

**BEFORE THE TAMIL NADU ELECTRICITY REGULATORY COMMISSION,  
CHENNAI**

**Order No T.O. 1 - 81 dated 26/04/2006**

<b>Present :</b>	<b>Hon'ble Thiru. A.Balraj,</b>	<b>Chairman</b>
	<b>Hon'ble Thiru S.Thangarathnam,</b>	<b>Member</b>
	<b>Hon'ble Thiru B.Jeyaraman,</b>	<b>Member</b>

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**In the matter of : Provision of Tariff subsidy for the year 2006-07  
by the Government of Tamil Nadu towards  
Domestic, Agricultural, Hut, Actual Places of  
Public Worship and powerloom consumers.**

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In the letter dated 7.6.2004, the Government of Tamil Nadu issued the following policy directives under sub-section (1) of section 108 of the Electricity Act 2003.

- i. Free supply of electricity should be extended to Agricultural (except Self-Financing Scheme farmers) and Hut consumers from 01.04.2004.
- ii. The electricity tariff charged to the domestic consumers should be reduced to the levels mentioned therein from 16.06.2004.
- iii. The Government would compensate the TNEB for the shortfall in revenue on account of the above directives under section 65 of the Electricity Act 2003.

(2) Accordingly, the Commission in its Order No. T.O.1-22 dt.14.6.2004, approved payment of subsidy by Government for 2004-05 based on the **estimated** slab wise consumption by domestic consumers, **estimated** connected load of Agricultural service and the **estimated** number of Hut Services as proposed by the TNEB.

(3) The following directives were issued to TNEB in the order.

- i) The TNEB shall reconcile the revenue shortfall as foreseen (in the proposal for subsidy for 2004-05) with the actual consumption by domestic consumers.
- ii) The TNEB shall reconcile the actual connected load (HP) of agricultural services with the connected load proposed for 2004-05.
- iii) The actual number of hut services including the new services given during the period shall also be reconciled.

- iv) The TNEB shall make claims with Government for any additional subsidy required for that period (2004-05) based on actuals. Similarly if the subsidy already ordered is in excess as per actuals, the TNEB shall adjust the same in future demands.
  - v) The above exercise should be completed before 30.6.2005 and the fact intimated to the Commission.
  - vi) The TNEB shall come before the Commission for approval of subsidy for the period beyond 31.3.05 with the estimated consumption for 2005-06 and the latest available consumption for 2004-05.
- (4) The TNEB in their letter dt.2.2.05 proposed a subsidy of Rs.1198.08 cr. for 2005-06 with the projection of 8% increase in domestic consumption. They had not furnished the latest actual consumption for 2004-05.
- (5) The TNEB were asked to furnish the latest actual consumption for 2004-05 so as to consider the proposals for 2005-06.
- (6) In the meantime, the Government in the letter dt.28.3.2005 communicated their commitment to continue the subsidy for 2005-06 and to pay Rs.1112 cr. for 2005-06 at the level approved for 2004-05.
- (7) The TNEB in the letters dated 8.3.2005 and 24.6.2005 furnished the details of consumption and revenue in respect of domestic consumers for 2004-05 as furnished by the CEs/ D and as per such details, the balance subsidy payable by the Government for 2004-05 was Rs.47.91 cr. As against the estimated consumption of 11086 MU, the actual consumption as per the statement received from CEs was 9729 MU (which was subsequently corrected as 9675 consequent to correction of an obvious error of 54 MU in one circle against one slab). The increased subsidy requirement was stated to be due to increased consumption in the higher slabs carrying higher tariff with reduction in consumption in lower slabs with lesser tariff.
- (8) A random check of the consumption and revenue furnished by the Regional Chief Engineers revealed that the revenue arrived at did not match with the slab wise consumption. The discrepancies pointed out by the Commission were not reconciled. The TNEB had contended that the

Board would be able to get the exact figure for slabwise consumption / revenue after computerisation of LT Billing Accounting in TNEB, which is in progress.

