

DELHI ELECTRICITY REGULATORY COMMISSION

VINIYAMAK BHAWAN, 'C' BLOCK, SHIVALIK, MALVIYA NAGAR, NEW DELHI-110017

File No.F 9(24)/DERC/2005-06

Date: 23.09.2005

Order

1. The Three Distribution Companies, namely, BSES Rajdhani Power Ltd., BSES Yamuna Power Ltd. and North Delhi Power Ltd., have made identical proposals seeking approval of the Commission, to offer an incentive scheme to the Domestic consumers in the National Capital Territory of Delhi. The proposals of the three Discoms are identical and, therefore, are considered in this common Order.
2. The Discoms have indicated that they have made these proposals taking into consideration the prevailing circumstances amongst the residents of Delhi related to rise in the Domestic tariff and the recent announcement made by the Govt. of NCT of Delhi on this issue.
3. The Government of NCT of Delhi has announced that subsidy will be provided to the Agriculture and Domestic consumers under the provisions of Section 65 of the Electricity Act 2003. While for the Agriculture sector, the entire increase in tariff would be subsidised, the subsidy would be limited to fifty percent of the increase in tariff for the Domestic Sector.
4. In their proposal, the Distribution Companies have *inter-alia* mentioned that they have been exploring various possibilities, taking note of the recent announcement made by GNCTD, to
 - (a) Try and address the concerns of the Domestic consumers.
 - (b) Balance the consumer interest and concerns, with the sanctity of the reforms undertaken to secure viability of the power sector in Delhi.
5. The proposal of the three Distribution Companies is to introduce an incentive scheme to reward the Domestic consumer for commercial

discipline in timely payment of their dues and for liquidating their past accumulated arrears.

6. The scheme which has been submitted by the Distribution Companies mentions that the Domestic consumers shall be entitled to the incentive in the form of a credit, equivalent to 50 percent of the increase in tariff levels applicable to their category. Similar to the case of subsidy offered by the Government of NCT of Delhi, the incentive would be available with effect from 15th of July 2005. The incentive, however, would be available to only those Domestic consumers who make full payment of their current bills, on or before their due date, and further, clear their past accumulated arrears within four months from the date of the implementation of the incentive scheme. The proposed incentive would be available to the consumers for a period of one year from the date the incentive becomes applicable or till the effective date of the implementation of the next Tariff Order, whichever is earlier.

7. In their proposal, the Discoms have further submitted before the Commission that the proposed incentive, as an item of expenditure, will be adequately off-set against the additional revenue that is generated as a result of over-achievement of the loss reduction targets of the Distribution Companies for the F.Y. 2005-06, if the Government of NCT of Delhi supports this endeavour by enacting and bringing into effect a suitable anti-theft law based upon a dedicated enforcement machinery. The Discoms submit that before any surplus, generated by the said over achievement of the loss reduction targets for the current and future years, is distributed or appropriated amongst various stakeholders or their claims, the accumulated expenditure would be first off-set by the Commission in the truing-up of the current year's ARR or in the next year's Tariff Order.

8. The overall tariff increase in the Commission's Tariff Order dated 7.7.2005 was of the order of 6.6 percent. While the average increase in tariff for the Domestic Sector was about 10 percent, for the Industrial Sector, the increase in tariff ranged from 3.7 percent to 5.2 percent and for the Non-Domestic Sector, it was between 3.6 percent to 4.9 percent. The increase in tariff for the Agricultural Sector was about 19.8 percent and for the Delhi Metro Rail Corporation, it was 8.6 percent. There was no increase in tariff for railway traction and for the JJ clusters as well.

9. In the Tariff Order for 2005-06, the Commission had ordered on overall tariff hike of 6.6% which would raise an extra revenue of about Rs. 320 crore. Out of this, about Rs.178 Crore was to come from the Domestic Sector and about Rs.2.2 Crore from the Agricultural Sector. The Government, by offering subsidy to the extent of 50% of the increase in tariff made effective from 15.7.2005 in respect of Domestic Consumers and 100% in respect of Agricultural consumers under Section 65 of the Electricity Act 2003, would need to provide about Rs.91 Crore. The three Distribution Companies, put together, are now offering an incentive, which would have a financial implication of about Rs.89 Crore. These figures may change upon the actual sales to these categories of consumers.

