

Approach Paper on Methodology for  
computation of Cross-Subsidy Surcharge  
for Open Access transactions

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## CHAPTER 1. BACKGROUND

The Electricity Act 2003 (the Act) empowers eligible consumers to have non-discriminatory Open Access (OA) to the network of a Licensee (except those of local authority) on payment of applicable charges. The Act and National Electricity Policy formulated therein mandates the State Electricity Regulatory Commissions to frame terms and conditions and timeframe for introduction of OA. In order to operationalise the Open Access, the Commission needs to specify the following charges:

- a. Transmission charges,
- b. Wheeling charges,
- c. Cross-subsidy surcharge,
- d. Additional surcharge

Pursuant to finalisation of Open Access Regulations, every State Electricity Regulatory Commission is required to determine these charges for all the utilities in the State. Maharashtra Electricity Regulatory Commission (MERC or Commission) notified revised Distribution Open Access Regulations on 21<sup>st</sup> June 2005. Further, the Commission has also issued Transmission Open Access Regulations as well as Terms and Conditions of Tariff Regulations for utilities in the State of Maharashtra.

Recently, MERC has floated the discussion paper on “Transmission Pricing Philosophy” to be adopted in the State of Maharashtra and has invited comments from all stakeholders. Now, the Commission is required to determine the wheeling charges as well as cross-subsidy surcharge payable by the eligible OA consumers. The Commission shall determine the Wheeling Charges during the Tariff Determination Process currently underway for all utilities in the State.

Now, the Commission has decided to finalise the methodology for determination of cross-subsidy surcharge and additional surcharge for all utilities in the State. It is necessary that the Commission adopt uniform and consistent approach for determination of cross-subsidy in the State. In order to develop such approach, MERC has mandated ABPS Infrastructure Advisory (ABPS Infra) to develop a “Discussion Paper” which would assist the Commission in finalizing the Philosophy for determination of cross-subsidy surcharge and additional surcharge applicable for all OA transactions in the State.

The views and opinions expressed in this Paper are to initiate discussion on the topic and does not necessarily reflect the Commission’s views or opinions in the matter.

Further, it is clarified that while analysis of various issues has been carried out with reference to MSEDCL, the same principles would be applicable to all other licensees in the State.

### 1.1. Approach for Study

In this Discussion Paper, we have studied various legal and regulatory provisions in this regard. Attempt has been made to bring out all issues related to determination of cross-subsidy surcharge. It is envisaged that this Discussion Paper would serve as

basis for stakeholder consultation process, which the Commission intends to conduct in due course.

Further, objective of this exercise has been to crystallize methodology for computation of cross-subsidy surcharge and therefore, cross-subsidy surcharge has not been calculated for any utility. It is envisaged that based on the decision of the Commission, utilities would make submissions regarding calculation of cross-subsidy surcharge for eligible open access consumers in their area of supply.

## 1.2. Structure of the Report

This Discussion Paper has five sections. In second section, we have discussed various legal, policy and regulatory provisions. While third section discusses applicability of cross-subsidy surcharge to various types of open access transactions, in fourth section we have discussed likely implementation issues. In the last section, we have summarized our recommendations and have suggested likely way forward.

## CHAPTER 2. APPLICABLE LEGAL PROVISIONS

In this chapter, we have discussed various relevant legal provisions. We have primarily analysed provisions of the Electricity Act 2003, National electricity Policy, National Tariff Policy and Transmission and Distribution Open Access Regulations of the MERC. We have also presented analysis of issues arising out of inter-play between these legal provisions. Analysis of issues arising out of implementation of cross-subsidy surcharge has been presented in subsequent chapters.

### 2.1. Provisions of the Electricity Act 2003

The Electricity Act 2003 mandates provision of OA to consumers in a phased manner. Section 2 (47) of the Act defines OA as follows:

*“(47) “open access” means the non-discriminatory provision for the use of transmission lines or distribution system or associated facilities with such lines or system by any licensee or consumer or a person engaged in generation in accordance with the regulations specified by the Appropriate Commission;”*

As per Section 42 of the Electricity Act 2003, the Distribution Licensees are required to provide open access to eligible consumers subject to payment of cross-subsidy surcharge, additional surcharge and other applicable charges. Section 42(2) of the Act is reproduced below:

*“(2) The State Commission shall introduce open access in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints:*

*Provided that such open access may be allowed before the cross subsidies are eliminated on payment of a surcharge in addition to the charges for wheeling as may be determined by the State Commission:*

*Provided further that such surcharge shall be utilised to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee:*

*Provided also that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the State Commission:*

*Provided also that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.”*

Similar provisions also exist in Section 39 and Section 40 of the Act.

