Annexure I

1. Introduction

1.1 Various stakeholders filed their objections/comments on suo motu determination of Tariff Proposal for the year 2007-08. 35 consumers/organisations filed their objections. The quality of presentation and documentation of these is a happy reflection on the coming of age of the fledgling consumer movement. It is quite clearly growing into its role of a well informed and effective grassroots aide for Regulatory supervision. As in the past, the Commission would like to place on record its appreciation to the participating consumers and organizations for the comprehensive inputs received both through the Objections and Public hearings.

1.2 In the following paras, the objections filed, PSEB response and view of the Commission on each of the objections have been briefly discussed.

2. Objection No. 27 - Punjab State Electricity Board

2.1 General

2.1.1 The Board has submitted that the interest and the commercial viability of the Board have not been considered while drawing up the suo motu proposal.

2.1.2 View of the Commission

- Determination of tariff for the year 2007-08 has been done as per Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 (hereinafter referred as PSERC Tariff Regulations) and in accordance with the Electricity Act 2003, National Electricity Policy and Tariff Policy.
- Section 61(d) of the Act, enjoins the Commission in
  "safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner"
  The Commission has to, therefore, not only consider the interest of the Utility but also safeguard the interest of the Consumers. Keeping the same in view, the Commission proactively undertook the suo motu determination of ARR of the Board for FY 2007-08 despite the Board having failed to submit the Tariff Petition.

2.2 Diversion of Funds

2.2.1 The Board has submitted that the Commission has disallowed the interest of Rs. 100 crores on account of diversion of funds for FY 2005-06, FY 2006-07 and FY 2007-08. According to the Board, the main reasons for diversion of funds are:

- Inadequate Tariff coverage compared to costs.
- No formal mechanism for administration of subsidy during 1997-2002 to cover the revenue gap of Rs 1500 crores on account of free supply of power to agriculture consumers.

The Board has sought disallowance of only the differential interest cost between the long-term funds and short-term funds instead of the whole interest amount on the diverted funds.

2.2.2 View of the Commission

Refer Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order.

2.3 Fuel Cost for Thermal Stations

2.3.1 The Board has sought the fuel cost to be computed based on NCV. Further the Board has suggested that in case the Hon'ble Commission still chooses to follow the GCV methodology, then

- Fuel cost based on Calorific values already accepted in Tariff Orders for FY 2005-06 & FY 2006-07 for truing up FY 2005-06 and finalizing R.E for 2006-07 be allowed so as not to deviate from the principles & norms already followed in the respective Tariff Orders as stated in the suo motu proposal;
- Fuel cost for FY 2007-08 be allowed as per the norms adopted by CERC for calculation of coal consumption in central sector stations i.e. based on GCV "as fired", where GCV of the fuel "as received" shall be reduced by 100 kCal/kg to arrive at the GCV of the fuel "as fired."

2.3.2 View of the Commission
Refer Chapter 2, Para 2.7, Chapter 3 Para 3.8 and Chapter 4 Para 4.7.

2.4 **True Up for FY 2005-06**

2.4.1 **Metered Energy Sales (Disallowance on account of theft):** The Board has submitted that the mismatch of revenue realised from theft and the average revenue realisation per unit for the respective categories, as per the audited accounts, is due to the misclassification of the amount assessed from theft by different accounting units. However, the same is in line with the past practice followed by the Board, which has been accepted by the Commission in previous tariff orders/reviews.

2.4.2 **View of the Commission**
Refer Chapter 2, Para 2.2.2.

2.4.3 **Disallowance on account of price of coal:** The Board has stated that they have inadvertently submitted the price of coal exclusive of transit loss for GHTP and GNDTP in the column meant to submit price of coal inclusive of transit loss. It seems prima facie that Commission has inadvertently deducted transit loss twice while computing the fuel cost for GHTP and GNDTP.

2.4.4 **View of the Commission**
Refer Chapter 2, Para 2.7.3.

2.4.5 **Auxiliary Consumption of RSD:** The Board has submitted that RSD has static excitation system and the auxiliary consumption for the plant should be computed as per the CERC norm at the rate of 0.5% instead of 0.2%.

2.4.6 **View of the Commission**
Refer Chapter 2, Para 2.4.2.

2.4.7 **Employee Cost:** The Board has sought for acceptance of employee cost for FY 2005-06 as per the actual expenditure incurred for the True Up exercise, stating that the increase is largely on account of uncontrollable factors.

2.4.8 **View of the Commission**
Refer Chapter 2, Para 2.10.

2.4.9 **A&G Expenses:** The Board has requested that A&G Expenses may be allowed as per the actual audited figures.

2.4.10 **View of the Commission**
Refer Chapter 2, Para 2.12.

2.4.11 **Provision for FBT and other debits:** The Board has requested that the expenditure of Rs 8.84 crores on other debits, extra-ordinary items and provision for FBT expenditure may be considered while determining the ARR for FY 2005-06.

2.4.12 **View of the Commission**
Refer Chapter 2, Para 2.20.

2.5 **Review for FY 2006-07**

2.5.1 **Auxiliary Consumption of RSD:** The Board has submitted that RSD has static excitation system and the auxiliary consumption for the plant should be computed as per the CERC norm at the rate of 0.5% instead of 0.2%.

2.5.2 **View of the Commission**
Refer Chapter 3, Para 3.5.2.

2.5.3 **Employee Cost:** The Board has requested to allow the employee cost of Rs 1786.79 crores for the FY 2006-07 stating that the increase is largely on account of uncontrollable factors.

2.5.4 **View of the Commission**
Refer Chapter 3, Para 3.10.

2.5.5 **Revenue Projection under Domestic Category:** The Board has sought that the sales mix for computing the sales of various slabs of the domestic category should be as per the actual billing data for FY 2005-06 as the assumption considered by the Commission over estimates the revenues of the Board.

2.5.6 **View of the Commission**
Refer Chapter 3, Para 3.19.

2.6 **Proposal for FY 2007-08**

2.6.1 **Metered Energy Sales:** The Board has requested to consider the methodology of month-wise CAGR and approve the metered sales at 19213 MU for FY 2007-08.

2.6.2 **View of the Commission**
Refer Chapter 4, Para 4.1.1

2.6.3 **Agricultural Consumption:** The Board has submitted that the normative growth of 5% considered by the Commission does not hold true if the last three years agricultural consumption is analysed.

2.6.4 **View of the Commission**
Refer Chapter 4, Para 4.1.2.

2.6.5 **Outside State Sales and Power Purchase under Banking:** The Board has stated that the Commission has proposed revenue of Rs 333.79 crores at an average rate of Rs 4.06/unit for FY 2007-08 on account of outside state sales while expenditure under banking has been considered at Rs 249.44 crores. The Board has submitted that the units sold under banking to M/s Lanco and NVVNL in FY 2006-07 shall be purchased during FY 2007-08. The Board has requested to approve the outside state sales revenue of Rs.294.30 crores and the power to be purchased under banking arrangements at Rs. 298.21 crores for FY 2007-08.

2.6.6 **View of the Commission**
The Commission has considered the power purchase under banking as per the data originally furnished by the Board and the outside State sales under banking as per the information furnished by the Board to the stakeholder under the RTI act. The Commission shall review change, if any, during the review and true up for that year.

2.6.7 **T&D Loss Level:** The Board has objected to the T&D loss level at 19.5% fixed by the Commission for the FY 2007-08.

2.6.8 **View of the Commission**
Refer Chapter 4, Para 4.2.

2.6.9 **Station Heat Rate:** The Board has requested to consider SHR of GGSTP at 2666.67 kCal/kwh due to ageing of two of its units.

2.6.10 **View of the Commission**
The Commission has approved the SHR as per CERC norms as provided in Regulation 20 of PSERC Tariff Regulations.

2.6.11 **Auxiliary Consumption of RSD:** The Board has submitted that RSD has static excitation system and the auxiliary consumption for the plant should be computed as per the CERC norms at the rate of 0.5% instead of 0.2%.

2.6.12 **View of the Commission**
Refer Chapter 4, Para 4.4.2.

2.6.13 **Specific Oil Consumption:** The Board has requested to allow the Specific Oil Consumption for the new unit of GHTP at 4 ml/kWh instead of 2 ml/kWh.

2.6.14 **View of the Commission**
The Commission has approved the Specific Oil consumption as per CERC norms as provided in Regulation 20 of PSERC Tariff Regulations.

2.6.15 **Revenue Projections under Domestic Category:** The Board has submitted that the sales mix considered by the Board for computing the sales of various slabs of the domestic category were as per the actual billing data for FY 2005-06. The same should be the basis of revenue projection by the Commission.

2.6.16 **View of the Commission**
Refer Chapter 4, Para 4.17.

2.7 **Objection to Tariff Regulations:**

2.7.1 The Board has requested for amendment in PSERC Tariff Regulations, 2005 in respect of the following parameters:

- T&D Loss Trajectory
- Employee Cost
- Working Capital Management

2.7.2 **View of the Commission**

The Board needs to approach the Commission separately for this purpose.

3. Objection No. 24 and 30 - PSEB ENGINEERS' ASSOCIATION

3.1 **Delay in Filing ARR/ Tariff Petition**

3.1.1 It was mandatory on the part of PSEB to file ARR and Tariff Petition by 30.11.2006. As per provisions of PSERC Tariff Regulation 13 (2) it becomes obligatory for the Commission to initiate suo motu proceedings. The order of the Commission giving extension to the Board without valid ground was not as per the Regulations; instead action was required to be taken against the Board under Section 142 of the Act.

3.1.2 **View of the Commission**

Determination of tariff for the year 2007-08 has been done as per Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 in accordance with the Electricity Act 2003, National Electricity Policy and Tariff Policy.

3.2 **Specific Issues**

3.2.1 The Commission has referred to several of Board letters/documents without making them available for scrutiny. The copies of these documents may be made available and uploaded on the website of the Commission.

3.2.2 **View of the Commission**

The various referred documents were made available in the Commission's office for perusal.

3.3 **True Up for FY 2005-06**

3.3.1 **Calorific Value:** As per Regulation 9 of PSERC Tariff Regulations "Review and True up", there is no scope/ provision for changing principles/methodology/norms; hence the principle of adopting Gross CV of coal is not correct. Therefore a retrospective change in procedure of adopting calorific value would mean that the SHR norm is no longer "CAPABLE OF ACHIEVMENT" with higher CV values being applied in back date.

3.3.2 **View of the Commission**

Refer Chapter 2, Para 2.7.3.

3.3.3 **Subsidy:** For the period of 1997-2002, GoP was required to pay a subsidy of Rs 1560.11 crores to PSEB in lieu of free AP supply. This amount is required to be incorporated in Table 2.8 of the Public document and since this amount is exclusive of interest, the Commission has been requested to allow interest on year-to-year basis.

3.3.4 **View of the Commission**

Refer to Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order.

3.3.5 **Employee Cost:** Since Employee Cost comes under "Uncontrollable factors" thus it should be allowed as per Regulations. The Commission should suggest how the employee cost can be reduced and direct the Board to draw up a VRS plan.

3.3.6 **View of the Commission**

Refer Chapter 2, Para 2.10.

3.3.7 **Under achievement of T&D Losses:** For FY 2005-06, the Board's losses increased from 24.27% to 25.07% causing an increase of 0.8%. Hence the overall increase is 2.05 %(1.25 % +0.8%). The penalty should be worked out on 2.05% figure instead of 3.07% (25.07% -22%).

3.3.8 **View of the Commission**

This would tantamount to shifting of targets on account of under achievement by the Board. Refer Chapter 4, Para 4.2. Also refer Chapter 2, Para 2.3.

3.4 **Review of FY 2006-07**

3.4.1 **Under achievement of T & D losses:** The Board achieved 1.16% reduction in T&D loss, so the underachievement of losses is 1.25%-1.16%= 0.09%, hence penalty should be reassessed on this loss rather than the cumulative procedure of loss reduction trajectory.

3.4.2 **View of the Commission**
This would tantamount to shifting of targets on account of under achievement by the Board. Refer Chapter 4, Para 4.2. Also refer Chapter 3, Para 3.3.

3.4.3 **Fuel Cost:** As stated in the True up of FY 2005-06, GCV concept should not be introduced.

3.4.4 **View of the Commission**
Refer Chapter 3, Para 3.8.

3.4.5 **Power Purchase Cost:** The reduction in Power Purchase cost and quantum of Power is required to be reconsidered as under achievement of T & D losses is only 0.09% as discussed above (Para 3.4.1).

3.4.6 **View of the Commission**
Refer Chapter 3, Para 3.9.

3.4.7 **Employee Cost:** (As stated in para 3.3.5).

3.4.8 **View of the Commission**
Refer Chapter 3, Para 3.10.

3.4.9 **Subsidy Recoverable from GoP**

a. Subsidy of Rs. 1560.11 crores with interest (for free power 1997-2002) is to be incorporated and added on to the figure of 2005-06;
b. There is a shortfall of Rs 421.99 crores from the GoP as subsidy payment, hence the interest cost of this shortfall should also be taken into account;
c. The sum of Rs.716.63 crores is being carried over to FY 2007-08 as payable by GoP, for which carrying charges (interest) and the timeframe of payment needs to be addressed.

3.4.10 **View of the Commission**
Refer Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order.

3.4.11 **ARR:** It has been stated that the information has not been completely provided in a few tables.

3.4.12 **View of the Commission**
The requisite information was provided in the public document.

3.5 **ARR for FY 2007-08**

3.5.1 **Agricultural Consumption:** The figure of 8645 MU has been worked out on a normative growth of 5% over FY 2006-07, however no norm is prescribed in the Regulations. The principle of adopting previous years CAGR is more logical and prevalent.

3.5.2 **View of the Commission**
Refer Chapter 4 Para 4.1.2.

3.5.3 **Growth Rate:** The ARR exercise for FY 2007-08 should be seen in the overall framework of ensuring a 9% economic growth and adopting the elasticity ratio as per GOI/ Planning Commission, hence the estimated requirement of 35696 MU is inadequate.

3.5.4 **View of the Commission**
Refer Chapter 4, Para 4.1.

3.5.5 **Power Purchase and lack of capacity additions:** The lack of capacity additions in PSEB would inevitably lead to a steep increase in power purchase so as to bridge the gap and maintain power cuts to a tolerable level. Thus the proposal to slash power purchase from 14037 MU to 12825 MU must be accompanied by hard decisions like; to impose matching power cuts, to slash to zero power purchase from traders once the limit is reached, to temporarily surrender allocation from selected Central Generating Stations having high cost of generation (i.e. costlier than own thermal).

3.5.6 **View of the Commission**
The Commission takes note of the point. Also refer Chapter 4, Para 4.8.

3.5.7 **Generation from Thermal Stations for FY 2007-08:** Maintenance schedules do not take into account forced outages (due to boiler tube leakage etc) and backing down on high frequency.

3.5.8 **View of the Commission**

The Commission has assessed the “Availability” of the Generating stations as per the actual availability in the previous years and the Maintenance Schedule provided by the Board. The Commission is of the view that the past trend factors-in forced outages of the Generating Stations, making the estimation process more accurate.

3.5.9 **Fuel Cost:** ARR proposal is based on SHR and GCV values of coal but the following factors need to be considered.

- GOI/ MOP/MOCoal has adopted the concept of UHV (useful heat value) of coal.
- States do not have the choice to select coal having higher UHV.
- Adopting GCV would put double penalty on states located far away from coal mines.
- NTPC gets better grade of coal and PSEB is left a mix of inferior grades of coal with higher ash and moisture content.
- In comparison with GCV of various NTPC stations, GCV values proposed in PSERC document/ARR are very much on the higher side.

3.5.10 **View of the Commission**

These values have been taken from the analysis conducted under the supervision of the Board. Also refer Chapter 4, Para 4.7

3.5.11 **Power Purchase:** The sources of power supply from Sr. No. 26 to 30 are likely to slip to FY 2008-09.

3.5.12 **View of the Commission**

The Commission takes note of the point.

3.5.13 **Employee Cost:** The basic technical functions like Generation, O&M of EHV system have to be carried out by trained and qualified engineers, which is presently not the case. The Board should be directed to give the recruitment plan for the next 5 years so that skilled personnel man the technical posts.

3.5.14 **View of the Commission**

Refer Chapter 4, Para 4.9.

3.5.15 **Interest and Finance charges:** The root cause of diversion of funds was non-payment of timely subsidy by GoP, as such the disallowance of Rs. 100 crores should be to the account of GOP and not PSEB.

3.5.16 **View of the Commission**

Refer to Commission’s order dated 13th September 2007 in compliance of Appellate Tribunal order. Also refer Chapter 4, Para 4.13.

3.5.17 **Interest on working Capital:** The working capital allowed on the basis of 1-month fuel expenses should instead be allowed as per CERC norms.

3.5.18 **View of the Commission**

3.5.19 The Commission has calculated the interest on working capital as per Regulation 30(3) of the PSERC Tariff Regulations.

3.5.20 **Interest on State Government Loans:** The Commission may direct the Government to levy prevailing market rate on its loans to PSEB.

3.5.21 **View of the Commission**

Refer Chapter 4, Para 4.13.7.

3.5.22 **Station Heat Rate:** If SHR of 2500 kcal/kwh is allowed for GHTP, a relaxed norm of about 2600 kcal/kwh would be justified for GGSTP due to its “age”.

3.5.23 **View of the Commission**

Refer Chapter 4, para 4.7.3.

3.5.24 **Methodology of working out penalty on account of failure to attain T&D Loss reduction target:** The methodology of “cumulative trajectory” penalizes a shortfall of 1 year over subsequent years, which is not logical or justified.

3.5.25 **View of the Commission**
This would tantamount to shifting of targets on account of under achievement by the Board. Refer Chapter 4, Para 4.2.

3.6 **General Issue related to Tariff/ARR**

3.6.1 **Capacity Addition:** Capacity addition in Generation and investments in T&D are a necessity for the State.

3.6.2 **View of the Commission**
The Commission takes note of the point.

3.6.3 **Tariff Shock v/s Revenue shock:** There is a provision for Regulatory asset in the Tariff Regulations to avoid "Tariff Shock" to the consumers, but there is no such provision to protect the Licensee/Utility from "Revenue Shock".

3.6.4 **View of the Commission**
Refer Para 2.1.2 of this Annexure.

3.6.5 **Disallowance of Training Expenses:** Disallowance of Training expenses is not in the interest of PSEB.

3.6.6 **View of the Commission**
Refer Chapter 4, Para 4.11.1.

4. Objection No. 1 - Shri Suraj Parkash Bansal

4.1 **Issue no –1: Free Power**

4.1.1 The cost of free power supplied to agriculture sector, free power upto certain units to SC/BC categories, religious institutions and employees of PSEB should be borne fully by the State Government. Any loss to PSEB on account of free/subsidized power to any category should not be passed on to the general consumers.

4.1.2 **Response of PSEB**

- The costs pertaining to free power to agriculture sector, free power upto certain units to SC/BC categories etc is borne by the State Government.
- The free units of electricity upto a maximum of 155 units are provided to motivate the staff to enhance /maintain the working efficiency of the staff. The free supply of electricity is assumed to be a part of their salary structure and is given as a perk as is the case of other government organizations.
- The supply to religious institutions is on subsidized basis and any change in the existing policy/schedule is a prerogative of the Government or the Commission.

4.1.3 **View of the Commission**
Providing Subsidy to any consumer category is the prerogative of the government and the cost pertaining to free power is borne by the state government. Free power provided to the employees of the Board is part of the salary structure and the Commission has been allowing employee cost as per PSERC Tariff Regulations.

4.2 **Issue no –2: Theft of Power, High T&D Losses & High Establishment Costs**

4.2.1 PSEB has failed to control theft of power; transmission and distribution losses are on the higher side. PSEB has also failed to bring down its Establishment and other expenses in spite of repeated directions by Commission from time to time.

4.2.2 **Response of PSEB**

- T&D losses in Punjab are at a low level (25.07% in FY 2005-06) and comparable with the best states across India as very few states are having better loss levels.
- The Board has been consistently making efforts for reducing theft and the same is borne by the fact that more than 22 lakh connections were checked and over 2.5 lakh detections were made in FY 2006-07 alone.
- Salaries of employees are bound to increase every year at least by the inflation factor whereas the other factors like LTA, Medical and terminal benefits etc. are uncontrollable.

4.2.3 **View of the Commission**

Refer Chapter 2, Para 2.3, Chapter 3, Para 3.3 and Chapter 4, Para 4.2, where the issue of T&D losses & theft have been discussed in detail. Refer Chapter 2, Para 2.10, Chapter 3, Para 3.10 and Chapter 4, Para 4.9 where the issue of Employee Cost has been discussed in detail.

4.3 **Issue no –3: Wastage of Power**

4.3.1 PSEB purchases power at higher rates from other sources to meet with the shortage scenario. On the other hand, power is wasted e.g. in his colony in Bathinda Town, streetlights remain on for 24 hours.

