

## **CENTRAL ELECTRICITY REGULATORY COMMISSION**

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### **PRESS RELEASE**

#### **ELECTRICITY REGULATORS AGREE TO DISALLOW PENAL UI CHARGES IN CONSUMERS POWER TARIFFS**

The Forum of Regulators, which is chaired by Chairperson, Central Electricity Regulatory Commission and has all the Chairpersons of State Electricity Regulatory Commissions as its members, has agreed that the additional Unscheduled-Interchange (UI) charges imposed on distribution utilities for excessive overdrawl from the grid would not be allowed to be recovered from consumers w.e.f. 1<sup>st</sup> August, 2009.

2. The Forum has considered the recommendation of the Parliamentary Standing Committee on Energy that the regulators should evolve such practice that when the Annual Return Rates are being filed, the damages which have been imposed as Unscheduled Interchange charges should be stated separately and very clearly and those payments which are in the nature of damages should not go to show purchase of power because that really is the inefficiency or incompetence of that particular distribution company or entity.

3. After deliberation on the recommendation, the Forum of Regulators arrived at a consensus that the additional UI charges imposed on the utilities under the UI regulations of CERC for overdrawl during the period when grid frequency is below 49.2 Hz. should not be permitted in the annual revenue requirement of distribution utilities w.e.f. 1<sup>st</sup> August, 2009.

4. This decision has been conveyed to the Central Government and, also to all the SERCs for necessary action.

5. It may be recalled that CERC notified the new regulations on 30<sup>th</sup> March, 2009 rationalizing the UI mechanism sending unambiguous message that UI mechanism is not meant for trading of electricity and will be mainly an instrument for grid discipline and settling the unintended deviations during the normal course of operations and when the frequency is in normal operating range according to the Indian Electricity Grid Code. The objectives of this measure were to promote electricity markets for providing certainty to the investors and also to penalize the utilities who indulge in excessive withdrawal from the grid.

6. After this decision of the Forum of Regulators, the distribution utilities will now be required to forecast their demand more precisely and plan the power purchase in advance. Otherwise, they will have to bear the burden of additional UI charges from their own finances and will not be able to pass this on to the consumers.

Sd/-  
(Alok Kumar)  
Secretary