

Power Tariff Hike in West Bengal

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The [hike in power tariffs](#) in Bengal has evoked protests from consumers and activists, who held a demonstration before the [CESC](#) headquarters last month. The Power Minister of the state, however, has chosen to divert public attention by recently announcing in the state assembly that there has been no tariff hike. Rather there has been a two paise per unit reduction in the tariff rate, he said, in response to a question posed by an opposition MLA. What are the facts?

Table 1 below provides data for average tariff in 2014-15 as approved by the [West Bengal Electricity Regulatory Commission](#) (WBERC) through the tariff orders issued on March 4, 2015. It can be clearly seen that there has been a 9.2% hike in average tariff for the CESC in 2014-15 from the average tariff (actually charged) for 2013-14. The Power Minister has remained totally silent on the CESC tariff hike and rather chosen to disingenuously highlight the 2 paise reduction in average tariff for the [WBSEDCL](#) (West Bengal State Electricity Distribution Company Limited) in 2014-15.

Table: 1

AVERAGE TARIFF FOR CONSUMERS (Paise/KWH)				
Distribution Company	2013-14			2014-15
	Average Tariff Approved by WBERC	MVCA	Average Tariff Actually Charged	Average Tariff Approved by WBERC
CESC	610.33	28	638.33	697.47
WBSEDCL	608.93	51	659.93	656.04

Source: WBERC

Moreover, this tariff, mentioned by the Power Minister, is merely a statistical average of tariffs across diverse types of power consumers: domestic users in urban and rural areas, commercial and industrial users, irrigation pumping for agriculture and others. Nobody actually pays this average tariff. It is clear from the tariff orders that the tariff for domestic consumers in 2014-15 have been enhanced both for the CESC and the WBSEDCL. Moreover, since the enhanced rates are effective from April 2014, arrears for the year 2014-15 are also being collected from the consumers alongside the enhanced rates, from March 2015 onwards.

The CESC has proposed further hikes in average tariff for 2015-16 and 2016-17 by around 3% each year, while WBSEDCL has proposed a further hike of 6% in 2015-16 and 12% in 2016-17. If these tariff hike proposals are allowed by the WBERC, electricity

bills for consumers in West Bengal are going to shoot through the roof in the days to come.

Tariff Hike for Domestic Consumers

The tariff hikes approved by the WBERC in 2014-15 for the different categories of domestic consumers of CESC and WBSEDCL are quite sharp (see table below). The hike is the sharpest for the BPL category, 25% for CESC and 15% for WBSEDCL. The inflation rate in 2014-15 (as per six month trends) was around 7% for wholesale prices (WPI) and 5% for consumer prices (CPI). The power tariff hike is thus much higher than average inflation.

Table: 2

CESC TARIFF HIKE				
Consumer Category	Monthly Consumption Units (in KWH)	Energy Charge (Paisa/Unit)		
		2013-14	2014-15	Percentage Increase
Lifeline (BPL)	0-25	302	378	25
Domestic (URBAN)	0-25	412	489	19
	25-60	456	540	18
	60-100	553	641	16
	100-150	628	716	14
	150-300	641	733	14
	Above 300	795	892	12

WBSEDCL TARIFF HIKE				
Consumer Category	Quarterly Consumption Units (in KWH)	Energy Charge (Paisa/Unit)		
		2013-14	2014-15	Percentage Increase
Lifeline (BPL)	0-75	292	337	15
Domestic (RURAL)	0-102	441	489	11
	102-180	493	549	11
	180-300	584	635	9
	300-600	633	684	8
	600-900	643	692	8
	Above 900	810	859	6
Domestic (URBAN)	0-102	446	494	11
	102-180	503	560	11
	180-300	586	659	13
	300-600	640	692	8
	600-900	660	718	9
	Above 900	810	859	6

Source: WBERC

The CESC and WBSEDCL had already raised the tariff for 2014-15 in the name of adjustment for increasing fuel and power purchase costs, through the MVCA (Monthly

Variable Cost Adjustment). The CESC collected an additional 50 paisa per unit as MVCA from April 2014 over and above the WBERC approved tariff and further raised it to 88 paisa per unit from September 2014. The WBSEDCL also collected an additional 49 paisa per unit as MVCA between April 2014 and February 2015. Through the latest tariff orders, the WBERC has not only formalised this increase in the tariff rates effected by the CESC and WBSEDCL in 2014-15 through the MVCA route, but also enhanced it by more than that rate for some slabs.

