BEFORE HIMACHAL PRADAESH ELECTRICITY REGULATORY COMMISSION

Petition No.41/2018

In the matter of:
Petition under Regulation 4 of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 to fix normative rates for service line for LT connection upto 50 kW/kVA.

CORAM
Sh. S.K.B.S. Negi
Chairman
Sh. Bhanu Pratap Singh
Member

ORDER

The Commission notified HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 vide notification No. HPERC/419 dated 18.05.2012 which were published in the Rajpatra, HP on 23.05.2012.

2. The Himachal Pradesh State Electricity Board Limited (HPSEBL) has filed petition No. 41/2018, under Regulation 4 of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 for approval of fixed normative rates for service line for LT connection upto 50 kW/kVA.

3. The Commission issued a public notice on 18.09.2018 in the newspapers, namely "Hindustan Times" and "Danik Bhaskar", inviting objections/ suggestions on the aforesaid petition from the stakeholders. The complete text of the petition filed for approval of fixed normative rates for service line for LT connection upto 50 kW/kVA by the HPSEBL was also made available to the stakeholders on the website of the Commission as well as on the HPSEB Ltd's website. The salient features of the proposal/petition filed by the HPSEBL are as under:-

(I) That HPSEBL is presently recovering the cost of service line as per Regulation 4 of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 by framing the estimate for individual connection each time as per the site conditions and in-line with approved Cost Data available for the respective year(s).

(II) That Govt. of India has taken various steps for 'Ease of Doing Business' in the Country and has made various recommendations for the States with the focus on application of IT, consumer awareness, hosting various procedures and performance indicators on website; fixed cost per kW/kVA at the time of release of connection so that application for electric connection is processed in time with minimum requirement of documents.

One such recommendation regarding recovery of expenditure is as under :-

> *"Ensure that users are provided a fixed cost estimate based on the load (kW/ kVA) required for obtaining electricity connection in all industrial areas of State."*

(III) That at the time of application for a new connection or additional load/ Contract demand, the consumer has to pay the following charges:-

(i) The initial security deposit as per HPERC(Security Deposit) Regulations, 2005.

(ii) Expenses for the Distribution system other than service line as per Regulation 5 of the HPERC (Recovery of Expenditure for supply of Electricity) Regulations, 2012.

(iii) The cost of service line as per Regulation 4 of the HPERC (Recovery of Expenditure for supply of Electricity) Regulations, 2012.

(IV) That the charges corresponding to Sr. No. (i) & (ii) of preceding para (III) have already been fixed to be charged based on the connected load/contract demand, whereas, the service connection charges for providing the service line (whether LT, HT or EHT) are being fixed by preparing individual estimate and to fix the service connection charges rates based on quantum of load is the scope of this petition for LT connection only.

(V) That the cost of service line under Regulation 4 is being charged based on actual cost estimate. The spirit behind the fixed cost under ease of doing business is that the consumer should know the charges when applying for electricity connection. In case fixed cost is notified, there is less scope for any field functionary of the Licensee to prepare the estimate either on higher side or on lower side. There exists a provision for charging the average or normative rates as fixed cost per km under 1st & 2nd proviso to Regulation 4 of HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 as follows :-

"Provided that the distribution licensee may, with the approval of the Commission, recover the expenses on the basis of average or normative rates for providing the service lines for the purpose of giving supply of electricity to one or more categories of applicants based on connected load or contract demand, voltage level, nature of load, tariff classification and length and specification of service lines:

Provided further that in cases where the normative rates have been approved by the Commission for a particular period for a particular type of service line, the recovery for laying of that type of service line shall be made by the distribution licensee only in accordance with the rates and terms and conditions so approved by the Commission for that period:"

(VI) That in order to implement the recommendations of Govt. of India under ease of doing business, the HPSEBL had earlier submitted a proposal for fixed cost of service line charges up to 50 kW/kVA load which is to be released at LT supply voltage vide petition dated 15.09.2017 which could not be accepted by the Commission and the comments /suggestions of the Commission have been conveyed vide letter No. HPERC-filing No.125/2017-2138 dated 29.11.2017 and No. HPERC/Filing No. 125/2017-225 dated 02.05.2018.

(VII) That base on the comments received by the HPSEBL and after detailed deliberations in the HPSEBL, the following proposal was submitted for consideration of the Commission:-

(A) <u>Proposal for service connection charges in respect of LT connection up to 50 kW /KVA load</u>

That the cost of providing the service connection in respect of LT connection for all category of consumers is proposed to be charged based on the quantum of connected load and with average normative length of Service Line .

The different factors/assumptions/methodology taken while deriving the fixed rates are as under:-

(i) <u>The normative length of service wire(Twin Core, 3.5 Core, 4 Core etc.)</u>

It has been assumed that average normative length of service line from the nearest pole/distribution main to the consumer premises is 30 meter. Accordingly the calculations have been made taking 30 meter length of service wire of different type and size as per current carrying capacity and standard size of cable. However, the rates worked out by taking into account the proposed service line length of 30 meters is again proposed to be applicable for individual connections wherein distance of consumer premises (i.e. service line length) from pole/distribution main of HPSEBL is upto 40 meters as explained in succeeding Sr. No. (iv) below.

