

**MAHARASHTRA STATE ELECTRICITY DISTRIBUTION COMPANY LTD**

(A Govt. of Maharashtra Undertaking)

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Ref. No: SE/TRC/M138/

No 2 2 3 1 7

Date: 19 SEP 2018

To,  
Shri. D. Chattopadhyay,  
Under Secretary to the Govt. of India,  
Shram Shakti Bhawan, Rafi Marg,  
New Delhi.

**Subject:** Proposed amendments in Tariff Policy in the provisions related to 'Simplification of tariff categories and rationalization of retail tariff.' - **MSEDCL Comments thereof.**

**Reference:** MoP Letter No. 23/02/2018-R&R dated 10.09.2018.

Sir,

This has reference to the letter under reference, wherein Para 8.3 A, related to 'Simplification of tariff categories and rationalization of retail tariff.' have been further modified by MoP and comments have been invited from all stakeholders.

Accordingly the MSEDCL's comments on proposed amendments in Tariff Policy in the provisions related to "Simplification of tariff categories and rationalization of retail tariff are enclosed herewith as 'Annexure A'.

It is requested that aforementioned comments may be taken on record and considered while finalisation of Tariff policy.

Yours faithfully



(Satish Chavan)

Director (Commercial)  
MSEDCL

**ANNEXURE A**

**MSEDCL Comments on proposed amendments in Tariff Policy in the provisions related to "Simplification of tariff categories and rationalization of retail tariff"**

The proposal to simplify the tariff categories is a welcome step by the Ministry of Power. However, there are certain implementation issues in categorization on the basis of sanctioned load and units consumed which warrants further deliberation. Accordingly, MSEDCL submits its comments as given below:

S. No.	Proposed Provision as per MoP	Provision proposed by MSEDCL	Comments/ Suggestions
1.	In order to have a simplified tariff structure across all discoms, the tariff structure should do away with the concept of having different tariff for usage by different categories of consumers. The principle adopted is paying a price for use of electricity as a commodity which should not be different for different category of usage like in Domestic/ Commercial/ Industrial, etc, but it should be based on load used and energy consumed.	In order to have a simplified tariff structure across all discoms, the tariff structure should do away with the concept of having different tariff for usage by different categories of consumers <u>except agriculture, industrial, industrial seasonal, public services which have been created for specific purposes. For all other usage based categories</u> , the principle adopted is paying a price for use of electricity as a commodity which should not be different for different category of usage like in <del>Domestic/ Commercial/ Industrial, etc;</del> but it should be based on load used and energy consumed.	<ol style="list-style-type: none"> <li>1. Government of Maharashtra provides tariff subsidy, rebates in taxes/ duties, incentives etc. to various consumers like agriculture, Industries for which such categorization based on the usage is required, otherwise it will result into the very high tariff for the agriculture, small domestic consumers and Government will have to subsidize them through Budget.</li> <li>2. Some categories have been carved out as a consequence of APTEL and court's decision (e.g. Public Services, Cold Storage, etc.) and thus, the same needs to be considered.</li> <li>3. Currently, certain categories are based on paying capacity of consumers which is not addressed in the proposed amendment.</li> </ol>
2.	The principles to be adopted in the new	The principles to be adopted in the new tariff	The slabs should be such that they adequately

