SECTION 3: SUMMARY OF THE PROCEEDINGS OF THE PUBLIC HEARING

3.1 JSERC invited views, suggestions, comments and objections on the petition submitted by the Board for approval of its Annual Revenue Requirement (ARR) and determination of tariff for FY 2006-07. The Commission received a total of 21(twenty one) objections. Further, the Commission conducted six public hearings each at Chaibasa, Dumka, Hazaribagh, Dhanbad, Daltonganj and Ranchi. The list of persons who attended the public hearings is given in Annexure 2 at page 192. The Commission would like to highlight that for the first time the public hearing process witnessed active participation from rural consumers at all places.

3.2 The Commission has carefully examined the views, suggestions, comments, and objections, which forms an integral part of the overall process of tariff determination. This section summarizes the major views, suggestions, comments and objections including the ones raised in the public hearings. They have been grouped together according to their nature.

3.3 **Tariff determination process**

Consumers have objected to the tariff determination processes that have been followed. As stated by them, section 64 (3) of the Act does not refer to any provision, which deals with the filing of revised petition. However, the Board submitted the revised petition only after the Commission's intervention as the earlier tariff petition submitted by the Board had inadequate information. Consumers stated that the Board did not file the tariff petition for FY 2004-05 and FY 2005-06, which has deprived consumers of the benefits accruing to them to due to the progressive improvements in performance parameters for achieving the minimum acceptable norms as laid by the Commission. Further, consumers expressed that the petition is in violation of observations and directions made by the Commission to the Board vide Tariff order for FY 2003-04 and JSERC (Terms and Condition of Distribution Tariff) Rules, issued by the Commission vide notification no. JSERC/405 dated 20th September 2004. The tariff petition lacks information and data specified therein for computation of various costs and revenue requirement.

3.3.1 **JSEB's rejoinder**

The Board submitted that the annual revenue requirement and tariff petition for FY 2006-07 is as per the requirement of Electricity Act 2003, and in no way violates any provision of the Act. The proposed distribution tariff is as per the provision of the JSERC (Terms and Condition of Distribution Tariff) Rules. Further, filling of the tariff petition for FY 2004-05 and FY 2005-06 would not have resulted in a lower tariff, as there has been an increase in all the cost parameters, which is evident from the ARR estimates for these years, as projected in the tariff petition. The truing up of cost for FY 2004-05 and FY 2005-06 has been put forward in the tariff proposal for FY 2006-07. The Board has been trying hard to improve on its inefficiency, which it maintains has been inherited from erstwhile BSEB through bifurcation and cannot be done away very easily. However, as a step forward efficiency gain from 3.5% reduction in T&D losses every year from now on has been proposed in this tariff petition. The Board feels that tariff petition is well supported by appropriate information and data. However, if the Commission feels that the information and data submitted is inadequate, the Board will readily provide all the relevant data till the issuance of the Tariff Order.

3.3.2 **Commission's View**

The Commission agrees with the consumers that the Board should have filled the tariff petition for FY 2004-05 and FY 2005-06. Non-filling of the tariff petition for the intermediate period represents an unprofessional attitude of the Board. Moreover the tariff petition for FY 2006-07 does not contain adequate information for undertaking meaningful analysis. Further, the Commission observed that the additional information furnished by the Board and information given in tariff petition are highly inconsistent. This clearly represents a gross mismanagement at the Board's end. Hence, under the given conditions the Commission has proceeded on the basis of assumptions, wherever applicable. These assumptions are spelt out in various sections of the Tariff Order.

3.4 **Restructuring of JSEB**

Consumers opined the losses of the Board due to inefficient working of its generation and transmission function are passed to them. Further, they felt that this is due to the monolithic structure of the Board. They expressed that the tariff petition should have been considered after the un-bundling of the Board, which would have removed this inefficiency.

3.4.1 **JSEB's rejoinder**

The Board has provided no written response against the above stated objections.

3.4.2 **Commission's View**

Restructuring of the Board as per provision of the Act, is to be notified by the Government of Jharkhand. Presently Government has allowed the Board to function as a STU and a licensee under Act up to 30th September, 2007. Keeping this in view the Commission has decided to determine the tariff for Generation, Transmission and Distribution functions of the Board.

3.5 **Audited Accounts**

Consumers stated that the tariff petition for FY 2006-07 is not accompanied with the Annual Accounts for the previous years. The Board needs to provide the audited Accounts for the previous years as well.

3.5.1 **JSEB's rejoinder**

The Board has provided no written response against the above stated objections.