(ii) <u>Bifurcation of kW load in various ranges and accordingly working out the fixed cost for each range by selecting the quantum of load, type of service wire and type of meter etc.</u>

It has been seen that in case per kW rate is derived by taking a large range of load, then the rates for lower load will become very small and will not be even equal to the cost of material required for installation of service wire and meter with associated equipment. This is explained with the help of following example:-

Cost of service connection charges for load up to 8 kW = Rs. 3407/-
Per kW cost = Rs. 3407/8 = Rs. 426/-
Cost of service connection charges for 2 kW of load =2x426=Rs. 852/-
Cost of material required for service connection =Rs. 1374/-

From the above, it is clear that in case per kW/kVA concept is implemented in case of service line, a small portion of the total cost of works shall be recovered from the individual consumer and rest will be loaded to the existing consumers through ARR which does not seem to be a prudent practice.

In order to avoid such a situation it has been proposed to bifurcate the quantum of load in different small ranges as given below and the calculations of fixed cost for the ranges of loads have been done:-

Table-1

Sr. No.	Load
a	Up to 2 kW
b	Load above 2 kW and up to 5 kW
c	Load above 5 kW and up to 8 kW
d	Load above 8 kW and up to 10 kW
e	Load above 10 kW and up to 15 kW
f	Load above 15 kW and up to 20 KW
g	Load above 20 KW and up to 35 kW
h	Load above 35 kW and up to 50 kW.

(iii) To abolish the service connection charges presently being charged for release of connection based on Number of man days of field staff (LM, ALM,TM& Beldar) for installation of Energy Meter, service wire and associated equipment.

In earlier proposal, the different rates for different categories of consumers were derived due to the reason that in addition to material cost and other charges, the service connection charges were taken based on the present practice of framing service estimate in line with the approved cost data as under:-

Table-2

Service Connection Charges		
1	Domestic/Commercial	Rs. 1555/-
2	Industrial /Agriculture: (a) Up to 20 kW (b) Up to 100 kW	 Rs. 3655/- Rs. 6705/-

The above amount has been worked out in the approved cost data as under:-

Table-3

Sr. No.	Man days of Field Staff of HPSEBL	Domestic / Commercial	Industrial/Agriculture	
			a) Up to 20 kW	b)Up to 100 kW
1	L/Man Man Days(No)	0	1	1
2	Wages @ 2100/-(Rs)	0	2100	2100
3	ALM Days(No)	1	1	1
4	Wages @ 1270/-(Rs)	1270	1270	1270
5	T/Mate Days(No)	0	0	2
6	Wages @1240 (Rs)	0	0	2480
7	Beldar Days(No)	1	1	3
8	Wages @ 285(Rs)	285	285	855
	Amount (Sl. No. 2+4+6+8)	**1555**	**3655**	**6705**

The matter was deliberated at length in the HPSEBL on this issue, whether to charge such cost from the consumer(s), which otherwise is a part of employees cost covered under ARR. It has been proposed to work out the fixed cost of service line without taking such charges into account in order to avoid double recovery of employees cost to the above extent. However, the departmental charges and other mandatory charges have been taken in the calculations as per normal practice. In case the proposal is accepted by the Commission, the annual cost data shall accordingly be revised to the above extent.

(iv) Maximum length of service wire covered under normative length and charges beyond that length.

The earlier proposal was for variable cost per meter in case the consumer premises is beyond the minimum threshold length(i.e. 40 meter was taken as minimum service line length) which has not been accepted by the Commission on the ground that it is the responsibility of the distribution licensee to create sufficient infrastructure under his area of licence for supply of power to the consumer. However, now some special enabling provision of supporting structure for laying the service line has been allowed and it would not be advisable to go on extending the service line beyond the length of say 40 meter as this will result in low voltage and increase in T&D loses in addition to other operational issues.

That the fixed cost has been proposed to be evaluated by considering the average normative length of service line of the order of 30 meters and accordingly calculations have been done. However, there might be cases where the length of service line will be less than 30 meter or might be more than 30 meters. To overcome this variation, it has been assumed that the estimated cost worked out with 30 meter service line will cover the consumers who are at a distance up to 40 meters from the distribution main/LT pole of the HPSEBL.

It has also been proposed that in case the distance of consumer premises from the nearest LT distribution main/pole is more than 40 meters, the consumer will have to bear the per meter cost of extension in distribution main in addition to the normative rates worked out for the range of load. Since the consumer will be paying the partial cost of laying of line, the HPSEBL will incorporate such works in the CAPEX for the respective year to execute the work.

