

Maharashtra State Electricity Distribution Co. Ltd.

Prakashgad, Plot No.G-9, Anant Kanekar Marg, Bandra (East), Mumbai – 400 051

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Public Notice

Inviting comments / suggestions / objections on the ARR and Tariff Determination proposal of MSEDCL for the year 2006-07

1. As per the provision of Section 62 and 64 of the Electricity Act, 2003, MSEDCL is required to publish a public notice in various newspapers, both English and Marathi, giving the summary of the ARR petition dated 28th February, 2006 and Tariff Proposal dated 26th May, 2006. Considering the changes subsequent to filing of ARR & Tariff Petition and also the discussion during the preliminary validation on 7th April 2006 & final Technical Validation on 22nd June 2006, these data have been merged and updated as on 20th July 2006. The summary of the same is as under.

2. Objective and approach for ARR and Tariff proposal filing for FY 07

The Maharashtra State Electricity Distribution Company Limited (MSEDCL or Maha Vitran) is submitting this Annual Revenue Requirement (ARR) & Tariff Petition for FY 2006-07 to the Maharashtra Electricity Regulatory Commission (MERC), on the basis of the provisional Transfer Scheme, in accordance with Section 61 and 62 of the EA 2003 and as per the MERC (Terms and Conditions of Tariff) Regulations, 2005, based on the actual expenditure and revenue of FY 2004-05, actual expenditure till September 2005 and estimates from October onwards for FY 2005-06, and projections for FY 2006-07.

The key features of the proposal are:

- § MSEDCL has projected the category-wise sales for the metered categories on the basis of the past trends in sales, using 5-year or 3-year Compounded Annual Growth Rate (CAGR) as appropriate, and after considering the assessed impact of the severe load shedding being undertaken by MSEDCL in the State.
- § MSEDCL has projected total power purchase of 78453 MU, from sources such as MSPGCL, CGS Stations, Ratnagiri Gas & Power Private Limited (RGPPL), traders, & renewable sources, at a total estimated cost of Rs. 17,359 crore.
- § The employee expenses have been projected after considering the impact of the wage revision, normal increase in DA expenses, and a nominal increase of 4% in basic salary and other allowances.
- § A&G expenses have been projected to increase at a nominal rate of 5%
- § R&M expenses have been projected at 3.5% of the opening GFA
- § Depreciation has been projected on the basis of the MERC Tariff Orders.
- § Interest on long-term loans has been projected on the outstanding loans allocated to MSEDCL as per the provisional Transfer Scheme, after considering the additional loans, and repayment schedule. The average interest has been reduced from around 13.4% in FY 2001-02, to around 11% in FY 2004-05, and is expected to reduce further to around 8.3% in FY 2005-06 and FY 2006-07.
- § The capital expenditure projected in FY 2005-06 and FY 2006-07 is Rs. 1142.7 crore and Rs. 2829.7 crore, respectively. The capital expenditure has been assumed to be undertaken at a normative debt:equity ratio of 70:30.

- § The income tax liability of MSEDCL in FY 2006-07 has been projected by applying the current effective income tax rate of 33.66% (30% tax, 10% surcharge, and 2% cess thereon) on the projected RoE.
- § For the purposes of this ARR Petition, MSEDCL has assumed that the entire ARR of the MSETCL, which is the notified STU, would be recovered through MSEDCL's ARR.
- § For FY 2004-05 & FY 2005-06, MSEDCL has projected return on the basis of 4.5% of its Net Fixed Assets. For FY 2006-07, MSEDCL has projected proportionate return on equity (RoE) at the rate of 16% on the opening equity at the beginning of the year.

3. Summary of the Annual Revenue Requirement (ARR) & Revenue Gap with existing tariff, for FY 05 (actual), FY 06 (provisional) and FY 07(proposed), is given below:

