

Before the Meghalaya State Electricity Regulatory Commission Shillong

Case Number 9A/2017of 2018

In the matter of:

Petition for Separate Tariff Categorisation for Ferro Alloy Industries
for FY 2018-19

AND

In the matter of
Byrnihat Industries Association

Coram

Shri WMS Pariat, IAS (Retd), Chairman

Date of Order: 10.9.2018

ORDER

1. The Byrnihat Industries Association, (hereinafter referred to as the BIA) while making its oral and written submissions on the MYT petition filed for the distribution business by MePDCL for FY 2018-19 to 2020-21 and Determination of Tariff for the year 2018-19, had made submissions pleading for a separate Tariff categorization for Ferro Alloy Industries, and for grant of a competitive tariff.

2. The grounds put forward by the petitioner, briefly, are that the Ferro Alloy Industry is a power intensive industry, where approximately 70% of the cost of production is on account of the cost of power. It was also indicated that the industry Load Factor is 85%, which is the highest and most uniform in comparison to other types of industries. It was also pointed out by the petitioner that the closure of ferro- alloy units which had been experienced in the State in the last few years has led to revenue loss to the Government. It was stressed that because of the very nature of the industry, many states in the country have extended concessional tariff and other kinds of benefits to the industry. It was further mentioned in

the petition that "The Ferro alloy industries is barely able to survive due to unsustainable electricity tariff and open access charges" . It was also mentioned that "The Ferro alloy industry witnessed huge losses due to unreliable power supply and unsustainable high tariffs. This has led to the closure of many units causing wide spread unemployment in the state. The remaining Ferro alloys are on the verge of closure due to hardship on account of unjustified increase of power tariff...." In short, it was submitted that the cost of power has increased tremendously over the last few years, which has made the functioning of power intensive Industries more and more unviable. The BIA had accordingly submitted that there was a need for a separate Tariff category for the Ferro Alloy industries in the State, and for a fair and realistic Tariff structure .

3 .It is relevant to mention that the Commission, especially in the last few years, has been seized of the matter relating to the reduced off- take of power by the power intensive industries in the State, which had been attributed as being mainly due to the increased cost of power. This had, as mentioned by the BIA, resulted in the closing down of some of the ferro alloy industries in the State, while some others had either reduced their power purchase level to the bare minimum, or had opted for Captive Generation/ Open Access power under the relevant provisions of the Electricity Act 2003. The Commission has also been receiving representations on various occasions from the concerned industries, requesting the Commission for a solution to this matter. This issue had weighed on the mind of the Commission, especially since the reduced off-take of power by the Industries was negatively impacting upon the tariff of general consumers of the State because of the reduction in the Cross subsidy component which would have otherwise resulted in a lower tariff to the general public.

4. On receipt of the above representations and submissions from the BIA, the Commission, had initially examined the facts and figures submitted by the Distribution Licensee in its Tariff Petitions over the last few years, and also facts and figures put forward by the BIA. After such examination, the Commission came to the view that, prima facie, there was adequate ground to substantiate the submissions made by the BIA. Since a final view on the matter could not be arrived at in the short time available for determining the

Distribution Tariff Order for FY 2018-19 , the Commission had thought it fit and proper to pass the following direction in the Distribution Tariff Order 2018-19 :-

“FerroAlloys: BIA had represented that a separate tariff for FerroAlloy Industries may be considered. In view of the power intensive nature of the industry, a high load factor of 85%. The petitioner also indicated that in some states, this has already been done. Licensee shall examine the case and report may be submitted to the Commission on the need, justification and feasibility thereof, giving appropriate details. This may be submitted to the Commission by the 30th June 2018”

5 .The matter was accordingly examined by the Licensee which had submitted its views vide letter No MePDCL /SE (RA) 71(C) Pt IV/2018-19/41 dated 25th June 2018. This report had , inter alia, indicated that the EHT+HT: LT sales ratio trend has reduced from 1.32 in 2013-14 to 1.17 in 2014-15 and then to 1.11 in 2015-16 and to 0.93 in 2016-17, and that this had resulted in lower revenue than expected . The report also indicated that if the number of industries can be increased, revenue for the Discom will increase owing to the higher consumption by industries, which will have a positive impact on the financial health and performance of power distribution utilities. It was opined therein that fixing a separate tariff category to the energy intensive Ferro alloy industries in the state can help achieve the desired objective. It was also pointed out in the said report that some other states like Telengana, Andhra Pradesh, Chattisgarh, Jharkhand, Bihar, Goa, Daman and Diu etc have introduced a separate tariff category, known as the “HTSS (Ferro Alloy)” category, which is applicable to Ferro Alloy industries in these states.

