

# Mumbai Consumer now has a choice...

## Opt for an Efficient and Responsible Power Distributor!

### Dear Mumbaikars,

Over the last few weeks you may have read various reports about the on going debate regarding the supply of power to Mumbai. We take this opportunity to enable you to understand the current situation.

Tata Power has been serving the city of Mumbai for about hundred years and we are proud that we have earned the respect of the larger community and our customers, entirely on the basis of our values, service and business ethics. In addition to Tata Power, Mumbai is being served by BEST and RInfra (erstwhile BSES/REL).

Tata Power has consistently been meeting its obligations as a distribution licensee as well as a generator to the city of Mumbai. Tata Power had contractual arrangements for 1427 MW with BEST and Tata Power-D and has been supplying 500 MW without any contract to RInfra.

During the last two years, the Hon'ble Supreme Court has passed two orders - one confirming the Company's right to supply electricity in retail directly to all consumers in its license area, and the other upholding the right of the generator to sell power to a buyer of its choice. Accordingly, Tata Power gave notice to RInfra in June 2009, to make alternate arrangements for power from 1st April 2010.

The present situation has arisen as a result of RInfra not making adequate arrangements to procure power from 1st April 2010, despite having been given a nine month notice by Tata Power. RInfra chose instead to do nothing for nine months and approached Government of Maharashtra with a plea to direct Tata Power to continue supplying power as earlier.

The Electricity Act 2003 made it mandatory for a distribution licensee to sign a Power Purchase Agreement (PPA) with a power supply company. It must also be pointed out that while both BEST and Tata Power-Distribution entered into a PPA with Tata Power-Generation for supply of power, RInfra consistently declined to enter into a PPA. Their defiance continued despite being specifically asked to do so by the Maharashtra Electricity Regulatory Commission (MERC). **MERC in its order has stated:**

*“REL's recalcitrant attitude in seeking approval of the terms and conditions of its power procurement, deserves to be deprecated and the Commission administers a warning on REL. REL being a distribution licensee and a generator, it is for REL to file the power purchase agreements for purchase of power from generating companies early, and written arrangements for procurement from its own generating division immediately... The Commission may take stern action in the event of such failure on the part of REL, in future.”*

Out of the 500 MW that was available, Tata Power had earlier signed a PPA of 100 MW with BEST; 160 MW with Tata Power-D and 40 MW is on standby. In the last 5 months, several consumers of suburban Mumbai have switched over from RInfra to Tata Power. Over 30,000 consumers have opted for Tata Power and with each passing day the company is adding around 500 new consumers to its base. Hence, a load of over 160 MW for these consumers has shifted from RInfra to Tata Power-D and is expected to grow steadily.

### We would like to address some of your concerns:

#### • Will there be load shedding in Mumbai during this Summer?

There need not be load shedding in Mumbai. Mumbai needs 3000 MW during peak summers and has a combined generation capacity of 2400 MW available today. The city has been short of power for the last 3-4 years during peak summers and has always managed to procure its additional power requirement due to efforts of respective distribution companies. Thus, this calls for a concerted effort by the concerned distribution company to take action in a responsible and timely manner to take care of its customers.

#### • Is Tata Power Profiteering as alleged?

The allegation that Tata Power is profiteering is a malicious and irresponsible accusation. As explained above, the much talked about 500 MW is entirely available for Mumbai consumers. We have already

committed about 300 MW through contractual arrangements and balance 200 MW is available to meet the expanding load in Mumbai. **Where is the question of profiteering? If profiteering was our objective the capacity wouldn't have been made available in the above manner.**

#### • Facts on Consumer Funding (Statutory Appropriations) of our Generation Assets:

The consumer funding amount of Rs. 534 crores mentioned by RInfra towards generation assets is incorrect. Only a sum of Rs. 127 crores was towards the generation assets - Unit 5 and Unit 6 (established in 1984 and 1990 respectively). The balance amount of Rs. 407 crores was towards Transmission & Distribution projects for Mumbai consumers.

Tata Power has earned no returns on this Rs. 127 crores contributed by the consumers as it was subtracted from its capital base and given that these assets were created 20 years ago, they have been fully depreciated.

#### • Now Consumer has a choice - Please exercise it!

Over the last few years, Tariff of RInfra consumers have risen as it has not made long term arrangement for power for its consumers. Presently, MERC has intervened and stayed RInfra's Tariff of FY 2009-10 pending investigations and RInfra consumers are being charged as per FY 2008-09 tariff.

However, consumers need not suffer due to the inadequacies of RInfra. Today, consumers in Mumbai have a choice. They can switch over to an efficient and responsible distributor like Tata Power, who has the requisite power to service the growing demand of the consumers.

**Tata Power as always is committed to serving the consumers of Mumbai.**

Lighting up Lives!

