

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION

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Case No. 18 of 2003

**In the matter of
Determination of Tariff [2003-04 and 2004-05] applicable to various categories
of consumers of M/s Reliance Energy Limited**

**Dr. Pramod Deo, Member
Shri A. Velayutham, Member**

CLARIFICATORY ORDER

Dated: November 25, 2004

After an elaborate public process, the Commission has issued its maiden Tariff Order dated 1st July, 2004 in Case No. 18 of 2003 determining the electricity tariff of various categories of consumers of M/s Reliance Energy Ltd. (REL- formerly BSES Ltd), effective from 1st July, 2004. In view of the differing meter reading-cum-billing cycles, the non-telescopic nature of some tariff slabs earlier, and in order to facilitate implementation of the new tariff, the Commission directed that:

*“Depending on the billing cycle applicable to different consumer categories, the revised tariff should be made **applicable on a pro-rata basis** for the consumption starting from 1st July, 2004.”* (emphasis added).

This was also reflected in the REL Tariff Booklet approved subsequently.

2. It was brought to the Commission’s notice by Shri K.H. Nadkarni of Santacruz (West), a residential consumer (consumer number **B46740339, cycle number 16**), that REL has adopted an illogical and improper method of billing consumers whose bill covers a part of June, 2004 (when the old tariff was in force) and a part of July, 2004 (to which the revised tariff is applicable). This method has resulted in overcharging the consumer and is not in consonance with the direction in the Tariff Order. Among other things, in this case REL have sought to bill Shri Nadkarni at the pre-revised tariff applicable for consumption above 350 units (i.e. highest slab) whereas, based on averaging, the consumption for the part of June 2004 covered by the bill is below 350 units, the earlier period having presumably been covered in the previous bill. In their letter dated 27.7.2004 to Shri Nadkarni, REL have broadly set out their methodology.



3. Following some correspondence, Shri Nadkarni, contended in his letter dated 30.7.2004 to REL that

“as MERC has approved the revised tariff effective from 1.7.2004 and as the bill for June ‘04 covers part of June ‘04 (5.6.2004 to 30.6.2004) and part of July, ‘04 (1.7.2004 to 6.7.2004), the billing cycle of REL, for which different tariffs are applicable, it is only logical and imperative that the consumption for these periods is worked out separately on the basis of average consumption per day during the bill period so that the appropriate tariff can be applied to arrive at the charges separately to total up the bill dues.”

Further, *“the consumption of 386 units in June ‘04 bill is for the total combined periods of 24 days of June ‘04 and 6 days of July, ‘04. The same is neither exclusively for June 2004 period nor exclusively for July ‘04 period and hence cannot rightly be taken as basis to work out the charges for the respective periods hypothetically.”*

Shri Nadkarni has also stated that

“Instead of adopting a straight-forward, just and equitable method as explained above to work out the bill when a revised tariff has been introduced mid-way during the billing period, a devious process has been adopted by first working out charges for 30 days for each of the June ‘04 and July ‘04 portions at the higher rates of tariffs applicable to the total consumption of 386 units and then arriving at the proportionate charges for the respective periods. The adoption of this devious method has resulted in forcing the consumer to pay charges at a higher rate of tariff than admissible and virtually amounts to unfair trade practice ... This wrong and illegitimate method of billing has inflated my June 2004 bill by as many as Rs.471/- than admissible.”

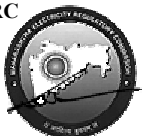
4. In their reply-dated 9.8.2004 to Shri Nadkarni, REL stated that:

“As per the directives of the MERC, our calculations in fact reflect the charge on the basis of prorata consumption and applicable relevant tariff.... MERC directive does not split the billing period but only states with reference to applicability of tariff. Your views would have been very correct, if there was no consumption in June other than the prorata from June bill, however, as you are aware our May bill likewise had the consumption for part of June.”

5. Not convinced by REL’s reply, Shri Nadkarni approached the Commission vide letter dated 23.8.2004 stating that

“The argument put forth to justify the circumventious billing procedure adopted is fallacious and devoid of logic. There is nothing in the MERC directive authorising the procedure. On the contrary, the MERC directive categorically differentiates the consumption starting 1.7.2004 for applicability of revised tariff and for this purpose, it is essential to separate out the consumption pertaining to the period 1.7.2004 onwards. ... As the matter adversely affects thousands of consumers, it has become necessary to obtain from you the correct interpretation of the relevant directive issued by MERC in respect of the billing procedure to be adopted when the period covers part of June 2004 and part of July 2004 for which different tariffs are applicable.”