Section 86 1 (a) of the Act states as follows:

*“(a) determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State:*

*Providing 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;”*

## 2.2. National Tariff Policy

Further, the Government of India has notified Tariff Policy under Section 3 (1) of the Electricity Act 2003. Paragraph 8.5 (reproduced below) of the said Tariff Policy specifies the methodology for calculation of cross-subsidy surcharge, additional surcharge and wheeling charges for open access consumers.

### “8.5 Cross-subsidy surcharge and additional surcharge for open access

*8.5.1 National Electricity Policy lays down that the amount of cross-subsidy surcharge and the additional surcharge to be levied from consumers who are permitted open access should not be so onerous that it eliminates competition which is intended to be fostered in generation and supply of power directly to the consumers through open access.*

*A consumer who is permitted open access will have to make payment to the generator, the transmission licensee whose transmission systems are used, distribution utility for the wheeling charges and, in addition, the cross subsidy surcharge. The computation of cross subsidy surcharge, therefore, needs to be done in a manner that while it compensates the distribution licensee, it does not constrain introduction of competition through open access. A consumer would avail of open access only if the payment of all the charges leads to a benefit to him. While the interest of distribution licensee needs to be protected it would be essential that this provision of the Act, which requires the open access to be introduced in a time-bound manner, is used to bring about competition in the larger interest of consumers.*

*Accordingly, when open access is allowed the surcharge for the purpose of sections 38,39,40 and sub-section 2 of section 42 would be computed as the difference between (i) the tariff applicable to the relevant category of consumers and (ii) the cost of the distribution licensee to supply electricity to the consumers of the applicable class. In case of a consumer opting for open access, the distribution licensee could be in a position to discontinue purchase of power at the margin in the merit order. Accordingly, the cost of supply to the consumer for this purpose may be computed as the aggregate of (a) the weighted average of power purchase costs (inclusive of fixed and variable charges) of top 5% power at the margin, excluding liquid fuel based generation, in the merit order approved by the SERC adjusted for average loss compensation of the relevant voltage level and (b) the distribution charges determined on the principles as laid down for intra-state transmission charges.*

*Surcharge formula:*

$$S = T - [C (1 + L / 100) + D]$$

*Where*

*S is the surcharge*

*T is the Tariff payable by the relevant category of consumers;*

*C is the Weighted average cost of power purchase of top 5% at the margin excluding liquid fuel based generation and renewable power*

*D is the Wheeling charge*

*L is the system Losses for the applicable voltage level, expressed as a percentage*

*The cross-subsidy surcharge should be brought down progressively and, as far as possible, at a linear rate to a maximum of 20% of its opening level by the year 2010-11.*

8.5.2 No surcharge would be required to be paid in terms of sub-section (2) of Section 42 of the Act on the electricity being sold by the generating companies with consent of the competent government under Section 43(A)(1)(c) of the Electricity Act, 1948 (now repealed) and on the electricity being supplied by the distribution licensee on the authorisation by the State Government under Section 27 of the Indian Electricity Act, 1910 (now repealed), till the current validity of such consent or authorisations.

8.5.3 The surcharge may be collected either by the distribution licensee, the transmission licensee, the STU or the CTU, depending on whose facilities are used by the consumer for availing electricity supplies. In all cases the amounts collected from a particular consumer should be given to the distribution licensee in whose area the consumer is located. In case of two licensees supplying in the same area the licensee from whom the consumer was availing supply shall be paid the amounts collected.

8.5.4 The additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. The fixed costs related to network assets would be recovered through wheeling charges.

8.5.5 Wheeling charges should be determined on the basis of same principles as laid down for intra-state transmission charges and in addition would include average loss compensation of the relevant voltage level.

