

## **SECTION 1: INTRODUCTION**

### **1.1 About Jharkhand State Electricity Regulatory Commission**

1.1.1 The Jharkhand State Electricity Regulatory Commission (hereinafter 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, vide the Department of Energy Notification No. 1763 dated August 22, 2002. The Commission became operational on April 24, 2003. The Electricity Act 2003 (hereinafter referred to as the Act or EA 03) 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:

#### *Quote*

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 National Tariff Policy published under section 3.

*Unquote*

**1.3 While determining tariff for the Jharkhand State Electricity Board (JSEB) for FY 2006-07, JSERC has taken into consideration the following:**

- (a) Provisions of Section 86 of the Act,
- (b) Provisions of the National Electricity Policy,
- (c) Provisions of the National Tariff Policy, and

- (d) Principles laid down in the JSERC (Terms and Conditions for Determining Distribution Tariff), Regulations, 2004.
- (e) Principles laid down in the JSERC (Terms and Conditions for Determination of Thermal Generation Tariff) Regulations, 2004.

### 1.3.1 **National Electricity Policy:**

The National Electricity Policy (hereinafter 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**

##### *Quote*

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.

*Unquote*

#### **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.

*Unquote*

**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.

*Unquote*

**1.3.2 National Tariff Policy:**

The National Tariff Policy (hereinafter referred to as the NTP) as brought out by the GoI in compliance with Section 3 of the Electricity Act 2003. The objective of the Tariff Policy is to:

- Ensure availability of electricity to consumers at reasonable and competitive rates.
- Ensure financial viability of the sector and attract investments.
- Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks
- Promote competition, efficiency in operations and improvement in quality of supply.

With the view of meeting these objectives, the NTP lays down a framework for performance based cost of service regulation in respect of aspects common to generation, transmission and distribution. (Section 5.3)

**1.4 About Jharkhand State Electricity Board**

1.4.1 Jharkhand State Electricity Board (JSEB or Board) was constituted on March 10, 2001 under the Electricity (Supply) Act, 1948 as a result of the

bifurcation of the erstwhile State of Bihar. Before that, the Bihar State Electricity Board (BSEB) was the predominant entity entrusted with the task of generating, transmitting and supplying power in the State.

- 1.4.2 The Board is a vertically integrated entity, which incorporates Generation, Transmission and Distribution functions. The Board owns two power plants; Patratu Thermal Power Station of 840 MW (derated capacity of 770 MW) and Sikidri Hydel Power Station of 130 MW.
- 1.4.3 The Board also constructs and maintains its transmission and distribution system for providing efficient services to the various categories of electricity consumers in the state. The State government has extended the deadline for the restructuring of the Board and has maintained that the Board to be allowed to function as a state transmission utility and distribution licensee till 30<sup>th</sup> September 2007.

### **1.5 Tariff related regulations and guidelines issued by JSERC related to tariff**

- 1.5.1 The regulations and guidelines issued by the Commission since its inception are:
- 1.5.2 **JSERC (Conduct of Business Regulations) Order, 2003:** - These regulations were notified on July 10, 2003. These describe the legal and institutional set up under which the Commission would function.
- 1.5.3 **JSERC (Terms and Conditions for Distribution Tariff) Regulations, 2004:** - These regulations were notified on 21<sup>st</sup> September 2004. These regulations provide the framework for the determination of distribution tariff. This framework considers various parameters like energy loss, various components of revenue requirement, transmission and wheeling charges, provision for bad and doubtful debts and etc.
- 1.5.4 **JSERC (Terms and Conditions for Determination of Thermal Generation Tariff) Regulations, 2004:** - These regulations were issued on 11<sup>th</sup> August 2004. These regulations detail out the terms and condition of the determination of cost based tariff by the Commission.
- 1.5.5 **JSERC (Guidelines for Establishment of Forum for Redressal of Grievances of the Consumers and Electricity Ombudsman) Regulation, 2005:** - These regulations were issued on 6<sup>th</sup> April 2005. These regulations describe the scope,

working and procedure of filing the complaints with the consumer forums. These also describe the manner in which the complaints will be redressed.

- 1.5.6 **JSERC (Miscellaneous Order) 2003:** - These regulations were notified on 18<sup>th</sup> August 2003. These describe the miscellaneous provisions related to the filing of the petition including the fee that would be charged for the same.
- 1.5.7 **JSERC (State Advisory Committee) Regulations, 2003:** - These regulations were notified on 19<sup>th</sup> October 2003. These details out the process of formation, objectives, members and the provisions on conduct of business by the State Advisory Committee.
- 1.5.8 **JSERC (Distribution Licensees' Standards of Performance), Regulations, 2005:** - These regulations were published on 17<sup>th</sup> August 2005. These provide the desired standards of performance from distribution licensees regarding the restoration of power supply, quality of power supply, grant of new connections and etc.
- 1.5.9 **JSERC (Terms and conditions of tariff determination, Multi Year Tariff framework) Regulations, 2007** - These regulations are in the process of notification. These regulations details out the terms and conditions for determination of multi year tariff and conditions in the generation, transmission and distribution segments.

