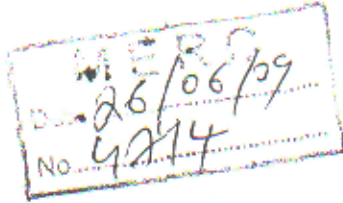


GOVERNMENT OF MAHARASHTRA



No.REL2009/CR 227/NRG-1
Industries, Energy and Labour Department
Mantralaya, Mumbai 400 032

Dated 25th June 2009

To,

The Secretary,
Maharashtra Electricity Regulatory Commission
13th Floor, Centre No 1
World Trade Centre, Cuffe Parade,
Colaba, Mumbai 400 005

Subject :- Directions under Section 108 of the Electricity
Act, 2003

The Electricity Act 2003 mandates:

"An Act to consolidate the laws relating to generation, transmission, distribution, trading and use of electricity and generally for taking measures conducive to development of electricity industry, promoting competition therein **protecting interest of consumers** (emphasis added) and supply of electricity to all areas, rationalisation of electricity tariff, ensuring transparent policies regarding subsidies, **promotion of efficient** (emphasis added) and environmentally benign policies, constitution of Central Electricity Authority, Regulatory Commissions and establishment of Appellate Tribunal and for matters connected therewith or incidental thereto".

As such, the Electricity Act 2003 envisages extremely efficient and economical operations so as to benefit the end consumer i.e. the common man. The Act also mandated creation of State Regulatory Commissions to oversee and regulate all the operations pertaining to electricity in the State with the ultimate aim of benefiting the common consumers.

In the State of Maharashtra, multiple distribution licensees are operating and Maharashtra Electricity Regulatory Commission is operating as per the provisions of the Electricity Act 2003.

The tariff and related matters are in the jurisdiction of MERC and Orders are issued separately for all the distribution licensees.

There has been extremely sharp opposition to this steep increase of bills of common consumers tariff in a particular distribution licensee area. There have been many agitations and even the newspapers have critically addressed this issue. Various representations have been received by the Government pertaining to un-affordability of this steep increase in bills. As such, representation has also been received by the Government and it may be necessary for the Government to look into this matter in the larger public interest of the consumers.

Section 108 reads as under:-

"SECTION 108 – Directions by State Government:

- 1) *In the discharge of its functions, the State Commission shall be guided by such direction in matters of policy involving public interest as the State Government may give to it in writing.*
- 2) *If any question arises as to whether any such direction relates to a matter of policy involving public interest, the decision of the State Government thereon shall be final".*
- 3)

Thus, the State Government has powers to issue direction to the State Commission in case of matters pertaining to policy involving Public Interest. More so, the finality about the matter being in Public Interest is with the State Government.

Government being a custodian of Public Interest and E.A. 2003 confers powers under section 108 for issue of directives in matter of public interest. Further, Government is also empowered to solicit the advise from Maharashtra Electricity Regulatory Commission u/s 86 of E.A. 2003.

Section 86: Functions of State Commission:

Section 86 1 (k) Discharge such other functions as may be assigned to it under this Act:

Further, Section 86 (2) (i) is as under:

*"Promotion of competition, **efficiency and economy** in activities of the electricity industry".*

Whereas the representatives from different sections have made serious complaints about the steep rise in the electricity bills required to be paid by the different categories of consumers within the licensed areas of M/s. Reliance Infrastructure Ltd.

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Whereas the Government of Maharashtra is of the opinion that immediate reasonable steps are required to ensure that the consumer is not subjected to unreasonable & unjustified burden of steep increase in electricity bill in the said licensee area.

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Whereas the Government of Maharashtra is of the opinion that Maharashtra Electricity Regulatory Commission should further probe into the details as to the efficient and economical functioning of the above said licensee.

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Whereas the Government of Maharashtra is aware of situation that the consumers in the area of M/s. Reliance Infrastructure Ltd. do not have any alternative source of power for their use and M/s. Reliance Infrastructure Ltd. is a monopoly Distribution Licensee in their licensed area.

&

Whereas the Government of Maharashtra is of the opinion that the public concern regarding the steep rise in the bills of consumption of electricity is required to be properly and judiciously attended to.

