

Chapter-1

OVERVIEW

Himachal Pradesh has notable achievements in the power sector:

- First hill state in the country to provide electricity to all its census villages in the year 1988.
- Achieved unique distinction of 100% metering, billing and collection.
- Highest household coverage ratio in the country i.e. about 98%.
- One of the lowest tariffs in the country.

Himachal Pradesh has identified hydro potential of about 20,000 MW out of which 3942 MW (approx.) has been harnessed so far through execution of projects in the State/Joint/Central/Private Sector. The State Government has drawn up short and medium term plan for development of 10,035 MW of hydel power in the State by 2011-12.

The Himachal Pradesh State Electricity Board (HPSEB), a statutory body constituted on 1st September, 1971 under the Electricity (Supply) Act, 1948, is responsible for planning, investigation & exploitation of hydro potential of the State either through State Sector or through Central, Joint, Private Sectors. It is a vertically integrated utility and is also assigned the functions of transmission and distribution of power. The installed capacity of the State as on March 31, 2002 was 326.33 MW and after accounting for its share in Central Sector / Joint Sector Projects, the total availability was about 782 MW. In addition to this, Himachal Pradesh imports energy from neighbouring states and Central Sector Projects

The State experienced maximum load demand of about 556 MW during the year 2001-02, which is expected to grow to about 900 MW at the end of 11th Plan. The energy sale to consumers within the state has experienced a CAGR of 6.66 % over the last five years. The number of consumers and consumption in different consumer classes for the years 2000-2001 and 2001-2002 are given below:

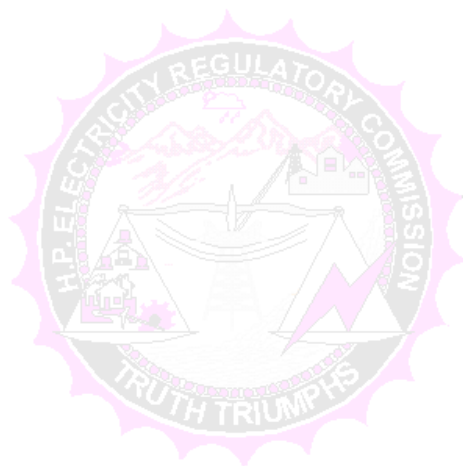
Number of Consumers and Energy sales for FY01 and FY02

| Category | Year 2000-2001 | | Year 2001-2002 | |
|----------------------------|------------------|------------------|------------------|------------------|
| | No. of consumers | Consumption (MU) | No. of consumers | Consumption (MU) |
| Domestic | 1272217 | 637 | 1316947 | 703 |
| Non Residential | 153363 | 162 | 157357 | 174 |
| Small & Medium Industrial | 28813 | 171 | 29146 | 170 |
| Large Industrial | 365 | 898 | 384 | 976 |
| Water & Irrigation Pumping | 1682 | 208 | 1634 | 222 |
| Street Lighting | 479 | 8 | 467 | 9 |
| Agricultural Pumping | 6144 | 19 | 6329 | 21 |
| Bulk Supply | 115 | 103 | 124 | 101 |
| Total: | 1463620 | 2206 | 1513661 | 2376 |

Note: Figures for FY01 are actual whereas FY 02 figures are based on Commission's estimates.

During the period 1972-73 to 2001-02, phenomenal growth has taken place in the Power Sector in Himachal Pradesh as HPSEB increased its power generating capacity by 6 times, power handled by 9 times, service connections by 447 times, and revenue by 194 times. Despite hostile geographical terrain and population spread over far-flung and scattered areas the State achieved 100 percent electrification of towns and villages in 1988. However, the financial performance of the State Electricity Board in terms of ROR, which was positive from 1995-96 to 1997-98, has deteriorated thereafter resulting in negative ROR from 1998-99 to 2001-2002.

The Government of Himachal Pradesh is committed to reforming its Power Sector with a view to achieve commercial viability and provide reliable and quality power at competitive prices to all consumers in the State. With this objective in view, it has signed a “Memorandum of Understanding” with Ministry of Power, Govt. of India on 31st March, 2001 to reaffirm the commitment of the two parties to reform the power sector in the state and to set out the reform measures which the State Government of Himachal Pradesh will implement and the support that the Government of India will provide. The “Memorandum of Understanding” is presented as Annexure- VII.



Chapter-2

THE COMMISSION

Himachal Pradesh Electricity Regulatory Commission has been constituted under the Electricity Regulatory Commissions Act, 1998 (14 of 1998) which provides for the establishment of a Central Electricity Regulatory Commission and State Electricity Regulatory Commissions, to introduce competition, efficiency and economy in the power sector, to safeguard the consumer interest and to improve the quality of supply and service.

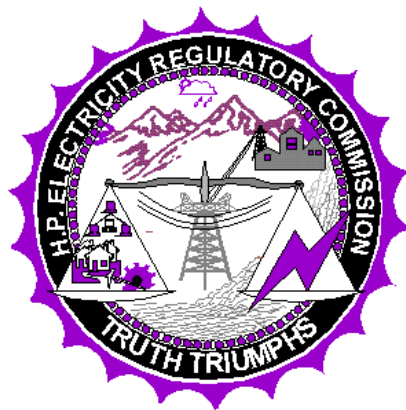
The notification for the establishment of one Member Himachal Pradesh Electricity Regulatory Commission was issued by the Government of Himachal Pradesh vide No. MPP-A- (7)-1/2000 dated the 30th December, 2000 and Sh.S.S.Gupta was appointed as such vide H.P.Government notification No. MPP (B) 3-1/2001 dated the 6th January, 2001. H.P. Government subsequently appointed him as the Chairman of the Commission vide notification No. MPP-A (7)-1/98 dated the 26th April, 2001.

The Commission functions in a quasi- judicial manner and has the power to make regulations for the conduct of its proceedings and discharge of its functions. It is vested with the same powers as that of a civil court under the Code of Civil Procedure, 1908 (5 of 1908) in respect of certain specified matters and all proceedings before the Commission are deemed to be judicial proceedings within the meaning of sections 193 and 228 of the Indian Penal Code (45 of 1860) and the Commission is deemed to be a civil court for the purposes of sections 345 and 346 of the Code of Criminal Procedure 1973 (2 of 1974). The Chairman of the Commission is appointed by the Governor of Himachal Pradesh on the recommendation of a selection committee in accordance with the procedure laid down in the ERC Act, 1998. The ERC Act also provides for the appointment of a Secretary, functioning under the control of the Chairman, whose powers and duties are defined by the Commission.

The Commission started functioning from 6th January, 2001 with headquarters at Shimla.

Chapter-3

COMMISSION'S EMBLEM



The emblem epitomizes role of the Commission vis-a-vis various stakeholders in the electricity sector of the state of Himachal Pradesh. The Commission's mandate is to promote economy, efficiency and competition in the electricity sector and in the process, to balance and protect the interests of the consumers while ensuring adequate returns to the electricity utility operators – Generators and Transmission & Distribution Utilities. The Commission has to conduct its business in a transparent and fair manner. The 'Balance' around which the emblem is structured, therefore, appropriately symbolizes the quasi-judicial functioning of the Commission in the fulfillment of its mandate. The transmission tower in the middle indicates the fulcrum, which is firmly grouted in the ground and on which hinge the two scales – the left representing the consumers and the right representing the electricity utility. The transmission tower in the center of the balance signifies its critical link between the producers and the consumers of electricity.

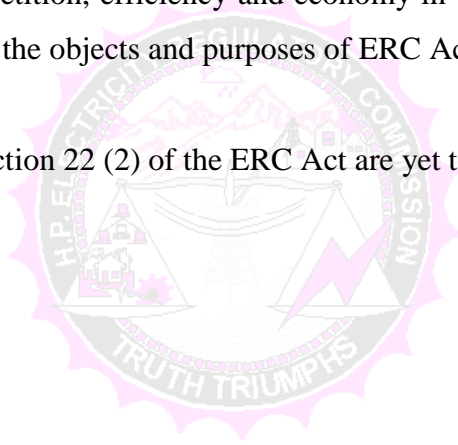
Chapter-4

THE MANDATE OF THE COMMISSION

The Commission has been assigned the following mandatory functions under Section 22 (1) of the Electricity Regulatory Commissions Act, 1998.

- To determine the tariff for electricity wholesale, bulk, grid or retail, as the case may be.
- To determine the tariff payable for the use of the transmission facilities.
- To regulate power purchase and procurement process of the transmission utilities and distribution utilities including the price at which the power shall be procured from the generating companies, generating stations or from other sources for transmission, sale, distribution and supply in the State.
- To promote competition, efficiency and economy in the activities of the electricity industry to achieve the objects and purposes of ERC Act.

The functions under Section 22 (2) of the ERC Act are yet to be assigned to the Commission.



Chapter-5**MISSION STATEMENT**

The superordinate goal of the Commission is to regulate the Electricity Industry in a competitive, efficient and economic manner to ensure availability, accessibility and affordability of electricity to the people of Himachal Pradesh.