(v) In addition to the cost of service line, the normative IDC as per sub-regulation 5(2) of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012, the current rate of normative IDC charges approved by the Commission or recovery of expenditure as per sub-regulation 5(3) and 5(9) of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 shall also be charged as the case may be.

(vi) The gap between actual expenditure and the fixed cost in case not covered under averaging, may have to be met out of the approved financial provisions of the capital expenditure plan under separate head "Differential cost for LT Service connection charges".

(vii) Since the rates are derived from the cost data for FY 2017-18 and the cost of material may change from time to time, it is proposed to revise the rates on annual basis to justify the recovery and loading in the Capital Expenditure works for all consumers.

(viii) The proposal is not applicable in cases where the village or hamlet or area is not electrified earlier and requires distribution licensee to cover electrification of such areas as per program of electrification of habitations covered in the investment plans approved by the Commission as per the HPERC regulations.

(B) <u>Manner of execution of works for release of connections to the consumer under proposed fixed cost regime.</u>

(1) <u>Service line length up to 40 meter</u>

The individual estimate shall be prepared by the respective field units based on the actual price of the service line, meter and associated equipments available with the HPSEBL store and got sanctioned and charged to the block head under "General Service Connections" for the purpose. The applicant shall not be asked to either supply material or deposit additional amount over and above the amount deposited as per fixed cost.

In order to avoid the delay in release of connection due to shortage of material with the HPSEBL, the field units shall estimate the material requirements for coming year well in advance and accordingly requisition shall be raised with the concerned procurement agency of the HPSEBL. The details of actual expenditure and the fixed cost deposited by the applicant shall be updated quarter-wise and the deficit, if any, shall be incorporated alongwith details of works in the Capital Expenditure plan for distribution system under the head "Differential Cost for LT Service Connection Charges".

(2) <u>Service line length is more than 40 meter</u>

The individual consumer will be charged the fixed cost worked out for the range of load up to 40 meter service line and the variable cost for the distance beyond 40 meters taking the variable rate per meter. It is proposed that the charges as per proposal shall be got deposited from the applicant. The estimate for execution of work of LT extension shall be prepared and sanctioned. Since the amount deposited by the consumer beyond 40 meter length shall not be sufficient to execute the work for providing the connections, the work so done shall be charged to the block head under "General Service Connections" initially and simultaneously the same shall be included in the Capital Expenditure plan for distribution system under the head " Differential cost for LT Service Connection Charges".

(3) <u>For HT and EHT Connections:-</u>

The cost data for EHT and HT lines are approved on year to year basis. The fixed cost on normative basis for HT and EHT service line cannot be determined since there are various issues like right of way, land compensation, forest clearance and geographical location of the premises etc. The estimate has to be prepared as per actual.

In addition to the cost of service line, the normative IDC as per sub-regulation 5(2) of the HPERC (Recovery of Expenditure for Supply of Electricity), Regulations, 2012 approved by the Commission or recovery of expenditure as per sub-regulations 5(3) and 5(9) of the HPERC (Recovery of Expenditure for Supply of Electricity), Regulations, 2012 shall also be charged as the case may be.

(VIII) That based on above proposal, the calculations to work out the fixed rates for service line for LT connection up to 50 kW load/Contract Demand and as per the methodology proposed at preceding Sr. No. VII is as under :-

Table-4

Sr. No.	Details of Load/ Supply	Proposed Service Connection Charges for load up to 50 kW /KVA at LT three and Single Phase supply.	
		Fixed Cost up to 40 meter length of service line (Rs.)	Variable Cost per Meter (Rs/Meter) beyond 40 meter length of service line. (Rs/Meter)
1	Load up to 2 kW	1542	397
2	Load above 2 kW up to 5 kW- Single Phase	1542	397
	Load above 2 kW up to 5 kW- Three Phase	2750	515
3	Load above 5 kW up to 8 kW		
	Single Phase	1542	397
	Three Phase	2750	515
4	Load above 8 kW up to 10 kW		
	Single Phase	1750	397
	Three Phase	3270	515
5	Load above 10 kW up to 15 kW		
	Single Phase	2088	397
	Three Phase	3962	515
6	Load above 15 kW up to 20 kW-Three Phase	5253	515
7	Load above 20 kW up to 35 kW-Three Phase	12464	515
8	Load above 35 kW up to 50 kW-Three Phase	13707	515

4. The HPSEBL as per the above proposal made a submission to approve the fixed rates for service line for LT connections for a length of service line upto 40 meters, calculated on taking 30 meter length of service wire and variable cost per meter beyond 40 meters length of service line as detailed hereinbefore.

5. The Commission vide letter dated 29.09.2018, requested the major stakeholders, including the Industrial Associations, State Government, Directorate of Energy, Engineer-in-Chief (IPH & HPPWD) and Consumer Representative to send their objections/suggestions as per the aforesaid public notice.

