

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

Order No T.O 1-53 dated 01/07/2005

**Present : Hon'ble Thiru A. Balraj, Chairman
Hon'ble Thiru S. Thangarathnam, Member
Hon'ble Thiru B. Jeyaraman, Member**

**In the matter of : Subsidy by Government of Tamil Nadu for domestic,
Agricultural and hut consumers.**

The Government of Tamil Nadu in Letter Ms No. 100 Energy (A1) Department, dated 07.06.2004 issued the following 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 level mentioned in the letter dated 7.6.2004 with effect from 16.6.2004.
- (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) Based on the above directive, the TNEB proposed subsidy based on the estimated consumption of domestic consumers and no. of agricultural and hut consumers for the year 2004-05..

(3) Though the percentage of increase in consumption proposed for domestic consumers did not commensurate with the percentage of increase in no. of domestic consumers, the Commission accepted the proposal as it was just an estimate.

(4) Accordingly, the Commission in its Order No. T.O. 1-22 dated 14.6.2004 approved the following:

- (i) The total subsidy payable for 2004-05 (upto 31.3.05) consequent to the above directive, estimated to be Rs.925 crores shall be paid by the Government to TNEB. The subsidy should be paid every month as per the schedule approved by the Commission.
- (ii) The TNEB shall come before the Commission well in time to get approval for the period beyond 31.3.2005 with the following information.
 - (a) Estimated consumption for 2005-06
 - (b) Actual consumption for 2003-04
 - (c) The latest available consumption for the months in 2004-05
 - (d) The subsidy requirement for the year 2005-06.
- (iii) The TNEB was also directed to
 - 1. reconcile the revenue shortfall as foreseen now with actuals for domestic consumption;
 - 2. reconcile the projected connected load of Agricultural services with the actual connected load; and
 - 3. reconcile the estimated number of hut services with actual number of hut services.

(5) The TNEB in their letter dated 2.2.2005 furnished the following information and requested the Commission to issue direction to Government to provide subsidy for continuing free supply to Agricultural and Hut consumers (except SFS) and to charge the domestic consumers at reduced rate

Domestic

- (i) Estimated consumption by domestic consumers 2005-06 11975 MUs
- (ii) Actual consumption for 2003-04 (as per provisional consumption) 9719 MUs

statement)

(iii) Subsidy requirement for 2005-06	Domestic cr.	- Rs.981.66
	Agriculture Huts cr	- Rs.200.42 cr - Rs. 16.00 cr

	-	Rs.1198.08
	cr	-----
	-	

(6) The TNEB had not furnished the latest available consumption for the months in 2004-05. Instead provisional consumption of 11086 MU for the year 2004-05 was furnished in their letter dated 2.2.05.

(7) The TNEB had reported that the reconciliation of actuals with estimation would be made on receipt of full particulars from the Distribution Circles.

(8) For slab-wise consumption, only pulled out provisional consumption was furnished.

(9) In Letter dated 14.02.2005, the TNEB was asked to furnish the following details to process the proposal.

- (i) Latest actual slab-wise consumption for 2004-05
- (ii) The energy forecast called for already in letter dated 20.12.2004 to verify the energy projection for 2005-06.
- (iii) The basis on which number of agricultural consumers and connected loads were projected.
- (iv) To obtain a commitment letter from Government of Tamil Nadu.

(10) The details called for were awaited. In the meantime, the Special Commissioner & Secretary to Government, Energy Department in letter dated 28.3.2005 has informed that the Government would provide a subsidy of Rs.1112 crores (against the TNEB's proposal of Rs.1198.08 crores) as detailed below, direct to TNEB in advance as per section 65 of the Electricity Act 2003 in order to continue the policy directive.

- (a) Subsidy for reduced tariff rate for domestic category (for full year 2005-06 to be paid in Rs.900 cr.

monthly instalments)

(b) Subsidy for 2005-06 for extension of free supply to Agricultural consumers (except SFS farmers) (half yearly payment)	Rs.196 cr.
(c) Subsidy for 2005-06 for extension of free supply to Hut consumers payable in half yearly instalments	Rs. 16 cr -----
	<u>Rs.1112 cr.</u>

(11) Thus the Government have committed to pay subsidy for 2005-06 at the same level allowed for 2004-05.