Chapter-6

THE PROFILE OF THE FOUNDER CHAIRMAN OF THE COMMISSION



S.S. Gupta
Chairman

Shri S.S. Gupta took oath of office as the sole member of One Member Himachal Pradesh Electricity Regulatory Commission on 6th January, 2001 and as its Chairman on 12th July, 2001. He is a graduate in Electrical Engineering and also has a Masters Degree in Business Administration. He has a long professional experience in all aspects of Power Engineering having worked in various capacities in the State Electricity Board of composite Punjab and thereafter in Himachal Pradesh and other organizations like East African Power & Lighting Company of Kenya and BBMB. Prior to joining the Commission in January 2001, Shri Gupta was working as Member (Operation) in the Himachal Pradesh State Electricity Board. The first Indian to be selected as Area Commercial Manager in the East African Power & Light Co. Kenya, he was also recognized by Rifacimento International as “ASIA’s Who’s Who of Men and Women of Achievements” in 1992. He has authored a number of papers and Reports in India and abroad both on technical subjects as well as in the field of restructuring of State Electricity Boards. As Member (Operation) of the State Electricity Board, he was instrumental in laying the road map of internal reforms within the Board, which formed the basis of Memorandum of Understanding signed between the Govt. of Himachal Pradesh and Govt. of India for power sector reforms in the state.

Chapter-7

HUMAN RESOURCES OF THE COMMISSION

The Commission is entrusted with the challenging task of establishing a credible regulatory body in the state of Himachal Pradesh. The Commission has organized itself into work through three divisions, namely Administration, Technical Analysis and Tariff & Finance Analysis. The Secretary to the Commission handles all the administration activities of the Commission. The Technical Analysis Division is responsible for matters relating to Grid Code, Distribution Code and Supply Code, monitoring of loss reduction plans, load forecast, power purchase agreements, resource plans, information technology, statistics, etc. The Tariff & Finance Analysis Division handles all matters relating to tariff and economic and financial analysis.

The Organization Chart is available at Annexure-I and List of staff of the Commission is at Annexure-II.

The Commission had proposed a total of 51 posts in its Management & Development of Human Resources Regulations, 2001 submitted to the State Government for approval, which included 27 professionals from the technical, finance, administrative and legal areas. However, the Government accorded approval for creation of 30 posts of various categories, including only 11 professionals. No post was sanctioned on the legal side. The State Government has still to approve the Service Regulations, which is telling upon the morale of the staff. The Commission was greatly hindered in dealing with the substantive issues within its mandate due to this.

Conference /workshops/trainings

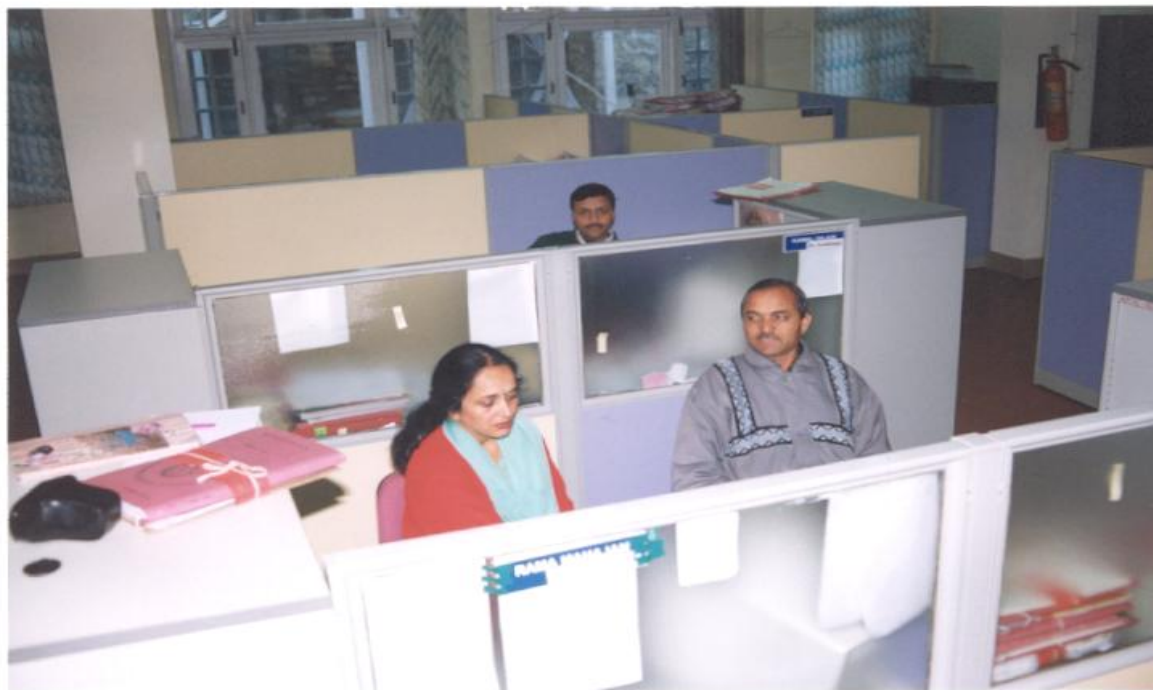
The details of conferences/workshops/training programmes attended by Chairman and Staff of the Commission are provided in Annexure-III.

Computerization

The Commission has gone in for complete computerization of all the activities with the ultimate aim of having enterprise resource planning and to facilitate near paperless working in the office. Computers have been procured and provided to all officers and staff. A computer network having 20 desktops together with one Net Server loaded with Back Office 2000 and connected through 24-port Ethernet switches has been provided.

Website

The commission has its website at www.hperc.nic.in. All the regulations, various orders and other relevant details of the Commission are available on this website.



Work Stations

Chapter-8

FINANCE AND ACCOUNTS

Finance

As per Section 33 of the Electricity Regulatory Commissions Act 1998, the State Commission shall prepare, in such form and at such time in each financial year as may be prescribed, its budget for the next financial year, showing the estimated receipts and expenditure of the State Commission and forward the same to the State Government.

No form was prescribed by the State Government. However, the budget estimates submitted by the Commission to the Govt. and the actual amount sanctioned for the years under report are as below:

| | <u>2000-01</u> | <u>2001-02</u> |
|---------------------------|----------------|----------------|
| | (Rs. in lakh) | (Rs. in lakh) |
| Initial budget demanded | 6.36 | 355.93 |
| Budget Allocated | 1.50 | 64.35 |
| Revised budget demanded | ----- | 145.52 |
| Revised budget sanctioned | ----- | 64.35 |
| Actual amount spent | 4.13 | 116.63 |

The amount of Rs.4.13 lakh and Rs.99.06 lakh (out of Rs 116.63 lakh for the year 2001-02) was spent during 2000-2001 and 2001-2002 respectively through the State Electricity Board (HPSEB). The Commission did not operate the budget allocated by the Government till 31.1.2002 and made arrangements with HPSEB to make payment of all its bills submitted till 31.1.2002. From 1.2.2002 onwards, the Commission is operating the budget sanctioned by the Government through government treasury.

The ERC Act makes no provision for the Commission to finance itself and, therefore, the entire resources were limited to the budgetary allocations.

The Commission also worked under self imposed financial discipline.

Accounts and Audit of State Commission

According to the provisions of Section 34 of the ERC Act, 1998, the Commission is to maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed by the State Government in consultation with the Comptroller and Auditor-General of India. No form as such was prescribed by the State Govt. However, draft Accounting Regulations was forwarded by the Commission to the State Government in August, 2001. Since the approval of the State Government is still pending, the accounts were maintained according to the traditional Government practice. The Commission also devised an internal audit system and all its bills were pre-audited accordingly before the final payment.

Grants Received

During the year 2001-02, the Commission received a grant of Rs. 5.00 lakh from the Power Finance Corporation for computerization.

Abstract of Expenditure for 2001-01 and 2001-2002

The Commission has incurred the following major head wise expenditure during the years 2000-01 and 2001-02: -

| <u>Major Expenditure Head</u> | <u>2000-01</u> (Rs. in lakh) | <u>2001-02</u> (Rs. in lakh) |
|---|--|--|
| 1. Establishment | 2.65 | 31.92 |
| 2. Office Expenses including office set up expenditure | 1.48 | 84.71 |
| Total | 4.13 | 116.63 |

Corpus Fund

Financial autonomy is one of the prerequisites of an independent regulatory body. Realizing the difficulties involved in establishing of a new institution and also in recognition of the need for independent financing arrangements outside the budgetary allocations, the Commission took up the issue of providing initial startup corpus fund with the state Government. However, no amount was provided by the State Govt. or administered as corpus fund and the Commission faced innumerable difficulties in managing its activities out of the budgetary allocations.



Work Stations

Chapter-9

THE YEARS (2000-2001 AND 2001-2002) IN RETROSPECT

Establishing office of the Commission

The Commission started functioning in a temporary office from the headquarters of HPSEB at Shimla. On hiring of rented premises at Keonthal Commercial Complex, Khalini, Shimla-171002, the Commission's office has been functioning at the new complex with effect from 5th May, 2001. The Commission has hired 6,000 square feet of carpet area and designed its office layout to conform to the latest and modern office concepts to promote office efficiency and productivity.



Chairman's Chamber

Administration

Shri Dinesh Malhotra, the first Secretary of the Commission assumed office on 19th January, 2001. After completing almost one year of service in the Commission, he proceeded on Foreign Training to Australia for doing MBA under the AusAID

MBA/MPA Program. His successor Shri N.S.Choudhry took over as Secretary of the Commission from 10th January, 2001. The post of the Administrative Officer is lying vacant after Shri P.C.Gupta having served the Commission from 1-09-2001 to 29.11.2001 was repatriated back, on his request, to the parent department.

