

**BEFORE THE TAMIL NADU ELECTRICITY REGULATORY COMMISSION
CHENNAI**

Order No T.O 1 - 100 dated 02/05/2007

Present : **Thiru S. Kabilan,** **Chairman**
 Thiru B. Jeyaraman, **Member**

In the matter of : **Provision of Tariff subsidy for the year 2007-08
by the Government of Tamil Nadu.**

(1) Section 65 of the Electricity Act 2003 stipulates that, if the State Government requires the grant of subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Govt. shall, notwithstanding any direction which may be given under section 108, pay, in advance and in **such manner** as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Govt.

It has also been provided that no such direction of the State Government shall be operative if the payment is not made in accordance with provisions contained in this section and the tariff fixed by the State Commission shall be applicable from the date of issue of the orders by the Commission in this regard.

(2) Section 108 of the Electricity Act 2003 stipulates that in the discharge of its functions, the State Commission shall be guided by such directions the matter of policy involving public interest as the State Government may give to it in writing and that if any question arises as to whether any such direction relates to matter of policy involving public interest, the decision of the State Government thereon shall be final.

(3) The Government of Tamil Nadu have issued the policy directives under sub-section (1) of section 108 of the Electricity Act 2003 for extension of free supply / concessional tariff to different categories of consumers as detailed below:

- (a) Free supply of electricity to **Agriculture consumers (except Self-Financing Scheme farmers) from 01.04.2004.**
- (b) Free supply of electricity to **Hut consumers from 01.04.2004.**
- (c) (i) Reduction in tariff to **Domestic** consumers as given below from **16.06.2004.**

Electricity consumption units per month	Present rate fixed by the TNERC (Rs. per unit)	Revised rate from (Rs. per unit)
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0 – 25	1.10	0.75
26 – 50	1.30	0.85
51 – 100	2.60	1.50
101 – 300	3.50	2.20
301 and above	4.75	3.05

- (ii) For those domestic consumers consuming upto and including 50 units per month or 100 units bi-monthly, the tariff will be Rs.0.65 per unit for the consumption bracket of 0 – 25 units per month and Rs.0.75 per unit for the consumption bracket 26 - 50 units per month.
- (d) Reduction of tariff rate to **Actual places of public worship having an annual income of more than Rs.1000/-** with effect from **1.1.2006** as below:

Electricity Consumption (in units / Months)	Revised Rate (Rs. Unit)
0 – 60	1.50
Above 60	3.00

(As per the Tariff Order dt.15.3.2003 issued by the Commission, entire consumption by the consumers of Actual places of Public Worship shall be charged at Rs.3/unit.)

- (e) Extension of tariff concession to **powerloom** under LT Tariff III A (2) with effect from **01.02.2006** as below.

Tariff ordered by the Commission		Concessional (reduced) Tariff as per Government directives	
Units /bi-monthly	Tariff rate as per order (Rs./unit)	Units / Bi-monthly	Reduced Tariff Rate (Rs/unit)
0 – 500	1.40	0 – 1000	1.00
501 – 1500	2.25	1001 – 1500	2.25
1501 and above	2.50	1501 and above	2.50

- (f) Extension of **free supply** of electricity to **agricultural consumers under Self-Financing categories with effect from 01.04.2006.**
- (g) (i) **Free supply** upto 100 units bi-monthly to **handloom consumers** from **01.08.2006.**

(ii) **Free supply** upto **500 units** bi-monthly to **powerloom consumers** from **01.08.2006**.

(4) The Government of Tamil Nadu in the policy directives have stated that the directives have been issued in the interest of the people of the State of Tamil Nadu and that they would provide subsidy direct to TNEB as per section 65 of the Electricity Act 2003.

(5) The Commission has therefore to specify the manner of payment of subsidy. The Commission has already issued directives to TNEB to extend free supply / concessional tariff as per the Government's directives and to Government of Tamil Nadu to pay subsidy in advance for 2006-07.

