



# Madhya Pradesh Electricity Regulatory Commission

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**Date of hearing: 15.11.2006**

**Sub: In the matter of review of tariff order dated 31.3.06**

**ORDER**  
**(Petition No. 28/06)**

Shri Ajay Porwal, Consultant, M/s Sarangpur Industries Association and members Taraganj Industrial Area, A.B.Road, Sarangpur appears on behalf of the petitioner.

Shri R.C.Yadav, SE appears on behalf of M.P. Madhya Kshetra Vidyut Vitaran Co. Ltd., Bhopal. Shri D.K.Ojha, ASE appears on behalf of M.P. Pashchim Kshetra Vidyut Vitaran Co. Ltd., Indore. Shri O.S.Parihar, SE appears on behalf of M.P. Poorva Kshetra Vidyut Vitaran Co. Ltd., Jabalpur.

2. The petitioner in its petition has requested to consider following relief:--

- (a) Reduce the load factor to 10% for 132 KV category as rolling mills having lower load factor.
- (b) Reduce the fixed charges to Rs. 200 per KVA.
- (c) The 132 KV tariff shall be revised @ 2.5 % less than corresponding 33 KV at all load factor.
- (d) The fixed charges shall be 75 % of contract demand or on actual.

3. In our opinion, the petitioner could not bring out an error apparent from the records. What they have stated is that 132 KV rolling mill consumers have been put to very high tariff on account of demand charges being raised to 100 % of contract demand from the earlier 75 % of the contract demand or the actual demand whichever is more and tariff minimum charges being levied at 25 % load factor. This cannot be a ground for review as the Commission has been striving to reduce number of categories being specified in the tariff orders so that it would facilitate easier operation for the licensees and clarity for the consumers. Hence, the petition should be rejected as non-sustainable.

Sd/-  
**(R. Natarajan)**  
Member(Eco.)

Sd/-  
**(P.K. Mehrotra)**  
Chairman

**Dissenting View of Member (Engg.)**

4. In the instant petition, the following two issues needs due consideration on account of apparent error as pointed out by them:--

- I. Fixed cost shall not be linked to full contract demand.
- II. Reduction of tariff minimum load factor of 132 KV category rolling mills from 25% to 10%.

On the above two issues my reservations are as follows:

(I) In the Tariff Order dated 31.3.2006 the fixed cost has been indicated 100% of Contract Demand. The HT consumers have appealed and requested for review on various technical and commercial grounds. It is mentioned in the Regulations and Tariff Order dated 31.3.2006 that fixed cost shall be linked to full contract demand (for HT and LT consumers). The plea of the petitioner is that there is an inherent meaning of using the word "linked" i.e. it may be some percentage of full contract demand i.e. (billing demand) or the actual MD reading whichever is more. In the past the minimum billing used to be 75% of contract demand since past more than two decades. In the other states also the billing demands are ranging between 75% to 85%. This is the first time that in the order of MPERC the demand has been directly linked 100% of contract demand which has been protested by the petitioner and other LT and HT two part tariff consumers on the following reasons:

(a) There must be some flexibility for operation of the machines which can never operate at 100% contract demand all the time. Technically, it is a fact whenever the supply voltage is poor the motor draws more current to meet the requirement of output power and due to this there is incremental losses in the cable and motors windings and this causes recording of higher MD. Therefore, there must be a flexibility in operation below full contract demand and therefore the plea of the petitioner that instead of billing 100% contract demand it should be linked to certain percentage of demand. In my opinion, Commission should reconsider this issue on valid technical ground and may decide to reduce the billing on full contract demand to say 85% of Contract Demand or Actual Maximum Demand recorded whichever is more.

(b) In most of the States, the Regulatory Commissions are not incorporating billing on full contract demand basis.

(c) Contracted load of EHV lines of the Board for payment of capacity charges is limited to 6130 MW whereas the state grid handles the power to the extent of 9200 MW of connected/contracted load and therefore billing on full contracted load will lead to over recovery.

(d) The petitioner also states that in the regulation there is no mention of fixed charges to be linked to full contract demand in respect of EHT consumers which may be considered as error apparent.

(e) During the hearing it is brought to notice that if billing on 100% contract demand is followed the consumers have the tendency to reduce the contract demand and the net effect is that apparently load factor will increase without any material increase in consumption and in consequence the consumer will be entitled for claiming load factor concession benefit which will cause loss to the licensees. This also appears to be an error apparent if the billing demand is linked to 100% contract demand.

(f) The representative of the Licensees have taken the stand that if billing of full contract demand is altered and is amended to certain percentage of contract demand (i.e. billing demand) they are likely to loss revenue. Incidentally, it may be stated that in the Tariff Order dated 31.3.2006 nowhere it has been shown that the revenue accrual is based on full contract demand.

(g) As stated above linking of fixed cost to full contract demand is error apparent and needs review i.e. to fix the billing demand in a range between 75% to 85% as may be decided.

(h) This issue cannot be decided at a later stage during the examination of next Tariff Order by way of truing up as it would be most impossible task for the Commission to decide the individual cases. Therefore, we may clearly spelt out that there is error apparent on account of this issue in the Tariff Order and the Discom may re-calculate the demand charges on the basis of certain percentage of contract demand as would be decided by the Commission.

(i) As stated above, in my opinion this is the case of error apparent and amendment order can be issued to the extent of 85% of Contract Demand or actual Maximum Demand whichever is higher from the date of the tariff order 31.3.2006. Incidentally similar amendments were already done on number of issues after the detail tariff order was issued.

(j) Further, the licensees in their tariff proposals have asked for fixed charges to be billed at 75 % of contract demand or maximum demand , whichever is more. They have, however, not asked for fixed charges to be billed for full contract demand.

(II) As regarding the second issue it is to state that :--

(a) As regarding the plea taken by the consumers in the category of 132 KV rolling mills it is to mention that in the earlier two Tariff Orders after 2001 when the tariff minimum load factor was indicated as 30%, their case was considered and reviewed and the load factor was indicated reduced to 15% on account of nature of working 132 KV of rolling mills (without mini steel plant).

(b) Incidentally, it may be mentioned that as informed by the Consumers Association that prior to 2001 when the tariff was determined by the then Electricity Board due consideration was given on the issue on account of nature of operation of 132 KV rolling mills (without any mini steel plant) and they were permitted a tariff minimum load factor of 10%.

(c) As this Commission has also in the past considered difficulties of 132 KV rolling mills and considered TMM of 15% load factor, therefore in the instant case also there is no ground to reject the plea of the Association to consider a TMM of 15% load factor instead of 25% load factor as incorporated in the Tariff Order dated 31.3.06.

(III) In nutshell we may consider :--

(a) fixed cost of 85% of contract demand or maximum demand whichever is higher from the date of tariff order i.e. 31.3.2006.

(b) a TMM of 15% load factor instead of 25% load factor as incorporated in the Tariff Order dated 31.3.06.

Sd/-  
**(D. Roybardhan)**  
Member (Engg.)

In terms of Section 92(3) (3&4) of the Electricity Act, 2003 (Act 36 of 2003), the majority view of Shri P.K. Mehrotra, Chairman and Shri R. Natarajan, Member (Econ.) will be the order of the Commission.

This order is signed, dated and issued by the Madhya Pradesh Electricity Regulatory Commission on 3rd February, 2007.

Date: 3.2.2007  
Place: Bhopal

Sd/-  
**(R.Natarajan)**  
Member(Eco.)

Sd/-  
**(D.Roybardhan)**  
Member(Engg.)

Sd/-  
**(P.K. Mehrotra)**  
Chairman