The CESC's tariffs for domestic consumers have witnessed a steep increase over the last decade (see table below). In April 2000, CESC's tariff for the lowest slab (for below 25 units) was 85 paisa per unit while tariff for the highest slab (above 300 units) was Rs. 4.90. After the latest tariff hike for 2014-15, the tariff for the lowest slab is Rs. 4.89 while the highest slab rate has reached Rs. 8.92. Thus per unit tariff for the lowest tab has increased by over five times and for the highest slab by two times, since 2000. Moreover, it is noteworthy that CESC's tariffs have been hiked almost every year since the present government assumed office in 2011.

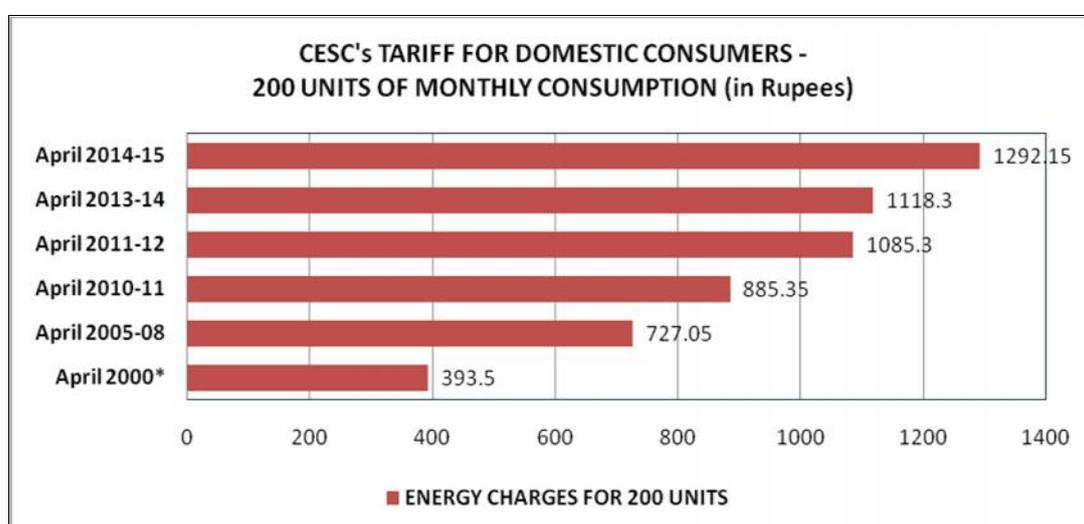
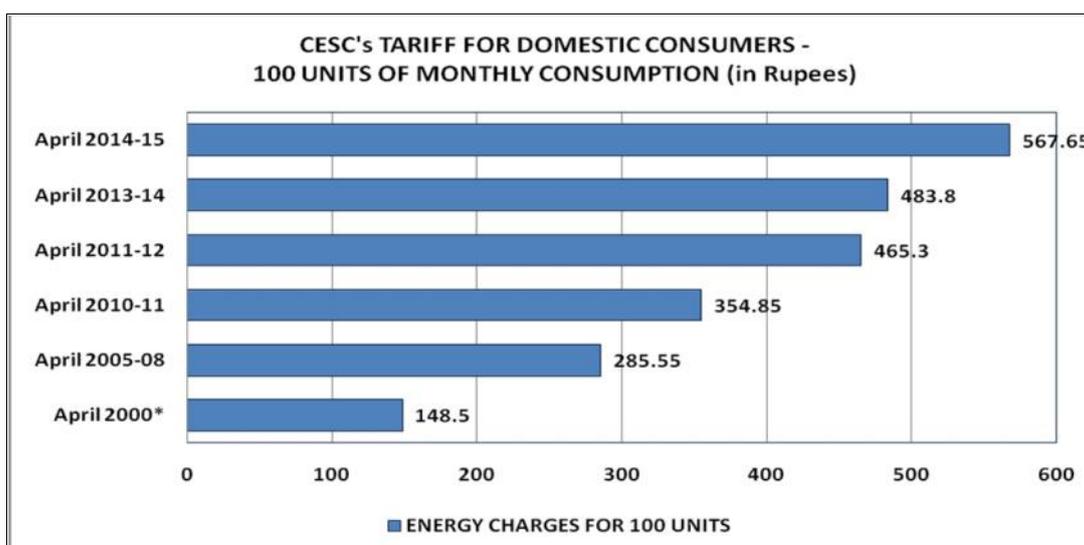
Table: 3