(12) It is also seen that the Government have also released the following subsidy before 31.3.2005 for the year 2005-06 **pending clearance by the TNERC.**

(a) Domestic service for 3 months @ Rs.75 cr. per month	Rs.225 cr.
(b) Agricultural services for the 1 st half year of 2005-06	Rs. 98 cr.
(c) Hut services for the 1 st half year of 2005-06	Rs. 8 cr -----
	<u>Rs.331 cr.</u>

(13) The TNEB in their letter D1386/2005 dated 08.06.2005 has submitted the following (in response to Commission's Letter dt. 14.2.2005):

- I. As regards the reconciliation of actual consumption for 2004-05 with estimation and slab wise consumption by domestic consumers, the Chief Engineers of Distribution Regions have furnished actual consumption and revenue details in respect of domestic consumers for the 2004-05 and as per such details the subsidy to be provided by the Government for 16.6.2004 to 31.3.2005 works out to Rs.769.74 Crores i.e. Rs.81.025 Crores per month.

- II. The Government has to provide a balance subsidy of Rs. 57.24 Crores for 2004-05 as detailed below:

Subsidy to be provided as per actual slab wise Consumption	Rs. 769.74 Cr
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Less: Subsidy already received	Rs. 712.50 Cr.
Balance subsidy to be received	Rs. 57.24 Cr.

- III. A growth of 10% in consumption is estimated for 2005-06 and hence the subsidy to be provided by the Government for 2005-06 works out to Rs.89.13 Cr. Per month (Rs.81.025 x 1.1)
- IV. The actual connected load of agricultural services and hut services for 2004-05 and projected details for agricultural and hut services for 2005-06 would be reconciled and furnished separately.

(14) The TNEB have requested the Commission to issue direction to Govt. of Tamil Nadu to provide subsidy as detailed below:

- a. Additional subsidy of Rs. 57.24 Cr. for 2004.05 towards domestic consumption.
- b. Subsidy of Rs. 1069.56 Cr. towards domestic consumption for the year 2005-06.
- c. Subsidy of Rs. 196 Cr. for 2005-06 for agricultural consumers.
- d. A subsidy of Rs. 16 Cr. for 2005-06 for hut consumers

(15) The TNEB had also furnished the copies of statements containing details of consumption and revenue received from the Chief Engineers of Distribution Regions.

(16) The detailed check of the statements furnished by TNEB revealed some discrepancies leading to following observations.

- i. The rate of realization as per the slabwise consumption furnished works out to Rs.2.57 / unit. The average rate of realization with reference to the slab wise consumption furnished during the earlier tariff determination process was Rs. 2.18 / unit. In the preliminary accounts the rate of realization for 2003-04 for domestic consumers has been furnished as Rs.2.11 / unit. In case similar pattern of consumption prevailed during 2003-04 also, the rate of realization and revenue furnished in the accounts require reexamination and correction.

- ii. The TNEB had originally estimated a consumption of 11086 MU for 2004-05 by domestic consumers and a subsidy of Rs. 75 Cr. per month was ordered with reference to slab wise consumption furnished by TNEB. The Commission made a remark that though the increase in domestic consumption projected by TNEB was not commensurate with a percentage of increase in no. of consumers, the Commission accepted the projection as it was an estimate. But the actual consumption by domestic consumers for the year 2004-05 has been furnished as 9729 MU based on details furnished by Chief Engineers. When the actual consumption is less than the estimated consumption by 1357 MU, the actual subsidy requirement should be proportionately less. But increased subsidy requirement has been projected by TNEB with so much reduced consumption.
- iii. The increased subsidy requirement was stated to be due to **increased consumption in the higher slabs carrying higher tariff** with reduction in consumption in the lower slab with lesser tariff.
- iv. The revenue for 9729 MU was furnished as Rs.1652.55 crores. But the revenue if worked out at the rate approved by TNERC for the period from 01.04.2004 to 15.06.2004 and at reduced rate from 16.06.2004 to 31.03.2005 for the slabwise consumption furnished by Chief Engineers comes to Rs. 1773.32 Crores.
- v. A random check of the consumption and revenue furnished for such consumption by the Regional Chief Engineers revealed that the revenue do not match the consumption. The following discrepancies were noticed in the consumption and revenue details furnished by the Regional Chief Engineers.

