

Minutes of the Second Meeting of the State Advisory Committee held 18th February 2002 at 11.30 hours.

The Chairman, MERC, welcomed all the distinguished Members of the SAC and requested them to initiate thoughtful discussion on the Agenda items already circulated. He suggested that before starting the discussion on Agenda item No.1 (Tariff Determination Order dated 10.01.2002), presentation by Technical Director (Shri Prabhakar Kukde) of the MSEB on “Approach to reducing T&D Loss” may facilitate the understanding of the Members on the concept of T & D loss charges. Accordingly, Shri Kukde made his detailed presentation on T & D Losses and the approach of the MSEB to deal with the issue.

Item No. I (a) T & D Loss Charge: -

During the presentation, Shri Kukde covered major areas (i) generation capacity of the Maharashtra, (ii) identification of areas of T & D loss in the system, reasons therefor, formula applied for arriving at the T& D loss

$$\{[energy\ input\ (-)\ [energy\ metered\ (+)\ assessed\ consumption\ of\ agricl,\ powerlooms\ and\ public\ water\ works]]\ x\ 100\%\}$$

(iii) appointment of consultants for Demand Side Management in the matter, (iv) introduction of AMR (automatic meter reading) in Dombivli and Pune zones and its extension to Thane and other areas, (v) Energy auditing / accounting at sub-division level, number of poles, consumers attributed to each pole, walk-down survey of each pole and, finally, identification of faulty meters / replacement of meters, etc.

He concluded the presentation stating that keeping in mind a realistic and logical approach towards the gigantic problems, it may take at least about ten years to complete the entire process of bringing in the T & D losses to the required norms laid down by the CEA.

Shri Ranade of Mahratta Chamber of Commerce, Pune, stated that the system of pre-paid meter boxes with circuit breaker may be introduced for this purpose, which is available in the market. A similar system is in operation in France. The concept is like a gas cylinder we use, which, when it gets exhausted, needs to be replaced. He further suggested that certain model areas can be chosen wherein this system can be tested and, after successful operation, the same could be extended to other areas also.

Shri Goenka of Vidarbha Industries Association suggested that to curb theft (i) all electro-mechanical meters should be gradually replaced by static meters and (ii) a theft-curbing cell, under the direct control of some senior level officers, should be introduced at the field level where the consumers can lodge their complaints without disclosing their identity. He also suggested that ,though the MIS system presently adopted may work effectively, the personnel with vested interests at the operative level may create barriers, which result in such anti-social activities. Therefore, it will be essential for the MSEB to guard against such pitfalls.

Dr Rajvanshi, of the Nimbkar Agril. Research Institute (NARI), opined that profit centers, which will automatically reduce the T&D losses, should be identified and developed. He also suggested that a core committee could be formed to interact and guide the MSEB in the implementation of the system. The targets may be set before the employees' of the MSEB for reducing T & D losses and an incentive may be given to them on achieving the targets.

Shri Shahi, CMD of the BSES, suggested the immediate introduction of theft prevention ordinances in the State of Maharashtra as was done in other States like Andhra Pradesh, Delhi, Orrisa, etc. He further opined that the system of 'ABC analysis 'of the Sub-Divisions should be carried out to clearly identify the targets. He further stated that, in most of the cases, the thefts are committed by industrial consumers, hotels and commercial consumers being commercially aggressive and not from the hutments or residential consumers. The Industrial Associations should come forward and help the utility in curbing these un-healthy and anti-social practices, by more positive interaction.

Shri Khaparde of IIT, Mumbai, suggested that the period of ten years as suggested by Shri Kukde should be progressively reduced and the system of APDP, as introduced by the Central Govt/Ministry of Power, can be developed at the State level also. He further opined that such types of innovative ideas should be brought before the Committee / core group and regular meetings of this committee / group may be held to arrive at an appropriate mechanism.

Prayas suggested that, with the formation of a working group to address the T & D loss issue, innovative ideas can be placed before it for discussion and adoption. Shri Jayant Deo, Member, MERC suggested the formation of such a sub-committee of experts in the field and the initiation of close reviews.

Shri Venkat Chary, Member, MERC stated that with a view to initiating a wide ranging debate in society, the Commission had taken the initiative to mail a Marathi version of the portion relating to T&D Losses and T&D Loss Charge, as outlined in the MERC's Tariff Order dated 10.1.2002, to all the Honourable MLAs, MLCs, MPs of Maharashtra, for their information and perusal. He hoped that this will provoke some thoughts and help to focus on T & D losses, an all important area in today's context.

The Chairman of the Commission welcomed some of the suggestions made by the Members of the SAC and requested the MSEB to take a note of them and to try to implement them at the right earnest.

Item No. I (b) Conservation Fund: -

Shri Jayant Deo, Member (MERC) gave a brief background of the decision to introduce the concept of the Conservation Fund in the Tariff Order.

Shri Gandhe from Energy Forum of Institution of Engineers, Pune, stated that the Government of India had recently passed the Energy Conservation Bill wherein it was made mandatory for every industrial unit to conduct energy audits. The Planning Commission has also accepted this concept. Micro level planning has to be developed.

