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PUBLIC NOTICE

Sub: Suggestion/opinions on the Amendment to the Regulation 7 (c) (iii) of OERC (Terms and Conditions of Determination of Tariff) Regulation, 2004.

No. DIR (T)-382/2010/ - In exercise of powers conferred on it under Section 181 of the Electricity Act, 2003, the Orissa Electricity Regulatory Commission had framed OERC (Terms and Conditions for Determination of Tariff) Regulations, 2004 which were published in the Orissa Gazette extraordinary No.796 dtd.10th June, 2004. The said Regulations were amended four times which were published in Orissa Gazette No. 1261, dtd. 22.09.2004, No. 1267 dtd. 22.09.2004, No. 558 dtd.24.03.2007 and No.1686 dtd.17.09.2007 respectively. In the meanwhile certain doubts have been raised by different consumer groups in the interpretation of one of the provisions of the said Regulations. For clarification of the doubt, the Commission contemplates amendment to the OERC (Terms and Conditions for Determination of Tariff), Regulations, 2004 in the interest of the general public.

The amendments contemplated are available in the Commission's website: www.oriarc.org. The copies of the proposed amendment may also be obtained from the Commission's office on request and payment of necessary fees.

Before finalization of the said amendments, the Commission hereby invites opinion through this previous publications u/s 181(3) of the Electricity Act, 2003. Interested persons/ institutions/ associations may furnish their suggestions/opinions on the said amendments to the undersigned within 30 days of publication of this notice. On receipt of the responses from different quarters, the Commission may, in appropriate cases, bring modifications, if any, to the proposed amendments and approve the same for publication in the official gazette.

By the Order of the Commission

SECRETARY

**ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAVAN
UNIT-VIII, BHUBANESWAR-751012**

The November, 2010

STATEMENT OF OBJECTS AND REASONS

No. DIR(T)-382/2010- In exercise of powers conferred on it under Section 181 of the Electricity Act, 2003, the Orissa Electricity Regulatory Commission had framed OERC (Terms and Conditions for Determination of Tariff) Regulations, 2004 which were published in the Orissa Gazette extraordinary No.796 dtd.10th June, 2004. The said Regulations were amended four times which were published in Orissa Gazette No. 1261, dtd. 22.09.2004, No. 1267 dtd. 22.09.2004, No. 558 dtd.24.03.2007 and No.1686 dtd.17.09.2007 respectively. In the meanwhile certain doubts have been raised by different consumer groups in the interpretation of one of the provisions of the said Regulations, which requires further clarification.

Section 62 of the Electricity Act, 2003 empowers OERC to determine tariff for retail sale of electricity. While doing so, the Commission is to be guided by National Electricity Policy and Tariff Policy under the provision of Section 61 (i) of the said Act. The term cross-subsidy has not been defined either in the Electricity Act, 2003 or in the National Electricity Policy and the Tariff Policy. None of them also provide for methodology for computing cross-subsidy.

Depending upon the mode of calculation adopted, the cross-subsidy differs. However, the Clause 8.3 of the Tariff Policy requires tariff to be within $\pm 20\%$ of the *average cost of supply* by 2010-11. Again as per para 5.5.2 of the National Electricity Policy, the Tariff for consumers of BPL category should be at least 50% of the *average (overall) cost of supply*. From conjoint reading of the above provisions of National Tariff Policy and Electricity Policy, the cost of supply can be construed to mean the average cost of supply by the Licensee at different voltage taken together.

Some consumer groups argue in favour of determination of cost of supply by consumer category-wise. But, voltage-wise cost determination is the first step in determining the consumer-wise cost of supply. For voltage-wise cost determination, it is important that the accounting system of the Licensees are oriented towards capturing costs voltage-wise at the point of origin as and when these are incurred. The Commission has also emphasized the requirement for segregation of network cost in terms of voltage level (LT, HT & EHT). This has not been possible due to various reasons- such as determination of voltage-wise and

consumer category-wise technical and non-technical losses, essential for determining cost of supply. At present in the absence of 100% working meters at the level of consumers and distribution transformer, it is quite impossible to determine the exact percentage of loss both at technical and commercial level. The distribution network of Orissa is such that it is technically not possible to segregate the common cost between different voltage levels. The accounting system of the DISCOMs may also be required to establish a basis for allocating common costs to all the voltage level which they have not been able to do till date. The submission of DISCOMs regarding cost allocation during tariff filing does not have technical or commercial data support. There will be a conjectural element, in the determination of cost of supply in spite of all scientific rigours, especially because the distribution and transmission network are un-segregated. Because of such conjectural element estimates of cost of supply would differ from one stakeholder to another. Again in the Third Meeting of Forum of Regulators (FOR) constituted under Section 166 (2) of the Electricity Act, 2003 it was felt that a uniform formula for cross subsidy surcharge for the whole country was neither desirable nor practicable, given the wide diversity in power sector reforms and socio-economic development.

Therefore, it would be prudent to accept the average overall cost of supply for the whole State as envisioned in Tariff Policy and National Electricity Policy for computation of cross subsidy.

Accordingly, the Commission hereby notifies the following amendment of the OERC (Terms and Conditions for Determination of Tariff) Regulation, 2004 for information of the general public.

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1. **Short title and commencement:**

- (i) These Regulations may be called the OERC (Terms and Conditions for Determination of Tariff) (5th Amendment) Regulations, 2010
- (ii) It shall come into force on the date of its publication in the Official Gazette.

2. **Amendment to Regulation 7(c) (iii):**

The Regulation 7(c)(iii) shall be substituted as below:

“For the purpose of computing Cross-subsidy payable by a certain category of consumer, the difference between average cost-to-serve of all consumers of the State taken together and average tariff applicable to such consumers shall be considered.”

By the order of the Commission,

SECRETARY