

**MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION
BHOPAL**

Sub: In the matter of filing of Petition for discontinuance of the levy of the metering charges (considered as Non-Tariff Income) presently recovered according to the annexure – I (Schedule of Metering and Other Charges) to the MPERC (Recovery of Expenses and Other Charges for providing electric line or plant used for the purpose of giving supply) Regulations (Revision –I), 2009 .

Petition No. 13/2019

ORDER

(Date of order: 18th March, 2019)

M.P. Power Management Co. Ltd., Shakti Bhawan, Vidyut Nagar, Jabalpur – 482008	-	Petitioner No. 1
M.P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Block No. 7, Shakti Bhawan, Rampur, Jabalpur – 482008	-	Petitioner No. 2
M.P. Madhya Kshetra Vidyut Vitaran Co. Ltd., Nishtha Parisar, Bijlee Nagar, Govindpura, Bhopal – 462023	-	Petitioner No. 3
M.P. Paschim Kshetra Vidyut Vitaran Co. Ltd., GPH Compound, Pologround, Indore – 452 001	-	Petitioner No. 4

Shri V.D. Joglekar, DGM of the Company appeared on behalf of the Petitioner No. 1.

Shri Deepak Chandela, DGM of the Company appeared on behalf of the Petitioner No. 2.

None appeared on behalf of the Petitioner No. 3.

Shri Shailendra Jain, DD and Shri Kumar Shubham, AE of the Company appeared on behalf of the Petitioner No. 4.

2. The petitioners have filed the subject petition in the matter of discontinuance of the levy of the metering charges (considered as Non-Tariff Income) presently recovered according to the annexure – I (Schedule of Metering and Other Charges) to the MPERC (Recovery of Expenses and Other Charges for providing electric line or plant used for the purpose of giving supply) Regulations (Revision –I), 2009. The motion hearing in the matter was fixed on 05.03.2019.

3. The petitioners in the instant petition have prayed to the Commission to:

- i. Abolish the levy of Metering Charge as per proposal mentioned in Para 21 of the Petition.
- ii. Condone any inadvertent omissions/ errors/ shortcomings and permit the petitioners to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date;
- iii. Allow further submissions, additions and alteration to this Petition as may be necessitated from time to time; and

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- iv. Pass such other and further orders as are deemed fit and proper in the facts and circumstances of the case.
4. During the motion hearing held on 05.03.2019, the petitioners reiterated the contents of the petition. The petitioners requested the Commission to abolish the levy of the metering charges as these charges when recovered separately have been considered under the head “Other Income” and added to the revenue income of the petitioners while addressing their Annual Revenue Requirement during the tariff determination process. In the opinion of the petitioners metering charges have already been embedded in the Fixed Charges being recovered as a part of tariff and therefore, to recover metering charges separately need not be required by the petitioners. The representatives of the petitioners restated to abolish the recovery of the Metering Charges separately from the Consumers and allow for suitable adjustments in the fixed charges to be recovered from consumers.
5. The petitioners broadly stated in the petition as below:
 - i. Hon’ble Madhya Pradesh Electricity Regulatory Commission vide Notification No.1902/MPERC/2009 Dated 7th September 2009, in exercise of powers conferred under Section 181 read with Section 45 (3)(b) and 46 of the Electricity Act, 2003 (No. 36 of 2003), has made the “Madhya Pradesh Electricity Regulatory Commission (Recovery of Expenses and other charges for providing electric line or plant used for the purpose of giving supply) Regulation (Revision-I), 2009” to specify manner & quantum of recovery of Expenses and other charges for providing electric line or plant used for the purpose of giving supply.
 - ii. Clause 5 of the said regulation provides as under:

5.0 Other Charges to be recovered from consumers

5.1.1 *As provided for in Section 45(3) (b) of the Electricity Act, 2003, the Distribution Licensee shall charge from the consumers a rent or other charges in respect of any electric Meter or Electrical Plant provided by the Distribution Licensee. Accordingly, the Commission notifies schedule of metering charges and other charges in this Regulation.*
 - iii. Presently the metering charges are being recovered by licensee in accordance with the aforesaid regulations.

