

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

Order No T.O 1-22 dated 14-6-2004

Present : Hon'ble Thiru A. Balraj Chairman
 Hon'ble Thiru S. Thangarathnam Member

In the matter of : Subsidy by Government of Tamil Nadu for domestic,
 agricultural and hut service consumers

1. Government of Tamil Nadu, have issued a policy directive to the Commission in their letter MS no 100 (Energy (A1) Department dated 07-06- 2004, in respect of the existing tariff for domestic, agricultural and hut services. The directive has been issued in public interest by invoking sub section 1 of section 108 of the Electricity Act 2003. The directive states that “ free supply of electricity shall be extended to Agricultural consumers (except self financing scheme farmers) and hut consumers from 1.4.2004 and the following electricity tariff shall be charged to the domestic consumers from 16.6.2004.

| Electricity consumption units per month | Present rate fixed by the TNERC (Rs. per unit) | Revised rate from (Rs. per unit) |
|---|--|----------------------------------|
| 0 – 25 | 1.10 | 0.75 |
| 26 – 50 | 1.30 | 0.85 |
| 51 – 100 | 2.60 | 1.50 |
| 101 – 300 | 3.50 | 2.20 |
| 301 and above | 4.75 | 3.05 |

Note: (1) For any consumption the tariff is applied on a stepped basis (i.e.) for the first 25 units at the rate specified in the above table, for the next 25 units at the rate specified in the above table and so on till the actual consumption level is reached. Thus, the stepped tariff benefits all the consumers.

(2) For those consuming upto and including 50 units per month or 100 units bi-monthly, the tariff will be Rs.0.65 for the consumption bracket 0 – 25 units per month and Rs.0.75 for the consumption bracket 26 – 50 units.”

In this context, GoTN , in order to comply with the Act provisions under section 65, have committed to provide the required subsidy directly to TNEB.

2. TNEB, in turn have submitted a proposal to the Commission, in letter CFC/DFC/Rev/ AAO/ Tariff/289/ 2004-01 dated 8-6-2004, to approve the actual charges to be collected from the specific categories of consumers as directed by Government and also to claim the subsidy computed on the basis of existing rates and estimated consumption of the respective categories.
3. The proposal of TNEB for the computation of revenue shortfall due to reduced collection from the consumers in accordance with the Government directive was examined in detail and the following are observed:
 - i. TNEB have endorsed the proposal of the Government without change.
 - ii. Taking the figures forecast for 2003-04 by the Commission in the tariff Order dated 15-3-2003, TNEB have projected the increase in the number of domestic consumers to be 6.43 % and the energy consumption by 17.69 % for 2004-05. The increase in consumption does not correlate with the increase in the number of consumers. The growth rate forecast by Commission for 2003-04 for the domestic category was only 11.05 %. TNEB have not furnished any specific reason or data to support the increased projection in the domestic consumption for 2004-05. This deficiency is however acceptable because the present proposal is just an estimate to compute and

collect the loss of revenue to TNEB from Government as subsidy subject to reconciliation based on actual consumption later.

- iii. The slab-wise consumption (pulled out values) as furnished by TNEB for the domestic consumer class was reworked by adopting the same percentage increase to arrive at slab wise consumption for 2004-05. . It is observed that the revenue shortfall projected by TNEB is higher by 6.6 crores.
- iv. For those consuming upto and including 50 units per month (100 units for two months), Govt / TNEB have proposed a separate treatment, which was not envisaged in the Commission's tariff order dated 15-3-2003. However, since this is not going to change the scenario except for the additional shortfall in revenue collection which works out to 19.89 crores (which the Government has agreed to compensate), the Commission does not recognize this special treatment as a separate tariff classification but allow TNEB to collect the charges as proposed by Government.
- v. The total estimated shortfall in domestic category, due to the reduction in the charges recoverable from the consumers works out to Rs 903.4 crores as against 910 crores claimed by TNEB.
- vi. Regarding the agricultural services, TNEB have projected the annual consumption for 2004-05 as 9757 mu. Commission had arrived at 9247 mu as the consumption during 2003-04 and the growth rate was noted as 2.51 %. However the revenue recoverable has been worked out on the HP basis. It is noted that TNEB have actually projected the connected load as 86.816 lakhs HP as against 86.828 lakhs HP for 2003-04, furnished by them in the last tariff petition. The revenue shortfall due to nil collection from agricultural consumers (other than those covered in SFS scheme) works out to Rs 196.04 crores.
- vii. Regarding the hut consumers, TNEB have simply taken the projection for 2003-04 (14.09 lakhs consumers and the revenue of Rs 16.91

crores) for 2004-05 also without any increase. TNEB have not provided any explanation for this static situation.

- viii. The reduction in the charges payable by domestic consumers from 16-6-2004 and agricultural and hut services from 1-4-2004 will result in loss of revenue as furnished below for the current year ending 31-3-2005.

