

## Minutes of the 7<sup>th</sup> State Advisory Committee Meeting held on 9<sup>th</sup> October, 2006 at 15.00 hours in the office of the Commission.

After extending a warm welcome to the State Advisory Committee Members to the seventh meeting, the Chairman briefly explained the reasons for selection of two agenda items, namely:

- Declaration / Notification of Rural Areas.
- Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

The Chairman pointed out that rural electrification is the key for accelerating rural development. The National Electricity Policy states that the key development objective of the power sector is supply of electricity to all areas including rural areas by year 2012 as mandated under the Electricity Act, (EA), 2003. He drew attention of members to the Ministry of Power (MoP)'s 'Rural Electrification Policy' issued on 23<sup>rd</sup> August, 2006, which emphasize that the "*appropriate Government shall endeavour to supply electricity to all areas including villages and hamlets*", and the State appointed Abraham Committee's recommendations on demarcation of rural areas. While majority of States [*like Andhra Pradesh, Assam, Bihar, Jharkhand, Karnataka, Kerala, Orissa, etc*] have already issued such notification as per the National Tariff Policy, Maharashtra is still lagging behind in declaring rural areas. Any attempt to exclude MIDC areas will be shortsighted. The Section 13 provides necessary safeguards while exempting such areas. For example, if a certain industrial area in rural part of the State were to set up its own generating plant, it could be mandated to supply electricity to designated villages surrounding it. Only issue, which needs to be decided by Government of Maharashtra at political level, is whether to include 'C' Class Municipal Councils in Vidarbha and Marathwada in the definition of rural areas because most of these municipalities are smaller in size compared to many a large Gram Panchayat in Western Maharashtra.

Thereafter, the Chairman invited the Members to deliberate on the issue of delimitation of rural areas and give their views to enable the Commission to send its recommendation / advice under Section 86(2) of the EA, 2003 to Government of Maharashtra.

Shri A.D. Palamwar, on behalf of MD - MSEDCL made a presentation on "**The Approach to Notify Rural Areas in Maharashtra**", and highlighted following points in the presentation:

- i) Taking into consideration the statutory provisions under the 73<sup>rd</sup> Amendment to the Constitution, GoM is required to notify rural areas in observance of the Rural Electrification Policy announced by the MoP. On the request of GoM to submit the repercussions of such notification on its revenue, MSEDCL have earlier, back in February, 06 conveyed its views suggesting that the Government should protect the interest of MSEDCL. Under various provisions of the EA, 2003, private players can generate electricity without any licence, and could also enter into transmission and distribution of electricity activities under Licence. It is, therefore, natural apprehension that there will be cherry picking by these private operators, which ultimately result into revenue loss to MSEDCL. Therefore, he suggested that in order to remove any ambiguity, GoM should notify list of identified areas as "Rural" rather than defining any parameters. He further informed that some of the MIDC areas are located in Rural Areas, where industrial activity is very negligible.

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- ii) MSEDCL in Maharashtra has 11 Zones, 39 Circles, 130 Divisions and 580 sub-divisions. GoM can notify rural areas as per Administrative / electricity boundaries while ensuring compliance to all prevalent statutes.

Earlier though Maharashtra has been declared as 100% electrified, based on the then definition, there are villages still to be electrified by recent definition. At present there are 5554 villages need to be electrified, which constitutes a total population of about 18.72 lakhs.

These villages are to be covered under Government of India programme i.e. under RGGVY Yojana. The projects are financed with 90% capital subsidy and 10% as loan through Rural Electrification Corporation Limited (REC). During September 2005 to December 2005, 34 schemes (total capacity 9310 KVA equivalent to 9MW) have been forwarded to REC, out of which 7 schemes i.e Wardha, Gondia, Dhule, Ratnagiri, Solapur, Yawatmal, Nanded have been approved. Ten (10) schemes, i.e., Satara, Sangli, Pune, Bhandara, Amrawati, Nandurbar, Aurangabad, Akola, Nagpur, Jalna have been granted so far in-principle approval. A copy of their letter dated 5<sup>th</sup> October, 2006 addressed to the GoM giving details of the above schemes, were circulated to all Members.