4.3.2 **Response of PSEB**

Sometimes while doing the repair works, the Street lights are required to be kept switched on to detect and rectify the faults in the street lights.

4.3.3 **View of the Commission**

The Commission agrees with the response of the Board.

5. Objection No. 2 - The Goraya Registered Factory Owner's Association

5.1 **Issue no –1: Sanctioned Contract Demand instead of Connected Load**

5.1.1 PSEB calculates all charges, such as, Advance Consumption Deposit (ACD), Service Connection Charges and Monthly Minimum Charges (MMC) etc on the basis of Connected Load. This system does not prevail any where in India and all other States calculate such charges on the basis of Sanctioned Contract Demand. Reference has been made to Directives passed by the Commission in Tariff Orders of FY 2003-04 and FY 2004-05.

5.1.2 **Response of PSEB**

The Board agrees in principle with the claim of the consumer to charge as per Sanctioned Contract Demand instead of the Connected Load. The Board has been asked by the Commission to furnish the service charges under the supply code. The Commission shall fix the rates on the basis of the actual data furnished by the Board.

5.1.3 **View of the Commission**

Refer Commission's order dated 14th September 2007 in petition no. 21 of 2006.

5.2 **Issue no –2: Checking of Connected Load**

5.2.1 The duty of checking staff should be confined only for detecting power theft, kundi connections, manipulation and tampering with the meters and not for checking connected load.

5.2.2 **Response of PSEB**

Checking of connected load is essential since there are many instances where on inspection it was observed that the actual load of some consumers was found more than the sanctioned load and even beyond the permissible limits of 10% or 25%. In such a scenario the checking is necessary to have an effective load management and avoid misuse by the consumers.

5.2.3 **View of the Commission**

The issue of checking of Connected Load for LS consumers has been dealt separately while disposing petition no. 21 of 2006.

6. Objection No. 3 - Municipal Council, Sanaur

6.1 **Issue no –1: Domestic tariff – Tubewells and Street Lights**

6.1.1 The Council requests that Domestic tariff should be charged instead of Commercial Tariff for both tube well and street light connections as a service to the general public.

6.1.2 **Response of PSEB**

Water supply tubewell connections of municipal corporations and of public health are charged as per relevant industrial tariffs as these are motive loads and domestic rates cannot be applied to such connections.

6.1.3 **View of the Commission**

For tariff for tubewell connections, the Commission agrees with the response of the Board. For tariff for streetlights, the Commission is studying the issue and will address the same in the next Tariff Order.

7. Objection No. 4 - Auto Parts Manufacturers Association (India)

7.1 **Issue no –1: Pending payments with Government bodies**

7.1.1 About Rs. 100 Crores are lying pending against the power bills towards Government Departments and PSEB is not doing enough to collect these dues.

7.1.2 **Response of PSEB**

The Board has been regularly following up with the government departments for payment of the pending dues and sending continuous representations.

7.1.3 **View of the Commission**

Although the Government dues have reduced, the Commission is of the view that this aspect requires continuous attention and follow-up. Attention is also invited to Chapter 8, Para 8.6 of the Tariff Order of FY 2005-06 where the issue has been discussed in detail.

7.2 **Issue no. –2: Free Power**

7.2.1 There should not be any free power supply to any category of the society. All must pay for it. Free power supply should be stopped immediately.

7.2.2 **Response of PSEB**

Refer Para 4.1.2 of this Annexure.

7.2.3 **View of the Commission**

Refer Para 4.1.3.of this Annexure.

7.3 **Issue no –3: Theft of power, kundi system, T&D losses & Extra expenses**

7.3.1 Theft of Power and kundi system should be thoroughly checked by PSEB. The Board should also reduce its T&D losses and extra expenses.

7.3.2 **Response of PSEB**

It has been consistently making efforts for reducing theft and the same is borne by the fact that more than 22 lakhs connections were checked and over 2.5 lakhs detections were made in FY 2006-07 alone. T&D loss levels are also comparable with the best in India. The Board submits that increase in the expenses are on account of the increase in the employee related expenses specially due to the uncontrollable factors like Medical Reimbursement, LTA, Terminal benefits to retirees, DA increase as per notification of State Government etc. The demand in electricity has increased by about 10%, which has forced PSEB to purchase electricity from external traders at higher prices.

7.3.3 **View of the Commission**

Refer Chapter 2, Para 2.3; Chapter 3, Para 3.3 and Chapter 4, Para 4.2, where the issue of T&D losses & theft has been discussed. Refer Chapter 2, Para 2.10, Chapter 3, Para 3.10 and Chapter 4, Para 4.9 where the issue of Employee cost has been discussed. Refer Chapter 2, Para 2.8, Chapter 3, Para 3.9 and Chapter 4, Para 4.8 where the issue of Power Purchase has been discussed.

8. Objection No. 5 - Hand Tools Manufacturers Association

Refer Objection No.2, as issues raised are identical.

9. Objection No. 6 - Auto Parts Manufacturers Association (India)

Refer Objection No.4, as issues raised are identical except the outstanding amount figure of Rs.439 crores in place Rs.100 crores.

10. Objection No. 7 – Reliance Communications & others

10.1 **Issue no.-1: Change of tariff**

10.1.1 The objectors have requested to treat the telecom Industry at par with other Industrial Units and charged Industrial rates for their MCN's (Media Convergence Node), IS (Intermediate Station), BTS (Base Trans-receiver Station).

10.1.2 **Response of PSEB**

Connections of such nature are billed as per commercial rates only since the consumer cannot be considered under the industrial category as the consumer is a service provider and there is no manufacturing done by the consumer and it is also not paying any excise duty.

10.1.3 **View of the Commission**

The Commission agrees with the response of the Board. A similar objection of BSNL has been dealt in the Tariff Order of FY 2006-07(page 109).

11. Objection No. 8 - Shri Kashmiri Lal Garg

11.1 Issue no-1: Withdrawal of PSEB Sales Regulation 45

11.1.1 He has objected to the release of all single phase and three phase DS, NRS, SP, MS & LS connections to the consumers located in the Rural Areas which are governed differentially than those located in the urban areas.

As per PSEB Sales Regulation 45, the consumers in the rural areas have to pay various charges for getting a connection based on the location of the site such as:

1. Within village Phirni
2. Within 500 meters of village Phirni
3. Beyond 500 meters of village Phirni

These charges are not in line with the charges for urban areas. Quality of supply is not similar in the rural areas as in urban areas. It is also felt that the Board might not have got the approval of the Commission to levy such discriminatory charges for the release of various types of connections in the rural areas. Hence it is prayed that the provisions as contained in PSEB Regulation 45 may be got withdrawn/deleted, as the same are not justified.

11.1.2 **Response of PSEB**

1. Within 500 metres of phirni, the charges are same in urban and rural areas.
2. The Board had passed an order in Dec 06 stating that the Urban Pattern Supply shall be provided at the cost of the Board to the farmer / residents residing in Deras/ Dhanies, Dalit Bastis, Be-chirag villages forming a cluster of five or more houses situated adjoining to each other over a stretch of 300 metres from one end to the other end and located at a distance of more than 500 metres from the villages phirni without any limit by providing single phase 11 KV line tapped from the nearest UPS feeder and by installing single phase 10 KVA distribution transformer. Thus all such consumers are given supply on urban pattern at Board's cost.
3. Meanwhile on distance beyond 500 metres of phirni, the release of connections in rural areas requires higher capital cost in comparison to urban areas. This is due to extension of long feeder lines in rural areas due to long distances between various consumer premises, which not only leads to high expenditure but also leads to higher technical losses. Since the Board is bound to provide electricity to each and every consumer in rural areas, the total cost of releasing connections have to be recovered from the consumer. Moreover, releasing the connections in Urban areas is not as costly since the distribution network/transformers already exists in these areas and the new consumer only needs to be connected to the network. The consumers in the range above 500 meters of phirni are required to pay normal service connection charges or actual cost of providing connection, whichever is higher.
4. The issue of quality of supply emanates from the long length of feeders and distance of the connected consumer from the distribution network. The Board is making all efforts to improve the quality of supply and services to the consumers in rural areas.

11.1.3 **View of the Commission**

The Commission shall deal with the issue separately at the time of approval of " Conditions of Supply" of the Licensee.

12. Objection No. 9 – Col.(Rtd.) Angad Singh, Consumer Protection and Grievances Redressal Forum (Regd.)

12.1 Issue no –1: Non-submission of ARR and Tariff Petition by PSEB

12.1.1 PSEB did not submit the ARR and Tariff application, which clearly shows that the Board is not interested in tariff hike.

12.1.2 **Response of PSEB**

- The Board had conducted the CoS study as per the directives of the Appellate Tribunal and the same could not be used in its current form for calculation of Class & Category-wise cost of supply.
- PSEB is a bundled utility but was asked to separately file the tariff for Generation, Transmission and Distribution. The Board was not in a position to use any scientific methodology to segregate costs and file separate tariff for Generation, Transmission & Distribution.
- Even though the Board did not file the ARR for FY 2007-08, it submitted the official document constituting the expenditure incurred in the year FY 2006-07 and the projected

expenditure to be incurred in FY 2007-08 to the Commission and the suo motu proposal has been developed by the Commission taking into account the figures submitted by the Board.

12.1.3 **View of the Commission**
Refer Chapter 1, Para 1.2.

12.2 **Issue no –2: T&D Losses**

12.2.1 These are one of the highest in the country. PSEB is not doing enough to bring them down. If PSEB is able to reduce the losses, the burden on the consumers will be greatly reduced.

12.2.2 **Response of PSEB**
T&D losses in Punjab are comparable with the best states across India as very few states are having better loss levels than Punjab. The Board further submitted that the comparison with other countries cannot be benchmarked in the existing scenario because of the prevailing network conditions in India, which can only be improved, in due course of time.

12.2.3 **View of the Commission**
Refer Chapter 2, Para 2.3; Chapter 3, Para 3.3 and Chapter 4, Para 4.2.

12.3 **Issue no –3: Metered Supply**

12.3.1 All the sections of consumers should get metered supply in order to workout the actual consumption.

12.3.2 **Response of PSEB**
All the consumers in the State of Punjab are being billed as per metered supply with the exception of Agriculture consumers where 13,441 consumers are metered out of about 9.5 lakhs. It would not be economical to install meters on all AP consumers and then deploy staff for meter reading and billing etc. Meanwhile, the consumption of the AP consumers is being assessed based on over 53,000 sample meters distributed throughout the state. All 3-phase tubewell feeders have been segregated and it is possible to countercheck the consumption computed from the sample meters.

12.3.3 **View of the Commission**
The Commission has reiterated its directive to install meters for all consumers.

12.4 **Issue no –4: Subsidized Supply**

12.4.1 The subsidy must be completely removed, as the consumers should pay for what is being utilized by them.

12.4.2 **Response of PSEB**
- The costs pertaining to free power to agriculture sector, free power upto certain units to SC/BC categories etc is borne by the State Government.
- The free units of electricity upto a maximum of 155 units are provided to motivate the staff to enhance /maintain the working efficiency of the staff. The free supply of electricity is assumed to be a part of their salary structure and is given as a perk as is the case in other government organizations.

12.4.3 **View of the Commission**
Refer Para. 4.1.3 of this Annexure**.**

12.5 **Issue no –5: Kundi Supply**

12.5.1 A number of consumers are using electricity illegally, which is even dangerous. PSEB must take remedial measures to stop this immediately so that the shortage arising due to this unaccounted consumption is not passed to other consumers.

12.5.2 **Response of PSEB**
The Board has been consistently making efforts for reducing theft and the same is borne by the fact that more than 22 lakh connections were checked and over 2.5 lakh detections were made in FY 2006-07 alone.

12.5.3 **View of the Commission**
Refer Chapter 2, Para 2.3; Chapter 3, Para 3.3 and Chapter 4, Para 4.2.

12.6 **Issue no –6: Overstaffing**

12.6.1 PSEB is over staffed as the number of employee is more as compared to other states and surplus staff should be reduced.

12.6.2 **Response of PSEB**
The staff of PSEB has been continuously on the reducing trend in the past five years.

12.6.3 **View of the Commission**
Refer Chapter 2, Para 2.10; Chapter 3, Para 3.10 and Chapter 4, Para 4.9.

12.7 **Issue no –7: Generation of Power**

12.7.1 The increase in generation should match with the increase in demand of various categories of consumers. This will result in reduction in the power cuts, which are presently in practice to manage this supply demand gap.

12.7.2 **Response of PSEB**

About 520 MW of additional capacity shall be added in the next two years, which shall generate additional power of more than 4000 MU per year.

12.7.3 **View of the Commission**

The Commission takes note of the response of the Board.

12.8 **Issue no –8: Tariff to Government offices/ official residences**

12.8.1 Presently the system of billing of the Government offices/Official residences is defective. They should be billed on flat rate basis, i.e. on load basis.

12.8.2 **Response of PSEB**

The present system of billing of the Government Offices/Official residences is as per the actual consumption.

12.8.3 **View of the Commission**

The Commission agrees with the response of the Board.

12.9 **Issue no –9: Free supply to religious institutions**

12.9.1 Free supply to religious institutions must be stopped. These Institutions are not underprivileged and thus should be paying tariff of equal to the NRS category.

12.9.2 **Response of PSEB**

Supply to religious institutions is on subsidized basis and any change in the existing policy/schedule of a religious institute or any other consumer category is a prerogative of the Government or the Commission and the Board is not in a position to deviate from the existing schedule.

12.9.3 **View of the Commission**

Attention is invited to Chapter 5, Para 5.29 of the Tariff Order FY 2003-04, where the issue has been discussed in detail.

12.10 **Issue no –10: Tariff of "AAM AADMI"**

12.10.1 It has been suggested that a domestic consumer whose load is not more than 15 kw should be required to pay the minimum charges. PSERC/PSEB should find ways and means to provide relief to "AAM AADMI".

12.10.2 **Response of PSEB**

The tariff rates for domestic consumers have been so designed that the consumers having low consumption (upto 100 units) have to pay as per the lowest slab rate of Rs. 2.21 /unit. The Board further submitted that 15 kw load is a substantial load and the consumption is normally more than 200 units per month and they need to be charged as per the rates applicable.

12.10.3 **View of the Commission**

The Commission takes note of the suggestion. The tariff rates for domestic consumers who have low consumption are subsidized.

12.11 **Issue no –11: Nuclear Energy**

12.11.1 Generation capacity from nuclear sources should be added, as the state is energy deficient.

12.11.2 **Response of PSEB**

It is the prerogative of the Central Government to allot a nuclear plant to the state.

12.11.3 **View of the Commission**

The Commission agrees with the response of the Board.

12.12 **Issue no –12: Solar Energy**

12.12.1 Government should provide subsidy to make solar energy affordable to common man.

12.12.2 **Response of PSEB**

Provision of subsidy for any energy efficient program is a prerogative of the state government.

12.12.3 **View of the Commission**

The Commission agrees with the response of the Board.

12.13 **Issue no –13: Use of CFL**

12.13.1 Use of CFL should be promoted in order to bring down the consumption of the domestic and other consumers resulting from use of normal bulbs. The government should provide these to every consumer at subsidised rates.

12.13.2 **Response of PSEB**

The Board is planning for energy efficiency programs to develop demand side management. Subsidy is the prerogative of the state government.

12.13.3 **View of the Commission**

Application of better technology is necessary in this competitive environment and use of CFL, instead of conventional bulbs is a good example. It not only is an excellent tool in Demand Side Management (DSM) but also cost effective in the longer run. The Board should seriously consider a methodology where its usage can be encouraged. The Commission has also addressed this issue in Para 43 of Regulations on " Electricity Supply Code & Related Matters".

12.14 **Issue no –14: Payment of Bills**

12.14.1 A large number of Government Departments/Officials have not been regularly making the payment of the bills, which is not a healthy sign. These departments/officials should be treated like any other consumer and their electricity should be discontinued.

12.14.2 **Response of PSEB**

The matter for depositing the outstanding pending payments of energy bills has been regularly followed up by the Board with the Government.

12.14.3 **View of the Commission**

Although the Government dues have reduced, the Commission is of the view that this aspect requires continuous attention and follow-up. Attention is also invited to Chapter 8, Para 8.6 of the Tariff Order of FY 2005-06 where the issue has been discussed in detail.

12.15 **Issue no –15: New Electricity Connections**

12.15.1 Sanctioning of new connections without having the capacity to supply electricity is illegal and the Board has no right to do the same and liable to prosecution under the criminal law.

12.15.2 **Response of PSEB**

As per section 43 of the Act, the Board is bound to supply electricity to each and every consumer and cannot deny connection to any consumer.

12.15.3 **View of the Commission**

The Commission agrees with the response of the Board.

13. Objection No. 10 - M/s Bhawani Industries Ltd. and Others

13.1 **Issue no –1: Non-submission of ARR and Tariff Petition by PSEB**

13.1.1 Tariffs should not be revised considering that the PSEB has not asked for any increase in tariff.

13.1.2 **Response of PSEB**

Refer Para 12.1.2 of this Annexure.

13.1.3 **View of the Commission**

Refer Chapter 1, Para 1.2.

13.2 **Issue no –2: High Voltage Rebate**

13.2.1 Increase HV Rebate from 3% to 10% for consumers getting supply at 33/66 KV and @ 15% for consumers getting supply at 132 KV considering factors such as transformation losses, interest, depreciation/ O&M cost of extra investment.

13.2.2 **Response of PSEB**

The Board had conducted a study last year according to which it was observed that the HV rebate for 33/66 KV should be at 2.5%. The Board did not consider the interest/depreciation/O&M because it is obligatory for the consumer to set up its own system at 66KV. Hence there is no question of making any investments on setting up the system for the consumer by the Board and a comparison cannot be drawn on the opportunity cost saving for the Board on setting up of the 66 KV system. Therefore the Interest/Depreciation /O&M cost cannot be considered for savings under HV rebate.

13.2.3 **View of the Commission**

Refer Chapter 5, Para 5.3.

13.3 **Issue no –3: High Voltage Surcharge**

13.3.1 There should be no Voltage Surcharge levied on consumers who have existed since long and getting supply at 11 KV (any CD), and there is no justification of taking the additional charges over the existing tariff. EA 2003 only provides to recover the rates near to the cost only and such surcharge adds on to the existing tariff.

13.3.2 **Response of PSEB**

Voltage surcharge has already been deliberated upon by the Commission in para 5.2.2 of the Tariff Order FY 2006-07 and the Commission, after examining the study, decided to continue on the existing provisions for HV Rebates and voltage surcharges.

13.3.3 **View of the Commission**

Refer Chapter 5, Para 5.3.

13.4 **Issue no –4: Power Factor Incentive**

13.4.1 As per Section 45(4) of Electricity Act 2003, a distribution licensee while fixing charges under this act shall not show undue preference to any person. Thus requiring a consumer to pay extra for his PF below 0.9 is authorized by Section 43 of the Act as else the licensee has to install capacitors to provide reactive compensation in the system. The Incentive for higher PF should start beyond 0.9 and at par with the PF surcharge @ 1% for every 0.01 increase in PF beyond 0.9. These rates should not discriminate between different categories of large supply consumers.

13.4.2 **Response of PSEB**

The inherent power factor of Power Intensive unit is about 0.93 to 0.94 and giving PF incentive at above 0.9 PF is not justified. Moreover, the rate (0.25% per 0.01 increase in PF) of PF incentive to PIU is lesser as compared to the penalty (1% per 0.01 drop in PF) at below 0.9 because the benefit due to improvement in Power factor to the system decreases as the power factor approaches to unity. Therefore this incentive of 0.25% is quite reasonable and it cannot be equal to the rate of penalty, which is 1% for every 0.01 drop below 0.9 PF. The loss to the power system due to decrease in PF below 0.9 is much more as compared to the benefit which accrues with the increase on PF above 0.95.

13.4.3 **View of the Commission**

Attention is invited to Chapter 9, Para 9.7 of the Tariff Order of FY 2004-05 where the issue has been discussed in detail.

14. Objection No. 11 - Shri Surindarjit Singh Jaspal

14.1 **Issue no –1: Free supply of power**

14.1.1 PSEB gives free supply to employees, SC and agriculture consumers. It should also give concessions to Punjab employees, pensioners, senior citizens and sick industries.

14.1.2 **Response of PSEB**

Free units of electricity are provided to the employees of the Board as a perk and is considered part of their salary for motivation purposes. Free supply to any class of consumers is the prerogative of the Government.

14.1.3 **View of the Commission**

Refer Para. 4.1.3 of this Annexure.

14.2 **Issue no –2: T&D losses**

14.2.1 There is 35% transmission loss of electricity in Punjab whereas in other countries the same is less than 9%.

14.2.2 **Response of PSEB**

T&D losses in Punjab are comparable with the best states across India as very few states are having better loss levels than Punjab.

14.2.3 **View of the Commission**

Refer Chapter 2, Para 2.3, Chapter 3, Para 3.3 and Chapter 4, Para 4.2.

