

## **CHAPTER - 6**

### **REVENUE RECEIPTS**

#### **6.1 Revenue from Existing Tariff**

##### **6.1.1 General**

The Commission has computed the revenue from existing tariff for the revised sales projections, by applying the existing tariffs to the projected category-wise sales in FY03 and FY04. The existing tariff structure specifies differential tariffs for metropolitan and non-metropolitan areas for most consumer categories. For the domestic and LT industrial category, differential tariffs are specified based on consumption slabs. However, the TNEB does not maintain separate consumption data for metropolitan and non-metropolitan areas, and for slab-wise consumption for domestic and LT industrial category. This creates a problem in accurately estimating the revenue with existing and proposed tariffs.

The Commission directed the TNEB to submit sample information regarding the slab-wise consumption of the domestic category and the break-up of category-wise consumption between metropolitan and non-metropolitan areas. The TNEB conducted sample studies and submitted certain data on slab-wise consumption for the domestic category, which was accepted by the Commission. However, the TNEB has not submitted any data regarding the break-up of consumption between metropolitan and non-metropolitan areas. The TNEB has adopted a proportion of 20:80 between metropolitan and non-metropolitan areas, for estimating the revenues. The Commission has also adopted the same norm for estimating the revenues with existing tariff. In the future, however, the TNEB is directed to maintain consumption and revenue data strictly as per the slab-wise tariff categories, to enable more accurate estimation of the revenues.

##### **6.1.2 Domestic Slab-wise Consumption**

The Commission has elaborated the computation of the slab-wise consumption in the domestic category, to clarify the method of computation of revenue from this category. The slab-wise consumption data submitted by the TNEB corresponding to its sales projection for FY03, based on its sample studies is given in the Table below:

<b>Monthly Consumption</b>	<b>Consumers (lakh)</b>	<b>Annual Consumption (MU)</b>	<b>% Share</b>
0 to 25 units	27.73	498.7	5.9%
26 to 50 units	30.67	1353.8	16.0%
51 to 100 units	25.67	2155.9	25.4%
101 to 300 units	17.24	3183.9	37.5%
301 units to 500 units	1.40	622.3	7.3%
Above 500 units	0.58	665.8	7.9%
<b>Total</b>	<b>103.29</b>	<b>8480.4</b>	<b>100.0%</b>

The above Table shows the consumption by the consumers who are billed in the respective slab. For instance, in the 26 to 50 units monthly consumption slab, 30.67 lakh consumers exist, whose total annual consumption is 1354 MU. However, the existing tariff structure is a sliding scale structure, i.e. the consumers consuming in the higher slabs also get the benefit of the lower tariffs in the lower slabs. For the purposes of simpler revenue calculations, the Commission has converted the above consumption data such that the consumption recorded against each slab can be directly multiplied by the tariff applicable for consumption in that slab to get the revenue from that slab. The reclassified slab-wise consumption data for the demand estimated by the Commission is shown in the following Table:

<b>Monthly Consumption</b>	<b>Revised % Share</b>	<b>FY03 (MU)</b>	<b>FY04 (MU)</b>
0 to 25 units	32.6%	2766	3071
26 to 50 units	21.0%	1780	1977
51 to 100 units	20.9%	1769	1964
101 to 300 units	18.8%	1590	1766
301 units to 500 units	3.0%	258	286
Above 500 units	3.7%	318	353
<b>Total</b>	<b>100.0%</b>	<b>8480</b>	<b>9417</b>

The category-wise sales and revenues with existing tariff for FY03 and FY04 is shown in the Table below:

**Table : Consumption and Revenue With Existing Tariff in FY03 and FY04**

(MU and Rs. Crore)

Sl.No	Consumers Category	FY 02-03		FY 03-04	
		Sales	Revenue	Sales	Revenue
<b>HT SERVICES</b>					
1	HT Industries	8395	3514.95	8939	3742.73
2	Railway Traction	426	196.81	454	209.75
3	Recognised Edn. Institution	468	193.02	489	201.68
4	Actual places of Public worship	2	0.66	2	0.66
5	Commercial	1208	655.79	1258	682.93
6	Lift Irrigation	11	0.28	11	0.28
7	Supply to Pondicherry	235	70.5	258	77.4
8	Rural Electric Co-op.Society			0	
<b>TOTAL HT</b>		<b>10745</b>	<b>4632.01</b>	<b>11411</b>	<b>4915.43</b>
<b>LT SERVICES</b>					
9	Domestic	8480	1516.74	9417	1683.15
10	Huts	166	0	167	0
11	Public Lighting	1038	353.96	1113	379.55
12	Recog. Edn. Insns.	225	87.62	257	99.87
13	Actual places of Public worship	16	5.02	19	5.83
14	Cottage and Tiny Ind.	138	32.71	145	34.62
15	Powerloom.	474	102.41	500	108.44
16	Industries	4082	1649.65	4629	1882.71
17	Information Tech.	73	27.8	83	31.56
18	Agriculture and Govt. seed farm	9021	9.69	9247	10.61
19	Commercial	2266	1094.56	2468	1192.82
20	Temp. supply	2	2	2	2
<b>TOTAL LT</b>		<b>25981</b>	<b>4882.16</b>	<b>28047</b>	<b>5431.16</b>
<b>TOTAL HT &amp; LT</b>		<b>36726</b>	<b>9514.17</b>	<b>39458</b>	<b>10346.59</b>
<b>Other charges</b>			<b>168.11</b>		<b>176.48</b>
<b>TOTAL REVENUE</b>			<b>9682.28</b>		<b>10523.07</b>

Thus, the net revenue from sale of electricity at existing tariffs as projected by the Commission is Rs. 9682.28 Crore and Rs. 10523.07 Crore for FY03 and FY04, respectively.

