

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

In the matter of:

Application seeking to abolish the Minimum Consumption Guarantee (MCG) on electricity connections issued for PTW in the State of Uttarakhand.

In the matter of:

Uttarakhand Power Corporation Ltd.

... Petitioner

CORAM

Shri Subhash Kumar Chairman

Date of Hearing: November 15, 2016

Date of Order: November 15, 2016

This Order relates to the Petition filed by Uttarakhand Power Corporation Ltd. (hereinafter referred to as "UPCL" or "Petitioner") seeking to abolish the Minimum Consumption Guarantee (MCG) on electricity connections issued for PTW in the State of Uttarakhand.

1. Background & Submissions

- 1.1 The Petitioner submitted a Petition dated 20.10.2016 seeking to abolish the Minimum Consumption Guarantee (MCG) on electricity connections issued for PTW in the State of Uttarakhand under Section 62 of the Electricity Act, 2003 and in accordance with UERC (Conduct of Business) Regulations, 2014.
- 1.2 The Petitioner submitted that the GoU vide its letter dated 08.09.2016 directed the Petitioner to take appropriate action towards the removal of MCG applicable for PTW connections.
- 1.3 The Petitioner further submitted that UPCL vide its letter dated 19.09.2016 had informed the GoU that the Commission vide its Tariff Order dated 05.04.2016 for FY 2016-17 held that the MCG may be abolished for RTS-4, if the Government of Uttarakhand subsidises the same.
- 1.4 The Petitioner submitted that in response to its aforesaid letter dated 19.09.2016, the GoU

vide letter dated 13.10.2016 directed the Petitioner to file a petition before the Commission seeking removal of MCG/monthly rent being paid by the farmers of District Haridwar for PTW connections.

- 1.5 Vide its Petition the licensee also submitted details of billing of electricity consumers of PTW category for FY 2015-16 which are as follows:

S. No.	Name of District	Consumer (No.)	Load (KW)	Energy Sold (MU)	Assessment (Rs. Lacs)	Collection (Rs. lacs)	Arrear (Rs. lacs)
1	Dehradun	714	4269	5.363	70.47	89.95	177.65
2	Pauri	12	61	0.039	0.33	0.00	1.43
3	Tehri	3	21	0.044	0.54	0.37	3.58
4	Haridwar	12790	68713	123.062	1337.99	967.91	3990.27
5	Nainital	571	2668	3.94	52.43	55.19	23.23
6	U. S. Nagar	14696	65633	199.156	2727.32	1624.57	6786.36
7	Champawat	55	206	0.292	4.34	0.00	15.85
Total Uttarakhand		28841	141571	331.896	4193.42	2737.99	10998.37

- 1.6 The Petitioner further submitted that as per the tariff rates applicable for PTW category consumers, Rs. 5 Crore is expected to be received from 5700 consumers under the head of MCG in FY 2016-17.
- 1.7 In light of statutory provisions and directions issued by the GoU in the matter, the Petitioner requested the Commission to abolish the MCG amount as given in RTS-4 (Private Tubewell/Pumping Sets) of the Tariff Order dated 05.04.2016 for FY 2016-17. The Petitioner further requested the Commission that this revenue gap may be adjusted in the true-up for FY 2016-17.
- 1.8 The Commission heard the Petitioner on 15.11.2016. During the hearing, the Commission asked the Petitioner as to why they intend to abolish the MCG for PTW connections since the said category is already having a cross subsidy of about -67 % in accordance with the Tariff Order issued by the Commission for FY 2016-17. In response, the Petitioner submitted that the petition was being filed in compliance to the directions issued by the GoU.

2. Commission's Views & Decisions

- 2.1 The Commission has already taken a view on this issue at Para 6.2.2.2 of the Tariff Order dated 05.04.2016 for FY 2016-17 and the same is reproduced hereunder:

“6.2.2.2 Abolition of MCG from RTS-4(Private Tube Wells)

The Petitioner submitted that it had received several representations from various farmer groups for abolishing Minimum Consumption Guarantee (MCG) from RTS-4 (Private Tube Well) category on the ground that they are not able to consume even the minimum consumption specified in the Tariff Schedule on account of various reasons like availability of water, higher ground water level, etc. The Petitioner proposed that MCG may be abolished for RTS-4, if the Government of Uttarakhand subsidises the same.”

- 2.2 The Commission also observed that the PTW category is getting supply of electricity at the lowest tariff, i.e. at 32.98% of cost of supply. Further, reduction in tariff by way of abolishing the MCG as proposed by the Petitioner shall distort the cross subsidy configuration designed during the tariff proceedings. It is the mandate of the Act and the Tariff Policy to reduce the levels of cross-subsidy and not to increase it. The proposal of UPCL to recover the shortfall of Rs. 5 Crore on account of removal of MCG charge during true up would distort the cross subsidies level approved by the Commission for FY 2016-17.
- 2.3 Moreover, Section 62 (4) of the Electricity Act, 2003 stipulates that revision in tariff cannot be carried out more than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula.
- 2.4 However, if the Government wishes to give relief to PTW consumers, by abolishing the MCG charges, it may do so by releasing the amount of Rs. 5 Crore to UPCL in advance in accordance with the provisions given in Section 65 of the Electricity Act, 2003.
- 2.5 The Commission therefore decides that the petition seeking removal of MCG for PTW connections is not maintainable and therefore is hereby dismissed.
- 2.6 Ordered accordingly.

(Subhash Kumar)
Chairman