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COMMERCIAL CIRCULAR No. 117

Subject: Clarificatory Order dt. 12/05/2010 in the matter of MERC's ARR and Detail Tariff Order dt. 17/08/2009.
- **Revised applicability of Power Factor Incentive & Power Factor Penalty.**

Reference: 1. MERC Tariff Order dated 17th August 2009.
2. Commercial Circular No. 102 dt. 03/11/2009.
3. MERC Clarificatory Order dt. 12th May 2010.

The Maharashtra Electricity Regulatory Commission, in exercise of the powers vested in it under Section 61 and Section 62 of the Electricity Act, 2003 (EA 2003) has determined the ARR and issued detail Tariff Order dated 17th August 2009 for MSEDCL for FY 2009-10 in Case No. 116 of 2008. Accordingly the guidelines are issued for implementations of the said order of the Commission vide Commercial Circular No. 102 dt. 03/11/2009.

In this Order, the applicability of Power Factor (PF) Incentive and Disincentive have been stated as under:

"5.8 Incentives and Disincentives

Power Factor Incentive (Applicable for HT I, HT II, HT IV, HT V and HT VI categories, as well as LT II (B), LT II (C), LT III, and LT V (B) categories) Whenever the average power factor is more than 0.95, an incentive shall be given at the rate of 1% (one percent) of the amount of the monthly bill including energy charges, reliability charges, FAC, and Fixed/Demand Charges, but excluding Taxes and Duties for every 1% (one percent) improvement in the power factor (PF) above 0.95. For PF of 0.99, the effective incentive will amount to 5% (five percent) reduction in the monthly bill and for unity PF, the effective incentive will amount to 7% (seven percent) reduction in the monthly bill.

Power Factor Penalty (Applicable for HT I, HT II, HT IV, HT V and HT VI categories, as well as LT II (B), LT II (C), LT III, and LT V (B) categories) Whenever the average PF is less than 0.9, penal charges shall be levied at the rate of 2% (two percent) of the amount of the monthly bill including energy charges, reliability charges, FAC, and Fixed/Demand Charges, but excluding Taxes and Duties for the first 1% (one percent) fall in the power factor below 0.9, beyond which the penal charges shall be levied at the rate of 1% (one percent) for each percentage point fall in the PF below 0.89.

... "

Now based on representations received, Commission has stated that, there may be an anomaly in interpreting the above provision leading to inconsistency in application of the PF incentive and disincentive mechanism, which is not desirable. Hence, the Commission has issued the Clarificatory Order under reference "3", which will be applicable with effect from the date of