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	<p>tariff structure shall be on the basis of different slabs in Sanctioned Load and units consumed. Maximum 5 load categories to be created such as 0-2 kW, &gt;2-5 kW, &gt;5-10 kW, &gt;10-25 kW and &gt;25 kW. For each load bracket the consumption slab shall be considered such as 0-200 units, 201-400 units, 401-800 units and &gt;1200 units with progressive rates. Thus, there would be fixed charges based on the sanctioned load and energy charge based on the actual energy consumption. As the consumption pattern in different states is different, the slab range for load and energy consumption may be appropriately decided by the State Commission</p>	<p>structure shall be on the basis of different slabs in Sanctioned Load and units consumed. Maximum 5 load categories to be created such as 0-2 kW, &gt;2-5 kW, &gt;5-10 kW, &gt;10-25 kW and &gt;25 kW for <u>LT Consumers with progressive fixed charges based on Connected Load</u>. For each load bracket the consumption slab shall be considered such as 0-200 units, 201-400 units, 401-800 units and &gt;1200 units with progressive rates. For <u>HT Industries, there would be progressive fixed/ demand charges based on Contract Demand</u>. Thus, there would be fixed charges based on the sanctioned load and energy charge based on the actual energy consumption. <u>Tariffs would be determined such that the fixed cost recovery is ensured through fixed charges</u>. As the consumption pattern in different states is different, the slab range for load and energy consumption may be appropriately decided by the State Commission</p>	<p>covers both LT and HT consumers as specified in SOP regulations</p>
3.	<p>Considering the socio-economic condition the issue of subsidy and cross subsidy may be handled through different slabs in Load and also in units consumed. The consumers having sanctioned load and unit consumption in lower brackets will</p>	<p>Its impact needs to be analysed by running a simulation on actual data for DISCOMs to understand the impact on tariff of various categories.</p>	<p>1. The underlying assumptions in the proposed mechanism that the consumers falling under the load bracket of 0-2 and &gt;2-5 kW belong to economically weaker sections and require subsidy is not correct for all times and the very purpose of providing cross-subsidy based</p>

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	<p>be subsidized by consumers in higher load bracket and consumption bracket. For example, consumers in load bracket 0-2 and &gt;2-5 kW may be subsidized by consumers having higher load brackets (&gt;5-10, &gt;10-25 and &gt;25 MW)</p>		<p>on the economic status of the consumers may not be achieved. And it will also raise tariff of industries using high load and energy usage disproportionately and some of the industries use energy almost as raw material. It will lead to Roof top solar installations &amp; Open Access which will hurt the revenue of the DISCOMS and ultimately their ability to serve.</p> <p>2. The proposed mechanism for cross subsidy is completely dependent on sales and consumer mix and any variation between proposed and actual sales mix in subsidized &amp; subsidizing would impact the revenue recovery as happening presently.</p> <p>Thus, the proposed mechanism still does not completely address the full recovery of cross subsidy.</p>
3.	<p>To prevent consumers from declaring less load a systematic method can be adopted to revise the load automatically if average load of last year exceeds the load sanctioned. Moreover, a penalty should be imposed for exceeding the Sanctioned Load in the particular month of violation</p>	<p>No change proposed by MSEDCL</p>	<p>MSEDCL welcomes the said proposed step. However, suitable mechanism may be required for the consumers having seasonal variation in their demand. For example, Seasonal industries like ginning &amp; pressing, sugarcane industry, etc.</p>
4.	<p>Appropriate rebate may be provided to incentivise bulk customers to take supply</p>	<p>No change proposed by MSEDCL</p>	<p>MSEDCL welcomes the provision of providing</p>

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	at higher voltage category like in 33/ 66/ 132/ 220 kV.		incentives to bulk consumers. However, such rebates should be passed through in tariff (Presently MERC does not allow pass through of such rebates under Section 78.4 of MERC Tariff Regulations)
5.	The states may have the option of adopting kW and kWh or kVA and kVAh based tariff. However, it may be preferable to have load and units consumption in kVA and kVAh respectively for above 10 kW load level to take care of the impact of power factor.	No change proposed by MSEDCL	MSEDCL welcomes it in support of said purpose. kVAh based billing should be made applicable to all the consumers so that near to unity PF to be maintained by consumer for efficient operation of Grid & Network.
6.	In addition, the State Commission may create a separate category for EV charging stations, if required	No change proposed by MSEDCL	MSEDCL supports the proposal for creation of separate category for Electric Vehicle Charging. However, the separate category of EV should be applicable only for a specific period of time and post that the same should be merged with the proposed categories based on load and consumption.