(6) TNEB in letter dated 9.2.2007, have requested the Commission to issue directives to Government of Tamil Nadu to pay a subsidy of Rs.1479.78 cr. for 2007-08 as detailed below:

	Consumer Category	Subsidy Rs. in Cr.
(a)	Domestic consumers	1137.38
(b)	Agricultural consumers (normal category)	206.10
(c)	Agriculture (SFS category)	42.24
(d)	Hut consumers	16.00
(e)	Actual places of public worship	3.84
(f)	Powerloom consumers (reduced tariff)	32.56
(g)	Powerloom weavers (free)	24.86
(h)	Handloom weavers	16.80
		1479.78

(7) In this context, the Commission considered the following:-

(A) Subsidy for Domestic Consumers

- (i) A subsidy of Rs.1009.32 cr. was determined for 2006-07 based on the following information.
- (1) The TNEB initially submitted actual slab wise consumption details for the period from 1.4.05 to 31.12.05 and projected slab wise consumption for the period from 01.01.2006 to 31.03.2006.
 - (2) The subsidy for 2005-06 was arrived at as Rs.952.19 cr. as against the provisional subsidy of Rs.954 cr. already allowed.

- (3) Taking the subsidy for 2005-06 as Rs.952.19, the subsidy for 2006-07 was provisionally arrived at as Rs.1009.32 cr. **with 6% increase** (952.19 x 1.06)
- (ii) The TNEB was directed to reconcile the actual consumption with revenue assessed for 2005-06 and furnish the details before 30.09.2006 for adjustment of difference in subsidy. The TNEB was also asked to furnish the latest actual slab wise consumption of domestic consumers for the period upto 30.9.2006 before 31.12.2006.
- (iii) The TNEB subsequently furnished the actual slab wise consumption for the entire year of 2005-06. The subsidy payable for 2005-06 was arrived at as Rs.955.81 cr. The TNEB had already received Rs.954 cr. for 2005-06 and hence the balance Rs.1.81 cr. was ordered to be adjusted in **T.O. 1-90 dt.8.9.2006.**
- (iv) The TNEB have furnished the actual consumption for the period from 01.04.2006 to 30.09.2006 with projection for 1.10.06 to 31.3.07 and sought for an enhanced subsidy of Rs.1073.00 cr. for 2006-07 as against Rs.1009.32 cr. already ordered.
- (v) The statement of assessment furnished by the Regional CEs were pulled out slab wise and it is found that there is an increase of 8.37% in the consumer base and 11.14% increase in consumption for the period from 01.04.2006 to 30.09.2006 over the consumer base and consumption for the corresponding period for the earlier year (i.e.) for 01.04.2005 to 30.9.2005. The increase in consumption in the slab above 601 units was 44.60%.
- (vi) Now, the TNEB have sought for a subsidy of Rs.1137.38 cr. for 2007-08 with 6% increase over the estimated subsidy of Rs.1073 cr. based on the actual consumption for the period from 1.4.06 to 30.9.06. However, there are errors in the statement furnished by the CE D / Tirunelveli and CE / D / Coimbatore. Besides, in some regions the increase in consumption in the slab above 601 units carrying higher tariff (i.e.) Rs.4.75 / unit are reported on the higher side as given below :
- | | | |
|---------------|---|--------|
| Erode Region | : | 75.84% |
| Trichy | : | 42.85% |
| Chennai South | : | 69.43% |
| Chennai North | : | 30.72% |
- (vii) The Accountant General, during the Audit of the Accounts of the Commission has observed that in the absence of the basic documents with the Board itself, TNERC was not able to ensure correctness of the subsidy claim made by the Board.
- (viii) In as much the billing of domestic consumers has been computerized fully, in Chennai Region, it is proposed to do a reality check of the particulars furnished by any one of the Chennai Region for four months.

(ix) The revision of subsidy for domestic consumers for the year 2006-07 will be considered after the TNEB furnish slab wise consumption details for the entire year of 2006-07 and after random reality check is made by the Commission's Office.

(x) Pending above, the tariff subsidy for 2007-08 is allowed as below:

(a) Subsidy for 2005-06 based on actual consumption : Rs. 955.81 cr.

(b) Subsidy payable for 2006-07 with 6% increase : Rs.1013.16 cr.
(955.81 x 1.06)

(subsidy already approved is Rs.1009.32 cr.)

