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**BEFORE**  
**THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION,**  
**LUCKNOW**

**Petition No.: 977/2014**

**IN THE MATTER OF:**

Petition for Extension of OTS Scheme of 100% Surcharge Waiver for LMV- 1(RURAL), LMV-2 (RURAL) and LMV-5 (RURAL) Consumers in the camps upto March 31, 2015

**And**

**IN THE MATTER OF:**

1. MadhyanchalVidyutVitaran Nigam Ltd. (MVVNL), PragNarain Road, Lucknow.
2. Purvanchal Vidyut Vitaran Nigam Ltd. (PuVVNL), 132 KV S/s, BhikaripurVidyut Nagar, Varanasi.
3. PaschimanchalVidyutVitaran Nigam Ltd. (PVVNL), Victoria Park, Meerut.
4. DakshanchalVidyutVitaran Nigam Ltd. (DVVNL), VidyutBhawan, Gailana Road, Agra.
5. Kanpur Electricity Supply Company Ltd. (KESCO), KESA House, 14/71, Civil Lines, Kanpur.

..... Petitioners

**Present**

1. ShriDesh Deepak Verma, Chairman
2. Smt.Meenakshi Singh, Member
3. Shri I. B. Pandey, Member

**ORDER**

A Petition has been filed on February 12, 2015 by PVVNL, PuVVNL, MVVNL, DVVNL and KESCO in the above matter.

The relevant portion of the Petition is reproduced as follows:

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1. *That the Commission, on a petition filed by UPPCL on behalf of the above named Discoms, vide its order dated 11.11.2014 allowed 100% surcharge waiver scheme for LMV-1, LMV-2 and LMV-5 consumers in rural areas w.e.f. 11 November 2014 to 10 January 2015 during the above camps.*
2. *That in view of dearth of funds and other hardships faced by the farmers due to severe cold conditions the above scheme was extended upto 31.01.2015 by Commission's Order dated 09.01.2015.*
3. *That the contentions and grounds for seeking relief as stated in the original petition remaining the same, it is once again respectfully submitted that due to paucity of funds with the farmers, the scheme has still not been able to achieve its complete objective of recovering the accumulated dues from rural consumers. A number of farmers have made their representations that they have not been able to realize the complete sale proceeds of Rabi crop particularly related to Potatoes. It is also noteworthy, that in many areas potatoes or few of the Rabi crops are single crop and as such it becomes extremely difficult for farmers of these areas to avail 100% surcharge waiver benefit by depositing their due amount before cash becomes available to them from such proceeds.*
4. *Recently, in the standing committee of Vidhan Sabha & Vidhan Parishad, number of public representatives made earnest request to extend such as waiver scheme by 31<sup>st</sup> March on account of above facts. It was unambiguously stated by these representatives that they genuinely understand the ground realities of payment patterns relating to agriculture proceeds as such, if such facility is not extended, it will not only be a loss to UPPCL, finances but it will also not be possible for them to face farmers on ground as they will be failing in their duties of genuine public representation.*
5. *Accordingly, it is humbly prayed that, keeping in view the grounds stated above, as well as in earlier petitions in this regard, it is once again requested to extend the above 100% surcharge waiver scheme for LMV-1, LMV-2 and LMV-5 consumers in rural areas consumers' upto 31<sup>st</sup> March 2015 without the requirement of subsidy from the State Government. Recent status of existing scheme is provided in the annexure-1.*

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Along with the above Petition, the Petitioners have also submitted the status of the existing scheme.

**The Commission's Analysis:**

Considering the provisions of the Tariff Order approved by the Commission for FY 2014-15 and the subsequent submission made by the Petitioner the Commission vide its Order November 11, 2014 allowed the OTS scheme for LMV-1(RURAL), LMV-2 (RURAL) and LMV-5 (RURAL) Consumers with 100% waiver of surcharge as special case to achieve a bigger objective of 100% metering. The above scheme was initially allowed for the period between November 11, 2014 to January 1, 2015 which was subsequently extended till January 31, 2015 vide Commission's Order dated January 9, 2015 on request of the Petitioners. In the meanwhile vide its Order dated November 13, 2015 the Commission also clarified that the above allowed OTS scheme is not only for unmetered consumers and can also be availed by metered consumers as well, however all unmetered consumers who avail the benefit of the above OTS Scheme, would have to undertake to become metered consumers.