Recruitment of officers/staff

The Commission initially functioned with the Chairman and the Secretary in office assisted by skeleton personal staff taken on deputation from HPSEB. Subsequently on receipt of approval of the State Government on 9th May, 2001 for creation of 31 number of posts of various categories (including Chairman)) on permanent absorption basis, the Commission initiated action for recruitment of other officers and staff. Both the posts of Executive Directors were filled on permanent absorption basis by inviting applications from the eligible officers of HPSEB/HSEB. No other post could be filled up on permanent absorption basis as no one was willing. All other staff except Deputy Director (TA & FA/TE), after obtaining approval of the state government was taken on deputation from HPSEB/other Government Departments/Corporations/Regional Engineering College in the state. The post of the Deputy Director (TA & FA/TE) was, however, filled up through direct recruitment.



Staff Meeting Room

Engagement of Consultants

In order to have assistance in techno-commercial and legal issues relating to various functions of the Commission, the Commission engaged the services of two retired officers of HPSEB/State Government as retainer consultants.

The Commission, in order to have the benefit of outside expertise in the power sector, also invited competitive bids from outside consultants to avail their services for assisting the Commission on the first tariff filing of HPSEB and engaged Tata Energy Research Institute for the assignment. The Commission has also decided to engage consultants relating to the assignment for assistance for the approval of Model PPA for which a petition has been filed by HPSEB.

State Advisory Committee

The ERC Act, 1998 provides for the establishment of the State Advisory Committee to advise the Commission on policy formulation, quality, continuity and extent of service provided by licensees, compliance by the licensees with the conditions and requirements of their license, protection of consumer interests and energy supply and overall standards of performance by utilities. The said committee was established by the Commission vide notification dated 28th February, 2001. The composition of the Committee is shown in Annexure-IV. The first meeting of the State Advisory Committee was held at Shimla on August 17, 2001. The Minutes of this Meeting are presented as Annexure- V.

Regulations /Guidelines/ Orders issued

The Commission has issued the following Regulations/Guidelines/ Orders that provide the institutional and legal framework for regulation of the Electricity Sector in the State.

- **Guidelines for Revenue and Tariff filing**

The guidelines issued on February 23, 2001, prescribe the methodologies and procedures to be followed by a utility for calculating its Revenue Requirement and the Expected Revenue from the current and proposed charges. The guidelines, inter alia, also requires the utility to set Standards and Benchmarks for the supply of electricity to improve its

services, including maximum time of response to important aspects of service so that the rationalization of energy prices is done at the internationally acceptable norms of efficiency.

- [Guide lines for Functioning of State Advisory Committee](#)

The Commission issued these guidelines on February 28, 2001. The guidelines lay down the procedure for the selection and appointment of the Advisory Committee Members, term of office of the Members and the conduct of proceedings of the Committee.

- [Appointment of Consultants Regulations, 2001](#) **

The Regulations notified on February 28, 2001 in terms of Section 21(4) and 58(1) (c) of CERC Act, specify the procedure to be followed for the appointment of Consultants and the remuneration payable to them.

- [Conduct of Business Regulations, 2001](#) **

The Commission notified these regulations on April 23, 2001 in terms of Section 58(1) of CERC Act. The regulations set out the legal and administrative framework within which the Commission will conduct its work and proceedings.

*****The Regulations are required to be laid by the State Government as soon as may be after they are made, before the House of State Legislature in accordance with Section 59 of the ERC Act. They have, however, not been laid as yet by the State Government.***

- [Management & Development of Human Resources \(Draft Regulations\),2001](#)

The Regulations determine the number, nature and categories of officers and staff required to assist the Commission in the discharge of its functions together with the salaries and allowances payable to, and other conditions of service of, the Secretary, officers and other employees. The said regulations were forwarded to the state Government for approval on 15.02.2001 (first version) and then July 11, 2001 (second

version incorporating the provision for permanent absorption) in terms of Section 21(3) and 58(2) of ERC Act. Approval of these regulations is still awaited.

- **[Draft Guidelines for Power Purchase Agreements \(PPA\) upto 5 MW](#)**

The guidelines issued on July 11, 2001 refer to the main issues to be covered in the preparation of PPAs of mini/micro hydro power plants upto 5 MW and the manner of submission of the PPA by the parties concerned for the approval of the Commission. The Commission has also issued directions to HPSEB to prepare a model PPA and submit the same to the Commission for approval.

- **[Concept paper on Retail Supply Tariff](#)**

The Concept Paper issued on July 31, 2001, discusses the objectives of tariff setting, tariff principles, methodologies, and key issues involved in determining the retail electricity tariff in Himachal Pradesh.

- **[Accounting \(Draft\) Regulations, 2001](#)**

The Accounting Regulations set out the methodology and the procedures to be followed for the preparation and administration of budget, finance, accounts and audit of the Commission. These regulations were also sent to the Government for approval on August 7, 2001. The approval of the Government is still awaited.

- **[Guidelines for Load Forecast, Resource Planning and Power Procurement](#)**

The guidelines issued on August 3, 2001 provide for the preparation and approval of load forecasts, Resource Plans and power procurement processes of the utility.

- **[Grid, Supply and Distribution Codes](#)**

The Commission vide its order dated May 3, 2001, directed HPSEB to submit the following codes for approval to the Commission within three months of the date of order:

- (i) Himachal Pradesh Electricity Grid Code (HPEGC)
- (ii) Himachal Pradesh Electricity Distribution Code (HPEDC)
- (iii) Himachal Pradesh Electricity Supply Code (HPESC)

- **Tariff Order 2001-02**

Petition for determining its Annual Revenue Requirement (ARR) and the Distribution and Retail Supply Tariff for the FY 2001-02 was filed by HPSEB on April 30, 2001. This was followed by submission of the petition for Transmission and Bulk Supply Tariff on August 14, 2001, after prayer for its waiver was dismissed by the Commission. Following the scrutiny of the tariff petition filed by the Board, the Commission noticed a number of gaps and inconsistencies in the petition and the data. A set of queries was raised and clarifications sought. A meeting was also held with the Board's officers to thrash out the inaccuracies in the data.

Comments and suggestions of the members of State Advisory Committee were taken note of during the tariff determination exercise. Open house sessions were also held at different places viz; Dalhousie, Dharamshala, Hamirpur to receive vital inputs and suggestions from various consumer groups for this purpose. Public hearing to give an opportunity to the various stake holders, who had in response to the notice given by the Commission in the leading newspapers filed objections/suggestions against the above petitions were subsequently held at Shimla, Parwanoo, Nahan, Paonta Sahib and Dharamshala. The views of the consumer representatives appointed by the Commission under Section 26 of the ERC, Act, 1998 to represent the interests of the consumers were also ascertained during these public hearings.

Tariff Structure was redesigned based upon economic, social and administrative factors covering various aspects such as cost of supply, reduction in cross subsidies, financial viability, avoidance of tariff shock, lifeline rates, ease of implementation and practical limitations. The Tariff Order was announced by the Commission on October 29, 2001 and came into force from November 1, 2001. The existing/proposed tariff of HPSEB and the tariff approved by the Commission are at Annexure-VI.

Some of the salient points of the tariff order are as under:

1. The Commission determined the distribution & retail supply tariff for FY 2001-2002 for all categories of consumers incorporating an overall increase of 14.48% over the existing rate as against overall increase of 29.90% suggested by HPSEB.
2. The Commission approved overall T&D loss of 17.96% instead of 18.96% proposed by HPSEB for the purpose of tariff determination for the FY 2001-2002. HPSEB was also directed to achieve a comparable reduction in the projected T&D loss of 23.50% on the energy sale to consumers within the State.
3. The Commission approved net Annual Revenue Requirement of Rs.775.34 crores against Rs.940.10 crores proposed by HPSEB after validation of data and costs to ensure consistency, verifiability and prudence .The Commission accordingly scaled down the annual revenue requirement of HPSEB by Rs.165 crores.
4. The Commission, with the intention to move towards the cost of supply based tariff regime, has made significant reduction in the cross subsidies, ensuring, however, that there are no tariff shocks in the process. Merger of Small and Medium Industrial power supply into a single category as also the two large supply industrial categories of consumers into one category, reduction of slabs in Domestic and merger of all slabs in Commercial category are the other steps taken by the Commission in this direction.
5. The Commission being of the view that tariff structure must be transparent to reflect the fixed and variable costs separately, has introduced a two-part tariff structure for all categories of consumers except domestic by levying besides the energy charges, a consumer service charge designed to include the fixed liabilities of HPSEB and the cost of providing services such as metering, billing and collection. The application of the consumer service charge to Domestic category has been withheld so as to limit the tariff shock to these consumers. For large industrial consumers, a demand charge based upon the contract demand has also been introduced to ensure recovery of fixed costs and to correlate these charges

with the level of demand of each consumer. Simultaneously Monthly Minimum charge has been abolished for all consumer categories as these act as disincentive for the consumers to conserve energy.

6. The Commission has introduced kVAh based tariff for large industrial consumers to provide an incentive to operate their equipment at a higher power factor. Being a new concept and because of metering requirements, the Commission decided that its extension to other categories would be considered in the subsequent years. This tariff itself is likely to significantly reduce technical loss of the Board due to higher efficiency level of management of industries.
7. The Commission has approved application of time of use charge and winter surcharge as a part of the tariff structure to reflect the higher cost of supply during the peak load hours/winter months. A concessional nighttime tariff has also been introduced for industrial and water pumping supply consumers to reflect the lower cost of supply during the night hours and to induce the consumers to shift the usage during off-peak hours to flatten the load curve.
8. The Commission approved the total expenditure to be capitalised as Rs. 132 crores (including captilisation of interest of Rs. 56 crores and captilisation of other expenses of Rs. 76 crores) against Rs. 42.31 crores proposed by HPSEB.
9. The Commission approved depreciation of Rs.51.21 crores against 32.02 crores, proposed by HPSEB for generation, transmission and distribution businesses.
10. The Commission approved bulk supply tariff of Rs. 1.30 per kwh for 2001-02 to be used by HPSEB only for the purpose of internal accounting between the transmission & distribution businesses. The Commission shall review its decision regarding non-applicability of this tariff to retail consumers during the next tariff filing to be made by HPSEB.
11. The Commission approved a return of 3% on the net fixed assets of Rs. 930.76 crores as stipulated in Section 59 of the Electricity (Supply) Act, 1948 and did not

agree to the request of HPSEB for return of 15.50% on capital base as available to a licensee under Schedule VI of the above Act.