Sl.	Particulars	Previous Year	Current Year	Ensuing Year
		(FY 2004-05) (Unaudited)	(FY 2005-06) (Estimated)	(FY 2006-07) (Forecast)
1	Power Purchase Expenses	10706.9	12790.4	17358.9
2	Operation & Maintenance Expenses	1747.6	1865.5	2045.7
2.1	Employee Expenses	1360.5	1456.4	1564.6
2.2	Administration & General Expenses	121.0	127.0	133.4
2.3	Repair & Maintenance Expenses	266.1	282.1	347.7
3	Depreciation, including advance against depreciation	511.4	540.7	599.2
4	Interest on Long-term Loan Capital	349.0	180.9	278.7
5	Other Interest & Finance Charges incl. Interest on working capital & consumer security deposits	123.7	260.7	348.4
6	Bad Debts Written off	209.9	219.9	238.1
7	Other Expenses (details given separately)	130.2	122.7	137.4
8	Income Tax	0.0	108.5	160.9
9	Transmission Charges paid to Transmission Licensee	1589.6	1668.4	1854.4
10	Contribution to contingency reserves		44.8	49.7
11	Total Revenue Expenditure	15368.3	17802.5	23071.3
12	Return on Equity Capital	122.5	129.0	478.0
13	Aggregate Revenue Requirement	15490.8	17931.5	23549.3
14	Less: Non Tariff Income	985.9	1021.8	1059.4
15	Aggregate Revenue Requirement from Retail Tariff	14504.9	16909.8	22489.9
16	Revenue with existing tariff	13991.8	15508.6	18942.2
17	Revenue Gap	513.1	1401.2	3547.8

Note: For FY 2004-05, audited information is available and would be annexed to the public document

4. **Distribution Loss** – The energy input, sales and distribution loss for FY 05 (actual), FY 06 (estimated) and FY 07 (projected) is given in the Table below. MSEDCL has projected a 2% reduction in distribution loss in FY 2006-07, based on past experience and in view of the capital investments being proposed, which will bear fruit in the long run.

Energy Balance	FY05	FY06	FY07
Power Purchase from Maha GENCO	47131	46459	47798
Power Purchase from Other Sources	20043	23272	30654
Energy Input Available	67174	69731	78453
Metered Sales	34346	36457	40905
Assessed Un-metered Sales	8636	9499	12349
Credit Billing (on a/c of TPS by RE sources)	581	581	581
Total Sales	43562	46537	53834
Distribution loss Reduction		2.0%	2.0%
DISCOM's Distribution Losses	31.00%	29.00%	27.00%
TRANSCO's transmission losses	6.01%	6.00%	6.00%
DISCOM's energy requirement	63136	65547	73749
TRANSCO's energy requirement	67174	69731	78456

5. Regulatory Liability Charges

The Commission, in its Tariff Order for FY 2003-04, had introduced Regulatory Liability Charges at the rate of 50 paise per unit for the subsidizing categories, viz. LT commercial, LTPG, HTP I, HTP II and Railways, for funding the cost of excess T&D losses. This was to be returned to these consumer categories in future through reduction in tariffs, when the T&D losses are reduced.

MSEDCL accepts that the revenue earned from RLC has to be refunded to the consumers, at some point of time in the future. However, MSEDCL has faced a revenue gap in FY 2004-05 and FY 2005-06, despite earning revenue from RLC. If the revenue from RLC is refunded, the revenue gap will increase correspondingly, which will have to be recovered from all consumers. Further, though distribution losses have been reduced in FY 2005-06 as compared to the loss levels in FY 2004-05, revenue from RLC can be returned only out of savings due to higher loss reduction as compared to target loss reduction. Since, the loss levels are still above the target loss levels stipulated by the Commission, it is not possible to refund the revenue earned from RLC at this stage.

Year	RLC Billed (Rs. Crore)
FY 2003-04	313.1
FY 2004-05	1054.4
FY 2005-06	1163.8
TOTAL	2531.3

6. **Load shedding Vs Power Purchase Cost** – The load shedding in MW and MU, total power purchase cost in Rs. Crore and average power purchase cost in Rs/kWh for FY 05

(actual), FY 06 (actual) and FY 07 (proposed) is given in the following Table. The increase in the demand - supply gap is the primary reason for the increase in load shedding, which has necessitated higher incidence of costly power purchase.

Sl.	Particulars	FY05	FY06	FY07
1	Peak Demand (MW)	12749	14061	14600
2	Availability (At the time of Peak Demand) (MW)	9704	9856	10100
3	Load shedding(At the time of Peak Demand) (MW)	3045	4205	4500
4	Load shedding(At the time of Peak Demand) (MU)	38.85	66.5	70.43
5	Total power purchase cost (Rs. Cr)	10706.9	12790.4	17358.9
7	Average power purchase cost (Rs/kWh)	1.59	1.83	2.21

7. Willingness to pay

Increase in power purchase quantum enables MSEDCL to mitigate load shedding to some extent. However, the tariff will also increase correspondingly, as the cost of power purchase has to be recovered from the consumers. Consumers may or may not be willing to bear the additional burden through payment of higher tariffs to offset the load shedding requirement, and need to communicate their willingness to bear the burden of increased tariffs to eliminate/minimise load shedding.