3.5.2 **Commission's View**

The Commission is deeply concerned with the fact that the Board does not have audited annual accounts from FY 2001-02 onwards. The Commission appointed a Chartered Accountant (CA) for validating the unaudited accounts at its own end. Scrutiny of the accounts leads to totally different set of data. This has been highlighted in detail in the following sections of this tariff order. Further, in the absence of reliable and authentic data and information the Commission has based its analysis on the previous tariff order. The Commission has also incorporated the information from other authentic sources like MoP, CERC and CEA where ever necessary.

3.6 **Sales Forecast**

Consumers have objected that energy requirement projected by the Board in the tariff petition reflects the same deficiencies as pointed out by the Commission back in tariff order FY 2003-04 (paragraph 4.08 to 4.23). Moreover, the energy requirement has not been computed in accordance with section 4 of JSERC (Terms and Condition of Distribution Tariff) Rules. Further, category wise sales, connected load and number of consumers' category wise (all in actual) for the first nine month of FY 2006-07 are missing. Changes in number of consumers under the various slabs of domestic category have also not been provided.

3.6.1 **JSEB's rejoinder**

The Board has submitted that the basis of sales forecast has already been described in the tariff petition for FY 2006-07. Forecasted sales have been based on past three years CAGR. All the estimates and projections have been made based on best available data with the Board. However, the data on category wise sales, connected load, number of consumers category wise (all in actual) for first nine months of FY 2006-07 is not available with the Board.

3.6.2 **Commission's View**

Though the Commission had highlighted the issue of data inadequacy, which hampers estimation of accurate demand, in the previous tariff order, the same conditions still persist. The Commission is of the view that the Board needs to compile information about the demand for various consumer categories at different times of day as well as energy consumption during various intervals so that the short and long term peak energy requirement can be determined accurately. However, the above information was completely missing in the tariff petition for FY 2006-07. In absence of detailed information on the above and presence of large unmetered consumption, which makes sales estimation even difficult, the Commission undertook an exercise to estimate sales based on sales approved in previous tariff order and CAGR of actual sales between FY 2000-01 and FY 2003-04. The total level of sales worked out by Commission was quite close to that proposed by the Board. Hence for FY 2006-07, the Commission approved the sales proposed by the Board. This is discussed in detail in Section 5. **At the same time, the Commission directs the Board to immediately start compiling the above-discussed data on slab wise and category wise sales, consumers and connected load.**

3.7 **Own generation**

Consumers stated that as per the tariff order for FY 2003-04, the Commission approved a PLF of 27% and auxiliary consumption of 13% for PTPS. However, the Board has proposed a PLF of 10.50% and an auxiliary consumption of 16% in the tariff petition for FY 2006-07. This clearly proves that instead of any improvement in the efficiency of PTPS the same has deteriorated badly. This is complete disregard of the directions issued by the Commission as per the previous tariff order. Consumers also stated that the Board has proposed a station heat rate of 4230 kCal/kWh and specific oil consumption of 25ml/kWh and coal transit losses at 4%, which are much higher than the normative parameters, approved by the Commission. Further, the consumers also mentioned that based on the proposed parameters the cost of PTPS power comes around Rs. 6 per unit which is superfluously high. Such high inefficient cost should not be allowed to pass on to the consumers.

SHPS is the least cost power source available to the Board. However, the Board has estimated generation of 145 MU from SHPS, which implies a plant load factor of only 20%. Hence, the Board should take steps to enhance the generation from SHPS and to optimally exploit this cheap source of power.

3.7.1 **JSEB's rejoinder**

The Board has submitted that out of the total 10 numbers of units existing in PTPS only unit 1 and unit 2 are working. Unit 9 and Unit 10 that were generating power have been damaged due to fire in the plant while remaining units are under restoration work. They will start generating once the restoration work is completed. Various steps have been taken to start up all Units of PTPS so that the benefits could be passed on to the consumers. The Board expects that Unit 6 and 7 shall start generation by April 2007, thus generating on a capacity of 150 MW. However, Unit 9 and 10 shall come up by 2008 taking up the capacity to 300 MW. The Board inherited PTPS with poor performance on key parameters like PLF, SHR and auxiliary consumption from the erstwhile BSEB. This problem gets further multiplied due to the aging equipments, which have resulted into higher fuel consumption and high variable cost.

The Board has already stated in the tariff petition that water reservoir for hydel plant also caters to the drinking water requirement of Ranchi. This makes operation of hydel plant dependent on the drinking water requirement of the city, which have risen from 50-acre ft to 150-acre ft. This has restricted the Board from operating the plant to its full capacity. Further due to heavy silting in the reservoir, it is sometimes difficult to operate the plant.