6. The Consumer Representative and the Parwanoo Industries Associations have filed their following written submissions, as under;-

   (I) The Consumer Representative has submitted that:-

   (i) The Govt. of India has made various recommendations for States on 'Ease of Doing Business' in the country, with a special focus on application of IT, consumer awareness, hosting various procedures and performance indicators on website; fixed costs per kW/kVA at the time of release of connection so that application for electric connection is processed in time bound manner with minimum requirement of documents. One such recommendation regarding recovery of expenditure is to ensure that the users are provided a fixed cost estimate based on the load (kW/kVA) required for obtaining electricity connection in all industrial areas of the State.

(ii) It is suggested that the normative rate determination/fixation should be made for fixed tenure i.e. 3 to 5 years with some in built annual nominal escalation factor (say 5% annually) to ensure better certainty of rates and avoid frequent filing of petitions on this count.

(iii) It is also suggested that petitioner Board should provide material rates to consumers on competitive basis with proper quality check to ensure minimum cost escalation on this count.

(iv) The service connection charges as worked out in the petition for different category of consumers, should be worked out without taking into account the employees cost covered under ARR, as it would amount to double recovery of employees cost.

(II) The objections/suggestions received from the Parwanoo Industries Association, alongwith item wise replies given by the HPSEBL are as under:-

Table-5

<table>
<tr><th>Sr. No.</th><th>Objections and suggestions in respect of Petition No. 41/2018 filed by the Parwanoo Industries Association (PIA).</th><th>Reply of HPSEBL on of Objections/ suggestions filed by the Parwanoo Industries Association (PIA) (1st rejoinder).</th><th>Further comments of the Parwanoo Industries Association on the reply filed by the HPSEBL vide 1st rejoinder.</th><th>Reply by HPSEBL on the comments of PIA on the 1st rejoinder.</th></tr>
<tr><td>1</td><td>The current proposal submitted by the petitioner only envisages the fixing of the service line cost for different slabs based on load in kW/kVA. This would mean that these fixed service line charges are proposed to be charged in addition to the normative rates being charged under Regulation 5 of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012. The normative rates under Regulation 5 of said Regulations are also fixed on the basis of load in terms of kW/kVA, which are tabulated below:-
Normative rates of Infrastructure Development Charges for applicants under single part tariff.
<table><tr><td>(i)</td><td colspan="2">For domestic supply to BPL families upto 5 kW of connected load</td><td>Nil</td></tr><tr><td>(ii)</td><td colspan="3">For others (not covered in (i) above)</td></tr><tr><td></td><td colspan="2">(a) For the first 5 kW of connected load</td><td>Rs. 50/- per kW (or part thereof)</td></tr><tr><td></td><td colspan="2">(b) For the next 5 kW of connected load</td><td>Rs. 100/- per kW (or part thereof) by which the connected load exceeds 5kW</td></tr></table></td><td>The HPERC(Recovery of Expenditure for Supply of Electricity) Regualtions,2012 have separate provisions for recovery of expenses for providing service line under regulation 4 and recovery of expenses for the distribution system other than service line under regulation 5. The petition has accordingly being filed. The suggestion of clubbing of the two items is not feasible as the criteria for recovery of service line is different from that of expenses other than service line. That the present proposal for fixed cost of service line is for LT connections up to 50 kW/ kVA load and for HT and EHT category of consumers, the process of framing the estimate will be done per present practice.

That the slabs for fixed charges of service line has been kept in order to avoid overestimate or under estimate of fixed cost as it is dependent upon the</td><td>The objector in their reply had submitted that since the nature of expenses are similar to those provided in Regulation 5 and since the whole purpose of the petition is to move from a variable discretionary system of charging service line cost from LT consumers to a fixed load based system which can either be based on slab system as suggested in the petition or directly in proportion of the load applied for.

In the reply the petitioner has cited that the service line cost cannot be merged with other infrastructure charges (normative charges of IDC) as the service line charges are covered under a different Regulation i.e. Regulation 4. The Regulations were notified on the basis of the earlier system and there is a scope to amend the regulation in</td><td>The amendment in the exiting regulation is not the subject matter of this petition and therefore HPSEBL is not in a position to comment on the suggestion as replied earlier.</td></tr>
</table>