HOW CESC's TARIFF RATES FOR DOMESTIC CONSUMERS HAVE INCREASED OVER THE YEARS (TARIFF IN PAISA PER UNIT)						
YEAR	Upto 25 Units	25-60 Units	60-100 Units	100-150 Units	150-300 Units	Above 300 Units
April 2014-15	489	540	641	716	733	892
April 2013-14	412	456	553	628	641	795
April 2011-12	392	438	535	610	630	775
April 2010-11	270	333	427	521	540	650
April 2005-08	206	263	355	433	450	539
April 2000*	85	135	200	240	250	490
*The WBERC was formed in 1998						

Source: WBERC

A CESC domestic consumer, who uses 100 units of power each month, used to pay around Rs. 150 as her monthly energy charges in 2000. By 2014-15, this has increased to Rs. 580. For a consumer using around 200 units, the monthly bill has gone up from around Rs. 400 per month in 2000 to over Rs. 1300 per month in 2014-15 (see charts below).

CHARTS: 1& 2



Source: WBERC

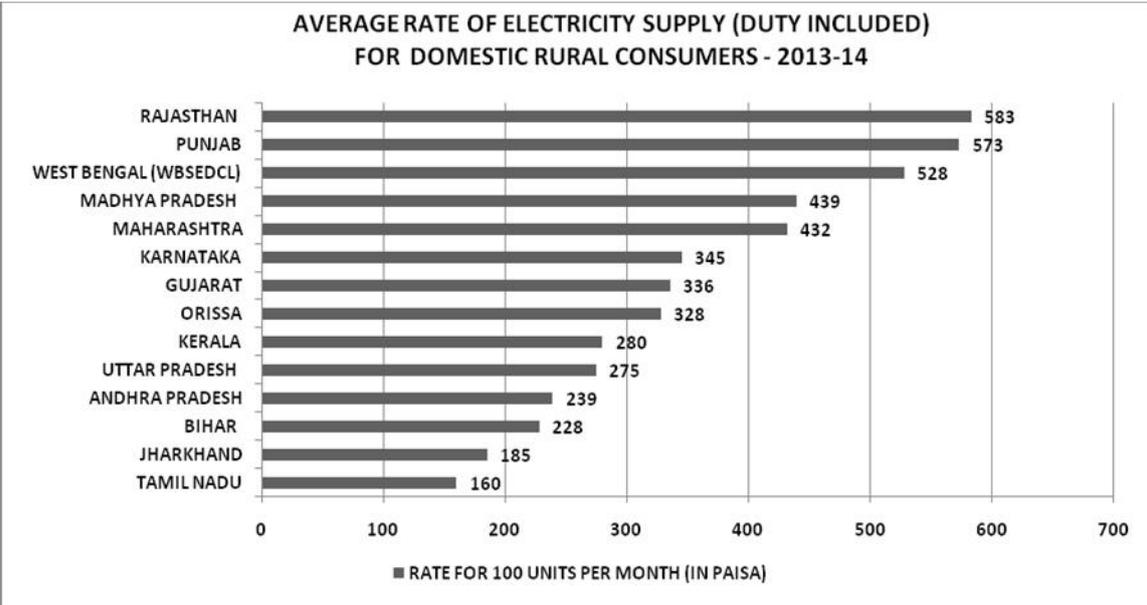
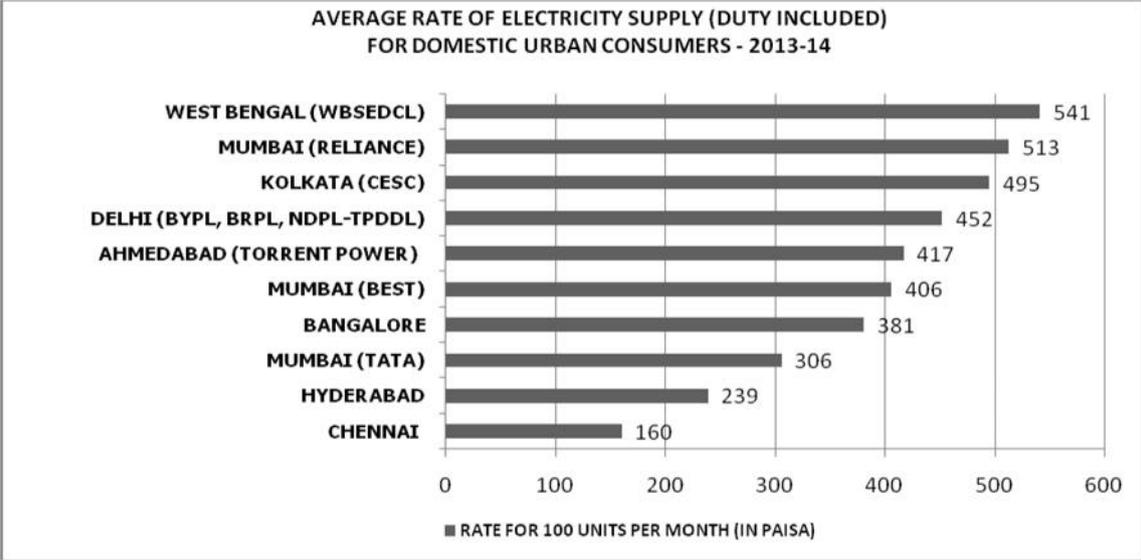
Comparison of Power Tariffs

Even before the latest tariff hike was approved by the WBERC, the power tariffs in West Bengal were among the highest in the country. Data published by the Central Electricity Authority show that power tariff for urban domestic consumers in West Bengal was the highest in the country in 2013-14 (see charts below). WBSEDCL and CESC charged 541 and 495 paisa per unit respectively for 100 units of monthly consumption from urban domestic consumers in 2013-14. Only Reliance Energy, which supplies power to a part of Mumbai (with zero power cuts), had a comparably high tariff rate of 513 paisa per unit. All other power distribution companies, both in the public and private sectors, were supplying power at much cheaper rates in cities like Mumbai, Delhi, Bangalore, Hyderabad, Ahmedabad and Chennai.

For rural domestic consumers too, the WBSEDCL's tariffs are only lower than that of Rajasthan and Punjab, being significantly higher than most major states in India. The tariffs charged by CESC and WBSEDCL are comparatively higher than most India states

for all categories of urban and rural domestic consumers, across the different slabs of power consumption.

CHARTS: 3 & 4



Source: Electricity Tariff & Duty and Average Rates of Electricity Supply in India - March'2014, Central Electricity Authority

Failures of the WBERC

Despite already having such high power tariffs compared to other states, the West Bengal Electricity Regulatory Commission (WBERC) has approved another round of tariff hikes for CESC and WSEDCL in 2014-15, with scant regard for the interests of the consumers. Why should the cost of generating and distributing power be higher in West Bengal compared to other Indian states?