(c) **Subsidy payable for 2007-08 with 6% increase : Rs.1073.95 cr.**
(1013.16 x 1.06)

(xi) The TNEB shall furnish the actual consumption for 2006-07 before 30.6.2007.

(B) Subsidy for Agriculture consumers under Free category

(i) A subsidy of Rs.206.10 cr. was ordered to be paid for 2006-07 based on the following information furnished by TNEB.

(a) Estimated connected load of Agricultural services in HP : 8138351

(b) Increase projected – 1.3% in the connected load

(c) Subsidy payable (8138351 x 1.013 x 250) = :206.10 cr.

(ii) In the order, the TNEB was asked to furnish the actual connected load as on 01.04.2006 before 30.06.2006 and the connected load as on 01.07.2006 before 31.12.2006.

(iii) The TNEB in letter dt.29.06.06 intimated that the connected load of Agricultural services (under normal category) was 8047073 HP as against the originally estimated connected load of 8138351 HP.

(iv) The subsidy of Rs.203.46 for 2005-06 already ordered was ordered to be revised as Rs.201.18 cr. and the difference ordered to be adjusted in the subsequent payments.

(v) However, the TNEB now request to order the payment of subsidy of Rs.206.10 cr. for 2007-08 also originally ordered without furnishing the estimated connected load as on 01.04.07 based on the latest actuals.

(vi) The Commission orders payment of Rs.206.10 cr. for 2007-08 also for the following reasons.

(a) Actual connected load as on 31.3.2006 : 8047073 HP

(b) Connected load as on 31.3.2007 with 1.3% growth 8151685 HP

(c) Subsidy payable for 2007-08 with 1.3% growth =

$$8151685 \times 1.013 \times 250 = 206.44 \text{ cr.}$$

Hence the tariff subsidy of Rs.206.10 cr. for 2007-08 as requested by TNEB is approved and TNEB shall furnish the connected load as on 31.3.2007 before 30.6.2007.

(C) Hut Consumers

- (i) A subsidy of Rs.16 cr. was ordered for 2006-07 and the TNEB was directed to furnish the circle wise number of hut consumers as on 01.04.2006 before 20.06.2006 and the details of services as on 01.07.2006 before 30.09.2006.
- (ii) The TNEB in the letter dated 9.2.2007 have stated that though new services are effected, **some of the hut consumers are getting converted to domestic services in view of the limitation of one 40 watts bulb for each service and therefore the Board would like to maintain the same quantum of subsidy of Rs.16 cr. for the year 2007-08 also.**
- (iii) However, as per the Annual Statement of Accounts of TNEB, the number of hut consumers as on 31.3.2006 was only 10.21 lakhs. The tariff for unmetered service is Rs.10/ per month / per service. Pending receipt of details of actual no. of hut consumers circle wise and adjustment of excess tariff subsidy received for the previous year, the tariff subsidy for 2007-08 is ordered as Rs.12.25 cr.(10.21 lakhs x 10 x 12)

(D) Actual Places of Public Worship

- (i) A subsidy of Rs.0.91 cr. for the period from 01.01.2006 to 31.3.2006 and a subsidy of Rs.3.64 cr. for 2006-07 were ordered to be paid towards reduction in tariff to the Actual Places of Public Worship having income of more than Rs.1000/-
- (ii) The TNEB was directed to furnish the actual consumption by the consumers 'Actual Places of Public Worship' upto 60 units per month during the period from 01.01.2006 to 31.3.2006 and reconcile the same with the subsidy ordered for 2005-06.
- (iii) The TNEB have not furnished the reconciliation for the subsidy allowed for the period from 01.01.2006 to 31.3.2006. The TNEB have stated that the details received from the Regions are having discrepancies and the reconciliation would be submitted to the Commission after the correctness are confirmed by the field officers.
- (iv) The TNEB have sought for a subsidy of Rs.3.84 cr. for 2007-08 with an increase of 6% on the subsidy allowed for 2006-07.

