



केन्द्रीय विद्युत विनियामक आयोग

CENTRAL ELECTRICITY REGULATORY COMMISSION



Dr. Pramod Deo
Chairperson

D.O. No.2/7/2008-Policy/CERC
Dated : 22nd December, 2008

Dear *Shri Razdan,*

The Electricity Act, 2003 (in proviso to section 62(1)) provides for fixing of ceiling of tariff for sale or purchase of electricity in short-term to ensure reasonable prices of electricity in case of shortages.

2. The scope of this provision of the law has been considered by the Commission in the matter of measures for restricting the prices of electricity in short-term market and the Commission has passed its order on 17th December, 2008. A copy of the order is enclosed. It has emerged that the State Governments receiving free power from the hydro power generating stations, in exercise of their discretion, may sell such electricity to the distribution licensees, the electricity traders, in addition to the consumers. The Ministry of Power vide its order no. S.O. 792(E) dated 8th June, 2005, published in the Extraordinary Gazette, has provided that the State Government receiving free electricity from hydro power generating stations shall have discretion to dispose off such electricity in the manner it deems fit according to the provisions of the Act. The statutory order further provides that if such electricity is sold by the State Government to distribution licensee, the concerned State Commission shall have powers to regulate the price at which such electricity is procured by the distribution licensee.

3. The Commission, in its order, has noted that though the Central Government has specified the regulatory framework for fixation of tariff for sale of such electricity by the State Governments to distribution licensees, there does not appear to be any mechanism available with the Commission to regulate price for sale of such electricity when sold to the distribution licensees of other states or trading licensees because the State Government receiving free power is neither a generating company nor a licensee.

Contd....2/-

4. This aspect assumes importance in view of the increasing proportion of free electricity being sold by the State Governments in the total electricity being sold in inter-state transactions of agreements of period less than one year.

5. The Commission, therefore under its statutory obligations as provided in section 79(2)(ii), has decided to advise the Ministry of Power to devise an appropriate statutory mechanism for regulation by this Commission of price for sale of such electricity by the State Governments to the distribution licensees of other states or trading licensees.

Best regards,

Yours sincerely,

Pramod Deo

(Dr. Pramod Deo)

Encl : as above

Shri Anil Razdan
Secretary (Power)
Ministry of Power
Government of India
Shram Shakti Bhawan
Rafi Marg, New Delhi.