8.5.6 In case of outages of generator supplying to a consumer on open access, standby arrangements should be provided by the licensee on the payment of tariff for temporary connection to that consumer category as specified by the Appropriate Commission."

### 2.3. MERC Distribution Open Access Regulations

The Maharashtra Electricity Regulatory Commission has notified Distribution Open Access Regulations, 2005 on 21<sup>st</sup> June 2005 permitting consumers with contract demand of more than 5 MVA to avail open access. The eligibility conditions specified by the Commission for Open Access under Regulation 3.1 are as follows:

Contract Demand of consumer	Date on which open access will be allowed under sub-section (2) of Section 42 of the Act
Not less than 5 MVA	Publication of Regulation in Gazette
Not less than 2 MVA but less than 5 MVA	April 1, 2006
Not less than 1 MVA	April 1, 2007

Regulation 2.1 (k) of the Regulation define 'Current level of cross-subsidy' as:  
 "(k) "Current level of cross subsidy" means, for each financial year, for each approved tariff category and/or tariff sub-category of the Distribution Licensee, and/or for each tariff slab within each such tariff category/ sub-category, the difference between the approved revenue from the sale of electricity, for such financial year, for each such

*tariff category/sub-category/ tariff slab and the approved cost of supply of electricity to such tariff category/sub-category/ tariff slab, where such difference is a positive value:*

*Provided that the cost of supply shall be calculated using such methodology as may be approved by the Commission from time to time, taking into consideration data availability, data quality and other relevant factors:*

*Provided further that the Commission may approve different methodologies for calculation of cost of supply for different Distribution Licensees in the State or may approve a uniform methodology for all Distribution Licensees Provided also that the current level of cross subsidy shall be adjusted to the extent of any variation, as may be approved by the Commission, as attributable to uncontrollable factors, in accordance with the Tariff Regulations, as may be specified;”*

Further, Regulation 13 of Distribution Open Access Regulation of the MERC provides methodology for calculation and payment of cross-subsidy surcharge in the State of Maharashtra. Relevant paragraphs of the said Regulation are reproduced below:

*“13. Cross -Subsidy Surcharge*

*13.1 Every consumer and person requiring supply of electricity who has been granted open access in accordance with these Regulations shall be liable to pay a cross-subsidy surcharge, as may be stipulated, as a condition for availing of open access:*

*Provided that such cross-subsidy surcharge shall be based on the current level of cross-subsidy of the tariff category / tariff slab and/ or voltage level to which such consumer or person belong or are connected to, as the case may be, and shall not be leviable if such tariff category / tariff slab or voltage level of connection does not bear any current level of cross-subsidy:*

*13.2 Every Distribution Licensee shall, within three (3) months from the date of notification of these Regulations, submit to the Commission the methodology that he proposes to adopt to calculate the current level of cross subsidy within his area of supply:*

*Provided that the Distribution Licensee shall provide to the Commission, full details of all relevant aspects relating to such calculation, including:*

- a) sources of information proposed to be used;*
- b) proposed sample size; and*
- c) agency, if any, through whom the Distribution Licensee proposes to undertake the calculation.*

.....

*13.4 The Commission may, based on the methodologies proposed by the Distribution Licensees, stipulate by order, a uniform methodology for calculation of the cross-subsidy surcharge by any class or classes of licensees or by all licensees in the State.”*

The Commission had directed distribution licensees to submit their proposals for calculation of cross-subsidy surcharge vide its letter dated 10<sup>th</sup> January 2006. However, none of the distribution licensees have submitted their proposals for the same. Meanwhile, NTP has prescribed the formula for calculation of cross-subsidy surcharge. It is proposed that MERC may adopt the same formula with certain modifications for the purpose of calculation of cross-subsidy in the State of Maharashtra.

## CHAPTER 3. APPLICABILITY OF CROSS-SUBSIDY SURCHARGE TO VARIOUS OA TRANSACTIONS

While Clause 8.5.2 of the National Tariff Policy has exempted OA transactions taking place under some of the provisions of the repealed Acts, it is essential to review applicability of cross-subsidy surcharge to the following types of transactions.