3.7.2 **Commission's View**

The Commission's approach in dealing with own generation from PTPS and SHPS is discussed in detail in Section 5 of this order.

3.8 **T&D loss**

Consumers objected that tariff petition does not provide data and information required under paragraph 5.3 and 5.4, as per the JSERC (Terms and Condition for Distribution Tariff) Rules, for determination of T&D losses. As per tariff order for FY 2003-04, the Commission approved a T&D loss level of 42.66% for FY 2003-4, which marked a 5% reduction over the previous year. In continuation to this, consumers opined that same rate of reduction in T&D losses needs to be approved till such time the maximum acceptable energy loss is achieved, starting from FY 2003-04. Further, consumers stated that energy loss for supplying at varying voltage levels differs. Hence, a mechanism needs to be adopted for providing cost advantage for higher voltage supply, which will be in accordance with the principles of cost based tariff.

3.8.1 JSEB's rejoinder

The Board submitted that T&D losses are at same level as they were in first tariff application by them. During FY 2006-07 the average line losses at 132 kV were 4.30% and losses at 33 kV were 4.88%. However, the losses in 11 kV and at lower voltages cannot be calculated at this stage as the process of installing meters on Distribution Transformers is under process. Once the metering is completed the process of accounting of energy will be undertaken.

It further submitted that the reduction of T&D losses requires major efforts, which need to be supported by consumers by proactively reporting the theft and discouraging it by public promotion. Cooperation from State government in matter of establishing special police station and special courts as provided for in the Act is also required. The Board has taken many steps for reducing T&D losses like conducting raids against several big installations, lodging FIRs against the HT consumers found indulging in theft of electricity and conducting raids in different areas for gauging difference in consumption levels recorded for FY 2006-07 against the actual level. It submitted that it has constituted a task force for assessing the high level T&D loss. The task force visits the premises of consumer and inspects meter and metering units.

3.8.2 Commission's View

The Commission's view on the level of T&D loss FY 2006-07 and efforts made by the Board in reducing the same is discussed in Section 5 of this order.

3.9 Power purchase requirement

Consumers stated that the Commission had laid guidelines whereby merit order dispatch needs to be followed for the determination of power purchase cost. However, the petition is deficient in this regard. Further, the currently proposed power purchase from different sources is without any details of weightage for contractual obligations and/or technical constraints. The power from TVNL is one of the cheapest, keeping this in view, consumers cited the observations of the Commission made in the tariff order for FY 2003-04, according to which full capacity evacuation from TVNL was to be streamlined by the Board by December 2003. However, as per the tariff petition, these deficiencies still exist. Further, consumer opined that approved tariff for TVNL as per the tariff order for TVNL for 2005-06, needs to be the basis for power purchase cost calculation.

3.9.1 **JSEB's rejoinder**

The Board submitted that the power purchase requirement of the Board if disallowed would leave no other option with the Board but to resort to higher load shedding. The power purchase cost incurred by the Board is on account of increasing sales requirement, high T&D loss and theft by consumers. The Board has been facing shortage of power for which it has to resort to power purchase. In a shortage situation, merit order dispatch is automatically followed, as there is no choice of rejecting any power due to high cost. Work on evacuation of power from TVNL is being attempted at war footing, but till the time evacuation system is not created the Board has to face the constraint. The power purchase requirement and cost of power purchase have been submitted for consideration to the Commission on which the Commission may take an appropriate view and issue an order.

3.9.2 **Commission's View**

The Commission's view and approach in dealing with the above is given in detail in Section 5 of this order. The Commission wants to highlight that Board's proposal to sell 400 MU in UI sale cannot be accepted especially when it is resorting to load shedding in the state. In addition, at several occasions Board has itself stated that there is lack transmission capacity to evacuate power from TVNL, which further goes against the proposed sale transaction by the Board.

3.10 **Employee cost**

Consumers stated that, as per the tariff order for FY 2003-04, the Commission outlined the number of consumers per employee, which stood at one of the worst in the country. Moreover, details regarding the number of employees and action taken by the Board to improve employee output have not been made available in the petition. Further, the proposed employee cost of Rs. 272.84 Crore is abruptly high and need not to be allowed. The Board has proposed an amount of Rs. 60 Crore, i.e. about 37.5% of its total salaries, to be allowed as pension corpus for

FY 2006-07. However, the Board has not provided a rational basis for the same. Further, the petition is totally silent on the capitalization policy being followed for capitalization of the employee cost. This reflects the casual nature and approach of the board.