- (v) As per the Accounts of the TNEB, the percentage of increase in number of consumers and consumption in the previous years are as follows:

	Consumer	Consumption
2004-05	17.86	4.54
2005-06	0.68	6.52

- (vi) The average increase in consumption is 5.53%.
- (vii) In as much as the TNEB have not furnished the consumption for the period from 01.01.2006 to 31.03.2006 an increase of 5% is allowed on the subsidy for 2006-07 and the subsidy for 2007-08 is fixed at Rs.3.82 cr.

(E) Powerloom consumers (Tariff Reduction)

- (i) A subsidy of Rs.30.73 cr. for 2006-07 (payable half yearly at Rs.15.36 cr. / half year) was approved to compensate the shortfall in revenue to TNEB consequent to reduction of tariff to Powerloom consumers.
- (ii) The TNEB was directed to reconcile the actual consumption and subsidy received for the period from 01.02.2006 to 31.03.2006 before 30.06.2006 and to send a report. The TNEB was also directed to reconcile the actual consumption and subsidy for 2006-07 before 30.09.2007.
- (iii) The TNEB in the letter dated 9.2.2007 have stated that there are some discrepancies in the details for the period from 01.02.2006 to 31.03.2006 received from the field and the Field Officers have been instructed to confirm the correctness. The TNEB have also stated that details of actual slab wise consumption / revenue for the year 2006-07 are being received from the CEs of Distribution Regions and would be consolidated and submitted on receipt of full details.
- (iv) In the meantime, the TNEB have requested to provide subsidy of Rs.32.56 cr. for 2007-08 considering 6% growth over the subsidy of Rs.30.73 cr. provided for 2006-07.
- (v) As per the Annual Statement of Accounts for the years 2004-05 and 2005-06, the percentage of increase in the consumption by powerloom consumers are as below:

2004-05	:	7.94%
2005-06	:	8.86%

- (vi) Hence the proposal of the TNEB for provision of subsidy of Rs.32.56 cr. at the rate of Rs.16.28 cr. half yearly (15.36 x 1.06) is accepted.

(F) Subsidy for Extension of Free supply to Agriculture consumers under Self Financing Categories

- (i) A subsidy of Rs.34.78 cr. was ordered to be paid by the Government of Tamil Nadu to TNEB to compensate the shortfall in revenue due to extension of free supply to Agriculture consumers under **SFS category**.
- (ii) The TNEB was ordered to reconcile the actual number of Agricultural consumers under SFS and the connected load with the amount of subsidy received for 2006-07.
- (iii) The TNEB now represent that there was a growth of 12.69% on connected load of Agricultural consumers under SFS as on 31.3.2006 over the connected load as on 31.03.2006 and hence the subsidy of Rs.42.24 cr. for 2007-08 may be allowed with 12.69% increase (37.48 x 1.1269)
- (iv) Considering the fact that the no. of agriculturists opting for SFS are on the increase due to the abnormal delay under normal category, the proposal of TNEB for provision of subsidy of Rs.42.24 cr. is accepted.

(G) Subsidy for extension of free supply upto 100 units bi-monthly to handloom weavers

- (i) The handloom weavers are presently classified with domestic consumers for purpose of tariff.
- (ii) The Government of Tamil Nadu has committed to extend free supply upto 100 units bi-monthly to Handloom Weavers, who have their own work sheds and engaged in weaving and to provide a subsidy of Rs.16.8 cr. for full year.
- (iii) In the order dated 8.9.2006, the Commission has approved a subsidy of Rs.11.20 cr. for the period from 01.08.2006 to 31.03.2007.
- (iv) The TNEB have been directed to collect and intimate the actual number of Handloom Weavers who have own work sheds and also to reconcile the consumption upto 100 units bi-monthly by such consumers with the subsidy already allowed.
- (v) The TNEB have stated that as the scheme has been introduced from 01.08.2006, the reconciliation will be done after completion of the year 2006-07.
- (vi) The TNEB have also requested to provide subsidy of Rs.16.80 cr. for 2007-08 also.
- (vii) Pending receipt of reconciliation, the Commission approves the same quantum of subsidy (Rs.16.80 cr.) for 2007-08 also.