Recently, an innovative approach to the above problem has been successfully implemented in Pune urban circles, where the industrial units having captive facilities are utilising the surplus captive power available during peak hours. This results in reduction of consumption from the grid by these industrial units during these hours. Thus the surplus grid power is utilized to eliminate load shedding in the local area. The difference in the tariff payable by the industrial units having captive facilities and the actual cost of captive generation is compensated to the captive units; the amount is collected by payment of additional 'Reliability Charges' of around 42 paise/kWh by all consumers in Pune urban circles for their consumption (except domestic consumers consuming less than 300 units per month).

8. **Tariff proposal** – A comparison of the existing and proposed tariffs along with the percentage increase proposed for each consumer category, is given in the **Tables 1 and 2**. As detailed above, power purchase expenses forms the bulk of the ARR of MSEDCL, and contributes around 76% of the ARR. The high power purchase expenses are mainly on account of increased quantum of power purchase from RGPPL and increased cost of Generation of MSPGCL and other sources, which has primarily necessitated the tariff increase.
9. The MERC has directed the MSEDCL to make available the Executive Summary of the proposal both in English and Marathi and / or detailed petition documents containing data in CD to anyone interested.
10. Copies of the following documents can be obtained on written request from the Offices of MSEDCL mentioned below:
 - a) Executive Summary of the proposals (free of cost, either in Marathi or in English),

- b) Detailed Petition documents along with CD (in English) (on payment of Rs 300/- by Cash or DD/ Cheque drawn in favour of **Maharashtra State Electricity Distribution Company Limited**).
- c) Detailed Petition documents – print version only (in English) (on payment of Rs. 250/-).
- d) CD of detailed Petition document (in English) (on payment of Rs. 50/-).

Head Office: Superintending Engineer (TRC)
 Maharashtra State Electricity Distribution Co. Ltd.
 5th Floor, Prakashgad, Anant Kanekar Marg,
 Bandra (E), Mumbai – 400 051. Maharashtra.
 Telephone No. 022 26472131(O)/26476843 Fax No.022 26475012
 e-mail : setrc@mahadiscom.in
 Website : www.mahadiscom.in

Other Offices:

1. The Chief Engineer (O&M), MSEDCL, Bhandup Urban Zone, Vidhyut, L.B.Marg, Bhandup, Mumbai-400078 STD Code- 022, Phone : 25643981 Fax: 25643990 E-mail : cebhandup@mahadiscom.in	2. The Chief Engineer (O&M), MSEDCL, Kalyan Zone, Tejashree, Jahangir Maidan, Karnik Road, Kalyan-421301 STD Code-0251, Phone : 2328283, Fax:2329488 E-mail - cekalyan@mahadiscom.in	3. The Chief Engineer (O&M), MSEDCL, Konkan Zone, Ratnagiri, New Adm.Bldg., Nachane Road, Ratnagiri-415639 STD Code-02352 Phone :225853 Fax: 226504 E-mail - cekonkan@mahadiscom.in
4. The Chief Engineer (O&M), MSEDCL, Adm.Bldg., Tarabai Park, Kolhapur-416003 STD Code-0231 Phone :2650582 Fax: 2658060 E-mail - cekolhapur@mahadiscom.in	5. The Chief Engineer (O&M), MSEDCL, Latur Zone, Latur STD Code-02382 Phone : 253866 Fax: 251866 E-mail - celatur@mahadiscom.in	6. The Chief Engineer (O&M), MSEDCL, Vidhyut Bhawan, Nasik Road, Nasik-422101 STD Code- 0253 Phone : 2462491 Fax: 2461581 E-mail - cenashik@mahadiscom.in
7. The Chief Engineer (O&M), MSEDCL, Adm.Bldg., Rasta Peth, Pune-411011 STD Code- 020 Phone : 26131389 Fax: 26132052 E-mail - cepuneurban@mahadiscom.in	8. The Chief Engineer (O&M), MSEDCL, Amravati Zone, Akola Vidhyut Bhawan, Ratanlal Plot, Akola-444005 STD Code- 0724 Phone : 2434476 Fax: 2438025 E-mail - ceakola@mahadiscom.in	9. The Chief Engineer (O&M), MSEDCL, Aurangabad Zone, Vidhyut Bhawan, Dr.Babasaheb Ambedkar Marg, Aurangabad-431001 STD Code- 0240 Phone : 22334065 Fax: 2331056 E-mail - ceaurangabad@mahadiscom.in
10. The Chief Engineer (O&M), MSEDCL, Nagpur Rural Zone, Vidhyut Bhawan, Katol Road, Nagpur-440013 STD Code- 0712 Phone : 2591976 Fax: 2591927 E-mail - cenagpur@mahadiscom.in	11. The Chief Engineer (O&M), MSEDCL, Nagpur Urban Zone, Prakash Bhawan, Link Road, Sadar Nagpur-440001 STD Code-0712 Phone :2531561 Fax: 2520178 E-mail- cenagpururban@mahadiscom.in	