6. The Commission, after perusal of the above letter from the Licensee, had further written to the MePDCL requesting it to work out a fair and reasonable tariff for the HTSS category, and to recommend the same to the Commission. In response, the Licensee , vide letter No MePDCL/D/(D)/SE(RA)/71C/Pt-IV/2018-19/52(a) dated 20th August 2018 had recommended that a separate normal tariff of Rs 6.00 per KVah for Ferro alloy Extra High Tension consumers and Rs 6.20 per KVah for Ferro Alloy High Tension consumers , may be determined, with the Fixed charge remaining unchanged at the existing rates of Rs200/KVA/month . The Licensee had also recommended that a peak and off- peak tariff

may be considered at the rate of (+) 20 % of the normal Tariff and (-) 20 % of the normal Tariff.

7. The Commission has examined the views of the Licensee and its recommendations. The Commission generally concurs to the views of the Licensee on the justification for a separate Tariff for ferro alloy consumers and the positive impact which such Tariff is likely to have. However, the Commission is of the considered view that the proposed rates of tariff which has been recommended by the Licensee will not meet the purpose for which the separate Tariff is intended.

8. In order to enable the Commission to arrive at a fair and reasonable rate for Ferro alloy consumers in Meghalaya , the Tariff which is applicable for the present year, i.e FY 2018-19, to Ferro Alloy customers in those states which have provided a separate Tariff category for the HTSS (Ferro-alloy) category has been examined . It is seen that there is a substantial difference between the normal HT/EHT tariff rates and the HT/EHT tariff rates as determined for Ferro Alloy customers. To illustrate, in the State of Jharkhand, the normal energy charge for the HT Industrial category is Rs 5.75 /KVah, while the energy charge for HTSS(Ferro alloy)category is Rs 4.00 /KVah. Similarly, in Bihar, while the normal energy charge is Rs 6.55/KVah at 132 KV level and Rs 6.60 /KVah at 33 KV levels, the energy charge for HTSS (Ferro alloy) is Rs 4.15/KVah .In Andhra Pradesh, the normal energy charge at 33 KV level is Rs 5.87 / KVah and at the 132 KV level it is Rs 5 .44 /KVah, while for the HTSS, it is Rs 5.37/ 4.95 /KVah respectively. It is relevant to mention that in one State , namely Andhra Pradesh, not only has a separate Tariff for Ferro alloy customers been provided, but in addition, a separate State Government subsidy of Rs 1.50/ Kwh has been provided to Ferro alloy consumers, thus bringing down the power cost to the consumer to Rs 3.87/ 3.45 for HT/EHT respectively . It is also seen that in the state of Andhra Pradesh, while a Demand charge of Rs 4.75 /KVA/month has been levied for HT Industrial consumers at all levels, no Demand charge has been levied on HTSS (Ferroalloy)consumers. Suffice it to say that the differential between normal Tariff and HTSS (Ferro alloy), and also the Demand Charge mandated, differs from one state to the other, depending upon the local situation prevailing therein.

9. Some factors have weighed in the mind of the Commission while undertaking the present exercise , which the Commission feels are of relevance and which need to be given due weight , while arriving at a reasonable and fair rate for the ferro alloy industries. First, the need to ensure that the Industrial sector in the State thrives, in the interest of the State's economy. The Licensee, while submitting its views on the Commission in the present matter, had correctly noted the fact that the EHT+HT: LT sales ratio trend has reduced from 1.32 in 2013-14 to 1.17 in 2014-15 and then to 1.11 in 2015-16 and to 0.93 in 2016-17. This reduction in the ratio is an indicator of an undesirable trend which needs to be checked. The Licensee has also produced figures before the Commission which shows not only that the number of such Industries in the State has reduced over the years, but the off-take of power by the sector has also reduced substantially. It may be mentioned that this Commission, over the past years, has noted this negative trend, and has also taken some steps to correct the situation, but the steps taken so far have not produced the desired results

10. Secondly, the Commission has also taken note of the power availability in the State, especially after commissioning of the 3 X42 MW MLHEP project in the year 2013. The figures submitted by the Licensee while submitting its tariff petitions for the years 2015-16, 2016-17, 2017-18, 2018-19 indicates that the power availability as projected for the above years was 1399.79MU, 1437.39MU, 1477.47MU and 2981.45MU respectively while the power actually consumed within the State to its consumers was much less. . These figures indicate that in normal circumstances, the quantum of power which is expected to be available in the State in the immediate future , would not be an issue which could come in the way of meeting the power demand which is expected to rise in case of power intensive industries. It may be mentioned that with the commissioning of the 2X 20 MW NUHEP project in 2017-18, the power availability in the State has further improved.

