

PRESS NOTE

ANNUAL REVENUE REQUIREMENT OF BRIHAN-MUMBAI ELECTRIC SUPPLY & TRANSPORT UNDERTAKING (BEST) UNDER 'MYT FRAMEWORK FROM FY 2007-08 TO FY 2009-10 AND TARIFF FOR FY 2007-08.

The Commission has determined the electricity tariffs under the Multi Year Tariff framework, which will be in force from April 1, 2007 to March 31, 2008. The first Control Period for MYT framework has been defined as three financial years from 1st April 2007 to 31st March 2010.

2. BEST Undertaking (BEST) submitted its MYT Petition on 11th December 2006 and revised Petition on 29th January 2007 proposing an Annual Revenue Requirement of Rs. 1965.91 Crore for FY 2007-08 with a cumulative revenue gap of Rs. 522.54 Crore. For FY 2008-09 and FY 2009-10, BEST proposed an Annual Revenue Requirement of Rs.2103.07 Crore and Rs. 2246.53 Crore, respectively. However, BEST had not accounted for the unrecovered FAC of TPC for previous year. To cover the increase in the expenses, BEST also proposed increase in tariffs for different categories for FY 2007-08.

3. The Salient features of the Commission's Order issued on April 3, 2007 are as follows:

- a. The Commission has specified an annual distribution loss reduction trajectory of 0.5% in the BEST network, from 11.5% in FY 2006-07 to 10% in FY 2009-10.
- b. In the absence of a formal Power Purchase Agreement between TPC and BEST, the Commission has determined the Annual Revenue Requirement for BEST including power purchase cost only for FY 2007-08 at Rs. 2222.43 Crore. For FY 2008-09 and FY 2009-10, the Commission has determined the Annual Revenue Requirement excluding the power purchase cost, standby charges, transmission charges, and SLDC charges, at Rs. 255.98 Crore and Rs. 277.45 Crore, respectively.
- c. The Commission will determine the power purchase cost for future years on the basis of the approved PPA between BEST and TPC, and other purchases, if any.
- d. The Tariffs have been determined so that the cross-subsidy is gradually reduced and also to consolidate the movement towards uniform tariffs across the licensees in the Mumbai region.
- e. The consumer classification adopted by BEST is very confusing and complicated, with consumers grouped on the basis of consumption or past agreements, rather than the purpose for which supply is being taken. The Commission has directed BEST to regroup the consumers into the revised tariff categories specified by the Commission based on the purpose for which supply is taken, such as residential, commercial, industrial, etc.
- f. As compared to consumers in other parts of the State and country, consumers in Mumbai city have had the privilege of uninterrupted power supply for many years, on account of the availability of cheaper power, as well as the existence of a standby power agreement with Maha DISCOM, which ensures that the city

does not face load shedding. However, there is a cost implication to this assurance of uninterrupted power supply, due to the cost of standby facility being provided by Maha DISCOM and the increasing requirement of costlier power purchases.

- g. The Commission has determined the basic energy tariff excluding the cost of expensive power and the standby charges. The Commission has provided for recovery of the expensive power cost and the stand by charges with the introduction of a 'Reliability Charge' which has been levied to specific categories of consumers. The Reliability Charge is required to be paid to ensure 24 hour uninterrupted power supply.
- h. The demand-supply situation in the city of Mumbai is in a fine state of balance, with the licensees barely managing to meet the demand, through a combination of own generation and costly power purchases from outside the State. However, if the demand continues to grow at the current rate, then it is likely that the city of Mumbai, including BEST's consumers, will have to face load shedding during system peak hours, even after paying the Reliability Charges. The Commission has hence, determined the tariffs such that there is an in-built incentive to consumers to reduce their consumption, as the impact on the bills is designed to increase as the consumption increases.
- i. The residential, commercial and LT industrial consumers consuming below 300 units per month and HT V consumers (Bulk Residential Supply) will have to bear their share of the standby charges, while all other consumers have to bear their share of the standby charges as well as the share of costly power purchases, since they are primarily contributing towards the increasing incidence of costly power purchases. The Commission has thus ensured that the smaller consumers in the residential, commercial and industrial category do not have to face a tariff shock.
- j. On the other hand, the Commission has targeted the conspicuous consumption categories like shopping malls, floodlighting at stadiums, hoardings, etc., by steeply increasing their tariffs. Rather than banning consumption by such consumer categories, as has been sought by different consumer groups in the Public Hearings held across the State, the tariff has been determined such that it may be more economical for such consumers to opt for captive power supply through DG sets, etc., rather than take supply from the distribution licensee.
- k. In the revised tariff for FY 2007-08, the Commission has made no change in the tariff for Below the Poverty Line (BPL) category consumers. Also, no Reliability Charge has been levied on the BPL category consumers.
- l. Lower level of Reliability Charge (excluding expensive power cost) of only Rs. 0.38 per unit has been made applicable for the electricity consumption of Public Water Supply and Sewerage Systems Works operated by Government/Local Authority, in anticipation that they would adopt Demand Side Management measures.
- m. The Commission has introduced Time of Day (ToD) Tariffs for the HT category consumers except HT-V (Bulk Residential Supply category).

