

CHAPTER - 1

INTRODUCTION

Constitution of the Commission

- 1.1 The Assam Electricity Regulatory Commission (hereinafter referred to as the AERC or the Commission) was established under the Electricity Regulatory Commissions Act (hereinafter referred to as the ERC Act), 1998 on February 28, 2001. The AERC came into existence in August 2001 as a one-man Commission. Considering the multidisciplinary requirements of the Commission, it was made a multimember one constituting three Members (including Chairperson) from 27th January, 2006. The Commission has started functioning as Multimember Commission on joining of two members from 1st February, 2006.
- 1.2 The Commission is mandated to exercise the powers and functions conferred under Section 181 of the Electricity Act 2003 (36 of 2003) (hereinafter referred to as the Act) and to exercise the functions conferred to it under Section 86 of the Act. The Act was applicable from 10th June 2003.

Tariff Related Functions of the Commission

- 1.3 Under Section 86 of the Act, the Commission has the following tariff related functions:
- (a) To determine the tariff for electricity, wholesale, bulk, grid or retail, as the case may be;
 - (b) To regulate power purchase and procurement process of the transmission utilities and distribution utilities including the price at which the power shall be procured from the generating companies, generating stations or from other sources for transmission, sale, distribution and supply in the State;
 - (c) To promote competition, efficiency and economy in the activities of the electricity industry to achieve the objects and purposes of this Act.

- 1.4 Under Section 61 of the Act in the determination of tariffs, the Commission is to be guided by the following:
- (a) The principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees;
 - (b) That the electricity generation, transmission, distribution and supply are conducted on commercial principles;
 - (c) The factors which would encourage efficiency, economical use of the resources, good performance, optimum investments, and other matters which the State commission considers appropriate for the purpose of this Act;
 - (d) The interests of the consumers are safeguarded and at the same time, the consumers pay for the use of electricity in a reasonable manner based on their customer category cost of supply;
 - (e) That the tariff progressively reflects the cost of supply of electricity at an adequate and improving level of efficiency and also reduces and eliminates cross subsidies;
 - (f) The National Power Plans formulated by the Central Government including the National Electricity Policy and Tariff Policy; and
- 1.5 In accordance with the Act, the Commission will not show undue preference to any consumer of electricity in determining the tariff, but may differentiate according to the consumers' load factor, power factor, voltage, total consumption of energy during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required. (Section 62 of the Act)
- 1.6 If the State government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the Commission, the State government shall pay the amount to compensate the person affected by the grant of subsidy in the manner the Commission may direct as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government. (Section 65 of the Act)