

**Before the  
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION  
World Trade Centre, Centre No.1, 13th Floor, Cuffe Parade, Mumbai 400005  
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**Case No. 81 of 2016**

**Dated: 15 November, 2016**

**CORAM: Shri Azeez M. Khan, Member  
Shri. Deepak Lad, Member**

**In the matter of  
Petition of Chamber of Marathwada Industries and Agriculture for review and  
amendment of present ceiling for levy of Fuel Adjustment Cost by Distribution  
Licensees in the State of Maharashtra**

Chamber of Marathwada Industries and Agriculture (CMIA)	.....Petitioner
Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)	.....Respondent
Balaji Electro Smelters Ltd.	.....Intervener

Representative for the Petitioner and Intervener:	Shri. Raghunath Kaparthi (Rep.)
Representative for the Respondent:	Shri. Ashok Chavan (Rep.)
Consumer Representative:	Shri. Ashok Pendse (TBIA)

**Daily Order**

1. Heard the representatives of the Petitioner, Intervener, Respondent and Consumer Representative.
2. M/s Balaji Electro Smelters Ltd. submitted Intervention Application in present matter, which is registered as MA No. 11 of 2016 in Case No. 81 of 2016. Intervener submitted an additional written submission during the hearing. The Commission noted that it was not inclined to admit the Intervention Application. However, since the representative of the Petitioner and the Intervener are same, and the issues can be covered in main Petition itself, Intervener agreed and sought that its written submission be considered as part of the main Petition. The Commission agreed to this.

3. Petitioner submitted that Distribution Licensee has the right to recover FAC on account of variation in power purchase cost. In the past, when there was severe shortage of power, Distribution Licensees had to purchase costly power. Hence, the Commission had increased the FAC ceiling from 10% to 20%. Now the shortage scenario has transformed to power surplus. Therefore, the FAC ceiling needs to be reduced to 10%. Also, FAC should be levied at uniform rate to all categories of consumers. Due to levy of FAC proportionate to the cross-subsidy level, Industrial consumers are burdened with a higher FAC rate. Distribution Licensees in Karnataka are levying FAC at uniform rate whereas MSEDCL is charging FAC at higher rate to Industrial consumers.
4. The Petitioner sought that levy of FAC be allowed only after prior approval of the Commission. Due to present method of vetting of FAC on post facto basis, there are discrepancies in the FAC levied by MSEDCL. It highlighted discrepancies in the FAC recovered by MSEDCL and the variations in power purchase cost approved by the Commission in the Tariff Order for FY 2014-15 and FY 2015-16. It also highlighted recovery of FAC at a higher rate from powerloom consumers, which was subsequently refunded on complaints from these consumers.
5. MSEDCL submitted that lowering of FAC ceiling will not only impact the financial liquidity of MSEDCL, but also leads to higher carrying cost burden on consumers as FAC amount above the ceiling will be carried forward to next month with carrying cost. FAC is part of power purchase cost and hence, as in case of Tariff Order, recovery of FAC needs to be made proportionate to the cross-subsidy level of the consumer category. Except for the first month of Tariff Order, vetting of FAC by the Commission is on post facto basis. MSEDCL has appointed independent Auditor who is verifying FAC calculations before it is levied to the consumers. Hence, there is no need for prior approval of FAC and the present practice of post facto vetting needs to be continued.
6. Regarding the issue of higher FAC levied to powerloom consumers, MSEDCL clarified that initial levy of higher FAC was on account of higher apportionment of sales in billing software when the powerloom category was newly created in the Tariff Order dated 26 June, 2015. When actual sales to the powerloom category become available, the billing system was changed suitably and higher FAC collected was refunded to these consumers. MSEDCL stated that 20% ceiling is a cap, and MSEDCL is levying only the actual variation in power purchase through FAC within the limit of 20%.
7. Dr. Pendse of Thane Belapur Industrial Association (TBIA) submitted that increase in FAC ceiling from 10% to 20% and proportionate levy of FAC were done through public consultation process, in which the Intervener also participated.

**The Case is reserved for Order.**

**Sd/-  
(Deepak Lad)  
Member**

**Sd/-  
(Azeez M. Khan)  
Member**