10. The Commission has directed MSEDCL to invite comments or suggestions from the public on the above Petition through this Notice. Suggestions or comments /objections may be sent to **the Secretary, Maharashtra Electricity Regulatory Commission (MERC), 13th Floor, Centre No. 1, World Trade Centre, Cuffe Parade, Mumbai – 400 005 [Fax :022-22163976, E-mail - mercindia@mercindia.org.in]** by 14th August 2006, along with proof of service on the Superintending Engineer, Tariff Regulatory Cell, Maharashtra State Electricity Distribution Co. Ltd., Bandra Kurla Complex, Bandra (E), Mumbai-400051.
11. Every person who intends to file objection, suggestions or comments can submit the same in English or in Marathi, in six copies, within three weeks of the Public Notice, but not later than **21st August 2006**. The Objection, suggestion should carry the full name, postal address and e-mail address, if any, of the sender. It should be indicated whether the objection is being filed on behalf of any organization or category of consumers. It should also be mentioned if the sender wants **to be heard in person, in which case opportunity would be given by the Commission at the Public Hearing to be held at the following places**, for which no separate notice will be given.

Sr.	Place / Venue of Public Hearing	Date	Time	Day
01	Amravati, Meeting Hall, Office of the Divisional Commissioner, Amravati	17.08.2006	10.00 hrs	Thursday
02	Nagpur, Meeting Hall, Office of the Divisional Commissioner, Nagpur	18.08.2006	10.00 hrs	Friday
03	Aurangabad, Meeting Hall, Office of the Divisional Commissioner, Aurangabad	21.08.2006	10.00 hrs	Monday
04	Nashik, Bachat Bhavan, Office of the District Collector, Nashik	22.8.2006	10.00 hrs	Tuesday
05	Pune, Meeting Hall, Office of the Divisional Commissioner, Pune	24.08.2006	10.00 hrs	Thursday
06	Mumbai, Y.B. Chavan Auditorium, Opp. Mantralaya, General Jagannath Bhosale Marg, Mumbai – 400 005	25.08.2006	11.00 hrs	Friday

12. Interested parties, who find it difficult to attend the hearing at the respective Divisional Headquarters, may participate in the hearing at Mumbai.
13. MSEDCL shall reply to each of the objections / suggestions / comments received within the prescribed time, within three days of the receipt of the same. The objector can submit a rejoinder to MSEDCL's reply within one week of the receipt of MSEDCL's reply, but not later than **25th August 2006**. In both cases, six copies should be endorsed to the Commission.

14. The detailed Petition document,data and the executive summary, in easy downloadable format, are available on MSEDCL's website <http://www.mahadiscom.in>. The executive summary (in Marathi and English) will also be available in the website of the Commission [<http://www.mercindia.org.in>] in downloadable format (free of cost).

sd/-
Director (Operation)
MSEDCL, Mumbai

Table 1
Comparison of existing and proposed tariff for Low Tension (LT) categories of consumers