14.3 **Issue no –3: Kundi connection**

14.3.1 All kundi or unauthorised connections should be removed.

14.3.2 **Response of PSEB**

The Board has been consistently making efforts for reducing theft.

14.3.3 **View of the Commission**

Refer Chapter 2, Para 2.3; Chapter 3, Para 3.3 and Chapter 4, Para 4.2.

14.4 **Issue no –4: Pending payments with Government bodies**

14.4.1 Action should be taken against all defaulters for non-payment of electricity bills including all Government departments and electricity should be disconnected immediately without any discrimination. Legal action should also be taken in this regard.

14.4.2 **Response of PSEB**

There are already provisions for disconnection of defaulting consumers. The matter for depositing the outstanding pending payments of energy bills has been regularly followed up by the Board with the Government

14.4.3 **View of the Commission**

Although the Government dues have reduced, the Commission is of the view that this aspect requires continuous attention and follow-up. Attention is also invited to Chapter 8, Para 8.6 of the Tariff Order of FY 2005-06 where the issue has been discussed in detail

14.5 **Issue no –5: Metered Supply**

14.5.1 All the sections of consumers should get metered supply in order to workout the actual consumption.

14.5.2 **Response of PSEB**

Refer Para 12.3.2 of this Annexure.

14.5.3 **View of the Commission**

Refer Para 12.3.3 of this Annexure.

14.6 **Issue no –6: Free Power**

14.6.1 PSEB should not give free electricity to anybody instead, Punjab Government should reimburse the electricity bills of those consumers whom they decide to give the concession.

14.6.2 **Response of PSEB**

Providing subsidy is a prerogative of the Government and the Board is not in a position to comment on the matter.

14.6.3 **View of the Commission**

Refer Para 4.1.3 of this Annexure.

14.7 **Issue no –7: Notice to the Commission**

14.7.1 The Objector has threatened to take the Commission to the court if remedial measure is not taken with regard to the objection and consequently the rates of electricity are increased.

14.7.2 **Response of PSEB**

No reply.

14.7.3 **View of the Commission**

The Commission has the jurisdiction of determining the tariff and the determination of ARR has been undertaken suo-motu by the Commission, as per the Act and the Regulations framed thereunder.

15. Objection No. 12 and 34 - Punjab Alkalies & Chemicals Ltd

15.1 **Issue no –1: Non-submission of ARR & Tariff Petition by PSEB**

15.1.1 Despite numerous extensions, PSEB did not submit the ARR and tariff application for the year 2007-08 till May 2007. Although PSERC can determine the tariff suo motu, it has been submitted that whereas PSEB is not seeking revision in tariff, PSERC proposal to increase tariff is not justified. Suo motu orders of PSERC should be in favour of consumers and not in favour of the utility.

15.1.2 **Response of PSEB**

The Commission is empowered to make a suo-motu order according to Clause 8.1 (7) of the Tariff Policy.

The Board further submitted that it did not submit the ARR for the following reasons:

- The Board had conducted the CoS study as per the directives of the Appellate Tribunal and the same could not be used in its current form for calculation of Class & Category-wise cost of supply.
- PSEB is a bundled utility but was asked to separately file the tariff for Generation, Transmission and Distribution. The Board was not in a position to use any scientific methodology to segregate costs and file separate tariff for Generation, Transmission & Distribution.

- Even though the Board did not file the ARR for FY 2007-08, it submitted the official document constituting the expenditure incurred in the year FY 2006-07 and the projected expenditure to be incurred in FY 2007-08 to the Commission and the suo motu proposal has been developed by the Commission taking into account the figures submitted by the Board..

15.1.3 **View of the Commission**
Refer Chapter 1, Para 1.2.

15.2 **Issue no-2: Legal view**

15.2.1 PSEB has gone to Hon'ble Supreme Court against the judgement of the Appellate Tribunal. Therefore this matter of tariff determination has become subjudice and should be exercised after the Hon'ble Supreme Court's final decision. However since there is no stay granted by Hon'ble Supreme Court, if the tariff has to be determined then it should be strictly as per Appellate Tribunal reliefs; not with partial cognizance as has been done in the tariff proposal.

15.2.2 **Response of PSEB**
Tariff determination for FY 2007-08 cannot be linked to the status of the decision of the Hon'ble Supreme Court for objections on the appeal filed by the Board against order of the Appellate tribunal on PSERC Tariff order FY 2006-07. Moreover, the Supreme Court has not put any hold on the Appellate Tribunal order and accordingly the Commission has the right to determine the tariff for a financial year under Section 62 of the Electricity Act, 2003.

15.2.3 **View of the Commission**
The Commission agrees with the response of the Board.

15.3 **Issue no-3: Cross subsidy**

15.3.1 The objections are as follows

- In the suo-motu tariff proposal for the year 2007-08, PSERC has proposed a flat increase of 2.4% for all categories except common pool consumers, outside state sales and PLEC but including MMC. With this proposal the cross subsidization will further increase. The level of cross subsidy by PACL will go up by about 1 paisa /unit instead of reduction in the subsidy. The suo-motu order has vitiated the concept of gradual elimination of subsidy because the Commission has not worked out the concept of average cost of supply.
- The domestic consumers get subsidized electricity up to 100 units for all the consumers irrespective of whether their actual consumption goes to next slab. This means even the consumers with higher consumption pattern are also getting subsidy for the first 100 units as applicable, which is not justified. Therefore the unwanted subsidy is being given to those strata of the domestic consumers who are above poverty line. This subsidy should be limited to poor strata domestic consumers.
- There is a contradiction in the definition of cross-subsidy in Regulations of PSERC in comparison to the definition given in the Judgement of Appellant Tribunal dated 26.05.2006. As per regulation, the cross-subsidy means the difference between actual realization from a particular category of supply and average cost of supply whereas as per the Tribunal, it is the difference between basic tariff per unit and actual cost of supply from a particular consumer category. PACL feels that the interpretation of the Appellate Tribunal is logical and should be adhered in the suo-motu process of the tariff order. Attention has been drawn to para 119 of the Tribunal judgement dated 26.5.2006.

15.3.2 **Response of PSEB**

- Tariff Policy states that the tariffs should be + 20% of the Average Cost of Supply. The industrial tariffs in Punjab are at about 19% above the Average Cost of supply proposed by the Commission and are inline with the Clause of the National Tariff Policy and does not necessarily require reduction.
- The Commission can consider the suggestion of the consumer that beyond a certain limit, additional charges can be taken for additional supply.
- As pointed by the consumer, the definition of cross subsidy stated by the Commission is different than the definition given by the Appellate Tribunal in the order-dated 26.05.2006.

15.3.3 **View of the Commission**
Refer Chapter 6, Para 6.6.

15.4 **Issue no-4: Appellate Tribunal- RSD cost**

15.4.1 In Chapter 3 of suo-motu tariff determination order for 2007-08, under para No.3.14.5, PSERC has explained the interest cost to be taken on the State Govt loans. It is not clear that the hydro assets of Rs.5683.64 crores shown as on 01/04/2007 in Table 4.21 of suo-motu orders takes care of the re-allocation of RSD project or not. The Appellate Tribunal has directed PSERC to remove this anomaly. It is also not clear whether adjustment of Rs. 1322.62 crores from the State Govt loans is partial/adhoc relief.

15.4.2 **Response of PSEB**

- Assets are not over-valued as the expenditure has been booked as per the actual expenditure incurred and has been divided between Irrigation Department and the Board as per the prescribed ratio.
- As far as PSEB is concerned, the final adjustment has been made in the accounts of FY 2005-06.
- The amount pertaining to RSD was not part of the Hydro-assets in the annual accounts, it was rather appearing in the head capital expenditure in progress. It can be easily viewed that the balance as on 31.03.2005 of the RSD exp. was Rs. 1322.62 crores whereas as on 31.03.2006 it was Rs. 28931 only.

15.4.3 **View of the Commission**

Refer Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order

15.5 **Issue no-5: Appellate Tribunal- Interest on Govt. Loans**

15.5.1 As per Appellate Tribunal judgement of 26/05/2006, PSERC is not only supposed to adjust the interest cost on non-payment of compensation by the State Govt. but is also supposed to recover the principle amount of Rs. 3169 crores from the Govt, which has been diverted from the capital funds by PSEB for meeting their revenue requirement from time to time.

15.5.2 **Response of PSEB**

The Commission is not including the interest on the diverted funds of Rs. 3169 Cr in the ARR for FY 2006-07 onwards, accordingly it is not going into the tariff and consumers are not affected. However, the Board has requested the Commission not to disallow interest charges of Rs. 100 crores on account of diversion of funds.

15.5.3 **View of the Commission**

Refer Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order.

15.6 **Issue no-6: Power purchase**

15.6.1 The purchase of power from external sources is increasing exponentially year by year and thus PSERC should impose a blanket ban on the PSEB for not purchasing power from liquid fuel based generating stations under any circumstances. Secondly, the costly power being purchased is basically due to the increased consumption by the agricultural loads and not by the Industries, hence the extra cost should not be passed on to the industrial consumers who are not responsible for this purchase from external costly sources. It is also proposed that in order to put a check, PSERC may fix up a slab- both for quantity and rate only under which PSEB may purchase power and ensure not to purchase power beyond authorised capped rate.

15.6.2 **Response of PSEB**

In normal course, the Board does not schedule liquid fuel based power within a day ahead schedule in the NRLDC, it is only in the extreme shortage situation that the liquid fuel based power is scheduled. However sometimes NRLDC allocates liquid fuel based generation to the overdrawing states during low frequency period, so some of the allocation from liquid fuel based generation booked by the NRLDC is beyond the control of PSEB.

15.6.3 **View of the Commission**

Refer Chapter 2, Para 2.8, Chapter 3 Para 3.9 and Chapter 4, Para 4.8.

15.7 **Issue no-7: PLEC**

15.7.1 Peak load exemption charges are applicable even on those consumers, who are a continuous process industry and are consuming power round the clock. It is also important to note that excess requirement of power during peak load hours is not because of continuous process industry like PACL but is due to some other class of consumers. So PLEC should not be imposed in general and specifically PACL. PSEB is considering these charges as non-tariff income, which is incorrect. If PSERC decides to levy these charges on the industry for regulating power consumption during peak load hours PSERC should decide nominal/rational rate for PLEC.

15.7.2 **Response of PSEB**

- PLEC is levied because the Board is not in a position to meet the MW demand during peak load hours because maximum demand shoots up due to light load of DS, NRS and industrial consumers during this period and Board has to restrict the demand during the period and accordingly peak load restrictions have to be applied.

- The rates for PLEC were fixed considering that the consumers should manage the load at peak hours judiciously. Moreover, the rates were fixed as per the rate of power generation by DG set about 10 years ago and even though the rates have increased by many folds, PSEB has not asked for any increase in these rates

15.7.3 **View of the Commission**
Attention is invited to Chapter 9 Para 9.9 of the Tariff Order of FY 2004-05 where the issue has been discussed in detail.

15.8 **Issue no-8: Banking of Power**

15.8.1 As per the news article from "The Tribune" dated 08/07/2007, banking of power has saved Rs.600 crores this year. This saving along with the good pre-monsoon showers has helped the PSEB in reduction in purchase of power from outside state sources.

15.8.2 **Response of PSEB**
The Board is purchasing power under the banking arrangements with other states to the maximum possible extent before taking into consideration the purchase from external traders at higher rates.

15.8.3 **View of the Commission**
The Commission has taken into account the banking of power while assessing the quantum of total power purchase.

15.9 **Issue no-9: Employee Cost**

15.9.1 PSERC has allowed an increase of 6.61% based on the WPI of 2006-07, whereas on the contrary the Commission in the past has been directing the Board to reduce the Employee cost. PACL presumes that the employee cost is on the higher side and instead of flat increases, PSERC should insist on PSEB to cut down this cost through professional means.

15.9.2 **Response of PSEB**
The employee cost incurred by the Board is on actual basis and consists of salaries, LTA, medical re-imbursement, terminal benefits and increase in DA. The salaries of employees are bound to increase every year on account of annual increments whereas the other factors are uncontrollable and have to be borne as per the actual expenditure.

15.9.3 **View of the Commission**
Refer Chapter 2, Para 2.10, Chapter 3, Para 3.10 and Chapter 4, Para 4.9.

15.10 **Issue no-10: T&D Loss**

15.10.1 PACL appreciates the stand taken by PSERC of allowing 19.5% T&D Losses against the proposed level of 22% for 2007-08. But this is not practical as PSEB has never been able to achieve their targets. Penalty should be imposed on PSEB for under achievement of T&D Loss level.

15.10.2 **Response of PSEB**
The Commission is already disallowing the power purchase on account of under-achievement of T&D Losses.

15.10.3 **View of the Commission**
Refer Chapter 2, Para 2.3, Chapter 3, Para 3.3 and Chapter 4, Para 4.2

15.11 **Issue no-11: Return on Equity**

15.11.1 PSERC has allowed a ROE of 14%, which is very high especially when PSEB is an autonomous body and 100% promoted by the Govt. As per business norms, 10% ROE on equity is quite reasonable. In the past PSERC has allowed 3% return on NAV to PSEB which is far less than 14% ROE. Hence the regulations need to be revised. Further ROE is allowed only when the organization generates profit at the end of the year. But here ROE is booked in advance to the consumers. Therefore ROE should be linked with the performance levels of that year and percentage should be dependent on the final results of the organization at the end of the year.

15.11.2 **Response of PSEB**
ROE of 14% has been designed keeping in view the risk involved in distribution in power sector vis-à-vis the risk in other sectors. There is no criterion of linking ROE with the performance of the Board. The Board is entitled for ROE irrespective of the financial position of the Board.

15.11.3 **View of the Commission**
Attention is invited to Chapter 4, Para 4.15 of the Tariff order of FY 2006-07, where the issue has been discussed in detail. Also refer Chapter 4, Para 4.14 of this order.

15.12 **Issue no-12: Loans for Non Payment of Subsidy**

15.12.1 PACL is not clear whether PSEB has taken any loans for non-payment of subsidies by the Govt, as this would impose another burden of interest on the consumers. Time limit for payment of subsidies on behalf of government should be fixed and adhered to.

15.12.2 **Response of PSEB**

The Commission may take a view on the submission of the consumers.

15.12.3 **View of the Commission**

The Board has not indicated any specific loans taken for this purpose. In any case, carrying cost shall be payable by the State Government in case of default of known liabilities.

15.13 **Issue no-13: Fuel Cost**

15.13.1 The cost of coal for the two plants GNDTP and GHTP, is having a difference of nearly 10%, which should not be so since the two being very near to each other, there should not be much of difference in the price of coal.

15.13.2 **Response of PSEB**

The price of coal is not determined on the basis of the location of the thermal plant, rather depends on the linkages of coal, which has been approved by the Short-term linkage Committee of Government of India for respective thermal plants in the State of Punjab.

15.13.3 **View of the Commission**

The Commission agrees with the response of the Board.

15.14 **Issue no-14: Agricultural Consumption - Sample Metering Method**

- The study conducted for sample metering methodology is only a formality to satisfy the consumers and PSERC. Sample feeders should be selected in diversified manner in all the zones of PSEB and not in west zone alone. Only 465 feeders were used which are too small a number for any inference.
- Accuracy of the connected load declared by the consumers where the sample metering was conducted and status of the sample meters should be checked.
- Atleast 1% of total number of agricultural feeders connected to PSEB grid need to be picked to arrive at a rational result of agriculture consumption.
- PSEB could always apply correction factor statistically to arrive at rational figure of agriculture consumption.

15.14.1 **Response of PSEB**

Study conducted by PSEB was for comparison of sample metering methodology and feeder input methodology and not an exercise to satisfy the stakeholders. The Feeder Input methodology is based on the assessment of agriculture consumption on the basis of energy input to agriculture segregated feeder and is more accurate than the sample metering methodology considering the following aspects:

- It does not depend on the load of the consumer since the assessment is based on the energy input in the feeder.
- It also does not depend on the status of the meter, even if it is faulty the consumption at feeder level grossed up with the estimated technical loss provides the assessment of agriculture consumption.
- The Feeder segregation is in progress simultaneously in all the zones and the study is being conducted in all zones and not only in the west zone. The report submitted to the Commission was only for west zone because of the unavailability of the data for other zones at the time of submission. A Complete study of all zones is being conducted and the results will be submitted in due course of time.
- The sample study involved more than 15% of feeders and the complete study shall be conducted at more than 50% feeders comprising of all the zones.
- In the existing methodology the consumption factor is used to compute the agriculture consumption. The consumption factor is derived on the basis of the representative sample of meters installed in various zones/feeders and does not require any correction factor to arrive at the agriculture consumption.

15.14.2 **View of the Commission**

Refer Chapter 4, Para 4.1.2.

16. Objection No. 13 - Cycle Trade Union (Regd.)

16.1 **Issue no –1: Non-submission of ARR and Tariff Petition by PSEB**

16.1.1 PSEB did not submit the ARR and Tariff application, which clearly shows that there is no need to increase the tariffs and increasing the burden on the consumers. Hence any revision of energy rates P/kwh and MMC Rs/kw or part thereof for all categories of the consumers from the existing tariff and MMC has been highly objected.

16.1.2 **Response of PSEB**

Refer Para 12.1.2 of this Annexure.

16.1.3 **View of the Commission**

Refer Chapter 1, Para 1.2.

17. Objection No. 14 - Induction Furnace Association of North India (Regd.)

17.1 **Issue no –1: Blanket approval of charges/surcharges**

17.1.1 Various consumer bodies have been pleading before the Commission during earlier years that no blanket approval should be ever given with regard to other charges/surcharges unless they have been duly put up with full justification and discussed with consumers.

17.2 **Response of PSEB**

No reply.

17.3 **View of the Commission**

Refer Chapter 6, Note (vi) under Table 6.6.

17.4 **Issue no –2: General Conditions of Tariff**

17.4.1 PSERC had issued general conditions of tariff, which were applicable wef 1.4.2006 where as tariff order FY 2006-07 was issued on 10.5.2006. There was no mention of levy of 10%/ 17.5% HV surcharge in the tariff order of FY 2005-06 but PSEB introduced a surcharge during July 2006 on the basis of general conditions of tariff. It is therefore a matter of consideration whether general conditions of tariff can have precedence over the tariff order of FY 2006-07. Also the general conditions of tariff were issued without the prior approval of Punjab govt by way of putting in the legislative assembly before notifying it.

17.4.2 **Response of PSEB**

No reply.

17.4.3 **View of the Commission**

The Commission has the jurisdiction to determine the Tariff and its Conditions. The Tariff Order of FY 2006-07 was in line with the General Conditions of Tariff.

17.5 **Issue no –3: Appellate Tribunal- Cost of Supply**

17.5.1 As per the judgement of Appellate Tribunal for electricity (and even as per Electricity Act) no tariff increase could be made (not even by mean of a surcharge) without co-relation with cost. The tariff already fixed as Rs.3.72/ KWH for LS consumers is much more than the cost of Rs.3.30 /KWH. To recover 17.5% additionally is thus most irrational and unjust besides being illegal.

17.5.2 **Response of PSEB**

Levy of voltage surcharge is for compensating the Board for extra losses at lower voltage and as such it is not strictly tariff component as the same is being charged on the consumer having CD exceeding 2500 KVA/ 4000 KVA and taking supply at 11 KV. Voltage surcharge on industrial consumers is justified considering the fundamental principle that higher load should be fed by higher voltage level that ensures reliable supply of power and lower loss levels. Any deviation from the above i.e. higher loads fed at lower voltage levels results in increased T&D losses to the utility and also affects the quality of supply to the consumer.

17.5.3 **View of the Commission**

Refer Chapter 6, Para 6.6.

17.6 **Issue no –4: HV surcharge**

17.6.1 With a large no of applicants coming up for installing induction furnaces and PSEB not having adequate funds to install grid stations to meet with huge rush of applications- particularly in Ludhiana and Mandi Gobindgarh area, PSEB devised a way out to compel all such applicants to install their own 66KV sub stations and this they did by lowering the Contract Demand (CD) limit to 1500 KVA (as against 4200 KVA earlier). To avoid discrimination even the then existing consumers having CD of more than 1500 KVA were asked to switchover to 66KV or pay surcharge @ 17.5%. All the consumers resisted this move. PSEB introduced levy of 10%/17.5% HV Surcharge during July 2006 on the basis of general conditions of tariff. The Commission vide its order dated 13.10.2006 observed that the charges leviable under tariff order for the year 2006-07 are the same as were ordered to be continued in the tariff order passed by the Commission for the years 2004-05 and 2005-06. It is therefore obvious that under tariff order of 2006-07 also, no surcharge @ 10% /17.5% could be levied on consumers existing prior to March'97 as the units are governed by C/C no. 25/99 dt. 08.06.1999 and for others these charges would be only on pro-rata basis where CD exceeded 2500 KVA/ 4000 KVA. There is a mistake in applying surcharges on consumers existing as on 6/95 and those given feasibility clearance by March 1997.

