DELHI ELECTRICITY REGULATORY COMMISSION

Viniyamak Bhawan, C-Block, Shivalik, Malviya Nagar, New Delhi-110 017. Website: www.derc.gov.in
Telefax: 26673608

PUBLIC NOTICE
REQUEST FOR PUBLIC RESPONSE

Petition for approval of Aggregate Revenue Requirement (ARR) and determination of tariff for Multi Year Tariff (MYT) Control Period, FY08 to FY11 filed by BSES Rajdhani Power Ltd. (BRPL), BSES Yamuna Power Ltd.(BYPL) and North Delhi Power Ltd (NDPL)

1. The Distribution Companies in the NCT of Delhi viz. BSES Rajdhani Power Ltd (BRPL), BSES Yamuna Power Ltd (BYPL) and the North Delhi Power Ltd (NDPL) have filed their petitions before the Delhi Electricity Regulatory Commission for their respective Aggregate Revenue Requirement(ARR) and Multi Year Tariff for Distribution (Wheeling & Retail Supply) Business for FY2007-08 to FY2010-11. The Petitioners have filed their respective petitions under the provisions of the Electricity Act, 2003, the Delhi Electricity Reform Act, 2000 and the Distribution Tariff Regulations dated May 30, 2007 issued by the Delhi Electricity Regulatory Commission. The Commission, after having sought further information through technical sessions/correspondence and personal hearings with each Petitioner, has since admitted the Petitions.

2. The three Distribution Companies i.e the BRPL, the BYPL and the NDPL have, subsequent to the admission of their petitions by the DERC, issued Public Notice in the following newspapers of Delhi.

   On November 20, 2007:

   - BRPL and BYPL -Indian Express, Asian Age and Jansatta (Hindi)
   - NDPL - Hindustan Times

   On November 21, 2007

   - BRPL and BYPL - Times of India
   - NDPL - Hindu, Urdu Milap (Urdu) and Hindustan (Hindi)

   The Public Notice has also been posted in the website of the Distribution Companies as well as that of the Commission.

3. The three Distribution Companies have petitioned for revision of tariff for various consumer categories to meet the revenue gap in their respective ARRs. The tariff proposals have been summarized in the respective Public Notices of the three Distribution Companies.

4. In accordance with the provisions of the Delhi Electricity Regulatory Commission Comprehensive (Conduct of Business) Regulations, 2001 notified by the Commission, the Commission hereby seeks comments from consumers and other stakeholders on the above petitions. **Comments may be sent to the Secretary of the Commission at the above office address by December 10, 2007**. The comments may be submitted personally

or by post to the Commission. The comments can also be e-mailed to the Secretary, DERC at the e-mail address secyderc@nic.in

5. In addition to the comments on the petitions filed by the Distribution Companies, all stakeholders are requested to offer their views on the following issues as well. The Commission shall deliberate on these matters while deciding on the tariff for various class of consumers.

Time-of-Day (ToD) Metering

For certain hours in a day, the electricity demand is at the peak due to the simultaneous requirement of electricity from industrial, commercial and domestic consumers. The peak hours usually vary from around 6:00 a.m. to 10:00 a.m. in the morning and 6:00 p.m. to 10:00 p.m. in the evening. To meet this peak demand, the Distribution Companies have to procure power from the market at a high price which creates an additional burden on the Utilities and ultimately leads to overall tariff hike for consumers. To reduce the demand during the peak hours, Utilities often offer incentives to customers who are willing to shift or move a portion of their consumption to off-peak hours.

To record the consumption of electricity during the peak and off-peak hours, ToD meters have to be installed which record energy consumption of the consumer along with the time instead of only energy consumption as in existing meters. Introduction of higher tariff for peak and lower tariff for off peak hours is being considered as an option to reduce the consumption during the peak hours and also to provide an opportunity to the consumers to save on their electricity bills. The Commission would like to have the comments of all stakeholders on the introduction of Time of Day tariffs for all consumers, and for domestic consumers, it could be on a voluntary basis.

