

Minutes of the Thirteenth Meeting of the State Advisory Committee (SAC) held on Friday, 26th March, 2010 at 11.00 hrs

The Thirteenth Meeting of the State Advisory Committee of the MERC held on Friday, 26th March, 2010 with a warm welcome by the Commission to all attending Members and other officials. Shri V.P. Raja, Chairman, presided over the meeting along with Shri S.B. Kulkarni, Member and Shri V.L. Sonavane, Member.

Leave of absence were granted to those who could not attend the meeting.

Vidarbha Industries Association (VIA) through e-mail letter dated 26th March 2010 submitted their comments on the Agenda Items (1) Discussion Paper of Progressive Reduction of Cross Subsidies and (2) Expediting Open Access procedure” for the reference of SAC Members. A copy of their e-mail, along with attachment, was also marked to other SAC Members.

The Commission initiated discussion on the agenda items already circulated earlier.

Agenda Item No.1 **Confirmation of Minutes of the last meeting held on 30th December, 2009.**

Shri Shantanu Dixit of Prayas (Energy Group) suggested that the last sentence on Agenda Item No.3 of the Minutes of 30.12.2009 “Thereafter, discussion took place on the Capacity Addition Programme” be deleted.

The suggestion of Prayas was accepted and the Minutes were approved unanimously.

Agenda Item No.2 **Action Taken Report of the earlier meetings.**

Shri Shantanu Dixit of Prayas (Energy Group) stated that on Agenda Items 4-5-6, though details of discussion were narrated in the minutes, the action forward has not been listed on the Action Taken Report circulated earlier. The suggestion was noted.

Agenda Item No. 3 **Financial issues of Mahavitharan.**

The matter was dropped.

Agenda Item No. 4 **Delay in decision making due to Regulatory Process.**

Shri Ajoy Mehta, MD, MSEDCL stated that there are no pending capex proposals with MERC and that the approval process has become quicker.

Agenda Item No.5 **Exploring possibility of separate accounting procedure for ARR or otherwise, for State Utilities and Private Utilities.**

The regulations have to be uniform with the utilities in the State; moreover, the State utilities are now registered companies under the Companies Act 1951 and there is no distinction there also regarding PSU or Private Companies.

Agenda Item No. 6 **Cross Subsidy Surcharge for Open Access Consumers**

This item was discussed along with Agenda Item at 12 and 13.

Agenda Item No. 7 **Licence requirement for supplying power directly to the consumers.**

This item was discussed along with Agenda Item at 12 and 13.

Agenda Item No. 8 **Need for Regulations regarding consumers' group representatives by the MERC.**

MD, MSEDCL stated that due diligence has to be done while authorizing certain consumer group(s) for representing before the august Regulatory body. Considering the fact that Maharashtra has large number of different consumer groups, one or two such groups cannot be representative of all consumers in the State. This would be possible only when there is proper Regulation in place for selecting such consumer group. Such Regulation would enable the Commission to bring out publicly, the nature of the group, their capacity in the power sector, sources of funding, availability of skilled manpower, the category of consumers for which they wish to represent, nature of their constitution (affiliation to a political party if any), availability of audited financial statements, etc.

Dr S.L. Patil, General Secretary, Thane Belapur Industries Association (TBIA), an authorized consumer representative, stated that TBIA is an industries association working on a voluntarily nature. TBIA represented before the Regulatory Body on generic issues. TBIA earmark certain funds for such activities, and these funds are regularly audited and audited reports are filed before the appropriate authorities. All their records are available for public scrutiny. He also brought to the notice of the Members that due to their consistent efforts, along with Mumbai Grahak Panchayat, the Maharashtra Government had constituted this Commission on the directives of the Supreme Court on the Writ Petition filed by the TBIA on the erstwhile MSEB.

Advocate Shri Shirish Deshpande of Mumbai Grahak Panchayat stated that they are facing shortage of skilled manpower and requested the Commission to extend its all possible help to identify regulatory experts, including financial assistance.

The Commission summed up the detailed discussion stating that the Commission is in the process of identifying certain non-political expert bodies to represent the problems of various consumer category groups before the Commission. MERC is a quasi judicial body and while delivering its judgement on an issue it has to take into account not only geographical condition of the State, socio and micro-economic conditions of the type of consumers, but also the mandate of the Central and State Acts, and Regulations, Guidelines issued there under by the CEA and the CERC, etc.

However, before arriving a final decision on this complex issue, the Commission shall endeavor to address concerns of the Members and other stakeholders.