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Whereas the Government of Maharashtra is aware of the fact that the business of distribution licensee is based on cost plus basis, however, the Government is of the opinion that basic elements of cost specially the Power Purchase Cost and such Other Costs need to be looked into by way of a detailed investigation in that regard.

&

Whereas the Government of Maharashtra is of the opinion that there should be detailed audit of all the books of accounts, power purchase transactions and capital expenditure towards building of infrastructure and such other costs related to operation and maintenance and the cost of financing different expenditures which have direct bearing and burden the common consumers in the licensed area.

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Whereas Government is of the opinion that because of arrangement of power traders / trading companies in the business of power, there is every possibility of artificial raising of cost of available power to be sold to the Utilities.

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Whereas Government is also aware that due to the possibility of excessive profiteering by the traders in the business of purchase and sale of power, the regulation is enacted to cap this traders' margin.

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Whereas the Government is of the considered opinion that there is a possibility of manipulation of costs of power purchase and sale which has a direct linkage on passing of the avoidable burden to the consumer and which will enhance & accrue unreasonable and unjustified profit to the entity (distribution Licensee) in a monopoly situation.

&

Whereas the Government of Maharashtra is of the opinion that while implementing Electricity Act 2003 & the policies of Government of Maharashtra, the Utilities including distribution licensees should function with the aim of reasonable & justified operation cost which is reflected through transparent system of accounting without unwarranted burdening on the consumers.

&

Whereas the Government of Maharashtra is of the opinion that as against the best interest of the common consumers, the utilities in the power sector are at present giving services to the consumer in non-competitive and monopolistic environment as well as where there is no other reasonable easy alternative to the consumers for availing power.

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Whereas and in the circumstances referred to above, Government of Maharashtra is of the opinion that Government should seek advice from the Maharashtra Electricity Regulatory Commission in order to protect the interest of common consumer from getting unreasonably burdened.

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Therefore, under the powers delegated under section 108 read with section 86(2), Government hereby directs Maharashtra Electricity Regulatory Commission to investigate as to whether M/s. Reliance Infrastructure Ltd. has discharged its

duties as envisaged in the Act in the most economical and efficient manner so as not to result in unnecessary avoidable burden on the consumers of that area and take such further action as may be considered necessary. The said investigation shall be carried out considering the above points and any other relevant point in that context.

The above direction may be complied within fifteen days from the date of issue of this direction.

The Government of Maharashtra also directs Maharashtra Electricity Regulatory Commission to take emergent steps as it may deem fit, relating to policy of Government of Maharashtra of protecting consumers interest in a monopoly situation, as may be necessary to ensure that no unreasonable and unjustified bills are collected in the intervening period in which this investigation is in progress.



(Subrat Ratho)
Secretary (Energy)

