



TAMIL NADU ELECTRICITY REGULATORY COMMISSION

Determination of Tariff for Distribution for FY 2023-24

Suo-motu Order No. 6 of 2023 dated 30-06-2023

(effective from 01-07-2023)



TAMIL NADU ELECTRICITY REGULATORY COMMISSION

(Constituted under Section 82(1) of Electricity Act, 2003)

(Central Act 36 of 2003)

PRESENT

Thiru M.Chandrasekar – Chairman

Thiru K.Venkatesan– Member

Thiru B.Mohan– Member (Legal)

Suo-motu Order No. 6 of 2023 dated 30-06-2023

In the matter of: Determination of Tariff for distribution for FY 2023-24

In exercise of powers conferred by sub-section (1)(a) of Section 62 and Clauses (a) of sub-section (1) of Section 86 of the Electricity Act, 2003 (Central Act 36 of 2003) and all other powers hereunto enabling in that behalf, the Tamil Nadu Electricity Regulatory Commission (Commission) hereby passes this Order for Determination of Tariff for distribution for FY 2023-24.

This Order shall take effect on and from 01 July 2023.

Sd/-

(B.Mohan)
Member (Legal)

Sd/-

(K.Venkatesan)
Member

Sd/-

(M.Chandrasekar)
Chairman

(By Order of the Commission)

Dr.C.Veeramani
Secretary

LIST OF ABBREVIATIONS

ARR	Aggregate Revenue Requirement
FY	Financial Year
G.O.	Government Order
GoTN	Government of Tamil Nadu
HT	High Tension
kWh	kilo-Watt hour
LT	Low Tension
MU	Million Units
MW	Mega-Watt
MYT	Multi-Year Tariff
NTI	Non-Tariff Income
PF	Power Factor
PLF	Plant Load Factor
SLDC	State Load Despatch Centre
T&D	Transmission & Distribution
TANGEDCO	Tamil Nadu Generation and Distribution Corporation Ltd.
TANTRANSCO	Tamil Nadu Transmission Corporation Ltd.
TNEB	Tamil Nadu Electricity Board
TNERC	Tamil Nadu Electricity Regulatory Commission
ToD	Time of Day
TP	Tariff Policy

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1 INTRODUCTION

1.1 PREAMBLE

- 1.1.1 Consequent to the enactment of the Electricity Regulatory Commissions Act, 1998 (Central Act 14 of 1998), the Government of Tamil Nadu (GoTN) constituted the Tamil Nadu Electricity Regulatory Commission (TNERC or Commission) vide G.O.Ms. No.58, Energy (A1) Department, dated March 17, 1999.
- 1.1.2 The Commission issued its **first** Tariff Order under Section 29 of the Electricity Regulatory Commissions Act, 1998, on 15-03-2003 based on the Petition filed by the erstwhile Tamil Nadu Electricity Board (TNEB) on September 25, 2002.
- 1.1.3 The Electricity Regulatory Commissions Act, 1998 was repealed and the Electricity Act, 2003 (Central Act 36 of 2003) (hereinafter referred as “the EA, 2003” or “the Act”) was enacted with effect from June 10, 2003.
- 1.1.4 The Commission notified the Tamil Nadu Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 (herein after called TNERC (Terms and Conditions for Determination of Tariff) Regulations, 2005) on August 3, 2005, under Section 61 read with Section 181 of the Act.
- 1.1.5 The Commission issued its first Order (Order No. 2 of 2006) on Transmission Charges, Wheeling Charges, Cross Subsidy Surcharge (CSS) and Additional Surcharge on May 15, 2006, based on the Petition filed by the erstwhile TNEB on September 26, 2005, under Section 42 of the Act.
- 1.1.6 The Commission notified the TNERC (Terms and Conditions for Determination of Tariff for Intra-State Transmission/Distribution of Electricity under MYT Framework) Regulations, 2009 (herein after called MYT Regulations) on February 11, 2009.
- 1.1.7 Subsequently, TNEB filed an Application for determination of Aggregate Revenue Requirement (ARR) with Tariff for all functions on January 18, 2010, which was admitted by the Commission after initial scrutiny on February 9, 2010. The Commission issued its **second** Retail Tariff Order on July 31, 2010 (Order No. 3 of 2010).
- 1.1.8 The erstwhile TNEB was formed as a statutory body by GoTN on July 1, 1957, under the Electricity (Supply) Act, 1948. TNEB was primarily responsible for generation, transmission, distribution and supply of electricity in the State of Tamil Nadu.
- 1.1.9 GoTN, vide G.O (Ms.) No. 114 Energy Department, dated October 8, 2008 accorded in principle approval for the re-organisation of TNEB by establishment of a holding company, namely TNEB Ltd. and two subsidiary companies, namely Tamil Nadu Transmission Corporation Ltd. (TANTANSCO) and Tamil Nadu Generation and Distribution Corporation Ltd. (hereinafter referred as TANGEDCO or the Petitioner)

with the stipulation that the aforementioned Companies shall be fully owned by the Government.

1.2 THE ELECTRICITY ACT, 2003, TARIFF POLICY AND REGULATIONS

1.2.1 Section 61 of the Electricity Act, 2003 (hereinafter referred to as the Electricity Act, 2003 or the Act) stipulates the guiding principles for determination of Tariff by the Commission and mandates that the Tariff should ‘progressively reflect cost of supply of electricity’, ‘reduce cross-subsidy’, ‘safeguard consumer interest’ and ‘recover the cost of electricity in a reasonable manner’.

“Section-62 (1):

1. The Appropriate Commission shall determine the tariff in accordance with provisions of this Act for

a. supply of electricity by a generating company to a distribution licensee:

...;

b. transmission of electricity;

c. wheeling of electricity;

d. retail sale of electricity.

