

Tariff order for Tata Steel for FY 2005-06

Jharkhand State Electricity Regulatory Commission (JSERC)

SECTION 1: INTRODUCTION

1.1 About the Jharkhand State Electricity Regulatory Commission

1.1.1 The Jharkhand State Electricity Regulatory Commission (herein after referred to as the JSERC or the Commission) was established by the Government of Jharkhand under Section 17 of the Electricity Regulatory Commission Act, 1998 on August 22, 2002. The Commission became operational on April 24, 2003. The Electricity Act 2003 (hereinafter referred to as the Act or EA 2003) came into force w.e.f. June 10, 2003; and the Commission is now deemed to have been constituted and functioning under the provisions of the Act.

1.2 Functions of the JSERC

1.2.1 The Commission is guided by Section 86 of the Act, which enunciates the functions of the State Electricity Regulatory Commissions. Section 86 of the Act states the following:

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86. **Functions of the State Commission.** – (1) The State Commission shall discharge the following functions, namely:-

- (a) determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be within the State:

Provided that where open access has been permitted to a category of consumers under Section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;

- (b) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- (c) facilitate intra-state transmission and wheeling of electricity;
- (d) issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
- (e) promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;
- (f) adjudicate upon the disputes between the licensees, and generating companies and to refer any dispute for arbitration;
- (g) levy fee for the purposes of this Act;
- (h) specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of section 79;
- (i) specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
- (j) fix the trading margin in the intra-State trading of electricity, if considered, necessary and
- (k) discharge such other functions as may be assigned to it under this Act.

(2) The State Commission shall advise the State Government on all or any of the following matters, namely:-

- (i) promotion of competition, efficiency and economy in activities of the electricity industry;
- (ii) promotion of investment in electricity industry;
- (iii) reorganization and restructuring of electricity industry in the State;
- (iv) matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by that Government.

- 3) The State Commission shall ensure transparency while exercising its powers and discharging its functions.
- 4) In discharge of its functions, the State Commission shall be guided by the National Electricity Policy, National Electricity Plan and tariff policy published under section 3.

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1.3 While determining tariff for the township of Jamshedpur for FY 2005-06, the Commission has taken into consideration the following:

- (a) Provisions of Section 86 of the Act,
- (b) Provisions of the National Electricity Policy, and
- (c) Principles laid down in the JSERC (Terms and Conditions for Determining Distribution Tariff), Regulations, 2004 (Annex 1.1)

1.3.1 National Electricity Policy:

The National Electricity Policy (herein after referred to as the NEP) was announced in February 2005 by the Central Government. The policy aims to achieve the following objectives in the next five years:

- Access to Electricity - Available for all households in next five years
- Availability of Power - Demand to be fully met by 2012. Energy and peaking shortages to be overcome and adequate spinning reserve to be available.
- Supply of Reliable and Quality Power of specified standards in an efficient manner and at reasonable rates.
- Per capita availability of electricity to be increased to over 1000 units by 2012.
- Minimum lifeline consumption of 1 unit/household/day as a merit good by year 2012.
- Financial Turnaround and Commercial Viability of Electricity Sector.
- Protection of consumers' interests.

Some of the important provisions of the NEP with regard to determination of tariffs are given below:

Section 5.8.3

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Capital is scarce. Private sector will have multiple options for investments. Return on investment will therefore,

need to be provided in a manner that the sector is able to attract adequate investments at par with, if not in preference to, investment opportunities in other sectors. This would obviously be based on a clear understanding and evaluation of opportunities and risks. An appropriate balance will have to be maintained between the interests of consumers and the need for investments.

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Section 5.8.5

Quote

Competition will bring significant benefits to consumers, in which case, it is competition that will determine the price rather than any cost plus exercise on the basis of operating norms and parameters. All efforts will need to be made to bring the power industry to this situation as early as possible, in the overall interest of consumers. Detailed guidelines for competitive bidding as stipulated in section 63 of the Act have been issued by the Central Government.

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Section 5.4.4

Quote

MYT framework is an important structural incentive to minimize risks for utilities and consumers, promote efficiency and rapid reduction of system losses. It would serve public interest through economic efficiency and improved service quality. It would also bring greater predictability to consumer tariffs by restricting tariff adjustments to known indicators such as power purchase prices and inflation indices.