For the domestic consumers from 16-6-2004 to 31-3-2005 as arrived at by the Commission :

Rs 715.30 crores

(903.40 crores x 289 days / 365 days)

For the agricultural consumers

Rs 196.04 crores

For the hut services

Rs 16.91 crores

Total for the current year

Rs 928.25 crores

4. The Government, in its directive has clearly stated that the shortfall in revenue shall be met by them as subsidy. The commitment of the Government in this regard as furnished in their letter is reproduced below :

“The Government of Tamil Nadu will provide the following subsidy direct to the Tamil Nadu Electricity Board in advance as per section 65 of the Electricity Act, 2003 so as to implement the reduced rates for domestic consumers from 16.6.2004 and to extend free supply of electricity to Agricultural (excluding Self Financing Scheme farmers) and Hut Consumers from 1.4.2004.

1. Rs.910 crores for a full year towards subsidy for reduced tariff rates for domestic category. The subsidy shall be in monthly instalments.

2. Rs.196.04 crores for a full year towards subsidy for extension of free supply to Agriculture (excluding Self Financing Scheme farmers) payable half-yearly and Rs.16.91 crores for a full year towards subsidy for extension of free supply to Hut Consumers payable half-yearly.”

5. Section 65 of the Electricity Act 2003, which relates to the provision of subsidy by State Government reads as follows:

“If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Government 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 subsidy in the manner the State Commission may direct, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government.

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.”

Thus, the Commission has to specify the amount and the manner of payment of the revenue shortfall as subsidy by the Government.

6. In the light of the above, Commission orders the following:
- i) TNEB is informed that the tariff fixed under the tariff order of the Commission dated 15-3-2003 shall continue to be in force until the Commission revises it.
 - ii) TNEB shall collect the charges from domestic consumers at the rates proposed in the Government's directive with effect from 16-6-2004. As for the agricultural (excluding the services extended under SFS) and hut services, TNEB shall not charge any amount with effect from 1-4-2004.
 - iii) The shortfall in revenue due to the Government directive has been presently computed based on certain projections for the energy consumption by these category of services. In this context, to make things transparent to public, TNEB have to split the energy bills of each consumer to exhibit the subsidy component distinctly, so that the public

will also be in a position to appreciate the quantum of subsidy they receive every month. Since TNEB will not be in a position to furnish such a split up detail immediately, they are directed to plan such billing from the next financial year.

- iv) The subsidy payable by Government to TNEB for the current financial year shall be regulated as follows. Since the subsidy computed is only an approximate estimation, the amounts payable by the Government is rounded off to the nearest crore of rupees:

| No | Subsidized category | Subsidy period | Subsidy Rs in crs | Payable by (date) |
|----|---------------------|------------------------|-------------------|-------------------|
| 1 | Agri. Services | 1-4-2004 to 30-9-2004 | 98.00 | 30-6-2004 |
| 2 | Hut services | 1-4-2004 to 30-9-2004 | 8 .00 | 30-6-2004 |
| 3 | Domestic Services | 16-6-2004 to 31-7-2004 | 113.00 | 30-6-2004 |
| 4 | Domestic Services | August 2004 | 75.00 | 31-7-2004 |
| 5 | Domestic Services | September 2004 | 75.00 | 31-8-2004 |
| 6 | Domestic Services | October 2004 | 75.00 | 30-9-2004 |
| 7 | Agri. Services | 1-10-2004 to 31-3-2005 | 98.00 | 30-9-2004 |
| 8 | Hut services | 1-10-2004 to 31-3-2005 | 8.00 | 30-9-2004 |
| 9 | Domestic Services | November 2004 | 75.00 | 31-10-2004 |
| 10 | Domestic Services | December 2004 | 75.00 | 30-11-2004 |
| 11 | Domestic Services | January 2005 | 75.00 | 31-12-2004 |
| 12 | Domestic Services | February 2005 | 75.00 | 31-1-2005 |
| 13 | Domestic Services | March 2005 | 75.00 | 28-2-2005 |

- v. The total commitment of the Government for the **current financial year** for all the categories covered under the directive would be Rs 925 crores
- vi. The subsidy computation furnished above is limited to the financial year ending 31-3-2005. TNEB is directed to come before the Commission well in time and get approval for the period beyond 31-3-2005 with estimated consumption for 2005-06, actual

consumption for 2003-04, the latest available actual consumption for the months in 2004-05 and the subsidy requirement for the year 2005-06

- vii. TNEB shall reconcile the revenue shortfall as foreseen now with the actual for the domestic consumption. As regards the agricultural services, TNEB shall reconcile with the actual connected load (HP) of these services with the forecast. The actual number of hut services including the new services given during the period shall also be reconciled. TNEB shall make claims with the Government for any additional subsidy required for this period based on actuals. Similarly, if the subsidy contribution is in excess of the actual, TNEB shall adjust the same in the future demands. This exercise should be completed before 30-6-2005 and the fact intimated to Commission.
- viii. The attention of TNEB / Government is drawn to the provision under section 65 of the Electricity Act 2003, which reads as follows to deal with the non payment of subsidy ***“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.”***

(By order of the Commission)

R.Balasubramanian
Secretary