

Minutes of the 24th Meeting of the State Advisory Committee held at Centrum Hall, 1st Floor, World Trade Centre, Cuffe Parade on 28th December, 2012 at 11.00 hours.

The twenty-fourth meeting of the State Advisory Committee (SAC) constituted by the Commission under Section 87 of the Electricity Act, 2003 was held on Friday, 28th December, 2012 in Mumbai. The Chairman Shri V.P. Raja presided over the meeting. The meeting commenced with a warm welcome by the Chairman. Leave of absence was granted to those who could not attend the meeting. List of Members/Special Invitees who attended the meeting is enclosed.

Agenda Item No. 1: Preliminary Remarks by the Chairman.

After welcoming the SAC Members, Special Invitees and others, the Chairman stated that problems pertaining to coal, revival package announced by the Government for the DISCOMs and the current status of the electricity sector was well known and proposed to discuss the Agenda Item No. 7 first, on “National Electricity Fund and Interest Subsidy Scheme”. Chairman welcomed Shri C.P.Bhatia, Zonal Manager, REC.

Agenda Item No. 2: National Electricity Scheme (Interest Subsidy Scheme)

Chairman, MERC stated that, the National Electricity Fund (Interest Subsidy Scheme) is available for both public as well as private sector DISCOMs and suggested that all the four DISCOMs in Maharashtra i.e. BEST, Reliance, Tata and MSEDCL should try to take full advantage of the Scheme.

Shri C.P. Bhatia, Zonal Manager, REC, preliminary information has been explained to the Committee on National Electricity Fund Scheme (Interest Subsidy Scheme)

Shri. Sanjay Kulshreshta, Chief Manager, REC made a presentation on the National Electricity Fund (Interest Subsidy Scheme). A copy of the presentation is enclosed.

Shri C.P. Bhatia informed that, Shri. Sanjay Kulshreshta, is working in National Electricity Fund Cell which is operating at REC, Corporate Office in New Delhi. He mentioned that the Fund has been created by the Government of India to mitigate the funding gap and to expedite the reform process. He explained that the scheme has been set up for expediting investment into distribution sector.

Chairman, MERC, requested the representatives of the distribution companies to raise queries on the scheme. He stated that MSEDCL had already submitted few proposals under the scheme and suggested that other DISCOMs such as BEST, Reliance and TPC should also take advantage of the scheme.

Chairman, MERC, informed that, MYT Regulations has been notified in Maharashtra. He stated that, MYT in Maharashtra is in two phase viz., business plan and MYT petition. He stated that, orders have been issued for Tata and Reliance and their MYT petitions are under

submission and business plan has been finalized for BEST. He also stated that, the distribution losses for the distribution companies in Mumbai were significantly low at 7.5% to 9% in the slums area. He suggested that, the distribution companies should devise scheme to reduce the distribution losses in slum areas so that they could also take advantage of the National Electricity Scheme.

Shri C.P. Bhatia, REC, stated that, MSEDCL had submitted Business Plan and proposal under the Scheme but approval from the Regulator was awaited on which the Chairman informed that the Commission has conducted TVS on the business plan submitted by MSEDCL and the Commission will proactively support any proposal submitted under the National Electricity Fund (Interest Subsidy Scheme).

Shri V.L. Sonavane, Member raised a query whether DPR should be approved by the Regulator in case of business proposals being submitted to the REC.

Shri Bhatia, REC, mentioned that, for private DISCOMs, DPR should be approved by the Regulator but the condition does not apply to the State DISCOMs.

Shri Ashok Sethi, TPC, stated that, a similar scheme had been launched earlier by Power Finance Corporation for providing capital assistance to the utilities in response to which TPC had submitted a proposal but the DPR was returned by Power Finance Corporation with a remark that, TPC was not eligible for the scheme as the losses of TPC were low. He raised a query that the Interest Subsidy Scheme was similar to the scheme of Power Finance Corporation.

Shri Bhatia, REC, responded that the scheme was open to all DISCOMS. He stated that, on reaching the AT&C loss level of absolute 8%, the utility would be expected to maintain the same level to achieve maximum marks i.e. 50 marks in the case of Maharashtra.

Shri Bhatia was asked how system augmentation and operational efficiency and customer relationship management will be built up under the Scheme when the marking system specifies losses reduction and revenue gap reduction. Shri Bhatia, REC, replied that, the reduction of the AT&C losses will be seen at the utility level. He also stated that the scheme will compliment the DPR scheme and other works and programmes undertaken by the Distribution Licensees.

