

KERALA STATE ELECTRICITY REGULATORY COMMISSION

No.1669/CE/2017/KSERC

Dated 19.12.2017, Thiruvananthapuram

ORDER

1. In exercise of the powers conferred by sub-section (1) Section 181 and clause (j) and (zc) of sub-section (2) of Section 181 of the Electricity Act, 2003 (Central Act 36 of 2003), and other enabling powers, Kerala State Electricity Regulatory Commission had notified '**Kerala State Electricity Regulatory Commission (Principles for determination of roadmap for cross-subsidy reduction for Distribution Licensees) Regulations, 2012**' on 20th November, 2012, (here after referred as 'Cross subsidy reduction road map Regulations 2012'), This regulation was valid for a period of 60 months or such extended time and specified the Principles for determination of cross subsidy reduction and the roadmap for adoption of cross subsidy reduction based on the cost of supply of the Distribution Licensees of the State, as mandated by Electricity Act, 2003, the National Electricity Policy and the Tariff Policy. Accordingly, the Commission has been following these principles while designing the retail tariffs of various consumer categories in the State since the financial year 2013-14.

2. Now, after the expiry of the validity of 60 months period specified in the 'Cross subsidy reduction road map Regulations 2012', the Commission has reviewed the present status of the cross subsidy levels in the State. The cross subsidy level of various categories of consumers from the financial year 2013-14 to 2017-18 is extracted below.

Tariff category	Cost coverage					
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Domestic	60.5%	61.2%	71.0%	71.0%	71.0%	73.6%
Agriculture	38.0%	37.0%	45.0%	45.0%	45.0%	43.2%
Street Light	59.0%	60.0%	68.0%	68.0%	68.0%	73.2%
LT Commercial	171.0%	166.7%	161.0%	161.0%	161.0%	153.7%
HT Commercial	169.2%	166.3%	160.8%	160.8%	160.8%	153.5%
LT Industry	110.9%	110.7%	113.0%	113.0%	113.0%	115.7%
HT Industry	112.0%	113.0%	117.0%	117.0%	117.0%	117.0%
EHT- Industry 66kV	107.0%	106.0%	112.0%	112.0%	112.0%	111.9%
EHT-Industry-110 kV	101.0%	102.0%	106.0%	106.0%	106.0%	104.7%

3. As detailed above, the Commission has been taking efforts to bring the cross subsidy level of all categories of consumers within $\pm 20\%$ of the average cost of supply. The tariff of industrial categories are already within $\pm 20\%$ average cost of supply, and the tariff of the domestic category and street lighting are moving towards this level. However, the Commission requires more time to bring the cross subsidy levels of agriculture categories and commercial categories within $\pm 20\%$ average cost of supply, as mandated in the Tariff Policy, without causing tariff shock to the consumers.
4. In this regard, the Commission has examined in detail the
 - (1) Provisions in the Electricity Act, 2003 for the determination of retail tariff of the various consumer categories.
 - (2) Provisions in the National Electricity Policy, 2005, notified by the Central Government in pursuance of the Section-3 of the Electricity Act, 2003.
 - (3) Provisions in the Tariff Policy, 2016, notified by the Central Government in pursuance of the Section-3 of the Electricity Act, 2003.
 - (4) Various judgments of the Hon'ble APTEL in determination of retail tariff and related issues.

The Commission has also examined the study report on the 'Road map for Reduction in Cross Subsidy' and the recommendations therein, approved by the Forum of Regulators, a statutory body constituted under Section 166(2) of the Electricity Act, 2003.

5. Considering the present cross subsidy levels of the various consumer categories, and also duly considering the provisions of the Electricity Act, 2003, National Electricity Policy 2005, Tariff Policy 2016, various judgments of the Hon'ble APTEL, and also the study report of the Forum of Regulators on 'the Road map for Cross Subsidy Reduction', the Commission is of the considered view that, another '48' months more is required to bridge the cross subsidy levels of all categories of consumers to within $\pm 20\%$ of the average cost of supply.
6. The Regulation 3(2) of the 'Cross subsidy reduction road map Regulations 2012' empowers the Commission to extend the validity of the said regulation beyond 60 months from the date of applicability of the said Regulation i.e. from 20th November-2012.
7. By invoking the powers of the Commission under Regulation 3(2) of the 'Cross subsidy reduction road map Regulations 2012' along with the powers conferred

by sub-section (1) Section 181 and clause (j) and (zc) of sub-section (2) of Section 181 of the Electricity Act, 2003 (Central Act 36 of 2003), and also duly considering the various facts and circumstances prevailing in the State as discussed in the preceding paragraphs, the Commission hereby order extending the validity of the '**Kerala State Electricity Regulatory Commission (Principles for determination of roadmap for cross-subsidy reduction for Distribution Licensees) Regulations, 2012**' for a further period of forty eight (48) months from 20.11.2017.

Ordered accordingly.

By order of the Commission,

Sd/-

Santhosh Kumar.K.B,

Secretary.