

CENTRAL ELECTRICITY REGULATORY COMMISSION
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PRESS RELEASE

2nd September, 2008

CERC Staff proposes measures for cooling down the prices of electricity.

In view of the concerns being expressed regarding the increase in prices of electricity being sold/traded in short-term, the staff of the Commission has circulated a discussion paper titled “Measures for restraining the prices of electricity in short-term sale/trading”.

2. In addition to other required steps, the discussion paper proposes regulatory intervention under the provisions of the Electricity Act, in the form of price caps for inter-state sale of electricity in short-term by the distribution licensees, trading licensees and the power from hydro electricity/ domestic coal/imported coal based power stations. The proposed ceiling of tariff is 20% higher for the sale during peak hours, as compared to that during off-peak hours..

3. The Discussion paper analyses the prevailing scenario in short-term trading, the cost of generation of power from typical power projects, the trend in prices of electricity being traded and the current power supply position in the country.

4. The staff paper proposes the following measures in order to cool down the price of electricity in short-term sales:

- Price cap of Rs. 5/- per unit of electricity for inter-state sale by distribution licensees, trading licensees and the power from hydro electricity/ domestic coal/imported coal based power stations.
- Price cap of Rs. 6/- for peak demand in the evening.
- Ensuring impartial functioning of State Load Despatch Centres in order to increase power supply through “Open Access”.

- Flexible scheduling framework so that bi-lateral transactions can be modified at short notice keeping in view the demand pattern.
- Strict monitoring of overdrawal by the states during low frequency so as to induce grid indiscipline and planned purchases of electricity.

5. The discussion paper fully recognizes that there are no durable short-cut solutions and the states have to be accelerate addition of new generation capacity. It also brings out various implications of price caps on the electricity market.

6. The staff paper is available of the web site of the Commission and the stakeholders have been invited to send their views latest by 22nd September, 2008.

Sd/-
(Alok Kumar)
Secretary