



## Chhattisgarh State Electricity Regulatory Commission

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1. M/s Raghuvver Ferro Alloys Ltd., Raipur.  
Petition No.9 of 2006(M)
2. M/s Srinivasa Ferro Alloys Ltd., Visakhapatnam.  
Petition No.12 of 2006(M)
3. M/s Sai Chemicals Pvt.Ltd., Bhilai Petitioners  
Petition No.18 of 2006(M)

Versus

Chhattisgarh State Electricity Board  
(in all the above three cases)

Respondent

**In the matter of application of supply arranging charges to enhancement/restoration of load by licensee.**

### **ORDER** **(Passed on 23/05/2006)**

Three petitions have been filed, the first by Raghuvver Ferro Alloys Ltd. [Petition No.9/2006(M)], the second by Srinivasa Ferro Alloys Ltd [Petition No.12/2006(M)] and the third by Sai Chemicals Pvt.Ltd [Petition No.18/2006 (M)], all regarding payment of supply arranging charges for enhancement of load and involve interpretation of the CSERC (Supply Code), 2005 and the miscellaneous charges approved by the Commission.

2. The facts of these cases are that Raghuvver Ferro Alloys (RFAL) is a ferro alloys plant with a connected load of 10000 KVA for supply from CSEB. As per the petition, due to adverse market conditions and other factors including irregular supply of electricity, as also high tariff the consumer reduced its contract demand first from 10000 KVA to 7000 KVA and then further to 60 KVA in the month of October, 2005. A connected load of 60 KVA is the minimum required to be maintained if HT connection is to be continued. The petitioner now wants to run the plant and hence requested the CSEB enhance his load from 60 KVA to 7000 KVA. CSEB has raised a demand on him of supply arranging charges @ Rs.650 per KVA for the additional load now required. In this petition RFAL has prayed that it should not be asked to pay supply arranging charges as he has already paid such charges in full when he initially availed of the connection for 10000 KVA which exists today in his premises. The enhancement of load now

required does not involve any additional capital expenditure. He has pleaded that he should not be burdened with charges which are meant for new connections. He is prepared to pay to the Board whatever be the actual expenditure incurred by the latter in restoring his earlier load. The second petitioner Srinivas Ferro Alloys (SFAL) is a plant with a connected load of 8000 KVA from the CSEB. Due to the same reasons as the first petitioner, i.e. adverse market conditions etc., the petitioner reduced his contract demand from 8000 KVA to 4000 KVA in the month of August, 2005. Now he wants to run the plant to its full capacity and hence requested the CSEB to restore the supply of 8000 KVA. In this case also the CSEB has asked for supply arranging charges @ Rs.650 per KVA for the additional load. SFAL has similarly prayed that as the original connection for 8000 KVA exists in his premises and this is only a case of restoration of load involving no additional capital expenditure, he should not be liable to pay Rs.650 per KVA which is meant for new connections. He is also prepared to pay whatever expenditure is incurred by the CSEB in restoring supply. Similarly, the third petitioner Sai Chemicals (SCPL) also has a ferro alloys unit which has an original connected load from CSEB of 6700 KVA. This load was reduced to 300 KVA and subsequently to 60 KVA on 20.11.2005 on similar grounds as in the other two petitions. The petitioner also wants to restart his plant and has requested for enhancement of load to 3500 KVA for which supply arranging charges @ Rs.650 per KVA has been demanded by the CSEB. This petitioner has also made the same prayer as the other two i.e., he should not be asked to pay supply arranging charges having already paid once.

3. With a view to ensure that the consumers do not suffer loss in production due to this dispute, this Commission by an interim order has already given them relief by way of restoration of the load applied for on payment of 25% of the supply arranging charges demanded by the Board, pending final disposal of these cases. Since the cases are similar and have raised identical issues, this order is passed as common to these three petitions i.e. Petition No.9 of 2006(M); No. 12 of 2006(M) and No. 18 of 2006(M).

4. The only issue for consideration in these petitions is whether they are liable to pay supply arranging charges which are meant for fresh cases of enhancement of load, for restoration of either full or part of the load for which CSEB's connection already exists.

5. We have heard the petitioners as also the respondent. The main contention of the petitioners is that they have already paid in full the supply arranging charges for the connected load in full when they initially availed supply from the Board. Enhancement of load in their cases is only restoration of load and does not involve any additional capital expenditure. Expenditure may be incurred only for augmentation of the capacity of the conductor or providing a separate feeder. These, however, do not involve large expenditure. The petitioners are prepared to pay whatever be the actual cost incurred by the Board in the restoration of the desired load. They contend that payment of supply arranging charges for a second time is not justified. On behalf of the Board it has been stated that once an HT consumer reduces load to a large extent the Board may provide that load to some other consumer. This is more so in a power shortage situation prevailing in the State. Restoration of load may involve modification in/change of the transformer at a large cost. The supply arranging charges is a method of recovery of this cost from all consumers in an equitable manner since such expenditure can not and should not be borne by one or two consumers. However the Board has agreed that in such cases generally the restoration of higher load does not involve large capital expenditure unless, as already

mentioned, there is a need to upgrade the capacity of the transformer serving such connections. The Board has not claimed that in these three cases restoration of load involves upgradation of the transformer. It is obviously not so because in all the cases the desired load has been restored as per the interim directions of this Commission, in a short time.