Even the formal functioning of the WBERC leaves a lot to be desired. Currently two posts of the three stipulated fulltime members of the Commission, including that of the

Chairperson, are lying vacant. The latest tariff orders for CESC and WBSEDCL are signed by a lone member of the WBERC. There are no representatives of consumers in the WBERC. The electricity regulatory commissions (ERCs) of states like Maharashtra, Odisha, Andhra Pradesh, Karnataka and Madhya Pradesh have appointed consumer representatives to the ERCs to represent public and consumer interests. ERCs in states like Maharashtra, Bihar, Tamil Nadu, Delhi and Andhra Pradesh conduct public hearings in multiple locations to discuss tariff determination and other issues related to power supply. The WBERC, however, conducts no such public hearings and the process of tariff determination remains opaque for the general public.

The WBERC has also failed to conduct a proper evaluation of the past performance of the CESC and WBSEDCL, before approving the tariff hike. Crucial data that is necessary for the performance evaluation of the power distribution companies, including the cost of power purchase, category-wise sales and revenue and actuals for the past year, have not been made public. There is no review or analysis of whether the cost increases for the companies were controllable since there is no transparency with regard to the costs of crucial inputs, especially coal, which has been cited as the main reason for the tariff hike.

In this backdrop, it is difficult to accept the rationale provided by the WBERC with regard to the tariff hike. Further, since the tariff revision has been done without proper public consultation, there is sufficient ground for a review of the WBERC tariff orders and re-initiation of the tariff determination process.

The WBERC has also failed to perform an important function, stipulated in the Electricity Act 2013, namely the promotion of power generation from renewable sources. Out of the 3077 MW of solar power generation capacity installed in the country till 2014-15, only 7 MW capacity has been installed in West Bengal. As can be seen from the table below, West Bengal has been among the worst performing states under the National Solar Mission, despite the state having a large potential for solar power generation.

Table: 4
Grid Connected Solar Power Projects under JNNSM
(2014-15)

	Total Commissioned Capacity (MW)		Total Commissioned Capacity (MW)
ALL INDIA	3077.68	Punjab	55.77
Gujarat	929.05	Odisha	31.76
Rajasthan	851.5	Uttar Pradesh	29.71
Madhya Pradesh	378.58	Jharkhand	16
Maharashtra	322.9	Haryana	12.8
Andhra Pradesh	235.86	Telangana	8
Tamil Nadu	104.76	Chhattisgarh	7.6
Karnataka	67	West Bengal	7.21

Source: Annual Report, 2014-15, Ministry of New and Renewable Energy, GoI

Need to Break the Monopoly of CESC

The CESC enjoys absolute monopoly in power distribution in 567 sq.kms area in Kolkata, Howrah and neighbouring districts. Because of the certainty of cost recovery from

consumers, owing to the almost rubber-stamp status of the WBERC, the CESC has not been exercising due diligence to ensure efficient management and planning. For example, CESC is procuring power from its new thermal power plant HEL (Haldia Energy Limited) at a rate of 485 paisa per unit, whereas the Budge Budge and Titagarh plants generate power at 219 paisa and 265 paisa per unit, respectively.

Why didn't the CESC go for competitive bidding to get the best prices for power purchases? Why is the WBERC allowing the CESC to increase its power purchase from its own generation company HEL rather than buying it from cheaper sources?

The monopoly power enjoyed by the CESC has enabled it to reap huge profits year after year (see table below). 85% of the total net profits of the RP - Sanjiv Goenka Group of companies in 2012-13 comprised of CESC's profits alone. Thus it is the CESC which has facilitated the expansion and diversification of the RP-SG group into sectors like organised retail, real estate, media and entertainment, BPO, plantation etc.