12. The tariff determined by the Commission ensures full recovery of the annual revenue requirement of HPSEB thus doing away with the need for the request of HPSEB for creation of Regulatory Asset to the tune of Rs. 45 crores out of the total revenue gap of approximately Rs. 118.91 crores left after taking into account the additional income from the tariff proposed by HPSEB.
13. The Commission simplified and rationalized the tariff structure to ensure transparency in implementation of the various orders/directives issued by the Commission in the matter of the two tariff petitions as well as to address some of the concerns that can be the major irritants and sources of mal-practices, corruption and harassment of the consumers.
14. The Commission did not approve the request of HPSEB for retrospective application of the new tariff from June 1, 2001 as it was of the view that the same would violate the economic premise that demand is related to price and also since it could be argued that much of the delay in issuing the tariff order has been caused by the incomplete and inaccurate data furnished by the HPSEB.
15. The Commission approved the guaranteed standards and benchmarks for the supply of electricity as well as the token compensation in case of proven violations for improvements in quality of supply.
16. Twenty one directions most of them with the consent of the Board were issued to the Board in chapter 7 of the Tariff Order. These covered the whole gamut of working of the utility and were aimed at making HPSEB a truly efficient utility besides ensuring better availability, accessibility and affordability of power to the consumers.

- **Tariff filing for 2002-2003**

The Himachal Pradesh Electricity Regulatory Commission's guidelines for Revenue and Tariff filing provide that the utility shall provide to the Commission at least three months before the ensuing financial year, full details of its calculations of the expected aggregate revenue from the charges for the financial year which it believes it is permitted to and requisite details for the proposed tariff. However, despite request made by HPERC, the HPSEB did not provide these details for the year 2002-03

- **Complaint Handling Mechanism and Procedure**

The Commission in its Tariff Order for 2001-2002 has approved the Standards and Benchmarks, as proposed by HPSEB for maximum time of response for various services together with token compensation for the proven violations. The Commission had directed the HPSEB to propose and submit to the Commission, the Complaint Handling Mechanism and Procedure for establishing violations beyond a reasonable doubt. Based upon the information supplied by HPSEB, the Commission has approved the Complaint Handling Mechanism and Procedure for establishing violations for the guaranteed Standards and Benchmarks. The procedure was notified on 8th February, 2002. In case a consumer is not satisfied with the response of the HPSEB or if the consumer feels that the HPSEB has delayed in redressing the consumer's complaint beyond three months, he can make an application to the Commission as per Commission's Complaint Handling Procedure notified on 8th February, 2002.

Compliance of the Directions

Out of the twenty one directions issued to the Board in the Tariff Order 2001-02, the Board has made compliance to 4 number directions relating to (i) Details of employees retiring in next year (ii) Procedure for sanctioning new connections (iii) Changes in the sales manual and (iv) Complaint handling mechanism and procedure for establishing violations beyond reasonable doubt. The Board did not comply with ten number directions, for which compliance was to be reported by 31st March, 2002.

The Commission issued 5 notices to the Board to show cause as to why action in terms of Section 45 of ERC Act be not initiated against it for non-compliance of the following directions, issued in the Tariff Order dated 29th October, 2001:

| S.N. | Direction no. as per Tariff order | Subject of Show Cause Notice | Date of issue |
|------|-----------------------------------|-----------------------------------|---------------|
| 1. | 7.13 | Un-productive assets | 23.3.02 |
| 2. | 7.28 | Materials Management | 26.3.02 |
| 3. | 7.31 | Monitoring of the Progress | 27.3.02 |
| 4. | 7.9 & 7.10 | Simulating Competitive Conditions | 30.3.02 |
| 5. | 7.14 | Power Sector Reforms | 30.3.02 |

Petitions

The details of the petitions before the commission during the period under review are given in Annexure-VIII.



Chairman in Commission's Court Room

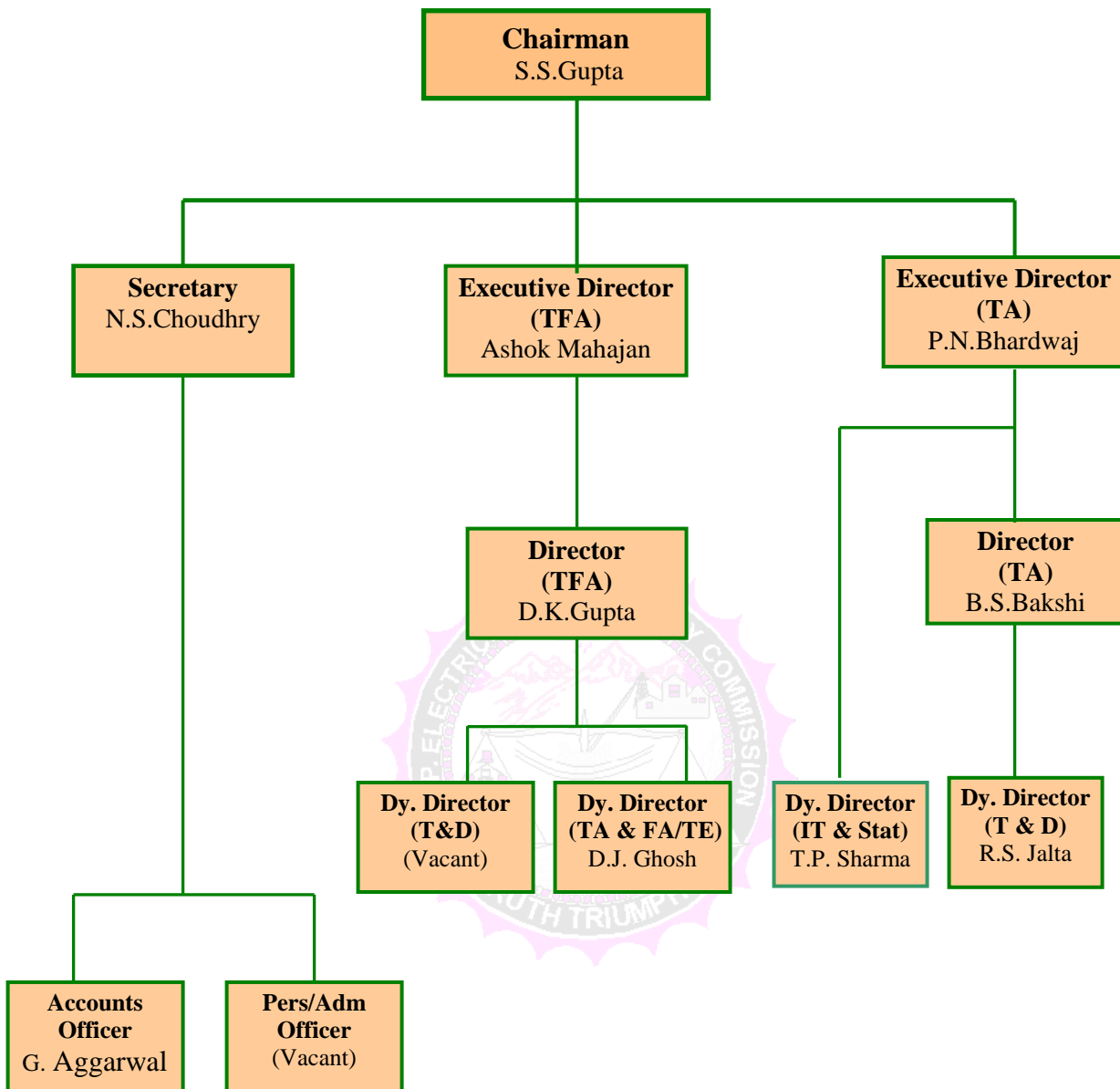
Chapter-10

AGENDA FOR ENSUING YEAR

- **Finalization of Model Power Purchase Agreement.**
- **Finalization of Himachal Pradesh Electricity Grid, Distribution and Supply codes.**
- **Review of load forecast, resource plan and Power Procurement Process.**
- **Review of HPSEB proposal on reduction of transmission and distribution losses**
- **Review of marginal cost study to be carried out by the HPSEB during its next tariff filing in early next year**
- **Review of HPSEB proposal on demand side management, energy audit and distribution planning.**
- **To empower consumers so that they play an effective role in the power sector reform process.**

ANNEXURE-I

ORGANISATION CHART (PROFESSIONAL STAFF AS ON 31.3.2002)