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1.4 About Tata Steel

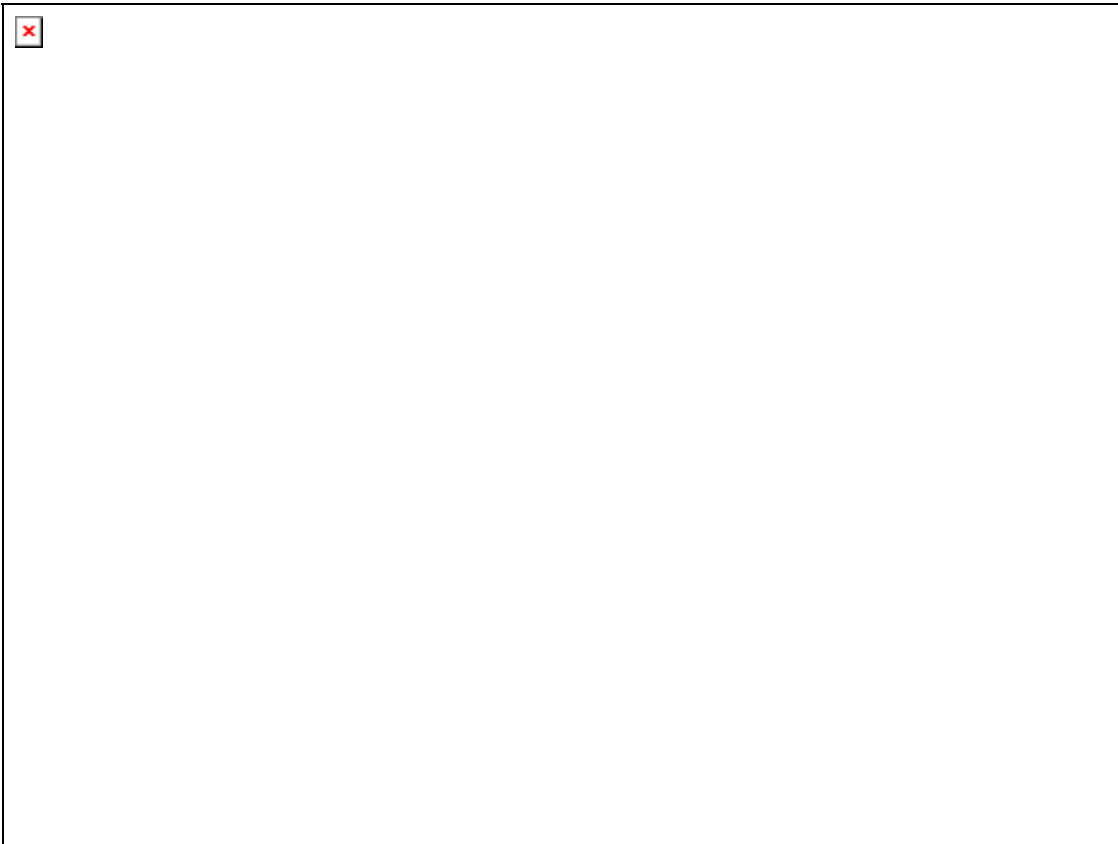
1.4.1 Tata Steel (formerly known as Tata Iron and Steel Company Limited – TISCO) is the sanction holder of power supply in Jamshedpur and it has been managing the electricity distribution system in its licensed area since 1923. This sanction was granted under section 28(1) of the erstwhile Indian Electricity Act, 1910. Post enactment of EA 2003, the Company has been permitted to continue as a distribution licensee vide JSERC order issued on January 12, 2006. Tata Steel had filed the petition before the Commission for Distribution License was filed on December 24, 2003. In the absence of Regulations and in view of provisions of Section

14 proviso one and Section 172(b) of the EA 03, the Commission by order dated March 24, 2004 ordered the applicant to continue to operate under the provisions of the repealed laws. After notification of Regulation, action for issue of license was initiated and finally the license has been issued on 12th January 2006 giving effect from March 24, 2004. The area of license is the area bounded by the following:

- i) North: River Subarnarekha
- ii) South: Tracks of South Eastern Railways
- iii) West: River Kharkai
- iv) East: Eastern boundaries of Mouza Jojobera and Nildhand.

The map below gives the Jamshedpur power distribution area.

Map 1: Jamshedpur power distribution area



1.5 Tariff filing by Tata Steel for FY 2005-06

Tata Steel is the distribution licensee for the supply of power in Jamshedpur. Within Tata Steel, the distribution system is being managed by Power Business Division (PBD) of Jamshedpur Utility and Services Company (JUSCO), a wholly owned subsidiary of Tata Steel on behalf of Tata Steel.

1.5.1 Procedural Background

The petitioner filed the proposal (Case No.02/ 2005-06) for approval of its Annual Revenue Requirement (ARR) and determination of tariff for FY 2005-06 on May 27, 2005. The Commission undertook a detailed examination of the filing, and identified major data gaps and important information requirements, which were then communicated to the petitioner for their response. The Commission also interacted with the petitioner at the Commission's office in Ranchi, and visited Jamshedpur to look into the functioning of existing distribution system. In view of the data gaps highlighted in the tariff filing, the petitioner submitted a revised version of its petition on September 3, 2005, which was accepted by the Commission on October 6, 2005 after a detailed review of the same. The petitioner issued a public notice on October 9 & 10, 2005 in the leading dailies of Jharkhand to elicit consumers' views on the proposed tariffs for FY 2005-06.

1.6 Submission of Objections and conduct of public hearing

1.6.1 The Commission issued a public notice on November 29, 2005 inviting objections / suggestions on the tariff proposal filed by the petitioner for FY 2005-06. This notice was issued in newspapers as listed in Table 1.1.

Table 1.1: Public notice for inviting objections / suggestions

S NO	Name of the daily	Language
1	Aaj	Hindi
2	Prabhat Khabar	Hindi
3	Hindustan	Hindi
4	Ranchi Express	Hindi
5	Dainik Jagran	Hindi
6	Uditbani	Hindi
7	Hindustan Times	English
8	Farooqui Tanzeem	Urdu

The Commission conducted a public hearing on December 20, 2005 at Jamshedpur, which was attended by all the members of the Commission, representatives of the petitioner, and the consumers.