He further informed that the Tenth Five Year Plan has made a provisional outlay of Rs.100 crores for Energy Conservation efforts. Hence the efforts of the MERC are commendable. However, deployment of such funds through an appropriate scheme is essential rather than the mere creation of fund the for a solution.

He further stated that institutions like CII, TERI, IIT, IEEMA, and PCRA, who are engaged in the field, could also be involved for their views and study in the energy auditing and conservation scheme. For this, the IREDA approved list of Energy Auditors can be relied upon. Further, he asserted that mere audit report should not be an end in itself; implementation of the audit recommendations must be enforced. Users' participation and ownership is essential. He further suggested that industries may initiate to develop a model set-up.

- The representative of the Vidarbha Industries Association stated that,
- (1) carrying out yearly Energy Audit of HT Consumers should be made compulsory. The Auditors who have experience of more than three years and have adequate knowledge should be appointed for the purpose. The important aspect is the implementation of the suggestions made by the Auditors. He requested the MERC to give suitable directives to the Board in the matter.
 - (2) the instrumented audit of Agriculture Pump should be carried out. The Industrial Sector should, in co-ordination with the Agriculture Sector, introduce efficient pumping utilisation, and also undertake the responsibility of production and maintenance.
 - (3) a Model system for Well Pumps and for Lift Irrigation should be introduced in each district, supported by the industries, which may not be reaching the doorsteps of the agriculturists. A network of ITIs supported by industries involved may be useful in considering even the cost of transportation.

Shri Shahi, CMD of the BSES, raised the point as to who will manage the funds collected in the name of the "*Conservation Fund*". The Commission explained that though the funds are collected as per the directive of the Commission, the Executive Authority to administer them would be the MSEB itself.

There was another opinion that though the proposal is an innovative one, the ultimate payment is collected from the end consumer. Hence, it is becoming very prohibitive due to various charges such as conservation fund (2%), T&D loss charges, Reliability Charges, Electricity Duty Charges, FOCA, etc. Unless the users' participation is involved and concept of ownership is evolved and the true cost signal through a charge is made via a tariff increase, the possibility of successful conservation efforts is limited.

Item No. 1(c)- Reliability Charge and Reserve Capacity for ensuring uninterrupted power supply: -

Regarding the Reliability Charge, Member, Shri Deo, gave a brief background for the introduction of this charge through the Tariff Order. Presently, there is daily load shedding of about four hours in rural areas and two hours in urban areas, other than Mumbai. The consumers, irrespective of their status, in the affected areas are also expecting a similar uninterrupted power supply, even by sharing/bearing the burden to a certain extent. There is a mismatch between the demand and supply at peak hours and spinning reserve of the Utility is negative. To tide over such a gap in the system, there is a cost involvement to the Utility. In order to ensure uninterrupted quality power supply throughout the State in future, the Commission felt the need to address the issue separately by introducing this nominal charge.

The concept of Reliability Charge was widely welcomed by the industrial community. A good quality, uninterrupted power supply will definitely boost industrial production. It will also avoid damage to the running machines. This will also act as a catalyst to industrialization in the rural / backward areas, leading to socio-economic development of the State. The additional funds collected could be utilized by the Board for upgrading the Electricity Sector of the State.

Prayas informed that the definition of Reserve Power vis-à-vis peaking power should not be mixed up and it is essential to appropriately define “Uninterrupted Good Quality” or “Reliable Supply Facility” since the provision of such a charge can be misused both by the utility and its consumers.

The representative of the Thane Belapur Industries Association opined that this concept will definitely help the industries but also expressed his apprehension that (i) The practice may lead to further corruption, (ii) The MSEB may interrupt the supply of the consumers who are not paying the reliability charge and divert the same to the consumers who pay the reliability charge.

Indian Institute of Technology (IIT)’s Mr. Khaparde stressed the point that if such a system is introduced, the industries will be at a great advantage & will definitely welcome the charge. But it also has certain problems such as calculation criteria in relation to EHT/HT/LT categories.

Dr. Rajvanshi of NARI also had similar views. He further added that the Forum should be formed by the Industries & Industrial Associations for Demand Side Management studies & Research.

Shri Goenka, of the Vidarbha Industries Association stated that the words ‘*nature of Supply*’ in the ERC Act 1998 does not mean uninterrupted /interrupted supply since it is the duty of the suppliers to supply uninterrupted power to the consumers, but this word is related to the technical parameters like Voltage of supply, frequency, AC/DC nature of supply, etc., and it does not include uninterrupted /interrupted supply. Hence, a provision may not exist in conforming with the Act.

Instead of rewarding the MSEB for supplying uninterrupted supply, provisions should be made in the tariff for penalizing the supplier if he is unable to supply reliable and quality power as defined in the electricity acts and rules.

Shri Chaini requested that both the Board and the Commission should encourage captive generation for better Power Purchase Mix as the ratio of Hydro and Thermal in the State is not conducive. A suggestion was made to verify disclosed and undisclosed power cuts - whether on par with each other and called for clear definition of power cuts.

Shri Kukde agreed to prepare a blue print for the State in the light of the above and to submit it to the Commission and its SAC Members.

