

MAHARASHTRA ELECTRICITY REGULATORY COMMISSION

FIRST MEETING OF THE STATE ADVISORY COMMITTEE

The first meeting of the State Advisory Committee, constituted under Section 24 of the Electricity Regulatory Commissions Act 1998, was held on 29.1.2001 as per the pre-circulated agenda items. The members mentioned in the Annexure attended the meeting.

[A] ENERGY AUDIT

The members of the Advisory Committee were unanimous in emphasizing the importance of conducting systematic and concurrent energy audits according to a definite plan of action.

Shri Khakher (ICWAI) was of the view that performance appraisal through energy audits should cover a thorough screening of quantitative, commercial and fiscal aspects. The objectives of the Regulatory Commissions, he felt, should be to scrutinize not only calculations of quantities but also aspects of cost-efficacy. There is also a need, he said to locate both problem areas and problem-causing operational levels. Seen thus, the appropriate methodology for evaluation would be to cover the following:

- i) Quantity / Cost / Transfer Price and Accounts of Despatch or Energy should be maintained cost centre / circle / division wise.
- ii) Sale of Energy – Category / Division / Circle wise to arrive at the contribution by transfer price / marginal costing method.

Adding a third dimension to the methodology of energy audit, Shri Ranade (MCCI) suggested that such audits should be conducted not only at the T & D Management Level, but also at the levels of the (i) State, (ii) the utilities, (iii) the industrial estates and (iv) the individual industries as well.

Shri Goenka (VIA) stressed the need for conducting energy audits to check (i) faulty meters, (ii) inefficient equipment, (iii) overloading of distribution network, (iv) poor maintenance, etc. He saw a part-solution in the forming of Energy Audit Committees at Circle-

level comprising consumers and professionals together to go into (i) the details of the losses, (ii) consumption-data of individual industrial load and (iii) other related factors.

Shri Bansal (MSEB) described the measures initiated recently by the MSEB by attaching top most priority to energy audit. The initiatives included the following:

- Conducting energy audit for all EHV systems.
- Replacing defective meters in the EHV systems.
- Completing within the last two months energy audits in 49 O&M Divisions out of 120 and targeting completion of the remaining by March 2001.
- Taking up a wider sample of 5000 Distribution Transmission Centres for study and initiating action for energy mapping of 550 sub-divisions.

These initiatives, he said, were taken primarily to focus on the inefficient sub-billing units and areas of theft and losses.

Shri Shahi (BSES) narrated the experience of the BSES in reducing the distribution losses (i.e. energy input *minus* energy billed) from 15% to 11.5%. He saw the solution of loss-reduction in distribution in extensive metering and proper calibration of the installed meters. Equally important, in his opinion, is the management of the transformer-failure rate. He highlighted the importance of setting up independent vigilance squads and mandatory monthly calibration of electronic meters installed for the high intensity consumers.

Shri Asthana (BEST) reported the initiatives taken by the BEST in improving billing methodology, regular replacement of old meters and constant vigilance through theft-detection squads.

Shri Sahni (TEC) cited the measures taken by the TEC to reduce T&D losses from 11% to 2.9% during the last three decades. The measures taken were as follows:

- i) Introduction of high voltage sub-stations near load centres.
- ii) Replacement of all old power-transformers with new non-CRGO type transformers.
- iii) Installing static meters with remote-reading facilities.
- iv) Conducting monthly exercise of input vs output analysis through static energy meters to detect abnormalities in the system-performance and to verify the accounting accuracy.

Shri Chaini (IMC) emphasized the need to make energy audit a conscious tool of decision-making. This, he felt, is not happening due to irrational considerations and political interference in the management of public utilities.

Reflecting on the issue of cross-subsidy in the power sector, Shri N.D. Patil (MRVGSS) informed that the Government of Maharashtra, too, believed in the policy of subsidization through the budget. This is the reason why, he said, the Government of Maharashtra has decided to compensate the MSEB for their revenue loss on account of subsidy to farmers and powerloom owners.

Shri Bapat (CII) suggested that the results of the energy audits must be published in the interest of providing correct information to the consumers and other stakeholders. There is also a need for the utilities and licensees to approach their consumers through correct Management Information Systems in energy audit. Regular calibration schedules must be drawn up billing unit-wise and proper advice should be given to the consumers on energy-conservation.

Shri Colaco (TBIA) saw merit in the practice adopted by the TEC of delivering power to a group of end-users at high voltage-level. The end-user efficiency could be evaluated through the pilot studies of the consumers using poor quality equipment, such as the pump-sets usually used. Only a systematic study of energy wastage can help in arriving at appropriate policy decisions.