The scheme was discussed in details. Shri Bhatia answered the queries raised by various invitees and assured that REC will extend full support to the proposal submitted by any utility for assistance.

Agenda Item No. 3: Introduction of Trading Margin in the Intra-State Trading of Electricity in Maharashtra u/s 86 (i)(j) of Electricity Act 2003

Shri Amit Mittal, Consultant made a presentation on 'Introduction of Trading Margin in the Intra-State Trading of Electricity in Maharashtra' and Shri Harry Dhaul, DG, IPPAI, also made a presentation on 'Trading Margin in Intra-State Trading- Relevance and Need'. Copies of the presentations are enclosed.

Shri Harry Dhaul also circulated a copy of Legal Perspective on Intra-State Trading Margin issue. A copy of the issue is enclosed.

Shri Gupta, GM, BEST, remarked that, there should be some regulation and cap on trading margin. He further elaborated that as the generation sector is totally unregulated a kind of real nexus monopoly may crop up where generators will keep on doing business without any margin and the unregulated trading margin may be ultimately passed on to the consumers through distribution licensees which may not be in the interest of power market.

The representatives of Power Exchanges, namely, IEX and PXIL remarked that, the cap of trading margin as has been specified in Inter-State trading regulations may be considered for Intra-State trading also. Similar trading margin in both Inter-State and Intra-State trading would avoid any loophole for converting Inter-State transactions into set of Intra-State transactions.

Agenda Item No. 4: Further follow-up action u/s 33 of the Electricity Act, 2003 in respect of compliance of Directions issued by State Load Dispatch Centre (SLDC) and/or Western Region Load Dispatch Centre (WRLDC) during 30th, 31st July 2012, the days of major Grid Failure in Northern, Eastern and North-Eastern Region.

Shri G.S. Rao made a presentation on the above subject. Shri Pentayya, WRLDC also made a presentation on the action taken by WRLDC with regard to the messages received by WRLDC during the Grid failure on the aforesaid days and corrective measures taken by WRLDC to avoid Grid failure. Copies of both the presentations are enclosed.

Chairman, MERC stated that, Shri G.S.Rao would be the convener and do the exercise in coordination with personnel from MSETCL, RLDC and Shri Zalte, Director (Operations) MSETCL after which the Commission would visit RLDC and decide on future course of action.

Agenda Item No. 5: GR dated 3rd March 2011 issued by the Government of Maharashtra granting 100% rebate on 3% tax levied on the cost of sugarcane purchased by Co-generation Sugar Mills, who have executed EPA with MSEDCL, for ten years for projects commissioned since 2006-07, putting other utilities in the State in disadvantageous position for procurement of RE power.

Shri O.P. Gupta, GM, BEST, stated that BEST had taken up the issue of giving special incentive regarding exemption of duty on sugarcane purchased in case the RE power sold to MSEDCL and requested the State Government to include other utilities also. He further submitted that the State Government rejected the request of BEST. He requested the Commission to issue directives to the State Government to provide a level playing field to all the utilities.

Chairman, MERC pointed out that Taxation is a State Subject and Commission cannot issue directives to the State Government but can only advise the Government. He advised Shri Gupta to approach the State Government in this regard.

A letter written by Dr. Omprakash Kulkarni was circulated to all the members and special invitees.

Agenda Item 6 : Confirmation of Minutes of the 23rd SAC Meeting held on 28.9.2012.

The minutes of the 23rd SAC meeting and the Action Taken Report were confirmed.

Agenda Item 7: Any Other issue with the permission of Chair.

It was pointed out in the Meeting that the Commission has conducted a suo-motu RP hearing for renewable sector, the REC market is going to collapse and the utilities do not have captive and open access user.

Chairman, MERC elaborated that, though the DISCOMS have complied with non-solar RPOs they have not been able to comply with the Solar RPOs because the plants are not coming up. He stated that more time is being allotted to the utilities as some Solar Stations are coming up. He stated that government utilities have signed PPA with MAHAGENCO and 100MW plant is coming up in Dhulia which will be commissioned by April 2013. He further stated that the non-tariff barriers are raising difficulties in the flow of renewable energy.

He asked MEDA to summarize the findings in respect of obligated entities regarding flow of renewable energy.

