



BEFORE

THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION,

LUCKNOW

Petition No.: 977/2014

IN THE MATTER OF:

Petition for One Time Settlement Scheme (OTS) of 100 % Surcharge Waiver for LMV-1(RURAL), LMV-2 (RURAL) and LMV-5 (RURAL) Consumers in the camps being organized between 11.11.2014 to 10-1-2015.

And

IN THE MATTER OF:

MadhayanchalVidyutVitran Nigam Ltd. (MVVNL),
PurvanchalVidyutVitran Nigam Ltd. (PuVVNL),
PaschimanchalVidyutVitran Nigam Ltd. (PVVNL),
DakshinanchalVidyutVitran Nigam Ltd. (DVVNL) &
Kanpur Electricity Supply Company Ltd.(KESCO).

..... **Petitioners**

Present

1. ShriDesh Deepak Verma, Chairman
2. Shri I. B. Pandey, Member

ORDER

A petition has been filed on 3rd Nov, 2014 by PVVNL, PuVVNL, MVVNL, DVVNL&KESCO in the above matter.

The main points in the petition are reproduced as follows:

Quote

1. *That Hon'ble Commission in the Tariff Order for the FY2014-15 dated 1st October 2014, has directed the Distribution Companies to ensure 100% metering of all consumers. The relevant Para 9.2.36 of Tariff Order is quoted below for ready reference:*

"The Commission expressing its utmost concern, accords a final opportunity to the Distribution Licensees and direct them to ensure that all their unmetered consumers get converted into metered connection by 31st March,



2015 beyond which, the Tariff for unmetered categories shall be discontinued.”

2. In the same tariff order the Commission to incentivize metering for the first time has also introduced the concept of Rs. / kilowatt/month based tariff for the rural unmetered domestic consumers. The relevant Para of the tariff order is quoted below for ready reference.

Para 11.1.8

“As detailed earlier in this Order, despite categorical provision under Electricity Act, 2003 to necessarily achieve 100% metering, large chunk of consumers are still un-metered in the State. Predominant proportion of rural consumers either in domestic category (LMV-1), commercial (LMV-2) or pump set (LMV-5) category continue to be billed under un-metered category. Further, the Tariff for unmetered domestic category of LMV-1 and unmetered commercial category of LMV-2 is linked with number of consumers and not with the load. It has been observed that the unmetered category of consumers operate unaccounted load which usually higher than 1 KW. The commission feels that unless very clear incentives and disincentives are built in the system, the vision of universal metering would remain merely a wishful and glorious intention of the legislature. The Commission in view of the same has linked the tariff for such unmetered consumer categories in (LMV-1 and LMV-2) with the contracted load which was earlier linked with number of consumer. The tariff for LMV-5 category is already linked with the load.”

Para 11.1.9

“To further, incentivize the consumers who shifts from unmetered to metered category, the Commission has allowed a rebate of 10% on Rate applicable as per the applicable tariff of metered category”

3. In the above regard it is to submit that there are around 70-75 lakhs unmetered consumers under the Discoms. Most of these consumers are in rural areas and it is a daunting task for the distribution companies to meter such large number of consumers in the short span of five to six months.
 4. Nevertheless, to ensure compliance to the direction given by the Commission and to accomplish 100% metering the distribution companies are planning to organize large scale camps in the rural areas w.e.f. 11 November, 2014. During the above camps not only the unmetered consumers will be attempted to be metered but at the same time new connections will be released and load of consumers will be checked. The purpose of the above camps therefore is also to ledgerize illegal connections and restrict unauthorized use of electricity and thus reduce AT & C losses.
-