- n. The Commission has directed that the HT III consumers supplying electricity to separately identifiable downstream entities will act as a limited franchisee for the purpose of billing and collection of electricity charges from the downstream entities. These downstream entities will pay appropriate tariff as applicable as per BEST tariff schedule i.e. LT-I, LT-II, LT- III, etc. (Ref: Commission's directive vide its Order dated 18th January 2007). In case such HT III Consumer has declined to operate as a limited franchisee, then BEST should ensure that from 1st April 2007 such downstream entities are given individual connections under relevant tariff category.
- o. Defence establishments taking bulk supply for residential consumption under HT V category shall act as a limited franchisee for billing and collection of electricity charges from any downstream commercial or industrial entities / consumers. Such downstream entities / consumers will pay appropriate tariffs as applicable as per BEST tariff schedule (LT-II, LT-III, etc.) in force.
- p. The Commission has directed BEST to adopt Demand Side Management Measures (DSM) and reduce the demand for power in its license area. The cost of such DSM projects shall be allowed by the Commission as a part of the Annual Revenue Requirement of BEST, which would be more than offset by the savings in power purchase cost due to reduction in demand.
- q. The summary of LT and HT tariffs applicable for BEST's consumers has been given in Annexure 1.
- r. The impact of the revised tariffs on the monthly bill of consumers at normative consumption levels is given in Annexure 2.
- s. The Commission's detailed Order dated April 2, 2007, is available on the Commission's website, www.mercindia.org.in, in downloadable format.

Sd/-
(Malini Shankar)
Secretary, MERC

April 3, 2007

Annexure I: Summary of LT and HT Tariff effective from 1st April 2007 in BEST's License Area

Earlier Tariff Category (as per MERC Order dated 26/09/06)	Revised Tariff Category	Consumption Slab (kWh)	Fixed Charge (Rs. / connection / month)		Demand Charges (Rs / kVA /month)	Variable Charge (Rs. / kWh)	
			Single phase	Three phase		Energy	Reliability
BPL	BPL	0-30	3	Nil	Nil	0.40	Nil
LF 1	LT I: Residential	0 - 100	10	100	Nil	0.50	0.38
		101 - 300	30	100	Nil	1.80	0.38
		301-500	60	100	Nil	3.50	1.57
		>500	100	100	Nil	5.65	1.57
LF 2	LT II: Non-residential cum Commercial	0 - 300	60	150	Nil	3.75	0.38
		301 - 500	120	200	Nil	6.00	1.57
		501 - 1000	180	250	Nil	7.25	1.57
		> 1000	300	300	Nil	8.40	1.57
LTC 1	LT III: - Commercial	All Units	Nil	Nil	300	6.75	1.57
CD	LT IV: Advertisements and Hoardings	All Units	Nil	400	Nil	13.00	1.57
LTP 1	LT V: Industrial (upto 20 kW Sanctioned Load)	0 - 300	Nil	300	Nil	3.20	0.38
		301 - 500	Nil	350	Nil	4.50	1.57
		501 - 1000	Nil	400	Nil	5.50	1.57
		> 1000	Nil	400	Nil	6.85	1.57
LTP 2	LT VI: Industrial (> 20 kW Sanctioned Load)	Sanctioned Load between 21 kW to 100 kW (All Units)	Nil	400	Nil	6.50	1.57
		Sanctioned Load > 100 kW (All Units)	Nil	Nil	300	5.50	1.57
SL	LT VII: Street Lights	Street Lighting (All Units)	Nil	Nil	300	5.00	1.57
		Public Utility Lighting (All Units)	150	200	Nil	5.00	1.57
E	LT VIII: Electric Crematoriums	All Units	Nil	100	Nil	1.50	0.38

