Executive Summary

(I) Background:

1. Customer Profile in Mumbai:

a. In Mumbai 38 Lakhs consumers **(~1.5 Cr Population; 75 Lakhs voters)** are being served by 3 Distribution Licensees viz: BEST, RInfra and TPC.

b. The Customer profile of these three utilities is shown in the table below:

Licensees	RInfra	BEST	TPC
Total Customers	28 Lakhs	10 Lakhs	0.4 Lakhs
Low end customers	22 Lakhs	6 Lakhs	**None**

More than 75% of the underprivileged customers of Mumbai are being served by RInfra

2. Cost Component in Tariff:

a. 85% - Power Purchase Cost *(Pass through cost to the consumers)*

b. 12% - Operation & Maintenance expense including capital cost

c. 3% - Return on Equity *(linked to assets)*

The power purchase cost is the main driver of retail tariffs.

3. Cross Subsidy

a. There is no subsidy provided by the State Government.

b. High end customers like Malls, Shopping Centres, Cinema halls are charged at Rs 11 per unit so that the underprivileged customers get electricity at an affordable rate of Rs 1.75 per unit. This arrangement is called as Cross Subsidy.

More than **1000 Crs** cross subsidy ensures that 22 Lakh consumers get affordable electricity

4. Consumer Migration:

a. In view of SC ruling that TPC has a distribution license in BEST and RInfra area, RInfra willingly accepted to wheel TPC's power to its consumers.

b. Result: Migration of high end cross subsidizing consumers of RInfra to TPC.

c. This loss of cross subsidizing sale from RInfra to TPC will result in tariff shock to low end subsidized consumers of RInfra.

TPC continues to poach high end consumers; **200 Crs of cross subsidy** of RInfra lost to TPC

5. Tariffs in Mumbai:

a. Till FY05 there was no shortage in Mumbai

b. Till FY 08 Tariffs of all three utilities were almost similar as TPC Capacity was allocated by MERC based on demand of respective utilities in the following ratios BEST (655MW), RInfra (762MW) & TPC-D (360MW).

c. In FY 09, TPC allocated 800 MW to BEST and 477MW to its own distribution arm and left only 500MW for RInfra, resulting in **additional burden of 500 Crs annually** on RInfra suburban consumers leading to high tariff increase

Year	Reduced Power Allocation	Additional Burden
Till Mar'08	762 MW	
Apr'08-Mar'10	500 MW	**1000 Crs**
Apr'10 onwards	0 MW**	**1200 Crs**

Hike in tariff rates resulted in **protests & damage to valuable public property** in June/July 09.

6. TPC threatening to withdraw 500MW from 1st April 2010:

a. This would result in **additional burden of Rs. 1200 Crs** on Suburban low end consumers and coupled with migration of high end consumers the tariff rates of these customers can potentially increase by 400 % to Rs 6 per unit.

400% increase in low end suburban consumers will lead to law and order situation in city

(II) What can the State Government do?

The mass consumer discontent due to increasing tariffs is a potential danger to the law & order situation in city. In such an extra ordinary situation, the following is requested from the GoM:

1) **to issue directions u/s 11 to TPC-G:**

   a) **Continue supplying 500MW to Mumbai Suburban consumers & sign PPA with RInfra**

      i) TPC generation facility funded (upto Rs 533.61 Crs) by Mumbai consumers

      ii) GoM order to TPC to recover 3 paise per unit from the RInfra consumers to collect Rs 100 Crs to fund Unit 6 of 500 MW.

   b) **Disallow selling any power outside Mumbai (100 MW from Unit 8)**

      i) Statutory clearances including environmental clearances granted on the premise that the generation facility is set up for Mumbai

      ii) TPC in Tariff petition for FY07, MYT petition (FY08-FY10), APR petition of FY08 stated that out of 250 MW Unit-8, 100MW is for R Infra

2) **to issue policy directions to MERC u/s 108**

   a) **Surplus power to be offered first to other Discoms within Mumbai city at Average cost of power as prevalent in Delhi.**

      i) Inequitable allocation of power will get offset with this arrangement

      ii) In prevailing mechanism expensive power bought by other utilities during the month gets passed on to RInfra

   b) **Introduce Cross Subsidy surcharge**

      i) Migration of predominantly subsidizing consumers to TPC resulted in loss of Rs. 200 crores of cross subsidy.

      ii) There is a need to prevent tariff shock to subsidized consumers due to migration of Subsidizing consumers

   c) **Implement Uniform tariff in the city of Mumbai**

      i) Wide variation in tariff rates for essential service like electricity has resulted in large public discontent

      ii) National Electricity Policy & Tariff Policy provides for Govt role in implementation of uniform tariff.

      iii) No prejudice caused to any utility as there is no change in Returns of any utility

The issue should be addressed in wider Pubic interest

(III) FAQs

Q1) Why did shortages arise in Mumbai?

a. Shortages arose because of insufficient generation capacity addition

b. Only RInfra Dahanu (500 MW) and TPC Unit 8 (250MW) generation capacity have been added in last 25 years.