ANNEXURE-II**STAFF OF THE COMMISSION AS ON 31.3.2002**

| Sr. No. | Designation | Name |
|---------|--------------------------------|-----------------------|
| 1. | Secretary | N.S.Choudhry |
| 2. | Executive Director (TA) | P.N.Bhardwaj |
| 3. | Executive Director (TFA) | Ashok Mahajan |
| 4. | Director (TA) | B.S.Bakshi |
| 5. | Director (TFA) | D.K.Gupta |
| 6. | Dy. Director (T&D) | R.S.Jalta |
| 7. | Dy. Director (IT & Stat) | T.P.Sharma |
| 8. | Dy. Director (TA&FA/TE) | D.J Ghosh |
| 9. | Accounts Officer | Gulshan Aggarwal |
| 10. | PS to Chairman | J.R.Verma |
| 11. | PA to Chairman | Vakil Singh |
| 12. | PA to Secretary | Mohinder Singh Thakur |
| 13. | PA to Executive Director (TA) | Rajesh Gupta |
| 14. | PA to Executive Director (TFA) | N.K.Vinayak |
| 15. | Sr. Scale Stenographer | Hukam Singh Thakur |
| 16. | Sr. Assistant | Sushil Kashyap |
| 17. | Sr. Assistant | Rama Mahajan |
| 18. | Jr. Assistant | Kamal Dilaik |

ANNEXURE-III

CONFERENCE/WORKSHOPS/TRAININGS ATTENDED BY THE CHAIRMAN AND STAFF OF THE COMMISSION

| S.N. | Name | Desgn. | Period | Programme |
|------|--|--|----------------------|---|
| 1. | Sh.S.S. Gupta | Chairman | 22.1.01 to 26.1.01 | Training Course on Tariff Structure & Analysis at Delhi |
| 2. | Sh. S.S. Gupta | Chairman | 5.4.02 | Workshop on Developing Power Markets in India at Delhi |
| 3. | Sh. S.S. Gupta | Chairman | 3 & 4.4.02 | Regulatory Reforms in the Environment Infrastructure Sector and Independent Regulatory Bodies- Institutional and Stakeholder Relationships by TERI at Delhi |
| 4. | Sh. S.S. Gupta | Chairman | 10.1.02 to 11.1.02 | Seminar on International Experience in performance based regulation to enhance energy efficiency |
| 5. | Sh. S.S. Gupta Sh.P.N. Bhardwaj Sh.Ashok Mahajan | Chairman ED (TA) ED (TFA) | 7.08.01 to 8.08.01 | Workshop on Multiyear Tariff in India by TERI at Delhi |
| 6. | Sh.Dinesh Malhotra, Sh.Ashok Mahajan | Secretary ED (TFA) | w.e.f. 1.11.01 | Training of Computer Concepts, Window 98, MS Office 97, Word, Excel, Powerpoint, Internet & E-Mail |
| 7. | Sh. P.N. Bhardwaj | ED (TA) | w.e.f. 1.11.01 | Computer training for C++ |
| 8. | All the officers/officials of the Commission | - | 2.11.01 to 12.11.01 | In house Computer Training by RCC |
| 9. | Sh. P.N. Bhardwaj Sh.Ashok Mahajan | ED (TA) ED(TFA) | 28.11.01 to 29.11.01 | National Conference on Reforms in the infrastructure sector by TERI at Delhi |
| 10. | Sh. P.N. Bhardwaj Sh. Ashok Mahajan Sh. B.S. Bakshi Sh. D.K. Gupta Sh. Ranvir Jalta Sh. D.J. Ghosh | ED (TA) ED(TFA) Director(TA) Director(TFA) DD(T&D) DD(TA&FA/TE) | 26.12.01 to 30.12.01 | National Workshop on Restructuring and Financing of Power sector at Kanpur |
| 11. | Sh. T.P. Sharma | DD (IT&Stat) | 7.2.02 to 8.2.02 | Seminar on Cyber Crime & Cyber Laws at Chandigarh |
| 12. | Sh.Ashok Mahajan Sh D.K. Gupta | ED (TFA) Director (TFA) | 4.3.02 to 5.3.02 | Course on Rational Tariff Design for End-Use Energy Efficiency at Delhi |
| 13. | Sh. B.S. Bakshi Sh. R.S. Jalta Sh. G. Aggarwal Sh. J.R. Verma Sh. Vakil Singh Sh. Hukam Singh, Sh. Mohinder Singh Sh. Rajesh Gupta Sh. Sushil Kashyap Smt. Rama Mahajan Sh. Kamal Dilaik | Director (TA) Dy.Dir(TD) A.O. P.S. P.A. Sr.S.S. Sr.S.S. Jr. S.S. Sr. Asstt Sr. Asstt. Jr. Asstt. | 4.2.02 to 8.3.02 | Training on Computer Concepts, Window 98, MS Office 97, Word, Excel, PowerPoint, Internet & E-Mail |

ANNEXURE-IV

Notification

No.HPERC/0021/2001/1 dated 29th February, 2001:

In exercise of the powers conferred by Section 24 of the Electricity Regulatory Commission Act, 1998 (Act 14 of 1998), the Himachal Pradesh Electricity Regulatory Commission hereby constitutes the State Advisory Committee.

2. The Constitution of the State Advisory Committee shall come into effect on the date of its publication in the Government Gazette.
3. The term of appointment of the Members of the State Advisory Committee shall be one year from the date of publication of this notification in the Govt. Gazette.
4. The business of the State Advisory Committee shall be conducted in accordance with the guidelines so laid down by the Commission.
5. The objects of the State Advisory Committee shall be as laid down in Section 25 of the Electricity Regulatory Commission Act, 1998.
6. The Chairman and Members of the Commission shall be the ex-officio Chairman & Members of the State Advisory Committee.
7. The State Advisory Committee shall comprise of the following members:-

| Sr.No. | Name and Address | Designation in the Committee |
|--------|--|------------------------------|
| 1. | Mr. S.S. Gupta HP. Electy. Regulatory Commission, SHIMLA. | Ex-Officio Chairman |
| 2. | Mr. M.K. Sambhamurthy, Ex-Chairman, CEA, M-54,Swati Apartments, 12, IP Extension, PATPARANJ, NEW DELHI-110092. | Member |
| 3. | Mr. Suman Beri, Director General, National Council of Applied Economic Research, NEW DELHI. | Member |
| 4. | Mr. K. Balarama Reddi, Sr. Consultant, Administrative Staff College of India Bella Vista, HYDERABAD. | Member |
| 5. | Mr. K. Ramanathan, Sr. Fellow, Tata Energy Research Institute, Habitat Place, Lodhi Road,NEW DELHI. | Member |
| 6. | Mr. Alok Sharma, Chairman, HP. State Council Confederation of Indian Industries, Sec-31A, CHANDIGARH-160047. | Member |

| | | |
|-----|--|--------|
| 7. | Mr. Satish Bagrodia, Chairman, HP. Committee PHDCCI, Winsome Group of Industries, SCO-144-145, Sec-3A CHANDIGARH-160022. | Member |
| 8. | Mr. Arun Suri, Morepen Industries, PARWANOO. | Member |
| 9. | Mr. A.V. Giri, Executive Director, Malana Power Co. Ltd., LNG Bhilwara Group of Industries, Bhilwara Towers A-12,Sec-I, NOIDA-201301. | Member |
| 10. | Mr. Sachit Jain, Executive Director, Wardhman Spinning & General Mills Ltd., Sai Road, Tehsil Nalagarh, Distt. Solan, BADDI-173205 (HP). | Member |
| 11. | Mr. Dhian Chand, Managing Director, Kufri Hotel Pvt. Ltd., Kufri, SHIMLA-171012 9HP0. | Member |
| 12. | Mr. P.K.Sud, Member (Operation), HPSEB, Vidyut Bhawan, SHIMLA-171004. | Member |
| 13. | Mr. Anil Khachi, Chief Executive Officer, Himurja, Kasumpti, SHIMLA. | Member |
| 14. | Mr. P.C. Dhiman, Director (Industries) H.P. Govt. Nigam Vihar, SHIMLA. | Member |
| 15. | Labour Commissioner , HP. Govt. SHIMLA. | Member |
| 16. | Mr. J.C. Rana, Director (Agriculture), HP. Govt. SHIMLA. | Member |

The Secretary of the Commission shall also be the Secretary of the State Advisory Committee.

By Order of the Commission

Sd/-

Chairman

ANNEXURE- V

**HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION RECORD NOTE
OF DISCUSSIONS OF FIRST MEETING OF STATE ADVISORY COMMITTEE OF
HPERC HELD ON 17TH AUGUST, 2001**

**VENUE: COMMITTEE ROOM, H.P.SECRETARIATE, ARMSDALE BUILDING,
SHIMLA.**

List of participants is enclosed as an Annex to this record note of discussions.

1.00 At the outset, the Chairman HPERC in his capacity as ex-officio Chairman of the State Advisory Committee welcomed the members to the first meeting of the State Advisory Committee while regretting the absence of three eminent members viz. Sh. Suman Bery, Sh Balram Reddy and Sh. Sambhamurthy, he hoped that they should be able to attend the next meeting and enable HPERC to benefit from their valuable advice. Brief introduction of the members followed.

The Chairman gave a brief account and the background of the constitution of the commission and the State Advisory Committee, the objectives thereof and commented that just as the regulatory commission was a creation of the statute, the State Advisory Committee too was a statutory committee whose advice on matters listed under section 25 of ERC Act was a mandatory requirement for any major matter of policy. He further explained that despite the crippling shortage of staff and other severe constraints, difficulties and problems associated with the initial setting up of the commission, the commission had been able to achieve in just about three months without incurring heavy expense what other state commissions were able to achieve in 1-1/2 to 2 years after spending crores of rupees. He gave account of the concept papers and guidelines issued and the regulations made so far by the commission. Efforts were on to bring out the remaining concept papers.

Committee Members were informed about the meager budget allocations to the HPERC and that the issue of providing initial startup corpus fund had been taken up with the state government. Adequate budgetary support together with the fees, fines and charges collected by the commission should be placed at the disposal of the commission for defraying its expenses.