Shri Sant (Prayas) highlighted the significance of appropriate choice of technology in formulating a strategy of energy audits. To avoid any regrets, he cautioned, it is important to plan critical investment in metering with the appropriate choice of technology. Obsolescence of the meters in the immediate future is a crucial consideration. He also highlighted the possibility of using pre-paid meters.

The State Advisory Committee decided to constitute a Sub-Committee of five members to go into the suggestions on Energy Audit and prepare an Approach Paper. The Chairman requested Shri Jayant Deo (MERC) to nominate members of the Sub-Committee and to take further necessary action in this regard.

[B] **MASTER METERING PLAN**

Shri Bansal (MSEB) started the discussion by giving details of the Master Metering Plan prepared recently by the MSEB. The MSEB, he said, proposes to provide (i) TOD meters to all its HT consumers (10,000) by June 2001 and (ii) static meters to all LT Industrial and Commercial consumers above 20 HP (54,000) by September 2001. The MSEB plans to install 27,000 meters by the year-end for the powerloom consumers and a massive plan of installing 3-Phase Static Meters for all other categories of consumers thereafter.

Shri Sant (Prayas) emphasized that utmost caution should be exercised in ensuring that the Master Metering Plan is executed free from corruption and wasteful expenditure.

Shri Save (MIA) suggested that the priority of the MSEB in its Master Metering Plan should be to cover defaulters first and, thus, prioritizing metering of the divisional units with the highest distribution loss. Shri Rajvansh (NARI) highlighted the problems caused on account of theft of electricity and nonpayment of arrears by the willful defaulters. Erratic supply of power is also a problem. The strategy, therefore, should be to file Public Interest Petitions against acts of undue interference in the functioning of the MSEB, on the one hand, and to improve the quality of power supply, on the other. Many farmers, he said, were willing to pay their energy bill if proper electricity supply is made available. Explaining the policy of the MSEB, the Chairman MSEB said that the MSEB has taken up a massive drive of disconnecting power supply to the defaulters. However, some of the defaulting industries have their cases before the BIFR. With regard to the HT consumers (who add substantial revenues to the financially-starved MSEB), the policy adopted by the MSEB is to allow supply of power till they paid their current bills and settled instalments of arrears.

Shri Kelkar (Institute of Engineers) suggested that it would be wise to introduce the concept of metering on apparent power basis instead of conventional Kwh basis. This is due to the technical ease in manufacturing technology of KVAH based meters.

Shri Goenka (VIA) was of the view that an ingredient of the Master Metering Plan should be to arrange for loans for the consumers to meet the cost of meters and recover the cost in instalments from the consumers.

Shri Bapat (CII) suggested that there should be proper monitoring of the implementation of the Master Metering Plan to check that the newly installed meters function properly.

[C] **FUEL COST ADJUSTMENT CHARGES:**

The discussion on the Fuel Cost Adjustment Charges related primarily to the prescription of the requisite methodology and procedural aspects of the FCA-determination.

Shri Venkat Chary (MERC) highlighted the requirements of the MERC in this regard. The FCA proposals, he said, should be self-contained proposals capable of being put up for public scrutiny before the approval of the Commission. The MERC will undertake an independent assessment of the cost components allowed to be passed through and verify figures at technical validation sessions.

The GM (BEST) stated that they have been unable to know the basis on which the FCA charges are being calculated by the TEC. He informed that the BEST had sought such information from the TEC, but there has not been any communication in this regard from the TEC. Shri Sahani (TEC) informed that their method of charging the FCA was as per the Ninth Schedule of the Electricity (Supply) Act, 1948.

The Chairman, MERC, concluded the discussions under the agenda item pointing out that public hearing on the FCA Proposal of the MSEB will be held soon and facts would be explored in detail and in a transparent manner.

[D] **RECEIVABLE MANAGEMENT AND BAD DEBTS:**

On the issue of Receivables Management and Bad Debts, the State Advisory Committee was of the view that there was a need to further strengthen the efforts initiated by the MSEB and avoid irrational interference.

Shri Goenka (VIA) was in favour of immediate action against the defaulters. He was of the view that instalments should be fixed with interest and there should be an insistence, in such cases, on Bank Guarantee Support. On the other hand, attractive incentives could be given to the consumers making early/advance payment. The Bill Receiving Centers should work for all the 24 hours to facilitate easy access of the consumers.

Shri Rajvansh (NARI) cited instances where the MSEB had to reconnect power supply to the defaulters under pressure. This, he said, should be avoided.

The State Advisory Committee discussed the issue of jurisdiction on tariff determination and expressed concern over the statement made by the Government in the Maharashtra Legislature unilaterally declaring write-offs and concessions in power tariff to certain classes of consumers before the approval of the competent authority under Section 29 (5) of the Electricity Regulatory Commissions Act 1998. The Commission was advised to write a letter to the Energy Department calling for their comments in this regard.