(H) Subsidy for free supply to Powerloom weavers (upto 500 units bi-monthly from 01.08.2006)

- (i) The scheme was introduced from 01.08.2006.
- (ii) The Government had sanctioned a subsidy of Rs.23.46 cr. for full year.
- (iii) In the order dated 8.9.2006, a subsidy of Rs.15.64 cr. was allowed for the period from 01.08.2006 to 31.03.2007.
- (iv) The TNEB was asked to furnish the slab wise consumption of powerloom consumers and reconcile the consumption with subsidy received for 2006-07.
- (v) The TNEB have stated that the reconciliation would be done after completion of the year 2006-07.
- (vi) The TNEB request that the subsidy of Rs.24.86 cr. for 2007-08 with 6% increase on the subsidy provided for 2006-07.
- (vii) As the percentage of increase in number of consumers in 2005-06 is more than 26% over the number of consumers in 2004-05 and also as the increase in consumption is more than 6%, the proposal of TNEB for an increased subsidy of Rs.24.86 cr. with 6% increase is accepted.

(8) The total subsidy payable by the Government of Tamil Nadu to TNEB for continuation of the free supply / reduced tariff for 2007-08 will be as below:

Sl. No.	Category	Subsidy Rs. in Crs.
1	Domestic consumers	1073.95
2	Agriculture (normal)	206.10
3	Hut	12.25
4	Actual place of public worship	3.82
5	Powerloom (reduction in tariff)	32.56
6	Agriculture (SFS)	42.24
7	Handloom	16.80
8	Powerloom	24.86
	Total subsidy for 2007-08	1412.58

The Government of Tamil Nadu have not given commitment letter for the year 2007-08. However, as the Government of Tamil Nadu have not withdrawn the free supply / reduced tariff, it has to be construed that the policy directions continue for the year 2007-08 also.

(9) The subsidy is ordered to be paid by Government of Tamil Nadu in advance as per the schedule attached to this order.

(10) The TNEB is directed to extend free supply / concessional tariff as per the policy directions of the Government of Tamil Nadu. The TNEB shall obtain and furnish the commitment letter / Budget Provision from Government of Tamil Nadu.

(By order of the Commission)

Encl.: Annexure

**R. Balasubramanian
Secretary**

To

The Chairman / Tamil Nadu Electricity Board, Chennai 600 002.
The Principal Secretary to Govt., Energy Department, Chennai 600 009.

Annexure:

Sl. No.	Category	Subsidy period	Subsidy Rs. in Crs.	Payable on or before
1	Domestic	April 2007	89.50	} Immediate
2	Agriculture	01.04.2007 to 30.09.2007	124.17	
3	Hut	01.04.2007 to 30.09.2007	6.13	
4	Actual place of public worship	01.04.2007 to 30.06.2007	0.97	
5	Powerloom	01.04.2007 to 30.09.2007	28.71	
6	Handloom	01.04.2007 to 30.09.2007	8.40	
7	Domestic	May 2007	89.50	
8	Domestic	June 2007	89.50	31.05.2007
9	Domestic	July 2007	89.50	30.06.2007
10	Actual place of public worship	01.07.2007 to 30.09, 2007	0.95	30.06.2007
11	Domestic	August 2007	89.50	31.07.2007
12	Domestic	September 2007	89.50	31.08.2007
13	Domestic	October 2007	89.50	30.09.2007
14	Agriculture	01.10.2007 to 31.03.2008	124.17	30.09.2007
15	Hut	01.10.2007 to 31.03.2008	6.12	30.09.2007
16	Actual place of public worship	01.10.2007 to 31.12.2007	0.95	30.09.2007
17	Powerloom	01.10.2007 to 31.03.2008	28.71	30.09.2007
18	Handloom	1.10.2007 to 31.03.2008	8.40	30.09.2007
19	Domestic	November 2007	89.50	31.10.2007
20	Domestic	December 2007	89.50	30.11.2007
21	Domestic	January 2008	89.50	31.12.2007
22	Actual Places of public worship	01.01.2008 to 31.03.2008	0.95	31.12.2007
23	Domestic	February 2008	89.50	31.01.2008
24	Domestic	March 2008	89.45	28.02.2008
			1412.58	

