

Himachal Pradesh Electricity Regulatory Commission

Press Note

Electricity Tariff for 2016-17

- HPSEBL has projected additional revenue requirement of Rs. 1556.70 Crores for 2016-17 and has proposed a tariff increase of about 33%. The Himachal Pradesh Electricity Regulatory Commission (Commission) after hearing the stake holders, after due diligence and prudence check, accepted additional requirement of Rs. 154.48 Crores and the corresponding increase in tariff against the aforesaid demand. The estimates of revenue expenditure and income approved by the Commission for 2016-17 are as under:-

1.	Aggregate Revenue Requirement (ARR)	Rs. 4966.05 Crores
2.	Total Income (on existing tariff)	Rs. 4811.58 Crores
3.	Revenue Gap considered for Tariff Increase	Rs. 154.48 Crores

2. Tariff Increase:

Commission is of the view that in the past years there has been persistent stagnation in the growth in the industrial sector and therefore has decided not to increase the energy charges for the industrial category. In view of gap of Rs. 154.48 Cr., based on tariff of 2015-16, Commission has ordered that there shall be no increase in the Energy Charges for Industrial Consumers, and Energy Charges applicable for them as per Tariff Order of 2015-16 shall continue to be applicable in 2016-17. There is no increase in the tariff of lifeline consumers and however a marginal increase of 15 to 20 paise per unit in the energy charges of domestic category. For other categories there is also a marginal increase of 10 to 25 paise per unit in the energy charges. Overall average tariff increase is of the order of 3.5%.

- Domestic supply is cross-subsidized by certain other categories, because domestic tariff is about 88% of the average cost of electricity supply. Therefore, in order to narrow down the gap in tariff, as required under Electricity Act 2003 and National Tariff Policy 2016, marginal increase in tariff for domestic category has been approved as under:

Consumption Slab Per Month	Energy Charges (Rs/Unit) 2015-16	Energy Charges (Rs/Unit) 2016-17	Effective Tariff after H.P. Govt. Subsidy (Rs/Unit) 2016-17
0-60 units (Lifeline Consumers)	2.85	2.85	1.00 (No increase)
0-125 units	3.50	3.70	1.50 (Increase of 20 paise per unit)
126-300	4.40	4.60	2.90 (Increase of 20 paise per unit)
above 300	4.95	5.10	4.35 (Increase of 15 paise per unit)
Prepaid Consumers	4.40	4.60	2.90 (Increase of 20 paise per unit)

The average consumption per consumer per month for domestic category is expected to be around 90 units and the average increase in energy charges for domestic consumers will be about Rs. 18.00 per month.

4. Monthly Consumer Service charges, which are payable in cases where demand charges are not applicable, have been increased marginally by Rs. 10.00 for Domestic Consumers in the slab of 0-125 units, Rs. 20.00 for Small Industries and Irrigation & Water Pumping, Rs. 30.00 for Non Domestic Non Commercial (NDNC), Commercial and Street Light Consumers.
5. Monthly per kVA Demand Charges have been increased marginally by Rs. 10.00 for Irrigation & Water Pumping consumers (LT Supply), Rs. 20.00 for NDNC/ Commercial Supply/Medium Industry, Rs. 50.00 for Large Industry/ Water Pumping HT Supply & Rs. 50.00 for Bulk Supply and Rs. 75.00 for Large Industry EHT Supply.

6. Reasons of Tariff Increase:

HPSEBL is moving towards stable tariffs as per estimates, however increase of approx. Rs. 154.48 Cr. became evident due to the fact that Rs. 132.99 Cr. which was adjusted in the tariff by HPERC in 2015-16 but HPSEBL actually didn't receive that amount from the Govt. of HP. Moreover in the budget speech there was announcement of 5% Interim Relief for the employees' w.e.f 1-08-2016 by the H.P Govt. There has been no tariff increase for the years 2014-15 and 2015-16.

7. Factors considered for determination of ARR

(i) Policy of 100% Clean Energy Consumption:

Commission had decided in MYT tariff order issued in 2014 that only clean energy i.e. energy generated from clean sources i.e. Renewals, Hydel and State's share in Nuclear Plants of Govt of India, shall be purchased to meet 100% consumption requirement in the State. Clean sources mainly being hydel, tariff is stable because there is no raw material cost (unlike in coal and gas based power) and since hydel projects have long life, stability of tariff is visible for long term period, which helps in investment and development strategies. Power purchase cost on the average is constant.

(ii) Prudence in Power Purchase:

Power purchase accounts for about 65% of expenditure and hence prudence based on commercial principles brings huge savings. Instead of buying power in routine from public sector projects, of Govt of India like NHPC, NTPC, Tehri etc., all purchases are now guided by landed cost of power at the consumers' metered in the State. Therefore, costly power from Centre Govt. thermal stations and hydel stations like Chamara-III, Parvati, Koteswar, Koldam, Tehri etc. have been temporarily diverted to other States/GoI for a few years, because cheaper options are available. When tariff from these stations come down, State can buy being its rightful share.

(iii) Efficient performance of HPSEBL:

HPSEBL's performance efficiency is well established, particularly in terms of transmission and distribution loss reduction, to as much as 12.40% level, universal electrification with metered supply etc. The Commission has also advised the HPSEBL to optimise its operational efficiency to provide better services to the consumers.

8. Reforms and Customer Care:

(i) 24x7 power for all :

- (a) HPSEBL to ensure 24x7 reliable and quality power supply to all the consumers.
- (b) There are no peak load restrictions and supply during peak hours is available without requiring any prior approval of Board.
- (c) Contingent surplus, in addition to 100% estimated requirement from long term PPA sources, have been provided so that no power cut or purchase of costly power, in unforeseen shortage situation is required.

(iii) Wheeling Incentive to Small Hydro:

Small Hydro Generation will pay wheeling at the rate fixed for EHT Voltage, irrespective of lower voltage on which actually being wheeled.

(v) Waste to Energy:

For environment protection, all electricity generated in the State based on waste, including municipal waste, by any person or organisation shall be/ being purchased by HPSEBL on the rates determined by Commission.

Sd/-
Executive Director (Tariff)

In case of any clarification please contact:

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