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JHARKHAND STATE ELECTRICITY REGULATORY COMMISSION

**REGULATIONS IN RESPECT OF METHODS AND PRINCIPLES FOR FIXATION OF CHARGES
INCLUDING CROSS SUBSIDY CHARGES RECOVERABLE BY DISTRIBUTION LICENSEE FOR
SUPPLY OF ELECTRICITY (IN SHORT METHODS AND PRINCIPLES OF FIXING ELECTRICITY
CHARGES)**

NOTIFICATION

The 12th April, 2006

No . JSERC /74/390 -- In exercise of the powers under sections 39(2), 42(2) and 45 read with section 181 (1) and 181 (2)(k), (p) and (u) of the Electricity Act 2003 (36 of 2003) and all other powers enabling it in that behalf, the Jharkhand State Electricity Regulatory Commission hereby makes the following Regulations providing for methods and principles for fixation of charges recoverable by the distribution licensee for supply of electricity:

1. Short title, extent and commencement

- 1.1 These Regulations shall be called the Jharkhand State Electricity Regulatory Commission (Methods and principles for fixation of charges including cross subsidy charges recoverable by distribution licensee) Regulations 2006.
- 1.2 These Regulations shall apply to all distribution licensees including deemed licensees operating within the State of Jharkhand State and all consumers receiving supply as per proviso 1 of section 43(2) of the Electricity Act 2003.
- 1.3 These Regulations shall come into force from the date of their publication in the Official Gazette.

2. Definitions

1.4 In these Regulations, unless the context or subject matter otherwise requires:

- (a) "Act" means the Electricity Act, 2003 (36 of 2003);
- (b) "Commission" means the Jharkhand State Electricity Regulatory Commission;
- (c) "Distribution Licensee" means a licensee authorised to operate and maintain a distribution system for supplying electricity to the consumers in his area of supply;
- (d) "Extra High Tension (EHT) consumer" means a consumer who is supplied electricity at a voltage higher than 33000 volts.
- (e) "High Tension (HT) consumer" means a consumer who is supplied electricity at a voltage higher than 440 volts but not exceeding 33000 volts.
- (f) "Low Tension (LT) consumer" means a consumer who is supplied electricity at a voltage up to 440 Volts.
- (g) "Authorised load" means load duly sanctioned by the utility to any consumer for the purpose of electric connection to that consumer's premises. This shall be expressed in kW, kVA or HP units and shall be determined as per procedure laid down in Electricity Supply Code at relevant clauses.
- (h) Words and expressions used and not defined in these regulations but defined in the Act shall have the meanings as assigned to them in the Act.

3. General Principles for fixation of charges

1.5 The commission shall endeavour to ensure that the charges recoverable from different consumer categories for the actual electricity consumed by the consumer as well as the expenses incurred on its delivery (wheeling) and consumer care services reflect the efficient cost incurred by the distribution licensee towards providing service and supply to each consumer category to the extent possible. The extent of cross subsidy given to or recovered from each category of consumers shall be shown in the schedule of charges approved by the Commission from time to time. Also, the extent of system loss incurred by the distribution licensee in different areas in its jurisdiction in respect of EHT, HT and LT consumers shall also be taken into consideration while computing the cost incurred in the distribution process.

1.6 The charges to be recovered from the consumers for supply of electricity may include all or any of the following:

(i) Fixed charges: A fixed charge in addition to the charge for the actual electricity supplied to recover the expenditure on fixed network, which the licensee incurs to maintain and upgrade network for sub transmission shall be recoverable by the licensee. For HT consumers and LT consumers with Demand based tariff, the fixed charges shall be linked to their full contract demand. For LT consumers, the fixed charges shall be linked to their connected load (authorised load for domestic and non domestic connections). The licensee shall be entitled to receive fixed charges in full only if supply of power is maintained as per scheduled supply hours as approved or ordered by the Commission in tariff order from time to time unless the Commission orders regulation of supply under Section 23 of the Act. For this purpose the supply hours shall be reckoned at 33/11 KV substation. Routine

maintenance of network in the aggregate duration in a month shall be a factor kept in consideration while fixing the supply duration norms. The licensee shall prepare a supply duration index for each 33/11 KV sub station each month and a discount or rebate in the fixed charges may be allowed to the consumer if the index falls below the level fixed by the Commission. The licensee shall intimate the supply duration index for each month to the consumer through the bill sent to the consumer.

Revenue earned by the licensee from fixed charge shall be counted towards the total expected revenue of the licensee and shall be disclosed for public information at the time of determination of tariff.

(ii) Energy Charges: These are recoverable from the consumers to meet the cost incurred by the distribution licensee towards purchase of electricity supplied to the consumer and shall reflect the average cost of power purchased by the distribution licensee during different parts of a year. Energy charges for all units shall be recoverable by the licensee at the tariff approved by the Commission.