- (9) The TNEB did not furnish the reconciliation of Agricultural loads and Hut services.
- (10) As the Commission had not accepted slabwise consumption for 2004-05 furnished by the TNEB, the subsidy for **2005-06** was approved with an increase of **6% over the subsidy allowed for 2004-05** and orders issued in its Order No.T.O.1-53 dt.1.7.2005. The Commission also directed the TNEB to come before it with proper reconciled accounts for slabwise domestic consumption before 31.12.2005.
- (11) In the meantime, the preliminary Annual Statement of Accounts for 2004-05 revealed that the average rate of realization from the domestic consumers taking into account the subsidy received for 2004-05 was Rs.2.18 unit and matched with the average rate of realization as per the Commission's Tariff Order dt.15.3.2003. Hence the additional subsidy for 2004-05 did not arise and this fact was also intimated to TNEB.
- (12) In the letter dated 3.4.2006, the TNEB requested the Commission to issue direction to Government to provide the following subsidy in advance for **2006-07**.

			<b>Rs./ crores</b>
a) Subsidy for domestic consumers for 2006-07			1011.24
b) Subsidy for Agricultural services			206.10
c) Subsidy for Hut services			16.00
d) Additional subsidy for agricultural consumers			
	2004-05	4.85	
	2005-06	<u>7.46</u>	12.31
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			1245.65
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- (13) The proposals of the TNEB are discussed below:

**Domestic:**

The TNEB have stated the following:

- a. The details of actual slabwise consumption/ slabwise revenue for Domestic consumers for the year 2005-06 were being received from the

Regional Chief Engineers and after receipt of full details; it would be consolidated and submitted to the Commission.

- b. For the year 2006-07, the projected a growth is 12% for domestic consumers.
  - c. However, the Commission has earlier adopted a growth of 6% only for 2005-06 in order TO1-53 dated 1.7.2005.
  - d. Adopting the same analogy of allowing 6% growth, necessary direction may be given to Government of Tamil Nadu to provide a subsidy of Rs. 84.27 Cr. per month (i.e.  $79.5 \times 1.06$ ) or Rs. 1011.24 Cr. for the full year (2006-07).
- (14) In the letter dated 7.4.2006, the Commission asked the TNEB to furnish the latest actual slabwise consumption for 2005-06 before 20.04.2006 so as to consider the proposals.
- (15) Then TNEB in the letter dated 19.4.2006 have stated the following:
- a. The Regional Chief Engineers have compiled and furnished the details in respect of domestic consumers for the period from 1.4.2005 to 31.12.2005. (The details have been compiled as per the total consumption levels of individual consumers)
  - b. The slab wise consumption has been pulled out from the total consumption.
  - c. The projected consumption for the period from 1.1.2006 to 31.03.2006 has been computed with 4% increase over the average consumption for the period from 1.4.2005 to 31.12.2005.
  - d. The total consumption by the domestic consumers for the year 2005-06 would be 11095.764 mu which was subsequently corrected as 11116.85 mu.
  - e. The subsidy payable for 2005-06 would be Rs.957.51 Cr. (against Rs.954 Cr. already allowed).
  - f. The subsidy for 2006-07 may be allowed with 6% increase over the subsidy allowed for 2005-06 i.e. Rs. 84.27 Cr. ( $79.50 \text{ Cr.} \times 1.06$ ) per month or Rs. 1011.24 Cr. ( $954 \text{ Cr.} \times 1.06$ ) for full year.
- (16) In this context the Commission considered the following facts .
- a. The details of consumption and revenue for the period from 1.4.2005 to 31.12.2005 furnished by the Regional Chief Engineers were verified. The

TNEB have arrived at the slab wise consumption by pulling out the consolidated consumption for the nine months period. The Commission pulled out the slab wise consumption for each assessment month and consolidated the same. It is found that the revenue compiled from meter cards does not match the consumption and the revenue is more by around Rs.140.00 crores. On discussions it was informed that it might be due to cases where no consumption was noted in the cards because of door locked conditions, inclusion of arrears / other charges in the bill and levy of monthly minimum where the actual charges are less than the minimum.