### 3.1. New consumers of the utility

National Tariff Policy does not distinguish between new consumers and existing consumers of the licensees. However, it is essential to carefully review the provisions of the Act and Policy. Second Proviso to Section 42(2) of EA 2003 reads as follows:

*“Provided further that such surcharge shall be utilised to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee:”*

Further, Section 8.5.1 of the NTP reads as:

*“In case of a consumer opting for open access, the distribution licensee could be in a position to discontinue purchase of power at the margin in the merit order.”*

Further Regulation 3.1 of the Distribution Open Access Regulations of the commission has following dispensation for new consumers:

*“Provided further that where a person, not being a consumer, whose premises are situated within the area of supply of a Distribution Licensee requires supply of electricity from a Generating Company or any Licensee other than such Distribution Licensee, such person shall be eligible for open access to the distribution system of the Distribution Licensee if the load applied for by such person with such Generating Company or Licensee exceeds the threshold levels as specified above on or after the date on which open access is allowed under this Regulation 3.1:*

*Provided also that the Maximum Demand of such consumer or person in each financial year subsequent to his being granted open access shall be equal to or greater than eighty (80) per cent of the threshold level at which he has become eligible for open access failing which the Distribution Licensee shall be entitled to withdraw the facility of open access granted to such consumer or person, as the case may be:*

*Provided also that where the facility of open access of such consumer or person has been withdrawn on account of failure to achieve a Maximum Demand equal to or greater than eighty (80) per cent of the threshold level, then such consumer or person, as the case may be, shall be liable to pay, to the Distribution Licensee, a penalty equal to two times the wheeling charges for the financial year or part thereof for which he had failed to achieve such Maximum Demand.”*

In this regard, it should be noted that a new consumer is not contributing to the ‘current level of cross-subsidy’. Also, the distribution licensee is not purchasing any power for a new consumer if the consumer is using open access provisions. Therefore, new eligible consumers may be considered for exemption from payment of ‘cross-subsidy surcharge’.

At the same time, such exemption may be considered as discriminatory as similarly placed existing consumers will be subjected to payment of cross-subsidy surcharge

just because it is existing consumer and is contributing to current level of cross-subsidy.

We need to take into consideration one more factor: ability of distribution licensee to supply electricity to new consumer. Currently, Maharashtra is facing acute shortage and this shortage is prevalent across all utilities in the State, albeit quantum of shortage varies. In view of such acute shortage, ability of distribution licensees to supply power to new consumer is suspect. It is likely that in order to provide power to new consumer, marginal increase in load shedding may occur. This would result in further fall in quality of service to existing consumers. It is necessary to make additional supply available. Therefore, it is proposed that new consumer should be encouraged to identify its own source of power.

In view of above, it is suggested that new consumers should be exempted from payment of cross-subsidy surcharge. Similarly, increase in demand by existing consumers, if procured through OA route, should be exempted from levy of cross-subsidy surcharge.

### 3.2. Quantum of electricity not being supplied by the utility:

In some States including Maharashtra, Distribution Licensees are not in a position to supply required quantum of power to the eligible consumers. Apart from weekly staggering off days, these consumers are subjected to load shedding. In such cases, it is not prudent to deny those consumers a right to purchase power in open access market. Therefore, consumer should not be burdened with 'cross-subsidy surcharge' to the extent the consumer is forced to purchase power from open market.

The Commission may consider permitting all consumers to purchase energy to the extent distribution licensee is not able to supply their energy requirement. While it would be infeasible to permit all consumers to purchase from market, at the minimum, eligible consumers should be allowed to purchase energy from market without paying surcharge. The Commission may put in place a methodology to determine the quantum of energy that consumers are permitted to buy from open market for this purpose.

### 3.3. Open Access transactions using high cost generation

While identifying marginal stations for calculation of 'C', i.e., weighted average cost of power purchase from marginal stations, NTP has excluded generation from liquid fuel based power plants as well as renewable sources of energy. It has been presumably done to ensure that cross-subsidy surcharge is not too low. In other words, if these sources of generation are considered; surcharge would be too low, it could even be zero or negative and therefore, if consumers purchase energy from these sources, it would not result in loss to the distribution licensee. Conversely, if any open access transaction using these sources of generation takes place, surcharge should not be levied.