a) Chennai South Region

Period: 04/2004 to 05/2004 – Slab - 601 and above

Consumers 96996

Consumption: 89705862 units

Revenue furnished by the Region: Rs.348962350.00

Actual revenue work out to Rs.323287084.50

Excess revenue furnished Rs.25675266.00

b) There was an obvious error in the consumption to the tune of 54 million units in 0 – 50 slab category of the assessment for the period 1/2005 to 3/2005 furnished by Chief Engineer / Chennai South Region.

c) Erode Region

Period: 10/2004 to 12/2004 – Slab - 601 and above

Consumers 24723

Consumption: 20719395 units

Revenue furnished by the Region: Rs.50061277.00

Actual revenue work out to Rs.45764439.75

Excess revenue furnished Rs.43 lacs

d) Vellore Region

Period: 04/2004 to 05/2004 – Slab – 201 – 600

Consumers 139085

Consumption: 44615805 units

Revenue furnished by the Region: Rs.106761342.00

Actual revenue work out to Rs.113038967.50

Short revenue furnished Rs.62.78 lacs

e) Chennai Distn. North Region

Period: 08/2004 to 09/2004 – Slab - 601 and above

Consumers 82893

Consumption: 8421629 units

Revenue furnished by the Region: Rs.217501947.00

Actual revenue work out to Rs.198006993.45

Excess revenue furnished Rs.1.95 Cr.

f) The total revenue for various slabs for the period Oct. 2004 and Nov. 2004 in Chennai North Region for a total consumption of.223804752 units by 666282 consumers has been furnished as Rs. 456154429. But on a detailed working for the same consumption for the various slabs,works out to Rs.362554851/-. The is excess revenue furnished under the assessment in question alone is Rs.9.36 Crores.

- vi. Hence there must be error either in the slab wise consumption furnished or the total revenue arrived at by the Chief Engineers for such slab wise consumption.

(17) The TNEB was therefore asked to reconcile the consumption and assessment for 2004-05 based on actuals and to make projection for 2005-06 reasonably based on the reconciled actual consumption for 2004-05. The TNEB was also asked to furnish details regarding reconciliation of number of agricultural consumers and hut consumers as these details were not furnished.

(18) TNEB in letter No. D1399/ 2005 dated 28.06.2005 has stated the following:-

- i. The low rate of realization of domestic category exhibited earlier was based on the sample data / based on proportionate consumption for different slabs. Similar analogy was adopted for other categories of consumers also. Consequently the low rate of realization in one category is offset by higher rate of realization for other category. As the total assessment made has been taken into books of accounts, there is no change in total revenue because of change in rate of realization within various categories of LT supply.
- ii. Based on actual data received from regional offices the consumption assessed for domestic category during 2004-05 is **9675 MU** and the total revenue assessed is Rs. 1643.83 Cr. With the domestic subsidy of Rs.712.50 Crores received from Government,. the total revenue works out to Rs. 2356.33 Cr. with a rate of realization of Rs. 2.43 / unit (This is after correcting the obvious error in consumption to the tune of 54 MU in Chennai South Region for the assessment period 1/2005 to 3/2005)
- iii. The balance subsidy receivable for 2004-05 now works out to Rs.47.91 Cr.
- iv. On analysing the statement by the Regional Chief Engineers, it is seen that the assessments for 06-2004 and 07-2004 were made at TNERC rates in many cases (instead of at reduced rates) and credit given in subsequent assessments. Consequently there **appears** to be reduction in revenue during the period when such credits were given.
- v. Since there are discrepancies in the actual revenue assessed with the slab wise consumption **the Board has taken the actual consumption**

alone as a base and worked out the total revenue based on the tariff rates fixed by the Commission. The Board will be able to get the exact figures for slab wise consumption / revenue after computerization of LT billing / Accounting in TNEB which is in progress.

- vi. The actual slab wise consumption furnished by Regional Chief Engineers may be accepted for calculating the subsidy to be released by the Government.
- vii. The Commission may issue direction to Government of Tamil Nadu to release the following subsidy to TNEB to compensate the loss in revenue due to reduction in tariff rates for domestic consumers.
 - (i) Additional subsidy of Rs. 47.91 Cr. for the year 2004-05
 - (ii) A sum of Rs. 1053.98 Cr. for the year 2005-06 payable in advance in monthly instalments.

(16) The TNEB have not reconciled the discrepancies pointed out. They have also not furnished the reasons for the mis match of the consumption and revenue. They request that the slab wise consumption alone may be considered for subsidy without reference to the corresponding revenue for such consumption. Also there has been reduction in consumption.

