**Detailed report on adoption of steps for retention of open access consumers**

The consumers allowed for open access are HT consumers having contracted loads more than 1 MW.

The main reasons for consumers opting for open access are

* Tariffs for some of the consumer categories are more than limit of + 20% of average cost of service as prescribed in Tariff Policy.
* High Level of Cross Subsidy component in the Tariffsof some of the HT consumers like HT-I (Industrial) , HT-II (others) and HT-III ( Airports, Bus stations and Railway station) categories to compensate a part of subsidy portion of Domestic and Agricultural consumers.
* Cheaper power available in the power market outside DISCOM in some time periods.
* Exemption of cross subsidy surcharge and wheeling charges for the power availing the open access through solar generators and wind generators.

1. **Reduction of Cross Subsidy:-**

Sec. 42(2) of the Electricity Act,2003on Open Access states that

“The State Commission shall introduce open access in such phases and subject tosuch conditions, (including the cross subsidies, and other operational constraints) asmay be specified within one year of the appointed date by it and in specifying the extentof open access in successive phases and in determining the charges for wheeling, it shallhave due regard to all relevant factors including such cross subsidies, and otheroperational constraints:

Provided that such open access may be allowed before the cross subsidies are eliminated on payment of a surcharge in addition to the charges for wheeling as may be determined by the State Commission:

Provided further that such surcharge shall be utilised to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee:

Provided also that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by theState Commission: “

The National Tariff Policy 2016 has emphasized that

“8.3 (2)For achieving the objective that the tariff progressively reflects the cost of supply of electricity, theAppropriate Commission would notify a roadmap such that tariffs are brought within ±20% of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.”

There shall be road map for gradual reduction in cross subsidyto make the tariffs competitive for HT consumers. The tariffs shall be brought within ±20% of the average cost of supply**.**

**The Discom requests the Honble Commission to notify a road mapfor gradual reduction of cross subsidy.**

1. **Tariff Rationalization**

Tariff Simplification and rationalization is one of the steps to make the tariff setting a transparent exercise. The Ministry of Power has identified guiding principles and recommendations for each category which are actionable points to be used for simplification as briefed below:

**Basis of classification:**

* + Primarily the classification should be based on “purpose of use” with Domestic, Industry, Commercial, Agriculture and Institutional.
  + Secondary classification should be based on voltage levels.
  + Further classification may be maintained for low voltage consumers to provide the benefit for low/efficient consumption and protect interests of certain consumers having low paying capacity.

**Merging of classification:**

* The residual and redundant categories/sub-categories should be merged into above categories ensuring revenue neutrality to the Discoms.

**Consistency:**

* The classification should be consistent across the states.

**Avoiding Tariff Shocks:**

* Consumers should be kept informed about the future trends in tariffs and merging/reduction of categories may be implemented over a period of 3 years to avoid tariff shocks.

**Domestic Category:**

* + Sub-categorization shall be based on voltage and consumption limiting to three slabs where lowest slab will have tariff within -20% of CoS, middle slab at CoS and highest slab within +20% CoS.
  + Separate sub-category for lifeline consumers having maximum load of 250W charged at subsidized tariffs.
  + The consumption and load limit of lifeline consumers shall be reviewed annually and if it exceeds the annual limit by 20% for two consecutive years, they can be reclassified on par with other domestic consumers.
  + The limit for annual power consumption for lifeline consumers should be determined every year after conducting residential electricity consumption studies

**Industrial Category:**

* Sub-categorization shall be based on voltage only.
* “Supported” sub-category for LT Industries to support MSMEs.
* Introduction of new special sub-category for certain industries to be done only based on notable cost of supply difference from existing sub-categories.

**Commercial Category:**

* Sub-categorization shall be done to support low paying capacity consumers.

**Agriculture Category:**

* Merging of all agriculture and related activities such as horticulture, floriculture, mushroom cultivation, etc., under a single category.
* Phasing of unmetered connections and HP based billing by levying surcharge for unmetered connections.

**Institutional Category:**

* Merging of all categories providing services for public welfare such as street lights, PWS, sewerage treatment plants, places of worship, educational institutions,public transport, etc., under a single category.

In addition to the above, for meeting specific short term requirements, temporary supply connections should be allowed and the tariff to be set at 50-100% above the CoS of that particular category.

It is recommended to implement the simplification exercise over a course of 2-3 years.

**The Discoms request the Honble Commission to simplify and rationalize tariffs for efficient and transparent tariffs to discourage the consumers to move out through open access**

1. **Lifting of exemptions**

In order to encourage renewables and make the prices competitive in the market, exemptionsof cross subsidy surcharge and wheeling charges are being provided for the consumers availing power through open access from solar generators and wind generatorsby the State Government and TSERC.

However, with the technology breakthrough in the Solar Power markets in the recent past and more number of generators entered in to Solar and Wind generation Business, the prices of renewable sources are drastically reduced to Rs. 2.44/unit (Rajasthan Badla) which is much below the cost of power from thermal generating stations. This prompts more number of consumers opting for open access in years to come.

Hence the need of continuing the exemptions after 5 years (as stipulated in the Solar Power Policy) has to be re-examinedin the wake ofdeclining price trendand penetration of large number of players in the Solar &Wind Market.

**Hence the Licensee humbly requests the Honble Commission to examine the continuation of exemptions of CSS and wheeling charges to Solar & Wind power producers after 5-year period as determined in the Solar Power Policy.**

Further in order to retain the Open Access Consumers, the DISCOM is taking several measures as explained below:

1. DISCOMs are not going for Round the Clock (RTC) Agreements with the Generators, but are only procuring power on need basis, on specific days and for specific time periods.
2. Procurement of Power only on need basis would result in reduction in Short Term Power Procurement Costs.
3. Strengthening the network and improving the efficiency, thereby reducing the commercial losses
4. Ensuring that there is no load shedding and improving the quality of power supply, thereby improving the satisfaction levels of HT Consumers