Item No. (ii) - Additional Powers conferred u/s 22 (2) of the ERC Act 1998 on the "Commission": -

The Commission informed the SAC Members that the GoM has conferred additional Powers u/s 22(2)(b), (e), (j), (k), (l), (p) of the ERC Act 1998 and that it had invited the reports from the nine State Electricity Regularity Commissions so as to assess the modalities & priorities adopted by them in exercising the above powers. The Commission added that it also has solicited legal opinion on the exact scope of the powers conferred on the Commission. Shri Chary explained the wide scope of the powers under the sub- sections, specifically under sub-clause (e). The Commission invited the views of the SAC Members on the same by initiating a discussion on the scope & the implications in the matter.

Prayas - Subsidy and Tariff implications on all issues should be kept forth transparently.

Shri. Shahi, CMD of the BSES, appreciated & congratulated the Commission for the event. He remarked that the conferment of clause (e) in the absence of clause (d) is of very little meaning. However, about the power u/s.22 (2) (b), he stated that the Commission has to exercise this power suo-motu as it is distinct from that of 22(2)(p). If not utilized properly, the Commission may be blamed for not taking timely action/decision, e.g., Inadequacy of generating capacity, etc. The Commission requires strength / support from the SAC for such actions. Shri Shahi proposed to submit an approach paper.

All the SAC members congratulated the Commission for the additional powers & also expressed that the same have to be used very carefully. In the view of some of the Members, the demarcation in various powers & limits of the same [e.g. (d) in support of (e)] may be got confirmed from the State Government itself, before the same are exercised. The Commission also asked the comments in writing after giving in little thought in the matter of the scope.

Item No. (iii) - Studies undertaken by the Appointed Consultants: -

The Commission informed the SAC Members about the studies undertaken by it. The Commission also informed that the Study Reports would be made public and expert opinion will be invited on the same. Public hearings also could be arranged, if necessary.

Several SAC members expressed their view that the final reports of the above studies should be made available to them. Thereafter, a review of the matter could be arranged to discuss in detail and to arrive at a studied conclusion.

Item No. (iv)- Progress of co-generation PPAs: -

The Commission informed the SAC members that the MSEB had submitted nine (9) Proposals during August 2001 for approval of PPAs of bagasse based co-generation power projects. After conducting public hearings, the Commission decided to call for expert opinion on the model PPA prepared by the MSEB. The Commission appointed TERI and BITS as its consultants and they have submitted their respective preliminary draft reports. However, certain further clarifications were invited from them and, as soon as the Commission receives these clarifications, the reports will be placed before the public inviting their objections / suggestions / modifications, to decide bagasse based co-generation projects and related PPAs u/s 22(1)(c), etc. The Commission further informed that these reports have not been made available to any body so far.

Shri. Kukde, TM, MSEB, gave information about the present status of the number of applications received by the MSEB, capacity additions, NOCs granted to various CPPs, Co-generation Projects, Bagasse based Co-generation Projects, etc. However, out of this, nobody has come forward to make a PPA except the above five (5).

Shri Goenka of Vidarbha Industries Association made a mention of the deviations from the Draft PPAs of the MSEB .He stated that he has also attached the report in this matter in his submission [*encl: Annexure*] to the Commission.

Item No. (v)- Draft Policy by the GoM in the area of Non-conventional & Renewable Energy Sources: -

The Commission informed the SAC members about the present status of the bagasse based PPAs which are under-going scrutiny of the Commission. In the meantime, the GoM has requested the Commission to approve the proposed policy guidelines in respect of Bagasse based co-generation power projects in the State of Maharashtra. With a view to have an in-depth discussion in the matter, and also on similar policy for other NRSE projects like (a) Wind Power Generation (b) Solar (c) Biomass /Biogas Energy (d) Ocean Tidal Wave Energy, etc., the Commission decided to place the entire issue before the SAC through an agenda item and invited the PS (Energy) and MEDA for the meeting. Since the Principal Secretary (Energy), was not present at the meeting, the issues could not be further discussed. A separate meeting will have to be arranged to discuss these two topics in details, within the next three months.

Item No. (vi)- Any other item with the permission of the Chair: -

The Commission informed the SAC Members that Prayas Group, Pune had requested permission to make for a presentation on certain issues, which might be helpful for the Members and the Commission.

The Prayas Group made a presentation under the heading “*Enhancing Transparency and Public Participation*” covering various fields such as (i) Data which can be set and updated regularly on the website of the MERC for the convenience of the general public, like copies of the MERC orders, petitions, record of hearings, periodicity of filing of the petitions, fees to be paid, etc., (ii) Road-map of the regulatory process, (iii) Providing reading room and library facilities with proper indexing at the MERC office for outsiders (iv) Creating fund through tariff-surcharge / voluntary contributions by the utilities and its proper utilisation, (v) Publication of information booklets for general public, etc.

Chairman, MERC, concluded the meeting and requested the distinguished SAC members to give their valuable suggestions in writing and also expressed his gratitude for the creative contributions towards the smooth and efficient functioning of the Commission in a most transparent manner.

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

(Sanjay Kumar)
Secretary, MERC
4.3.2002