3.10.1 **JSEB's rejoinder**

The Board submitted that the proposed employee cost includes a provision of Rs 60 Crore towards the pension corpus fund. However, if this is excluded the rise in employee cost has been about 14%. These provisions have been created in the budget of the Board with corresponding cost being estimated. As a standard practice in all sectors, pension trusts have been created by the utilities to service the pension funding liabilities of employees. However, in present power sector scenario all utilities are accepting these liabilities which need to be approved by the appropriate the Commission. For example, Chhattisgarh State Electricity Board (CSEB) contributed Rs 200 Crore for gratuity and pension fund in FY 2005-06. Further, Chhattisgarh State Electricity Regulatory Commission (CSERC) vide its tariff order FY 2006-07 approved an amount of Rs. 175 Crore for gratuity and pension fund for FY 2006-07. Under these circumstances the Board cannot afford to ignore the liabilities of pension fund as there is no other funding arrangement and it has to be honored through its own revenue earning.

The policy laid down for allocation of employee cost of capital work as per the Electricity (Supply) Annual Accounting Rules, 1985 has not been followed, as the Board has no arrangements to segregate the share of establishment cost between capital and O&M activities. Hence, under these limitations the Board decided that after deducting the amount of terminal benefits and audit fee, and other annual payments, 12% of establishment and overhead expenses to be booked under capital head and remaining 88% under O&M heads. The same philosophy has been followed while capitalizing the A&G cost.

3.10.2 **Commission's View**

The Commission's view and approach for finalization of employee cost is given in detail in Section 5 of this order.

3.11 **Administrative & General cost**

Consumers stated that A&G expenses for FY 2005-06 have been proposed at Rs. 43.36 Crore, which are very high in comparison to Rs 27.03 Crore that have been proposed for FY 2004-05. Further, proposed A&G cost of Rs. 45.03 Crore for FY 2006-07 has not been computed as per section 8 of JSERC (Terms and Condition of Distribution Tariff) Rules. Consumers opined that such a hefty increase reflects the fixation of priorities and commitments towards improvement in efficiency. However, the Boards performance is no way near to the minimum performance norms as established by the Commission. Further, the expenses under “Pvt. Security Guard/Home Guard” head have been increased from Rs 2.12 Crore in FY 2004-05 to Rs. 12.83 Crore in FY 20006-07, which needs to be explained.

3.11.1 **JSEB’s rejoinder**

The Board has submitted that the proposed A&G expenses have been based on the budget, which estimates the expenditure of the Board in advance. Further, the different cost element like R&M, A&G cost etc. as mentioned in tariff petition have been apportioned based on this budget estimates. The major cost items, which have increased in A&G costs, are rents and private security/home guard. The increase in rent is due to an estimate outflow on account of rent arrears payable by the Board to HEC (Heavy Engineering Corporation). These rent arrears are due to non-settlement of rent dues, of the Board to HEC, on account of rent payable for head office. The costs of Pvt. Security Guard/CISF of PTPS have been segregated from the “Salary” header of PTPS. Now, these have been placed under the accounting head of “Pvt. Security/Home Guard” in A&G expenses, which have inflated the A&G cost. This does not represent an increase but a change in the accounting practice.

3.11.2 **Commission’s View**

The Commission holds that under the light of proven data mismatch and information constraints, a steep increase in A&G costs expenses is unwarranted. The Commission maintains that A&G cost avers to a year on year inflationary increase only. The Board has proposed a capitalization of the A&G cost however it has provided no information on the capital work in progress and the capitalization policy adopted. Hence under the veil of ambiguity no such capitalization is being considered. The Commission’s approach towards A&G expenses is dealt in detail in Section 5.

3.12 **Repair & Maintenance cost**

Consumers stated that as per the tariff order for FY 2003-04, the Board proposed Rs. 29.66 Crore towards the R&M cost. However, the Commission approved Rs 48.58 Crore for FY 2003-04 with an objective of “improved generation and improved quality of supply" and stated that such a low level of expenditure, on the repair and maintenance of plant and machinery will jeopardize the above stated objectives. However, as per the tariff petition for FY 2006-07 the Board provided only Rs. 29.66 Crore towards the R&M cost for FY 2003-04, which needs to be explained. Further the "Plant & machinery" and "Lines, cable, network" components of R&M cost for FY 2005-06 have shown a steep increase of 40% and 48% respectively over the previous year. However, for the said period the quality of supply was no better than the previous period. Hence, this increase needs not to be approved.

3.12.1 **JSEB's rejoinder**

The Board has submitted that the amount approved by the Commission and to be incurred by the Board is requisite in nature but due to non-availability of funds the Board resorted to lesser expenses. Further, figures for R&M expense provided in tariff petition for FY 2006-07 are as per the budget, which the Board estimates in advance. Different cost element like R&M, A&G cost etc. as mentioned in tariff petition have been apportioned based on these budget estimates.

