

## **A1: INTRODUCTION**

### **Jharkhand State Electricity Regulatory Commission (JSERC)**

- 1.1 The Jharkhand State Electricity Regulatory Commission (herein after referred to as the “JSERC” or “the Commission”) was established by the Government of Jharkhand under Section 17 of the Electricity Regulatory Commission Act, 1998 on August 22, 2002. The Commission became operational w.e.f. April 24, 2003. The Electricity Act, 2003 (hereinafter referred to as “the Act” or “EA, 2003”) came into force w.e.f. June 10, 2003; and the Commission is now deemed to have been constituted and functioning under the provisions of the Act.
- 1.2 The Government of Jharkhand vide its notification dated 22.08.2002 defined the functions of JSERC as per Section 22 of the Electricity Regulatory Commission Act, 1998 to be the following, namely:-
  - (a) to determine the tariff for electricity, wholesale, bulk, grid or retail, as the case may be, in the manner provided in section 29;
  - (b) to determine the tariff payable for the use of the transmission facilities in the manner provided in Section 29;
  - (c) to regulate power purchase and procurement process of the transmission utilities and distribution utilities including the price at which the power shall be procured from the generating companies, generating stations or from other sources for transmission, sale, distribution and supply in the State;
  - (d) to promote competition, efficiency and economy in the activities of the electricity industry to achieve the objects and purposes of this Act.
- 1.3 With the Electricity Act, 2003 being brought into force, the earlier Electricity Regulatory Commission Act of 1998 stands repealed and the functions of JSERC are now defined as per Section 86 of the Act.
- 1.4 In accordance with the Act, the JSERC discharges the following functions: -
  - (a) determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State:

Provided that where open access has been permitted to a category of consumers under Section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;

- (b) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- (c) facilitate intra-state transmission and wheeling of electricity;
- (d) issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
- (e) promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;
- (f) adjudicate upon the disputes between the licensees and generating companies; and to refer any dispute for arbitration;
- (g) levy fee for the purposes of this Act;
- (h) specify State Grid Code consistent with the Grid Code specified under Clause (h) of sub-section (1) of Section 79;
- (i) specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
- (j) fix the trading margin in the intra-state trading of electricity, if considered, necessary;
- (k) discharge such other functions as may be assigned to it under this Act.

1.5 The Commission advises the State Government on all or any of the following matters, namely :-

- (a) promotion of competition, efficiency and economy in activities of the electricity industry;
- (b) promotion of investment in electricity industry;
- (c) reorganisation and restructuring of electricity industry in the State;
- (d) matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by that Government.

- 1.6 The State Commission ensures transparency while exercising its powers and discharging its functions.
- 1.7 In discharge of its functions, the State Commission is guided by the National Tariff Policy as brought out by GoI in compliance to Section 3 of the Act. The objectives of the National Tariff Policy are to:
- (a) ensure availability of electricity to consumers at reasonable and competitive rates;
  - (b) ensure financial viability of the sector and attract investments;
  - (c) promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks;
  - (d) promote competition, efficiency in operations and improvement in quality of supply.

### **Jamshedpur Utilities and Services Company Limited (JUSCO)**

- 1.8 Jamshedpur Utilities and Services Company Limited (hereinafter referred to as ‘JUSCO’ or the ‘petitioner’) is a company incorporated in August 2003 under the provisions of the Companies Act, 1956 and is a wholly owned subsidiary of Tata Steel Limited. JUSCO has been incorporated primarily to cater to the infrastructure and petitioner services of the city of Jamshedpur. In addition to Power services, the company’s services encompass Water and Waste Management; Public Health & Horticulture Services; and Planning, Engineering & Construction.
- 1.9 JUSCO is the second Distribution Licensee operating in the Saraikela-Kharsawan region, the first being the Jharkhand State Electricity Board (JSEB). This is the first district in India where two utilities have been allowed to build parallel networks for distribution of power. JUSCO also has a separate Power Business Division (PBD) which is engaged in distribution of electricity in Jamshedpur town as a power distribution franchisee of Tata Steel Limited (Licensee of Jamshedpur).
- 1.10 The Electricity Act, 2003 opened up power distribution to the private sector and permitted more than one power distributor in a revenue region, vide proviso 6 of Section 14 of the said Act which states:

*“Provided also that the Appropriate Commission may grant a licence to two or more persons for distribution of electricity through their own distribution system within the same area, subject to the conditions that the applicant for grant of licence within the same area shall, without prejudice to the other conditions or requirements under this Act, comply with the additional requirements [relating to the capital adequacy, credit-worthiness, or code of conduct] as may be prescribed by the Central Government, and no such applicant, who complies with all the*

*requirements for grant of licence, shall be refused grant of licence on the ground that there already exists a licensee in the same area for the same purpose.”*

- 1.11 In line with the above provision and in reference to the Commission’s communication to JUSCO with regard to filing a petition for distribution license for one or more revenue districts (letter no. JSERC/06/2004-05/64), JUSCO applied for a Second Distribution License vide application no. PBD/176/69/06 dated May 5, 2006 for the revenue district of Saraikela-Kharsawan. The Saraikela-Kharsawan district is contiguous to JUSCO’s service area of Jamshedpur.
- 1.12 The Commission granted a Power Distribution License (No. 3 of 2006-07) to JUSCO on December 1, 2006 for the aforementioned revenue district.
- 1.13 Consequently, JUSCO began its power distribution services in revenue district of Saraikela –Kharsawan in September 2007 as a second distribution licensee.

### **Scope of present order**

- 1.14 This Order relates to the ARR and Tariff Petitions filed by TSL at different points of time before the Commission for approval of the ARR for FY 2007-08, FY 2008-09 and FY 2009-10 and determination of tariff for FY 2009-10. The Order is in accordance with Sections 61, 62 and 64 of the Act and provisions of the JSERC (Terms and Conditions for Distribution Tariff ) Regulation, 2004 ( hereinafter referred to as ‘Distribution Tariff Regulations, 2004’)
- 1.15 While determining tariff for the revenue district of Saraikela-Kharsawan for FY 2009-10, the Commission has taken into consideration the following:
  - (a) Provisions of Section 86 of the Act;
  - (b) Provisions of the National Electricity Policy;
  - (c) Provisions of the National Tariff Policy; and
  - (d) Principles laid down in the ‘Distribution Tariff Regulations, 2004’