<table>
<tr>
<td></td>
<td>
<table>
<tr><td></td><td>(c) For the balance connected load in excess of 10kW</td><td>Rs. 250/- per kW (or part thereof) by which the connected load exceeds 10kW.</td></tr>
</table>
Normative rates of Infrastructure Development Charges for applicants under two part tariff.
<table>
<tr><td>(i)</td><td>For the first 30kVA of contract demand</td><td>Rs. 300/per kVA (or part thereof) of the contract demand.</td></tr>
<tr><td>(ii)</td><td>For the next 20 kVA of the contract demand</td><td>Rs. 500/- per kVA (or part thereof) by which the contract demand exceeds 30kVA</td></tr>
<tr><td>(iii)</td><td>For the next 50 kVA of the contract demand</td><td>Rs. 1,000/- per kVA (or part thereof) by which the contract demand exceeds 50kVA</td></tr>
<tr><td>(iv)</td><td>For the balance contract demand, if any.</td><td>Rs. 2000/- per kVA (or part thereof) by which the contract demand exceeds 100kVA.</td></tr>
</table>
As the charges under Regulation 5 of said Regulations are already fixed in nature, the petitioner is now proposing to fix the cost recoverable under Regulation 4 of said Regulations from the earlier variable structure. In our view, it is possible that both the charges can be merged into one and a single type of fixed charge. This will further simplify the mechanism and will further promote the ease of doing business. Instead of two items of fixed nature a single fixed charge should be approved. However, beyond a certain length, any extra length of service line may be kept chargeable on per meter basis on case to case basis.
As the conductor size of the service wire goes on increasing with the increase in load, it is better to determine these charges on load basis i.e. per kVA basis rather than having too many slabs based on load. This will automatically take care of the variation. However, broad slaps may be adopted as in the present
</td>
<td>quantum of load and accordingly the conductor size and other parameters. Another issue of recovery of expenses of even material cost as detailed in the petition will arise if broad slabs are kept.</td>
<td>
a suitable manner in order to enable the merging if service line cost with the cost other than the service line cost, if the the Commission find merit in the suggestion. The basic purpose of filing this petition is to facilitate the ease of doing business with the utility. We still maintain that a single fixed charge inclusive of service line cost should be thought of and is double. However, where extraordinary length of the service line is involved, the scope of levying the additional charges based on length beyond the allowed length can be included in the Regulations.
The petitioner has also contested the suggestion of reducing the number of slabs as the same would involve transfer of cost from one consumer to the other. However, the petitioner has not responded to the suggestion that instead of the load based slabs for service line charges, as per kVA fixed charge can be adopted. We pray to the the Commission that such a system be adopted as it would be fare and revenue neutral and much simpler to follow, when we are talking of ease of doing business.
</td>
<td></td>
</tr>
</table>

	structure of normative charges. This will reduce the procedures and time consumed in preparation of estimates of charges and speed up the process of providing the electricity connections.			
2	The proposal given by the petitioner envisages adopting the fixed charges for the service line cost only upto a load of 50kW/50 kVA. There is no rationality in fixing this limit up to 50 kVA. Probably, this has been proposed to be in line with the slabs of standard supply voltage. The present tariff structure allows even an applicant with a load of higher than 50 kVA to continue with payment of Low Voltage Supply Surcharge (LVSS). A flexible mechanism is already available for operation at a lower voltage than the supply voltage with the compensation to be provided in terms of LVSS, which should be extended for the LT category also. Since, the service line charges in such cases, where the supply is on LT but the load is higher than 50 kVA also needs to be covered. The Tariff Regulation in Delhi has been changed to allow LT connection upto 150 kVA and a rationalized LT tariff for taking LT Connection up to 150 kVA has been adopted. Mumbai has also allowed up to 140 kVA connections to be LT connections. This has resulted in reduction of number of procedures (External works of meter board conducted by customer's electrical contractor) and associated costs of Distribution Infrastructure, which add up to the cost of obtaining electricity connection by Commercial consumers. A similar approach is also required in our state, which will go a long way in promoting ease of doing business. We may need to carry out the corresponding enabling changes/ amendments in the Supply Code, 2009 so as to facilitate more and more connections on LT. In order to start working in this direction, we propose that LT connections must be allowed even up to 150 kVA in line with the other States. However, the applicability of LVSS may be allowed to continue to cover the additional distribution losses. The idle capacities of the transformers in the premises of small and medium consumers is resulting in wastage of electricity in the terms of transformer losses. In order to avoid such wastage of energy, it is advisable to switch to	That the contention in the objections/suggestions that there is no rationality in fixing the limits of 50 kVA/ kW for adopting the fixed cost is denied in view of the fact that the load up to 50 kW /kVA is to be released at LT supply voltage and there is no provision of release of load at LT supply voltage by charging the LVSS as mentioned in the objection/ suggestion. That clause No. 2.1.6.1(B) of H.P. Electricity Supply Code and Sr. No. 2 of Part-II of Schedule of Tariff have provision for Supply at voltage lower than standard supply voltage and as can be seen from these provisions, LT supply has not be allowed for allowing any levying LVSS charges. That the comparison with Delhi for allowing load up to 150 kVA on LT and amendment of supply code has also been suggested which is not in the scope of the present petition No. 41/2018. The suggestion will increase the LT:HT ratio, T&D loses and additional financial burden to the utility and in turn to the general public/ consumers. The other utility like in the UT like Delhi might have allowed this due to densely populated area or other parameters which is different in HP.	In their reply to the suggestion of increasing the limit of load for fixed service line charges to a level higher than 50 kVA/KW, the petitioner has stated that there is no provision of release of load at LT supply voltage by charging of LVSS. It may be noted here that LVSS rates have been notified in the tariff order. A LVSS rate of 5% has been provided in the tariff if the supply is taken at LT in place of 11 kV or 15 kV or 22 kV. However, the maximum allowed load at 0.415 KV has not been specified in the table provided in the Para 2.1.6.1 (B). This table can be amended so as to provide a maximum level of load to 150 KW on LT on payment of LVSS. We pray to the the Commission to look into this mater and if the Commission finds merit in our suggestion, then the enabling provisions may be inserted/ amended. We would further like to state that LVSS is already being charged @ 5% from the consumers who are still at LT but their load is higher than 50 kW/ 50kVA. The petitioner on the other hand has stated that there is no such provision. The petitioner has also stated that the reason for allowing higher loads on LT in Delhi and other states is the population density. We would like to say here that the industrial areas particularly the established ones have similar load density as is there in other states as industrial areas are same everywhere. The increase in T&D losses will not put any further financial burden on the petitioner as the LVSS will take care of such	That the rejoinder again propose amendment in the H.P. Electricity Supply Code which is again not the scope of the present petition. The procedure for any amendment in the supply code has already been prescribed in the Supply Code which needs to be followed. That with reference to the statement in the rejoinder that there is provision in Supply Code/Tariff order for allowing the load above 50 kW/KVA with payment of LVSS, it is submitted that the Commission has notified HP Electricity Supply Code (First Amendment) Regulation, 2014 which has been published in Rajpatra HP on 16.06.2014. The amended Supply Code at Clause 2.1.6.1(B) has a provision for availing the supply at lower than standard supply voltage with payment of Low Voltage Supply Surcharge (LVSS) but in the clause, there is no provision of availing the load at LT with LVSS. The similar scope is also mentioned in Part-II of Tariff order and the rate mentioned at Part-I of tariff order @ 5% for availing the load at LT is for existing consumers who are availing the load at LT on the

