the following stakeholders:-

   i) B.B.N. Industries Association, EPIP-Jharmajri Road, EPIP Phase1, Jharmajri, Baddi, Distt. Solan-174103 (HP).
   ii) The Kala Amb Chamber of Commerce and Industry (KACCI), Trilokpur Road, Kala Amb, Distt. Sirmour-173030(HP).
   iii) Parwanoo Industries Association, HPCED Building, Department of Industries Complex, Sector-1, Parwanoo- 173220 (HP).
   iv) Nalagarh Industries Association, C/o O/O Member Secretary, S.W.C.A., Nalagarh, Distt Solan-174101 (HP).

9. The gist of comments/suggestions, received from the above stakeholders and the itemwise reply given by HPSEB Ltd. vide MA No. 85/2016 are briefly given as under :

Comparative statement of Comments/Suggestions, received from stakeholders and reply of HPSEBL on the proposal for schedule of service connection charges (excluding service line charges) as per IDC Regulations, 2012.		
A	B.B.N. Industries Association (BBNIA), The Kala Amb Chamber of Commerce and Industry (KACCI), Parwanoo Industries Association (PIA) and Nalagarh Industries Association (NIA).	Reply of HPSEBL
1.0	**Overview:** The normative rates of Infrastructural Development Charges (IDC) are recovered from the consumers to defray the cost of existing as well as proposed distribution system partially. Any excess expenditure incurred by the licensee over and above the normative rates forms a part of CAPEX (Capital Expenditure) Proposal, approved by the Commission. Such cost of such capital expenditure including interest and depreciation is finally passed through to the consumers by way of tariff. The HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012, provide for charging of IDC at normative rates in addition to cost of the service line through which a consumer is connected. Regulation 4 of these Regulations provides for recovery of cost of dedicated service line servicing the consumer, whereas Regulation 5 provides for recovery of cost of common infrastructure. The present petition filed by the petitioner is seeking increase in the normative rates of Infrastructural Development Charges (IDC) on the basis of the increase in cost data.	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.

2.0	**General Objections/Suggestions:**	
2.1	The increase in normative rates of IDC has been sought by the petitioner on the basis and in proportion to the increase in cost data over a period of time. The petitioner has erred in assuming that the normative rates of IDC are not in direct relation with the cost data. The normative rates have been fixed just to recover a component of the total cost of common infrastructure. The common infrastructure has been built in the past by way of funds obtained from various sources such as government grants, recovery from consumers, etc. Some of this infrastructure stands fully paid up and recovered whereas the other part is yet to be recovered. The quantum of capital expenditure obligation on the part of the licensee not being fixed under the Act, the Commission, in the past had notified the normative rates of IDC.	The Commission vide its orders dated 30.04.2013 and 04.05.2013, made in the matter of petition No. 172/2012, approved the normative rates of Infrastructural Development Charges (IDC) recoverable under sub-regulation (2) of Regulation 5 of the regulations (ibid). The applicability of said normative infrastructure charges had been further extended upto 31.03.2015 vide Order dated 14th July, 2014. The applicability of the same had again been extended upto FY 2015-16. The procurement rates of items/equipments have escalated since FY 2013. HPSEBL has thus proposed a nominal hike of 6.32% in proportion to increase in Cost Data during the period from FY 2015 to FY 2016 only. Further, the normative charges have been worked out as per methodology provided under sub-regulation 2 of Regulation 5 of HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012.
2.2	The IDC is an entry cost for a consumer. Any prospective investor/consumer 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 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 consumer is of utmost importance both to the consumer as well as the State Government.	The normative rates of IDC have remained same since FY 2013. HPSEBL has proposed a nominal hike of 6.32% only, keeping in view the interest of the consumers of the State.
2.3	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 industrial consumers did bear the high cost, at the present rates, 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 want 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.
2.4	While fixing the normative rates of IDC, the prevailing rates in neighboring and other States must be kept in mind as a large difference can result in negative impact on the growth potential of the industry in the State. 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. However, a high normative rate of IDC is detrimental to the growth of the licensee's own business.	Neighboring States have different regulations and the same cannot govern for fixation of IDC in Himachal Pradesh which are governed by the HPERC (Recovery of expenditure for Supply of Electricity) Regulations, 2012. The normative rates proposed are strictly as per these regulations.