## 6.2 Other Income

### 6.2.1 Details of miscellaneous income

The miscellaneous Income comprises mainly rebate on power purchase bills, income from delayed payment surcharge, income from trading, and other miscellaneous receipts. The rebate on power purchase bills is proportional to the quantum of power purchase and the TNEB enjoys this rebate for prompt payment of the power purchase bills of the Central Generating Sector, PGCIL and the IPPs.

The TNEB has projected a substantial increase in the rebate on power purchase bills, mainly on account of the higher quantum of power purchase projected by the TNEB. However, the Commission has reduced the quantum of power purchase, on account of the reduction in the energy input requirement, higher hydel and thermal generation, and application of the principle of merit order despatch, as detailed in earlier sections. The Commission has hence correspondingly reduced the rebate on power purchase bills. The Commission has accepted the TNEB's projection of other heads of Other Income, as the TNEB has assumed a reasonable growth in these income heads.

The miscellaneous Income projected by the Commission is shown in the Table below:

**Table: Projected Miscellaneous Income**

Particulars	FY02	FY03		FY04	
		TNEB	TNERC	TNEB	TNERC
Interest on Staff Loans	6.0	6.9	6.9	6.9	6.9
Income from Investments	1.3	1.3	1.3	1.3	1.3
Delayed Payment Surcharge	20.8	29.1	29.1	32.0	32.0
Interest on advance to suppliers	0.9	0.9	0.9	1.0	1.0
Interest from banks	0.5	0.8	0.8	0.8	0.8
Income from trading	17.8	26.6	26.6	27.4	27.4
Rebate on power purchase bills	76.1	106.6	96.4	108.1	92.7
Income from Staff Welfare	0.1	0.2	0.2	0.2	0.2
Miscellaneous Receipts	31.8	47.6	47.6	48.9	48.9
<b>Total</b>	<b>155.3</b>	<b>220.0</b>	<b>209.9</b>	<b>226.6</b>	<b>211.3</b>

Thus, the Other Income projected by the Commission is Rs. 210 crore and Rs. 211 crore for FY03 and FY04, respectively.

### 6.2.2 State Government Subsidy

The Section 29 (5) of the ERC Act, 1998 states, “If the State Government requires the grant of subsidy to any consumer or class of consumers in the tariff determined by the SERC under this section, the State Government shall compensate the utility in the manner directed by the SERC”. In its Tariff Petition, the TNEB has stated that the Government of Tamil Nadu (GoTN) has committed a revenue subsidy of Rs. 250 crore for FY03, by creating a provision in the State Budget for FY03, and not indicated any subsidy commitment for FY04, due to its own financial situation. However, in the Petition, the TNEB has assumed GoTN subsidy of Rs. 250 crore for both years, i.e. FY03 and FY04. The TNEB has further clarified that the GoTN revenue subsidy is being given specifically to compensate the TNEB for the subsidized supply of electricity to agricultural consumers. Government of Tamil Nadu in their written submission which has been reproduced in earlier sections have stated that the present financial status does not permit them to provide any subsidy in FY04 . The Commission has taken note of the submissions in this regard by TNEB and GoTN and determined the tariff accordingly.

### 6.2.3 Revenue Required from Sale of Electricity

The Commission has projected the revenue required from sale of electricity after deducting the Other Income and the GoTN subsidy from the Annual Revenue Requirement, as shown below:

**Table : Revenue Required from Sale of Electricity**

(Rs. Crore)

PARTICULARS	FY02	FY03		FY04	
		TNEB	TNERC	TNEB	TNERC
Revenue Requirement	10891.80	12318.30	11696.87	13764.49	12133.12
Less :					
Other Income	155.30	220.00	209.85	226.60	211.26
GoTN Subsidy	322.60	250.00	250.00	250.00	0.00
<b>Revenue Required from sale of Electricity</b>	<b>10413.90</b>	<b>11848.30</b>	<b>11237.02</b>	<b>13287.89</b>	<b>11921.86</b>

Thus, the net revenue required from sale of electricity as projected by the Commission is Rs. 11237 crores and Rs. 11922 crores for FY03 and FY04, respectively. This amounts to a reduction of Rs. 611 crores and Rs. 1366 crores in FY03 and FY04, respectively, as compared to TNEB projections.

### 6.3 Revenue Gap

The revenue gap is the difference in the revenue requirement and the revenue with the existing tariffs, which has to be bridged by a revision in the tariffs. The Commission has computed the TNEB's revenue gap for FY03 and FY04, as follows:

**Table : Revenue Gap**

(Rs. Crore)

PARTICULARS	FY03		FY04	
	TNEB	TNERC	TNEB	TNERC
Revenue required from sale of Electricity	11848	11237	13288	11922
Revenue with existing Tariffs	9509	9682	10545	10523
Revenue Gap	2339	1555	2743	1399

The revenue gap projected by the Commission is Rs. 1555 crore and Rs. 1399 crore in FY03 and FY04, respectively, which amounts to a reduction of Rs. 784 crore and Rs. 1344 crore over the TNEB's projections for FY03 and FY04, respectively.