Annexure - 2

Erstwhile BSES				BSES Revised w.e.f. July 1, 2004			Reliance Infrastructure Limited w.e.f June 1, 2009				
Sl.	Consumer category & Consumption Slab	Demand Charge (Rs/KW/month)	Energy Charge (p/kWh)	FAC (p/kWh)	Sl.	Consumer category & Consumption Slab	Fixed/ Demand Charge (Rs/KVA/month)	Energy Charge (p/kWh)	Tariff category	Fixed Charge /Demand Charge	Energy Charge (Paise/kWh)
	Low Tension					Low Tension			LOW TENSION		
									LT I: Residential (BPL)	Rs. 3 per month	40
1	Lights & Fans- Residential				1	Residential - LF1	Rs./month		LT I: LT - Residential		
	0-100 Units		138			0-100 units	25	115	0-100 units	Rs. 30 per month	296
	101-150 Units		240	84		101-300 units	40	320	101 - 300 units		556
	151-350 Units		310	84		> 300 units (balance units)	40	440	301 - 500 units	Rs. 50 per month\$\$	916
	>350 Units (all units)		338	84					Above 500 units (balance units)	Rs. 100 per month\$\$	1061
	Special Rate/ TPC Rate		197	84					LT II: LT- Non-Residential or Commercial		
3	Lights & Fans- Commercial				2	Commercial - LF2	Rs./month		(a) 0-20 kW	Rs. 200 per month	795
	0-300 Units		467	84		0-300 Units	150	400	(b) > 20 kW and ≤ 50 kW	Rs. 150 per kVA per month	1026
	301-1000 Units		507	84		301-1000 units	150	450	(c) > 50 kW		1091
	1000-10000 Units		515	84		> 1000 units (balance units)	150	550			
	> 10000		515	84							
	Special Rate/ TPC Rate		272	84							
4	Film Company LT		482	84							
5	Cinemas		482	84							
6	Power puposes LT								LT III: LT Industry upto 20 kW		
	LTP1				3	LTP-1			0-20 kW	Rs. 200 per month	776
	0-200		412	84			150	400			
	201-1000		465	84							
	1001-3000		477	84							
	>3000		477	84							
	Special Rate/ TPC rate		272	84							
						LT Industrial - LTP-2 (including earlier LTP-2, LTP-3, Cinemas, Film Companies)			LT IV: LT- Industrial above 20 kW load	Rs. 150 per kVA per month	741
	LTP2				4		374	300			
	0-1000		465	84							
	1001-3000		477	84							
	>3000		477	84							
	Special Rate/ Tata Rate		272	84							

Erstwhile BSES				BSES Revised w.e.f. July 1, 2004			Reliance Infrastructure Limited w.e.f June 1, 2009				
Sl.	Consumer category & Consumption Slab	Demand Charge (Rs/KW/month)	Energy Charge (p/kWh)	FAC (p/kWh)	Sl.	Consumer category & Consumption Slab	Fixed/ Demand Charge (Rs/KVA/month)	Energy Charge (p/kWh)	Tariff category	Fixed Charge /Demand Charge	Energy Charge (Paise/kWh)
	LTP3										
	0-10000	220	348	84							
	>10000	220	298	84							
	Tata Tariff	330	272	84							
					4		Rs/HP/month		LT IX - Agriculture		
7	Agriculture		50	84		Agriculture	15	110		Rs. 15 per HP per month	80
					5						
8	Street Light Tariff		264.16	84		Streetlights	374	285	LT VI; LT- Street Lights	Rs. 150 per kVA per month	831
									LT VII: LT-Temporary Supply		
9	Temporary connection		665	84	6	Temporary Connections	150	600	LT VII (A) – All Units - Temporary Supply Religious		381
									LT VII (B) – All Units - Temporary Supply Others	Rs. 200 per connection per month	1581
									LT V: LT - Advertisements and Hoardings	Rs. 200 per month	1766
									LT VIII: LT- Crematorium and Burial Grounds	Rs. 200 per connection per month	381
High Tension											
					7				HT III: HT– Group Housing Society	Rs. 150 per kVA per month	516
	Sp -Cont Housing Colonies					High Tension					
	First 25% of Energy Sold		138	84		HT Housing Colonies - Bulk Supply					
	Next 35%		240	84		First 25% of Energy Sold	374	115			
	Balance		310	84		Next 35%		320			
10	Film Company HT		446	84		Balance		320			
					8						
						HT Industry (including Film Companies, hotels, bulk supply and industry - below 1 MVA and above 1 MVA)	374	285			
11	Power Purposes HT								HT I: HT- Industry	Rs 150 per kVA per month	756
	0-200 kW										
	< 100000 units		314	84							
	100001-300000		302	84							

