

Setting a uniform tariff is a regulatory matter

Ashok Sethi, Chief Operating Officer Tata Power Company and a four-decade veteran of the company's Mumbai distribution business, opens out on the issues in this segment in a conversation with **Gayatri Ramanathan**.
Edited excerpts

What is the current customer base? What are the projections for growth? How have you grown in the past five years?

■ Our current base is around 6.82. Mumbai is growing at a rate of 3 per cent. That means every year 40-50,000 customers are added. Of which, we gain around 15-20,000 customers. But growth is very much dependent upon tariff. Customers will go one way or another depending on the way tariff is structured.

But your tariff is much lower than Reliance?

■ Yes it is, for the lower slabs - for the 0-200 slab. And that is where our customers have been coming from. Out of 6.8, 5.8 are lower end consumers.

I thought your switch-over customers were mainly high-end consumers. That was the bone of contention between you and MERC.

■ It was a perception that was being created that we were picking up only high-end customers. Most of our switch-over customers are actually from the lower end of the slab.

When tariff varies from year to year, it is ad hoc; just managed from year to year. We should have a long term view on tariff. It should be linked to the cost of power purchase

But as I said, it is a function of tariff. The more important question is the tariff structure. Let me explain. It is important to have a tariff roadmap of how they will move. It should be linked to the cost of power purchase. And I should have a roadmap on how I am going to reduce cross subsidies in the next five years and arrive at a tariff set on economic principles.

But we do have a five year Multi-year Tariff (MYT) structure in place.

■ It may be called an MYT. But when tariff varies from year to year, it is ad hoc, just managed from year to year. We should have a long term view on tariff. This is what we have been advocating.

But we do have a five year MYT system in place under which you propose tariffs based on a business plan for the next five years.

What we propose and what we get are two different things! There is no connection between the two.

So where is gap? Is it at the level of the commission? Or is it be-



Ashok Sethi

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cause of the way the state government is looking at subsidies?

■ The state government has no role to play in this. I would say it lies with commission. The gap is with the planning.

What are your views on separation of wire and supply?

■ Actually if you see, in Mumbai it is very easy to implement separation of wire and supply. By letting the customer choose between two providers, half the work is already done. The consumer has a choice. It is important is to make sure that economical wires are laid. It doesn't matter who lays the wire. Wires should be laid only where

there is customer demand. If they are laid where there is no demand, then the wire has to wait for the customer. We were asked lay wires in areas where we have no customers. In transmission the ARR (annual revenue requirement) are pooled together, so whatever is planned is economical. What we have been asking is why can it not be done here? According to us, it can be done. Then wire and supply can be separated.

If the wires were not economical, why did you lay them?

■ (We did it) Because we were asked to do so by the commission.

The city will also get a uniform tariff?

■ No that's a different matter. When you pool, the wheeling charges are reduced, lowering the cost of supply. It has an impact on tariff.

Is it feasible for Mumbai to have a uniform tariff?

■ In certain categories it makes sense to have a uniform tariff. It is definitely more convenient to have a uniform tariff. Provided other category tariffs are set on an economic principle.

Do you see uniform tariff coming anytime soon? Is it a matter of political will or do you see it as regulatory matter?

■ It is a regulatory matter.