

Minutes of the State Advisory Committee Meeting

2nd Meeting of State Advisory Committee held at Kohima on 27th April, 2011

The Tariff Petition of the DPN was listed as Agenda No. 3 of the meeting. The members present raised the following questions.

As special invitees, the following accompanied by some of their sub-ordinate officers attended this meeting.

1. *The Chief Engineer (Power), Nagaland*
2. *The Director, New & Renewable Energy Department, Nagaland*
3. *The Chief Electrical Inspector, Nagaland*

- Ms Hekani Jakhalu, SAC Member

Interest on loans, depreciation on assets and return on equity have been excluded in the Revised Tariff Petition. Are these not vital parameters to be considered as inputs for working out power business's purchase / sale transactions?

DPN

The parameters mentioned are used for Corporate Accounting exercises. The DPN, so far fully supported by the State Government would like to revise tariff "based mainly on the increased cost of energy purchased and minimum permissible loading of the determinants keeping in view the welfare of different categories as a Government managed utility". Hence, the components mentioned by the questioner are not included in the Revised Tariff Petition as submitted and it is prayed that the Commission consider this point of view.

NERC

The exclusion or otherwise of the components raised in this discussion would be examined and decided based on the merit of the case as petitioned. However, as per guidelines provided in the NERC (Terms and Conditions for determination of Tariff) Regulations, 2010, the matters i.e., Interest, Depreciation and Return on Equity (ROE) are integral components for filing ARR and Tariff Petition.

- Capt. Hekiye Sema, SAC Member

If the average cost of sale of power is Rs. 9.98 / unit as projected in the Tariff Petition of the DPN and the Department is now seeking to raise the average cost of power /

unit to Rs. 3.52; the loss in the Power Department is very high and the Government is made to bear a heavy burden.

Why not raise the rate to at least about Rs. 7/- per unit; but of course subsidize the paying consumers to some extent?

NERC:

In the original tariff petition of November 2010, the DPN sought to raise the tariff to average rate of Rs. 4.50/unit, so as to recover about 50% of the average cost of sale i.e., Rs. 9.98 / unit as mentioned.

It is found that the above action would amount to raising the existing tariff (2006 level) by about 66%. This would be a heavy burden on the consumer at one go. The Commission, in consideration of the issues raised by DPN relating to Interest, Depreciation, Return on equity etc., have considered to accept the Revised ARR and Tariff Petition in March 2011. The Commission is in the final stages of finalization of the Tariff Order, where sans Interest, Depreciation, Return on equity and some other components, the average cost of sale of power works out to be about Rs. 5.52 / unit. The DPN have sought to revise tariff to realize tariff at an average rate of Rs. 3.52 / unit as against average cost of sale of Rs. 5.52 / unit. This is what was projected in DPN Public Notice published on 22.04.2011

As for raising tariff to any higher rate and providing subsidy to paying consumers, let us say that the subject matter is outside the purview of present DPN Tariff Petition.