Erstwhile BSES					BSES Revised w.e.f. July 1, 2004			Reliance Infrastructure Limited w.e.f June 1, 2009			
Sl.	Consumer category & Consumption Slab	Demand Charge (Rs/KW/month)	Energy Charge (p/kWh)	FAC (p/kWh)	Sl.	Consumer category & Consumption Slab	Fixed/Demand Charge (Rs/KVA/month)	Energy Charge (p/kWh)	Tariff category	Fixed Charge /Demand Charge	Energy Charge (Paise/kWh)
	>300000		294	84					HT II: HT- Commercial	Rs. 150 per kVA per month	841
	201-750 kW										
	< 100000 units		314	84					HT IV- HT - Temporary Supply	Rs. 200 per connection per month	1100
	100001-300000		302	84							
	>300000		294	84							
	Special Rate		197	84							
	751-1000 kW										
	< 100000 units	191	348	84							
	100001-300000	176	336	84							
	>300000	159	234	84							
	>1000 kW										
	< 100000 units	191	303	84							
	100001-300000	191	291	84							
	>300000	0	283	84							
12	Sp -Cont Hotels										
	0-200 KW	220	344	84							
	201-750 KW	220	344	84							
	751-1000KW	220	269	84							
	> 1000 KW	220	269	84							
13	Sp -Cont Bulk Supply										
	0-200 KW	220	344	84							
	201-750 KW	220	344	84							
	751-1000KW	220	269	84							
	> 1000 KW	220	269	84							

Notes:

1. Fuel Adjustment Cost (FAC) will be applicable to all consumers and licensees and will be charged over the above tariffs, on the basis of the FAC formula prescribed by the Commission, and computed on a monthly basis.

2. Fixed charge of Rs. 100 per month will be levied on residential consumers availing 3 phase supply. Additional Fixed Charge of Rs. 100 per 10 kW load or part thereof above 10 kW load shall be payable.

3. For LT commercial category and Temporary connections, additional Fixed Charge of Rs. 150 per 10 kW load or part thereof above 10 kW load shall be payable.

4. LT Industrial tariff (LTP-2) will apply for LT commercial consumers having sanctioned load equal to or above 20 kW or having monthly consumption of more than 3000 kWh, once demand meters are installed.

a) ⁵⁵: Above fixed charges are for single phase connections. Fixed charge of Rs. 100 per month will be levied on residential consumers availing 3 phase supply. Additional Fixed Charge of Rs. 100 per 10 kW load or part thereof above 10 kW load shall be payable.

ToD is applicable to HT I, HT II, LT II (b) and (c), and LT IV categories and optionally available to LT II (a) and LT III

Tariff category	TPC-D		Rinfra-D		BEST		
	Fixed Charge /Demand Charge	Energy Charge (Rs./ kWh)	Fixed Charge /Demand Charge	Energy Charge (Rs./ kWh)	Tariff category	Fixed Charge /Demand Charge	Energy Charge (Rs./ kWh)
LOW TENSION							
LT I: Residential (BPL)	Rs. 3 per month	0.40	Rs. 3 per month	0.40	LT I: Residential (BPL)	Rs. 3 per month	0.40
LT I: LT - Residential					LT I: LT - Residential		
0-100 units	Rs. 30 per month	1.30	Rs. 30 per month	2.96	0-100 units	Rs. 30 per month	1.80
101 - 300 units	Rs. 50 per month ⁵⁵	2.70	Rs. 50 per month ⁵⁵	5.56	101 - 300 units	Rs. 50 per month ⁵⁵	3.70
301 - 500 units		4.20		9.16	301 - 500 units		5.90
Above 500 units (balance units)	Rs. 100 per month ⁵⁵	4.90	Rs. 100 per month ⁵⁵	10.61	Above 500 units (balance units)	Rs. 100 per month ⁵⁵	7.90
LT II: LT- Non-Residential or Commercial					LT II: LT- Non-Residential or Commercial		
(a) 0-20 kW	Rs. 150 per month	3.85	Rs. 200 per month	7.95	(a) 0-20 kW		
					0-300 units	Rs.200 per month	5.10
					301- 500 units		6.80
					501-1000 units		7.90
					Above 1000 units		8.30
(b) > 20 kW and ≤50 kW	Rs. 150 per kVA per month	4.30	Rs. 150 per kVA per month	10.26	(b) > 20 kW and ≤ 50 kW	Rs. 150 per kVA per month	8.90
(c) > 50 kW		4.65		10.91	(c) > 50 kW		9.80
LT III: LT Industry upto 20 kW					LT III: LT Industry upto 20 kW		
0-20 kW	Rs. 150 per month	4.10	Rs. 200 per month	7.76	0-20 kW		
					0-300 units	Rs. 250 per month	4.30
					301- 500 units	Rs. 300 per month	5.80
					501-1000 units	Rs. 350 per month	6.60
					Above 1000 units		7.50
LT IV: LT- Industrial above 20 kW load					LT IV: LT- Industrial above 20 kW load		
All Units	Rs. 150 per kVA per month	4.60	Rs. 150 per kVA per month	7.41	(a) Above 20 kW and upto 100 kW	Rs. 150 per kVA per month	7.19
					(b) Above 100 kW		7.00
LT V: LT - Advertisements and Hoardings					LT V: LT - Advertisements and Hoardings		
All Units	Rs. 200 per month	13.55	Rs. 200 per month	17.66	All Units	Rs. 300 per month	12.92
LT VI: LT- Street Lights					LT VI: LT- Street Lights		