	common transformers in a large way rather than each consumer having excess idle capacity in their transformers.		additional cost.	date of notification of the amendment in the Supply Code.
3	It has been observed that the petitioners have added a contingency margin of 3% while calculating the costs for different slabs of load. Besides, this in Para A vi) of the petition, it has also proposed that the gap on account of averaging in case the cost not being covered will be provided in CAPEX Plan. If there is a provision for adjusting the difference in the CAPEX, such contingency should not be allowed as this will create multiple levels of such adjustments.	That the calculations have been made as per standard cost data items and contingency is also one of the items and accordingly has been taken in the calculations.	The petitioner has replied that the methodology adopted in standard cost data has been adopted while defending the 3% contingency charges taken into the calculations. When we talk of fixed normative rates then keeping such provisions within the provisions are not required to be kept. Based on experience of cost versus realization the fixed rates can be line tuned over the years. Another question that arises from here, is that how is the unspent amount out of this 3% contingency provision even in the standard cost data adjusted in the ARR. The Commission may scrutinize the data and specify as to where such unutilized portion has to be reflected in the ARR, and whether in the past such amounts have been adjusted or not.	That the methodology which has been adopted to arrive the rate and the commission may consider or may not allow such methodology for arriving at the rate of fixed cost of service line connection charges for LT connection up to 50 kW/kVA. That the another issue of adjustment in the ARR may arise only at the time of filing ARR.
4	Departmental Charges @ 11% have been taken into account while arriving at the cost proposed to be recovered for the service line it appears that there is no cost left to cover as departmental charges. The petitioner has failed to mention in the petition as to what type of expenses are proposed to be covered under the head departmental charges. The material cost have already been included and the labour etc. is already taken care by the Employee cost in the ARR. In other words, before allowing the departmental charges the nature of items that will form the part of departmental charges must be defined. Also, there are charges of duplicacy of expense heads available with the petitioner for adjusting costs. The departmental charges will result in undue profit to the petitioner separately than in the ARR.	That the departmental charges have been taken while deriving the fixed rates as per provisions of regulation 12 of HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012. That it is also justified that the departmental charges corresponding on the works done to a specific consumer should be charged to the individual consumer rather than simply a pass through in the ARR which will burden other consumers also. That HPSEBL in the said petition has already proposed not to take the service connection charges in the fixed cost estimate which is levied at rate of Rs. 1555/- to Rs. 6705 /- involving the wages of field staff based on man days to be deployed for the job in order to avoid double recovery of employees cost. The mandatory departmental charges at a rate as per regulation is justified.	The petitioner in their reply has stated that the provision of departmental charges @ 11% have been included as per provision in Regulation 12 of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012. The very question of departmental charges would arise in the case where the works are self executed by the consumer as there is supervision etc. involved. In the subject of present petition, the objections have to say, that the departmental charges have been defined to include establishment charges, audit and account charges, maintenance during construction, loss on stock, design charges and head office pro-rata expenses. The question of the objector here is that are these expenses not already covered in the ARR under some head or the	That the rejoinder envisage that the Departmental charges as provided in the Regulation 12 of HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 should be do away with is a suggestion of amendment in the parent regulation which is not the scope of this petition.