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- iv. Among all the components of electrical infrastructure, only meters are being subjected to levy of metering charges. Cost of all other network components (viz. service lines and sub-stations etc) is built into the electricity tariff itself. It is noteworthy to mention that like other electrical infrastructure, meters and metering equipment also form part of the asset base of the Discom therefore Discom receives all type of return on the said asset in accordance with the provision of the regulation i.e depreciation, return on equity, interest & finance charges e.t.c. Therefore practice of charging metering charges separately as non-tariff income, (which, in any case, is reduced from ARR for determination of tariff) appears to be un-necessary, and projects an impression as if Discom is charging twice for providing same services/ infrastructure.
- v. States like Uttaranchal and Gujarat have already abolished the levy of the meter rent citing it as the duplication of recovery from consumers. The relevant observation of the Uttaranchal Electricity Regulatory Commission in its Tariff Order for FY 2005-06 dated April 25, 2005 is reproduced as under: —
 - i. *“As per the present practice, meters for which rent is being charged from consumers have been purchased and installed by UPCL and form part of Company’s fixed assets. While scrutinizing the ARR, revenue coming to UPCL by way of meter rent is either added to UPCL’s revenue from sale of electricity or deducted from its total expenditure. The revenue is then matched with the allowed expenditure to work out surplus or deficit in such revenue. Since revenue by way of meter rent is already being accounted for in the ARR, UPCL does not get any additional benefit from this rental income but the same is a recurring irritant to consumers. The financing cost of installation of such meters is recovered through Tariff by way of interest on loans while computing the allowable expenditure in the ARR. Since these meters form a part of UPCL’s fixed assets, the advantage that accrues to UPCL is by way of permissible depreciation. The real benefit flowing from such meters is by way of proper accounting and billing of energy sold.*

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- ii. *UPCL's investment in such meters is, thus, fully provided for through interest and depreciation costs. Since income by way of meter rent is taken into account in computing the total revenue, it would not make any difference to UPCL if this portion of revenue did not come to it. On the other hand, continuing with meter rent chargeable from each consumer results in avoidable complexities in billing and accounting on UPCL's part and as stated earlier is a recurring irritant to consumers. In fact, this also acts as an impediment to converting unmetered connections into metered ones or for that matter replacement of existing meters by precision tamper-proof meters. The Commission is of the view that licensee's investment in such meters having already been provided for through interest costs and depreciation in the Tariff, there is no merit in the licensee charging rent for such meters from each consumer and then adding it to its sales revenue for computing Tariffs. The Commission has, therefore, decided to do away with recovery of meter rent altogether for all consumers."*
- vi. Relevant part of Gujarat Electricity Regulatory Commission Order in the matter of 'Truing up for FY 2016-17 and Determination of Tariff for FY 2018-19' of the Discoms of the state is reproduced as under:

"2. Non- recovery of meter charges/ capacitor charges

The objector stated that meter charges/ capacitor charges should not be levied from energy bills of the consumers after completion of the full recovery of meters/ capacitors charges

Response of DISCOMs

Petitioners submitted that they recover meter rent from the consumers for the cost of meters borne by them. Further, based on the powers conferred under the Electricity Act, 2003 to determine meter rent charges, the Commission has determined such meter rent charges in Notification No. 9/2005 and accordingly, such meter rent charges are being levied from the consumers. Such charges are equivalent to interest of total cost of the meters. It is further mentioned that Petitioners are buying high quality meters which are installed at consumers' premises after testing the said meters in the laboratories. Such meters are maintained by the petitioners. Thus, petitioners are not recovering cost of meters but only recovering meter rent in accordance with the regulations. Petitioners have proposed to merge meter rent with fixed charges.

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Commission’s view

The Commission has taken a note of objection raised by the objector and after deliberations on proposal of the petitioner, it has been decided to abolish the meter rent being levied by the distribution utilities from the consumers requiring electric supply.”

- vii. The aforesaid observations of UERC & GERC are squarely applicable in case of MP Discoms also. Billing of metering charges as separate item creates complexities in billing and it is revenue neutral from the perspective of the Discoms.
- viii. In the scenario of the two part tariff, ideally there should be only two kinds of charges. The first part called the fixed charges in two part tariff represents the fixed component of charges which is independent of consumption level and the second part called the energy charges which depends solely on the actual energy consumed. In this regard kind attention is drawn towards the Delhi Electricity Regulatory Commission’s order on ARR and Tariff Petition of BRPL for FY 2002-03 (9 months) and 2003-04’ dated 26th June 2003. Vide this order DERC abolished the meter rent citing it as against the principle of two part tariff. The relevant extract of the such tariff order reproduced as under:

2.43.34.3 Meter rent

The Commission has removed the concept of meter rent and minimum charges in this Order, detailed rationale for which has been discussed in the relevant section of the Order. In lieu of the meter rent and minimum charges, the Commission has introduced fixed charges for all categories where minimum charges were applicable earlier.

The Commission clarifies that for new consumers, the first meter will be installed at the cost of the DISCOM. Thereafter, in case of damage to the meter, the existing provisions of the ‘Performance Standards (Metering and Billing) Regulations’ will apply.

5.6.4 Introduction of two part tariff

The Commission has received the suggestion from the stakeholders to introduce the concept of two part tariff, which is more appropriate than minimum charges for recovery of fixed costs on account of the infrastructure.