### 3.4. Existing Open Access transactions

National Tariff Policy specifically exempts certain transactions from the payment of cross-subsidy surcharge. Section 8.5.2 of the NTP states:

*8.5.2 No surcharge would be required to be paid in terms of sub-section (2) of Section 42 of the Act on the electricity being sold by the generating companies with consent of the competent government under Section 43(A)(1)(c) of the Electricity Act, 1948 (now repealed) and on the electricity being supplied by the distribution licensee on the authorisation by the State Government under Section 27 of the Indian Electricity Act, 1910 (now repealed), till the current validity of such consent or authorisations.*

However, NTP does not clarify applicability of surcharge to several transactions permitted under other provisions of the erstwhile Acts. It should be noted that Under Section 28 of the Electricity Act 1910, the State Governments allowed third party sales by conventional captive power plants as well as renewable energy technologies such as wind. If cross-subsidy is now levied on these transactions, these transactions may become unviable. Therefore, it is suggested that all open access transactions as on the date of effectiveness of the Act should be exempted from levy of cross-subsidy surcharge.

## CHAPTER 4. ISSUES IN IMPLEMENTATION

In this Chapter, we have discussed various issues envisaged while determining cross-subsidy surcharge for utilities in the State.

### 4.1. Impact of exclusion of liquid fuel in case of certain licensee

Trombay Thermal Station of Tata Power Company primarily uses liquid fuel for its generation. According to ARR submissions of TPC for FY 2006-07, TPC proposes to generate 3072 MU using liquid fuel out of total generation of 9431 MU, constituting of nearly 39% of total thermal generation. This would constitute 33% of total generation by TPC including hydel generation. Given the quantum of generation using liquid fuel, it would not be prudent to exclude liquid fuel generation while calculating cross-subsidy surcharge for consumers in Mumbai region.

NTP excludes liquid fuel based generation while calculating cost of power from highest 5% generation for the licensee. While NTP offers no clarification on exclusion of liquid fuel and renewable generation from calculation of surcharges, presumably it has been done due to two reasons, one, to remove aberration caused due to very high cost of liquid fuel generation and two, liquid fuel constitute very small percentage of power generation in case of most utilities.

However, the Commission is likely to face peculiar situation where liquid fuel generation constitutes 33% of total generation of TPC. It may be prudent for the Commission to deviate from NTP as cross-subsidy surcharge would be too high if liquid fuel generation is excluded from calculation of surcharge for Mumbai utilities.

### 4.2. Constitution of 'C'

While NTP has specifically excluded purchases from liquid fuel plants as well as renewable sources, it has not made any specific recommendation on purchase from nuclear power plants as well as purchases from traders. While purchases from traders could be easily considered as a part of power purchase, treatment of Unscheduled Interchange (UI) purchases is little difficult to resolve.

Cross-subsidy surcharge as a number is to be determined only once, while during subsequent tariff years, it is to be ensured that cross-subsidy reduces according to the trajectory. In case of some utilities, UI purchase could be higher during that particular initial year due to unavoidable circumstances. This would result in lower surcharge for all time to come. However, in case of Maharashtra, significant quantum of energy is being procured using UI route.

Therefore, it is suggested that both, purchases from traders as well as using UI route should be included in calculation of 'C'.

### 4.3. Determination of weighted average cost of power 'C'

The formula prescribed by NTP defines C as weighted average cost of power purchase from top 5% at the margin. This power purchase cost should be total cost of power purchase i.e. inclusive of variable and fixed cost of generation. While variable costs are available for all generating stations, break up of fixed costs may not be readily

available, especially for generating companies created out of erstwhile State Electricity Boards. Further, it is possible that top 5% would have one of the units of large generating stations. In such case, ideally fixed cost of that generating unit should be used. However, it is unlikely that fixed costs of such units are identifiable and verifiable.

Further, it would be necessary to fix up the PLF norm for spreading the total fixed costs over generation to calculate per unit fixed cost. It is suggested that 80% PLF should be considered for thermal generating stations for calculation of per unit fixed charges.