- b. The increase of 4% over the average consumption for 9 months (4/2005 to 12/2005) to arrive at the projected consumption for the period from 1.1.2006 to 31.3.2006 cannot be accepted as the average itself has inbuilt increase every month during the 9 months period. The consumption for the period from 01.01.06 to 31.03.06 has been projected based on the average of the nine months actual.
- c. The consumption for the year 2005-06 has been arrived at as 11006.778 mu.
- d. The subsidy for 2005-06 is arrived at Rs. 952.19 Crs as detailed below against Rs. 954 Crs. already allowed and received by TNEB

Slab	Actual Consumption from 01.04. to 31.12.05	Projection for 01.01. to 31.03.06	Total Consumption	Tariff Rate as per T.O	Reduced Rates	Difference	Subsidy for 2005-06
0-50	2374606733	791535578	31661142311	1.10	0.75	0.35	1108149809
51-100	1597457101	532485700	2129942801	1.30	0.85	0.45	958474260.5
101-200	1749334935	583111645	2332446580	2.60	1.50	1.10	2565691238
201-600	2005728624	668576208	2674304832	3.50	2.20	1.30	3476596282
601 & above	52796218	175985406	703941624	4.75	3.05	1.70	1196700761
Total							9305612350
Add : Addl reduction for first two alabs @ 10 paise per unit ( 2162766312)							216276631.20
Subsidy for 2005- 06							952.19

- e. Pending collection of actual consumption details for the full year of 2005-06 and reconciliation of the consumption with revenue assessed, the

Commission approve subsidy for 2006-07 with 6% increase over the subsidy of Rs. 952.19 Crs arrived at for 2005-06 with reference to the consumption details now furnished.

- f. The subsidy payable by the Government 2006-07 will be Rs.1009.32 Cr. (952.19 x 1.06).
- g. The TNEB shall reconcile the actual consumption with revenue assessed for 2005-06 and furnish the details before 30.09.2006 for adjustment of difference in subsidy if any.
- h. As the percentage of increase in the projected consumption for 2005-06 based on the actuals upto 31.12.2005 is about 13.75 % over the actual consumption for 2004-05, the TNEB shall assess the consumption pattern for 2006.07 and come before the Commission before 31.12.2006 for difference in subsidy if any receivable from Government for 2006-07.

#### **Agriculture**

(17) a. The Commission in its order TO1-22 dated 14.06.2004 approved a subsidy of Rs. 196 Cr. for 2004-05 payable by Government based on the following details towards extension of free supply to agricultural consumers (other than SFS farmers) from 1.4.2004.

(i) Total connected load of agricultural services in HP	= 86.816 lacs
(ii) Less connected load of agricultural consumers under SFS	= 8.400 lacs
(iii) Balance connected load of agricultural services under normal category	= 78.416 lacs.
(iv) Shortfall in revenue @ Rs. 250/HP	= 196.044 Cr. or 196 Cr.

b. The Commission had directed the TNEB to reconcile the actual connected load (HP) of agricultural services for 2004-05 with the forecast for 2004-05.

c. The TNEB did not furnish the reconciliation details even with the proposal for subsidy for 2005-06 and hence subsidy for 2005-06 was also allowed at the same level of Rs.196 Cr./ Annum and the TNEB again directed to reconcile the number of agricultural consumers with connected load in the services.

d. The TNEB in their letter dated 3.4.2006 stated the following:

i. The field Superintending Engineers have since furnished the following details of agricultural consumers under normal category and their connected load.

