BEFORE

THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION,

LUCKNOW

Petition No.: 1047/ 2015

PRESENT:

1. Sri Desh Deepak Verma, Chairman, UPERC
2. Sri Indu Bhushan Pandey, Member, UPERC

IN THE MATTER OF:

Extension of applicability of increasing the supply hours by 10% in the license area of PVVNL approved vide UPERC order dated 22.04.2015.

AND

IN THE MATTER OF:

1. Uttar Pradesh Power Corporation Limited, Lucknow (UPPCL)
2. MadhyanchalVidyutVitran Nigam Limited, Lucknow (MVVNL)
3. PurvanchalVidyutVitran Nigam Limited, Varanasi (PuVVNL)
4. DakshinanchalVidyutVitran Nigam Limited, Agra (DVVNL)
5. PaschimanchalVidyutVitran Nigam Limited, Meerut (PVVNL)
6. Kanpur Electricity Supply Company Limited, Kanpur(Kesco)

The following were also present:

1. Mr.Sanjay Singh, Director (Commercial), UPPCL
2. Mr.R. K. Verma, Director (P&A),PuVVNL
3. Mr.JayantVerma, Chief Engineer (RAU), UPPCL
4. Mr.D. C. Verma, EE(RAU), UPPCL
5. Mr.V. K. Singh, EE (Commercial), PVVNL
6. Mr.Prabhakar Singh, EE, DVVNL
7. Mr.A. K. Singh, SE (Commercial), MVVNL
8. Mr.S. Jhoshi, SE (RAU), UPPCL
9. Mr.Vijay Saluja, SE (Commercial), UPPCL
10. Mr.Avadhesh Kumar Verma, Chairman, UPRVUP

ORDER

(Hearing - November 04, 2015)

A Petition has been filed by Chairman of UPPCL, MVVNL, PVVNL, PuVVNL,DVVNL &KESCoin the matter of "Extension of applicability of increasing the supply hours by 10% in the license area of PVVNL approved vide UPERC Order dated 22.04.2015".

The Commission scheduled a hearing in the matter on November 04, 2015 at 3.30 p.m. and informed the Petitioner vide letter no. UPERC/Secy/D(T)2015-327 dated October 19, 2015 to be present in person or duly authorized representative(s), to be able to respond the queries which may arise during the discussion to be held at the Commission's Office.

The Commission in its Tariff Order dated May 31, 2013 had approved the part recovery of the Regulatory Asset resulted on Truing-up of ARRs for FY 2000-01 to FY 2007-08 vide a Regulatory Surcharge at the rate of 3.71% which was applicable till March 31, 2014. TheCommission allowed such regulatory surcharge to be recovered only from the supply areas of DVVNL, MVVNL, PVVNL and PuVVNL.

The Commission specifically mentioned that the above recovery of revenue gap through the Regulatory Surcharge @ 3.71% approved for FY 2013-14 included only 50% of the total admitted revenue gap for the previous years (FY 2000-01 to FY 2007-08) and the balance 50% i.e. Rs. 1243.96 Crore had to be allowed to be recovered subsequently.

Further for the recovery of the balance revenue gap i.e. Rs. 1243.96 Crore the Commission in its Order dated June 6, 2014 had approved a Regulatory Surcharge of 2.84% to be recovered in two years for the four State-owned Distribution Licensees (namely DVVNL, MVVNL, PVVNL and PuVVNL) for FY 2014-15. However the Commission linked the Regulatory Surcharge applicable for FY 2015-16 with the actual Distribution Loss achieved in FY 2014-15 vis-à-vis the Distribution loss target approved by the Commission for FY 2014-15 in its Tariff Order for FY 2014-15 dated October 01, 2014.

The Commission while issuing Tariff Order for FY2014-15 dated October 01, 2014 had approved a separate Regulatory Surcharge-2 of 2.38% for DVVNL, MVVNL, PVVNL &PuVVNL and 2.23% for KESCo after Truing Up for FY 2008-09 to FY 2011-12.

Consequent to non-achievement of loss target for FY2014-15 by DVVNL, MVVNL &PuVVNL ,the Commission vide its Order dated April 22, 2015 reduced the quantum of regulatory Surcharge-1 as approved in Order dated May 31, 2013 for LMV-1 & LMV-5 category of consumers. PVVNL had estimated distribution loss for FY 2014-15 belowthe loss target approved by the Commission for which Regulatory Surcharge-1 was retained for the PVVNL. However to reward the consumers of PVVNL, in the same Order the Commission had directed PVVNL to increase the supply hours by 10% in its licensed area. The relevant extract from the said Order is reproduced below:

Quote

> *"However the consumers in the Licensee area of PVVVL are not getting any benefit in spite of the fact that the losses estimated by the Distribution Licensee for FY 2014-15 is lowest among all the Distribution Licensees and are within the level as approved by the Commission in its Tariff Order for FY 2014-15 dated October 1, 2014. In this regard the Commission is of the opinion that the Distribution Licensee viz.* ***PVVNL should reward the consumers in its Licensee area by increasing the supply hours by 10% in order to safeguard the interest of the consumers****."*

*Unquote [**Emphasis Added**]*

UPPCL vide letter dated May 06, 2015 expressed its inability to increase supply by 10% with immediate effect due to huge gap between demand & supply and acute shortage of power to meet the peak demand. At that time it was envisaged that supply position would improve by end of October, 2015 due to additional power expected from Anpara-D &Lalitpur Unit-1. Accordingly UPPCLrequested to put in abeyance the implementation of additional 10% supply order to PVVNL area till the end of October, 2015.

Considering the request made byUPPCL, the Commission vide its Order dated May 15, 2015 granted time extension up to October,2015 for supply of additional power in the license area of PVVNL.