## **1.6 Tariff orders issued by the Commission**

- 1.6.1 The Tariff orders issued by the Commission since its inception have been summarized in Table 1.1.

**Table 1.1 Tariff orders issued by the Commission**

<b>S No.</b>	<b>Description</b>	<b>Date</b>
1	Tariff order FY 2005-06 for Tenughat Vidyut Nigam Limited (TVNL)	30 <sup>th</sup> March 2006
2	Tariff order FY 2005-06 for Tata Steel	30 <sup>th</sup> March 2006
3	Tariff order FY 2004-2005 for TVNL	23 <sup>rd</sup> August 2004
4	Tariff order FY 2003-2004 for JSEB	27 <sup>th</sup> December 2003

### **1.7 Tariff filing by JSEB for FY 2006-07**

1.7.1 The Board is a vertically integrated utility operating in generation, transmission and distribution of electricity in the State of Jharkhand. As per the provision of JSERC (Terms and Condition for Distribution Tariff) Regulation 2004; the Board filed a petition (case No.02/ 2006-07) for determination of the Annual Revenue Requirement and fixation of tariff for FY 2006-07 on 1<sup>st</sup> August 2006. However, the Commission vide its order dated 2<sup>nd</sup> August 2006 returned the petition citing the reason that as per the orders of the Government of Jharkhand and Government of India, JSEB has been allowed to function as State Transmission Utility (STU) and a licensee; whereas the Board in its petition mentioned that it was a 'Statutory body' engaged in electricity generation, transmission and distribution. The Commission further stated that the Board was also to be restructured in three entities, i.e., Generation, Transmission and Distribution companies apart from the Holding Company. The Board was thus asked to file a revised petition separately for Generation, Transmission and Distribution. Subsequently the Board filed the revised tariff petition for FY 2006-07 on 31<sup>st</sup> August 2006.

1.7.2 This was accompanied with the provisional accounts for FY 2001-02, FY 2002-03, FY 2003-04, FY 2004-05, FY 2005-06 and financial statements (revised/budgetary estimate) for FY 2006-07. However, none of the accounts were audited.

1.7.3 The Commission after reviewing the revised petition asked the Board on 4<sup>th</sup> January, 2007 to notify the petition inviting objections /suggestions from public the clearance of the proposal was conditional subject to its accounting figures verified by the Commission. The Board issued public notices on 16<sup>th</sup> and 19<sup>th</sup> January, 2007 in the leading newspapers of Jharkhand to elicit consumers' views on the proposed tariffs for FY 2006-07. A period of thirty days was provided to the consumers for submitting the objections/suggestions. The details of public notice have been listed in Table 1.2

**Table 1.2 Public notice for inviting objections / suggestions**

<b>Sl. No.</b>	<b>Name of Daily</b>	<b>Language</b>
1	Aaj	Hindi
2	Prabhat Khabar	Hindi

Sl. No.	Name of Daily	Language
3	Dainik Jagran	Hindi
4	Ranchi Express	Hindi
5	Hindustan	Hindi
6	Hindustan Times	English
7	Udit Vani	Hindi
8	Farooqui Tanzeem	Urdu
9	Quami Tanzeem	Urdu

### **1.8 Submission of objections and conduct of public hearing**

1.8.1 The Commission received a total of fifty-nine objections. These objections have been considered by the Commission and are discussed in later part of this order. The Commission conducted six public hearings in the different parts of the State, which were attended by Members of the Commission, representatives of the Board, and consumers. The details of public hearings held are summarized in Table 1.3.

**Table 1.3 Detail of public hearing**

<b>S. No.</b>	<b>Name of Place</b>	<b>Date</b>	<b>Timing</b>
1	Chaibasa (West Singhbhum)	10th March 2007	10.30 a.m.
2	Daltonganj (Palamau)	11th March 2007	12.30 p.m.
3	Dhanbad	17th March 2007	10.30 a.m.
4	Dumka	18th March 2007	11.30 a.m.
5	Hazaribagh	24th March 2007	11.30 a.m.
6	Ranchi	25th March 2007	11.30 a.m.

1.8.2 A list of the objectors who submitted written objections is given in Annexure 1 at page 190.