

Minutes of the Fourteenth Meeting of the State Advisory Committee (SAC) held on Friday, 25th June, 2010 at 11.00 hrs

The Fourteenth Meeting of the State Advisory Committee of the MERC held on Friday, 25th June, 2010 commenced 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 was granted to those who could not attend the meeting.

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

Agenda Item No.1 **Confirmation of the Minutes of the 13th SAC meeting held on 26th March, 2010**

The Minutes of the 13th SAC meeting held on 26th March, 2010 were approved unanimously.

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

The Action Taken Report as circulated during the Meeting held on 25th June, 2010 was noted by the Members.

Agenda Item No. 3 **Discussion on the joint declaration by agricultural, domestic, commercial and industrial consumer organizations in Maharashtra regarding ever-increasing electricity tariffs and load shedding**

Shri Pratap Hogade stated that a joint declaration by agricultural, domestic, commercial and industrial consumer organizations was circulated earlier, and emphasized the need for strict implementation of the MERC Orders by the Utilities. Prayas (Energy Group) and Vidarbha Industries Association (VIA) supported Shri Hogade's point of view.

In reply to the various queries raised through a joint declaration by agricultural, domestic, commercial and industrial consumer organizations, Shri Ajoy Mehta, MD, MSEDCL stated that MSEDCL has already given its comments through its letter dated 7th May, 2010 (copy already circulated).

However, Shri Hogade expressed that the reply of MSEDCL is not satisfactory, and his remarks be put on record.

The Commission emphasized the need for experience sharing with other generators and suggested Mahagenco to make appropriate training, brain-storming, and motivation amongst the top-level and middle level management personnel. Proper Demand Projection, entering into PPAs, procurement planning with close liaison with STU shall help to substantially improve the efficiency.

Shri Subrat Ratho, Secretary (Energy) and MD, MSPGCL stated that many of the power plants of Mahagenco are very old and running at loss. Revamping of old plants is not feasible and need to be shut-down. Heavy expenditure is required for running these plants, resulting in increase in cost of generation, and Mahagenco is seriously thinking of shutting down these old plants.

Dr S.L. Patil, General Secretary, TBIA suggested introduction of professionals for running the plants. They can also think of generating power and selling them through the power exchanges, if MSEDCL is not willing to procure power from them.

Shri Jayant Deo, MD and CEO of Indian Energy Exchange Ltd stated that plenty of power is available in the grid at cheap rate, and suggested that MSEDCL may plan their power purchase accordingly to enable them to mitigate hardship to a large extent.

Agenda Item No. 4 **Points that came up during the Public Hearings held at Revenue Divisional Head Quarters during the period from 14th May, 2010 to 22nd May, 2010 in respect of Tariff Petitions of MSPGCL, MSETCL and MSEDCL**

The Commission has circulated a list of main points that came up during the Public Hearings held in various Revenue Divisional Headquarters on the Tariff Petitions of MSPGCL, MSETCL and MSEDCL in Case Nos. 102 of 2009, 103 of 2009, and 111 of 2009. This was noted by the Members.

Agenda Item No.5 **Compliance Monitoring Status**

The Commission has circulated issue-wise compliance requirement of MERC's directions to MSEDCL through various Tariff Orders / Orders for information of the SAC. This was noted.

Agenda Item No. 6 **Open Access**

Shri R.B. Goenka of VIA has submitted VIA's written comments vide letter dated 24th June, 2010 on various issues relating to Open Access, copies of which were circulated to all Members of the SAC. VIA agrees with the consultants view on applicable legal and policy framework which emphasize to encourage competition among competing generators and licensees to provide a choice to consumer to seek supply from any source. to bring efficiencies in the system. The Commission is required to facilitate intra-state transmission and wheeling of electricity in time bound manner. VIA fully agrees with the consultants view that the generator has got option to sale power to any licensee or open access consumer or through the power exchange. Hence there will not be any burden of stranded asset.

With regard to the Procedural issues on MERC (Transmission Open Access) Regulation, 2005, the current procedure in the State is that open access is provided after feasibility study from the field. This takes very long time. The connectivity is provided only after sanction of open access. The transmission company has got different formats for open access & connectivity. The connectivity is being sanctioned after sanction of open access and after the feasibility study. There

is very long and cumbersome process being followed in Maharashtra. There is no proper guideline issued to the field officers regarding the set out procedures.

General Manager, BEST opined that Open Access would be successful only if the power is available in plenty.

Agenda Item No. 7 **Cross Subsidy**

A detailed presentation was made by MERC official detailing (i) the progress made so far, (ii) summary of draft Regulations, (iii) comments received on the draft Regulations, and (iv) way-ahead. Copies of the comments received from various stakeholders have been circulated to the SAC Members along with a list of the letters received. The presentation was followed by a detailed discussion in the matter.

Shri Goenka stated that he fully agrees with the draft proposal that the cross subsidies exists in 4 forms i.e. inter consumer category, intra consumer category, cross subsidies between regions and cross subsidies in different time of the day. The provisions of the Electricity Act 2003, National Electricity Policy, Tariff Policy, ATE directs to reduce all above cross subsidies and bring it within +/- 20% of the average cost of supply. The conclusions of ATE ruling in clause No. 3.4.7 are very important particularly the capacity to pay is relevant only for BPL consumer category for which the subsidy is to be provided by the State Government under Section 65 of EA 2003.

He added that Cost of supply should be voltage wise and separately evaluated for different categories of consumers in the State considering cost of services, transmission & distribution losses, etc. The average cost of supply method proposed in the draft does not give proper evaluation of cost of supply. The suggestions that the reduction trajectory of cross subsidies may be defined for all major sub categories / tariff slabs which the MERC intends to retain for the future. The cost of supply based on voltage & categories shall be correct signal for reduction of cross subsidies and determination of tariff.