...”

1.2.2 TNERC notified its TNERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 specify the factors that will guide the Commission in determination of Tariff, the relevant extract of which is reproduced below:

“4. Tariff setting principles

The Commission, while determining the tariff, shall be guided by the following factors:-

(i) The guidelines outlined in Section 61 of the Act ...

“The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely:-

(a) the principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees;

(b) the generation, transmission, distribution and supply of electricity are conducted on commercial principles;

(c) *the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments;*

(d) *safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner;*

... ..

(ii) *Rationalisation of tariff*

... ..”

1.2.3 Relevant Provisions of Tamil Nadu Electricity Supply Code : Regulation 4(i-a) charges recoverable by the Licensee

"(i-a) The wheeling charges / Network charges. shall be payable by the HT / LT consumer category in accordance with the rates as the Commission may fix time to time for different category of consumers (to recover the cost incurred by the Licensee for its Distribution wire business).

Provided that the Wheeling charges / Network charges may be denominated in terms of Rs.kWh (or)Rs.kVAh (or)Rs./kW/month (or)Rs./kVA/month for the purpose of recovery from the Distribution network user, or any such denomination as may be stipulated by the Commission."

1.2.4 The Tariff Policy notified by Govt. of India on January 28, 2016, specifies the following objectives:

“The objectives of this tariff policy are to:

(a) *Ensure availability of electricity to consumers at reasonable and competitive rates;*

(b) *Ensure financial viability of the sector and attract investments;*

(c) *Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks;*

(d) *Promote competition, efficiency in operations and improvement in quality of supply;*

(e) *Promote generation of electricity from Renewable sources;*

(f) *Promote Hydroelectric Power generation including Pumped Storage Projects (PSP) to provide adequate peaking reserves, reliable grid operation and integration of variable renewable energy sources;*

- (g) Evolve a dynamic and robust electricity infrastructure for better consumer services;*
- (h) Facilitate supply of adequate and uninterrupted power to all categories of consumers;*
- (i) Ensure creation of adequate capacity including reserves in generation, transmission and distribution in advance, for reliability of supply of electricity to consumers.”*

1.3 PAST TARIFF ORDERS

- 1.3.1 TANGEDCO was incorporated on December 1, 2009 and started functioning as such with effect from November 1, 2010.
- 1.3.2 Subsequent to the filing of Tariff Petitions by TANGEDCO for determination of retail supply tariff for FY 2012-13, the Commission scrutinized and reviewed the same. After a thorough review, **the third Order** (Order. No. 1 of 2012) of the Commission on Retail Supply Tariff, Wheeling Charges and other related charges was passed on March 30, 2012.
- 1.3.3 TANGEDCO filed the Tariff Petition for determination of tariff for Generation and Distribution for FY 2013-14, which was scrutinized and reviewed by the Commission. Based on this Petition and after considering views of the State Advisory Committee and the public, the Commission passed the **fourth Order** on June 20, 2013.
- 1.3.4 TANGEDCO did not file the ARR and Tariff Petition for FY 2014-15 before the Commission. In the absence of Tariff Petition, the Commission initiated a suo-motu proceeding for determination of tariff in accordance with Section 64 of EA 2003. After thorough review of the available information, the Commission passed the **fifth Order** on December 11, 2014.
- 1.3.5 In 2017, TANGEDCO has filed the Petition for final truing up of FY 2011-12 to FY 2015-16, determination of Multi Year ARR for FY 2016-17 to FY 2018-19 and determination of Retail Tariff for FY 2017-18. The petition was scrutinized and reviewed, and the Commission passed the **sixth Order** on August 11, 2017.
- 1.3.6 In 2022, TANGEDCO has filed the Petition for Approval of True Up for the period from FY 2016-17 to FY 2020-21 and Annual Performance Review for the FY 2021-22; Approval of Aggregate Revenue Requirement for the period from FY 2022-23 to FY 2026-27 and Determination of Tariff for generation and distribution for FY 2022-23 to FY 2026-27. The petition was scrutinized and reviewed, and the Commission passed the **seventh Order** on September 09, 2022. In that order, along with determination of tariff for FY 2022-23, the Commission has also approved a methodology for Consumer Price Inflation (CPI) linked tariff revision for FY 2023-24 to FY 2026-27.

- 1.3.7 Based on the previous order, and the methodology specified in that order, the Commission hereby passes the **Eighth Suo-Motu Order** on tariff for TANGEDCO.

1.4 PROCEDURE ADOPTED

- 1.4.1 All procedures relating to public notice, taking views of State Advisory Committee and public hearing has been completed as part of the larger proceedings undertaken in 2022. As the current order deals with only implementation of the CPI linked tariff revision, which was also approved in the previous order, this order is being issued forthwith.

1.5 APPLICABILITY OF ORDER

- 1.5.1 This Order will come into effect on and from the day after issue of order, except for the Tariff Schedule, which will be effective only from 01 July 2023. The Tariffs and other Charges determined in this Order will be valid until issue of the next Order.
- 1.5.2 As the prayer of TANGEDCO for CPI based revision of tariff from 01st July of remaining years in the control period is granted, TANGEDCO shall ensure to pay relevant tariff determination fees as per TNERC Fees and Fines Regulations, 2022 before 01st June of each of remaining years in the current control period.

1.6 LAYOUT OF THE ORDER

- 1.6.1 This Order is organized into following Chapters:
- a. **Chapter 1** provides introduction;
 - b. **Chapter 2** provides a brief of methodology adopted for CPI linked tariff revision;
 - c. **Chapter 3** provide Tariff Schedule applicable for the consumers for FY 2023-24;
 - d. **Chapter 4** provides details of the Directives of the Commission for compliance by TANGEDCO.