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Considering the views expressed by the stakeholders and in its continued and constant effort to rationalise the tariff structure, the Commission introduces two-part tariff in domestic category. Accordingly, meter rent and minimum charges are abolished for domestic category of consumers. The first part called the fixed charges in two part tariff represents the fixed component of charges which is independent of consumption level and depends on the fixed cost incurred by the utility in providing the electricity supply. The second part called the energy charges in two-part tariff represents the variable component of charges, which depends solely on the consumption level.

ix. In the State of Madhya Pradesh also, Discoms are charging fixed charges and energy charges. Therefore recovery of metering charges as a separate billing item, apart from recovery of fixed charges is inconsistent with the concept of two part tariff.

x. Kind attention is also drawn towards the Conclusions/ Recommendation/ Decisions arising out of Power Ministers Conference held on 7th December, 2017. The relevant extract of Minutes of the Conference is reproduced as under:

“7. Prepare roadmap for reduction of cross subsidies as per Tariff Policy by March 2018 and bring in Tariff reforms by simplification of Consumer Tariff categories and rationalization of Electricity Tariff.”

xi. Considering above, with a view for simplification and rationalization of Electricity tariff, Hon’ble Commission is requested to abolish the recovery of the Metering Charges from Consumers and allow for suitable adjustments in the fixed charges to be recovered from consumers. Accordingly following amendment is proposed in the regulation 5 of “Madhya Pradesh Electricity Regulatory Commission (Recovery of Expenses and other charges for providing electric line or plant used for the purpose of giving supply) Regulation (Revision-I), 2009” :

Existing provision

5.0 Other Charges to be recovered from consumers

5.1.1 As provided for in Section 45(3) (b) of the Electricity Act, 2003, the Distribution Licensee shall charge from the consumers a rent or other charges in respect of any electric Meter or Electrical Plant provided by the Distribution Licensee. Accordingly, the Commission notifies schedule of metering charges and other charges as mentioned in Annexure I of this Regulation.

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Proposed provision (amendment)

5.0 Other Charges to be recovered from consumers

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5.1.2 Metering charges prescribed in the Annexure I to this regulation shall be levied up to the effective period of the retail supply tariff order for FY 2018-19. Thereafter metering charges (if any) shall be applicable in accordance with the retail supply tariff order issued by the Commission from time to time.

6. Having heard the petitioners and going through the petition filed, the Commission has observed that the petitioners have requested the Commission to abolish the separate levy of the metering charges on the consumers and simultaneously asked for suitable adjustment in fixed charges to be recovered from the consumers through tariff. Presently, recovery of metering charges from the consumers has been applicable in accordance with the Section 45 “Power to recover charges”, Subsection 3(b) of the Electricity Act, 2003, which stipulates as below:

(3) The Charges for electricity supplied by a distribution licensee may include-

(a) A fixed charge in addition to the charge for the actual electricity supplied;

(b) A rent or other charges in respect of any electric meter or electrical plant provided by the distribution licensee.

Accordingly, the appropriate Regulations namely “Madhya Pradesh Electricity Regulatory Commission (Recovery of Expenses and other charges for providing electric line or plant used for the purpose of giving supply) Regulation (Revision-I), 2009” has been notified by the Commission.

7. The petitioners have stated in the petition that “Billing of metering charges as separate item creates complexities in billing and it is revenue neutral from the perspective of the Discoms”. Further, during the hearing, the representatives of the petitioners also confirmed that “expenditure towards the metering has already been comprehensively embedded in the expenses incorporated in the Annual Revenue Requirement of the petitioners and which has been essentially a pass through in the tariff determined by the Commission. Therefore, separate levy of the metering charges in accordance with

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the clause 5.1.1 of “Madhya Pradesh Electricity Regulatory Commission (Recovery of Expenses and other charges for providing electric line or plant used for the purpose of giving supply) Regulation (Revision-I), 2009” and also separate adjustment for metering charges in the Fixed Charges would not be required.” The Commission considers the view of the Licensees that their investment in the meters have been provided through interest costs and depreciation in the tariff, so there is no merit in charging rent for such meters separately by the Licensee. As have been defined in the Regulation 39 (Tariff Income) and Regulation 40 (Other Income) of “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Supply and Wheeling of Electricity and Methods and Principles for Fixation of Charges) Regulations, [2015 RG-35(II) of 2015]” amended time to time, the meter rent is included in other income, whereas its cost is being recovered through fixed cost in tariff income. So there seems to be no need to separately levy the meter rent and to subtract it from the Annual Revenue Requirement. The Commission also clarifies the petitioner that on abolishing the metering charges in the concerned Regulations, no adjustment shall be allowed separately in the fixed charges.

8. In view of the above, the Commission considers the proposal of the petitioners towards the simplification/ rationalization of the tariff structure/ billing process in vogue in the State. The prayer of the petitioners in the instant case necessitates amendment in Regulation 5 of “Madhya Pradesh Electricity Regulatory Commission (Recovery of Expenses and other charges for providing electric line or plant used for the purpose of giving supply) Regulation (Revision-I), 2009”. The Commission therefore, directs the Commission Secretary to initiate the process for modification/ amendment of the aforesaid Regulation.

9. With the aforesaid directions, the petition no. 13/2019 stands disposed of.

Ordered accordingly.

Sd/-
(Mukul Dhariwal)
Member

Sd/-
(Dr. Dev Raj Birdi)
Chairman