Cross subsidization in the Tariff Structure

The term cross subsidisation is used to explain a situation where one group of consumers pays a part or whole of the cost imposed on the system by another consumer group. The need for cross subsidy primarily arises due to socialistic commitments of policy for protecting the economic interests of certain categories of consumers. However, cross subsidisation is not an efficient strategy for social adjustments as it creates inefficiency in the system by making one group of consumers pay for the cost of energy of a different group. Presently JJ clusters, Agriculture, Mushroom cultivators and a certain section of Domestic consumers are cross subsidized by the other consumers. Several concerns have been raised on the shortcomings of high level of cross-subsidy. Excessive cross subsidization is generally not considered good for electricity reform as the ultimate goal is to bill everyone on Cost to Serve basis.

The National Electricity Policy (NEP) and the National Tariff Policy (NTP) recognise that there is an urgent need to rationalize the tariff structure with progressive reduction in cross subsidies. The NEP suggests that consumers below the poverty line, who consume below a specified level, say 30 units per month, may receive a special support through cross subsidy. Tariffs for such designated group of consumers shall be at least 50% of the average cost of supply. By the end of 2010-11, the NTP suggests that tariffs should be within ± 20% of the average cost of supply. In view of above, the Commission is expected to reduce the cross-subsidies in the existing tariffs and gradually move towards a cost-reflective tariff regime.

In their tariff and ARR petitions, all the Distribution Companies have proposed for substantial increase in tariffs for all consumers except JJ clusters, Agriculture, Mushroom cultivators and Domestic consumers (below 200 kWh/month demand). Keeping in mind the provisions of the Electricity Act 2003, the National Electricity Policy and the National Tariff Policy, stakeholders are requested to offer their comments on the proposed plan of the Distribution Companies to increase tariffs for all consumers other than JJ clusters, Agriculture, Mushroom cultivators and Domestic consumers having a consumption of less than 200 units/month.

Differential & Uniform Tariff

Electricity tariffs in Delhi for the period 2002 to 2007 were governed by the Policy Directions issued by the Government of NCT of Delhi in November 2001 according to which the tariffs for similar category of consumers across Delhi were to be uniform. With the introduction of the Delhi Electricity Regulatory Commission (Terms and conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2007 and consequent to the redistribution of the Power Purchase Agreements, tariffs for similar class of consumers across Distribution Companies may not be uniform as it would be a function of each Distribution Company's revenue and expenditure stream, prevailing Aggregate Technical and Commercial losses (AT&C), consumer-mix etc. However, it would be the endeavour of the Commission to keep similar tariffs, if not identical, for the same class of consumers across Distribution Companies in the first year of the Control period under consideration.

One argument is that differential tariffs will reflect upon the costs and performance of each Distribution Company and will usher in some degree of competition amongst the Licensees to perform better. Introduction of differential tariff for Distribution Companies shall also result in reduction of cross subsidy element i.e. cross subsidization of one consumer by another. Consumers are requested to offer their comments as to whether tariffs should be uniform across Distribution Companies or should tariffs reflect the performance of the Distribution Company in which case tariffs across Distribution Companies may not be identical.