In view of the above, in case separate costs for each generating station are not available, average fixed costs per unit of generation should be considered.

#### 4.4. Accounting of transmission losses and charges in calculation of C

As discussed above, power purchase cost is calculated at the point of injection while tariffs are determined at the distribution end. Further, every open access consumer will have to pay transmission charges as well as transmission losses separately. If transmission losses and charges were not considered while calculating 'C', utility would recover those costs through cross-subsidy surcharge while consumers will pay the same for his open access consumption.

In the present formula, it is not clear whether system losses represented by 'L' take into account transmission losses. Therefore, it is necessary to clarify that 'L' would include transmission losses as well.

The revised formula should be as follows:

$$S = T - (C \times (1+L/100) + Tx + D)$$

where Tx is transmission charges

L should be inclusive of transmission losses

#### 4.5. Reduction in cross-subsidy over period

One of the provisions of Clause 8.5.1 of NTP reads as:

*“The cross-subsidy surcharge should be brought down progressively and, as far as possible, at a linear rate to a maximum of 20% of its opening level by the year 2010-11.”*

This provision requires cross-subsidy to go down to 20% in absolute value, for e.g., if surcharge calculated today is 80 paise per unit, in 2010-11, surcharge should be 16 paise per unit. Given that costs (including that for power purchase) are increasing, cross-subsidies in absolute terms may increase, though it may be constant or decreasing in percentage terms. Mandatory reduction in absolute terms may create significant pressure on tariffs of subsidized category of consumers.

Further, it should be noted that cross-subsidy surcharge once determined, would be final as would not be possible to re-compute cross-subsidy surcharge. As a consequence, it is also essential to provide trajectory for cross-subsidy surcharge so

that all consumers are aware of likely cross-subsidy surcharge, if they decide to avail open access.

#### 4.6. Reference date for calculation of cross-subsidy

Section 42 requires the Commission to introduce open access within one year from the appointed date i.e. 24<sup>th</sup> January 2004. The Commissions were expected to introduce enabling Regulations in this regard. It could mean that the Commission was expected to calculate cross-subsidy surcharge for financial year 2004-2005. Further, National Tariff Policy, which provided necessary clarity to various issues, was notified on 6<sup>th</sup> January 2006. Therefore, it could not have been possible to determine the cross-subsidy earlier.

Currently the Commission is seized with the matter of determination of ARR and tariffs for all utilities in the State for FY 2006-07. Therefore, it is suggested that cross-subsidy surcharge should be calculated for FY 2006-07.

#### 4.7. Applicability of wheeling charges

It is understood that only transmission charges will be applicable if OA consumer is connected to transmission network and wheeling charges will not be payable. However, metering service will have to be provided to OA consumer by the local distribution licensee unless consumer is made part of the State pool and metering and energy accounting is done by SLDC.

It is likely that most open access consumers will avail 'standby' facility from distribution licensees to ensure reliable supply to their premises. Therefore, for OA consumers, tariff for standby facility should take into account the costs associated with metering service even if the consumer is connected to transmission network.

## CHAPTER 5. CONCLUSION

### 5.1. Recommendations

The recommendations in this regard are as follows:

1. Cross-subsidy surcharge should not be applied to following transactions:
  - i. New consumer satisfying criteria for open access
  - ii. Consumers purchasing energy to the extent not supplied by the utility
  - iii. Open access transactions carried out using generation from renewable and liquid fuel sources
  - iv. Existing open access transactions
2. Cross-subsidy surcharge should be calculated for FY 07, during tariff determination process currently underway for utilities.
3. In case, utilities fail to submit tariff petition, cross-subsidy surcharge should be calculated using current tariffs.
4. Cross-subsidy surcharge may be specified for trajectory for period upto 2010-11.
5. UI purchases as well as purchases from traders should be considered in calculation of 'C'.
6. Liquid fuel generation may be considered for Mumbai licensees as significant generation is using liquid fuel.
7. Transmission losses and charges should be suitably incorporated in calculation of cross-subsidy surcharge.

It is now proposed that the Commission will conduct the public process to discuss various issues raised in this Paper. Based on the inputs received during public process, the Commission may issue appropriate Order.