Agenda Item No. 9 **Need for Regulations for Consultants of the MERC**

MD, MSEDCL stated that in order to maintain high status and good quality of the functioning of the Regulatory body, it is essential to have Regulations in place so that certain guidelines can be followed uniformly for selecting the consultants to MERC. Further, each and every Order issued by the Commission should indicate the name of the

consultant who has advised the Commission on the issue. A panel of expert groups, could be formed for vetting the draft Orders of the Commission before finalisation.

The Commission stated that there is a Regulation in place for selection of Consultants in the MERC. Keeping the enormous task and mandate cast on the Commission and its present bare minimum core supporting staff, it is not possible for the Commission immediately to do away the present set up. However, recently the Government of Maharashtra has sanctioned additional staff and the Commission is in the process of filling up of these additional posts, would change the situation thereafter.

Agenda Item No. 10 **Possible Methodologies for Reduction of Distribution Losses and fixing Responsibility for reduction of Distribution Losses.**

Shri V.L. Sonavane, Member, MERC made an informative and thought provoking presentation. The SAC complimented him for the same.

The following Action Plan for Loss Reduction was suggested:

1. Intensive Theft drives for commercial loss reduction. U:5% R:24%
2. Meter replacement : EM to Static/Faulty meters U:5% R:2%
3. More Normal Meter Reading: Less average billing /assessment R &C:77% I:88%
4. "Meter out" program
5. Improvement in ratio: (Metered MU other than AG/ Total Input MU) R:15-30% U: 60-90%
6. Correct assessment of AG consumption (HRS operation: 1500 hrs/year)
7. Load balancing on 11KV feeders/ LT feeders.
8. Targets to staff for the above 7 issues: Loss Reduction Incentive/Penalty scheme
9. Improved Joints in HT/LT system (Loose joints: more losses) Construction checks
10. Reconfiguration of HT Network (Reduction of Long Lengthy 11kV /22kV / 33kV Feeders)
11. HT & LT Capacitors / Star rating DTC (No load losses)/ AAA Cond.
12. HVDS: in theft prone areas (for Urban areas)
13. More Dist franchisees : Towns> 30-40% : LT losses

Dr N.D. Patil, President, Maharashtra Rajya Veej Grahak Shetkari Sabha stated that the 'Songir Pattern' which was earlier introduced by MSEDCL and stopped subsequently, could be reintroduced. Similarly, a separate tariff for cash-crop and other Hi-tech agriculture product could also be thought of. Other important suggestions were

(a) introduction of incentives to `theft informers`, (b) circle-wise tariff, (c) Ag Metering etc.

Agenda Item No.11 **Status of Consultancies awarded by the MERC**

A presentation was made by the officials of the MERC about the present status of the consultancy tasks awarded by the Commission.

Agenda Item No.12 **Approach paper on Progressive Reduction of Cross Subsidies**

M/s MERCADOS Energy Markets International, Consultant for the MERC for this task, made a presentation before the SAC Members, indicating the progress made subsequent to the earlier discussion during the 12th SAC Meeting held on 29th December, 2009. He stated that the suggestions made by the SAC Members, various stakeholders, and the Commission itself, as indicated in the slide presentation, have already been incorporated

With regard to various comments from MSEDCL, and Prayas, the Consultant proposed that:

- Institutionalise the process of category wise Cost of Supply determination
- Till the time this study can be completed as per the requirement of NEP and Tariff Policy, average cost of supply may be considered for cross subsidy determination
- Some amount of intra-category cross subsidy may continue
- Cross Subsidy interlink ages have been mathematically modeled but the actual numbers / trajectory may be given in the MYT Order when the ARR for the Distribution Licensee is approved but the principle has to be identified upfront which is the objective of this approach paper,
- Definition of Cross Subsidy means “difference between consumer category wise tariff and cost of supply:
- Cost of Supply mean “average cost of supply”

- Tariff of consumers below poverty line, agriculture (metered and unmetered) shall be atleast 50% of the average cost of supply.

Vidarbha Industries Association (VIA) through e-mail letter dated 26th March 2010 submitted their comments on the Agenda Item Discussion Paper of Progressive Reduction of Cross Subsidies. VIA submitted that “*VIA fully agree with the conclusion of the approach paper and has raised similar issues in the past also. Commission may adopt the suggestions of the approach paper.*”

MSEDCL expressed that most important factors that are required to be covered for cross subsidy reduction road map have not been considered by the consultants and hence it is premature for any discussion on this issue till such time a proper paper is circulated and sufficient time is given to all stakeholders including agricultural and public water works category of consumers.

Dr N.D. Patil stated that tariff was increased four to five times during the year. It should be fixed for two-three years period. He further stated that while reducing the cross subsidy its impact on capacity to pay and impact on agricultural product will have to be factored in.