17.7 **Response of PSEB**

Levy of voltage surcharge is for compensating the Board for extra losses at lower voltage and as such it is not strictly tariff component as the same is being charged on the consumer having CD exceeding 2500 KVA/ 4000 KVA and taking supply at 11 KV. Voltage surcharge on industrial consumers is justified considering the fundamental principle that higher load should be fed by higher voltage level that ensures reliable supply of power and lower loss levels. Any deviation from the above i.e. higher loads fed at lower voltage levels results in increased T&D losses to the utility and also affects the quality of supply to the consumer. Therefore, voltage surcharge is justified and also acts as a signal for use of high voltage instead of low voltage. Hence it should not be directly correlated with the Cost of Supply. To recover 17.5% additionally is thus not irrational and unjust. Meanwhile, the Tariff Policy states that the tariffs should be + 20% of the Average Cost of Supply. The industrial tariffs in Punjab are at about 19% above the Average Cost of supply proposed by the Commission and are inline with the Clause of the Tariff Policy.To ensure reliable supply of power, low loss levels and also to manage the load on the system, the CD limit had been reduced to 1500 KVA (as against 4200 KVA earlier) and the existing consumers having CD of more than 1500 KVA had also been asked to switchover to 66KV or pay surcharge @ 17.5%. Also the decision on HV surcharge should be made operative wef 1.4.06 instead of a further date.

17.8 **View of the Commission**

Refer Chapter 5, Para 5.3.

17.9 **Issue no –5: HV Rebate**

17.9.1 The Board allowed only a rebate of 3% as against justified figure of 10% to compensate the consumers for interest/ depreciation on the investment, incremental transmission / transformation losses and other expenses etc. Instead of levying any surcharge, the Board should give incentives by way of a rebate at least @ 10% to the consumers for change-over to higher voltage to compensate them for the incremental line loss (5%), transformation loss (2%) and in lieu of capital investment and operational charges (3%).

17.9.2 **Response of PSEB**

Refer Para 13.2.2 of this Annexure.

17.9.3 **View of the Commission**

Refer Chapter 5, Para 5.3.

17.10 **Issue no –6: Night Time Metering**

17.10.1 The furnace industries utilize the power at night when most of other consumers are not using the power. This is also very beneficial to PSEB as energy produced cannot be stored. Therefore, their tariff should be lower than the other industrial consumers and also given nighttime rebate as prevalent in many states across the country.

17.10.2 **Response of PSEB**

The reasoning that the furnace industries utilize the power at night when most of other consumers are not using the power is not tenable as there is no surplus power and the concept of billing on Time of Day metering is yet to be developed in Punjab.

17.10.3 **View of the Commission**

Attention is invited to Chapter 9, Para 9.6 of the Tariff Order of FY 2004-05, where the issue has been discussed in detail.

17.11 **Issue no –7: MMC Charges**

17.11.1 There is no rationale of MMC. It should be for the first 3-5 years from the date of release of connection and that too on yearly basis. PSEB should compensate the consumers during power cuts.

17.11.2 **Response of PSEB**

The consideration of MMC on yearly basis will defeat the very purpose of the Minimum Monthly Charges which are charged to recover at least the fixed cost involved in the distribution and transmission system in the case the consumer is not taking power supply upto the limit of MMC. Load forecast is made on the basis of the normal demand of the consumers and if due to some problem the forecasted power supply is not taken by the consumer it would create a cost to the Board. Hence the charging of MMC (on monthly basis) is justified.

17.11.3 **View of the Commission**

Attention is invited to Chapter 6, Para 6.23 of the Tariff Order of FY 2005-06, where the issue has been discussed in detail.

17.12 **Issue no –8: Power Factor Incentive**

17.12.1 Our industries being power intensive also work on the highest power factor (much above 0.9) for which incentive @ 1% for every increase of 0.01 increase beyond PF of 0.9 should be given at par with the rates of PF surcharge without any discrimination.

17.12.2 **Response of PSEB**

Refer 13.4.2 of this Annexure.

17.12.3 **View of the Commission**

Attention is invited to Chapter 9, Para 9.7 of the Tariff Order of FY 2004-05, where the issue has been discussed in detail.

18. Objection No. 15 - Northern Railway

18.1 **Issue no –1: Increase in Tariff**

18.1.1 The hike in the existing rates is undesirable. Northern Railway has been making timely payment, drawing uninterrupted power round the clock, contributing negligible T&D loss and in place of reducing tariff suitably it has been increased. Also for calculating revenue, railways are treated as Bulk consumer with tariff @ Rs 3.96/unit but the proposed railway traction tariff is taken as Rs. 4.54 per unit,which is not justified.

18.1.2 **Response of PSEB**

No reply

18.1.3 **View of the Commission**

In computation of Revenue, the tariff of Rs. 3.96/unit was the weighted average of tariff of Bulk Supply and Railway Traction. Attention is invited to Chapter 9, Para 9.18 of the Tariff Order FY 2004-05, where the issue of Railway tariff has been discussed in detail.

18.2 **Issue no –2: HT Rebate**

18.2.1 Railways has been again treated with discrimination and no rebate has been proposed for Railway Traction, as being given to HT consumers (connected at 33KV & above) in the range of 2.5%-4%. Northern Railway is availing power supply at 220 KV and 132 KV from PSEB. As Northern Railway is a bulk consumer and making regular payments timely, it deserves a rebate @ 15%, i.e. higher than that offered to non-Railway HT consumers. Atleast HT rebate as given to other consumers must be extended to Railways as well.

18.2.2 **Response of PSEB**

Allowing rebate to Railway Traction is a prerogative of the Commission.

18.2.3 **View of the Commission**

Attention is invited to Chapter 9, Para 9.10 of the Tariff Order FY 2004-05, where the issue has been discussed in detail.

18.3 **Issue no–3: Additional charges- Maximum Demand in excess of Contracted Demand.**

18.3.1 Northern Railway should be exempted from payment of penalty charges on overdrawal of power, considering the unique nature of traction loads. Also, it is a fact that such situations arise on account of failure of supply from supplying authorities, accidents, agitations etc, which is beyond the control of Railways.

18.3.2 **Response of PSEB**

Penalty is imposed on the over drawl of power to manage the load on the distribution and transmission system. In case of over drawl, the Board has to manage the load of the system, which results in extra cost to the Board.

18.3.3 **View of the Commission**

Attention is invited to Chapter 9, Para 9.18 of the Tariff Order FY 2004-05, where the issue has been discussed in detail.

18.4 **Issue no –4: Higher Tariff as compared to NTPC Tariff.**

18.4.1 Traction tariff should be based on either the cost of generation or cost of purchase from CGS like NTPC or NHPC with reasonable additional charges for wheeling of power. Railways are presently drawing power from NTPC at Dadri and Auraiya for Kanpur-Delhi section at a rate of Rs 3.32/unit only.

18.4.2 **Response of PSEB**

Proposal of Railway Traction to cut down the energy charges by taking into account the NTPC/ NHPC Tariff, i.e., central generating agency's rate of supply @ Rs. 2.55 per unit to PSEB is not justified as the Board is also incurring expenditures other than cost of power to avail supply of power to consumers.

18.4.3 **View of the Commission**

Attention is invited to Chapter 9, Para 9.18 of the Tariff Order FY 2004-05, where the issue has been discussed in detail.

18.5 **Issue no –5: Revision of Contract Demand.**

18.5.1 It has been suggested that Contract Demand be revised by PSEB within 30 days from the date of application by Railways.

18.5.2 **Response of PSEB**

The Board has submitted that it is not feasible to revise the Contacted Demand from the date of application because the Board has to check the feasibility.

18.5.3 **View of the Commission**

Attention is invited to Chapter 9, Para 9.18 of the Tariff Order FY 2004-05, where the issue has been discussed in detail.

18.6 **Issue no –6: PF Surcharge and PF Incentive.**

18.6.1 Railways invest in providing capacitor banks to attain 0.95 pf, which increases Grid stability. Railways are discriminated by being provided a rebate of only above 0.95 instead of 0.9 as allowed for other industrial consumers. Rebate should be enhanced for Railways also to 0.5% for every 0.01 rise in power factor above 0.9, as in Haryana.

18.6.2 **Response of PSEB**

The Board submits that the inherent power factor of Railway Traction is about 0.93 to 0.94 and giving PF incentive at above 0.9 PF is not justified. Moreover, the rate (0.25% per 0.01 increase in PF) of PF incentive to Railway Traction is lesser as compared to the penalty (1% per 0.01 drop in PF) at below 0.9 because the benefit due to improve in Power factor to the system decreases as the power factor approaches to unity. Therefore this incentive of 0.25% is quite reasonable and it cannot be equal to the rate of penalty, which is 1% for every 0.01 drop below 0.9 PF. The loss to the power system due to decrease in PF below 0.9 is much more as compared to the benefit which accrues with the increase in PF above 0.95.

18.6.3 **View of the Commission**

Attention is invited to Chapter 9, Para 9.7 of the Tariff Order FY 2004-05, where the issue has been discussed in detail.

18.7 **Issue no –7: Simultaneous Metering of Maximum Demand.**

18.7.1 At present the primitive method of recording the energy consumption and maximum demand once during the billing cycle is in practice. There should be tangible transparency in the system of registering simultaneous Maximum Demand at all metering points. Maximum Demand as well as load violation charges should be considered by taking simultaneous maximum demand at all metering points.

18.7.2 **Response of PSEB**

Considering the Maximum Demand as well as load violation charges by taking simultaneous maximum demand at all metering points is not justified as there are different feeders catering the metering points of Railway Traction. Hence considering them simultaneously is not practicable and shall also not solve the purpose of managing load on the distribution and transmission system of the Board.

18.7.3 **View of the Commission**

Attention is invited to Chapter 9, Para 9.18 of the Tariff Order FY 2004-05, where the issue has been discussed in detail.

18.8 **Issue no –8: Timely Payments**

18.8.1 Financial position of PSEB will not deteriorate; rather improve by providing incentive for timely payments. Even NTPC has made the provision for incentive @ 2.5% to its consumers.

18.8.2 **Response of PSEB**

There is no system of providing incentive/rebate for timely payments, as it will increase the financial burden of the Board, since revenue assessment from the consumer will go down.

18.8.3 **View of the Commission**

There is inadequate justification to treat Railways separately in this regard.

18.9 **Issue no –9: Rebate for newly Electrified Routes**

18.9.1 Special consideration for newly electrified sections as adopted by RERC, KSEB etc should be given by PSEB. RERC has provided a rebate of 5% on Traction tariff. Such rebate should be given by PSERC also.

18.9.2 **Response of PSEB**

Giving special consideration for newly electrified sections as adopted by RERC, KSEB is a prerogative of the Commission.

18.9.3 **View of the Commission**

There is no case for rebate in tariff for newly electrified routes.

18.10 **Issue no –10: Change of Tariff Category**

18.10.1 It is unreasonable to charge domestic consumption on higher rate. Within Bulk Supply tariff Railways be allowed to avail DS tariff schedule for its domestic use. Sub metering for the domestic consumption should be allowed or new connection should be granted under Domestic Supply. The benefit of lower slabs should be provided on domestic consumption taking average consumption per quarter into consideration as is provided by UPPCL, NDMC, DVB and KTPCL.

18.10.2 **Response of PSEB**

Railway Traction is considered as Bulk Supply Category and the tariff is charged accordingly as applicable to the Railway Traction irrespective of further consumption of power by the consumer. However it is the prerogative of the Commission to decide the matter.

18.10.3 **View of the Commission**

Attention is invited to Chapter 9, Para 9.19 of the Tariff Order FY 2004-05, where the issue has been discussed in detail.

18.11 **Issue no –11: Electricity Duty/Tax**

18.11.1 Electricity Duty/ Tax should not be levied on the Railways as per the provision of Article no. 287 of the Constitution of India.

18.11.2 **Response of PSEB**

The Board submits that State Government is levying Electricity Duty/ Tax and the State Government and Commission can only decide the matter.

18.11.3 **View of the Commission**

The Commission has no jurisdiction to decide on this matter.

18.12 **Issue no –12: Payment Time**

18.12.1 At least one month's time should be given for payment of bills from the date of receipt of bills, as current time of 7 to 10 days is not enough. Also late payment surcharge should not be levied.

18.12.2 **Response of PSEB**

Relaxation of payment of bill cannot be given to a particular category of consumers and it will only aggravate the cash liquidity of the Board, which is already facing financial losses.

18.12.3 **View of the Commission**

The Commission has dealt with the issue in Para 31.1 of the Regulations on "Electricity Supply Code & Related Matters" wherein a period of 21 days (in case of Railways) from the date of delivery of the electricity bills has been provided, for payment of the same.

18.13 **Issue no –13: Payment Issue**

18.13.1 Consolidated single bill should be issued incorporating the consumption of all the connections under NR. Alternatively a system of payment at a flat rate based on last year consumption may be made and reconciliation done later.

18.13.2 **Response of PSEB**

For a particular category of consumer the existing system of billing cannot be changed. Issue of a consolidated bill for Railways will increase the work burden on Board and lead to the chances of error at the time of compilation and billing.

18.13.3 **View of the Commission**
The Commission agrees with the response of the Board.

18.14 **Issue no –14: Testing Charges**

18.14.1 No meter testing charges should be levied for new connections and enhancement of the load, as Railways have their own Electrical Inspector whose approval is taken before charging the installations. Meter charges are being paid to PSEB at the time of enhancement/release of connections. Time limit should be fixed for changing the defective meters.

18.14.2 **Response of PSEB**
The Board cannot deviate from the existing procedures for a particular consumer category. Commission is in the process of issuing a supply code for evaluating the standards of performance pertaining to various parameters including defective meters and release/ enhancement of the connection. The points raised by the consumer shall be duly taken care once the supply code is notified.

18.14.3 **View of the Commission**
The Commission has dealt with the issue in Regulations on "Electricity Supply Code & Related Matters".

19. Objection No. 16 - Shri Lachman Dass Madan

The contents of the objections are identical to those of Objection no 8.

20. Objection No. 17 - MES

20.1 **Issue no –1: Separate Tariff Category**

20.1.1 Though the issue of separate category of Tariff for MES was discussed & principally agreed in meetings of PSERC but there was no separate category for MES in the present tariff proposal. MES is presumed to be covered as Bulk supply consumer, which is not acceptable to MES. The present schedule is not conforming to Law of land for Licensee status, as MES is a deemed licensee. The tariff for MES should be less than the other Commercial & Industrial consumers, which is meant for National Security and predominantly MES caters to domestic load having only a small percentage of other loads and may not be equated with any other Bulk Supply Consumer. The same may be fixed on category cost of supply and not on average cost of supply.

20.1.2 **Response of PSEB**
The issue of separate fixation of tariff for MES is not under its jurisdiction and the same is the prerogative of the Commission. However, considering the financial loss scenario of the Board, the provision of any relaxation to a particular category will impose additional burden on the Board. Meanwhile, the fixation of tariff on cost of supply is possible only after the finalization of CoS by the Commission.

20.1.3 **View of the Commission**
The issue has already been addressed vide a separate order of the Commission dated 14th August 2006 (Petition no 13 of 2004) wherein it is stated:
"*The Commission had thereupon, in its order dated 17/18.8.2004, decided to treat MES as a deemed licensee. Having acquired that status, the petitioner is now free to purchase power either from the Board or any other source. If it chooses to purchase power from the former then tariff therefore is to be fixed by the Commission and this exercise had been completed in the Tariff Order for the year 2006-07".* The Commission is of the view that the status quo shall continue as long as MES chooses to remain a consumer of the Board.

20.2 **Issue no –2: Rebate for Own Distribution System**

20.2.1 MES is maintaining its own electricity distribution system thus resulting in savings to PSEB. MES is paying its bills promptly also.

20.2.2 **Response of PSEB**
No reply.

20.2.3 **View of the Commission**
Refer Para 20.1.3 of this Annexure.

20.3 **Issue no –3: Exemption from Electricity Tax**

20.3.1 The electricity consumed by MES/Defence department may be exempted from any taxes or Duties/Octroi as per the provisions of Article 287 of Constitution of India. ED/Octroi levied erroneously by PSEB at some stations should be refunded/ adjusted in their future Electricity Bills. Further, a suitable Clause needs to be incorporated in Tariff schedule to avoid such recurrences.

20.3.2 **Response of PSEB**

The State Government levies Electricity Duty/ Tax and the State Government and Commission can only decide the matter.

20.3.3 **View of the Commission**

Refer Para 18.11.3 of this Annexure.

20.4 **Issue no –4: Charging of MMC**

20.4.1 MMC charges are not justified since MES is paying completely for the infrastructure. It is against the interest of Defence establishment and it should not be charged.

20.4.2 **Response of PSEB**

No reply

20.4.3 **View of the Commission**

Refer Para 20.1.3 of this Annexure.

20.5 **Issue no –5: High Voltage Rebate**

20.5.1 It has been prayed that existing rebate of 5% & 3% for MES should be increased to 10% & 7% for 220/132 KV and 66/33 KV respectively considering that the metering equipment is installed at 132/66 KV Transformers and the 11 kV T&D losses are being born by MES.

20.5.2 **Response of PSEB**

No reply

20.5.3 **View of the Commission**

Refer Chapter 5, Para 5.3.

20.6 **Issue no –6: Inspection of TG/DG sets**

20.6.1 Installation of DG Sets as stand by arrangement connected to MES network, which does not affect the PSEB system, are in the preview of MES/Licensee. MES has got its own Electrical inspectorate to check/ inspect the various installations so Chief Electrical inspector, Punjab has no jurisdiction to inspect/check inside MES Cantonment land. Permission Fee/Approval for the same from PSEB should be exempted to MES.

20.6.2 **Response of PSEB**

The Board submits that as per the existing Sales Regulations, any consumer installing DG set has to take prior permission from the Board. The permission fee is charged at a nominal rate of Rs. 50 / KVA for examining the technical details like separate neutral and earthing for DG sets & interfacing etc, with PSEB supply to avoid accidents due to back feeding. Since MES is a consumer of PSEB, it has to ensure safe running of its DG sets.

20.6.3 **View of the Commission**

The Board is advised to follow the rules prescribed by CEA. Issue of Inspection by Chief Electrical inspector is beyond the purview of the Commission.

21. Objection No. 18 – Anonymous

21.1 **Issue no 1- Free power**

21.1.1 The quality of power supply and its quantity is not upto the mark. The free power to the employees is not justified. This free power to the employees should be stopped and they should pay tariff like any other consumer. The Board is highly overstaffed and cannot stop pilferage and transmission losses.

21.1.2 **Response of PSEB**

Free units of electricity upto a maximum of 155 units are provided to motivate the existing staff to enhance /maintain the working efficiency of the staff. There have been regular retirements in the last five years and no new recruitment has taken place and also there is a continuous increase in quantum of work pertaining to increase in energy handled, consumers etc.

21.1.3 **View of the Commission**

Refer Para 4.1.3 of this Annexure with regard to free power issue. Refer Chapter 2, Para 2.3; Chapter 3, Para 3.3 and Chapter 4, Para 4.2, where the issue of T&D losses & theft has been discussed. Refer Chapter 2, Para 2.10, Chapter 3, Para 3.10 and Chapter 4, Para 4.9 where the issue of Employee cost has been discussed.

22. Objection No. 19 - Siel Chemical Complex(Siel Limited)

22.1 **Issue no –1: Cost of Supply**

22.1.1 There always remains a large gap between the cost of supply and proposed tariff. PSEB is postponing the voltage wise determination of actual cost of supply and this is leading to disproportionate tariff proposal for certain segments. PSEB may be directed to fix a time frame for estimation of cost of supply voltage wise.

22.1.2 **Response of PSEB**

PSEB has conducted the cost of supply study through independent consultants and the same has been submitted to the Commission for review.

22.1.3 **View of the Commission**

Refer Chapter 6, Para 6.6.

22.2 **Issue no- 2: Non-submission of ARR**

22.2.1 Despite numerous extensions, PSEB did not submit the ARR and tariff application for the year 2007-08 The Commission having granted such extension is seen a party to the Govt decision of not allowing an increase of tariff revision. It is felt that in future PSERC should not allow such extensions and any provision, which gets modified, should be granted at the start of the financial year.

22.2.2 **Response of PSEB**

Refer Para 15.1.2 of this Annexure.

22.2.3 **View of the Commission**

Refer Chapter 1, Para 1.2.

22.3 **Issue no 3- Other Surcharges/Charges**

22.3.1 PSERC has proposed that all other surcharges/charges shall continue to be levied. This is irrational because all such surcharges have a financial bearing on the consumers. The most glaring is the voltage rebate/surcharge and PF surcharge.

22.3.2 **Response of PSEB**

No reply

22.3.3 **View of the Commission**

Refer Chapter 6, Note (vi) under Table 6.6.

22.4 **Issue no 4- HT Rebate**

22.4.1 The rebate of 3% at 66 KV and 5% at 132 KV is at a lower side.

22.4.2 **Response of PSEB**

Refer Para 13.2.2 of this Annexure.

