

**COSTING AND PRICING OF ELECTRICITY IN INDIA:****CURRENT PRACTICES AND POSSIBLE ALTERNATIVES****Abstract**

This thesis makes a detailed enquiry into the current practices of costing and pricing electricity in India in general and with particular reference to Kerala State Electricity Board and their relation to the principles and methods of cost determination enunciated in literature. Possible alternatives, especially marginal cost pricing are explored and a methodology for determination of marginal costs with particular reference to the all-hydro Kerala Power System developed by suitable adaptation of the methodology of Ralph Turvey. The marginal costs arrived at are compared with the costs determined as per current practices of electricity boards as also the various other methods enunciated in literature. The comparative picture reveals wide gaps between marginal costs and the prices which the electricity boards charge consumers. The gap is substantial in the case of Kerala State Electricity Board. The feasibility of adoption of marginal cost pricing in Kerala State Electricity Board is examined and it is concluded that it is beneficial for Kerala State Electricity Board to adopt marginal cost pricing as far as High Tension and Extra High Tension consumers are concerned. For the Low Tension domestic and commercial consumers load limiter tariff options are recommended to induce reduced peak hour consumption. The thesis also includes a survey of literature on the subject of Costing and Pricing electricity particularly on the application of marginal cost pricing to electricity.

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