

ఎం. జగదీశ్వర్, ఐఏఎస్
 మేనేజింగ్ డైరెక్టర్
M. Jagadeeshwar, IAS
 Managing Director



హైదరాబాద్ మహానగర నీటి సరఫరా
 మరియు మురుగు నీటి పారుదల మండలి
**Hyderabad Metropolitan
 Water Supply & Sewerage Board**



Letter No.MD/HMWSSB/Power tariff/2015/480

Dt: 23-02-2015

To
 The Chairman & Managing Director,
 S.P.D..C.T.L.
 Hyderabad.

**TSERC, HYDERABAD
 INWARD**
 24 FEB 2015
 No. 293 Signature

Sir,

Sub: - HMWSSB- Power tariff concession – Proposal for concession in power tariff- Reg.

The HMWSSB is a Local Authority as defined under Section 3 (iii) of HMWSS Act 1989, Constituted on 1st November 1989, is mandated to supply potable water including planning, design, construction, maintenance, operation & management of water supply system and sewerage treatment. The jurisdiction extends to the Metropolitan area of Hyderabad besides supply of water to Gram Panchayats, Industries, commercial Establishments, enroute villages, MES etc. The ownership of the Board is fully (100%) vested with the Government of Telangana state and is an extended arm of the Government and constitutes an integral part of the state under Article 12 of the Constitution.

To bolster the growing requirement for water from the burgeoning citizenry, the Board has embarked on implementation of major projects namely Krishna Drinking Water Phase-III and Godavari Drinking Water Phase-I with a total outlay of Rs. 5395 Crores, of which an amount of Rs.3,500 Crores is availed as a loan from financial institutions and the said endeavors are under advanced stage of implementation and expected to be commissioned by March 2015. In addition, the Board has also undertaken projects for improvement of Transmission & Distribution systems to enable the Board to fully utilize the additional augmentation of water under JNNURM & The World Bank, including projects for improvement of sewerage network systems in the GHMC area, treatment & disposal of sewage to ensure clean environment as directed by the Honorable Supreme Court. Under World Bank aid a comprehensive water supply service improvement project is in progress. The works to improve its capacity to absorb increased sewage outflows to protect environment as well as to supply treated sewage water for non-potable purposes are also under progress.

The total outlay of these projects is Rs. 1,950.00 crores under JNNURM and Rs. 338.00 crores from the World Bank. The Board needs to invest its share of capital contribution as per the agreed ratio besides servicing debts. The Government, while according Administrative sanction for Krishna Drinking Water Phase III & Godavari Drinking Water Phase-I, agreed to finance the projects including debt servicing. However for the loans availed in past for other

CHAIRMAN PESHI

No : 188
 DATE : 23/2/15

Water is precious, Every Drop Counts

MEMBER (T) PESHI

No : 252
 DATE : 25.02.15

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projects, the Board is required to service the debt out of its own resources. As the Board is unable to meet the high operational cost, there is no surplus left to meet these debt service commitments. Thus the need for the Government to provide financial assistance to overcome the crisis, failing which it would have serious impact on the service delivery to the Citizens. Besides, the Budget provided for the year 2014-15 is insufficient to complete the projects as scheduled.

One of the major components of operational cost is power charges which constitute more than 73% of the total basic operating cost and likely to increase substantially to 89% on completion of Krishna Phase III and Godavari Phase I as both the schemes are power intensive, warranting heavy pumping from long distances. Unlike power tariff, water tariff cannot be revised whenever there is an increase in power charges, as the issue of hike in water tariff leads to commotion among the public as well as polity in view of the general perception that the water is a god given gift and should be supplied free of cost with least understanding that treatment, transmission and distribution costs are only charged and the water is not charged. It is pertinent to note that, of the total water supply, 95% of the water supply is through pumping system and hardly 5% through gravity system and in the years to come, the gravity system is prone to depletion owing to encroachment of catchment areas besides construction of intermediate check dams all along the river coast. The current consumption of power is to the order of 110 MW and the cost involved is to the tune of Rs. 45 Crores/Month. The additional power cost on commissioning of Krishna Phase III and Godavari Phase I, would be to the order of Rs. 50.00 Crores/month, thus totaling to Rs.95.00 Crores/month and where as there cannot be proportional increase in the water tariff to absorb the additional cost, swing to the geographical conditions, pumping is necessitated for tapping water from distant sources involving several stages of pumping. **Apparently power charges will be the single cost component which determines the sustainability of the Board. The Government's strong recommendation to consider concessional power tariff will go a long way for financial sustenance.**

The fact also remains that the current tariff structure of HMWSSB in place, is one the highest in the country and any further increase in tariff is non-trivial and would be construed as highly unreasonable and unjustifiable by the citizens. Unlike power tariff, water tariff revision on annual basis is extremely difficult as the subject matter of water is highly sensitive on counts more than one and hence the burden cannot readily be transferred to the consumers.

The major concern of the Board is, and has been high debt cost resulting in high debt servicing which is beyond the sustainable capacity of the Board. The standard parameter for debt servicing should not, normally exceed 25% of the revenues; whereas the current situation itself is much more than the standards set and would progressively exceeds manageable limit. Thus it is imperative that the Board's financial position would go from bad to worse and hence there is an urgency to explore the possibilities of reducing the debt servicing cost as well as operating cost, enabling the Board to sustain financially in the long run.

The misapplication of the definition of "Industry" consequent to wrongful import of the definition from irrelevant statute and thereby incorrect categorization has been unduly taxing the Board revenues while depriving it of rightful congenial payment terms and rates. Further the Board is being charged at an additional Rs.1/- charge per unit of consumption during peak hours exacerbating the efforts to reduce costs.

A special power tariff needs to be provided in view of the legal status of the Board and nature of service rendered to the citizens as mandated under the constitution instead of

classifying it as an industry for levy of power tariff which is grossly incorrect and needs to be redressed.

The table given below, comparing the tariff levied in Bengaluru and Hyderabad clarifies the needs for re-classification

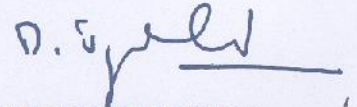
Sl.No	Nature of the Charges/Tariff	Bengaluru	Hyderabad
1	Category of Billing	Separate category created for BWSSB installations	Industry
2	Demand charges per KVA	Rs. 180/KVA/PM	Rs. 350/KVA/PM
3	Rate per unit	Rs. 3.80/unit	Rs.5.73/unit
4	Rebate for pumping during No-peak hours i.e., 10.00 PM to 6.00 AM	Rs. 1.25/unit	No rebate
5	Peak hours charges 6 PM to 10 PM	-	Rs. 1.00/unit

The only option left to the Board is to seek remedy through concessional power Tariff to reduce high operating cost and budgetary support from the Government of Telangana State for project financing and debt service requirements as the capital expenditure constitutes more than two-third of the total funds requirement and its growing substantially.

Hence our plea to classify water board consumption on par with Bengaluru apart from waiving the peak hour consumption charges of Rs.1/- and extend rebate for non-peak hours consumption.

I request that necessary action may be taken to Levy concessional tariff to HMWSSB installations.

Yours faithfully,



MANAGING DIRECTOR

✓ Copy submitted to the Chairman, Telangana State Electricity Regulatory Commission, Hyderabad.