In this Petition,UPPCL and Discoms haveintimated that due to insufficient rainfall in the State during the current year, almost drought like situation is prevailing in the entire State which has caused significant rise in the irrigation load. Further, additional generation as envisaged to become available by month of October 2015 has so far not materialized. The generation from first unit of Anpara-D TPS, due to initial teething troubles, is still not available at its full capacity. Similarly, power from Lalitpur TPS is not available to the extent expected. Full evacuation of power from Lalitpur is possible only after the 765 kV Lalitpur Agra line becomes operational. Meanwhile only the de-rated capacity is available from Lalitpur. Similarly, State is getting much less power from the central sector generating stations due to problems in some of the central sector generating stations. Also, additional power from outside the state cannot be imported because of transmission constraints.

The Petitioner further submitted that the power presently available is not sufficient to meet the present load and providing extended hours of supply to consumers of PVVNL is thus not possible for some more time.

The Petitioner has submitted that it is expectingAnpara-D TPS to stabilize by March 2016 by which time generation from 1stUnit of Bara and enhanced capacity of Unit-1 of Lalitpur will also become available. The Petitioner is also expecting to see improvement in availability from Central Sector and power from outside the State due to partial relief in transmission constraint and revision of TTC/ATC. Accordingly, the Petitioner has requested a time extension up to end of February 2016 so that PVVNL can be in a position to supply the said extra 10% power to its consumers from March, 2016.

Further, the Petitioner has submitted to have undertaken drives targeting reduction of AT&C losses thereby improving demand-supply situation in the State. In the said drives the Petitioner has strategy to reduce the AT&C losses targetedat specific towns / tehsils, so that effective results may be obtained on the on-line system, which will help converting grant into loan for RAPDRP areas. Since effective AT&C reduction is targeted at focused areas, therefore, it has requestedto increase supply to only those areas by 10% which are able to achieve targeted AT&C loss level of 23%, which was the yardstick adopted by the Commission for granting additional supply.

In the hearing dated November 04, 2015 UPPCL submitted that it would not be able to supply extra 10% power to PVVNL due to reasons as discussed in the Petition without sacrificing the present level of supply to other Discoms. UPPCL also emphasized on the problem of power evacuation and inability of the Anpara-D and Lalitpur plant to supply power in its full capacity to be major reasons for the delay. UPPCL submitted that it is hopeful of partially fulfilling the power requirement from the extra power to be made available from fist unit of Bara plant by December, 2015 in case power evacuation from Lalitpur plant didn't materialize by that time.

During the hearing, Mr.AvadheshKumar Verma, Chairman, Uttar Pradesh RajyaVidyutUpvoktaParishad (UPRVUP) expressed his displeasure towards the efforts made by the Petitioner to follow the Order of the Commission in this matter. He also submitted that frequent time extensions should not be allowed in this matter which is otherwise hampering the interest of the consumers and also shows disrespect of the Petitioner towards the Order of the Commission.

In reply to the issue raised by Mr.Verma, Director (Commercial)of UPPCL submitted that it has already started supplying 4 to 5 increased hours in the towns which have achieved a target distribution loss level of 15%.

Commission's Analysis:

The Commission does not find the argument of the Petitionertenable that the extra power could not be made available to the consumers of PVVNL only due to delay in receiving power from the Laitpur plant and transmission constraints. The reasons are following:

a.) While analysing this issue, the Commission has gone through the last year's short term energy market rates for the months of November,2014 to March, 2015 and found it to be below the rate of Rs. 3.38/ kWh, the rate at which the Petitioner had projected to purchase power from the Lalitpur plant. The short term exchange rates for November, 2014 to March, 2015 for Northern Region are listed below for reference:

Month	Average Rate (Rs./ kWh)
November, 2014	2.630
December, 2014	2.969
January, 2015	2.703
February, 2015	2.595
March,2015	2.442

(Source: http://www.iexindia.com/MarketData/AreaPrice.aspx?Area=N2)

So if not available, power could be purchased from exchange.

b.) The Petitioner during the hearing has submitted that it has already increased the supply of electricity by 4 to 5 hours in the towns which have achieved 15% of loss level. It is not clear as to why it is not able to do the same for rest of the areas in compliance of the Commission's Orders.

c.) Demand has gone during some of these months as admitted by the Petitioner in the hearing. So, this saving in power consumption could have been utilized to increase power supply to PVVNL, had the Petitioner sincerely wanted to keep its promise.

From the above it can be inferred that the Petitioner has not made sincere efforts to make the extra 10% power available to the consumers of PVVNL.

The Commission is of the definite view that the areas which have contributed to the reduction in losses should be rewarded. This will not only generate confidence in paying consumers, but also enable the licensees in achieving higher marginal revenue due to increased supply, as the through rate for these areas will improve significantly after reduction in AT&C losses. Taking into consideration the arguments put before the Commission by the stakeholders, the Commission however approves the proposal of the licensees regarding increasing the supply hours by 10% only to those areas of PVVNL which are able to achieve target AT&C loss reduction of 23%, which was the yardstick adopted by the Commission for granting additional supply.

The Commission also does not appreciate delaying implementation of additional 10% supply order to PVVNL area by October, 2015. However looking into the special request of the

Petitioner, the Commission extends the implementation date to the end of February, 2016. The Petitioner would ensure to comply the directions by this date, any further request for extension will be viewed as non-compliance of the Commission's Orders and would invite appropriate action.

With the above directions, the Petition is disposed of.

(I. B. Pandey)
Member

(Desh Deepak Verma)
Chairman

Place: Lucknow
Date: November 9th, 2015