Chairman further informed the Advisory Committee Members that while conveying the sanction for the creation of staff in May, 2001, the government had stipulated absorption on permanent basis as the sole route for filling up the vacancies in the commission. This condition has now been relaxed and the staff is also permitted to be taken on deputation as well.

Chairman also apprised the Members that the mandatory functions under Section 22(1) of Electricity Regulatory Commissions Act, 1998 alone had been assigned to the commission. The matter regarding conferring the non-mandatory functions enshrined under section 22(2) was under the consideration of the state government.

The Chairman placed on record the deep appreciation for the unstinting support that the commission had received from the state government in general and the Hon'ble Chief Minister in particular.

2.00 The Secretary HPERC, in his capacity as Secretary of the State Advisory Committee, thereafter read out his report on the progress made by HPERC and the issues which needed to be addressed by the Commission. He listed out the works so far done by the commission and the agenda for the future. "The HPSEB has filed distribution and retail supply tariff petition, objections and suggestions had been received and the public hearings were being planned," he told the members.

Thereafter the various agenda issues were taken up for discussion.

3.01 Guidelines for conduct of proceedings of the State Advisory Committee:

The Members of the State Advisory Committee appreciated the level of achievements obtained by the HPERC despite severe constraints. Attention was drawn by members to clause 8(iii) of the above guidelines wherein it has been provided that in the absence of Chairperson, the senior most member of the commission shall act as the Chairperson of the meeting. HPERC being a single member commission, this provision was not relevant. It was explained that this provision would become relevant in future in case the Commission becomes multimember. The members also wanted to know if the periodicity of six months was final and inflexible. It was informed that meetings could be held earlier too.

Members were informed that all the guidelines and regulations being issued by the HPERC were public documents open for examination and inspection by all and sundry and that these are shortly going to be available on the HPERC's Web Site. The copies were also available on demand by any member.

There was all round appreciation for the most cordial relations the HPERC had with the state government and the other players in the field of electricity industry, unlike many other states where they had run into conflict with one another.

3.02 Guidelines for Revenue and Tariff Filing:

The Members were informed that the guidelines for revenue and tariff filing were issued on 23rd February, 2001. HPSEB, based on these guidelines have filed their first tariff petition. The guidelines had the provision for various plans, programmes and policies besides the key performance indicators and the guaranteed benchmarks and standards to be furnished by the Board. Some of these were read out to the members.

3.03 HPERC (Conduct of Business) Regulations, 2001:

Members were informed that these regulations were framed on 31st March, 2001 and gazette notification issued. However this shall be available on the web site being hosted by HPERC.

3.04 HPERC (Appointment of Consultants) Regulations, 2001:

Chairman informed the Members about the above Regulations made on 28th February, 2001 and appointment of TERI as its consultant for assistance in the first tariff filing by HPSEB and Sh.D.R.Sood, as Retainer Consultant in techno-commercial matters.

3.05 HPERC (Management & Development of Human Resources) Draft Regulations, 2001:

Chairman informed the Members that the draft regulations were initially submitted to the Govt. of Himachal Pradesh during the month of February, 2001 which were,

however, recalled to make provision for permanent absorption. These were subsequently resubmitted to the Govt. of HP on 11.7.2001 after incorporating the service requirement/conditions in respect of employees wishing for permanent absorption.

3.06 Tariff Petition by HPSEB :

Following comments/ suggestions were made by the members:

- (i) Concerns were expressed about the capital structure of the HPSEB being totally non-viable and needed urgent attention pointing out that while assets totaled Rs. 900 crores, the interest liability was to the tune of Rs. 133 crores. Further, the HPSEB's borrowing of Rs 1400 crores was on the higher side and should be limited to Rs. 500-600 crores. Members were emphatic that with this kind of capital structure, the organization is doomed and immediate steps should be taken to correct the skewed up structure.
- (ii) No funds were shown earmarked for environmental protection in the tariff petition filed by HPSEB. It was recommended that the environment protection should be carried out by a Separate agency.
- (iii) The interest on working capital taken for calculating the pooled cost of generation for the year 1999-2000 was on the higher side.
- (iv) HPSEB was raising funds at higher cost of borrowing as compared to the private companies who obtained such loans at much lower rate of interest rate of 10-11%.
- (v) There were lot of inconsistencies and inaccuracies in the data furnished by HPSEB in the tariff petition.
- (vi) Regulatory uncertainties should be kept to the minimum to attract the private investment in the state and the multi year tariff could be a step in that direction. It was clarified that while the multi year tariff setting is not permissible, long term tariff principles can always be adopted in matters which should be and can be dealt on long term basis. The imperative sine qua non for this condition however was an accurate database and M.I.S. without which the distortions in tariff based upon inconsistent and inaccurate data could be carried forward in the subsequent years too.
- (vii) Suggestion was made that the government should subsidize wherever the tariff charged is less than the cost of supply.

- (viii) 12% free power from Malana Power Plant and sale to Delhi @ Rs. 2.40 should be accounted for in the HPSEB's petition.
- (ix) There was consensus that the commission should evolve a tariff which is simple, rational, performance based with emphasis on environment standards and avoid rate shocks.
- (x) The wheeling charges adopted for the tariff fixation in the HPSEB petition as 19 paise per unit, was much higher than that payable/ chargeable to the IPPs, which is 2.5%.
- (xi) Some of the members pointed out that the cost of generation has been indicated as 108 paise per unit which in their opinion was high. It was clarified that this cost had also an element of power purchase, which being thermal was costlier. The members felt that the cost of generation and purchase for state like Himachal Pradesh, which is exclusively hydel, should be about 70 paise and certainly lower than 108 paise.
- (xii) High level of O&M charges were a matter of concern. The O&M expenditure should be brought at par with the national level. In this connection, it was clarified that the O&M charges for the generating stations, transmission & distribution have to be higher than the national level because of the geographical conditions obtaining in H.P.
- (xiii) Plant availability in respect of HPSEB plants was very low and needed to be raised.
- (xiv) The T&D losses which were indicated as 17-18% in the original petition have now been increased to 25%. They were explained that 17-18% loss was calculated after taking into consideration the power sale to the other states. However, the T&D losses for sale of electricity within the State remained at 25%. Members pointed out that PSEB adopts a figure of 18% T&D losses for the purpose of tariff finalisation. Similar figures can be also adopted in respect of HPSEB for tariff fixation.
- (xv) There was need to cut down on employee cost, distribution cost, T&D losses and overall inefficiencies of HPSEB.
- (xvi) HPSEB was not sincere in reduction of losses and that the bench mark for loss reduction should be 3-4% every year instead of 1% proposed in the tariff petition.
- (xvii) Incentive should be allowed to consumers in the tariff structure who maintained a higher power factor.

- (xviii) HPSEB must take effective steps to curb theft and pilferage of electricity.
- (xix) Some members wanted the commission to work out if the cost of power purchase will reduce once the ABT comes into force.
- (xx) Due to inefficiencies of HPSEB, the consumers are made to suffer by paying higher tariff.
- (xxi) Bench marks have to be fixed for bringing about an overall efficiency improvement in the functioning of the Board.
- (xxii) Although HPSEB has stated that efficiency improvement shall be brought about in the working of the Board, these figures needed to be quantified.
- (xxiii) In the last one and half year there has been about 50% hike in tariff on medium industries which was causing great concern.
- (xxiv) The winter surcharge should not be imposed on the industrial consumers since their consumption does not go up during winters, unlike other categories of consumers.
- (xxv) Some of the members suggested the adoption of time of day tariff.
- (xxvi) Members were also concerned about the high transmission and distribution losses and the wheeling costs. Slow industrial growth in the state and instances of closure of industrial units were attributed to high electricity tariff. Members emphasized that one of the methods of making industries viable would be to make the industrial tariff competitive without cross subsidizing other types of consumers.
- (xxvii) A study on elasticity of demand of industrial consumption in H.P. should be carried out.
- (xxviii) There was danger of industries switching over to captive power generation if the electricity rates were too high.
- (xxix) With cent percent metering, there was no justification for monthly minimum charges and linkages with the connected load which are a source of harassment of consumers.
- (xxx) The need to allow part annualization of the tariff was discussed without any outcome.
- (xxxi) The advance consumption deposit has been substantially increased by the HPSEB in respect of certain categories of consumers.
- (xxxii) Members were also interested in having information about the action plan of HPSEB to reduce manpower.

3.07 Draft Guidelines for Power Purchase Agreements upto 5 MW:

Draft guidelines circulated earlier were discussed and widely appreciated by the members. Chairman informed that the guidelines shall be finalized after taking into consideration the views and comments received from various quarters.

Some members wanted the directions to be given by the commission for hydro development in future.

Members cautioned that if due care about environment protection is not taken and the catchment area protected, the performance of the hydel projects is bound to suffer due to high level of silt that will be generated.

3.08 Concept Paper on retail supply tariff:

The concept paper was hailed as one of the finest papers read by members in a long time covering all aspects of tariff making as it did. The concept paper on tariffs clearly spells out the commission's mind in the matter and in order to bring about competition, efficiency and economy, a mix of Cost of Supply (COS), Long Range Marginal Cost (LRMC) and the Performance Based Rate (PBR) making could be thought of. Members also pointed out the need for proper load forecast and research so that the annual revenue requirement could be projected more realistically while fixing the tariff. The Chairman appreciated the concerns of the Members and informed them that adequate care shall be taken to ensure that the HPERC performed the role of a facilitator in the development of the State.