[E] **METER READING PROCESS:**

Attention of the Commission was drawn to the problems relating to the meter reading process in the State. It was pointed out that a large number of complaints arise out of the defective handling of the issue.

Shri Goenka (VIA) pointed out that too much discretion has been given to the meter-readers and there is very little supervisory control over them to save consumers from harassment.

Shri Gandhe (Institute of Engineers) saw the solution in contracting out the service, while Shri Khakhar (ICWAI) recommended delegation of Billing/Meter Reading/Disconnection of power-supply, at the sub-divisional level.

Shri Jayant Deo (MERC) observed that around 15% of the newly installed meters are not read due to delays in assigning the meter-reading task.

Shri Bansal (MSEB) informed the State Advisory Committee that the MSEB is trying to simplify its billing-system through (i) re-categorization of consumers, (ii) issuing quarterly bills for the residential consumers, (iii) hiring of external agencies for remote areas, (iv) developing a route chart with a quota for meter reading for easy identification of error and its source, (v) prescribing a code for the meter-reader, (vi) route reading at the sub-divisional level.

Shri Shahi (BSES) highlighted the relevance of the Orissa experience of franchising the billing system and revenue collection and the system prevalent in Hyderabad of issuing Pass Books.

[F] **POWER FACTOR INCENTIVES:**

Shri Goenka (VIA) recommended extension of power factor incentive to the LT consumers.

Shri Bansal (MSEB) gave a feedback to the Commission saying that the penalties for Power Factor, which have been a source of earning for the MSEB earlier, had become unattractive for the MSEB since the introduction of incentives for improved power factor after the implementation of the Tariff Order of the Commission dated 28.4.2000/5.5.2000. He, however, agreed that on the whole, power factor improvement is beneficial to the Board.

[G] **MERIT ORDER DISPATCH:**

Shri Bansal (MSEB) desired to make a detailed presentation on this subject and requested a separate meeting to be fixed for this purpose. The State Advisory Committee agreed to the suggestion.

[H] **RATIONALIZATION OF TARIFF CATEGORIES:**

On the rationalization of tariff categories, it was decided to invite suggestions from the members of the Advisory Committee in writing.

[I] **ENERGY SUPPLY & OVER ALL STANDARDS OF PERFORMANCE BY UTILITIES:**

Discussion on the agenda-item was deferred for the want of time.

List of Members who attended the First Meeting of the State Advisory Committee:

1. Mr. S.H. Kopardekar, Maharashtra Chamber of Commerce, Industries & Agriculture.
2. Mr. R.B. Goenka, Vidarbha Industries Association.
3. Mr. C.A. Colaco, Thane Belapur Industries Association.
4. Mr. P.R. Bapat, Confederation of Indian Industries.
5. Mr. M.B. Chaini, Indian Merchants Chamber.
6. Mr. S.P. Ranade, Mahratta Chamber of Commerce, Industries & Agriculture.
7. Mr. D.S. Gandhe, Institution of Engineers.
8. Mr. N.K. Shukla, Mula Pravara Electric Co-op. Society Ltd.
9. Mr. G.R. Kelapure, MSEB.
10. Mr. G.G. Dalal, MSEB.
11. Mr. V.C. Kothari, Institute of Cost & Works Accountants of India.
12. Mr. S.D. Ruikar, MSEB.
13. Mr. S.K. Kulkarni, MSEB.
14. Mr. U.V. Deshmukh, MSEB.
15. Mr. Anil Save, Marathwada Industries Association.
16. Mr. A.M. Sahni, Tata Power Co. Ltd.
17. Mr. Anil Kelkar, Institute of Engineers.
18. Mr. Y.R. Doshi, Institute of Cost & Works Accountants of India.
19. Mr. M.G. Mallya, Tata Power Co. Ltd.
20. Mr. V. Bansal, MSEB.
21. Mr. R.P. Patel, BEST.
22. Mr. P.P. Kulkarni, BEST.
23. Mr. A.D. Palamwar, MSEB.
24. Mr. Rahul Asthana, BEST.
25. Mr. V.D. Apte, MSEB.
26. Mr. S.P. Warke, MSEB.
27. Mr. N. Sainath, MSEB.
28. Mr. C.G. Thakre, MSEB.

29. Mr. P.S. Pandya, BSES.
30. Mr. A.K. Rajvanshi, Nimbkar Agricultural Research Institute.
31. Mr. Girish Sant, Prayas.
32. Mr. N.D. Patil.
33. Mr. J.A. Khakher, Institute of Cost & Works Accountants of India.
34. Mr. R.V. Shahi, BSES.