

Minutes of the Fifteenth Meeting of the State Advisory Committee (SAC) held on Friday, 24th September, 2010 at 11.00 hrs

The Fifteenth Meeting of the State Advisory Committee of the MERC was held on Friday, 24th September, 2010. The meeting 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 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 **Preliminary remarks of Chairman**

The Chairman said that MYT draft Regulation, which has been floated by the MERC inviting comments by 23rd September, 2010 should be given priority. Chairman further informed that some requests have been received for granting of extension of time, but no decision has been taken and requested for cooperation from all, as it is a collective exercise.

Agenda Item No. 2 **Confirmation of the Minutes of the 14th SAC meeting held on 25th June, 2010**

The Minutes of the 14th SAC meeting held on 25th June, 2010 was approved unanimously.

Agenda Item No.3 **Action Taken Report of the earlier meeting.**

The Action Taken Report as circulated was noted by the Members.

Agenda Item No. 4 **Discussion on Open Access**

A presentation was made by Shri V.L. Sonavane, Member, MERC on Open Access. During the presentation, Member gave a detailed account about the status of Open Access. The Member conveyed that the Study Committee which was formed to finalize the draft Open Access Regulation has held three meetings till date.

The Member also presented that the Forum of Regulators has formed a Working Group to evolve Model Intra-state Open Access Regulations under Chairman, CERC. The Member also said that he was co-opted as Member of the Working Group and has attended two meetings. The draft which was finalized by the Working Group was circulated to the Study Committee.

Member also informed that the MERC team will prepare the new draft Open Access Regulations by incorporating the suggestions by 7th October, 2010, and the Final Draft Open Access Regulations will be uploaded on the MERC website by 20th October, 2010, for comments from consumers / stakeholders. The last date for submission of comments would be 20th November, 2010 and the Final Open Access Regulation is proposed to be launched by 30th November, 2010. Meanwhile, as per the request from Members, the final meeting of the Working Group will be held in Workshop on 14th October, 2010.

Chairman, MERC also expressed that there is a lot of concern even from Government of India for open access. Chairman was keen that there should be some kind of cross discussion and also felt that before publishing the draft Regulations, a meeting has to be planned with Mr. Chaturvedi, Member, Planning Commission

Agenda Item No. 5 **Discussion on Cross Subsidy**

Shri Sonavane, Member, MERC made a detailed presentation before the State Advisory Committee on Road Map for Cross Subsidy Reduction. During the last State Advisory Committee Meeting, it was decided that the final Draft Regulation should be framed only after taking into consideration views of all stake holders. The study Committee has held three meetings. The Members have submitted their views and the draft Cross Subsidy Regulation will be modified accordingly.

Member, Shri Sonavane also informed that comments on approach paper has been received from MSEDCL, Reliance Infra, Maharashtra Nav Nirman Sena, Ispat Industries, Vidharbha Industries Association and Prayas Energy Group and on the draft regulation comments received from BEST, Tata power, VIA. Shri V. Wagle of Tata Power clarified that they have also submitted their comments, on approach paper.

Commission informed that during the last SAC meeting, Shri N.D. Patil had stated that problems relating to the agricultural sector were more or less ignored either in cross subsidy reduction, approach papers and regulations. Chairman felt that many issues are real issues and there is a need to look into these matters, and therefore an appropriate expert Economists, who has knowledge about the agricultural sector, needs to be appointed as a member in the study committee. Chairman also felt that subsidy needs to be brought down.

Shri Ajoy Mehta, MD, MSEDCL expressed his concern about the disastrous financial state of utilities.

Shri Goenka, Vidarbha Industries said that agricultural sector is Government sector and cannot be neglected and has to be subsidized and the quantum has to be worked out to be subsidized.

Shri Ratho, Secretary (Energy) felt the need for some kind of engagement and also expressed his concern for the rise in industrial tariffs.

Agenda Item No. 6 **Discussion on Parallel Licencing**

A presentation was made by CRISIL Infrastructure Advisory.

Commission informed that time and again the Commission is trying to raise the issue of duplication, as laying of new network is not easy.

A request was made to the Commission to consider the issue of supply margin. It was felt that duplication of network would only add up to the cost of supply.

The Commission informed that BEST has filed an appeal in Appellate Tribunal and the Commission is waiting for the appeal to be decided. BEST has taken a view that Tata cannot roll out network without taking NOC from the BEST. The Commission was in the process to move a suo-motu notice, but the matter has held back due to the matter pending in ATE. Member (T) was requested to formulate a Committee of experts from utilities and consumer representatives and discuss this issue to find amicable solution.