3.12.2 **Commission's View**

The Commission's view and approach towards estimating R&M expenses is given in detail in Section 5 of this order.

3.13 **Depreciation**

Consumers stated that the Board has not disclosed the calculations for arriving at the depreciation charge. Tariff petition is utterly silent on depreciation policy, rate of depreciation and basis for capitalization of depreciation.

3.13.1 **JSEB's rejoinder**

The Board submitted that the capitalization of depreciation is not being done as there is no major project under construction stage in the Board. The last generation project was commissioned in the year 1986. For the past three years the Board has been executing only Transmission, Distribution and R.E. Schemes in which no equipment warrants capitalization of depreciation. Depreciation has been calculated as per the guidelines of the Commission.

3.13.2 **Commission's View**

The Commission would like to highlight that though in the previous tariff order the Board was directed to maintain an asset register, after passing off of three years the Board still has not maintained any such register. This has constrained the true assessment of the depreciation cost. The Commission's view and approach towards estimating depreciation is given in detail in Section 5 of this order.

3.14 **Interest & financing charge**

Consumers stated that as per tariff order for FY 2003-04 the Commission approved an interest and financing charge of Rs 33.98 Crore for FY 2003-04. This was based on loan given by State Government in FY 2001-02 and FY 2002-03 and included interest on working capital against the revenue collection shortfall for the FY 2003-04. However, for FY 2006-07 the Board has proposed an excessively high interest cost of Rs. 564.54 Crore without furnishing any details of its assets and liabilities and basis for these computations. If the total payable amount against the interest cost of Rs. 564.54 Crore at an estimated interest rate of 13% is worked out, the total payable amount stands at Rs 4342.61 Crore (=Rs. 564.54/0.13). Whereas, tariff petition for FY 2006-07 proposes a GFA of Rs. 1775.08 Crore at the end of FY 2005-06, which needs to be explained. Tariff petition is silent on provision of "Interest on Working Capital", which was provided by the Commission in tariff order for FY 2003-04. Consumers stated that this reflects a complete mismanagement of assets and liabilities of the Board and should not be passed on to the consumers.

3.14.1 **JSEB's rejoinder**

The Board submitted that out of the total proposed Rs 564.54 Crore interest cost, Rs 202.94 Crore interest cost is being incurred mainly on the account of loans being inherited as a liability by the Board on bifurcation from the erstwhile BSEB. The Board cannot ignore this liability, which has to be repaid through revenue realization from the sale of power. All the capital liabilities from erstwhile BSEB have been taken on the basis of population i.e. 25%. Total loans inherited by the Board from the erstwhile BSEB, as on 31st March 2003 have been summarized in Table 3.1.

Table 3.1 Details of loans

Other than RE head		**Under Rural Electrification**	
JSEB (25% of	**Loan amount**	**JSEB (25% of**	**Loan amount**

erstwhile BSEB)	(Rs.)	erstwhile BSEB)	(Rs.)
Public bond	350238000	REC NOR	285967213
Pubic bond	630412500	REC SPA	20951825
LIC	152861666	REC NOR	322011569
LIC	315875000	State Govt.	173850000
IDBI	32711521	Total	802780607
CSS	6318315		
CSS	672160		
SRP	8500000		
Agril Programme	13250000		
Advance Planning	865125		
State Govt.	3979203082		
State Govt.	9275713496		
Total	14766620865		

Board has to serve interest on other capital expenditure loans like APDRP, PFC, REC and State government, which are incurred by the Board for improving the power system. The Board states that interest cost liable are on lieu of various loan expenditures for capital investment, which have been deemed necessary for system improvement and up-gradation. The Board has proposed Rs. 12.93 Crore towards the interest on working capital. Details of the same are given in Table 3.2.

Table 3.2 Working capital calculations

Working capital requirement	Rs. Crore
O&M Expenses for 1 month	31.09
Maintenance spares @ 1% GFA	17.75
Receivable equivalent to 60 days	280.83
Less: PP cost of one month	111.27
Less: Security deposit	110.64
Total working capital	107.76
Rate of interest (%)	12%
Interest cost on working capital	12.93

3.14.2 **Commission's View**

The Commission considers the interest on working capital as a legitimate cost. However it is of the view that only the efficient cost towards the interest on working capital needs to be allowed. The Commission's view and approach in dealing with the interest cost is explained in detail in Section 5.

3.15 Provision for Bad & Doubtful debt

Consumers stated that as per the section 10 of JSERC (Terms and Condition of Distribution Tariff) Regulations, 2004 rules, no amount should be allowed to be passed under the provision for bad and doubtful debt.

