

Tariff order for Tata Steel for FY 2005-06

Jharkhand State Electricity Regulatory Commission (JSERC)

SECTION 6 : DIRECTIVES

- 6.1 The Commission has given a number of directives in various Sections of this order. These have been compiled and reproduced in this Section for easy reference.
- 6.2 Separation of Accounts**
- 6.2.1** As discussed in Section 4, in the proposed revenue requirement for FY 2005-06, the petitioner has excluded the cost of power purchase for Steel Works and projected the revenue requirement only for township consumption. The Commission maintains that Steel works shall be treated like any other industrial consumer category, and its tariff shall be determined in line with the prevailing regulations as long as it continues to draw power from distribution licensee.
- 6.2.2 The petitioner leverages upon other functions such as human resources, purchase, and stores etc. of the Steel works to manage its distribution business efficiently; and is allocating the costs on pro-rata basis on the distribution supply business.
- 6.2.3 However, absence of separate audited accounts of the Power Business Division has constrained the Commission to review the nature of transaction between the petitioner and the Steel Works and to hence treat the Steel Works as consumer for FY 2005-06.
- 6.2.4 As per the provisions under Section 51 of the Act, a distribution licensee has to maintain separate accounts for each business so as to ensure that the power supply business does not subsidizes or burdens its distribution assets to support other business activities of the licensee.

6.2.5 However, the Commission directs the petitioner to separate the accounts of its Power Business Division from any other Business including Steel Works within six months from the date of issue of this order. This shall take note of the energy supplied to Steel works as well. Also, the petitioner shall undertake proper assessment of the Steel works' resources being utilised for supplying power to the township, especially the distribution network for determination of appropriate wheeling charges. The petitioner shall also make appropriate arrangements to treat Steel Works as a consumer and propose a corresponding tariff for the same within six months of the issue of this order. All the above-mentioned information shall be submitted to the Commission for its consideration.

6.3 Power Purchase Agreement with DVC

6.3.1 The petitioner has an agreement with the DVC for supply of power at 132 kV in the form of contracted demand to the tune of 85 MVA. The agreement came into effect on April 1, 2001 and is valid for 5 years.

6.3.2 The petitioner maintains that it has to enter into a new agreement with DVC after every five years. The new contract shall therefore be entered into on April 1, 2006. In this context, the Commission brings to the notice of the petitioner Section 86 (1) of the Act, which among other functions of the Commission states the following:

Quote

The State Commission shall discharge the following functions, namely:

(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;

Unquote

6.3.3 Accordingly, the Commission directs the petitioner to attain prior approval of the Commission for any new agreement entered into by the petitioner for purchase of power from DVC or any other source.

6.4 Merit Order

6.4.1 Given the significant difference between the variable costs of the existing power purchase sources, the Commission directs the petitioner that energy scheduled from different sources shall strictly adhere to the principle of merit order based on variable cost.

6.4.2 Pending revision of the generation tariff of DVC by CERC, the variable cost of procurement from TPCL being

lower than DVC, the petitioner shall maximize its purchase from TPCL. The purchase from DVC shall be made only to cover the gap between demand and TPCL's supply, especially when TPCL's units are shut down for annual maintenance and washout. Further, any revision that may occur in the cost of power purchase from DVC due to CERC's order, it shall duly be factored into while applying the merit order.

6.5 Cost of supply

6.5.1 The Commission directs the petitioner to undertake cost of supply study and submit the progress in this regard to the Commission in 6 months from the date of issue of this order.

6.6 Energy Audit and GIS Mapping

6.6.1 The Commission has approved, one-time expenditure of Rs. 2 crores towards energy audit and GIS mapping proposed to be undertaken by the petitioner in FY 2005-06 as a part of Administration and General expenses. In this regard, the Commission directs the petitioner to submit the progress made and the status report every quarter starting April-June 2006.

6.7 Data on connected load

6.7.1 The Commission directs the petitioner to collect and maintain data on category wise and slab wise connected load for all consumer categories.

6.8 Data on consumption by various consumer categories at different times of the day

6.8.1 The Commission directs Tata Steel to collect information on the demand from various consumer categories at different times of the day as well as on consumption of energy during these intervals. The petitioner should also undertake a study to estimate the cost implications of metering at sub-station level and consumer level to be able to effectively implement ToU tariff regime. This would facilitate design of a rational ToU charge and based on this the Commission would take a view in the next tariff order.

6.9 Data on the revenue implications of minimum consumption charge

6.9.1 The Commission directs the petitioner to collect and submit data on the revenue collected from minimum consumption charge for the various categories.

6.10 Capital investments by the petitioner

6.10.1 The Commission directs the petitioner to submit its capital investment plans to be undertaken in future along with their cost benefit analysis for the approval of the Commission.

6.11 Revenue Surplus :

6.11.1 The Commission have allowed a revenue surplus of rs 23.51 crores. The Licensee should approach the Commission with justification for its utilization.