Earlier Tariff Category (as per MERC Order dated 26/09/06)	Revised Tariff Category	Consumption Slab (kWh)	Fixed Charge (Rs. / connection / month)		Demand Charges (Rs / kVA /month)	Variable Charge (Rs. / kWh)	
			Single phase	Three phase		Energy	Reliability
T	LT IX: Temporary Supply	All Units	Nil	300	Nil	10.00	1.57
T	LT X: Stand-by (Emergency Supply)	All Units	Nil	Nil	150	5.60	1.57
TS (R)	LT XI: Temporary Supply for Public Religious Functions	All Units	150	200	Nil	1.80	0.38
HTP 1	HT I: Schools, Govt./ Municipal Hospitals, Public/ Charitable Trusts	All Units	Nil	Nil	300	2.50	1.57
HTP 2	HT II: Commercial: Private/ Non- Govt. Hospitals	All Units	Nil	Nil	300	4.75	1.57
HTP 3	HT III: Commercial	All Units	Nil	Nil	300	5.00	1.57
HTP 4	HT IV: Industrial	All Units	Nil	Nil	300	3.50	1.57
HTP 5	HT V: HT Bulk Supply	All Units	Nil	Nil	300	3.50	0.38

Annexure 2: Illustrative Impact on Monthly Bills due to revised Tariffs

Tariff Category		Consumption Slab (Units)	Monthly Consumption (Units)	Billing Demand (kVA)	Monthly Bill as per Existing Tariff	Monthly Bill as per Revised Tariff		
Existing	Revised				Monthly Bill including Stand-by Charges embedded at Rs.0.33 per kWh (Unit)	Monthly Bill including Reliability Charge (Stand-by charge of Rs 0.38 paise per kWh and Expensive Power at Rs. 1.19 per kWh as applicable to the category and consumption slab) (Rs.)	Increase / Decrease (Rs.)	Increase / Decrease (%)
BPL	BPL	0-30	20		11	11	0	0%
LF 1	LT I	0 - 100	75		66	76	10	15%
		101 - 300	250		385	445	60	16%
		301-500	450		1,115	1,384	269	24%
		>500	510		1,331	1,709	378	28%
LF 2	LT II	0 - 300	275		1,113	1,286	173	16%
		301 - 500	480		2,100	2,801	701	33%
		501 - 1000	700		3,200	4,765	1,565	49%
		> 1000	2000		10600	17425	6825	64%
		> 1000	15,000		87,300	146,979	59,679	68%
LTC 1	LT III	All Units	29,640	127	154,344	284,575	130,231	84%
CD	LT IV	All Units	7,000		77,200	102,359	25,159	33%
LTP 1	LT V	0 - 300	275		1,043	1,284	242	23%
		301 - 500	480		1,722	2,516	794	46%
		501 - 1000	700		2,470	4,100	1,630	66%

Tariff Category		Consumption Slab (Units)	Monthly Consumption (Units)	Billing Demand (kVA)	Monthly Bill as per Existing Tariff	Monthly Bill as per Revised Tariff		
Existing	Revised				Monthly Bill including Stand-by Charges embedded at Rs.0.33 per kWh (Unit)	Monthly Bill including Reliability Charge (Stand-by charge of Rs 0.38 paise per kWh and Expensive Power at Rs. 1.19 per kWh as applicable to the category and consumption slab) (Rs.)	Increase / Decrease (Rs.)	Increase / Decrease (%)
		> 1000	1,400		6,610	9,586	2,976	45%
LTP 2	LT VI	All Units	68,400	276	324,180	566,089	241,909	75%
HTP 1	HT I	All Units	756,000	1,654	2,181,000	3,569,819	1,388,819	64%
HTP 2	HT II	All Units	474,990	1,019	2,022,543	3,305,563	1,283,020	63%
HTP 3	HT III	All Units	53,080	264	266,028	427,704	161,676	61%
HTP 4	HT IV	All Units	231,400	1,431	998,370	1,601,488	603,118	60%
HTP 5	HT V	All Units	288,000	214	753,601	1,181,573	427,972	57%