

Petition No.41/2010

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION, BHOPAL

Sub:- In the matter of framing of regulations for regulatory asset under Clause 8.2.2 of National Tariff Policy and removal of second slab of energy charges for consumption in excess of 50% Point no. 3 of Approach paper dated 11.03.2010.

ORDER

Date of Motion Hearing: 19.08.2010

Date of Order: 06.09.2010

Electricity Consumers Society, Polo Ground, Indore

..... **Petitioner**

V/s

- 1) Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd., Indore
- 2) Madhya Pradesh Poorva Kshetra Vidyut Vitaran Company Ltd., Jabalpur
- 3) Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd, Bhopal
- 4) Secretary, Energy Deptt., Govt. of MP, Bhopal.

..... **Respondents**

Shri P.L Nene, President, Electricity Consumer Society appeared on behalf of petitioner.

2. This petition has been filed by the Electricity Consumers Society, Polo Ground, Indore for framing of Regulations for regulatory asset as required under Clause 8.2.2 of National Tariff Policy and for removal of second slab of energy charges for consumption in excess of 50% (point no. 3 of Approach paper dated 11.03.2010). The petitioner in the context of above has prayed for

- (i) Framing of regulations for Regulatory Asset as required under clause 8.2.2 of Tariff Policy ;
- (ii) Examining the tariff HV4 by Techno Commercial consultant and the report be placed for public hearing. The MPERC (determination of tariff) regulations 2009 based on above be considered for revision accordingly.

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- (iii) The petitioner has requested that the above actions may be taken much before the tariff for FY 2011-12 is considered.

The Commission has observed that the petitioner has raised general issues with regard to the policy of the Commission on regulatory assets and also on participation of stake-holders in hearing of tariff related issues. The Commission after deliberating on the issues raised by the petitioner, decided to hold a motion hearing so as to provide the petitioner an opportunity to present its views before the Commission before taking further action on the petition.

3. During the course of hearing, held on 19/08/2010 petitioner referred to the clause 8.2.2 of the Tariff Policy notified by the Ministry of Power and requested to frame a regulation for providing facility of the regulatory asset in the tariff structure of the Distribution companies. It is stated by the petitioner that the distribution companies had also requested for creation of regulatory assets in their ARR and tariff proposals submitted before the Commission.

4. The clause 8.2.2 of the Tariff Policy reads as under :-

“The facility of regulatory asset has been adopted by some Regulatory Commissions in the past to limit tariff impact in a particular year. This should be done only as exception and subject to the following guidelines:

- a. The circumstances should be clearly defined through regulations and should include natural causes and force majeure conditions. Under the business as usual conditions, the opening balance of uncovered gap must be covered through transition finance management or capital restructuring.
- b. Carrying cost of Regulatory asset should be allowed to the utility.
- c. Recovery of regulatory asset should be time bound and within a period not exceeding three years at the most and preferably within control period.
- d. The use of the facility of Regulatory Asset should not be repetitive.
- e. In case where regulatory asset is proposed to be adopted, it should be ensured that the return on equity should not become unreasonably low in any year so that the capability of the licensee to borrow is not adversely affected.”

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5. The Commission stated that the Commission is well aware of the said provision of the Tariff Policy regarding creation of regulatory assets. However, the regulatory assets were not provided in the earlier tariff orders of the Commission as the circumstances did not warrant for the same. As and when a need for creation of regulatory assets arises, a separate regulation for dealing with regulatory assets would be specified.

6. Regarding point (ii) & (iii) of the prayer, the petitioner referred to point no. 3 of the approach paper released by the Commission prior to determination of the tariff for FY 2010-11 regarding removal of second slab of energy charges for consumption in excess of 50% load factor and modification in load factor incentive under HV categories.

It is prayed by the petitioner that a participatory discussion in future during next tariff determination process may be arranged on the point no. 3 of the approach paper to have considered views of affected consumers.

7. The Commission has observed that during the course of public hearings held at Bhopal, Indore and Jabalpur prior to determination of the tariff for FY 2010-11, adequate opportunities were provided to the consumers and the consumers' associations to put forth their views before the Commission. Besides, a large number of comments were also received through post and email by the office of the Commission in the matter. Hence, the Commission held that ample opportunity for participating in the process of determination of tariff had already been provided by the Commission. So far as request of the petitioner for having discussions with selected group of stake holders, the Commission was of the view that if the need so arises in future, the Commission might consider such request as it finds appropriate

8. In view of the facts and circumstances as narrated above, the Commission has decided to close the petition.

(C.S. Sharma)
Member (Economics)

(K.K. Garg)
Member (Engineering)