-
5. *In the above context, it is relevant to mention that the consumers in the rural areas have faced extreme financial hardship in the current financial year due to non-receipt of payments against cane crops due to various disputes related to minimum support price and there has been a draught like situation in the state of Uttar Pradesh during the past. The present crisis has critically affected the paying capacity of farmers, who even otherwise find it difficult to maintain their sustenance thereby pulling their poor financial health further spirally downward. This has led to a situation of non-payment of electricity dues. Accordingly, such outstanding surcharge may act as a deterrent in the way of consumers coming forward to get their connection metered. Accordingly, to seriously embark on the glorious intention of metering and at the same time collect blocked revenue, if full surcharge is waived, the consumers in the rural areas may show their inclination to get their connections metered, which is probably the only way to successfully accomplish this daunting task. Hon'ble Commission will appreciate that such an enormous exercise cannot succeed unless there is a favorable public response to it.*
6. *Accordingly, the Commission is requested to allow 100% waiver of surcharge under One Time Settlement scheme as a special dispensation for the rural camps being organized between 11th November 2014 to 10th January 2015. The licensee shall not seek any other OTS in the current financial year for the categories for which surcharge waiver is being sought by way of this petition. Hon'ble Commission is further requested to allow 100% surcharge waiver without imposing the condition of commensurate compensation by way of subsidy from the state government. In this context, it is pertinent to submit before the Commission that the State Government has already over committed itself by taking huge past liability of distribution companies i.e. Rs. 15810 crores under the FRP. Further, State Government has converted loan of Rs.1901 crore into equity and funded Rs. 3932 crores against past losses. The State Government has also increased the budgetary support to the state power sector from approximately Rs. 11000 crores in Financial Year 2013-14 to Rs. 23,959.40 crores in 2014-15. Thus, the State Government has already gone overboard in maintaining the financial health of UP Power Sector, even at the cost of curtailing other important expenditure. In such a situation, any expectancy from State Government for further provision of subsidy not only looks infeasible but will also be detrimental to overall economic package of State economy. Accordingly, Hon'ble Commission is requested not to insist for requirement of subsidy towards 100% surcharge waiver to rural consumers during the camps. In any case the OTS scheme will be in the financial interest of the Distribution Companies as the companies will be recovering the blocked revenue which could otherwise get converted into bad debt.*
-



-
7. *Detailed scheme and the procedure to be followed for implementing the OTS is attached as annexure to this petition.*

Prayer

The Petitioner respectfully prays the Hon'ble Commission to:-

- a) *Allow the prayer to implement the 100% surcharge waiver scheme for LMV1 (rural area), LMV2 (rural area) and LMV5 (rural area) consumers w.e.f. 11 November 2014 to 10 January 2015 during the above camps without requirement of subsidy from the State Government.*

Issue any other orders which Hon'ble Commission may deem fit.

Unquote

The Commission Analysis:

1. The Commission in its Tariff Orders' dt. 1st October, 2014 has provided the following for OTS Schemes:

Quote

9. PROVISION RELATED TO SURCHARGE WAIVER SCHEME FOR RECOVERY OF BLOCKED ARREARS:

- (i) *The Licensee may, on a decision by its Board of Directors, launch a Surcharge Waiver Scheme (One time Settlement Scheme) beginning January and July of every year, for a period of two months each, for recovery of its blocked arrears by waving off surcharge to the extent not exceeding 50% of overall surcharge for which no approval of the Commission shall be required.*

Provided that the impact of such surcharge waiver shall not be allowed as pass through in the next ARR / Tariff or true-ups. In this regard, the Licensees would have to submit the certificate duly verified by the statutory auditor, of the surcharge waived for any previous year along with the ARR / Tariff Petition of the ensuing year.

Provided that the Surcharge Waiver Scheme (One time Settlement Scheme) shall not be applicable for the consumers, who have availed the benefit of the above scheme once in last three financial years.

- (ii) *Further, the Licensee should also ensure that all such cases of incorrect billing which are pending for more than 3 months, disputes*
-



due to delay in issuance of first bill after release of connection and delay in finalisation of permanent disconnection shall be disposed of during the period of the scheme in which it has been registered.

- (iii) Further, the Licensee shall ensure that till the finalisation of the case in the above scheme, no coercive action should be taken against the registered consumers.*
- (iv) Further, the Licensee may launch a surcharge waiver scheme without any restrictions on quantum of surcharge waiver provided the State Government provides an advance subsidy to compensate the complete /full loss of the Licensee arising out of surcharge waiver.*
- (v) The Licensees would be required to submit the full details of each Surcharge Waiver Scheme (One time Settlement Scheme) within one month from the end of the scheme.*

Unquote

2. The Commission feels that providing 100% waiver will maybe not send the right signals to the honest consumers' who pay their bills on time. However to achieve a more important, necessary and bigger objective of achieving '100% metering', the Commission as a special case allows 100% waiver only for this One Time Settlement Scheme (OTS) for LMV-1(RURAL), LMV-2 (RURAL) and LMV-5 (RURAL) Consumers for the period (11.11.2014 to 10.01.2015) provided they undertake to become metered consumers.
3. Rest of the conditions as laid down in the Commission's Tariff Orders will prevail. The arrears such waived under this scheme shall not be allowed as pass through onto consumers in future tariff or true-up exercises. Further, the Commission directs the petitioner to widely publish the said scheme and put the full details of the scheme on its websites.

The petition is disposed of.

(I. B. Pandey)
Member

(Desh Deepak Verma)
Chairman

Place: Lucknow

Date: 11th November, 2014