22.4.3 **View of the Commission**

Refer Chapter 5, Para 5.3.

22.5 **Issue no- 5: PF Surcharge/ Incentive**

22.5.1 The Board levies a surcharge @ 1% for every 0.01 drop below 0.9, it should likewise give incentive at the same rate of 1% if PF increases above 0.9.The MMC should be based on the sanctioned contract demand instead of connected load as the whole feeding system is designed on the basis of Contract Demand and not the connected load.

22.5.2 **Response of PSEB**

The inherent power factor of industries like the Power Intensive unit is about 0.93 to 0.94 and giving PF incentive at above 0.9 PF is not justified. Moreover, the rate (0.25% per 0.01 increase in PF) of PF incentive to PIU is lesser as compared to the penalty (1% per 0.01 drop in PF) at below 0.9 because at the PF level below 0.9, the cost of to be borne by PSEB is much more in terms of KVAR, which results in purchase of KVAR from external sources at higher rates, so the penalty of not maintaining PF at 0.9 is more. Whereas in comparison at a PF above 0.95, there is least saving to PSEB in terms of KVAR, so the incentive is also less. The Board agrees in principle with the claim of the consumer to charge as per Sanctioned Contract Demand instead of the connected load. Also the Commission has asked the Board to furnish the service charges under the supply code and the Commission shall fix the rates on the basis of the actual data furnished by the Board.

22.5.3 **View of the Commission**
Attention is invited to Chapter 9, Para 9.7 of the Tariff Order of FY 2004-05 where the issue has been discussed in detail. Regarding Contract Demand refer Commission's order dated 14th September in petition no. 21 of 2006.

22.6 **Issue no-6: GNDTP Maintenance Schedule**

22.6.1 It is not understood why period of 50 days per machine has been allowed for Bathinda unit.

22.6.2 **Response of PSEB**
The period of 50 days per machine has been considered for GNDTP taking into account the fact that due to the renovation and modernization, work is planned to be conducted on unit IV for 130 days during FY 2007-08.

22.6.3 **View of the Commission**
The Commission agrees with the response of the Board.

22.7 **Issue no 7:T&D Losses**

22.7.1 The tariff for LS-PIU should be fixed considering T&D losses of 6 %. PSERC should impose penalty if target is slipped by more than 1%.

22.7.2 **Response of PSEB**
The tariffs across the country are considered on the basis of pooled T&D losses only and the Commission is considering the same approach in Punjab. PSERC is already penalizing the Board for non-achievement of T&D Losses as per the loss level approved by the Commission.

22.7.3 **View of the Commission**
Refer Chapter 2, Para 2.3; Chapter 3, Para 3.3 and Chapter 4, Para 4.2.

22.8 **Issue no-8: Cross Subsidy**

22.8.1 The Cross-subsidy for industrial category has been increasing despite the applicability of the Electricity Act and National Tariff Policy, according to which the cross-subsidy should gradually reduce in due course of time. The suo-motu order has vitiated the concept of gradual elimination of subsidy because the Commission has not worked out the concept of average cost of supply. The Commission should freeze the limit of consumption of the subsidized categories and the utility should be directed to recover consumption charges at the normal tariff. Either Government should make good of this increased consumption by these cross-subsidized consumers or consumers should pay extra. There is a contradiction in the definition of cross-subsidy in Regulations of PSERC in comparison to the definition given in the Judgement of Appellant Tribunal dated 26.05.2006. As per the Regulations, the cross-subsidy means the difference between actual realization and average cost of supply from a particular category of supply whereas as per the Tribunal, it is the difference between basic tariff per unit and actual cost of supply from a particular consumer category.

22.8.2 **Response of PSEB**
Tariff Policy states that the tariffs should be + 20% of the Average Cost of Supply. The industrial tariffs in Punjab are at about 19% above the Average Cost of supply proposed by the Commission. The latest amendment to the Act clearly specifies that the cross- subsidy is to be gradually reduced, and not necessary eliminated, in the manner specified by the Appropriate Commission.

- The agriculture feeders are not segregated the consumption cannot be controlled as of now. The Board agrees to the comments of the consumer that beyond a certain limit, additional charges should be levied. However, it is the Commission's prerogative to consider and decide whether the consumer or the Government should pay for the supply beyond a certain limit.
- As pointed by the consumer, the definition of cross subsidy stated by the Commission is different than the definition given by Appellate Tribunal in the order-dated 26.05.2006.

22.8.3 **View of the Commission**
Refer Chapter 6, Para 6.6.

22.9 **Issue no 9- Purchase of Power from Outside State**

22.9.1 The Power purchase is increasing year by year and PSEB is not exercising any restraint on power purchase from external sources. The unscheduled purchase of power is being done either during the paddy season or during the peak load for meeting the unexpected consumption of agriculture sector- for which industry is not responsible. Such a purchase should be loaded to the sector responsible for the consumption of electricity. It is also proposed that in order to put a check, PSERC may fix up a slab- both for quantity and rate only under which PSEB may purchase power and ensure not to purchase power beyond authorised capped rate. No purchases should be made from liquid fuel sources.

22.9.2 **Response of PSEB**

Increase in power purchase is because of the increasing demand of electricity at the rate of 8-10% in the past few years. Considering that the Board has not been able to do any capacity addition in own generation, the increasing demand has to be met through purchases at higher rates from traders.

22.9.3 **View of the Commission**

Refer Chapter 2, Para 2.8, Chapter 3 Para 3.9 and Chapter 4, Para 4.8.

22.10 **Issue no-10: PLEC**

22.10.1 Peak load exemption charges are applicable even on those consumers, who are a continuous process industry and are consuming power around the clock. It is also important to note that excess requirement of power during peak load hours is not because of continuous process industry like SIEL but is due to some other class of consumers. So PLEC should not be imposed in general, specifically on SIEL. If PSERC decides to levy these charges on the industry for regulating power consumption during peak load hours, PSERC should decide nominal/rational rate for PLEC. Also the burden of extra costly power purchased during paddy season should be on Punjab Govt./AP consumers for whom the same is purchased.

22.10.2 **Response of PSEB**

PLEC is levied because the Board is not in position to meet the MW demand during peak load hours because maximum demand shoots up due to light load of DS, NRS and industrial consumers during this period and the Board has to restrict the demand during the period and accordingly peak load restrictions have to be applied. The consumers drawing power during this period over and above the permissible limits are required to pay the PLEC, more so because PSEB has to purchase costly peak load power to meet the demand during peak load hours.

22.10.3 **View of the Commission**

Attention is invited to Chapter 9 Para 9.9 of the Tariff Order of FY 2004-05, where the issue has been discussed in detail.

22.11 **Issue no-11: Employee Cost**

22.11.1 PSERC has allowed an increase of 6.61% based on the WPI of 2006-07, whereas on the contrary the Commission in the past has been directing the Board to reduce the Employee cost. SIEL presumes that the employee cost is on the higher side and instead of flat increases, PSERC should insist on PSEB to cut down this cost through professional means.

22.11.2 **Response of PSEB**

Refer Para 15.9.2 of this Annexure.

22.11.3 **View of the Commission**

Refer Chapter 2, Para 2.10, Chapter 3, Para 3.10 and Chapter 4, Para 4.9.

22.12 **Issue no-12: Agricultural Consumption - Sample Metering Method**

22.12.1 Refer Para 15.14.1 of this Annexure.

22.12.2 **Response of PSEB**

Refer Para 15.14.2 of this Annexure.

22.12.3 **View of the Commission**

Refer Chapter 4, Para 4.1.2.

22.13 **Issue no-13: Appellate Tribunal Issues**

22.13.1 It is observed that the directions of Appellate Tribunal have not been implemented or implemented partially, e.g

- Cross subsidy may be given upto 30 units to BPL at 50% cost (but not free). No such fixation of limit has been done in case of BPL families or AP consumers.
- Complete metering to be introduced by March 2007. No information has been given on this subject.
- Punjab Govt. had decided to clean PSEB balance sheet by 2003-04. Nothing has been done so far in this regard.
- Re allocation of RSD project cost.
- Extent of interest allowed as a pass through considering the uncalled loan burden due to unpaid subsidy.

22.13.2 **Response of PSEB**

Assets are not over-valued as the expenditure has been booked as per the actual expenditure incurred and have been divided between Irrigation Department and the Board in the prescribed ratio. The Board further submitted that the final adjustment has been made in the accounts of FY 2005-06.

No other response has been submitted by PSEB with regard to other objections.

22.13.3 **View of the Commission**

Refer Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order.

22.14 **Issue no –14: Capital Investment Plan**

22.14.1 Considering that resources raised through depreciation amount, consumer deposit, contribution, ROI/ROE are solely deployed for capital formation, creating new assets or for replacing existing ones, the analysis of the investment plan for 2007-08 does not indicate whether any action is taken on this front. The details or component of investment plan should be provided.

22.14.2 **Response of PSEB**

No reply

22.14.3 **View of the Commission**

Refer Chapter 4, Para 4.13.2.

22.15 **Issue no- 15: Default of Rs 760 crores from FY 2006-07.**

22.15.1 Amount of Rs. 760 crores payable by the Government of Punjab has not been accounted for by the Commission while working out the ARR for FY 2007-08. Otherwise there would have been surplus of Rs. 537 crores. Thus there is a case of reduction of tariff on this account alone.

22.15.2 **Response of PSEB**

The amount of Rs. 716.63 crores (and not Rs. 760 crores, as mentioned by the consumer) to be paid by the Government of Punjab has already been considered by the Commission while calculating the revenue gap for FY 2006-07.

22.15.3 **View of the Commission**

The contention of the Objector is incorrect. The Commission has taken into account the amount payable by GoP while reviewing the revenue gap of FY 2006-07.

23. Objection No. 20 - Steel Furnace Association of India (Punjab Chapter)

23.1 **Issue no-1: Appellate Tribunal Issue-RSD**

23.1.1 It is not clear whether the cost allocation of RSD project has been taken into account as per the directions of the Appellate Tribunal.

23.1.2 **Response of PSEB**

As far as PSEB is concerned, the final adjustment has been made in the accounts of FY 2005-06.

23.1.3 **View of the Commission**

Refer Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order.

23.2 **Issue no- 2: Appellate Tribunal-Cross subsidy**

23.2.1 The directives of the Appellate Tribunal have not been taken into account in the process of determination of the tariff proposal for the year 2007-08. The present ARR does not provide the cost of supply of subsidizing category of consumers. Also there is no mention of a limit of consumption of electricity by subsidized category.

23.2.2 **Response of PSEB**

No reply

23.2.3 **View of the Commission**

Refer Chapter 6, Para 6.6.

23.3 **Issue no-3: Employee Cost**

23.3.1 ARR determined by the Commission does not bring on record any improvement in efficiency or performance of the employees of the Board and in absence thereof employee cost proposed to be increased with reference to WPI is not in consonance with the Order of the Tribunal.

23.3.2 **Response of PSEB**

The employee cost incurred by the Board is on actual basis and consists of salaries, LTA, medical re-imbursement, terminal benefits, increase in DA. Salaries of employees are bound to increase every year on account of annual increments whereas the other factors are uncontrollable.

23.3.3 **View of the Commission**

Refer Chapter 2, Para 2.10, Chapter 3, Para 3.10 and Chapter 4, Para 4.9.

23.4 **Issue no-4: True up 2005-06**

23.4.1

- Excess agriculture consumption proposed should be priced at average cost of supply.
- Diversion of Funds - Diversion of funds and related interest cost for the year 2005-06 has not been addressed.
- Prior period expenses- True Up exercise does not allow any new item of cost or expenditure to be considered which was not part of original ARR.

23.4.2 **Response of PSEB**

- The objection pertains to the Commission and the Government of Punjab and the Board is not in a position to comment on the issue.
- The Commission in FY 2005-06 has addressed the issue of Diversion of Funds and Interest cost and the same has been accounted for while computing the ARR for FY 2005-06.
- Prior period expenditure purely relates to the supply of power. The expenditure was actually incurred by the Board in current year, however it pertains to the previous years and was not charged by the Board in the previous years. So the Commission has rightly considered the expenses in the current year.

23.4.3 **View of the Commission**

- Refer Chapter 6, Para 6.6.
- Refer Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order.
- Refer Chapter 2, Para 2.19.

23.5 **Issue no- 5: Review of 2006-07**

23.5.1 The various objections are as follows

- Excess agriculture consumption proposed should be priced at average cost of supply.
- Employee Cost should be linked with Employee productivity so employee cost should not be increased, as employee productivity has not improved.
- Interest on Subsidy & other amounts receivable from GoP- Interest cost on Rs 716.63 crores @ 12.22% equivalent to Rs 87 crores needs to be reduced from the interest cost in the" True Up" exercise.
- Return on Equity- The financial position of the Board clearly shows that the equity capital has been totally wiped out through losses, so no ROE should be given.

23.5.2 **Response of PSEB**

- The objection pertains to the Commission and the Government of Punjab and the Board is not in a position to comment on the same.
- Refer Para 23.3.2 of this Annexure.
- The Board agrees with the comment of the consumer on this objection but it is a matter to be decided by the Commission.
- ROE of 14% has been designed keeping in view the risk involved in distribution in power sector vis-à-vis other sectors. The Tariff policy also states "The rate of return notified by CERC for Transmission may be adopted by the State Electricity Regulatory Commissions (SERCs) for distribution with appropriate modification taking into view the higher risks involved." There is no criterion of linking ROE with the performance of the Board. The Board is entitled for ROE irrespective of the financial position of the Board.

23.5.3 **View of the Commission**

- Refer Chapter 6, Para 6.6.
- Refer Chapter 3, Para 3.10.
- Carrying cost shall be payable by the State Government in case of default of known liabilities. Also refer Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order.
- Attention is invited to Chapter 4, Para 4.15 of the Tariff order of FY 2006-07, where the issue has been discussed in detail.

23.6 **Issue no- 6:Proposal for 2007-08**

23.6.1 The various objections are as follows

- Excess agriculture consumption proposed should be priced at average cost of supply.

- Employee Cost should be linked with Employee productivity so employee cost should not be increased, as employee productivity has not improved.
- Investment plan details should be provided.
- Interest on Subsidy & other amount receivable from GoP- Interest cost on Rs 1003.63 crores @ 12.22% equivalent to Rs 122.64 crores needs to be reduced from the interest cost in the ARR.
- Return on Equity- The financial position of the Board clearly shows the equity capital has been totally wiped out through losses so no ROE should be given.

23.6.2 **Response of PSEB**

- The objection pertains to the Commission and the Government of Punjab and the Board is not in a position to comment on the issue.
- Refer Para 23.3.2 of this Annexure.
- The Board has requested the Commission to indicate the basis of Investment plan of Rs. 2500 crores.
- The Board agrees with the comment of the consumer on this objection but it is a matter to be decided by the Commission.
- ROE of 14% has been designed keeping in view the risk involved in distribution in power sector vis-à-vis other sectors. The Tariff policy also states "The rate of return notified by CERC for Transmission may be adopted by the State Electricity Regulatory Commissions (SERCs) for distribution with appropriate modification taking into view the higher risks involved." There is no criterion of linking ROE with the performance of the Board. The Board is entitled for ROE irrespective of the financial position of the Board.

23.6.3 **View of the Commission**

- Refer Chapter 6, Para 6.6.
- Refer Chapter 4, Para 4.9.
- Refer Chapter 4, Para 4.13.2.
- Carrying cost shall be payable by the State Government in case of default of known liabilities. Also refer Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order.
- Attention is invited to Chapter 4, Para 4.15 of the Tariff order of FY 2006-07, where the issue has been discussed in detail. Also refer Chapter 4, Para 4.14 of this order.

24. Objection No. 21 - Mandi Gobindgarh Induction Furnace Association

24.1 **Issue no –1: Cross Subsidy**

24.1.1 The reduction of cross subsidy has not taken place in an effective manner. The tariff proposal indicates that the cross subsidy level has increased for LS consumers. This increase is contrary to the provisions of the Electricity Act 2003, and the Regulations framed under the Act

24.1.2 **Response of PSEB**

Tariff Policy states that the tariffs should be + 20% of the Average Cost of Supply. The industrial tariffs in Punjab are at about 19% above the Average Cost of Supply. The latest amendment to the Act clearly specifies that the cross- subsidy is to be gradually reduced, and not necessarily eliminated. Since the industrial tariffs are already within 20% of the Average cost of supply, there need not be any change in the tariff structure of the industrial consumers.

24.1.3 **View of the Commission**

Refer Chapter 6, Para 6.6.

24.2 **Issue no –2: Metered Supply**

24.2.1 All consumers should be metered. PSEB has not adhered to the previous schedule of metering and now the drive may be bound by time.

24.2.2 **Response of PSEB**

More than 5% of the Agriculture Consumers have been metered by the Board as against Commission's directive for a sample size of at least 2%.

24.2.3 **View of the Commission**

Refer Para. 12.3.3 of this Annexure.

24.3 **Issue no –3: Subsidy Payment.**

24.3.1 Payment of subsidy against AP consumption is over due from the GoP as given in Table 3.11 Page 30 of the tariff proposal. This over due payment may be deducted from GoP loans to PSEB and interest allowed on the remaining amount in the ARR.

24.3.2 **Response of PSEB**
Board agrees with the consumer.
24.3.3 **View of the Commission**
Refer Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order.

25. Objection No. 22 – All India Steel Re-Rollers Association

The objections raised are identical to those raised in Objection no 21

26. Objection No. 23 - Hotel Fly Over

26.1 **Issue 1- Rebate on Electricity Bills**
26.1.1 The petitioner company being a star classified Hotel be granted rebate of 15% on Electricity bills as per notification dated 28/4/2003 issued by the Department of Tourism, State of Punjab
26.1.2 **Response of PSEB**
The Board is not in a position to comment on the same.
26.1.3 **View of the Commission**
The Commission has already expressed its views in order of 20th April 2004 in petition no. 2/2003.

27. Objection No. 25 - Rajpura Small Industries Association

27.1 **Issue no –1: Non-submission of ARR and Tariff Petition**
27.1.1 Silence of PSEB on the matter of ARR & Tariff Revision in spite of the opportunities awarded by the Hon'ble Commission should not enable PSEB to levy enhanced tariff. PSEB was interested in keeping the same tariff during this year. Infact present tariff should be reduced in the interest of the consumer.
27.1.2 **Response of PSEB**
The Commission is empowered to make a suo-motu order according to the Clause 8.1 (7) of the Tariff Policy. The Board further submitted that it did not submit the ARR for the following reasons:

- The Board had conducted the CoS study as per the directives of the Appellate Tribunal and the same could not be used in its current form for calculation of Class & Category-wise cost of supply.
- PSEB is a bundled utility but was asked to separately file the tariff for Generation, Transmission and Distribution. The Board was not in a position to use any scientific methodology to segregate costs and file separate tariff for Generation, Transmission & Distribution.
- Even though the Board did not file the ARR for FY 2007-08, it submitted the official document constituting the expenditure incurred in the year FY 2006-07 and the projected expenditure to be incurred in FY 2007-08 to the Commission and the suo motu proposal has been developed by the Commission taking into account the figures submitted by the Board.

27.1.3 **View of the Commission**
Refer Chapter 1, Para 1.2.

27.2 **Issue no –2: Cross Subsidy**
27.2.1 Tariff of Small Power Supply Consumers may be brought below the Average Cost of Supply/at the level of the Cost of Supply and the Tariff of Medium Supply Consumers may be reduced minimum by 20%.
27.2.2 **Response of PSEB**
Refer Para 24.1.2 of this Annexure.
27.2.3 **View of the Commission**
Refer Chapter 6, Para 6.6.

27.3 **Issue no –3: Metered Supply**
27.3.1 All consumers should be metered.
27.3.2 **Response of PSEB**
All the consumers in the State are being billed as per metered supply with the exception of Agriculture consumers where the billing is done on the basis of the Sample Metering.

27.3.3 **View of the Commission**
Refer Para 12.3.3 of this Annexure.

27.4 **Issue no –4: Standby Generators**
27.4.1 Installation of the Generator up to 100 KVA may be allowed without permission of PSEB.
27.4.2 **Response of PSEB**
As per the IER-1956, it is mandatory for any consumer installing Generator of capacity above 10 KVA to take permission of PSEB. The Board cannot deviate from the regulation notified by the Central Electricity Authority (CEA).
27.4.3 **View of the Commission**
The Board is advised to follow the rules prescribed by CEA.

28. Objection No. 26 - United Cycle & Parts Manufacturers Association

28.1 **Issue no –1: Subsidy**
28.1.1 The Commission should recommend/demand for subsidy grant of Rs 123.44 crores to cover the alleged loss, from the Punjab Govt.
28.1.2 **Response of PSEB**
No reply
28.1.3 **View of the Commission**
Granting subsidy to cover the revenue gap is the prerogative of the State Govt.

