

FOREWORD

This is the sixth Tariff Order issued by the Commission. Since the last Tariff Order was passed by the Commission, a significant development has taken place with regard to the performance of the Power Utilities in the State. The reform process which was initiated eight years ago has resulted in paradigm change in the electricity sector.

The demand for electrical energy is increasing at the faster rate and shall continue to grow in tune with the projected growth of the economy. Therefore, power will continue to be a crucial input for sustained development of the economy.

*Importantly, power is vital for meeting the growing demands of industry and agriculture, as well as the domestic and service sectors. **The quality and sufficient availability of power are areas which need urgent attention.***

The AERC also attained a level of maturity with a full fledged Commission. However, much remains to be done to bring the power sector to the level of expectation of all sections of society.

The Tariff Policy (TP) notified by the Government of India in January, 2006, provides the framework to balance the conflicting objectives of attracting investments to ensure availability of quality power and protecting the interest of consumers by ensuring that the electricity tariffs are affordable even for the weaker sections of society.

The Electricity Act, 2003, provides for multiple players in transmission and distribution of electricity and this is likely to exert pressure on the incumbent utilities to prepare themselves to meet the competition. The Commission issued regulations for according open access to consumers. The transmission and wheeling charges including the segregation of wheeling cost for different segments of network voltage, SLDC charge and cross-subsidy surcharge have also been worked out for this purpose in the Tariff Order.

The Multi Year Tariff (MYT) regime will be of benefit to consumers as well to the utilities, enabling them to plan for the long term, without any apprehension of regulatory uncertainty. As per clause 5.3 of the (Terms & Conditions of Tariff Determination) Regulations, 2006, the tariff is to be determined on the basis of the principles enunciated for a period of five years commencing from 1st April, 2006 for generation and three years for transmission and distribution. The National Tariff Policy notified by the Government of India on 6th January, 2006 also stipulated that the MYT framework is to be adopted for any tariffs to be determined from 1st April, 2006. However, the Commission decided to

adopt the MYT from FY 2007-08 with a 3 year control period and accordingly the utilities were earlier directed to file their Tariff Petitions for the entire control period. After thorough scrutiny of the petitions submitted by the utilities, the Commission had decided to adopt the principle of MYT in a cautious manner due to non availability of reliable data at that time and therefore, recalculated the ARR for 2007-08 in the last Tariff Order and decided to take up the matter of ARR for 2008-09 and 2009-10 in due course on receipt of authentic records like Audited Annual Financial Statements of relevant years, Assets Registers etc. from the Utilities. As the audited Annual Financial Statements for 2005-06 and 2006-07 have been received, the ARR projections filed by the utilities for 2008-09 and 2009-10 have now been computed and approved.

The Commission continues with its initiative of stepping towards Cost of Supply (CoS) approach as a tool in the tariff exercise. In the matter of progressive reduction of cross subsidy in terms of Electricity Act and National Tariff Policy, the Commission tried to rationalize the tariff with an objective to avoid any adverse impact on any stakeholder in the process, especially on the larger segments of consumers of electricity to the extent possible. The State Government can give subsidy to the extent they consider appropriate as per provisions of Section 65 of the Electricity Act 2003 to minimize the discomforts that might be experienced by economically weaker sections of the public.

The Commission also issues directions to the Licensees to improve their generation, transmission and distribution functions. It directs the Load Research Cells within the Discoms for gathering data to facilitate proper decision making and support to the regulatory functions.

The Commission after careful consideration and due deliberations undertook the exercises as envisaged in the Electricity Act 2003, concerned Regulations of the Commission in passing this Tariff Order.