3.15.1 **JSEB's rejoinder**

As regards to the provision for bad and doubtful debts, the Board submitted that 2.5% of revenue from total sale of power has been estimated as the justified amount that would become bad and doubtful debts. These have been based on past history, where a huge amount remained unpaid right from BSEB regime, which cannot be overturned in a very short period. These costs if not allowed would give a wrong picture of profitability/non profitability of the Board. Hence, the Commission should consider the above norms. Same policy has been followed by the erstwhile BSEB, which have been adopted by the Board. Similar provision currently exists in other neighboring States. For instance, Orissa SERC in its tariff order FY 2006-07 dated 23rd March 2006 for Orissa Discom has allowed an amount equivalent to 2.5% of the total annual revenue billings against the provision for bad and doubtful debt.

3.15.2 **Commission's View**

The Commission is of the view that allowing provision for bad and doubtful debts leads to complacency on part of the licensee to collect its dues vigorously. Also, in accordance with the regulations for distribution tariff[1], no provision on account of bad and doubtful debt would be considered as an admissible expense in the annual revenue requirement estimation. Accordingly, no amount has been allowed towards this provision for the year FY 2006-07.

3.16 **Non-tariff income**

Consumers stated that income from delayed payment surcharge (DPS) for FY 20004-05, have been proposed at Rs. 426.46 Crore after applying an interest rate of 24%. The prevailing interest rate is very high and needs to be rationalized in accordance with prevailing bank rates. Further, if we considering DPS rate of 24% per annum, the average dues receivable from consumers stands at Rs. 1776.92. (= Rs. 426.46/0.24). This amount is more than 85% of ARR as computed by the Board for FY 2006-07. Further, the Board has not provided any details regarding total amount of receivables and circumstances under which the Board have been unable to realize the same. The Board could have realized the

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[1] JSERC (Terms and conditions for distribution tariff) Regulations, 2004

dues under the Public Demand Recovery Act and could have taken coercive steps for the purpose. Further, a large amount of these outstanding are due from various outfits, departments and consumers in the Government. The realizable DPS have been taken as 10% of the delayed payment surcharge, based on the fact that no full recovery from consumers happens, which is not a qualifying basis. No clear bases for the same have been prescribed.

3.16.1 **JSEB's rejoinder**

The Board submitted that the delayed payment surcharge has been billed to the consumers. However, the same have not been fully recovered, as the DPS runs into disputes and doesn't get settled. Therefore, the realization, which actually happens, is around 10% only. The DPS incorporated in annual accounts is as per the Electricity (Supply) annual accounts rules, 1985 and cannot be removed unless and until written off from the books. The Board has taken a more conservative approach for the realistic recovery of such DPS, which needs to be approved.

3.16.2 **Commission's View**

The Commission is of the view that the Board should make every possible effort to recover its pending dues from the consumers as this is against a cost incurred by the Board in the previous years. However, for the purpose of current year delayed payment surcharge only for the ensuing year should be considered. In absence of details pertaining to this, the Commission has accepted the proposal of the Board to recover 10% DPS. **At the same time, the Commission directs the Board that it should collect data on DPS due for each year and submit the report of the same along with the next tariff petition.**

3.17 **Cross subsidy and subsidy from state**

Consumers stated that as per the tariff order for FY 2003-04 the Commission outlined the principles for progressive elimination of cross subsidy that have been loaded on commercial and industrial consumers. The Commission also observed that prudent cost of energy must be paid by subsidized category. This marked as the first step for the removal of cross subsidy distortion. However, the Board did not file acceptable tariff petition for the FY 2004-05 and FY 2005-06 due to which no further reduction in cross subsidy for these years could take place. High levels of tariff for these categories have lead to unnecessary burdening which have a negative bearing on their sustainability and viability.

3.17.1 JSEB's rejoinder

The Board submitted that the subsidy provided to consumers has been provided for decades, which cannot be completely done away so easily. Some school of thought also pointed that subsidy can never be eliminated and can only be reduced to some extent. Hence, it is very difficult for the Board to eliminate subsidies due to the socio-economic factors involved with the issues. Further, tariff proposed in the tariff petition is still way below the average cost of supply. Hence, the tariff needs to be increased further to match up with the average cost of supply. The State government have been providing subsidy by giving resource gap that have been used to reduce the deficit/revenue gap.

3.17.2 Commission's View

The Commission has closely studied the subject of cross subsidy level in the State and is of the view that the cross subsidy needs to be brought down steadily. The Commission's approach on tariff fixation for various categories is discussed in detail in Chapter 6.