The Petitioner in the current Petition stating that the farmers have not been able to realize the complete sale proceeds of Rabi crop particularly related to Potatoes and thus have not been able to avail the benefit of the ongoing scheme has sought further extension of the scheme till March 31, 2015.

The Commission has also sought clarification as well as invited suggestions from UPPCL vide Letter No. UPERC/Secy/DISCOM/15-1786 dated January 16, 2015 as to why the OTS Schemes as a regular feature should not be abolished and could be taken up only occasionally with permission of the Commission and providing for waiver of only 50% of the surcharge. As an exception, waiving could be 100% in the case of rural domestic (upto 2 kW) and rural agriculture (up to 5 kW), but with permission of Commission only.

UPPCL vide its letter dated February 21, 2015 submitted that it also shares the concern expressed relating to regular implementation of OTS thereby incentivizing the delayed payments more so on the grounds that it appears to discriminate against honest and paying consumers. Despite appreciating this fact, there are compulsions as below which forces it to implement the OTS scheme. UPPCL further submitted that firstly as far as OTS in rural areas is concerned, it becomes imperative in view of the fact that farmers have limited affordability and have cash available with them during certain months of the year

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depending upon the crop pattern of that area. Accordingly, they are unable to make payments of their electricity bills regularly. Uttar Pradesh has an agrarian economy, accordingly, to help the farmers and also to recover the electricity dues OTS has to be implemented with / without the subsidy from the Government for consumers in rural areas.

UPPCL submitted that the Commission must appreciate that this is a practical problem and it would be unrealistic to assume that farmers can plan their cash outgo in a structured and seamless manner, when their earning is periodic. In such a situation, if Licensees, with its limited manpower, resorts to large scales disconnection, it would be apathetic attitude of licensee thereby hitting the agricultural sector in general without realizing its accrued arrear. As regards OTS in urban area with 50% surcharge waiver is concerned, the same is allowed by the Commission in the Tariff Order. There is an economic rationale for the same. Delayed payment surcharge is charged at 1.5% per month or 18% per annum. By providing 50% surcharge waiver, surcharge is waived to the tune of 9% per annum. In case, we don't resort to an OTS, the working capital gap shall be bridged by loan, on which we will have to pay interest in excess of 9%. However, having said that, it is accepted that this scheme is unfair towards honest consumers and accordingly, should be resorted to only occasionally to bridge working capital gap by way of arrear realization.

UPPCL in its letter, stating the above prayed that as a special dispensation 100% surcharge waiver may be allowed in rural areas upto March 31, 2015, as has been prayed in the Petition dated February 12, 2015 already submitted before the Commission.

Considering the above information and discussion the Commission feels that the Licensees lose revenue by repeatedly having OTS schemes and also the same discourages the honest consumers. The Distribution Licensees (Discoms) should also understand that OTS schemes is a only a short term measure to generate instantaneous cash flows but the loss of the Discoms in terms of surcharge waiver is always to be borne by the Licensee. However since the Discoms feel that in view of the prevailing conditions in the State and also in view of better prospects of revenue realisation for the Discoms, it is necessary to continue with the scheme, the Discoms are authorised to take decisions in this regard keeping in mind the financial rules and after taking the due approval of their boards. The Discoms may launch / extend the OTS Schemes upto 31<sup>st</sup> March, 2015, for any category of consumers at their discretion and to the extent they deem fit. It may be clarified however that the amount waived on this account will not be allowed as pass through in the ARR / Tariff or True Ups.

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The details of the amount waived must be provided in the relevant ARR / Tariff Petitions and True Up filings with the full details and entries in the ARR to demonstrate that the waived amount is not being passed on to the consumers / ARR in any way so as to not affect the honest consumer.

Rest of the conditions as laid down in the Commission's Tariff Orders and subsequent Orders referred above will prevail.

The Petition is disposed of.

**(I. B. Pandey)**  
**Member**

**(Meenakshi Singh)**  
**Member**

**(Desh Deepak Verma)**  
**Chairman**

Place: Lucknow

Date: February 26, 2015

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