(17) The Commission cannot therefore, accept the request of the TNEB to consider the slab wise consumption alone disregarding corresponding revenue for purpose of arriving at the revenue shortfall. However because of the reduction in rate notified by the Government of Tamil Nadu there must be loss in revenue which is required to be compensated by the Government under **Section 65 of the Electricity Act 2003.**

(18) In the Tariff Order dated 15.3.2003 a direction was issued to TNEB to maintain consumption and revenue data strictly as per slab wise categories to enable more accurate estimation of revenues. It is seen from the above that TNEB have not taken any steps to maintain slab wise / tariff wise data on consumption and revenue; but have stated in the letter dated 28.6.2005 that such details can be furnished only after computerization of LT

billing and accounting. The TNEB may therefore be directed to reconcile the slab wise consumption and furnish the actual consumption and reconciled revenue duly certified by the auditors. Pending receipt of reconciliation report the Commission considered the following.

- i. The balance subsidy for 2004-05, if any, can be considered only on receipt of report on such reconciliation and correct actual details of slab wise consumption and revenue duly certified by Auditors.
- ii. The TNEB have projected an increase of 10% by domestic consumers for 2005-06. However the total consumption for all categories in 2005-06 has been projected with an increase of 5% over the consumption for 2004-05 in the annual plan. Against the consumption of 9719 MU by domestic consumers during 2003-04 as per the preliminary accounts, a consumption of 9675 MU only is arrived at for 2004-05 based on the details furnished by the field Chief Engineers. However, considering the possible increase in number of consumers and increased consumption due to reduction in rates ordered by the Government, a growth of 6% may be allowed.
- iii. As the consumption furnished by TNEB for the year 2004-05 cannot be accepted, the Commission may arrive at the revenue shortfall for 2005-06 taking into account the subsidy of Rs.75 Crores allowed for 2004-05 and allow an increase of 6%. The subsidy for domestic consumers will be Rs.79.50 crores. (75×1.06) per month and Rs.954 crores for the full year.(2005-06)
- iv. Pending reconciliation of connected load of agricultural consumers and number of hut consumers, the Commission allows subsidy for 2005-06 at the same level allowed for 2004-05.
- v. Accordingly, the Commission orders that the subsidy payable by the Government of Tamil Nadu for 2005-06 to compensate the revenue loss to TNEB for extension of free supply to agricultural consumers and hut consumers and for charging the domestic consumers at reduced rate shall be regulated as follows:

Sl.No.	Subsidized category	Subsidy period	Subsidy Rs. in Crs.	Payable by (date)
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1	Agricultural services	01.04.2005 to 30.09.2005	98.00	31.03.2005 (already received by TNEB)
2	Hut services	01.04.2005 to 30.09.2005	8.00	31.03.2005 (already received by TNEB)
3	Domestic services	April 2005	79.50	31.03.2005 (Rs. 75 Cr. already received by TNEB)
4	Domestic services	May 2005	79.50	30.04.2005 (Rs. 75 Cr. already received by TNEB)
5	Domestic services	June 2005	79.50	31.05.2005 (Rs. 75 Cr. already received by TNEB)
6	Domestic services	July 2005	79.50	4.7.2005
7	Domestic services	August 2005	79.50	31.07.2005
8	Domestic services	September 2005	79.50	31.08.2005
9	Domestic services	October 2005	79.50	30.09.2005
10	Agricultural services	01.10.2004 to 31.03.2005	98.00	30.09.2005
11	Hut services	01.10.2004 to 31.03.2005	8.00	30.09.2005
12	Domestic consumers	November 2005	79.50	31.10.2005
13	Domestic consumers	December 2005	79.50	30.11.2005
14	Domestic consumers	January 2006	79.50	31.12.2005
15	Domestic consumers	February 2006	79.50	31.01.2006
16	Domestic consumers	March 2006	79.50	28.02.2006

(22) The TNEB shall come before the Commission with correct data on slab wise consumption of electricity by domestic consumers, actual connected load of agricultural consumers and actual number of hut consumers for 2004-05 and projections based on such

actuals before 31.12.2005 to obtain revision on the quantum of subsidy based on actuals. .

(By order of the Commission)

**R. Balasubramanian
Secretary**

To
The Chairman / Tamil Nadu Electricity Board
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The Special Commissioner & Secretary to Govt.
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