Category, sub-category & consumption slab	Existing				Proposed		% Tariff Increase
	Fixed Charges (Rs/mth)	Energy Charge (paise/kWh)	Regulatory Liability Charge (paise/kWh)	FAC (paise/kWh)	Fixed Charges (Rs/mth)	Energy Charge (paise/kWh)	
LT CATEGORIES							
Domestic							
0 - 30 units	20	125		96	25	265	20%
31 - 300 units	40	290		96	60	480	24%
Above 300 units	40	400		96	60	640	27%
Fixed charge for 3-phase consumers	100				200		
Addl. Fixed Charge for connected load above 10 kW	Rs. 100 per 10 kW or part thereof above 10 kW				200 per 10 kW or part thereof above 10 kW		
Commercial							
0 - 100 units	100	240	50	96	100	500	28%
101 - 200 units	100	315	50	96	100	600	
Above 200 units	100	410	50	96	100	720	
Fixed charge for 3-phase consumers	150				250		
Addl. Fixed Charge for connected load above 10 kW	Rs. 150 per 10 kW or part thereof above 10 kW				400 per 10 kW or part thereof above 10 kW		
Optional MD tariff	Rs. 220/ kVA/ mth				Rs. 220/ kVA/ mth		
LT Industrial (incl. Powerlooms)							
0 - 1000 units	Rs. 60/HP/ month	230	50	96	Rs.100/HP/ month	480	31%
Above 1000 units	Rs. 60/HP/ month	250	50	96	Rs.100/HP/ month	510	
Optional MD tariff	Rs. 220/ kVA/ mth				Compulsory - Rs. 220/ kVA/ mth		
Optional ToD tariff					Compulsory ToD tariff		
22.00-06.00 hrs	0	-75			0	-50	
06.00-09.00 hrs	0	0			0	0	
09.00-12.00 hrs	0	50			0	100	
12.00-18.00 hrs	0	0			0	0	
1800-2200 hrs	0	90			0	150	
LT PWW							
Urban Public Water Works	Rs.60/HP/ month	240		96	Rs.90/HP/ month	400	28%
Rural Public Water Works				96			
- Grampanchayat	Rs.25/HP/ month	100		96	Rs.50/HP/ month	250	
- Metered tariff (incl. C Class Municipal Councils)	Rs.35/HP/ month	150		96	Rs.60/HP/ month	305	
LT Agriculture							
Flat rate tariff							
- Category 1 circles (<1300 hrs/HP/yr)	Rs. 150/HP/ month			Rs.63/HP/ month	Rs. 213/HP/ month		0%
- Category 2 circles (>1300 hrs/HP/yr)	Rs. 180/HP/ month			Rs.74/HP/ month	Rs. 255/HP/ month		
Metered tariff (incl. Poultry Farms)	Rs. 15/HP/ month	110		96	Rs. 15/HP/ month	206	
Streetlight							
Grampanchayat & C Class Municipals	Rs.30/kW/ month	210		96	Rs.50/kW/ month	360	27%
Municipal Corporations	Rs.30/kW/ month	250		96	Rs.50/kW/ month	430	

Table 2

Comparison of existing and proposed tariff for High Tension (HT) categories of consumers

Sub-category & Consumption Slab	Existing				Proposed		% Tariff Increase
	Demand Charges (Rs/kVA/ mth)	Energy Charge (paise/ kWh)	Regulatory Liability Charge (paise/ kWh)	FAC (paise/ kWh)	Fixed Charges (Rs/ kVA/ mth)	Energy Charge (paise/ kWh)	
HT CATEGORIES							
HTP - I (BMR/PMR)	350	215	50	96	400	495	32%
HTP - II (Others)	330	210	50	96	380	490	33%
Seasonal category	350	300		96	400	545	
<i>ToD tariff</i>							
22.00-06.00 hrs	0	-85			0	-50	
06.00-09.00 hrs	0	0			0	0	
09.00-12.00 hrs	0	60			0	110	
12.00-18.00 hrs	0	0			0	0	
18.00-22.00 hrs	0	100			0	180	
HTP - III (BMR/PMR)	350	215		96	380	400	25%
HTP - IV (Others)	330	210		96	380	390	25%
<i>ToD tariff</i>							
22.00-06.00 hrs	0	-85			0	-50	
06.00-09.00 hrs	0	0			0	0	
09.00-12.00 hrs	0	60			0	110	
12.00-18.00 hrs	0	0			0	0	
18.00-22.00 hrs	0	100			0	180	
HTP - V		335	50	96		610	27%
HTP-VI							
<i>Residential Complex</i>	125	220		96	200	405	31%
<i>Commercial Complex</i>	125	350		96	200	575	
HTP - VII (incl Poultry, Agri high tech)	Rs. 25/HP/ month	130		96	Rs. 75/HP/ month	265	28%
MPECS	200	140		96	200	300	22%
TPC	600	299		96	600	500	0%