3.18 Contract demand for HTSS

Consumers stated that the Board is billing high contract demand on the basis of volume of furnace, which is absolutely non-permissible and lead to over estimation of maximum demand. This over estimation of maximum demand (kVA) leads to overcharging of maximum demand charges. Moreover, such practices are absolutely inconsistent with today's technological advancements that had made the measurement of actual furnaces capacity practicable. Similar fact was demonstrated by consumers during the public hearing at Ranchi. The consumer brought two tubelights of different power ratings, one consuming more power than the other, but of the same dimensions. They asked the Board officials to gauge their exact power rating by mere measuring the outer dimensions of the tubelights. To this the Board officials present during the hearing had no answer. This proved that the current methodology adopted by the Board for gauging the contract demand of the induction furnace consumers on the basis of the size and dimension of the furnace is not only unscientific and irrational but also goes against the course of natural justice.

3.18.1 JSEB's rejoinder

The Board submitted that the fixation of contract demand based on the capacity of induction furnace is quite logical and justified. This arrangement is being done from the period of erstwhile BSEB where Bihar Steel Association had come forward and accepted the methodology and process of fixation of contract demand. Bihar Steel Association had also executed an agreement with the erstwhile BSEB for such facts. Similar methodologies have been adopted in Uttar Pradesh, where Uttar Pradesh Steel Association has executed an agreement to adopt the same methodology.

3.18.2 **Commission's View**

The Commission's view is given in detail in Section 6 of this order.

3.19 **Monthly minimum charge/Fixed charges**

Consumers, in relation to "Minimum Charge", have cited the Commission's stand as mentioned in tariff order for FY 2003-04, which have been reproduced below:-

"The Commission believes that the minimum charge either induces the Board to supply less to the consumers or promotes under reporting of consumption and theft. The Commission holds that the Board should adopt the principle of "Bill all and collect all". Since 72% of the consumers are paying more than the cost of supply, there is no doubt that the Board could become profitable in couple of years. However, the Commission due to paucity of adequate data and information has not abolished the minimum charges for the current year altogether. The minimum charge has been abolished for commercial, LT industrial and Railways.

The Commission has rationalized the Annual Minimum Guarantee charges along with the following directions to the JSEB.

- *The Commission directs the JSEB to provide details of the Minimum charges collected from different categories of consumers and prepare a schedule of rational demand charge, which may replace this minimum charge.*
- *The Commission directs the JSEB to provide details on the category wise number of consumers who pay only the minimum charges."*

The consumers have further stated that there have been no major shift in the scenario and the above stated position still holds good. Further, the facts and figures supplied by the Board for upward revision of tariff clearly depicts that the

Board have not amended itself, as inefficiencies have further increased. The Board through tariff petition has tried to pass on this inefficiency to the HT/HTSS consumers. Consumers also opined that the tariff structure should be further simplified. The consumers should be asked to pay on the basis of number of units consumed and there should be no fixed charge or minimum bill charges. Provision of fixed charge/minimum bill charge is justified only if the connected load/ requirement of power are less than their supplying capacity, whereas in the case of JSEB, it is just opposite.

3.19.1 **JSEB's rejoinder**

The Board submitted that the fixed charge/monthly minimum bill raised by any utility like the Board is to recover its fixed cost such as employee cost. R&M cost, A&G cost, interest cost, fixed charges payable to power purchase company etc, which it has to incur whether the Board supplies power or not. Therefore, fixed cost are liable to be paid by the consumers whether they draw power or not and are independent of the variable tariff.

Other than the cost of assets being created for supply of electricity, the Board has to bear additional costs for keeping the assets in good working condition. Therefore, just drawing a line from a substation to the terminals of consumers' doesn't exempts consumers from paying other fixed costs. If rest of the transmission and distribution network fails, consumers will not be able to enjoy benefit of drawing power by paying for the line drawn from substation to consumer terminals. The Board is a commercial organization and has to recover all its cost from the consumer with a regulated return being earned. Therefore, all appropriate fixed cost incurred is to be borne by consumers. Also, as per the Act, Section 45 (3) (a) and JSERC (Terms & Conditions for Distribution Tariff) Regulations, 2004 the tariff has to be a two-part tariff that should include a fixed charge in addition to the charge for actual electricity supplied.

Further, monthly minimum bill is charged to consumers only when the bill/consumption is less than the stipulated. The sole purpose of monthly minimum charge is to recover at least a minimal amount in case infrastructure laid/maintained and invested by the Board remains underutilized by consumers.

3.19.2 **Commission's View**

The Commission's view is given in detail in Section 6 of this order.

