

**BEFORE THE GUJARAT ELECTRICITY REGULATORY COMMISSION
GANDHINAGAR**

Petition No. 2188 of 2023.

In the matter of:

Petition under Section 47 of EA, 2003 and GERC (Security Deposit) regulations, 2005 for Amendment of the Regulations.

Petitioner	:	Paschim Gujarat Vij Company Limited
Represented by	:	Ld. Adv. Ms. Shrishti Khandaria alongwith Mr. S.N. Parmar
Co-Petitioner	:	Gujarat Urja Vikas Nigam Limited
Represented by	:	Mr. U. R. Master
Vs.		
Respondent No. 1	:	Dakshin Gujarat Vij Company Limited
Represented by	:	Nobody was present.
Respondent No. 2	:	Uttar Gujarat Vij Company Limited
Represented by	:	Mr. K. B. Chaudhri.
Respondent No. 3	:	Madhya Gujarat Vij Company Limited
Represented by	:	Nobody was present.
Respondent No. 4	:	Torrent Power Limited, Ahmedabad
Represented by	:	Nobody was present.
Respondent No. 5	:	Torrent Power Limited, Surat
Represented by	:	Nobody was present.
Respondent No. 6	:	Torrent Power Limited, Dahej
Represented by	:	Nobody was present.

Respondent No. 7 : Torrent Power Limited, Dholera
Represented by : Nobody was present..

Respondent No. 8 : AspenPark Infra Vadodara Pvt. Limited
Represented by : Nobody was present.

Respondent No. 9 : Deendayal Port Authority
Represented by : Nobody was present.

Respondent No. 10 : GIFT Power Company Limited
Represented by : Nobody was present.

Respondent No. 11 : Jubilant Infrastructure Limited
Represented by : Nobody was present.

Respondent No. 12 : MPSEZ Utilities Limited
Represented by : Nobody was present.

Respondent No. 13 : Gujarat Krushi Vij Grahak Suraksha Sangh
Represented by : Nobody was present.

Respondent No. 14 : Federation of Kutch Industries Association
Represented by : Nobody was present.

Respondent No. 12 : Sihor Steel Re-Rolling Mills Association
Represented by : Mr. Vikram Shah.

CORAM:

Anil Mukim, Chairman
Mehul M. Gandhi, Member
S. R. Pandey, Member

Date: 17/03/2025.

DAILY ORDER

1. The present matter was listed for hearing on 02.01.2025.
2. Ld. Advocate Ms. Shrishti Khandaria, on behalf of the Petitioner, submitted that as directed by the Commission, public notice was published in daily newspapers- 'Indian Express', 'Sandesh', and 'Gujarat Samachar' on 08.06.2023 and reiterated the need for amendments in Security Deposit Regulations.
3. It is also noted that as directed by the Commission, copy of the Petition was placed on Commission's website for getting Comments / suggestions on the Petition.
4. In response to public notice, the following stakeholders have submitted their views/ suggestions.
 - a. Gujarat Krushi Vij Grahak Suraksha Sangh
 - b. Federation of Kutch Industries Associations
 - c. Sihor Steel Re-Rolling Mills Association
5. Mr. Vikram Shah on behalf of the Sihor Steel Re-Rolling Mills Association opposed the proposal for amendments in the Security Deposit Regulations.
6. The stakeholders strongly oppose the petition filed for the amendment of the Security Deposit Regulations. They argue that the increase in the security deposit is unwarranted, particularly when no new justifications or data have been provided to support such a change. The respondents call for a more equitable solution, considering the interest of consumers and the evolving nature of the energy sector, particularly with the transition to smart meters. They requested the Commission to reject the proposed amendment and ensure the fair application of the existing regulations.

7. The brief details of the comments/ views as submitted by the Stakeholders are as under-

- a. The petition is deemed inadmissible and not maintainable. The respondents argue that similar petitions should not be re-entered if dismissed previously.
- b. The security deposit is a safeguard against potential future defaults and is not meant to be changed based on the whims of the Petitioners.
- c. The use of the term "reasonable security" in Section-47 of the Electricity Act, 2003 should not be exploited for commercial gain at the cost of consumers.
- d. The increase in the security deposit from 1.5 to 2 months of the energy bill is deemed unjustified. The security deposit regulation has been in place for 18 years, and no new factors have been introduced to warrant this change.
- e. The average recovery rate is around 96%, and the burden of the 4% defaulters should not be passed on to honest consumers.
- f. PGVCL has not provided sufficient data on HT consumers who regularly default, making it difficult to justify the increase.
- g. The petitioner and all other Distribution Licensees should submit detailed reports regarding consumer categories, amounts recovered as security deposits, interest paid, and defaulters' statistics over the past three years. A detailed report on the percentage of defaulters and the amount recoverable per consumer category over the past three years is required.
- h. For deposits over ₹10 lakhs, a bank guarantee should be accepted instead of the cash deposit.
- i. The proposed change could burden industries already struggling with high interest rates and tight cash flows. The current interest rates on security deposits are low (around 4.5%).

- j. To ensure consumer protection, the interest rate on security deposits should match the rate of Return on Equity (RoE) as approved by the Commission, as per the Electricity Act of 2003.
 - k. The stakeholder also express concern over the DPC (Delayed Payment Charges) and the lack of rebates or grace periods for regular consumers, especially senior citizens.
8. In response to the comments from the stakeholders, the Petitioner has submitted in its reply that-
- a. The petition is legally admissible. Section 47 of the Electricity Act allows DISCOMs to seek reasonable security deposits. The Hon'ble Commission's earlier order in Petition No. 1751 of 2018 explicitly permits Distribution Licensee to file fresh petitions for relief under Section-47.
 - b. The justification for the proposed increase is already explained in the petition. Regulations can be amended as needed, and the mere passage of time does not invalidate the need for revisions.
 - c. The requested data is irrelevant to the petition. The principle of reasonable security deposit is established by law, and details are already available in audited financial statements.
 - d. The requirement for a security deposit is based on principles of financial security, not the number of defaulters. Default patterns are unpredictable and influenced by multiple factors, including economic conditions and seasonal variations.
 - e. Currently, HT consumers provide a 1.5-month security deposit, but since bills are paid monthly and disconnections take time (minimum 25 days), the existing deposit does not cover potential defaults. Increasing it to two months is necessary to protect Distribution Licensees. Additionally, appropriate interest is paid to consumers on their security deposit, making it a fair financial arrangement.

- f. Security deposit provisions are mandated by the Electricity Act, 2003 and remain applicable as long as postpaid billing exists. The implementation of prepaid metering under the Revamped Distribution Sector Scheme (RDSS) is not a reason to deny a present need for amendments.
- g. Ensuring the financial stability of Distribution Licensees is in consumers' best interest, as it prevents service disruptions and avoids shifting unpaid dues to other consumers.
- h. Security deposits are a preventive measure applicable to all consumers, not just defaulters. Waiting for defaults before securing payments is neither practical nor financially prudent.
9. Based on the materials on record and submissions of the parties, the Commission is of the view that it is required to place detailed justification along with the supporting details and documents. Accordingly, the Petitioner is directed to provide details related to the implementation of the present Regulations including implementation of periodic Review of Security Deposit of existing consumers and difficulties faced by the Distribution Licensees e.g. details of cases related to adverse financial impact to Distribution Licensees due to the present provision of the Regulations.
10. Next date of hearing will be intimated separately.
11. Order Accordingly.

sd/-
[S. R. Pandey]
Member

sd/-
[Mehul M. Gandhi]
Member

sd/-
[Anil Mukim]
Chairman

Place: Gandhinagar

Date: 17/03/2025.