Shri Nadkarni has enclosed a worksheet indicating his version of the correct computation of the Bill.



6. REL were asked vide letter dated 31.8.2004 to furnish their comments, supported by detailed explanation and computation worksheets by 8.9.2004, and were reminded on 21.9.2004 and 7.10.2004. However, no reply has been received.

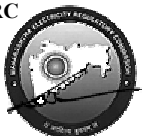
7. Any plain reading of the Commission's directives in its Tariff Order would indicate that Shri Nadkarni's computation is essentially the correct way of applying the revised tariff from 1.7.2004 and segregating the two periods in cases where the bill covers a part of the months of June and July, 2004. However, in the circumstances set out above, the Commission hereby clarifies that, while applying the pre-revised tariff, only the pro-rata consumption for the month of June, 2004 has to be considered to determine which tariff slab will be applicable. For better understanding, the computation principles are annexed to this Order, using some figures from Shri Nadkarni's own bill.

8. In the circumstances of such cases, when the correct method of computation should have been clear, but also considering the time taken by the Commission to examine the matter raised by Shri Nadkarni and clarify the position so that such billing irregularities are rectified, any over-recovery made should be refunded to the concerned consumers by adjustment through energy bills or by other means by the end of January, 2005, with 12% interest (i.e. the lowest rate chargeable for arrears of payment by consumers).

Sd/-
(A. Velayutham)
Member

Sd/-
(Dr Pramod Deo)
Member

(A.M. Khan)
Secretary, MERC



Annexure to Clarificatory Order dated 25.11.2004 in Case No 18 of 2003.

Details of Electricity Consumption (Prorata allocation) for REL Consumer number B46740399				
Data Source : REL Bill dated 13.07.04				
Bill Period: 05-06-2004 to 07-07-2004		No of Days (both dates inclusive) : 33 days		
Meter Read on : 07-07-2004				
Tariff Category : LF1				
Initial Meter Reading: 18398				
Final Meter Reading : 18784		M.F: 1 Units Consumed : (18784-18398) = 386 Units		
Previous Tariff w.e.f 1st March 1997		Current tariff w.e.f 1st July 2004		
Consumption during a month	Rs/ Unit	Consumption during a month	Fixed Charge Rs/Conn/month	Rs/ Unit
(a) for the first 100 units consumed per month	1.38	0-100 units	25	1.15
(b) for the next 50 units consumed per month	2.40	101-300 units	40	3.20
(c) for the next 200 units consumed per month	3.10	> 300 units (only balance units)	40	4.40
(d) Where Consumption in a month exceeds 350 units, for all the units	3.38			
FAC charges	Extra			
Meter Rent per month Single Phase	2.00			
Elect Duty @ 12% of Energy plus FAC				
GoM Tax on sale of Electricity	0.15			
Average Consumption per day	11.697			
As per Direction in the Tariff Order the revised tariff should be made applicable on a <u>PRO-RATA basis for the consumption</u>. Hence the consumption per month has to be Average Consumption per day X No of Days falling within the respective months belonging to single billing cycle.				
Consumption during 26 days of June'04	304 units	Consumption during 7 days of July'04	82 Units (after rounding)	
Total units consumed for the billing period = 304 + 82 units= 386 units.				

Note:

- Based on differing billing cycle, pro-rata consumption is to be adopted because during the previous billing cycle, a part of the month 'N' (June 2004), when telescopic tariff was not available, is covered and tariff recovered accordingly. Similarly, during month 'N + 1' (July 2004), when a telescopic tariff was introduced, the pro rata consumption is to be computed. FAC charges per unit, where recoverable, are to be applied in a similar manner. (Thus, in the above example, for the 26 days of June, 2004 in which 304 units were consumed on average basis, slabs (a) to (c) of the pre-revised tariff will be applicable, and not slab (d) since consumption during that period was less than 350 units.)
- Upon computation of total energy charges as above, the Electricity Duty etc., are to be charged.