The number of agricultural consumers as on 31.03.2005 - 1532674

Connected load as on 31.03.2005 in HP	- 8033805
Connected load as 28.02.2006 in HP	- 8113875
Add: target for March 2006 in HP	- 24476
Total for 2005-06	<u>- 8138351</u>

ii. Balance subsidy receivable for 2004-05 and 2005-06 will be as below:

SI. NO.	Year	Connected load in HP	Charges at Rs. 250/HP (Rs. in Crs.)	Subsidy already received (Rs. in Crs.)	Balance subsidy receivable (Rs. in Crs.)
1	2004-05	8033805	200.85	196	4.85
2	2005-06	8138351	203.46	196	7.46
	TOTAL		404.31	392	12.31

- a. As targeted number of agricultural services is extended every year, the Government have to pay the above balance subsidy.
- b. The TNEB have projected an increase of 1.3% in the connected load of agricultural services under normal category for 2006-07 and the subsidy requirement is estimated to be Rs. 206.10 Cr. (8138351 x 1.013 x 250) for 2006-07.
- (18). The projection is accepted and the Government have to pay a sum of Rs. 206.10 Cr. to meet the shortfall in revenue to TNEB during 2006-07 because of free electricity supply to agricultural consumers under normal category.

(19) **Huts**

- a. The Commission in its order dated TO1-22 dated 14.06.2004 approved a subsidy of Rs. 16 Cr. payable for 2004-05 by Government to meet the shortfall in revenue to TNEB in view of Governments direction to extend free supply to hut consumers from 01.04.2004.
- b. The Commission also directed the TNEB to reconcile the actual number of hut services with a number of services projected in their proposal for subsidy 2004-05.
- c. As the TNEB did not furnish the reconciliation details for 2004-05, the subsidy for 2005-06 was allowed at the same level.
- d. In the letter dated 3.4.2006 wherein proposals for subsidy for 2006-07 have been submitted, the TNEB have stated that, though new hut services are effected

every year, almost equal number of hut services are converted into LT domestic services. The Board therefore would like to maintain the number of hut services at the same level.

- e. The subsidy of 2006-07 may also be allowed at the same level of Rs.16 Cr. per year payable half yearly.

(20) However the Commission cannot be allowing subsidy without update data. The Commission allows the subsidy of Rs.16.00 Crs for 2006-07 and the TNEB is directed to furnish circle wise number of hut services as on 01.04.2006 before 30.06.2006 and the number of hut services as on 01.07.2006 before 30.09.2006. The subsidy for further period will not be allowed without submission of above data.

(21) **Actual Place of Public Worship:**

- a. The Govt. of Tamil Nadu in letter Ms.No.15 / 2006 dated 31.01.2006, Energy (C3) Department, intimated that the Govt. have decided to extend tariff concession to all actual places of public worship with annual income of more than Rs.1000/= with effect from 01.01.2006 and accordingly issued a policy directive under section 108 (1) of Electricity Act 2003 reducing the tariff rate as below:

Electricity Consumption (in units / Months)	Revised Rate (Rs. Unit)
0 – 60	1.50
Above 60	3.00

- b. The Govt. have also intimated that they would provide subsidy of Rs.3.64 crs for full year direct to TNEB in advance in quarterly installments as per section 65 of Electricity Act 2003, so as to implement the decision of Govt.
- c. The Commission in its order No.TO 1-70 dated 06.02.2006, issued directions to Govt. to pay a subsidy of Rs.0.91 cr payable for the period ended 31.03.2006.
- d. The Commission directed the TNEB to send proposals for issue of orders on payment of subsidy for the year 2006 -2007 separately along with the proposals for subsidy for Agricultural, Hut and Domestic categories.
- e. Now the TNEB in their letter dated 19.04.2006 have submitted the following:
  - i. The Commission may issue necessary directions to Govt. to provide tariff subsidy of Rs.3.64 crs for the year 2006 -2007.

- ii. The new scheme has introduced from 01.01.2006. After the end of the year 2006-2007 the actual subsidy will be reconciled for the year 2006 - 2007 and difference if any will be adjusted.
- f. The Government have to provide the subsidy of Rs.3.64 crs. for the year 2006-07.
- g. TNEB is directed to furnish the actual consumption by the actual places of worship with less than 60 units per month Including the places of public worship whose income is less than Rs.1000/= during the period from 01.01.2006 to 31.03.2006 and reconcile the same with the subsidy received for that period before 30.09.2006. The TNEB shall furnish the reconciliation for the year 2006 - 07 before 30.09.2007.