Q2) Why should TPC not be allowed to sell power outside Mumbai?

a. TPC's generation facility funded (upto Rs 533.61 Crs) by Mumbai consumers.

b. GoM allowed TPC to recover additional 3 paise per unit from the RInfra consumers to collect Rs 100 Crs to fund Unit 6 of 500 MW.

c. TPC's Balance sheet as of 31st Mar 2008 reflects Rs 533.61 Crs collected towards "***special appropriation***"

d. All clearances (Land, environmental, etc) granted by GoM on the basis of setting up generation to meet Mumbai's power shortage.

e. DPR submitted to MERC in Feb 2006 stated the requirement of Unit-8 for meeting Mumbai shortage, however after the unit was commissioned in March 2009 and SC Judgment in May 2009, TPC submitted revised DPR in July 2009 to MERC dropping the need as Mumbai shortage.

f. TPC in Tariff petition for FY07, MYT petition (FY08-FY10), APR petition of FY08 stated that out of 250 MW Unit-8, 100MW is for R Infra

g. TPC's gameplan is to convert regulated return to Unregulated profits for the benefit of their shareholders at the cost of Mumbai consumers

TPC shareholders to profit by 1200 Crs at the expense of poor suburban consumers

Q3) What efforts have Reliance taken to add generation capacity?

a. In 1986 TPC objected to setting up of Dahanu power plant. But GoM allowed Dahanu power plant which is supplying cheapest power to Mumbai consumers.

b. In 1998, TPC objected to RInfra's proposal to set up 495 MW at Palghar by stating **that they have the capacity to cater till 900 MW load of RInfra**. MSEB did not grant RInfra the permission.

c. In 2001, TPC objected to RInfra's proposal to set up 495 MW at Saphale by filing an **affidavit in High Court that they will meet all requirements of RInfra till the end of their License period ie.2014** and hence RInfra's project was not approved

d. Dahanu expansion (1200 MW) - environmental issues created by competitors
e. Sahapur (4000 MW) is currently at land acquisition stage.

Reflection of creating dominance position by TPC- Adverse impact on consumers now

Q4) Whether SC judgement dtd. 6th May 2009 prevents Govt or MERC to intervene?

a. The SC Judgment, acknowledged the powers of Govt to intervene in the matters relating to Public Interest by issuing directions to Generating companies (Sec 11).
b. The SC held that under Sec 23 the Regulatory Commission cannot direct the generator. However MERC can use other provisions like Sec 60 to protect the interest of consumers
c. Karnataka High Court in its recent judgement has upheld that Private interest should cede to public interest and Govt can so direct under Section 11.

SC Judgment doesn't prevent Govt & MERC to use powers under EA 2003 to intervene to protect consumer interest.

Q5) Why did RInfra not sign PPA of 500 MW with TPC?

a. RInfra was always willing to sign PPA with TPC for 762 MW.
b. To protect the interest of its consumers RInfra raised the issue of unfair allocation upto Hon'ble Supreme Court.
c. On behest of MERC and consumer representatives, RInfra agreed to sign 500 MW also.
d. After the SC judgement, TPC not only backtracked from their earlier stand of signing 500 MW PPA with RInfra but instead has threatened withdrawal of this 500MW from 1st Apr 2010.
e. RInfra approached GoM to use powers u/s 11 and 108 to protect the consumer interest.

RInfra efforts for PPA , not reciprocated by TPC- Questioanble intent

Q6) Is Uniform Tariff been applied anywhere in the country?

Yes. Except Mumbai all the cities in the country have Uniform Electricity tariffs. Classic example is Delhi where 3 distribution licensees are involved namely: BYPL, BRPL and NDPL. Govt of Delhi has given a policy direction to the regulator that the retail tariff applicable to common consumers should be uniform across Delhi. Even in States having multiple Discoms with different consumer mix, different efficiency levels, Govt. have ensured Uniform Retail Tariff across the State

Q7) Will Uniform Retail Tariff in Mumbai lead to increase in tariffs in BEST area?

No. As per the Uniform Retail Tariff model proposed the tariff of low end consumers will be lower than current levels whereas there will be marginal increase in the tariffs of high end consumers who have the ability to pay.

Q8) Uniform Retail Tariff in Mumbai will kill competition?

No. Consumers can still choose between licensees based on services offered. Also it will not impact any licensee and Generating companies as they will continue to get their regulated returns.