28.2 **Issue no –2: T&D loss, Theft and Establishment Cost**
28.2.1 The Board should reduce its T&D loss, its excess establishment cost, and electricity leakage/ theft and minimise the strength of all the officers/employees, which would ensure no increase in tariff.
28.2.2 **Response of PSEB**
As a government run organization, the Board is not in a position to reduce the strength of the employees on its own unless the Government decides to introduce any scheme for retrenchment or introduces a voluntary retirement scheme for the employees. It is making efforts to reduce T&D loss and reduce theft of electricity
28.2.3 **View of the Commission**
Refer Chapter 2, Para 2.3, Chapter 3, Para 3.3 and Chapter 4, Para 4.2, where the issue of T&D losses & theft has been discussed.
Refer Chapter 2, Para 2.10, Chapter 3, Para 3.10 and Chapter 4, Para 4.9 where the issue of Employee Cost has been discussed.

28.3 **Issue no –3: Free Power**
28.3.1 Since the Punjab Govt has announced to bear all the expenses of agricultural consumption; the Board need not increase/ revise tariff and other charges.
28.3.2 **Response of PSEB**
No reply
28.3.3 **View of the Commission**
The State Govt. has provided subsidy for supply to AP consumers, SC/Non-SC BPL category consumers and the Commission has determined the tariff taking into account subsidy provided by the State Govt.

28.4 **Issue no –4: Energy Requirement/ Availability**
28.4.1 Due to enough rains and better water position for hydel generation and also better thermal generation there is less need of power purchases from other sources.
28.4.2 **Response of PSEB**
Whereas there is only a minor increase in the thermal and hydel generation of 1-2% in the last two years, increase in demand from consumers has been more than 15 %.
28.4.3 **View of the Commission**
Refer Chapter 4, Para 4.3 and 4.4.

28.5 **Issue no –5: Recovery of Meter Charges**
28.5.1 In case a meter is burnt and damaged beyond repairs, 50% of the cost of meter may be deposited from the consumers but PSEB always recovers the full cost more than the actual cost.

28.5.2 **Response of PSEB**
The Board recovers the full cost of the meter from the consumer on account of burnt meter, only if the damage to the meter is attributable to the fault of the consumer.

28.5.3 **View of the Commission**
The Commission has already rationalized and approved meter rentals and other charges in its letter dated 18th April 2006. The issue has also been addressed in Para 21.4 of the Regulations on “ Electricity Supply Code and Related Matters”.

29. Objection No. 28 - Apex Chamber of Commerce & Industry

The issues raised are identical to those in Objection no 14.

30. Objection No. 29 – PHD Chamber of Commerce and Industry, Chandigarh

30.1 **Issue no –1: Agriculture Consumption- Sample Meters**

30.1.1 The percentage of sample meters should increase so as to arrive at near approximate consumption.

30.1.2 **Response of PSEB**
More than 5% of the Agriculture Consumers have been metered by the Board as against Commission’s directive for a sample size of at least 2%.

30.1.3 **View of the Commission**
The Commission agrees with the response of the Board.

30.2 **Issue no –2: T&D losses**

30.2.1 The proposal of the Commission to reduce the T&D losses to 19.5% for the year 2007-08 must be ensured. Simply imposing penalty is not an alternative. PSERC should insist for achieving the end result of reduction in T&D losses.

30.2.2 **Response of PSEB**
T&D loss level in Punjab is comparable with the best states across India. The Board has been able to reduce losses by 1.16% in FY 2006-07 from the loss levels of FY 2005-06 and envisages further reduction by 2% in FY 2007-08.

30.2.3 **View of the Commission**
Refer Chapter 2, Para 2.3, Chapter 3, Para 3.3 and Chapter 4, Para 4.2.

30.3 **Issue no –3: Annualization of Tariff**

30.3.1 PHD Chamber has always submitted in its earlier petition that effective date for implementing the Tariff Order should be from the date of Award and annualization should not be allowed.

30.3.2 **Response of PSEB**
Since ARR and Annual Accounts are all considered on the financial year basis, annualization is justified. However, this is the prerogative of the Commission.

30.3.3 **View of the Commission**
Considering that the Tariff determination process is carried out for a complete financial year, it is important that the revenue and expenditure is assessed for a particular financial year. Also refer Chapter 6, Para 6.7.

30.4 **Issue no –4: KVAH Tariff.**

30.4.1 Request has been made to introduce kVAH Tariff, as it would solve most cases with DSA.

30.4.2 **Response of PSEB**
A study has been carried out for practicability of introducing KVAH tariff. The Board is considering implementing KVAH based tariff on SP category. It would like to implement KVAH tariff only subsequent to the successful implementation of the Two-Part tariff on LS & RT category. The Board has proposed the introduction of two-part tariff for these categories from FY 2007-08.

30.4.3 **View of the Commission**
Refer Chapter 5, Para 5.2.3.

31. Objection No. 31 - Regional Spinal Injury Centre

31.1 **Issue no.1- Rationalization of Electricity Bills**

31.1.1 Regional Spinal Injury Centre is a specialized hospital under Govt of India and Govt. of Punjab, coming up under PWD Act 1995. It is paying Commercial bills and it has been requested that the bills may be rationalized.

31.1.2 **Response of PSEB**

As per the policy, Govt. owned public hospitals and institutes are charged domestic rates while private hospitals are billed as per commercial rates. Allotment of category of such nature is the prerogative of the Commission.

31.1.3 **View of the Commission**

The Commission has received a representation in this regard from the objector, which would be dealt separately.

32. Objection No. 32 - Bathinda Chamber of Commerce & Industry

32.1 **Issue no –1: Tariff Hike**

32.1.1 The power tariff should not be hiked for reason of free supply to other sectors as SME are under recession.

32.1.2 **Response of PSEB**

Govt. of Punjab is paying subsidy to PSEB for the free supply to AP category and SC/BPL domestic consumers. So there is no hike in tariff on this account.

32.1.3 **View of the Commission**

Govt. of Punjab is paying subsidy for supply to AP category and SC/ Non-SC BPL domestic consumers. The hike, in Tariff determined by the Commission, is to cover the revenue gap.

32.2 **Issue no –2: Checking of Connected Load - Electronic Meters**

32.2.1 It is suggested that wherever computerized electronic meters are installed, the inspection agencies should not be allowed beyond the instrument. It may be made a permanent rule.

32.2.2 **Response of PSEB**

The electronic meters installed do not indicate connected load of the consumer, hence physical verification is required. However, the Board has stopped checking of connected load of LS consumers w.e.f 17.7.2007, which shall be reviewed after 3 months.

32.2.3 **View of the Commission**

Refer Para.5.2.3 of this Annexure.

32.3 **Issue no –3: Adjustment of MMC**

32.3.1 Considering that Punjab is in power shortage scenario and power is purchased from other stations and grids to meet the requirement, the levy of MMC appears to be unjustified. Some rule may be incorporated to allow MMC to be adjusted annually or should be carried forward to subsequent months when the consumption is higher than MMC.

32.3.2 **Response of PSEB**

The Board incurs fixed cost to setup and maintain the system and MMC is levied to recover the same. MMC is levied when the consumers don’t consume electricity beyond the extent of the monthly minimum consumption as per the load and category of these consumers and if the consumption is beyond the MMC, then the normal tariff is levied.

32.3.3 **View of the Commission**

Refer Chapter 6, Para 6.23 of the Tariff Order of FY 2005-06, where the issue has been discussed in detail.

32.4 **Issue no –4: Off Peak Hours Rate.**

32.4.1 In some states, the off peak, i.e night hours rate of electricity is lower than normal rate. Same principle should be adopted in Punjab.

32.4.2 **Response of PSEB**

There is provision in Sales Regulation (ESR 13.3.8.1) that industrial connections with load above 1 MW can be allowed priority for running during night hours between 21.00 hrs and 05.00 hrs and for such connections a rebate of 25% can be given.

32.4.3 **View of the Commission**

Attention is invited to Chapter 9, Para 9.6 of the Tariff Order of FY 2004-05, where the issue has been discussed in detail.

32.5 **Issue no –5: Recovery of Meter Charges**

32.5.1 The Board charges meter security from the consumers but in case of meter defect the cost of meter is recovered from the consumers for no fault of consumers, which is unjustified.

32.5.2 **Response of PSEB**

The Board recovers the cost of meter from the consumer if the meter damage is attributed to the consumers.

32.5.3 **View of the Commission**

Refer Para 28.5.3 of this Annexure.

33. Objection No. 33 & 35- Punjab Cotton Factories & Ginner's Association (Regd.)

33.1 **Issue no –1: Peak load usage increase**

33.1.1 The Association has requested that they be allowed to use 25% of the Connected Load during Peak being a Green category industry.

33.1.2 **Response of PSEB**

During peak load hours, LS consumers are allowed to run loads uptp 10% of the sanctioned contract demand or 50 kw whichever is less without any extra charges. For any extra power beyond the above limits, consumers have to seek sanction for running the load during peak load hours by paying additional charges @ Rs 120 per kw per month upto 100 kw for 6 months at a stretch and for load above 100 kw @ Rs 1.80 per kwh for CD upto 65% of sanctioned contract demand and Rs 2.70 per kwh for CD beyond 65% (for minimum 3 hours per day).

33.1.3 **View of the Commission**

During public hearing at Bathinda and Advisory Committee meeting, the Board agreed in principle to the request, provided the industry is covered under the " Green Category" list of Punjab Pollution Control Board. The objector may approach the Board for seeking necessary relief.

33.2 **Issue no –2: Separate Connection for Light Load**

33.2.1 Cotton Industry during the off-season requires light load and huge wastage of power occurs due to consumption in transformer and other equipment, which attracts financial loss to the industry as well as to the Nation.

33.2.2 **Response of PSEB**

As per the Sales Regulations, two connections cannot be provided in the same premises for the same purpose and the consumer is required to use the existing connection only during off-season as well.

33.2.3 **View of the Commission**

During public hearings at Bathinda, a proposal to install a smaller capacity transformer for light load came up which was acceptable to the Board in principle. The objector may take up the issue with the Board.

33.3 **Issue no –3: Abolish Octroi**

33.3.1 Punjab govt has abolished octroi in Punjab but PSEB is charging octroi @ 4 paise/unit which should be abolished.

33.3.2 **Response of PSEB**

Abolishing octroi on electricity bills is the prerogative of the government.

33.3.3 **View of the Commission**

GoP has not abolished octroi on Electricity. The Commission has no jurisdiction to decide on this matter.

33.4 **Issue no –4: Payment of Energy Bills**

33.4.1 Payment of Electricity Bills through post-dated cheques should be allowed to avoid unnecessary loss.

33.4.2 **Response of PSEB**

Sufficient time is given to the consumers for payment of electricity bills and the Board cannot deviate on the policy for individual consumers

33.4.3 **View of the Commission**

The issue has been addressed in Regulations on " Electricity Supply Code & Related Matters".

34. Government of Punjab

34.1 **Interest of PSEB**

34.1.1 Consumer interest cannot be segregated from the interest of PSEB because if the financial health and viability of PSEB gets impaired and it is unable to provide reliable and quality power, the consumer's interest will be gravely affected.

34.1.2 **View of the Commission**

The Commission has carried out the exercise for determination of ARR and Tariff for the year 2007-08 keeping in view the interest of all the stakeholders. The norms adopted by the Commission are as per Tariff Regulations framed by the Commission.

34.2 **Increasing Input Cost**

34.2.1 It would be appropriate for the Commission to acknowledge the increase in cost of inputs including fuel cost for generation.

34.2.2 **View of the Commission**

The Commission has considered the increase in cost of inputs including fuel cost wherever required while determining the ARR as per provisions of Tariff Regulations.

34.3 **Working Capital**

34.3.1 Instead of determining the working capital on basis of one-month requirement of fuel cost, power purchase cost, employees cost, etc the Commission should consider computation of working capital on the basis of lead-lag studies.

34.3.2 **View of the Commission**

The Commission has considered the working capital requirement as per provisions of PSERC Tariff Regulations.

34.4 **Employee Cost**

34.4.1 During the year 2003-04, PSERC allowed full employee cost, considering it a legitimate component of the cost of supply of electricity. It is felt that PSERC should allow actual cost of Employees including retiral benefits of those retired during 2002-03 and subsequent years as a committed liability of PSEB instead of allowing notional cost of employees.

34.4.2 **View of the Commission**

Refer Chapter 2, Para 2.10, Chapter 3, Para 3.10 and Chapter 4, Para 4.9.

34.5 **Diversion of Funds**

34.5.1 The Commission has observed that Rs. 3169 crores has been diverted from capital expenditure for revenue purposes and that this was necessitated because in the pre regulatory regime tariff was not allowed to be raised and also because from 1997 to 2002 AP consumers were allowed free electricity supply without any compensation. In that regard Commission has worked out the interest on the diverted fund to be Rs. 387 crores out of which Rs. 287 crores is proposed to be transferred to the State Govt. from 2006-07 onwards. In that regard it is unjustified due to the following reasons

1. The major diversion of capital funds of Rs 2556.68 crore to revenue expenditure took place during the period 1996-97 to 2001-02. It is estimated that the loss to the Board due to free electricity to AP consumers was around Rs. 1500 crores only. Also in the pre regulatory regime the tariff was raised by 15% in July 1998 and 8% during July 2000. There is no empirical data to determine whether this increase was adequate or not. PSEB had diverted capital funds even in 1996-97 when free power had not been introduced. Moreover even now it is forced to divert these funds, as the tariff allowed by PSERC in the last 5 years has not been sufficient to cover the actual cost of the Board.
2. Even if the argument that the tariff rise during the period was inadequate, the govt cannot be burdened with this liability because it was the Consumer who benefited due to inadequate increase in tariff in the past.
3. The Govt has foregone its ROR/ROE amounting to Rs. 1200 crores and has converted loans of Rs. 2800 crores into equity to help the Board tide over financial difficulties. It is because of the past positive decisions of the Govt. that PSEB is getting very cheap power from Bhakra and other hydel/thermal power stations. Had the Govt. not taken these initiatives in the past the situation would have been worse.

4. In the Tariff Order of 2006-07, the Commission had not penalized the Govt. on this account, so the Commission cannot now burden the Govt. with this liability during True Up or Review as a matter of principle.
5. Even if the Commission concludes that diversion of funds was inappropriate it can only observe additional or incremental financial costs/interest as transferable or not allowable and not the total financial costs or interest of the diverted funds.

34.5.2 **View of the Commission**

Refer Commission's order dated 13th September 2007 in compliance of Appellate Tribunal order.

34.6 **T&D Loss**

34.6.1 Although PSEB has to take more stringent action to reduce its loses, it has been paying the price for this inefficiency since PSERC has been consistently disallowing a large portion of the cost due to non achievement of the T&D loss target. It is requested that the T&D loss reduction trajectory may be reset taking into consideration the actual present losses and GOI policy, according to which the T&D losses should be reduced to 15% by the year 2012.

34.6.2 **View of the Commission**

Refer Chapter 4, Para 4.2.

34.7 **Agricultural Consumption**

34.7.1 In 2005-06, the Commission increased the assessment of AP consumption by nearly 13% over the previous year and now proposes to assess the AP consumption for the year 2006-07 as 8233 MU, an increase of about 12%, which is not justified and is unrealistic. Also no check has been carried out on the authenticity and accuracy of the sample metering data collection process. The State Govt would like the Commission to set up an independent mechanism to verify the accuracy of sample metering data of AP consumption. Further the Commission may take the trued up AP consumption of 2005-06 as base and increase it by 5% per year for 2006-07 and 2007-08.

34.7.2 **View of the Commission**

Refer Chapter 2, Para 2.2.3, Chapter 3 Para 3.2.3 and Chapter 4, Para 4.1.2.

Annexure II

MINUTES OF THE MEETING OF THE STATE ADVISORY COMMITTEE OF THE PUNJAB STATE ELECTRICITY REGULATORY COMMISSION HELD ON AUGUST 14, 2007.

The meeting of the State Advisory Committee was held in the office of the Commission at Chandigarh on August 14, 2007. The following were present: -

1.	Sh. Jai Singh Gill, Chairman, PSERC	Ex-officio Chairman
2.	Mrs. Baljit Bains, Member,PSERC	Ex-officio Member
3.	Sh. Satpal Singh Pall Member,PSERC	Ex-officio Member
4.	Sh.N.K.Wadhawan, Labour Commissioner, Punjab	Member
5.	Sh. A.S. Miglani, Addl. Secretary, Power (on behalf of Secretary, Power,GoP)	Member
6.	Shri J.S.Sekhon Member/Distribution,PSEB	Member
7.	Sh. Y.P. Mehra, Ex-Tech.Member PSEB	Member
8.	Sh.V.K.Dutt, Chief Electrical Engineer, Northern Railways, New Delhi	Member
9.	Sh.Amarjit Goyal, Chairman, PHDCCI, Chandigarh	Member
10.	Sh.K.D.Chaudhary, Chief Engineer/P&M,PSEB, Ludhiana	Member
11.	Dr. A.K.Jain, Prof, Deptt. of Soil & Water Engg, PAU, Ludhiana	Member
12.	Prof. R.S.Ghuman, Prof, Deptt. of Economics, Punjabi University, Patiala	Member
13.	Sh. Vinod K Sharma, Chief Project Manager, REC, Panchkula	Member
14.	Sh. Bhagwan Bansal, President, Punjab Cotton Factories & Ginners Association, Muktsar	Member
15.	Sh. Raghbir Singh, President, Jalandhar Potato Growers Association.	Member
16.	Sh. Gurmit Singh Palahi, Secretary, The Indian Rural Development Society, VPO Palahi Distt. Kapurthala	Member
17.	Sh. Karam Singh, Vill. Harnam Singh Wala, Bathinda.	Member
18.	Mrs. Namita Sekhon, Secretary, PSERC,	Secretary

1. The Chairman welcomed the Members to the first meeting of the recently reconstituted State Advisory Committee and thanked everyone present for having spared time to attend the same. The Chairman requested the members for their valuable views specifically on the tariff proposal of the Commission.

2. Sh. Amarjit Goyal, pointed out that after the constitution of the Commission, there is a lot of improvement in the working of the Board, the following issues needed to be looked into by the Commission:

   i) Full recovery of subsidy for free power from the Government in the same financial year and any amount of subsidy unpaid by the Government in the same financial year should be adjusted against the outstanding loan borrowed by the Board from State Government i.e. the loan amount should be reduced by an equivalent outstanding amount.

   ii) RSD was conceived basically as a multi purpose project i.e. as an irrigation and flood control project and the cost allocation of 79.1% of the total cost to the power sector is without any logic and totally unjustified. He also referred to the directive of the Appellate Tribunal for Electricity to the Commission for deciding the reapportionment of cost of RSD project.

   iii) There is a need to change from connected load to contract demand for levy of various charges i.e. ACD, MMC etc. He was of the view that the Board should not check connected load of large supply consumers as it causes a lot of unnecessary harassment by the checking authorities.

   iv) The Transmission and Distribution losses also need to be separated and all consumers should have metered connections so as to get a true picture of the quantum of theft of power.

   v) Since the Board is not earning any profit, allowing return on equity in ARR is not justifiable. In his opinion, not more than 3% ROR on fixed assets should be allowed.

   vi) The Commission to issue specific orders to the Board to control the employees cost.

3. Shri V.K.Dutt, spoke about the services being rendered by the Railways especially the extension/electrification of Railway Traction which would result in faster movement of goods and thereby ensure economic development of the whole of the State as well as savings in the petroleum products besides being eco-friendly.

   With regard to tariff proposal, Sh. Dutt was of the view that tariff for Railway Traction should be on the basis of cost of supply. He pointed out that the workings of cost of supply and cross subsidy are not clear in the public document. He further stressed that there should not be any increase in Railway Traction Tariff, as it is already highest as compared to other States in the country. To justify his claim for lowering the tariff, he pointed out that (i) losses at 220/132 KV are the minimum (ii) PF of Railway supply is about 0.995 (iii) payments are prompt. He suggested a tariff of Rs.2.12/unit for Railway Traction.

4. Shri Gurmit Singh Palahi brought out that there is a vast disparity in the quality of power supply being made available to the rural areas and the urban areas. Discrimination in the extent of power cuts imposed on these areas was also noticeable. Sh. Palahi also expressed concern about the poor voltage conditions and inadequate basic facilities at cash collecting centres of the Board. Therefore, he was of the view that the tariff for rural supply should be lesser than the urban supply.

   Sh. Palahi pointed out that the changeover of monoblock AP pump sets to submersible pump sets due to depletion of water level by large number of tubewell consumers is increasing the load on the feeding transformers thus, the Board needs to be directed to augment capacities of feeding transformers. Presently, this aspect is not being looked into which results into more transformer failures. He further appreciated the efforts of the Commission to have come out with the Supply Code wherein time lines have been fixed for different services being provided by the Board.

5. Sh. Vinod K Sharma spoke about the activities being undertaken by REC in this region and informed about the various schemes for financing of SEB projects in respect of improvement of voltage, reduction in T&D losses etc.