(iii) Loss Compensation Charges: The loss compensation charges shall be recoverable from consumers to meet the cost incurred by the distribution licensee towards aggregate transmission and distribution losses at the voltage of supply and in different areas and shall be limited to the level approved by the Commission in the tariff order applicable for any relevant period.

(iv) Distribution licensee will be entitled to recover rent or other charges for meter or electrical plant/ equipment provided by the licensee at different stages of distribution system as approved by the Commission.

(v) Special charges authorised to be recovered under sections 46 and 47 of Electricity Act, 2003. These charges are recoverable by the licensee as these are incidental to the business of distribution and retail supply of electricity to particular consumers, as for example:

- (a) Fee for test of meters at consumer's request at premises; For test at laboratory separate charges shall be payable.
- (b) New Service Connection or load enhancement. Separate charges payable for disconnection/ reconnection charges. (Explanation: When new connection or upgradation is sought for a load of more than 10 KW, the licensee may recover the proportionate cost of transformer if the load required is more than 10 KW and may additionally recover proportionate cost of sub station if the load required is more than 200 KW)
- (c) Cost of burnt or damaged meters if responsibility can be fixed on consumers
- (d) Shifting of connection (including shifting of meter) from one premises to another or another site within the same premises at the request of the consumer
- (e) Supervision charges for specific services of capital intensive or labour intensive nature
- (f) Hiring of licensee's plants and equipments
- (g) Fee for verification of old dues /records or obtaining duplicate copies of bills or documents

- (h) Fee for special meter reading when requested by consumers
- (i) Maintenance of public streetlights or other equipment when requested by a consumer.
- (j) Replacement of fuses/glass/meter seals or meter reading cards
- (k) Resealing of meters, MD indicators and instruments of the licensee in the consumer premises if seal is found broken
- (l) Re-rating of installations where done at the request of the consumer
- (m) Testing of installations at consumer's request
- (n) Any other service provided by the licensee on the request of the consumers

(vi) Cross subsidy charge or support: In terms of the Section 61(g) of the Act, the Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity. The determination of tariff is done based on various factors as enumerated in Section 62(3) of the Electricity Act, 2003. Due to differential tariff for various categories of consumers, some consumers shall pay the tariff more than the cost of supply i.e. subsidizing category of consumers and some shall pay less than the cost of supply i.e. subsidized category of consumers. The difference between the tariff and cost of supply is termed as cross subsidy charge or support. While determining the tariff, the Commission has to balance the amount of cross subsidy payable by subsidizing category of consumers and the amount of cross subsidy receivable by subsidized category of consumers. Section 61(g) of the Act also stipulates that tariff shall progressively reduce. As per clause 8.3(2) of National Tariff Policy, tariff should be brought within $\pm 20\%$ of the average cost of supply latest by the end of year 2010-2011.

1.7 After due scrutiny and consultation, the Commission shall accord approval for charges proposed by the licensee and in doing so shall consider the reasonableness and actual cost to the licensee and such charges shall be recoverable only after the approval of the Commission. Licensee shall not recover any charges without the specific approval of the Commission.

4. General

1.8 BI-ANNUAL PUBLICATION OF INFORMATION

Licensee must keep account of revenue (demand raised) accruing on account of fixed charges, energy charges, Metering charges, Billing and recovery/realisation charges, Miscellaneous Service charges, any other charges and arrears payable for each administrative unit of division level and the revenue (demand raised) and collected for each category of consumers under each of the components of tariff (including subcategory whenever provided) and the compiled data at company level must be published for public information and presented to the Commission in January and July each year for half year ending in September and March respectively. This information must also be placed on the website of the licensee. The Distribution Licensee is to publish abstract of statement of accounts six monthly as required under Companies Act.

1.9 TARIFF CATEGORIES AND INTIMATION OF TARIFF RATES TO CONSUMERS:

The Commission, while determining the tariff for retail sale and wheeling of electricity under section 61(1) shall provide consumer category wise details of charges to be recovered by the distribution licensee and may also lay down special conditions for seasonal surcharge/Time of use surcharge and power factor, load factor, reactive energy charges etc. The licensee shall send a tariff card within two months of tariff order to each consumer showing the details of various charges recoverable from the particular category or sub category in which any consumer is listed as per current agreement.

1.10 DEMAND BASED TARIFF:

The demand-based tariffs shall be applicable to all consumers with connected load of 10 KW and above. However, consumers with connected load of 25 BHP (18 KW/ 23 KVA) or more shall have KVA based demand tariff.

1.11 POWER FACTOR, LOAD FACTOR, DEMAND SIDE MANAGEMENT AND QUALITY OF SUPPLY :

The Commission may consider providing rebate to consumers for maintaining appropriate power factor, achieving higher load factor or for implementation of energy conservation measures. The Commission may provide incentive or penalty in its tariff structure for adherence to or deviation from the standards approved by the Commission in its regulations on performance standards.