3.09 Concept Paper on Bulk Supply and Transmission Tariff:

Members were informed that the HPERC was considering adopting the terms and conditions for the bulk electricity tariff as decided by CERC in its order on petitions 4, 31, 34, 85, 86, and 88/2000 except for O&M of the power stations and the transmission lines which will be finalized based on the conditions existing in the state of HP. Members however pointed out that these orders of CERC have been challenged in various courts and therefore HPERC should tread cautiously.

3.10 Guidelines for Load Forecast, Resource Planning and Power Procurement:

It was informed that these guidelines have been issued to the HPSEB and based primarily on the similar guidelines framed by HERC. Members pointed out that the load forecasts being carried out by HPSEB should fit into the national plan and be realistic so that the projections are reasonably correct.

4.0 Views on major questions of policy covering the following issues:

(a) Tariffs:

(b) Power Purchase Agreements:

(c) Proposed HP State Electricity Grid Code:

(d) Proposed HP State Electricity Distribution and Supply Code:

(e) Proposed Regulations for competition, efficiency and economy in HPSEB:

- (a) Concerns were expressed about the high cost of generation in HP and the need to control environment so that the silt flowing in the rivers could be controlled.
- (b) Members were informed that the HPSEB has still to submit the Grid, Distribution and Supply and Services codes which had been desired by the Commission. HPSEB has sought extension up to 20th August, 2001.
- (c) Members pointed out that the Grid Code being framed by HPSEB should be in conformity with the Indian Electricity Grid Code finalized by the CERC.
- (d) Members pointed out that while finalizing the Distribution and Supply and Services codes, due attention should be paid to quality, overall performance (guaranteed performance indicators) and building up of proper data bank so that regulatory functions could be monitored very closely. Some of the Members wanted that guaranteed standards and benchmarks should be submitted by HPSEB.
- (e) Chairman informed that the comprehensive regulations to bring about competition, efficiency and economy in the electrical industry were necessary. This could however be done after a comprehensive study of the various aspects of the working of utility.
- (f) Some members wanted the S.A.C. to meet to discuss the above codes as and when filed by HPSEB. This was agreed.

5.0 Views on matters relating to quality, continuity and extent of services provided by the Board

Members pointed out frequency spikes being faced by the customers leading to failure of highly sensitive equipment and the voltage variations experienced by the consumers in HP. It was explained that the frequency control is beyond the powers of HPSEB because of the nature of grid operation. However, the voltage fluctuations being experienced by the consumers call for installation of reactive compensating devices by the HPSEB at their Sub-Station and by the consumers at their premises to bring about improvement in the power factor. They were concerned about the continuity of power supply and pointed out frequent power interruptions that the consumers are exposed to.

6.0 Views on protection of consumers' interests in Himachal Pradesh:

Chairman informed the Members that the very objective of the Regulatory Commission was the protection of consumer interests and reliable supply at affordable and reasonable price.

7.0 Views on energy supply and over all standards of performance of HPSEB:

Members were concerned about the performance standards of HPSEB and highlighted the need to bring about an overall improvement in the functioning of the generation, transmission and distribution of the HPSEB within fixed time frame. Members wanted that HPSEB must fix benchmarks on year-to-year basis so that an overall improvement in the efficiency of the system is brought about in a fixed time frame.

Chairman thanked all the members for their valuable contribution to the Advisory Committee Meeting. The meeting ended with a vote of thanks to the Chair.

Sd/-
Secretary

List of Participants

- 1) Sh. S.S.Gupta, Ex-officio Chairman, State Advisory Committee
- 2) Sh. Dinesh Malhotra, Secretary, State Advisory Committee.
- 3) Sh. Satish Bagrodia, Member, State Advisory Committee.
- 4) Sh. Alok Sharma, Member, State Advisory Committee.
- 5) Sh. Sachit Jain, Member, State Advisory Committee.
- 6) Sh. A.V.Giri, Member, State Advisory Committee.
- 7) Sh. K.Ramanathan, Member, State Advisory Committee.
- 8) Sh. P.C.Dhiman, Member, State Advisory Committee.
- 9) Sh. P.K.Sood, Member, State Advisory Committee.
- 10) Sh. D.N.Bansal, Representative of HPSEB.
- 11) Sh. P.N.Bhardwaj, Executive Director, HPERC.
- 12) Sh. Ashok Mahajan, Executive Director, HPERC.
- 13) Sh. D.R. Sood, Retainer Consultant, HPERC.

ANNEXURE-VI

| DETAILS OF EXISTING/PROPOSED TARIFF OF HPSEB AND TARIFF APPROVED BY THE COMMISSION | | | | |
|---|---|--|--|--------------------------------------|
| S. No. | Category | HPSEB Tariff | | Tariff approved by Commission |
| | | Existing | Proposed | |
| | | Rate Paise/ Unit | Rate Paise/ Unit | Rate Paise/ Unit |
| 1. | Domestic | | | |
| | Antyodya beneficiaries (1-45 Units/month) | 70 | 125 | 70 |
| | Others | | | |
| | 1-45 Units/ month | 70 | 125 | 85 |
| | 46-150 Units/month | 105 | 225 | 130 |
| | 151-300 Units/month | 150 | 225 | 240 |
| | Above 300 Units/month | 225 | 290 | 240 |
| 2. | Non Domestic Non Commercial | | | |
| | All consumption | - | - | 250 |
| | Consumer service charge/Month | - | - | Rs.25 |
| 3. | Commercial | | | |
| | 1-200 Units/ month | 250 | 345 | 300 |
| | 201-500 Units/month | 275 | 345 | 300 |
| | Above 500 Units/month | 300 | 345 | 300 |
| | Monthly Minimum Charges | | | |
| | Upto 5KW connected load | Rs.25/500 Watts subject to mini. of Rs. 50 | Rs.35/500 Watts subject to mini. of Rs. 70 | - |
| | Above 5KW connected load | Rs.50 | Rs.70 | - |
| | Consumer service charge/Month | - | - | Rs.25 |
| 4. | Small Industries | | | |
| | All units | 200 | 245 | Small/Medium Merged |
| | Consumer service charge/Month | - | - | |
| 5. | Medium Industries | | | |
| | All Units - At 400 volts | 225 | 280 | 235 |
| | - At 11 Kv | 215 | 260 | 225 |
| | Monthly Minimum Charges/KW | Rs. 95 | Rs.115 | - |
| | Consumer service charge/Month | - | - | Rs. 25 |
| 6. | Large Industries (LS-I) | | | |
| | All Units - At 11 Kv | 270 | 325 | 190/Kvah |
| | Demand Charges/KVA/Month | - | - | Rs.125 |
| | Monthly Minimum Charges/KVA | Rs.220 | Rs.260 | - |

| | | | | |
|-----|-----------------------------------|--|--|---------------------|
| | Consumer service charge/Month | - | - | Rs.100 |
| 7. | Large Industries (LS-II) | | | LS-I & LS-II merged |
| | All Units - At 11 Kv | 250 | 305 | |
| | Demand Charges/KVA/Month | - | - | |
| | Monthly Minimum Charges/KVA | Rs.105 | Rs.130 | |
| | Consumer service charge/Month | - | - | |
| 8. | Water and Irrigation Pumping | | | |
| | All Units - At 400 volts | 220 | 280 | 235 |
| | - At 11 Kv | 200 | 260 | 225 |
| | Monthly Minimum Charges/KW | Rs.70 | Rs.85 | - |
| | Consumer service charge/Month | - | - | Rs. 25 |
| 9. | Agricultural Pumping | | | |
| | All Units | 50 | 135 | 50 |
| | Consumer service charge/Month | - | - | Rs. 20 |
| 10. | Bulk Supply | | | |
| | Below 11 Kv | 305 | 330 | 295 |
| | 11 Kv & Above | 285 | 310 | 285 |
| | Monthly Minimum Charges/KW | Rs. 80 | Rs.90 | - |
| | Consumer service charge/Month | - | - | Rs. 25 |
| 11. | Street Lighting | | | |
| | All consumption | 200 | 300 | 235 |
| | Consumer service charge/Month | - | - | Rs. 25 |
| 12. | Temporary Supply (All categories) | | | |
| | All Units | Correspond- ing category rate+100% surcharge | Corresponding category rate+100% surcharge | 500 |
| | Consumer service charge/Month | - | - | Rs.50 |
| | Monthly Minimum Charges | At double the corresponding permanent supply rates | At double the corresponding permanent supply rates | - |

ANNEXURE-VII

MEMORANDUM OF UNDERSTANDING BETWEEN THE MINISTRY OF POWER, GOVERNMENT OF INDIA, AND THE GOVERNMENT OF HIMACHAL PRADESH

THIS MEMORANDUM OF UNDERSTANDING is made between the Ministry of Power, Government of India, and the Government of Himachal Pradesh to affirm the joint commitment of the two parties to reform the power sector in Himachal Pradesh State, and to set out the reform measures which the State Government of Himachal Pradesh will implement, and the support that the Government of India will provide:

I PREAMBLE

The Government of Himachal Pradesh is committed to reforming its Power Sector with a view to achieve commercial viability and provide reliable and quality power at competitive prices to all consumers in the State.

The Govt. of Himachal Pradesh has already taken following notable steps in this direction: -

1. The Govt. of Himachal Pradesh has already set up one Member Himachal Pradesh Electricity Regulatory Commission (HPERC). The Chairman/Member has also been appointed.
2. HPERC has started functioning w.e.f. 6th January, 2001 with independence and appropriate support from Government of Himachal Pradesh.
3. Himachal Pradesh has provided electricity to all its census villages in the year 1988.
4. Himachal Pradesh has achieved unique distinction of 100% metering, billing and collection.
5. Himachal Pradesh has achieved highest household coverage ratio in the country i.e. about 98%.
6. Himachal Pradesh has the lowest tariff in the country.