			other, such as manpower cost etc., if so, then the very basis of these charges being levied over and above the directly attributable cost to the specific consumer is challengeable. Departmental charges are a thing of the past, when the ARR methodology never existed. The tariffs were at that time not related with the ARR and fixed rate of return. However, we agree with the point that largely the dedicated cost should not be transferred from one consumer to the other. However, when talking of simplification and moving on to fixed rates, there is going to be some element of such transfer of cost, which has to prudently fine tuned in larger interest. We pray to the Commission that the departmental charges are a thing of the past and must be done away with particularly as on element in the cost calculated in the present petition.	
5			It has come the notice of the objector at this stage that there are times when the petitioner's related filed office does not have adequate stock of material for the service connection. When such circumstances arise, it is normal that the field office asks the consumer to get their own material in order to avoid delay in connection. How will the fixed cost adjusted in such scenarios. We pray to the Commission to include such enabling provisions in order to ensure speedy release of power connections.	That the apprehension in the Rejoinder is accepted but in the era of normative regime, the provision for accepting the material from the consumer cannot be made since the normative charges once finalized will be a lump sum amount without further bifurcation and the material from the consumer cannot be adjusted in this amount. There may be problems in the initial phase of implementation of normative rates due to non-availability of material which is expected to be harmonise with due course of time.

7. The Commission issued a Public Notice, informing the stakeholders and general public regarding public hearing on the subject matter, in the newspapers i.e. “Danik Bhasker” and “The Tribune” on 02.11.2018.
8. Subsequently, a public hearing was held on 01.12.2018, to elicit views of the stakeholders and other interested persons, which was attended by the following:-

Table-6

Sr. No.	**Name & address of stakeholders from whom comments were received**	**Name of persons representing the stakeholders in the hearing on 01.12.2018**
1.	The HP State Electricity Board Ltd.	Er. S.K Joshi, CE (Comm.).
2.	Consumer Representative	Shri K. S. Dhaulta.
3.	Irrigation & Public Health Department	(i) Er. D.K. Negi, SE(E) (ii) Er. Sanjay Kaushal, XEN .
4.	HP PWD	Er. Sanjay Kumar, SE(E)
5.	The Parwanoo Industries Association,	Shri Rakesh Bansal, Sr. Vice President

10. Oral Submissions made by the Stakeholders during Public Hearing:

(a) (i) Shri Rakesh Bansal, representing Industries Associations during the hearing stated that the basic intention of the HPSEBL to file the present petition before the Commission is to adopt steps required for ‘Ease of Doing Business’ and to curtail the time period for issuance of new electrical connections. He made a submission that the scope of the petition as far as threshold limit of 50kW/kVA is concerned may be enhanced keeping in view that threshold limit to allow LT connection fixed in the Delhi and Maharashtra States are as 150 kVA and 140kVA respectively. There is no rationality in fixing this limit up to 50 kVA. Probably, this has been proposed to be in line with the slabs of Standard Supply Voltage. The present tariff structure allows even an applicant with a load of higher than 50 kVA, to continue on LT supply with payment of Low Voltage Supply Surcharge (LVSS). A flexible mechanism is already available in terms of LVSS.

(ii) He further stated that the contingency charges of 3% and departmental charges of 11% should not be included in the proposed normative cost(s). The HPSEBL is already recovering the variable manpower cost in the ARR and there may not be any contingency involved in providing the LT connection. The matter relating to out of stock of material with the Utility may also require to be addressed. He further requested that the Commission may merge both Regulations 4 and 5 of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 to work-out the combined charges.

(b) The Representative of Irrigation and Public Health Department, Govt. of HP, during the hearing has made submission that the contingency charges and departmental charges considered in the calculations are on higher side and the same should not be considered in the calculations while working out the fixed charges. Since, the higher voltage levels are involved in the water supply schemes so threshold limit of 50 kW/kVA may be enhanced to higher voltage levels and normative fixed charges may be worked-out accordingly.

(c) The Consumer Representative stated that it is a welcome step to implement the recommendations of Govt. of India under "Ease of Doing Business". He suggested that the normative rate may be fixed for 3 to 5 years with some inbuilt annual escalation factor to ensure better certainty of rates and also to avoid frequent filing of petition.

(d) The Chief Engineer (Commercial), HPSEBL has made submissions that the HPSEBL has already curtailed the time period for new electrical connection as 7 days where all formalities are complete and 15 days where additional documentation is required. As far as increasing the threshold limit for LT connection is concerned, presently there is no provision to release connection above 50 kW/kVA on LT supply voltage by charging the LVSS and the proposed limit should not be increased as this will increase the LT:HT ratio, increase in this ratio may result higher T&D losses which have additional financial burden to the Utility/State consumers.

11. Commission's Analysis:-

(i) As far as submission made by the representative of Industries Association regarding enhancement of threshold limit of 50 kW/kVA for fixing the normative rates for service line for LT connection is concerned, the Commission does not find it appropriate to enhance the threshold limit above 50 kW/kVA keeping in view the provisions already contained in the HP Electricity Supply Code as well as technical aspects involved.