1.12 TARIFF MINIMUM AND CROSS SUBSIDY SUPPORT

Some categories of consumers are expected to pay a cross subsidy charge. If these consumers do not consume at least the minimum expected electricity, the licensee is not able to collect sufficient cross subsidy charge to enable him to meet the obligation in respect of such categories of consumers as are recipients of cross subsidy support. In order to keep this position stable, such categories of consumers as are subjected to payment of cross subsidy charge will be required to consume electricity linked to a percentage of their Contract Demand and in the event of their consumption falling short, they will be required to pay to the licensee, the cross subsidy charge calculated on minimum prescribed consumption.

1.13 PENAL BILLING FOR EXCESS CONSUMPTION/DEMAND:

In order to conserve electricity and to encourage steps for demand side management, penal billing shall be done for excess consumption/demand. For the HT consumers and LT consumers with demand based tariff, if maximum demand exceeds the contract demand in any month, excess maximum demand and its corresponding units on a proportionate basis in the month shall be billed at penal rates as decided by the Commission in its tariff order. In case of LT consumers including domestic and non-domestic connections, penal billing shall be done in case consumption exceeds the norm fixed for the authorised or sanctioned load at the rate determined by the Commission in its tariff order.

1.14 MISCELLANEOUS SERVICE CHARGES

A charge for services may be recovered by the licensee providing the specified services to a consumer or group of consumers and these will be determined and notified when tariff is determined.

5. Method to be followed for determination of various charges

- (a) **Fixed charge:** - Total expenses required to be incurred by the distribution licensee during the tariff period in respect of Repair and Maintenance of the licensee's distribution system, his employee expenses including contract employees or outsourcing expenses, all expenses on administration and general management including fees and charges payable by the licensee together with SLDC charges and transmission charges shall be distributed over all consumers in the ratio of their contract demand/authorised load. This total amount shall also include the depreciation admissible to the licensee for fixed assets and the interest charges on loans contracted by the licensee and admitted by the Commission and such additional amounts as are approved by the Commission as part of the licensee's business plan for the tariff period with the objective of expanding and upgrading the network.
- (b) **Energy Charges:** - The expenses required to be incurred by the distribution licensee during the tariff period on account of cost of power, Time of day surcharge, peak supply surcharge and Fuel Cost Adjustment expenses if any, shall be distributed over all consumers on the basis of units consumed.
- (c) **Loss Compensation charges:** - The expenses required to be incurred by the distribution licensee during the tariff period on account of cost of additional power required to be purchased due to losses in the system (transmission and distribution losses), shall be distributed over consumers on the basis of extent of losses occurred in different geographical areas. The licensee is required to segregate the distribution losses sub station wise and to identify the areas served by these sub stations by operating an efficient system of energy accounting.
- (d) **Rent for plant and meters:** - The expenses required to be incurred by the distribution licensee during the tariff period on account of any electric meter or electrical plant/equipment provided by the licensee, shall be charged from the consumers on a monthly rental basis as determined by the Commission in tariff order.
- (e) **Special or Miscellaneous charges:** - The expenses required to be incurred by the distribution licensee during the tariff period for providing specific services to the consumers on their requests shall be charged from that particular consumers as per Miscellaneous and General Charges determined by the Commission.
- (f) **Cross subsidy charge/support:** - The cross subsidy charge/support would be computed as the difference between (i) the tariff applicable to the relevant category of consumers and (ii) the average cost of the distribution licensee to supply electricity to all the consumers. The average cost of supply shall be computed by dividing (I) the total expenses incurred by the distribution licensee for its business of supply of electricity to the consumers to (ii) total units sold to the consumers.

6. Power to remove difficulties

If any difficulty arises in giving effect to any of the provisions of these regulations, the Commission may, by general or special order, do or undertake or direct the licensees to do or undertake things, which in the opinion of the Commission is necessary or expedient for the purpose of removing the difficulties.

7. Power to Amend and Review

The Commission may, at any time add, vary, alter, modify or amend any provisions of these regulations and schedule of miscellaneous charges after giving prior publicity and shall review and re-notify these regulations every three years after initial notification.

8. Savings

- 1.15 Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary for ends of justice to meet or to prevent abuses of the process of the Commission.
- 1.16 Nothing in these Regulations shall bar the Commission from adopting, in conformity with the provisions of the Act, a procedure, which is at variance with any of the provisions of this Code, if the Commission, in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient for dealing with such a matter or class of matters.
- 1.17 Nothing in these Regulations shall, expressly or impliedly, bar the Commission dealing with any matter or exercising any power under the Act for which no Codes have been framed, and the Commission may deal with such matters, powers and functions in a manner it thinks fit.

By order of the Commission,
Secretary,
Jharkhand State Electricity Regulatory Commission