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འབྲུག་གློག་ལྷགས་དབང་འཛིན།
Royal Government of Bhutan
Bhutan Electricity Authority
Thimphu : Bhutan



BEA/ECO/TARIFF/2010-2011/100

August 12, 2010

The Managing Director
Bhutan Power Corporation Limited
Thimphu

Subject : Tariff Approval for the period from 1st August 2010 to 30th June 2013

Dear Dasho,

This has reference to your proposal for electricity tariff revision, submitted vide letter no. 31/BPC/BEA/MD/2010/79 dated 21st March 2010.

In this regard, following the comprehensive review undertaken by the Bhutan Electricity Authority (BEA), the BEA is pleased to approve new tariffs and miscellaneous charges as attached in **ANNEXURE-I**.

We are also pleased to attach herewith summary of the key decisions taken by the BEA Commission as **ANNEXURE-II**.

The detailed tariff review report will be made available as and when ready.

Please note that the tariffs have been approved for the period of two years and eleven months. The revised tariffs shall come into effect from 1st August 2010 till 30th June 2013.

The BPC shall immediately incorporate and amend the BPC's Terms and Conditions of Supply of Electricity for HV, MV and LV customers to ensure compliance with these decisions of the BEA. The BPC shall not levy any other tariffs and charges to the consumers or other Licensees other than those approved by the BEA to ensure compliance to Section 6.2.1 of the BPC License Conditions.

You are requested to issue a public notification regarding the revised tariff at the earliest.

Thanking you,

Yours sincerely,

(Sonam Tshering)
Chairman
Bhutan Electricity Authority



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ANNEXURE – I

A. Approved Tariffs

**Approved Tariff Rates and Structure for the Bhutan Power Corporation Limited
(BPC) for the period from 1st August 2010 to 30th June 2013**

Customer Category		1 st August 2010 to 30 th June 2011	1 st July 2011 to 30 th June 2012	1 st July 2012 to 30 th June 2013
Wheeling (Nu./kWh)		0.111	0.111	0.111
LV	0-100 kWh (Nu./kWh)	0.85	0.85	0.85
	101-300 kWh (Nu./kWh)	1.47	1.54	1.62
	300+ kWh (Nu./kWh)	1.94	2.04	2.14
	LV bulk (Nu.kWh)	1.94	2.04	2.14
MV	Energy charge (Nu./KWh)	1.63	1.71	1.79
	Demand charge (Nu. /kW/month)	95	105	115
HV	Energy charge (Nu./KWh)	1.51	1.54	1.54
	Demand charge (Nu. /kW/month)	85	105	105

The **demand charge** shall be levied as follows:

- The maximum demand of the HV customer recorded by the Maximum Demand Meter in the billing month for the customer's demand from 70% to 100% of the contracted demand.
- The maximum demand of the MV industrial customer recorded by the Maximum Demand Meter in the billing month for the customer's demand from 37% to 100% of the contracted demand.
- The maximum demand of the MV hydropower construction customer recorded by the Maximum Demand Meter in the billing month for the customer's demand from 50% to 100% of the contracted demand.
- If the maximum demand of the HV customer is lower than 70% of the contracted demand, the BPC shall charge for the 70% of the contracted demand except as otherwise indicated under 24 (g) below.
- If the maximum demand of the MV industrial customer is lower than 37% of the contracted demand, the BPC shall charge for the 37% of the contracted demand except as otherwise indicated under 24 (g) below.



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Royal Government of Bhutan
Bhutan Electricity Authority
Thimphu : Bhutan



- f. If the maximum demand of the MV hydropower construction customer is lower than 50% of the contracted demand, the BPC shall charge for the 50% of the contracted demand except as otherwise indicated under 24 (g) below.
- g. For the cases where BPC imposes restriction on the demand of the customer, the BEA shall approve separate charges which will be conveyed to the BPC upon approval by the BEA Commission. Until new charges are approved by the BEA, the BPC shall apply the current terms and conditions of supply.**
- h. Customers shall not be allowed to draw more than the contracted demand under normal circumstances. In the event the customer's demand exceeds the contracted demand for any reason, the BPC shall levy twice the demand charge for the excess demand drawn by the customer.