Prof N.D. Patil, President, Maharashtra Rajya Veej Grahak Shetkari Sabha stated that the agricultural consumers are the most affected on account of the Load Shedding in the State. They are not getting sufficient supply to lift the water for irrigation purposes. Though the National Agriculture Pricing Policy prescribed certain minimum basic price of agriculture products, they are not implemented as per the recommendations. CACP is the statutory authority to determine the minimum support price for agriculture products.

Prof Patil further stated that the entire issue needs to be discussed in detail. A copy of the presentation and draft Regulation be given to him to offer his comments.

The Commission stated that the matter of a similar nature is scheduled for hearing in July 19, 2010, and the Commission requested to Prof Patil and Shri Hogade to attend the same and help the Commission to come to a logical workable solution in the matter.

The Commission opined that the matter of cross subsidy and open access is very much inter-related and need to be looked together. It was decided to form a technical committee under the Chairmanship of Shri V.L. Sonavane, Member, MERC. A senior level officer from MSEDCL,

Reliance Infra (Distribution), Tata Power Co (Distribution) BEST Undertaking (Metering Section), MSETCL, Shri R.B. Goenka of VIA, could be the Members of this Committee. The Committee may take help from Member (E&C) of CEA, and an Economist while finalizing the recommendations. The SAC Members / Special Invitees are requested to offer their comments.

MERC consultants, MERCADOS Energy Markets International, ICRA Consultants (IMACS) have been instructed to take all the views expressed by the Members / Special Invitees into account and to make appropriate modifications / changes in the draft regulations.

Agenda Item No.8 **Parallel Licencing**

Detailed presentation spelling out issues such as (i) segregation of wires & retail supply, (ii) tariff related issues, (iii) fixing of retail supply margin, (iv) migration of subsidising consumers and financial implications, (v) operating procedures for changeover, followed by a discussion.

A general opinion was that Open Access Regulations would be able to meet the wires & retail supply business, which is the distribution business. Issues of fixing upper cap tariff, cherry-picking of consumers, etc., need to be addressed.

SAC Members / Special Invitees were requested to send their comments / view at the earliest, to facilitate finalization of the Discussion Paper by 25th August, 2010.

MERC consultant, CRISIL has been instructed to take all salient views expressed by the Members / Special Invitees and to make appropriate modifications / changes in the draft discussion paper.

Agenda Item No. 9 **Renewal of Deemed Distribution Licence**

The Commission stated that Distribution Licences of Mula-Pravara Electric Co-op Society Ltd and Reliance Infrastructure Ltd would be expiring in January 2011 and August 2011 respectively. TPC's licence expires in 2014. There is no specific provision in the EA, 2003 for renewal of a licence. The Commission may look at the option of suo-motu inviting applications from interested parties for a new license after expiry of the existing license, based on competitive bidding process, etc., where the incumbent Licensee also may take part. The critical issues in the process, in case a new Licensee has to take over from the incumbent Licensee include transfer of assets, PPAs, existing employees, liabilities, etc., which need to be addressed scientifically and legally. With this background in mind, the Commission has put forth this issue before the SAC for their valuable comments / inputs to facilitate for a timely completion of the entire process, well in advance. A detailed presentation was made for information of the SAC Members. The Commission suggested all Members / Special Invitees to offer their comments in writing, at the earliest.

Agenda Item No. 10 **Amendment to SoP Regulations**

A detailed presentation was made on the draft Regulations of SoP, indicating the existing and proposed changes/modifications, for the benefit of the SAC Members.

It was suggested that (i) consumer charter should be made available at the internal grievance cell, (ii) quality of CGRF Chairman & Members needs to be upgraded periodically by giving proper training on technical, legal and organizational issues, and preference may be given for personal with technical background while appointing the Chairman / Members.

Agenda Item No. 11 Any other items with the permission of the Chair.

While concluding the meeting the Chairman informed that Shri S.B. Kulkarni, Member will be demitting his office on 12th September, 2010. He will not be available for the next SAC Meeting scheduled on 24th September, 2010. The Chairman desired to keep on record the immense contribution of Shri Kulkarni towards the power sector, particularly to the development of Regulatory framework in Maharashtra. Members and other special invitees accorded a standing ovation to Shri Kulkarni.

List of persons attended during the 14th State Advisory Committee Meeting held on Friday, 25th June, 2010

Members

1. Shri Kuldeep KV Jain, Central Railway
2. Shri Shantanu Dixit, Prayas (Energy Group)
3. Dr S.L. Patil, General Secretary, TBIA
4. Shri R.B. Goenka, VIA
5. Prof N.D. Patil, President, Maharashtra Rajya Veej Grahak Shetkari Sabha
6. Shri Anil Kelkar, Institution of Engineers (Pune Local Centre),
7. Shri Baldev Singh, Secretary, Food, Civil Supplis & Consumer Protection Dept.
8. Shri Subrat Ratho, Secretary (Energy), and MD, MSPGCL

Special Invitees

9. Shri Ajoy Mehta, MD,MSEDCL
10. Shri Arvind Singh, MD, MSETCL
11. Shri O.P. Gupta, General Manager, BEST Undertaking
12. Shri Pandey, Reliance Infrastructure Ltd
13. Shri Jayant Deo, MD & CEO, India Energy Exchange Ltd
14. Shri Pratap Hogade, President, Maharashtra Rajya Veej Grahak Sanghatana