11. While attempting to arrive at a fair and appropriate Tariff which could be specified for the proposed HT/EHT Ferro alloy category, the Commission has kept in mind the Fixed charge and energy charge applicable at present for the 11 different categories of consumers as per the Commission's Tariff order dated 31/3/18, which is in force at present

12. The Commission has also taken note of the average cost in which the excess power has been sold by the Licensee in the last few years. While the actual and final figures are not available for the recent years because of the fact that the True-Up petitions have not yet been filed for the years 2016-17 and 2017-18, however, the figures as submitted by the Licensee in the Tariff petitions for these years indicate that the average cost at which excess power has been sold through the Power Exchange is comparatively low. .

13. The Commission has perused the Cost Benefit analysis and related papers / figures as submitted by the Licensee to justify the tariff recommended for Ferro alloy consumers. The Commission is unable to accept the said figures because of certain discrepancies, anomalies and incorrect assumptions made therein. The Cost Benefit analysis has been worked out on a presumption that (1) the off-take of power by the Industries would not increase at all, but would remain constant as at present, (2) that there would not be any improvement of the Load Factor in the concerned Industries, (3) that there would be no return of earlier customers who have since closed down their industries, (4) and that there would be no return of those customers who had, in the meantime, opted for Captive Generation/ Open Access power for running their units. These assumptions, among others, should have been taken into consideration and factored in, under different scenarios, so that the costs and benefits of various options can be assessed, and the most viable option can then be ascertained. The only presumption which has been made in the Licensee's calculations, is that the unit cost of power would be reduced, and all other parameters remain the same. Since the only parameter which has been factored in is the lower tariff, it is natural that the analysis has indicated a negative impact on the revenues of the Licensee.

14. In view of what has been mentioned above, the Commission has undertaken its own analysis of the matter, and has undertaken a sensitivity analysis with varying rates across a wide range of values, so that a proper assessment can be made of the most appropriate rates which could be taken, and which would be beneficial to all concerned, in particular the Ferro alloy industries and also the Licensee. After due consideration of all the relevant factors and scenarios, the Commission, in exercise of the powers vested under the relevant

provisions of the Electricity Act 2003, and the National Tariff Policy 2016, orders as detailed in the following paragraphs:

15 (a) That a new tariff category, to be known as the HTSS (Ferro Alloy) category may be included in the Tariff category prevailing at present, as specified in the Distribution Tariff Order dated 31st March 2018. This tariff will be applicable both in the EHT and HT levels. Table 6.2 indicating the Category wise Tariff approved for 2018-19 will stand amended as follows:

Table No.6.2 A

| HTSS (Ferro Alloys) | Category | Fixed Charge (Rs/Conn/KVA) | Energy Charge (Rs /KVAh) |
|---------------------|-----------------|----------------------------|--------------------------|
| Sl No. 17 | Ferro alloy EHT | 200 | 4.36 |
| | Ferro Alloy HT | 200 | 4.46 |

(b) . The tariff for Extra High Tension category be fixed at a Rate of Rs 4.36/ KVAh and for High Tension ferro alloy consumers may be fixed at a rate of Rs 4.46/KVAh, taking into consideration the rate of Rs 3.25 projected by the Commission in the Distribution Tariff Order for FY 2018-19.

(c) This rate will be applicable with effect from the next accounting month, i.e 1st October 2018 onwards, and will be operative till the 31st March 2019 or till a new Tariff order comes into effect.

(d) The Fixed charge for both EHT and HT levels is retained at the present level of Rs 200/KVA/Month

(e) In view of the existing circumstances, there shall be no Time of Day (TOD) tariff applicable to the HTSS henceforth.

(f) The HTSS (Ferro alloy) consumers will make all efforts to ensure a load factor of at least 85%. Failure to do so may make it necessary for the Commission to specify a higher tariff for such defaulters when the next or subsequent Tariff order is passed.

Sd/-

(WMS Pariat)

Chairman

Meghalaya State Electricity Regulatory Commission