(22) **Powerlooms:-**

- a. The Government in letter No.910 /C3/2005 /01 dated 06.02.2006 addressed to TNEB with a copy to Commission intimated that the Govt. have decided to extend tariff concession to powerloom consumers and the Govt. would compensate the shortfall in revenue to TNEB as subsidy. Subsequently the Govt. in letter No.Ms.No.23 /2006 dated 01.03.2006 had also issued the following policy directives under section 108 (1) of Electricity Act 2003,.
  - i. The Govt. have decided to extend tariff concessions to powerlooms under LT tariff III (A2) with effect from 01.02.2006 as detailed below:

Existing		Revised	
Units /bi-monthly	Tariff rate as per order (Rs./unit)	Units / Bi-monthly	Reduced Tariff Rate (Rs/unit)
0 – 500	1.40	0 – 1000	1.00
501 – 1500	2.25	1001 – 1500	2.25
1501 and above	2.50	1501 and abvoe	2.50

- ii. The Govt. of Tamil Nadu had also intimated that the implementation of above concession would entail a shortfall in revenue to TNEB to the extend of Rs.30.73 crs.and that the Govt. would provide subsidy direct to TNEB in half yearly basis in advance as per section 65 of the Electricity Act 2003.

- b. The Commission in its order TO 1-72 dated 10.02.2006 approved the subsidy payable by the Govt. for the period from 01.02.2006 to 31.03.2006 and directed the TNEB to send proposals for payment of subsidy for 2006 -07 along with the proposal for subsidy for other categories.
- c. The TNEB in their letter No.CFC/GI/TF.Cell/AEE/F.Subsidy/PW-PI/D.147/2006 dated 19.04.2006 have stated the following:
  - i. The new scheme has been introduced from 01.02.2006 only and hence after the end of the year 2006-07, the actual subsidy for 2006-07 will be reconciled and adjusted. Hence the Commission may give necessary direction to Govt.of Tamil Nadu to provide tariff subsidy of Rs.30.73 crs.for the year 2006-07 towards reduced tariff in respect of powerloom consumers.
- d. The Commission orders that the tariff subsidy of Rs.30.73 crs.for reduction in tariff to powerloom consumers for 2006-07 shall be paid in half yearly installments in advance.
- e. The TNEB is directed to reconcile the actual consumption and subsidy received for the period from 01.02.06 to 31.03.06 before 30.06.06 as already directed and send a report. The TNEB shall reconcile the actual consumption and subsidy for 2006-07 before 30.09.07.

(23) The Govt. have not given any commitment letter for the year 2006-07. However the TNEB in their letter dated 3.4.2006 have informed that the Government have made the following provisions in the Government budget for the year 2006-07.

- a. Subsidy for reduced rate for domestic consumers – Rs. 954 Cr.
- b. Subsidy for extension of free supply to agricultural consumers except for SFS farmers - Rs. 196 Cr.
- c. Subsidy for extension of free supply to hut consumers - Rs. 16 Cr.

(24) In respect of Actual place of public worship and powerloom consumers the Govt. have already committed to provide subsidy for one year respectively from 01.01.06 and 01.02.06.

(25) The policy directives issued by the Government have not been modified / revised / withdrawn. Hence it has to be construed that the policy directives to extend the concessions detailed therein continues for 2006-07 also.

(26) The total annual subsidy payable by Government to meet the shortfall in revenue to TNEB consequent to the policy directives for 2006-07 will be as below:

i. Domestic consumers	- Rs. 1009.32 Cr.
ii. Agricultural consumers 2006-07	- Rs. 206.10 Cr.
iii. Balance subsidy for 2004-05 and 2005-06 for agricultural consumers	- Rs. 12.31 Cr.
iv. Hut consumers	- Rs. 16.00 Cr.
v. Actual place of public worship	- Rs. 3.64 Cr.
vi. Powerloom	- Rs. 30.73 Cr.
Total	- Rs. 1278.10 C.