Renewable Power Purchase Obligation

Environmental concerns have raised the need for a fundamental change in approach towards development of energy sector in all countries. Adoption of clean technology, improving end-use efficiency and diversifying energy bases and promotion of generation from renewable energy sources, such as, wind, sun, hydro power and biomass are being undertaken all over the world. The pace of their development has been accelerated through fiscal and tax incentives. The Electricity Act 2003 also mandates the State Electricity Regulatory Commissions to promote renewable energy by specifying that a certain percentage of total consumption of electricity in the area of distribution licensee is to be purchased from renewable sources. However, as the renewable energy generation is still in nascent stage and technology for such projects is in developmental stage with much scope for improvement, such projects generally have comparatively higher capital and operating costs. Therefore, electricity from renewable sources may not compete with conventional sources in terms of cost per se and needs to be promoted through incentives, such as, mandatory purchase of renewable energy at preferential differential tariffs. Though such a mandatory renewable power purchase obligation will lead to increase in power purchase cost of Distribution Companies and a little escalation in retail tariff levels in short term, however, if one accounts for positive externalities of renewable power such as reduced emissions and less environment degradation, total social cost of renewable power will be at par if not less than power from conventional sources. In the long term, with the evolution of advanced technology renewable power shall be able to compete, in terms of cost, with the power from conventional sources. The capacity of the renewable energy sources in India have rapidly increased in the last three years. The total installed capacity for grid-based renewables stood at 10467 MW as on 30.6. 2007 of which the two major components are wind (7231 MW) and mini hydro (2013 MW). Therefore, in order to promote renewable energy, DERC proposes prescribing a mandatory renewable purchase obligation for Distribution Companies in line with the National Electricity Policy, National Tariff Policy etc. Consumers are requested to offer their comments whether they would like to promote electricity from renwables which are environmentally more benign. This, however, may lead to a very marginal, almost negligible, increase in tariffs since a very small proportion will be purchased from renewables.

Tariff for Delhi Government Offices

The Government of NCT of Delhi has proposed introducing prepaid meters in all Delhi Government Departments having a load less than 45 KW. In order to successfully implement the scheme of prepaid metering, the Government has proposed introducing a uniform tariff. At present, all government offices are levied non-domestic tariff and it varies according to the sanctioned load. All stakeholders are requested to offer their comments on the mode of implementation for such a tariff structure for Delhi Government Departments.

6. As done in the past, the Commission would also hold public hearings with the responding stakeholders and the date of hearing shall be notified separately.

7. The Commission shall scrutinize the petitions and seek further clarifications from the Petitioners, if required. By way of an Order, the Commission shall approve the ARR and Revenue Gap with respect to each of the Petitioners and explore the ways and means for bridging this gap, including support/subsidy, if any, from the GoNCT of Delhi, tariff increase and/or other regulatory measures. The Orders on the petitions shall be issued after considering the suggestions received from various stakeholders.

8. In the past, there have been requests that the Commission may extend help to consumers in understanding the petitions and also help them to file their comments in this regard. The Commission has accordingly nominated the following officers to extend necessary help to all such consumers, who may so desire. Discussions may be held after seeking prior appointment.
    - Shri Hemant Jain, Joint Director (Ph. 26673604)
    - Shri B. K. Jain, Joint Director (Ph. 26680734)
    - Shri Anish Garg, Deputy Director (Ph. 26673606)

9. A copy of the petition of each Petitioner could be purchased from the respective head office of the Petitioners on any working day from November 20, 2007 to December 10, 2007 between 11am and 4 pm on payment of Rs 100/- either by cash or by Demand Draft/Pay Order payable at New Delhi as per the details provided herewith.

Office of Company Secretary
North Delhi Power Limited
Substation Building, Hudson lane, Kingsway Camp, Delhi-110009
Website: www.ndplonline.com
Demand Draft/ Pay Order in favour of North Delhi Power Limited

BSES Yamuna Power Limited
Shakti Kiran Building , Karkardooma, Delhi-110092
Website: www.bsesdelhi.com
Demand Draft/ Pay Order in favour of BSES Yamuna Power Limited

BSES Rajdhani Power Limited
BSES Bhawan, Nehru Place, New Delhi- 110019
Website: www.bsesdelhi.com
Demand Draft/ Pay Order in favour of BSES Rajdhani Power Limited

10. The complete petitions filed by the Petitioners are available at the website of the Commission (www.derc.gov.in) and that of the Petitioners. Copies of the Petitions are also available for inspection at the Commission's office, as well as the head offices of the Petitioners at the addresses provided above on any working day till December 10, 2007 between 11am and 4 pm.

Secretary

Delhi Electricity Regulatory Commission