Agenda item No. 7 **Renewal of Deemed Distribution licence**

A presentation was made by Shri Prafulla Varhade, Director (EE), MERC on the above subject. The Director presented the status of EOI for MPECS. KPMG have submitted two Report on Guidelines for renewal of deemed distribution license and report for granting of Distribution license to more than one person within the same area have been submitted.

A presentation was made by KPMG on deemed distribution license. The Commission directed that presentation be circulated to all utilities and SAC Members for inviting comments. The Comments may be sent to the Consultants / Director (EE).

Shri Mehta, MD, MSEDCL expressed concerns about the quality of ASCI report.

Agenda items No. 8 **Any other items with the permission of the Chair**

Commission brought to the notice of the SAC members, the letter received from MSEDCL dated 20th September, 2010 written to Secretary, MERC to be included in Minutes and also to be circulated. The letter mentions the issue of “*Provisions of Section 94 (3) and further action thereof*”

Section 94 (3):

The Appropriate Commission may authorize any person, as it deems fit, to represent the interest of the consumers in the proceedings before it.

MERC (Conduct of Business) Regulation, 2004

The Commission may permit any person, including any association or other bodies corporate or any group of consumers, to participate in any proceedings before the Commission. In this behalf, the Commission may if it considers necessary, -

- (a) Notify a procedure for recognition of associations, groups, forums or bodies corporate as registered consumer association for the purposes of representation before the Commission;*
- (b) Appoint any Officer or any other person to represent the consumers' interest in the proceedings before it, on such terms as to fees, costs and expenses by such parties in the proceedings as considered appropriate.*

Shri Mehta, MD, MSEDCL expressed his concern about the appointment of consumer representative i.e. transparency in mechanism of selection of consumer representative, the base for selection of consumer representative, the source of their funding and particularly the school of thought, etc.

The Commission also informed that most of the hearings are not attended by the consumer representatives. They attend major hearings. In some situations, the consumer representatives choose, whether they would like to remain present or not. In some cases, the consumer representatives communicate their views / objections through email or by post. Commission also informed that during the last two years there are various consumers / experts, who are taking interest in particular cases. They are reading the petitions and taking time to study the cases. Commission informed that it is keen to increase the number of consumer representatives.

MD, MSEDCL requested that an advertisement for appointment of consumer representative be given and the criteria should be specified.

Shri Goenka felt that there should be consumer representatives from all over the State, from all sectors i.e. there should be a mix of representation. He also said that there should be a process for appointing a consumer representative and also pre-qualification criteria for appointment, is required. Considering the increase in work load, the quantum of consumer representatives should be increased.

Shri Ratho, Secretary, Energy said there could be two types of representatives. One from certain interested groups and others from institutions, which have independent views and who would really be interested in shaping and contributing to the regulatory process.

It was also agreed that in the regulatory process the greatest short coming is human resources both in the regulatory functioning as well as in functioning of the utility. Substantial / specialized knowledge is required. As a step towards learning, a PG Diploma course in Micro Economics was introduced.

The Chairman, MERC informed that Symbiosis Institute of International Business (SIIB), Pune has a MBA programme in Energy & Environment and also further informed that the Commission is in touch with YASHADA also. The SIIB is conducting a three day overview workshop from 7th to 9th October, 2010 at YASHADA, Pune and requested utilities to nominate participants.

The Chairman, MERC, inaugurated the MERC's first Newsletter "SHALAKA". Copies of the newsletter were distributed to all present.

Regarding MYT Regulation, Shri Ajoy Mehta, MD, MSEDCL requested that the last day for submission of comments should be extended upto 31.12.2010 instead of 23.09.2010, as the time is insufficient. MYT Regulation being an important regulation, Mr. Mehta further requested whether they can make a presentation.

Considering the importance of the issue Commission, felt that the issue should be deliberated on a higher platform and, therefore, felt that a 2 day workshop be organized to discuss the draft MYT Regulations. As such 15th & 16th October, 2010 was scheduled for holding a workshop to discuss the MYT Regulation.

The meeting ended with a vote of thanks to the Chair.

List of persons who attended the 15th State Advisory Committee Meeting held on 24th September, 2010

1. The GM (Electrical), Central Railway
2. Shri S.L. Patil, TBIA
3. Shri R.B. Goenka, President, VIA
4. Shri S. Ratho, Secretary (Energy) and MD, MSPGCL

Special Invitees:

5. Shri Ajoy Mehta, MD, MSEDCL
6. Shri Arvind Singh, MD, MSETCL
7. Shri O.P. Gupta, GM, MSPGCL
8. Shri Pankaj Pandey, Reliance Infrastructure Limited