6. Sh. Bhagwan Bansal, desired that since the cotton ginning factories are listed in the Green category by the Punjab Pollution Control Board, it should be allowed to use 25% of the sanctioned load during peak load hours.

Sh. Bansal also suggested that the Board should be directed to display the list of material available in the Stores on daily basis for the information of prospective consumers who have to arrange the same for their deposit works for release of connections.

7. Shri Raghbir Singh pointed out that Board's power supply is aligned more towards wheat/paddy sowing/harvesting cycle and not tuned to other crops like potato growing etc., which suffer on this account. He impressed that even at the cost of annoying the farming community it would be preferable to have metered supply on payment basis to get power supply as per their need. He further desired that tariff for cold storage should not be increased.

8. Shri K.D.Chaudhary informed that the Board would put up its views in a separate meeting with the Commission.

9. Sh. Y.P. Mehra, stated the following:

   i) The ARR should be filed by the licensee with the Commission by 30th November every year and the revised Tariff should be made applicable from 1st April of the next year. By consenting for late filing of the ARR and Tariff Petition, the Commission has unwittingly become a party to the Government.

   ii) Tariff should be made applicable from 1.4.07 and not 1.9.07 as proposed in the public document.

   iii) The Appellate Tribunal through its Order dated 26.5.06 has empowered the Commission for passing appropriate orders in respect of rescheduling of Government loans, diversion of funds, RE subsidy and relocation of RSD cost which should be implemented in letter and spirit so that the consumers may not suffer any further on this account.

   iv) Govt. of Punjab should carry out financial restructuring of the Board so that the Board may come out of the heavy losses incurred due to faulty policies of the Government.

   v) The rebate and surcharge on account of higher/lower power factor should be equal and that there is no justification on the part of the Board to levy high voltage surcharge on old consumers. He further desired that high voltage rebate should be increased to 10% instead of 3% in case of 66 KV consumers.

   vi) MMC should be levied on contract demand basis in respect of industrial consumers, which would help in reducing the number of disputes of the Board.

   vii) Power purchases from Liquid fuel generating plants should be avoided by the Board.

   viii) Full cost of release of connection should be recovered from AP consumers like any other category and the Board should not subsidize the capital expenditure alternatively capital subsidy should be given by GoP. Also, AP consumption should be assessed on the basis of agro climatic zone/blocks.

   ix) Maintenance schedule of the Bathinda plant should be reduced.

   x) Total investment plan submitted by the Board should be allowed, if justified. It should not be curtailed simply on the plea of actual expenditure for the previous year. Also, there is a need for utilization of depreciation fund, consumer contribution and return on equity for the investment plan.

   xi) The State Advisory Committee meetings should be held more frequently and all-important Regulations/ issues like single point connection and bulk supply tariff being framed by the Commission may be discussed in the Advisory Committee meetings.

10. Sh. N.K.Wadhawan, stressed the need for reducing the expenditure and not to go for increase in tariff. He desired that T&D losses should be reduced by adopting new technology and also by conducting studies of other States having lesser T&D losses.

Sh. Wadhawan also pleaded for restructuring of PSEB and relocation of employees in the Board to utilize them fully as it will ultimately reduce the employees cost.

11. Prof. R.S. Ghuman, stressed for the need of cost benefit analysis by the Board. He opined that the growth in the sale of electricity should match with the growth of state economy. He stated that it is well-established economic principle that 1% growth in state economy requires 1.5% increase in demand for power. A study in this regard, is required to be made by the Board.

    Prof. Ghuman observed that no study to detect/examine the theft is being conducted by the Board. He was of the view that entire theft of electricity is being booked to AP sector or other subsidized category in the Board. He also desired the Board to find out the reasons for having more T&D losses than the other States.

    Prof. Ghuman further observed that the AP tariff cannot be at par with the industrial tariff and it will have to be subsidized due to social obligations as prevalent all over the world. There is no fault of the Board on this account.

12. Dr. A.K.Jain observed that due to declining water table, the number of deep tubewells is increasing. This results in more consumption of electricity. He stressed the need for improving the power factor of AP feeders to reduce losses.

13. Sh. A.S. Miglani, Addl. Secretary, Power informed that the comments of the State Govt. on the proposal of the Commission would be conveyed within next 3-4 days. It was clarified by him that the entire amount of subsidy as determined by the Commission is actually paid by the State Govt. within the relevant financial year except subsidy of one month, which was delayed beyond 31.3.2007.

    Sh. A.S. Miglani observed that the Board's performance is not upto the mark in the reduction of T&D losses and that only 1% loss reduction has been achieved over the last 4 years. Sh. Miglani also suggested that the trajectory for T&D loss should be revisited and the Commission may consider allowing the Board to make adequate investment for reduction of T&D loss.

    Shri Miglani pointed out that the wide variance in the revenue gap figures of PSEB i.e. 4594 crores needs reconciliation with those worked out by the Commission i.e. 123.44 crores.

    Addl. Secretary, Power further observed that the employees' cost is beyond the control of the Board, as such Commission should allow full cost on this account and stressed for cross-checking of assessment of AP consumption as it affects the T&D losses directly. He also suggested that the need for purchase of costly power should be reviewed.

14. Sh. J.S.Sekhon informed that the Board shall be making its detailed comments on the proposal in the public hearing scheduled to be held later. He informed that information regarding availability of store items shall be available online in the near future.

    Regarding AP consumption, it was intimated by Sh. Sekhon that a third party engaged by the Board has already been taking readings of sample meters and carrying other allied works relating to AP consumption since Oct, 2006. The readings are also checked by the staff of the Board. He assured the Committee members that the calculations are being done very accurately and no manipulation is allowed at any stage.

    The meeting ended with a vote of thanks to the Chair.

Annexure III

COMPLIANCE WITH DIRECTIVES ISSUED IN CHAPTERS 4&5 AND ANNEXURE-IV OF TARIFF ORDER OF FY 2006-07

An overview of the Directives issued to the Board in the Tariff Order of FY 2006-07 and status of their implementation is summarized below:

Sr. No.	Issues	Directive in Tariff Order of FY 2006-07	PSEB's Reply	PSERC Comments
1.	Energy Audit and T&D Loss Reduction	The Board was directed to furnish the actual audit reports and employee productivity scheme wherein incentives/disincentives were linked to the loss reduction trajectory for officers and staff. Also the Board was directed for making employees accountable for T&D targets and to reduce the T&D losses as in some circles the losses are more than 35%. The Board was to provide a well thought out Zone wise T&D loss reduction trajectory based on segregation of technical and commercial losses in order to reset the loss trajectory, a persistent demand of PSEB	Energy auditing of all feeders is not possible in the present scenario, as it requires sufficient database and continuous monitoring, which is feasible only when a computerized data mechanism is in place. PSEB may introduce the computerized system in a phased manner to get the desired result. The online computerization will help the PSEB in Managing Information Systems and having a data flow mechanism for monitoring the energy audit exercise. In the present scenario it's very difficult to hold the employees to be accountable for T&D loss reduction. Once the online computerization system is in place, sufficient database will be available for continuously monitoring the energy audit activity. It will help the PSEB in taking corrective measures for controlling the T&D losses. Further it will make the employees accountable and put a break on the malpractices. T&D loss level is one of the most important performance key indicators for any power utility. Accurate estimation of T&D losses is crucial not only for working out energy required but also essential for its control and reduction. A comprehensive action plan for introducing energy	Introduction of energy auditing was first reported in the directives of Tariff Order of 2002-03, and since then not much headway has been made especially in the issue of Energy Audit and employee productivity scheme where in disincentive/incentives is linked to the performance of the Employees. As the Board is now linking the issue of Energy audit with online monitoring system with a strong database as backend, the Board is now directed to take up the system on pilot basis to highlight the efficacy of the proposed system. It is pertinent to note that the Board has not segregated technical losses from commercial losses. The same is directed again. **Also refer Chapter 4, Para 4.2 of this Tariff Order.** **Directive partly complied**

			accounting/audit and working out T&D losses at any point of time at various levels has been envisaged for implementing through out the state. Electronic meters capable of online monitoring including energy accounting will be installed on 11KV feeders upto Distribution T/Fs (DT's). The limited tender enquiry has been floated for the pilot project covering 261 nos. 11KV feeders and 426 nos. DT's of one of the Sub Division falling under Mohali Circle. The date of receipt and opening of tenders scheduled for 1.08.07 has been postponed due to the queries raised by the Bidders during pre-bid meeting held on 16.7.2007, which are being reviewed. A road map for the same stands submitted to PSERC.	
2.	Agriculture Consumpt -ion.	The Board was directed to implement the suggestions contained in the report submitted by Punjab Agriculture University (PAU) and furnish the compliance report to the Commission. The Board was also to ensure that the sample meters are read regularly & correctly and copy of these reports were required to be forwarded to the Commission on quarterly basis. The Board was also to correlate the results of energy audit of 11 KV feeders exclusively feeding AP consumers with the results of sample meters. The Board was to get the accuracy of all sample meters checked and take remedial action to get the same replaced or recalibrated wherever required.	Punjab Agriculture University (PAU) is almost agreeable with the methodology adopted by PSEB in calculating the monthly Agriculture consumption factor. The suggestion given by PAU is being implemented. PSEB has installed more than 53,485 sample meters upto 6/07 for AP. Reading for sample meters are taken regularly and correctly and the reports pertaining to readings and average/hours/day consumption are being forwarded to the Commission on quarterly basis. Now the Commission vide their letter no. 2554/PSERC/Tariffr/T-43 dated 31.7.2007 has desired to send this information on monthly basis so in future this information shall be supplied on monthly basis. PSEB has engaged M/s KLG Systel Limited Gurgaon for taking the monthly readings of all the sample meters and the work has commenced from October 2006. Sample meter readings are cross-checked regularly by the official of CE/HRD (Director	The Board is yet to submit the compliance report with regard to the suggestion of PAU. However considering that the Board has linked the issue of Energy audit of 11 KV feeders which are exclusive for AP consumption with the online system as described in Point no.1, the Board is directed to take up the Online system on a pilot basis to highlight the efficacy of the proposed system. **Refer Chapter 4 Para 4.1.2 of this Tariff Order.** **Directive partly complied**

			Energy Conservation) for checking the correctness of data regularly and the meters are being calibrated or replaced whenever and wherever required. In respect of co-relation between the result of energy audit of 11KV feeders exclusively for AP consumers with the result of sample meter readings, data is not getting captured due to manual processes. Hence in the present scenario it is not possible to co-relate the result of energy audit of 11KV feeder exclusively for AP consumers with the result of sample meter readings, once the online system is in place.	
3.	Improvement in Quality of Service	The Board was directed to submit the status of schemes for improving the quality of service to its customers. The Board was to submit an action plan for gradual reduction of disparity in quality of power supply amongst consumers of different categories especially rural and urban consumers along with ARR for the year 2006-07, which was not complied with. The Commission directed the Board to draw Reliability Index (RI) roadmap for all cities and towns up to the district headquarters as well as for rural areas. Reliability Index (RI) of supply of power to consumers should also be indicated by the PSEB on its website.	AP load has been segregated for all the 13123 villages in Punjab, including Deras, Dhanies/Basties/Clusters. For reliable uninterrupted and quality power PSEB during the period 11/2002 to 5/2007 has erected 897 KM of 11KV lines & added 4416 nos. Distribution transformers and commissioned 23 nos. new 66 KV Grid Sub-stations at the cost of Rs.66.39 crore, besides augmenting the capacity of 23 Nos 33KV Grid Sub-stations to 66KV Grid Sub-stations at the cost of Rs.30.43 crore besides deloading of 3255 Nos Transformers under APDRP. PSEB has to impose Power Cuts to meet with the gap between Demand and Supply on different categories of consumers on real time basis. While imposing these cuts every efforts is made for equal duration of cut on Rural and Urban consumers. However, due to different mix of consumers (Domestic vs Industrial), different living habits and household designs in the Urban and Rural areas, the actual quantum of power cut in Rural and Urban areas do differ. Supply to main cities is disturbed to the least due to these being of strategic	The Board should take steps to minimize the disparity between the rural and urban consumers with regards to Power cuts. The Board is directed to put up the Reliability Index (RI) on its website. **Directive partly complied**

			importance and to ensure supply of power to State Govt. Offices, Court Complexes, Hospitals, Military installations and Universities etc. Reliability index for feeders at districts Headquarters and feeders in cities having population more than one lakh has been monitored on daily and monthly basis. However for the remaining feeders the reliability index for 11KV feeders has been monitored at circle level. Board is in the process of putting RI on website through IT system.	
4.	Two Part Tariff	The Board was directed to prepare a detailed and well-considered proposal for introduction of Two Part Tariff based on actual billing data, actual load, and revenue implications for Large supply and Railway traction categories. The proposal of the Board should have considered the objections of the consumers, which were raised during the hearing of the tariff order of FY 2006-07.	Detailed proposal has been prepared for introduction of Two Part Tariff for Large Supply and Railway Traction consumer categories for the year 2007-08. The proposal for two-part tariff for FY 07-08 in Large supply and Railway Traction consumers, at both existing and proposed tariffs, has been discussed in detail in the information provided by the Board for suo motu determination of tariff for FY 2007-08.	**Refer Chapter 5 Para 5.2.1 of this Tariff Order.** **Directive not Complied**.
5.	Schedule of General Charges	The Board was to submit a detailed justification of charges being recovered from the consumers as per Schedule of General Charges/Sales Regulations for supply of Energy to consumers.	PSEB has already submitted its view to PSERC vide letter no. 3506 dated 17.10.06.	**Directive Complied**
6.	KVAH Tariff	The Commission in its Tariff Order for 2005-06 had directed the Board to carry out a study on the practicability of introducing KVAH tariff for Large Supply, Medium Supply and Railway Traction consumers.	A study has been carried out for practicability of introducing KVAH tariff. The Board is considering implementing KVAH based tariff on the SP category for load between 11KW to 20KW, NRS for load above 50KW and DS for load above 100KW. The KVAH compatible meters are being installed and the KVAH based tariffs shall be levied subsequent to the completion of the metering exercise, with the approval of the Commission. In a kwh based Tariff structure, the consumer whose power factor is below 0.9 is penalized	**Refer Chapter 5 Para 5.2.3 of this Tariff Order.** **Directive not Complied**

			by way of surcharge, while those whose power factor is above 0.9 are incentivised. The KVAH system automatically takes care of surcharge and incentive since the tariff shall be designed by taking 0.90 as the factor to be maintained by all consumers. Many states have also come out with KVAH based tariff for Domestic, Commercial and Industrial category. Regarding the implementation of KVAH based tariff for LS & RT category, the Board would like to submit to the Commission that it has proposed the introduction of two part tariff for these categories for FY 2007-08, which has been discussed in details in the information submitted to the Commission and would like to introduce KVAH based tariff only subsequent to the successful implementation of the Two part tariff in order to avoid any confusion among its consumers.	
7.	Bulk Supply Tariff	The Board was to carry out an assessment of consumption of electricity for domestic, industrial, commercial and street lighting purposes separately which may cover all the bulk supply consumers or may take a representative sample to achieve satisfactory overall results. A report in this regard was to be submitted by end of September 2006.	A sample study has been done by separation of consumption of electricity for Domestic, Industrial, Commercial and Street lighting. The methodology and the worksheet have been provided in the information furnished to the Commission for the purpose of suo motu tariff determination for FY 2007-08.	**Refer Chapter 5 Para 5.2.2 of this Tariff Order.** **Directive not Complied**.
8.	Metering Plan	The Board was to prepare revised metering plan and take requisite action to provide correct meters on all consumers to meet the requirement of Section 55 of Electricity Act, 2003. The Commission had granted extension up to March 2007.	PSEB is in compliance with provision of Section 55 of EA 2003 in which the supply is being given through meters to all the consumers except for supply relating to 10 lakh Agricultural Consumers approximately. Installation of meters on all AP consumers and metering of approximately 10 lakh AP consumers is an onerous task	The Commission had allowed the Board an extension till 31st March 2007 to complete the activity but the Board has not been able to carry out the task completely. The Board is directed to comply with the requirements of Section

			and it cannot be achieved in the time frame given by the regulator and Appellate Authority. The ministry of power is contemplating to review the Electricity Act and in view of present situation across the Country, it is expected that some changes may be made with regard to metering of AP consumers. PSEB has completed the work of 24 hours supply to all villages in Punjab and feeders of all AP consumers have been segregated. All AP feeders are equipped with metering at the sending end and meters are electronic with all the data recording facilities. Hence PSEB is having a unique system wherein separate feeders have been provided to AP consumers and these feeders are already metered. The energy supplied to AP consumers can be easily measured by deducting T&D losses from the input energy Grid Sub Station. T&D losses of AP feeders can be calculated technically i.e. by taking the size of conductor/length of feeder and diversity factor etc. thus the purpose behind installation of meters on each & every tube well consumer is achieved in an economic manner by measuring energy consumption on the feeders. Moreover, PSEB has filed SLP in Supreme Court of India on 5.8.06 against this issue, the decision on this issue is still awaited. The summary of the metering action plan for FY 2005-06 & 2007-08 has been provided to the Commission.	55 of the Act. . **Directive not complied.**
9.	Employee Cost	The Board was to carry out the professional work-studies to assess the manpower requirement. Energy audit was to be implemented to effect accountability and assess productivity. Board was directed to submit a proposal, which would	PSEB is making all the efforts to reduce its manpower. There is a freeze on fresh recruitment made against retirement/death cases. The project works i.e. GHTP Stage-II and Mukerian Hydel project are also intended to be got executed through the existing manpower only. The Board employees are being	**Refer Chapter 4 Para 4.9 of this Tariff Order.** **Directive Partly Complied**.

		include energy audit to affect accountability and assess productivity, take into account the recommendation of the Pubic Expenditure Reforms commission, Punjab Public sector disinvestment commission, and the experts group on Power sector reforms along with the next ARR of FY 2007-08. During Tariff Order 2004-05, the Commission had suggested a group of six performance indicators, which could be used by the Board for devising a formula for determining staff costs each year incorporating improving levels of efficiency.	encouraged to avail self-employment scheme and are sent on deputation against requisition to other departments. There is a complete ban on creation of new posts/charges. As a result of all these efforts, deployment of manpower has come down from 82494 number ending 31.3.04 to 74060 number ending 31.3.07. There is also a proposal to get staffing norms reviewed from an expert group on power sector reforms. The Board has decided to detail staff study on manpower requirement across different business groups. A work order No.1/DDH-24 dated 10.8.2007 has been placed on M/s Pricewaterhouse Cooper Gurgaon for detailed staffing study on manpower requirement.	
10.	General Provident Fund	The Board was to take adequate steps to open a separate General Provident Fund Account. The new accretions in the General Provident Fund of the employees should be deposited in this account.	Board has opened a new account in State Bank of Patiala Mall Road Branch Patiala and the fresh accretion of Rs 25,23,21,289/- has been credited to this account till Feb 2007	**Directive Complied**
11.	Fixed Assets Register.	The Board was to confirm completion/ maintenance of Fixed Assets Registers/cards involving Rs 80.94 crore belonging to 5 divisions and ensure that these are updated regularly. The Board was to furnish status report along with ARR for the year 2007-08.	All the five divisions of PSEB have maintained and updated assets cards/registers keeping in view the fixed Asset card involving Rs. 80.94 crore. Board has ensured that from now onwards all the "Fixed Asset Registers" are maintained and updated regularly as per instructions issued from time to time. A copy of the same can be produced on request.	**Directive Complied** However the Board is directed to furnish a copy of the same.
12.	Receivables	In the Tariff Order for the year 2006-07, the Commission had observed that over 55% of the outstanding amount is more than one year old and special efforts need to be made for recovery of old arrears. The State Government needs also to be impressed upon to provide adequate contingency in the budgets	The age-wise Defaulting amount (duly audited by the Chief Auditor) compiled on the basis of information received from CE/DS/Zones ending March 2007 is enclosed. The detail of receivables against Punjab Govt., Court and DSC cases separately is also contained in the above statement. However, for early recovery of	**Directive Partly complied**

		of departments in arrears, which will not only cater to the requirement of current electricity bills but ensure liquidation of outstanding as well. The Commission also noted that the largest single item of arrears is amounts involved in court or DSC cases. These two categories need to be shown separately and high priority accorded to an early decision and recovery of amounts pending in the DSCs.	the receivables, monthly references are made to CE/DS Zones concerned who have to recover this amount. The matter has also been followed up at regular intervals with the Punjab Govt. for making payment against pending energy bills.	
13.	Management Information System (MIS)	The Board was to improve its Management Information System to give consistent data with greater details and explain basis for all the projections indicating sources of data and the method of estimating projected values & also submit report on implementation of computerization plan. The Commission had observed that there is no report on implementation of computerization plan of the Board or utilization of APDRP funds.	PSEB had initiated a tender enquiry No.15.DIT-550/Vol.III dated 24.3.2006 regarding “online computerization in Distribution, Transmission and Hydel Generation functions of PSEB” and the same was based on integrated comprehensive approach. This tender enquiry was scraped by the Board in its 9/06 meeting held on 26.12.2006 at Chandigarh. It was felt that tender in its present form could not be implemented. Further, Board also decided that IT implementation in PSEB should be done in a phased manner and in the form of smaller projects Following IT activities have been initiated and are being pursued in various quarters of PSEB: - i) Human Resources Information System (HRIS) Project Under the Human Resources Information System (HRIS) Project, M/s Ernst & Young Limited, New Delhi were awarded contract for study and preparation of a computerized employees database of PSEB employees. Under the project service book data of the various employees was sought to be captured from across the state which was later to be digitized for eventual use in the application software being developed namely the personnel information system	The Commission appreciates the various measures undertaken by the Board to address the issue. The Board is directed to submit a status report on the same while filling the ARR and Tariff petition for the year 2008-09. However the Board has also not provided any report on the Utilization of APDRP funds. The Board is further directed to indicate the time frame for implementation of the complete MIS system. **Directive partly complied**

			and payroll, GPF, Loan, Leave and Pension accounting systems. The project is nearing completion employees database. ii) GIS Mapping A pilot project for GIS Mapping of two feeders including providing a unique GIS based consumer indexing and asset coding for HT/LT consumers is nearing completion. iii) Setting up of Bijli Suvidha Kendras. (BSK) There is a proposal to set up BSKs at suitable locations in the State with a pilot project to set up BSK in one major city at the first instance. Tenders for the same are under process and tenders for the related civil works have been floated. iv) Spot Billing of Residential & Non Residential (DS) (CS) Consumers. 12 nos Spot Billing machines have been procured for the purpose and a data link up with RCC is being worked out. v) Inventory Management Work order has been placed on M/s DOEACC, Chandigarh for an IT project for maintaining the optimum inventory level at different Stores of PSEB and for ascertaining the latest position of the material available in the stores. vi) PSEB has already submitted database of all the consumer categories such as their demand, energy consumption so as to facilitate accurate forecasting in future.	
14.	Energy Conservation	The Board was to take adequate steps so that benefits of energy conservation are known to all categories of consumers and encourage them to adopt various energy conservation measures and avoid wasteful use of energy. The Board was also to take effective steps for	As per the latest study report carried out by NREB, the requirement of HT shunt capacitor for the year FY 06-07 is nil. Board has installed 5215.910 MVAR capacity of HT shunt capacitor up to FY 05-06. Capacity added up to January 2007 (during FY 06-07) is 108.712 MVAR and target for remaining period of FY 06-07 is 93.825 MVAR. Hence total	The Commission reiterates its Directive for a report detailing atleast Circle-wise capacitor installation plans based on technical studies of load flow and PF analysis duly supported with financial estimates for installation of capacitors.