Table: 5

NET PROFITS AFTER TAX: CESC AND WBSEDCL					
(in Rs. Crore)					
	2010-11	2011-12	2012-13	2013-14	2014-15
CESC	488	554	618	652	698
WBSEDCL	95	73	81	19	23

Source: Annual Reports of CESC & WBSEDCL

The WBSEDCL has also been making profits, but its profitability is much lesser than that of the CESC. While the WBSEDCL caters to rural consumers across West Bengal, the CESC enjoys monopoly over the more lucrative segment of the electricity market in the Kolkata metropolis.

Because of the absence of competition, both the CESC and the WBSEDCL have relied on tariff hikes to generate additional revenues, rather than increasing the operative efficiency of the companies over time. In order to address the problem of high power tariff in the long term, it is necessary to break the monopoly of the CESC in Kolkata and adjoining areas. Allowing the WBSEDCL to also supply power in Kolkata and adjoining areas can introduce some competition and benefit the consumers.

Electricity Amendment Bill, 2014

The central government has introduced the [Electricity Amendment Bill](#) in the Lok Sabha in December 2014, which is now under the consideration of the parliamentary standing committee on energy. This bill seeks to further amend the Electricity Act, 2003 and introduce multiple "supply licensees", mostly private operators, to supply electricity to the consumers in the same area. Thus, a further layer of profit-making power supply business will get introduced between the power distribution companies and consumers, which will inevitably lead to further hikes in power tariffs. Such apprehension has

gained further ground with a provision of the Bill stating that: “the charges fixed by a supply licensee shall be market determined: Provided that the Appropriate Commission shall determine a ceiling charge based on the normative costs and standards of performance...”

The experience in West Bengal clearly points to the inability of the electricity regulatory commission to ensure the supply of power at the rate approved by the commission. The distribution companies have been increasing the power tariffs by charging MVCA and the WBERC has formalised such tariff hikes in subsequent orders. The solution to the problem lie in strengthening and improving the functioning of the WBERC and making it more transparent and accountable to the people. The Electricity Amendment Bill 2014 seeks to do the reverse by introducing even more profit-making private operators in the supply chain, which would create another lobby whose vested interests are going to be served through tariff hikes. What needs to be done is to ensure effectively regulated competition among the existing power distribution companies, both in the public and private sector, through timely performance audits with a thrust on increasing operative efficiency and reduction of avoidable losses.

Already the state governments of Tamil Nadu, Madhya Pradesh, Odisha and Gujarat have raised objections to the provisions of the Electricity Amendment Bill 2014. The ill-conceived Electricity Amendment Bill 2014 should be opposed and pro-people amendments to the Electricity Act, 2003 brought about in order to make the ERCs more effective, transparent and accountable to the people.

Steps to Ensure Affordable Power Supply in Bengal

The CESC is the sole power distribution company in Kolkata, Howrah and adjoining areas catering to 29 lakh consumers. The state owned WBSEDCL supplies power to nearly 1.5 crore consumers across the state. With the latest tariff orders of the WBERC, all the power consumers are going to be adversely affected through the tariff hike, which is quite unjustifiable and avoidable.

In the short-run, the WBERC tariff orders for CESC and WBSEDCL issued on March 4, 2015 can be reviewed and the process of tariff determination re-initiated, in order to reduce power tariffs. In fact the WBERC itself needs to be restructured to make it more effective, starting with the appointment of a new chairperson and full time member. The participation of consumer representatives in the WBERC and public hearings in multiple locations can be made mandatory for decisions on tariff revisions.

In the medium run, the monopoly of the CESC in power distribution to Kolkata, Howrah and adjoining areas needs to be broken. This can be done by allowing WBSEDCL to also supply power in these areas and introducing newer players over time. Ensuring competition, the presence of an efficient public sector, effective regulation and people’s participation in the tariff determination process can go a long way in improving the situation.

In the long run, the lopsided reliance on coal-based thermal power generation in West Bengal needs to be addressed. The potential for power generation from renewable sources, especially solar power, has remained untapped in the state, which reflects a lack of political will in this regard. A big push for solar power in Bengal is not only desirable from the sustainability point of view, but can make power more affordable by introducing greater competition, both in generation and distribution.