MEDA responded that, the information is being compiled and will be submitted to the Commission.

Chairman, MERC also stated that, the question about whether REC should be provided to DISCOMs was discussed in the meeting of the FOR and the decision would be taken by CERC.

Chairman, MERC also highlighted the renewable sector is becoming an issue for Maharashtra as Maharashtra has slipped from no. 2 to no. 4 in Wind Energy. Grid Management is also one the reason for the same. He stated that wind is infirmed in nature and even though penetration is not much the infirmed nature of wind is creating a problem. MSEDCL has pointed out that after 30th and 31st July grid collapse, the UI mechanism which is being used to draw power has become. Nobody is drawing more power. MSEDCL informed that more than 100 MW cannot be used. If the wind is used for open access consumers back-up power has to be provided. He stated that the European countries are managing through provision of ancillary service but the cost would be high because generating station is providing ancillary service. He requested Mr. Harry Dahul to take up this subject in his next conference. He stated that in a petition filed before MERC by TPC all DISCOM have been impleaded as party and the possibility of starting of ancillary services and linking it up with greater renewable penetration is becoming important. He suggested that the concept of having special generation and ancillary services needs to be addressed.

Shri Harry Dhaul requested the Commission to support the initiative of energy storage system, and ancillary services through back up of gas turbine, diesel and whole package which was accepted by the Chairman, MERC.

Shri.Rajesh K Mediratta, Director (BD), Indian Energy Exchange appreciated MERC for conducting suo-motu RP hearing for the distribution companies in Maharashtra. He suggested that similar exercise may be carried for captive consumers in the State so that compliance of RPO is met by all obligated entities in the State.

The schedule of the SAC Meetings to be held in year 2013 was announced. It was announced that the next SAC meetings will be held on 22 March, 2013 as the last Friday in March is a public holiday on account of Good Friday. The date of June Meeting was announced as 28 June, 2013. The dates of September and December meeting were announced as 27 September 2013 and 27 December 2013.

The meeting ended with a vote of thanks and season's greetings to the present members and invitees.

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Encl: Copy of Presentations

- a) REC Presentation on National Electricity Fund (Interest Subsidy Scheme).
- b) IMaCS & Shri. Harry Dhual Presentation on Introduction of Trading Margin in the Intra-State Trading of Electricity in Maharashtra u/s 86 (i)(j) of EA 2003.
- c) MERC & WRLD Presentation on Follow Action u/s 33 of EA 2003 respect of compliance of Directions issued by State Load Despatch Centre (SLDC) and / or Western Region Load Despatch Centre (WRLDC) during 30th, 31st July 2012, the days of major Grid failure in Northern Region & Northern, Eastern and North-Eastern Region.

List of Persons who attended the SAC Meeting held on 30 December 2011

Members:

- i) The General Manager, Central Railway.
- ii) General Secretary, Thane Belapur Industries Association.
- iii) Shri D. J. Doke, Chairman, Institution of Engineers, Pune Local Centre.
- iv) Shri. Director, Nimbalkar Agricultural Research Institute.
- v) Shri. C. P. Bhatia, Zonal Manager (WZ), Rural Electrification Corporation Ltd

Special Invitees

- vi) Shri O.P. Gupta, General Manager, BEST Undertaking
- vii) Shri U.G. Zalte, Director (Operation), MSETCL
- viii) Director (F), MSPGCL.
- ix) Shri Ashok Sethi, TPC.

- x) Shri R.R. Mehta, RInfra
- xi) Shri. Harry Dhaul, DG, Independent Power Producer.
- xii) Shri. Rajesh K, Mediratta, Director (BD), Indian Energy Exchange Ltd.
- xiii) Shri.S. A. Patil, General Manger, MEDA.
- xiv) Shri. Omprakash Kulkarni
- xv) Shri. Sharma, PTC India Ltd
- xvi) Shri. Sharad Agarwal, 21st Century Infrastructure (I) Pvt Ltd
- xvii) Shri. Guralwar R. Chief Engineer (STU), MSETCL
- xviii) Shri Sanjay Shinde, MSLDC.
- xix) Shri. Jayant D. Kulkarni, Chief Operating Officer, TPTCL.

Copy for information to;

1. Shri. P. Pentayya, General Manager, WRLDC.
2. Shri. Guralwar R. Chief Engineer (STU), MSETCL.
3. Shri. S. T. Shinde, Chief Engineer, MSLDC.