2.5	The IDC at normative rates are chargeable repetitively, as and when the consumers keep opening and closing their businesses. So, the factor of multiple recoveries from the same infrastructure when they change ownership etc. in the normal course of business must be kept in mind while deciding the normative rates of IDC.	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.
2.6	The date pertaining to the extent of the cost already recovered must be obtained from the petitioner, as the normative rates can lead to recovery of cost over and above the amount actually spent in infrastructure development. The petitioner must be directed to explain and bifurcate the amount that is still outstanding to be recovered out of the total cost of infrastructure, which has to be recovered.	-do-
2.7	While fixing the normative rates, the Commission must acknowledge this fact that the petitioner is working on a principle that all the assets are paid for by the consumers, while the ownership still rests with the petitioner. The petitioner is in a win-win situation as it gets the ownership of the assets that were paid for by the consumers. Keeping this in mind, the normative rates of IDC should be kept at a very low level. Some amount of capital is required for any business to function. The petitioner today is a business entity under law and it is required that they also deploy capital just like investors do in other business.	The recovery of normative IDC is governed by the HPERC regulations 419/2012 and HP Electricity Code, 2009.
3.0	**Legal Provisions:**	
3.1	Regulation 14 of the Himachal Pradesh Electricity Regulatory Commission (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 provides for prior and regular annual approval of service connection charges by the Commission. The Regulation 14(2) (1) empowers the Commission to modify and approve the schedule of service connection charges.	....
3.2	The schedule of service connection charges were last approved by the Commission vide its order dated 30.04.2013. The normative rates were fixed by the Commission under Regulation 5(2) of the Himachal Pradesh Electricity Regulatory Commission (Recovery of Expenditure for Supply of Electricity) Regulations, 2012. The second proviso to the Regulation 5(2) reads as under: "Provided further that the Commission may, while fixing the normative rates, restrict the rates worked out under the first proviso to this sub-regulation to such ceiling limits for respective categories as it may consider necessary." The earlier ceiling normative rates of Infrastructural Development Charges (IDC) had been fixed by the Commission vide its earlier orders dated 30.04.2013.	....
4.0	**Specific Objections:**	
4.1	The normative rates of Infrastructural Development Charges (IDC) are very high and are almost two to three times of the rates in the neighbouring and other States. The rates of service connection charges in	Neighbouring States have different regulations and the same cannot govern for fixation of IDC in Himachal Pradesh which area governed by the HPERC (Recovery of

<table>
<tr><td></td><td>some States, particularly the neighbouring States are reproduced below:

Rajasthan — Load above 150 kVA — Rs. 250/kVA
Punjab — Upto1000 kW; Above 1 MW Whichever is higher — Rs. 750/kW; Rs.750/kW or actual cost
Haryana — HT Connection above 50 kW — Rs. 750/kW (Upto a length of 300 mtrs.)
Maharashtra — HT Supply upto 500 kVA — Rs.20,500/- (Lump-sum); Rs. 30/- per kVA for excess load above 500 kVA
Himachal Pradesh — Rs. 2000/kVA except for a lower rate for first 100 kVA.

Such a high rate of Infrastructure Development Charges (IDC) is becoming a big deterrent in the growth of Industry in the States, despite the advantage of power availability and stable power tariff in the State. This aspect is very crucial for the development of the industry in the State. The service connection charges should be fixed at par with the neighbouring States of Punjab and Haryana which is at a level of Rs. 750/- kW.</td><td>expenditure for Supply of Electricity), Regulations 2012. The normative rates proposed are strictly as per these regulations.</td></tr>
<tr><td>4.2</td><td>The petitioner has erred in calculating the increase on the basis of cost data, approved and the escalation factor. The cost data has a linkage and is an important factor in determining the capital expenditure and costs. But the normative rates shall include many other factors such as :
(a) the extent of cost already recovered by the licensee;
(b) the proportion of total cost that is to be met out of the normative rates in general as a part of the total cost;
(c) the capacity of the consumer to pay for such infrastructure.</td><td>The normative rates of IDC have been calculated on the basis of increase in procurement cost of items/equipments on the basis of approved Cost Data in line with the provisions of Regulation 14 of HPERC (Recovery of Expenditure for Supply of Electricity), Regulations, 2012.</td></tr>
<tr><td>4.3</td><td>Average line lengths have been assumed on very high side and are exorbitant. It appears that the calculations have not been done on actual averages. The average length per consumer per kVA must be considered on the basis of actual data.
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 actual average length in the industrial areas such as Baddi, Parwanoo, Paonta Sahib, Kala Amb and other industrial areas must be taken into account at various voltage levels, when calculating the IDC for industrial consumers.</td><td>The average length of 11 kV outgoing line has no relevance in the proposed normative rates as the 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.</td></tr>
</table>

	Similarly, the average length of outgoing and incoming lines must be estimated on the basis of average length of the industrial area feeders and not for the entire State.	
5.0	**Prayer** In view of aforesaid submissions, we pray to the Commission to :-	……………………….
5.1	Reject the excess cost being claimed by the petitioner and on the contrary, reduce the IDC to a lower level of Rs. 500 to Rs. 750 per kVA in order to boost the growth of the industry in the State.	
5.2	To pass any other orders as deemed necessary and relevant to the circumstances of the case.	
5.3	To grant the objectors an opportunity to be heard in person.	