(27) Section 65 of the Electricity Act 2003, stipulates that, if the State Govt. requires the grant of subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Govt. shall, notwithstanding any direction which may be given under section 108, pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Govt. may direct, as condition for the licence or any other person concerned to implement the subsidy provided for by the State Govt.

(28) Accordingly the above subsidy payable by the Government shall be regulated as below:

Sl. No.	Subsidised category	Susidy period	Subsidy Rs. in Crs.	Payable on or before
1	Agricultural services	Balance for 2004-05	4.85	03.05.2006
2	Agricultural services	Balance for 2005-06	7.46	03.05.2006
3	Agricultural services	01.04.2006 to 0.09.2006	103.05	03.05.2006
4	Actual place of public worship	01.04.2006 to 30.06.2006	0.91	03.05.2006
5	Hut	01.04.2006 to 30.09.2006	8.00	03.05.2006
6	Powerloom	01.04.2006 to 30.09.2006	15.36	03.05.2006
7	Domestic	April 2006	84.11	03.05.2006
8	Domestic	May 2006	84.11	03.05.2006
9	Domestic	June 2006	84.11	31.05.2006

10	Domestic	July 2006	84.11	30.06.2006
11	Actual place of public worship	01.07.2006 to 30.09.2006	0.91	30.06.2006
12	Domestic	August 2006	84.11	31.07.2006
13	Domestic	September 2006	84.11	31.08.2006
14	Domestic	October 2006	84.11	30.09.2006
15	Actual place of worship	01.10.2006 to 31.12.2006	0.91	30.09.2006
16	Powerloom	01.10.2006 to 31.03.2007	15.36	30.09.2006
17	Agriculture	01.10.2006 to 31.03.2007	103.05	30.09.2006
18	Hut	01.10.2006 to 31.03.2007	8.00	30.09.2006
19	Domestic	November 2006	84.11	31.10.2006
20	Domestic	December 2006	84.11	30.11.2006
21	Actual place of worship	01.01.2007 to 31.03.2007	0.91	31.12.2006
22	Domestic	January 2007	84.11	31.12.2006
23	Domestic	February 2007	84.11	31.01.2007
24	Domestic	March 2007	84.11	28.02.2007

(29) The Govt. as well as the TNEB will have to abide by the provision under section 65 of Electricity Act 2003, which reads as below:

*“Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by the State Commission shall be applicable from the date of issue of orders by the Commission in this regard.*

(30) The following directions are issued to TNEB.

- a. The TNEB shall reconcile the slabwise consumption of domestic consumers for 2005-06 and the revenue assessed for such consumption and furnishes the details to the Commission with the reasons for difference if any before 30.09.2006.
- b. The TNEB shall furnish the latest actual slabwise consumption for 2006-07 i.e. for the period upto 30.09.2006 before 31.12.2006.
- c. The TNEB shall furnish the actual connected load of agricultural consumers under normal category as on 01.04.2006 before 30.06.2006 and the connected load as on 01.07.2006 before 31.12.2006.

- d. The TNEB shall furnish the circle wise number of hut consumers as on 01.04.2006 before 30.06.2006 and the details of services as on 01.07.2006 before 30.09.2006.
- e. TNEB shall furnish the actual consumption by the actual places of worship with less than 60 units per month including the places of public worship whose income is less than Rs.1000/= during the period from 01.01.2006 to 31.03.2006 and reconcile the same with the subsidy received for that period before 30.09.2006. The TNEB shall furnish the reconciliation for the year 2006 -07 before 30.09.2007.
- f. The TNEB shall reconcile the actual consumption and subsidy received for the period from 01.02.06 to 31.03.06 before 30.06.06 as already directed and send a report. The TNEB shall reconcile the actual consumption and subsidy for 2006-07 before 30.09.07.

**(By Order of the Commission)**

**R. Balasubramanian  
Secretary**

To  
The Chairman, Tamil Nadu Electricity Board, Chennai 600 002.  
The Special Commissioner & Secretary to Government, Energy Department, Chennai  
600 009.