10. The Commission has scrutinised the proposal made by the Distribution Companies and is of the view that this particular proposal of the Discoms is neither an amendment to the Tariff Order nor amounts to a review of the Tariff Order of the Commission. It is purely a commercial arrangement, which is being offered by the Discoms to the consumers of the Domestic category. Consequently, in such a situation, it is the considered view of the Commission that there is no need for a public hearing in the matter since this proposal, per-se, does not create any additional liability vis-à-vis the Tariff Order dated 7.7.2005.

11. The Commission further feels that terming the incentive as a rebate would be a misnomer since the proposal is to finance it through the potential over-achievement the Discoms would be able to bring about during 2005-06 and future years. Any over-achievement belongs to the consumers, which the Commission will take into account while analysing the Aggregate Revenue Requirement for 2006-07 when the Discoms submit their petition for the same. What is being proposed by the Discoms now is only to give the benefit of their potential over-achievement to the consumers in advance. Further, the Commission has noted the fact that a similar benefit is not being extended to the consumers of the Industrial and Non-Domestic sectors. The Commission is of the view that all consumers of the Industrial and the Non-Domestic sector are also Domestic consumers and to that extent, the benefit is accruing to society at large and is being evenly distributed.

12. In the proposal submitted by the Discoms, it has been suggested that the rebate may be extended to only those consumers who:-

- a) Make full payment of their current bills on or before their due date, and
- b) Clear their past accumulated arrears within 4 months from the date of implementation of the incentive scheme.

The Commission, however, feels that linking this benefit to past arrears would not be justified since this particular proposal is emanating from this year's Tariff Order and has no relevance to past arrears. Further, past arrears may be a matter of debate or dispute between the consumer and the Discom and in many cases, there may be litigations. It is the Commission's apprehension that by linking this benefit to liquidation of past arrears, a fresh round of litigation may start which would be counter productive.

13. The Commission is also of the view that the rebate should not be linked to payment by the due date. If the consumer fails to deposit his bill by the due date, he may be charged LPSC in accordance with the existing norms and procedures. Therefore, arrears that may arise after the introduction of this scheme may not be linked to the proposed rebate.

14. Accordingly, the Discoms are given the liberty to raise the issue of the recovery of the incentive in their ARR petition for 2006-07, which would be examined by the Commission, on merits, based on the provisions of law. While implementing the scheme, the Discoms shall abide by the following:

- I. The benefit shall, without making any discrimination, be applicable to all Domestic consumers irrespective of whether the bill is paid by the due date or not.
- II. This benefit under the present scheme would be made effective retrospectively, from the 15th of July 2005 for a period of one year or till the effective date of implementation of next Tariff Order, whichever ever is earlier.
- III. This benefit under the scheme shall not be linked to payment of either past arrears, i.e. before 15/07/2005 or for arrears which may come up during the validity of this scheme.
- IV. The present scheme shall not be subject to any commitments made by the Government of NCT of Delhi with respect to bringing into effect any amendment/changes in the anti theft law based upon a dedicated and effective enforcement machinery.

However the Discoms are at liberty to pursue their efforts with the Government of NCT of Delhi and others.

- V. The Distribution Companies shall maintain separate Regulatory Accounts, besides the commercial accounting, for the purpose of this scheme and shall submit quarterly report thereto.
- VI. The benefit of reduction passed on to the consumer shall be indicated separately on the bill of the consumer with a suitable caption.
- VII. The Discoms shall give wide publicity to the scheme.

15. Ordered accordingly.

Sd/-

(K. Venugopal)
(Member)

Sd/-

(R. Krishnamoorthy)
(Member)

To,

1. Chief Executive Officer,
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