6. The issue raised in these petitions involves an enquiry into the rationale of the supply arranging charges. Clauses 7.3 to 7.8 of the CSERC (Supply Code), 2005 (Supply Code, for short) deals with the procedure for enhancement of contract demand; and clauses 7.9 and 7.14 with the reduction of contract demand. The relevant provisions of the Supply Code for enhancement of load are as under:

**Clause 7.4** “The licensee shall examine the feasibility of supply of the enhanced load within thirty days and inform the consumer:

- (a) whether the additional power can be supplied at the existing voltage or at a higher voltage;
- (b) addition or alterations, if any, required to be made to the system and the cost to be borne by the consumer;
- (c) amount of additional security deposit, cost of additional infrastructure and the supply arranging charges, if any, to be deposited; and
- (d) change in the classification of consumer, if required.’

**Clause 7.6** “If the supply of enhanced load is feasible, the consumer shall:

- (a) furnish work completion certificate of consumer’s installation and test report from a licensed electrical contractor where alteration of installation is involved.
- (b) furnish letter of approval for the electrical installation of the consumer from the Electrical Inspector, and other statutory clearance as required under other
- (c) regulations in force, if required. Similarly, approval from Inspector of Mines shall be provided for additional load to be provided for electrical installation for mines.
- (d) Pay additional security deposit, cost of addition or alteration required to be made to the system, if any, and the supply arranging charges, if applicable.
- (e) Execute a supplementary agreement.”

It is observed that in both these provisions there is a requirement for payment of supply arranging charges only in cases where such charges are applicable. Clause 7.4(c) says that the consumer is required to pay ‘supply arranging charges, if any’. Similarly clause 7.6(c) also speaks of the additional security deposit, cost of addition or alteration and payment of ‘supply arranging charges, if applicable’. The cost of additional infrastructure or of any addition or alteration, if required to be made, is to be borne by the consumer. It is not mandatory that supply arranging charges have to be paid for enhancement of load. Secondly, it is to be noted that this provision is applicable to enhancement of load and to a consumer who is presently not connected for supply to the extent of the enhanced load sought. The consumer who has a connection from the CSEB for supply of a particular load but for whatever reason now uses a lower load, while

the connection for higher load continues, is in a different category. In these cases additional infrastructure may not be

Required. It is true that the Supply Code as it is today does not specifically provide for the second category of consumers, although the present provisions appear to be wide enough in scope to cover this category also. But that does not imply that in every case enhancement/restoration of load supply arranging charges are to be levied for the additional load.

7. Coming to the supply arranging charges per se, these charges are part of the miscellaneous charges as determined by the Commission, for all distribution licensees, along with determination of tariff. These charges are clearly meant for new connections. Item No.16 of the 'schedule of miscellaneous and general charges' in the tariff order of this Commission for the year 2005-06 there is a provision of free line length which can go up to 10 kms in case the supply is above 5000 KVA. The clear provision in the Supply Code is that if the licensee has to incur additional expenditure in providing supply to a single consumer, such reasonable expenditure should be recovered from the latter but the responsibility of creating major infrastructure which are in the nature of common facilities rests with the licensee and the expenditure is incurred by the licensee. If major investment in infrastructure involved in arranging dedicated supply including enhancement of load, such as upgradation/ change of transformer for a single consumer, the consumer is required to pay for it. In other cases this is treated as capital expenditure for creation of assets of the licensee and the inclusion of depreciation and interest in the ARR, approved by the Commission, take care of such expenditure. There is, therefore, no justification for asking the consumer to meet such expenditure. Where there is no additional expenditure and the supply related initial expenditure involved has already been paid once, there is no justification for taking such charges a second time. We are, therefore, of the view that in cases where the connection for a higher load exists and supply arranging charges have been paid for earlier, enhancement/ restoration of load upto that limit subsequently, should not attract supply arranging charges. Thus in all the cases under consideration, supply arranging charges can not justifiably be levied. However, in case there is any specific expenditure involved in restoring load in individual cases, that expenditure on actual basis may be borne by the concerned consumer.

8. There is another issue involved in these three cases which we would like to deal with. It is observed that in all these cases the petitioners have reduced their load when the market conditions for the industry was not favourable and have sought restoration of the load when the market conditions have improved. Higher cost of power would appear to be an alibi In one case (Petition No.12) the restoration of load has been sought within six months and in the other two (Petition No. 9 and 16) within three months of reduction of load. Such frequent reduction and enhancement in load, particularly in case of HT industrial consumers, is bound to create problem of management of load for the CSEB. The present provision in the Supply Code is that the contract demand can be reduced during the currency of the supply agreement, which is two years only by half. Generally it is presumed that if the two years' period is over, then the agreement no longer inhibits reduction in load and hence the consumer can seek reduction to the extent he desires at any time, while all this time he continues to be connected to the grid and also continues to draw power from the grid. This is permitted as per the provision of clause 7.12 of the Supply Code. This is not a very satisfactory arrangement and not in the interest of proper management of load. A reasonable period of time should elapse before a consumer reduces his load. A

supplementary provision to the present provision of reduction of load by half during the currency of the supply agreement would appear to be required. We feel that there should be a minimum time gap of one year before the first and all subsequent reduction while there may be no time limit on enhancement of load. This will help provide stability and help in better management of the load. Therefore, while we order that the petitioners pay only the actual expenditure incurred in restoration of the load applied for, they would not be permitted to reduce their load again within one year of such restoration.

9. Before we close we would like to mention that the Supply Code needs to be modified to cater for the contingency discussed above. The review panel constituted under Clause 1.6 of the Supply Code should address this issue at the time of the next review and suggest necessary modifications.

10. Consequent to this order, the 25% of supply arranging charges which have been deposited by the petitioners with the CSEB should be adjusted towards the actual cost of restoration of load and the remainder, if any, against future energy bills.

Sd/-  
**Member**

Sd/-  
**Chairman**

**True Copy**

**(N.K. Rupwani)**  
**Secretary**