

Types of Tariff

Domestic, Commercial and Industrial tariffs

Distribution companies provide electricity at different rates to different categories of consumers. Every state has different categories that cater to the needs of the businesses prevalent in their states.

But the most common categories are domestic (residential), commercial (shops and offices) and Industrial (manufacturing units).

With rates being lowest for residential consumers and highest for industrial consumers. Within these categories there are separate rates for LT and HT.

LT (Low Tension) vs HT (High Tension)

Tension is a French word for Voltage. A low-tension line is a low voltage line and a high-tension line is a high voltage line.

In India LT supply is of 400 Volts for three-phase connection and 230 Volts for single-phase connection.

High tension or HT supply is applicable for bulk power purchasers who need 11 kilo-Volts or above.

Most small consumers of electricity like individual houses, shops, small offices and smaller manufacturing units get their electricity on LT connection. HT is applicable for bulk purchasers of electricity like industries (big manufacturing units), big offices, Universities, hostels and even residential colonies (if the apartment complexes purchase together in bulk). The tariff structures of most state distribution companies are different for LT and HT.

In some states a residential complex can benefit with lower rates if electricity is taken at bulk HT tariff. Internally the complex can provide electricity to its residents through the common supply.

- Domestic-LT: for most individual residential connections.
- Commercial-LT: for small shops and offices. Also for hotels, guest houses, theatres, etc.
- Industrial-LT: for very small manufacturing units
- Domestic-HT: Bulk supply for residential colonies.
- Commercial-HT: for bigger offices, film studios, etc.
- Industrial-HT: for most heavy industries.

Cross subsidies and need for different tariffs

While cost of generation, transmission and distribution are the same, but the tariffs charged for different consumers is different. For example, if the average cost of service is Rs 5/unit, the domestic consumer may be charged at Rs 4.5/unit while an industrial consumer may be charged at Rs 5.5/unit. In this case, it is said that the domestic consumers are cross-subsidized by industrial consumers. These cross **subsidies** have been put in place in the country to make sure that the common man is not burdened much with the rising electricity costs. Industries and business take the most burdens of higher electricity costs. And thus the tariffs are different for different categories of consumers.