3.20 **Load factor and Power factor rebate**

Consumers stated that the Board has proposed an extra burden on HTS and HTSS category, on account of reduction of voltage rebate to 3% from the existing rate of 5%. Further, the load factor rebates of 5% at a load factor of 40-60%, 7.5% at a load factor of 60-70%, 10% at a load factor of 70% and above have been reduced to Nil for a load factor up to 50%. For a load factor above 50% a rebate of 0.5% on energy charge for every increase of 1% in the load factor have been prescribed. The proposed rebate structure goes against the law of natural justice and will disincentivize the disciplined behavior of consumers.

3.20.1 **JSEB's rejoinder**

The Board submitted that in the deteriorating power scenario it is very difficult to meet power demand due to a deficit situation. Also, the sourced power is becoming very costly, especially during peak periods. Under the deficit scenario combined with high power prices it is not sustainable to incentivise higher power drawl by consumers. Chhattisgarh State Electricity Regulatory Commission (CSERC) have also withdrawn load factor rebate from all the categories except steel industries vide its tariff order for FY 2006-07. Also, it is to be kept in mind that load factor rebate is to be provided for consumption above the normal consumption or high consumption. Rebate at very low consumption of about 30% and 40% would further burden the financially fragile the Board.

Similarly, the reduction in voltage rebate percentage proposed is not to induce any hidden charges but to reduce the amount of incentive, which heavily burdens the Board. The Board has always encouraged HT connections but in light of huge losses being incurred continuing with high incentives will be unsustainable.

Licensees have to maintain a mandatory power factor at the interconnection points of distribution and grid. Power factor have to be maintained by installation of reactive compensators like shunt capacitors. The Board has already installed these capacitors at the sub-stations in the larger interest of consumer. Further if consumers power factor goes below specified level they have to be penalized.

3.20.2 **Commission's View**

The Commission's view is given in detail in Section 6 of this order.

3.21 **Quality of power and other miscellaneous issues**

LT industry consumers stated that quality of power being supplied is miserable. Each day they have to cope with 15-20 interruptions, which lead to production losses. Few consumers stated that there exist major discrepancies in energy bills being issued by the Board. In few cases, consumers reported that they have not received the energy meter although they have paid the security charges. However, they have been delivered with the energy bill.

Some consumers stated that they have been complaining to the Board regarding the defective meters. However, the Board took no action for the early replacement of the same. More to it consumers continue to receive bills based on the average, which represents a gross inefficiency on the part of the Board. Consumers also expressed that there is a need for simplification of new connection allotment procedures. Few consumers stated that they have deposited the fee for getting the broken transformer replaced. However, the Board has not responded to their continuous reminders. Further, the Board has not provided any contact number or an address of a designated officer where consumers can register their complaints. Whenever consumers try to contact the Board officials their response is impolite and unfriendly.

In some cases consumers also pointed out that even though they were registered consumers with the Board they still were not receiving bills on a timely basis. Consumers also stated that the reliability and quality of power being delivered by the Board are not up to the laid standards of performance. Further, consumers avowed that at many places some elements are using diesel generation sets to supply power to public. This is happening with the consent of the Board employees, which need to be immediately stopped, not only in the interest of consumers but also in the better interest of the Board. People from rural areas stated that they have deposited the security money for getting their village electrified. However, even after passing of 3-4 years they are stilled living in dark. Last but not the least; consumers opined that security deposit should also be charged from the traction, Government and MES category consumers.

3.21.1 JSEB's rejoinder

The Board has provided no written response against the above stated objections.

3.21.2 Commission's View

The Commission agrees that the quantity and quality of service has to be improved in the state. The SERCs in various states have been issuing 'Quality of

Service' regulations and some of them have even fixed a penalty charge in case of violation of these regulations. Since the Commission has already notified the Electricity Supply Code and Distribution Licensees' Standards of Performance hence, the same will prevail and the Board shall have to adhere to them.

The Commission has also notified the JSERC (Guidelines for Establishment of Forum for Redressal of Grievances of The Consumers and Electricity Ombudsman) Regulation, 2005. Under this the Board is obliged to form the Forum for redressal of grievances of the consumers and to educate the consumers about the existence of such a forum. **Since the Commission came across a lot of cases orally represented by the grieved consumers during the process of public hearing hence it directs the Board to provide details of the Forum for redressal of grievances of the consumers and steps taken to educate the consumers.**

As regards providing connection to the rural consumers, lack of initiative from the Board clearly highlights their un-willingness to expand their consumer base and hence their revenue. Also, not sending timely bills to consumers also results in revenue loss to the Board and should be strongly discouraged. These practices should be checked urgently and proper mechanism should be introduced to ensure that there is no loss to the Board due to such negligence.