II REFORM PROGRAMME OF HIMACHAL PRADESH

1. The Government of Himachal Pradesh has prepared a framework/blueprint of restructuring under the overall aegis of H.P. State Electricity Board by creating independent centres with separate accounts for its major wings combined with administrative, financial and technical measures to achieve the main objective of reforms

which is to put into place commercially oriented systems and provide quality services to the consumers.

- i) Generation & O.M. of existing plants.
 - ii) Transmission
 - iii) Distribution System
2. There is over employment leading to high establishment cost. Himachal Pradesh shall endeavour to progressively reduce the surplus manpower.
 3. The government of Himachal Pradesh through HPSEB will securitise outstanding dues of CPSUs as per scheme approved by Government of India. After the securitisation the HPSEB will ensure that CPSU outstanding does not cross the limit of 2 month's billing.
 4. Himachal Pradesh will ensure that current operations on distribution reach break-even by 31st March, 2003 and achieve positive returns thereafter.
 5. Himachal Pradesh will develop an effective Distribution Management Information System.
 6. Himachal Pradesh will undertake energy audit at all levels. To achieve this, the following steps will be taken:
 - (a) All efforts will be made to provide electronic meters on all 11 kV Distribution feeders and LT side of Distribution transformers by March 2001, but in no case later than June, 2001.
 - (b) Himachal Pradesh has completed 100% metering of consumers. Electronic meters will be provided to all consumers with 20 kW and above load by March, 2002.
 - (c) Transmission & Distribution losses which are presently at the level of approximately 25% will be reduced to 20% by end 2003-04.
 7. Himachal Pradesh will implement a programme in the field of demand side management through energy efficient bulbs, tube lights, time of the day metering etc.
 8. Himachal Pradesh State Electricity Board will maintain grid discipline, comply with Indian Electricity Grid Code and carry out the directions of the Regional Load Despatch Centre.
 9. Himachal Pradesh already has computerised billing for some urban consumers and all the consumers of 100 kW and above load. Himachal Pradesh shall undertake computerised billing of all urban consumers by 31st March, 2003 and in the entire State complete computerised billing, accounting & audit system shall be in place by March, 2005.

10. Himachal Pradesh shall ensure filing of Tariff Petition before HPERC by 30th April, 2001. Tariff orders issued by HPERC will be implemented fully unless stayed or set aside by Court orders.
11. The Government of Himachal Pradesh is not in a position to provide subsidies for consumption of electricity. However, if at any time in the future it is in a position to do so and decides that tariff for a category/categories of consumers be lower than that determined by HPERC, it would ensure timely payment of subsidies.

III. SUPPORT FROM GOVT. OF INDIA

1. The Govt. of India will provide financial support through APDP for-
 - a) R&M and LE of Hydro Power Stations.
 - b) Strengthening of sub-transmission, distribution and metering.
2. Transmission & Distribution

The Govt. of India will assist in arranging funds through PFC/ other Financial Institutions for undertaking augmentation, up-gradation and improvement critical transmission lines in Himachal Pradesh.

3. Hydro power development

Himachal Pradesh has presently identified potential of 20376 MW out of which 3856 MW stands harnessed. Projects with aggregate capacity of 6953MW are under execution of which 3251MW are in the very initial stage, DPRs are ready for projects totalling 1415MW, projects of 1438MW are under investigation and for 6714MW investigations are largely yet to be taken up, meaning thereby that potential totalling 9566MW from the total identified potential is still to come to execution state.

Himachal Pradesh has drawn up a short and medium term plan after a detailed methodological exercise for development of 10,035 MW of hydel power in the state by 2011-2012. The Ministry of Power will support Himachal Pradesh in this endeavour. The Ministry of Power will also work closely with Himachal Pradesh to fully develop exploitable hydro-potential by 2020.

The Ministry of Power will actively assist the Government of Himachal Pradesh in raising resources including external aid for development of hydel projects.

4. Financing

In recognition of Himachal Pradesh being a reforming State, Power Finance Corporation would be prepared to finance its investment needs in relaxation of normal conditionalities relating to exposure limit, ROR and DSCR.

IV IMPLEMENTATION

Himachal Pradesh will prepare an action plan for implementation of the MOU, which would be monitored every three months.

This Memorandum of Understanding will be for a period of five years, and will be subject to review annually.

Through this Memorandum of Understanding, both parties affirm their commitment to fulfil the reform activities and achieve the objectives mutually agreed upon in this Memorandum.

Signed on 31st March, 2001 at New Delhi.

For and on behalf of
Government of Himachal Pradesh

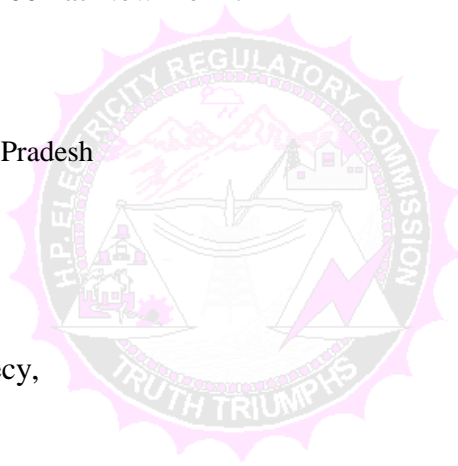
Sd/-

(Harsh Gupta)
Addl. Chief Secretary-cum-Secy,
Department of Power,
Govt. of Himachal Pradesh.

For and on behalf of
Government of India

Sd/-

(J. Vasudevan)
Addl. Secretary
Ministry of Power,
Government of India.



ANNEXURE-VIII

**PETITIONS & MISCELLANEOUS APPLICATIONS BEFORE THE COMMISSION
DURING THE YEAR 2001-2002**

| S. N. | Petition/ Application No. | Petitioner / Applicant | Subject matter of the Petition / Application | Date of receipt | Date of disposal |
|-------|---------------------------|---------------------------------|--|-----------------|---------------------|
| 1 | 1/2001 | HPSEB | Approval for Annual Revenue Requirement and Distribution and Retail Supply Tariff | 30.04.2001 | 29.10.2001 |
| 2 | 2/2001 | HPSEB | Approval for Transmission and Bulk Supply Tariff | 14.08.2001 | 29.10.2001 |
| 3 | 3/2001 | NTPC | Approval for Escrow arrangement | 14.09.2001 | 29.01.2002 |
| 4 | 4/2001 | HPSEB | Review Petition on Tariff order dated 29.10.2001 for the determination of A. R. R, Distribution and Retail Supply Tariff and Transmission and Bulk Supply Tariff for 2001-02 | 27.11.2001 | 06.12.2001 |
| 5 | MA-1/2001 | PARWANOO INDUSTRIES ASSOCIATION | Complaint under clause 12 &27(xvi) falling under Chapter (IV) of HPERC CBR, 2001 | 15.12.2001 | 21.12.2001 |
| 6 | 5/2001 | PARWANOO INDUSTRIES ASSOCIATION | Review Petition on Tariff order dated 29.10.2001 for the determination of A. R. R, Distribution and Retail Supply Tariff and Transmission and Bulk Supply Tariff | 26.12.2001 | 10.01.2002 |
| 7 | MA-1/2002 | PHDCCI | Complaint under clause 12 &27(xvi) falling under Chapter (IV) of HPERC CBR, 2001 | 15.01.2002 | 19.01.2002 |
| 8 | 2/2002 | HPSEB | Approval of Power Purchase Agreement up to 5MW Capacity | 08.02.2002 | Under Consideration |
| 9 | 3/2002 | PARWANOO INDUSTRIES ASSOCIATION | Complaint under clause 12 &27(xvi) falling under Chapter (IV) of HPERC CBR, 2001 | 28.02.2002 | Under Consideration |
| 10 | 4/2002 | HPSEB | Approval of HP Electricity Grid Code | 07.03.2002 | Under Consideration |
| 11 | 5/2002 | HPSEB | Approval of HP Electricity Supply Code | 07.03.2002 | Under Consideration |
| 12 | 6/2002 | HPSEB | Approval of HP Electricity Distribution Code | 07.03.2002 | Under Consideration |

ANNEXURE-IX**HIGHLIGHTS OF HIMACHAL PRADESH STATE ELECTRICITY BOARD**

| Sr. No. | Item | Unit | Achievement Ending 31.03.2002 |
|---------|------------------------------------|---------|-------------------------------|
| 1. | Installed Capacity | MW | 326.33 |
| 2. | Connected Load | KW | 2567029 |
| 3. | Peak Demand | MW | 556 |
| 4. | Energy Generated | MU | 1149.50 |
| 5. | Energy Purchased | MU | 2588.84 |
| 6. | Energy Sold | MU | 3218.55 |
| 7. | T&D Losses | % | 21.16 |
| 8. | Distribution sub stations | No. | 14052 |
| 9. | H.T. Lines | Km | 23977 |
| 10. | L.T. Lines | Km | 47318 |
| 11. | Villages Electrified (1991 census) | % | 99 |
| 12. | Consumers Connected | No. | 1523837 |
| 13. | Per capita consumption | KWh | 378 |
| 14. | Revenue from sale of Power | Rs.Crs. | 654.55 |
| 15. | Gross Revenue | Rs.Crs. | 670.48 |
| 16. | Total Assets | Rs.Crs. | 1324.46 |