		installation of shunt capacitors by all industrial, Railway Traction and tube well consumers to improve power factor of the system and thereby reduce T&D losses. The Board was to submit time bound action plan in respect of tube well consumers & to install line capacitors and capacitor banks in the grid sub-stations for improving voltage profile. The status report detailing at least circle-wise capacitor installation plans based on technical study of load flow and PF analysis duly supported with financial estimate along with action plan s was to be furnished with the ARR for the year 2007-08.	capacity of 5418.448 MVAR is available at the end of FY 06-07. Installed capacity of 11 KV Manual Operated Switched Capacitor is 883.2 MVAR up to FY 05-06. During FY 06-07, 551.4 MVAR shall be commissioned, which shall improve voltage and power factor of the system. It is also proposed to install 652 Nos 450 KVAR and 227 Nos 600 KVAR (429.6 MVAR), Line Capacitors in the system for the year 2007-08. For promotion of efficient use of energy and its conservation in the State of Punjab comprehensive and time bound plan for mandatory use of CFL's in Commercial residential and agricultural sector at the cost of Rs.350 crore has been approved by the PSEB Management. This project is likely to reduce about 650 MW System Peak requirement and save energy equivalent to about 1550 MU's per annum. A project note was also prepared for replacing inefficient agricultural Pumps by more Energy Efficient pumps in Punjab Rural areas, aiming to implement DSM program in PSEB. This project will have energy equivalent to 3000 MU's (equivalent saving of 990 crore) This project is to be completed in phased manner after arranging funds from other Agencies, negotiations are going on with World Bank about this project. PSEB has taken various measures to encourage all categories of consumers to adopt various conservation measures and avoid wasteful use of energy. Board has set a target of organizing 20 (number) functions in different schools in different circles under the supervision of Director/Energy Conservation Patiala every year. Besides	The Commission also directs the Board to submit a status report on the various measures taken by it to incentivise energy conservation by it and its consumers. **Directive partly complied**

			energy conservation slogans in Punjabi & English, advertisement publication and announcement on Radio, TV has been designed for the year 2007	
15.	Scheme for Advance Payment of Energy Bills.	The Board has already introduced the scheme for advance payment of energy bills among certain categories of consumers such as DS, NRS, SP and AP. The Board was directed to consider extending the scheme to MS and LS categories of consumers presently not covered. Response of public needs to be assessed. The same along with status of the scheme was to be intimated by the Board to the Commission along with ARR for the year 2007-08.	The Board has introduced the advance deposit scheme for the consumers but out of approx. 42 lakhs consumer's only 2922 have availed the facility of Advance Deposit Scheme from 16.5.2003 to 16.2.2005. The amount deposited during the period was Rs 207 Lac despite having 42 lakhs consumers. PSEB analysed the result and approached M/s DOEACC to withdraw Advance Deposit Scheme for General and SP consumers and to continue the scheme for AP consumers only. As free electricity was announced for AP consumers, hence scheme for General, SP & AP consumers was withdrawn w.e.f 31.1.2006. As the scheme has been withdrawn for General, SP & AP category, it was not worthwhile to extend the scheme to MS/LS category consumers. MS/LS category consumers deposit their bills on the last day of the billing date so as to save the interest. They would not have adopted the advance deposits scheme as big industries are established mostly by raising loans or having a limit in the Bank. In the above circumstances Advance Deposit Scheme would not have been viable and result in failure.	**In view of the reply of PSEB, the Commission is inclined to allow deferring the implementation of this scheme.**

It is noted that compliance on the whole has been indifferent. The Commission intends to subsequently hold intensive interaction with the Board with a view to see how these Directives can be implemented.

Annexure IV

Function-wise Break-up of the Costs
(Based on Audited Annual Accounts-2005-06)

(Rs. in crores)

Sr. No.	Particulars	Hydel	Thermal	Total Generation	Transmission	Distribution	Total	Common Assets / Expenses
A - ASSETS								
	Assets							
	Direct	5,669.15	3,117.11	8,786.26	1,731.10	4,124.72	14,642.08	
	Apportioned	52.94	29.11	82.05	16.17	38.52	136.74	**136.74**
	Total (Amount)	**5,722.09**	**3,146.22**	**8,868.31**	**1,747.27**	**4,163.24**	**14,778.82**	
	Total (%)	**38.72%**	**21.29%**	**60.01%**	**11.82%**	**28.17%**	**100.00%**	
B - EXPENSES								
1	**Power Purchase Cost - Amount**	0.00	0.00	0.00	0.00	2404.92	2,404.92	
	Power Purchase Cost - %	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**100.00%**	**100.00%**	
2	Fuel Consumption	0.00	2276.78	2,276.78	0.00	0.00	2,276.78	
	Other Fuel Related Cost	0.00	19.65	19.65	0.00	0.00	19.65	
	Operating Expenses	0.23	15.51	15.74	0.00	0.00	15.74	
	Sub Total	**0.23**	**2311.94**	**2312.17**	**0.00**	**0.00**	**2312.17**	
	Add: Fuel Related Losses	0.00	91.24	91.24	0.00	0.00	91.24	
	Total (2)	**0.23**	**2403.18**	**2403.41**	**0.00**	**0.00**	**2403.41**	
	Total (%)	**0.01%**	**99.99%**	**100.00%**	**0.00%**	**0.00%**	**100.00%**	
3	**Repair & Maintenance**							
	Direct	51.70	61.66	113.36	27.67	51.05	192.08	
	Apportioned	8.96	10.69	19.65	4.79	8.85	33.29	**33.29**
	Total (Amount)	**60.66**	**72.35**	**133.01**	**32.46**	**59.90**	**225.37**	
	Total (%)	**26.92%**	**32.10%**	**59.02%**	**14.40%**	**26.58%**	**100.00%**	
4	**Employee Cost**							
	Direct	67.13	162.65	229.78	120.19	1012.49	1,362.46	
	Apportioned	18.20	44.09	62.29	32.58	274.46	369.33	**369.33**
	Total (Amount)	**85.33**	**206.74**	**292.07**	**152.77**	**1286.95**	**1,731.79**	
	Total (%)	**4.93%**	**11.94%**	**16.87%**	**8.82%**	**74.31%**	**100.00%**	
5	**Administration & General Expenses**							
	Direct	2.59	4.97	7.56	12.40	36.66	56.62	
	Apportioned	0.92	1.76	2.68	4.40	13.00	20.08	**20.08**
	Total (Amount)	**3.51**	**6.73**	**10.24**	**16.80**	**49.66**	**76.70**	
	Total (%)	**4.58%**	**8.77%**	**13.35%**	**21.90%**	**64.75%**	**100.00%**	
6	**Depreciation & Related Debits (net)**							
	Direct	139.02	142.88	281.90	86.79	212.69	581.38	
	Apportioned	0.84	0.86	1.70	0.52	1.28	3.50	**3.50**
	Total (Amount)	**139.86**	**143.74**	**283.60**	**87.31**	**213.97**	**584.88**	
	Total (%)	**23.91%**	**24.58%**	**48.49%**	**14.93%**	**36.58%**	**100.00%**	
7	**Interest & Finance Charges**							
	Direct	541.46	133.90	675.36	131.70	241.68	1,048.74	
	Apportioned	1.92	0.48	2.40	0.47	0.86	3.73	**3.73**
	Total (Amount)	**543.38**	**134.38**	**677.76**	**132.17**	**242.54**	**1,052.47**	
	Total (%)	**51.63%**	**12.77%**	**64.40%**	**12.56%**	**23.04%**	**100.00%**	
8	**Total Amount (1 to 7)**							
	Direct	802.13	2909.24	3,711.37	378.75	3959.49	**8,049.61**	
	Apportioned	30.84	57.88	88.72	42.76	298.45	**429.93**	
	Total (Amount)	**832.97**	**2967.12**	**3,800.09**	**421.51**	**4257.94**	**8,479.54**	
	Total (%)	**9.96%**	**36.14%**	**46.10%**	**4.71%**	**49.19%**	**100.00%**	
9	**Less; Expenses Capitalised**							
	Direct	56.12	22.16	78.28	52.90	82.61	213.79	
	Apportioned	3.30	1.30	4.60	3.11	4.85	12.56	**12.56**
	Total (Amount)	**59.42**	**23.46**	**82.88**	**56.01**	**87.46**	**226.35**	
	Total (%)	**26.25%**	**10.36%**	**36.61%**	**24.75%**	**38.64%**	**100.00%**	
10	**Net Expenses (8 - 9)**							
	Direct	746.01	2887.08	3,633.09	325.85	3876.88	7,835.82	
	Apportioned	27.54	56.58	84.12	39.65	293.60	417.37	**417.37**
	Total (Amount)	**773.55**	**2943.66**	**3,717.21**	**365.50**	**4170.48**	**8,253.19**	
	Total (%)	**9.37%**	**35.67%**	**45.04%**	**4.43%**	**50.53%**	**100.00%**	

Note: Common Assets/Expenses have been apportioned in the ratio of Direct Assets/Expenses of the respective heads.

Annexure V

Proforma of Plant-wise Cost of Generation for 2005-06 as provided by the Board in its letter no. 2447 dated 11.9.07

(Units in MKWH)
(Rs. in Lacs)

Sr. No.	Particulars	HYDEL									THERMAL				
		RSD	Mukerian Hydel	UBDC	UHL	Anandpur Sahib	Micro Hydel	L. Bank/ R Bank	Beas & Extn	Total	GGSSTP	GNDTP	GHTP	Total	Total
1	2	3	4	5	6	7	8	9	10	11=(3 to 10)	12	13	14	15=(12 to 14)	16=(11+15)
1	MKWH generated during the year	2013.20	1238.25	530.64	508.95	707.81	5.96	2717.65	1783.23	**9505.69**	9329.31	2359.17	3145.92	**14834.40**	**24340.09**
2	MKWH use in auxiliaries	24.21	29.90	7.86	7.69	4.11	0.02	0.00	0.00	**73.79**	794.24	288.33	282.34	**1364.91**	**1438.70**
3	**MKWH sent out**	**1988.99**	**1208.35**	**522.78**	**501.26**	**703.70**	**5.94**	**2717.65**	**1783.23**	**9431.90**	**8535.07**	**2070.84**	**2863.58**	**13469.49**	**22901.39**
4	Total depreciated capital cost of generating assets in use at the beginning of the year including share of G.E.	405143.39	21808.10	5901.72	1276.64	12247.68	803.69	1312.29	12073.00	**460566.51**	44079.65	521.82	81352.41	**125953.88**	**586520.39**
5	Total capital expenditure on generation assets brought in use during the year with date of commissioning including share of G.E.	2065.98	54.75	91.58	0.00	0.00	10.03	0.00	118.54	**2340.88**	2679.88	147.13	2537.35	**5364.36**	**7705.24**
6	**COST OF GENERATION**														
i)	Fuel									**0.00**	145467.83	43983.31	49315.18	**238766.32**	**238766.32**
ii)	Oil water & stores							0.66	22.25	**22.91**	1155.31	282.30	113.82	**1551.43**	**1574.34**
iii)	Salaries & wages including contribution made for pension Provident Superannuation of Officer/servants and Fringe Benefit Tax	896.62	1631.14	1310.49	638.93	1155.66	34.53	1317.64	677.68	**7662.69**	9490.81	7298.78	2883.97	**19673.56**	**27336.25**
iv)	Operating, Mtc. Repairs & Renewals	85.69	162.67	85.08	128.16	182.78	0.41	1327.77	3201.51	**5174.07**	3953.85	805.10	1450.94	**6209.89**	**11383.96**
v)	Rents Rates Taxes & Insurance	60.64	52.19	44.34	29.32	16.96	1.37	67.07	26.58	**298.47**	323.58	110.79	201.15	**635.52**	**933.99**
vi)	Proportionate of Genral Admn. Charges attributable to generation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	**0.00**	**0.00**
vii)	Any other expenses (to be specified Depriciation) including share of G.E.	11574.64	899.63	467.04	103.79	359.84	18.60	55.02	464.87	**13943.43**	5450.40	447.14	8270.59	**14168.13**	**28111.56**
viii)	Intt. On Dep.cost of Gen. in each categaory indicate the average	45358.31	2441.55	660.73	142.93	1371.20	89.98	146.92	1351.67	**51563.29**	4934.99	58.42	9107.91	**14101.32**	**65664.61**
	Total cost of Generation	**57975.90**	**5187.18**	**2567.68**	**1043.13**	**3086.44**	**144.89**	**2915.08**	**5744.56**	**78664.86**	**170776.77**	**52985.84**	**71343.56**	**295106.17**	**373771.03**
	Cost of Generation per KWH in paisa	**291.48**	**42.93**	**49.12**	**20.81**	**43.86**	**243.92**	**10.73**	**32.21**	**83.40**	**200.09**	**255.87**	**249.14**	**219.09**	**163.21**

Annexure VI

Proportion of Plant-wise Cost of Generation for 2005-06 (as per Annexure V)

Sr. No.	Particulars	HYDEL									THERMAL			
		RSD	Mukerian Hydel	UBDC	Shanan	Anandpur Sahib	Micro Hydel	L. Bank R. Bank	Beas & Extn.	Total Hydro	GGSSTP Ropar	GNDTP Bathinda	GHTP Lehra Mohabbat	Total Thermal
1	2	3	4	5	6	7	8	9	10	11=(3 to 10)	12	13	14	15=(12+13+14)
1	MKWH generated during the ye	21.18%	13.03%	5.58%	5.35%	7.45%	0.06%	28.59%	18.76%	100.00%	62.89%	15.90%	21.21%	**100.00%**
2	MKWH use in auxiliaries	32.81%	40.52%	10.65%	10.42%	5.57%	0.03%	0.00%	0.00%	100.00%	58.19%	21.12%	20.69%	**100.00%**
3	**MKWH sent out**	**21.10%**	**12.81%**	**5.54%**	**5.31%**	**7.46%**	**0.06%**	**28.81%**	**18.91%**	**100.00%**	**63.37%**	**15.37%**	**21.26%**	**100.00%**
4	**Net Fixed Assets**	87.97%	4.74%	1.28%	0.28%	2.66%	0.17%	0.28%	2.62%	**100.00%**	35.00%	0.41%	64.59%	**100.00%**
5	**Capital Expenditure during the year**	88.26%	2.34%	3.91%	0.00%	0.00%	0.43%	0.00%	5.06%	100.00%	49.96%	2.74%	47.30%	**100.00%**
6	**COST OF GENERATION**													
i)	**Fuel Cost**										60.93%	18.42%	20.65%	**100.00%**
ii)	**Oil water & stores**							2.88%	97.12%	100.00%	74.46%	18.20%	7.34%	**100.00%**
iii)	**Employee Cost**	11.70%	21.29%	17.10%	8.34%	15.08%	0.45%	17.20%	8.84%	100.00%	48.24%	37.10%	14.66%	**100.00%**
iv)	**R & M Expenses**	1.66%	3.14%	1.64%	2.48%	3.53%	0.01%	25.66%	61.88%	100.00%	63.68%	12.96%	23.36%	**100.00%**
v)	**Rents Rates Taxes & Insurance**	20.31%	17.49%	14.86%	9.82%	5.68%	0.46%	22.47%	8.91%	100.00%	50.92%	17.43%	31.65%	**100.00%**
vi)	**Other Expenses including Depriciation**	83.03%	6.45%	3.35%	0.74%	2.58%	0.13%	0.39%	3.33%	100.00%	38.47%	3.16%	58.37%	**100.00%**
vii)	**Interest on Dep. Cost of Generation**	87.97%	4.74%	1.28%	0.28%	2.66%	0.17%	0.28%	2.62%	100.00%	35.00%	0.41%	64.59%	**100.00%**
	Total cost of Generation	**73.71%**	**6.59%**	**3.26%**	**1.33%**	**3.92%**	**0.18%**	**3.71%**	**7.30%**	**100.00%**	**57.87%**	**17.95%**	**24.18%**	**100.00%**

Annexure VII

Plant – wise Break-up of Expenses for the FY 2007-08
(On the basis Annexure VI)

(Rs. in crores)

Sr. No.	Item of expense	Hydel*	RSD	Mukerian	UBDC	Shanan	Anandpur Sahib	Micro Hydel	L. Bank & R. Bank	Beas & Extn.	Thermal*	GGSSTP, Ropar	GNDTP, Bhatinda	GHTP Lehra Mohabbat	Basis of Apportionment (from Annexure III)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Cost of fuel	-									**2,404.28**	1,464.93	442.87	496.48	Fuel Cost
2	Employee cost	**82.12**	9.62	17.48	14.04	6.85	12.38	0.37	14.12	7.26	**198.90**	148.10	36.20	14.60	Employee Cost
3	R&M expenses	**73.05**	1.22	2.29	1.20	1.81	2.58	0.01	18.74	45.20	**87.11**	55.47	11.29	20.35	R & M Expenses
4	A&G expenses	**2.86**	0.59	0.51	0.42	0.28	0.16	0.01	0.64	0.25	**5.47**	2.79	0.95	1.73	Rent, Rates, Taxes and Insurance
5	Depreciation	**166.61**	146.56	7.90	2.13	0.47	4.43	0.28	0.47	4.37	**171.28**	59.95	0.70	110.63	Net Fixed Assets
6	Interest charges	**358.18**	314.31	17.19	5.01	1.04	9.56	0.61	1.04	9.42	**88.59**	31.27	0.35	56.97	Interest on Depriciated Cost of Genenration
7	Return on Equity	**159.71**	140.50	7.57	2.04	0.45	4.25	0.27	0.45	4.18	**87.81**	30.73	0.36	56.72	Net Fixed Assets
8	Total Revenue Requirement	**842.53**	612.80	52.94	24.84	10.90	33.36	1.55	35.46	70.68	**3,043.44**	1,793.24	492.72	757.48	
9	Add: Consolidated Gap for 2006-07	**29.49**	21.46	1.85	0.87	0.38	1.17	0.05	1.24	2.47	**106.51**	62.76	17.24	26.51	In proportion to Total Revenue Requirement
10	Gross revenue requirement (8+9)	**872.02**	634.26	54.79	25.71	11.28	34.53	1.60	36.70	73.15	**3,149.95**	1,856.00	509.96	783.99	

***Note: Figures in Column Nos. 3 and 12 are taken from Table 6.1.**