Annexure -4

Sl.	Particulars	BEST				TPC - D				Rimfra - D				Rs. Crore		
		Petition	Commission Approved	Difference	% contribution to ARR	Contribution to per unit of Avg. Cost of Supply	Petition	Commission Approved	Difference	% contribution to ARR	Contribution to per unit of Avg. Cost of Supply	Petition	Commission Approved		Difference	% contribution to ARR
1	Power Purchase Expenses (including Transmission Charges & SLDC Charges)	2698.72	1681.60	-1017.12	62.20%	3.94	1195.12	907.36	-287.76	78.07%	3.44	4735.87	4602.17	-133.7	68.93%	5.30
2	Operation & Maintenance Expenses	284.7	258.97	-25.73	9.58%	0.61	56.59	36.72	-19.87	3.16%	0.14	578.51	566.62	-11.72	8.49%	0.65
3	Capex Related Expenses (Depreciation and Interest on Long term loan capital)	88.26	64.72	-23.54	2.38%	0.15	49.48	26.83	-22.66	2.31%	0.10	192.66	143.57	-49.09	2.15%	0.17
4	Other Expenses (Working Capital, Bad debts, Income Tax allocation of LCC & Contribution to contingency reserves)	38.9	27.02	-11.88	1.00%	0.06	43.14	27.87	-15.27	2.40%	0.11	205.96	114.80	-91.16	1.72%	0.13
5	Return on Equity	127.01	108.62	-18.39	4.02%	0.25	34.56	23.53	-11.03	2.02%	0.09	212.61	176.69	-35.92	2.65%	0.20
6	Aggregate Revenue Requirement	3247.59	2140.93	-1106.66	79.19%	5.02	1378.90	1022.31	-356.59	87.96%	3.88	5925.64	5604.05	-321.59	83.93%	6.46
7	Less: Non Tariff Income	53.75	55.53	1.78			-0.67	12.89	13.96			77.9	88.41	10.5		
8	Aggregate Revenue Requirement from Retail Tariff	3193.84	2085.40	-1108.44	77.14%	4.88	1379.57	1009.42	-370.15	86.85%	3.83	5847.73	5515.64	-332.09	82.61%	6.36
9	Revenue Gap/(Surplus) of FY 2007-08 after final tuning up	301.75	225.79	-75.96	8.35%	0.53	155.79	136.43	-20.36	11.63%	0.51	212.06	118.24	-93.82	1.77%	0.14
10	Revenue Gap/(Surplus) of FY 2008-09 after provisional tuning up	583.76	392.22	-191.54	14.51%	0.92	9.2	-20.92	-30.12	-1.80%	-0.08	968.87	680.11	-188.76	10.19%	0.78
11	Impact of Review Order, AIF & Share of profits & losses for FY 2008-09, FY 06-07						166	38.32	-127.68	3.30%	0.15			0		
12	Revenue gap for FY 2007-08 & FY 2008-09						32	0	-32			387	362.74	-24.26	5.43%	0.42
13	Total Revenue Requirement in FY 2009-10	4079.35	2703.41	-1375.94	100.00%		1742.56	1162.25	-580.31			7315.66	6676.73	-638.93		
14	Total Sales in MU		4263.87				2638.13					8676.101				
14	Average Cost of Supply (ACoS)		6.34			6.34	4.41				4.41	7.70				7.70

DB