(ii) On the issue of levying departmental and contingency charges it is felt that such charges are not only based on standard practice required to be followed for preparing estimates but otherwise also are quite reasonable. In absence of such provisions, the distribution licensee may have to absorb the expenses so incurred from its other sources which cannot be considered as a prudent practice. Even in case of a nominal surplus, if any, the same is automatically adjusted against ARR of the licensee. In view of above, the Commission does not find any merit in the suggestion made by the objector in this regard and as such declines to accept the same. Moreover, the licensee has already excluded the fixed cost estimates from the proposed fixed rates varying from Rs. 1555/- to Rs. 6705/- on account of the wages of field staff based on man days to be deployed for the job.

(iii) The Commission finds merit in the suggestion made by the Consumer Representative for fixing the normative rate for 3 to 5 years with some inbuilt escalation factor and decides to fix the normative rate for service line for LT connection for FY 2018-19 (w.e.f. 01.01.2019), FY 2019-20, FY 2020-2021 and FY 2021-22 with annual escalation @5% per annum (simple rate).

(iv) As regards the reduction in recoverable amount in cases where some material is received for the prospective consumer, the Distribution Licensee must ensure availability of adequate material in its stores for release of service connections within the specified time limits. However, in the extremely exceptional cases, if a particular item of material is not available in stores, the field officers of Distribution Licensee may accept the material from the prospective consumer with the approval of the concerned competent authority to be designated by the Distribution Licensee for the purpose. In such a case**,** the amount recoverable by it from the prospective consumer for the service line shall be reduced to the extent of the estimated cost worked out for the quantity actually received at the normative rate (without any overheads) considered for such item in the fixed normative rate for the service line duly adjusted for annual escalation factor. Such reduction shall be allowed only if the prospective consumer produces a proper cash memo in support of having purchased such material from the market. The Distribution Licensee shall keep the copies of the estimates forming basis of the normative rates as proposed by him and approved herein on its website so as to facilitate computation of the amount of reduction to be allowed to the prospective consumers in such cases without any confusion.

12. In view of above, the Commission as per the regulation 4 of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012 approves normative rates for service lines for LT connection upto 50 kW/kVA and other associated terms and conditions, as follows:-

Table-7

Sr. No.	**Details of Load/ Supply**	**Service Connection Charges for load up to 50 kW /KVA at LT three and Single Phase supply.**	
		Fixed Cost up to 40 metre length of service line (Rs.)	**Variable Cost per Metre (Rs/Metre) in excess of 40 metre length of service line. (Rs/Metre)**
(1)	**(2)**	**(3)**	**(4)**
1	Load up to 2 kW	1542	397
2.	Load above 2 kW and upto 5 kW		
	Single Phase	1542	397
	Three Phase	2750	515
3	Load above 5 kW and upto 8 kW		
	Single Phase	1542	397
	Three Phase	2750	515
4	Load above 8 kW and upto 10 kW		
	Single Phase	1750	397
	Three Phase	3270	515
5	Load above 10 kW and upto 15 kW		
	Single Phase	2088	397
	Three Phase	3962	515
6	Load above 15 kW up to 20 kW-Three Phase	5253	515
7	Load above 20 kW up to 35 kW-Three Phase	12464	515
8	Load above 35 kW up to 50 kW-Three Phase	13707	515

(a) These rates shall be applicable from 01.01.2019.

(b) These rates shall be applicable for the period 01.01.2019 to 31.03.2019. The rates for FY 2019-20, FY 2020-21 and FY 2021-22 shall be computed by the Distribution Licensee by allowing annual escalation @ 5% per annum (simple rate) on the rates applicable on 31.03.2019.

(c) In case the total length of service line exceeds 40 metres, the prospective consumer will have to bear the per metre variable cost of service line in excess of 40 metres as per column 4 of the Table 7 in addition to the normative rates upto 40 metres as per column 2 of the said Table 7.

(d) In case the Distribution Licensee accepts some item of material from the prospective consumer in accordance with para-11 (iv) of this Order, the amount recoverable from the prospective consumer shall be reduced accordingly as per the provision contained therein.

(e) The other terms and conditions shall be as per the provisions of the HPERC (Recovery of Expenditure for Supply of Electricity) Regulations, 2012.

13. The rates fixed under this order shall be applicable for the period from 01.01.2019 to 31.03.2022 (with escalation factor at simple rate of 5% per annum) and shall continue to be in force for further period beyond 31.03.2022 with similar annual escalation until the Commission, modifies the same by order for subsequent period.

The distribution licensee i.e. HPSEBL the shall accordingly take necessary action to implement this order.

It is so ordered.

Sd/-	Sd/-
(Bhanu Partap Singh)	(S.K.B.S. Negi)
Member	**Chairman**

Place: Shimla
Dated: 17th December, 2018