B. Miscellaneous Charges

1. Energy Security Deposits shall be maintained at the following existing rates:
LV single phase – Nu. 12/A
LV three phase –Nu. 36/A
LV three phase with CT metering – Nu. 36/A
MV & HV – Nu. 36/A
2. Meter Security Deposit shall be equal to the actual cost of the meter.
3. Default-Payment Penalty shall be 2% per month of the billed amount.
4. Temporary services electricity tariff shall be same as the approved tariff structure.
5. Temporary Service Charges shall be same as any normal service charges and not double.
6. Fixed Service Connection Charge shall be Nu. 100 for LV single phase, Nu. 150 for LV three phase and Nu. 500 for MV and HV customers.
7. Reconnection and Disconnection Charge shall be Nu. 100 for LV single phase, Nu. 150 for LV three phase and Nu. 500 for MV and HV customers.
8. Service Cable Charge shall be as per the rates approved by the BPC.
9. Meter Testing Charges shall be Nu. 50 for LV single phase, Nu. 100 for LV three phase and Nu. 500 for MV and HV customers.
10. Installation, Inspection and Testing Charge shall be Nu.100 for LV single phase, Nu.300 for LV three phase and Nu.500 for MV and HV customers.
11. Electricity Theft cases shall be dealt as per the provisions of the Electricity Act since theft of electricity is considered an offence as per Section 69 (i) of the Electricity Act of Bhutan, 2001. However, for the recovery of the loss in revenue due to theft, the BPC may try to settle the case through an internal arrangement failing which the case may be forwarded to the Court.



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Bhutan Electricity Authority
Thimphu : Bhutan**



12. Meter Shifting Charge shall be Nu. 100 for LV single phase, Nu. 150 for LV three phase and Nu. 500 for MV and HV customers.
13. Electrical Installation Shifting Charge shall be as per actual cost of work. In the event of dispute between the licensee and the customer, the case may be forwarded to the BEA.
14. Costing, Estimation, Execution and Supervision Charges are not approved by the BEA since these activities are not related to the licensed activities of the BPC. Therefore, the costs and revenues of such services shall be maintained separately by the BPC as per the BEA Accounting and Reporting Regulation.
15. Dishonoured Cheque Penalty shall be dealt as per the relevant law or legal instruments.
16. Power Factor Penalty is not approved, since the power factor penalty below 85% as proposed by BPC is not allowed by the Distribution Code.
17. Capacity Reserve Charge shall be equal to the demand charge for three months calculated on the conditionally sanctioned load.
18. Burnt Meter Charge and Meter Tampering Penalty shall be merged into one charge and called as “meter damage charge” and shall be the actual cost of the damage.



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ANNEXURE – II

Summary of key decisions taken by the BEA Commission with regard to the Bhutan Power Corporation Limited (BPC's) tariffs for the period from 1st August 2010 to 30th June 2013

The Bhutan Electricity Authority (BEA) hereby issues the following decisions on the BPC Tariff to be effective from 1st August 2010 to 30th June 2013:

1. Tariff period of two (2) years and eleven (11) months is approved.
2. The Additional Price of Nu. 1.20/kWh is approved.
3. The average import price of Nu. 1.83/kWh is approved.
4. A Cost of Debt of 4% is approved.
5. A post-tax Cost of Equity of 10% is approved.
6. A gearing ratio of 40% is approved which is close to BPC's actual gearing ratio.
7. The prevailing company tax rate of 30% is approved.
8. Based on the above, a pre-tax Weighted Average Cost of Capital (WACC) of 10.17% is approved.
9. The inflation rate of 5% is approved.
10. Technical losses of 2% for High Voltage (HV), 2.5% for Medium Voltage (MV) and 12% for Low Voltage (LV) is approved.
11. 5% of LV sales is approved for determination of Commercial losses.
12. A collection rate of 100% is approved.
13. An O&M benchmark of 2.5% for micro and mini hydropower, 10% for diesel generation, 1% for Transmission, 3% for Distribution and 2% for Others is approved.
14. The O&M allowance for base year (2009) of Nu. 555.58 million is approved which has been calculated as the average historical O&M cost minus the donations, licence fees and the incomes from rental and hiring charges.
15. Arrears of 50 days for wheeling and 45 days for HV, MV and LV customers is approved.
16. The allowance for Inventories of Nu. 370 million is approved.



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འབྲུག་གློག་ལྷགས་དབང་འཛིན།
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17. The O&M efficiency gain target of 2% is approved.
18. The Rural Electrification assets worth Nu. 478 million which have been funded by grants from Austrian Government, Sustainable Development Authority (SDA) and the Government of India are considered as granted assets and hence excluded from the return on assets calculation.
19. The investment for Druk Bindu and Begana Small Hydroelectric Power Projects, Replacement of ground wire by OPGW in Eastern and Western grids, Lighting of Fibers and Terminal Equipment in 20 Dzongkhags and All Dielectric Self Supporting (ADSS) project are excluded from the BPC's investment plan for 2010-2013.
20. The Phobjikha Valley electrification grant of about Nu. 103 million in 2011 is deducted from the BPC's investment plan since it will be financed by the Austrian Government.
21. Considering the historical performances of the BPC, work progresses reported by the BPC Managers and the plans and policies of the Royal Government, 100% of the Rural Electrification Distribution Program, 90% of the Transmission Program, 90% of the System Operation and ICT program, 90% of the Embedded Generation Program, 70% of the Urban Distribution Program, 70% of the Rehabilitation/Replacement of assets Program and 70% of the Building and Land investments are considered for tariff calculations.
22. The Schedule F: Allocation factor of the Regulation is updated considering the approved investments.