The Commission directed the Consultant to appropriately incorporate all the suggestions made during this Meeting in the Approach Paper and Draft Regulations and submit it before the Commission for its finalisation.

Agenda Item No. 13 **Expediting “Open Access”**

M/s ICRA Management Consulting Services, consultant of the Commission for the above Task “Expediting Intra-State Open Access above 1 MW in Maharashtra” made a detailed presentation, and followed by a substantive deliberation.

The consultant stated that during their discussion with Distribution Licensees the following major issues were raised:

1. Revenue sharing mechanism
2. Whether consumer needs to hold a Licence to avail Open Access
3. Whether cross subsidy being paid by the HT consumers be loaded on to remaining consumers of te Licensee
4. Whether the Open Access Consumer needs to share the burden of cross subsidy
5. What happens to the Generating Stations whose power does not get dispatched, should people at large who have contributed to establish such generating station be burdened with stranded asset

Some of the major points raised during the meeting are as under:

- a) What is the transaction price paid by the consumer and how it is accounted
- b) Standby charges
- c) Transaction from RE Group (wind, biomass, bagasse, etc)
- d) Levy of charges for RE at injection level and withdrawal level
- e) Security Deposit charges
- f) Implications and impact of Cross Subsidy Charges, Open Access Surcharges
- g) What is the time-frame for open access
- h) Load Factor
- i) Cost of Supply

MD, MSEDCL stated that while the provisions of Open Access as per Electricity Act, 2003 are binding the same cannot be followed in isolation till such time all the interlinked provisions of Cross Subsidy Surcharge, Standby Charges and Additional Charges, etc, are also decided by MERC.

- a) The calculation methodology of 'Zero Cross Subsidy Surcharge' which is in vogue for last two years, is against the provisions of Electricity Act, 2003 since we all know that cross subsidy does exist in various consumer categories of MSEDCL tariffs. Hence there is a need to revisit and review the same.
- b) The prevailing shortage situation should be carefully looked into and accordingly an analysis of competition in the electricity sector should be done to prevent unfair, unjustified profiteering, since we all have a responsibility of supplying good quality power at an economical rate.

The Commission summed up the discussion on this agenda item directing the consultant to incorporate all the valid points, which are not addressed in the present draft discussion paper, and modify / correct the Draft Discussion Paper accordingly.

VIA through e-mail letter dated 26th March 2010 submitted its comments on Expediting Open Access procedure". It covers –

- a) Legal and policy framework
- b) Whether consumer needs to hold a Licence to avail Open Access
- c) CPP may supply to consumer through dedicated feeder
- d) Sharing of burden of cross subsidy
- e) Procedures required to be followed for grid connectivity
- f) Issues related to allotment of bays,

The Commission also requested all the SAC Members and Licensees to send their written comments / suggestions to facilitate appropriate incorporation of their suggestions.

Agenda Item No. 14 **Any other item with the permission of the Chair.**

The Commission informed the SAC Members that it has received a joint declaration dated 24th March, 2010 by agricultural, domestic, commercial and industrial consumers organizations in Maharashtra (list of organizations has been annexed to the joint declaration). Copies of this joint declaration were circulated to all SAC Members and Licensees. The Commission then requested the Members and Licensees to send their comments/suggestions, if any, on this joint declaration, so that the same could be discussed during the next SAC Meeting. This was agreed by all Members.

List of Persons attended during the 13th State Advisory Committee Meeting held on Friday, 26th March, 2010 is attached separately.

List of Persons attended during the 13th State Advisory Committee Meeting held on Friday, 26th March, 2010.

SAC Members

S.No..	Name of the Person	Institution
1	Advocate Shri Shrish Deshpande	Mumbai Grahak Panchayat
2	Shri Shantanu Dixit	Prayas (Energy Group)
3	Dr S.L. Patil	Thane-Belapur Industries Association
4.	Shri K.L. Dep Jain	Central Railway
5.	Shri Jayant Deo	Mahratta Chamber of Commerce Industries & Agriculture
6	Dr Anil K. Rajvanshi	Nimbkar Agricultural Research Institute
7	Dr N.D. Patil	Maharashtra Rajya Veej Grahak Shetkari Sabha
8	Shri Subrat Ratho	Secretary, Energy & MD, MSPGCL

Special Invitees

9	Shri Ajoy Mehta	Managing Director, MSEDCL
10	Shri Arvind Singh	Managing Director, MSETCL
11	Shri A.A. Mule	Dy GM, BEST Undertaking
12	Shri Ashok Sethi	Vice President, Tata Power Co Ltd
13	Shri P.S. Pandya	Reliance Infrastructure Ltd