10.The Commission issued a Public Notice, informing the stakeholders and general public regarding public hearing on the subject matter, in the newspapers i.e. "The Times of India" and "Himachal Dastak", on 05.08.2016.

11.Subsequently, a public hearing was held on 17.09.2016, to elicit views of the stakeholders and other interested persons, which was attended by the following:

Sr. No.	Name & address of stakeholders from whom comments were received	Name of persons representing the stakeholders in the hearing on 17.09.2016
1.	The HP State Electricity Board Ltd., Vidyut Bhawan, Shimla-171004 (HP).	(i) Shri Mahesh Sirkek, CE (Comm.). (ii) Shri K.L. Gupta, Dy. CE (SERC).
2.	B.B.N. Industries Association, EPIP-Jharmajri Road, EPIP Phase 1, Jharmajri, Baddi, Distt. Solan-174103 (HP).	(i) Shri Rakeh Bansal (Jointly); (ii) Shri Ashok Kumar (KACCI);
3.	Nalagarh Industries Association, C/o O/O Member Secretary, S.W.C.A., Nalagarh, Distt Solan-174101 (HP).	
4.	Parwanoo Industries Association, HPCED Building, Department of Industries Complex, Sector-1, Parwanoo- 173220 (HP).	
5.	The Kala Amb Chamber of Commerce and Industry (KACCI), Trilokpur Road, Kala Amb, Distt. Sirmour-173030(HP).	

12 . **Oral Submissions made by the Stakeholders during Public Hearing:**

12.1 Shri Rakesh Bansal, representing of Industries Associations, reiterated the contents of the written submissions already made by Industries Associations. He stated that increase in normative rates of IDC will have negative impact on the growth of Industries in the State. The higher rates of IDC should not be a barrier for upcoming Industries in the State. He further stated that the Commission may consider the normative rates of IDC, enforced in the neighbouring States. A higher normative rate of IDC is detrimental to the growth of licensee's own business. He also stated that rather than allowing an increase as proposed, the Commission may fix the per kVA IDC rates at a lower level from the present level, in-order to boost the growth of Industries in the State.

12.2 The Chief Engineer (Commercial), HPSEB Ltd. stated that prevailing normative IDC rates to the State consumers are applicable, without any hike, as per the rates approved by the

Commission in its order dated 30.04.2013. He requested the Commission to consider the nominal hike as proposed in the present petition.

13. **Commission's Views:**

The Commission observes that the HPSEBL has proposed an increase of about 6.32%, on the existing rates of IDC on the basis of increase in the procurement cost of equipments/ material as per Cost Data for FY 2015-16. The proposed hike may fetch nominal additional amount during current financial year, most of which shall be from the contribution from the new consumers. The incremental amount to be collected through this proposed hike may be very nominal as compared to the funds already available with HPSEBL for the CAPEX works. The Commission in its earlier order dated 16.07.2015 in petition No. 36/2015, made the observation that; "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 counterproductive for the growth in industrial connections. The proposal based on the updated cost data can however be considered alongwith tariff for FY 2016-17. 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."

The HPSEBL have not submitted the proposal regarding the normative IDC hike with tariff petition of FY 2016-17. The Commission is of the view that there are about five months, remaining in the current financial year and if finds it appropriate, the Commission will decide regarding any hike in respect of normative IDC rates in the petition/proposal of HPSEBL for next FY 2017-18.

Taking into consideration above and other factors like energy load growth in the State, additional incremental revenue collection, available revenue with HPSEBL collected on account of normative IDC, the Commission decides to extend the normative IDC rates and associated conditions as decided vide its Order dated 30.04.2013 in petition No. 172/2012, and which also made applicable for FY 2015-16 vide Order dated 16.07.2015 in petition No. 36/2015; further upto 31.03.2017.

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

It is so ordered.

Sd/-

Place: Shimla. **(S.K.B.S Negi)**
Date: 10th October, 2016. Chairman