At this stage, Shri Girish Sant of Prayas suggested that with the notification of Rural Areas and under the EA, 2003 and other provisions of the MoP Rules, anybody could set up a generation facility, including CPP, as well as a distribution network. As regards the issue of revenue loss to the utility, without GoM notification of Rural Areas also, anybody can set up a generation facility with captive consumers like in franchisee system.

Chairman remarked that the adoption of the franchisee model for management of local distribution in rural areas is necessary in order to ensure both, revenue sustainability, and improvement in customer services to the consumers.

In response to the Commission's query, Shri Palamwar clarified that energising of pump-sets does not form a part of the projects under RGGVY. He further informed that a separate fund has been provided by GoM to complete the pending works in the 17 backward districts and which are being followed up by MSEDCL. Shri Palamwar stated that MSEDCL has initiated a massive infrastructure plan covering investment of around Rs 14,500 Cr in the next 3 years. However, there has been no clarity about In-Principle clearance of such rural electrification infrastructure in the Tariff determination exercise. Further, he stated that this causes uncertainty for Memorandum of Understanding (MoU) that are required to be signed with various funding agencies.

2. In response to the query about the follow up under the RGGVY programme, MSEDCL informed that the GoI has laid down procedures that are monitored by the REC. The first installment is disbursed by REC after the tendering process, then a District Committee is constituted under the Chairmanship of the Chairperson of the Zila Parishads / Chairperson of the District Planning Committee / Collector of the district / local MP/ MLA and may have representations from various concerned district level agencies, consumer associations and other important stakeholders followed by the appointment of local contractors. On completion of the above process, subsequent installments are released.

3. Shri Palamwar has further informed that MSEDCL have been successful in distribution transformer (25-30 cases) franchisee system, but for feeder franchisee Programme, MSEDCL have invited bids for franchising of 18 feeders but have received only 3 offers and hence they are planning to extend the due date.

4. Dr. Anil K. Rajvanshi of Nimbkar Agricultural Research Institute (NARI) stated that the major issue to be addressed is the non-availability of electricity in most of the rural areas, and absence of proper planning for load shedding in such areas. He stated that many of the agricultural and other consumers are ready to pay higher tariff but for assured, continuous and reliable power supply. Moreover, there is a social cost due to non-availability of supply, which needs to be addressed by implementing appropriate infrastructure, grid extension, etc., to the rural areas. He expressed optimism that it may be possible to organize to take up the responsibility to distribute the power locally in Phaltan, District Satara, for which MSEDCL is required to be willing to lease their infrastructure and extend all possible co-operation.

5. Dr Rajvanshi further stated that private players / licensees such as TPC and REL should be able to take up rural electrification as a franchisee. He stressed the necessity to create a new model of Corporate Entity under Public-Private Partnerships to take up the risk, which would enable participation of the Government, Corporate, Non-Government Organization (NGO) and the local consumers. The model can be somewhat similar to that of a co-operative sugar factory where the farmer is a part of the system. The methodology of this model could be worked out separately. The feasibility of adopting the Pune model could also be thought of. Dr Ashok Pendse also agreed with that view. He wondered whether MSEDCL has any earmarked person who can work as a focal point and liaise with various stakeholders for implementation of such a concept for distributed generation as well as distribution (either as franchisee or independent identity).

6. The Chairman suggested that Dr. Rajvanshi could prepare a detailed project report and circulate it to the SAC members for their comments/suggestions, which would be discussed in the next SAC meeting. The project report should cover: institutional mechanism to be adopted, technical as well as commercial details related to generation, transmission, distribution, wheeling charges and financial data relating to the payment to MSEDCL etc.

7. Prof. S.A.Kharpade of Indian Institute of Technology (IIT) stated that private players should be encouraged for generating power (distributed generation) in rural areas. Prof. S.A.Kharpade volunteered to take up such a project suggested by Dr Rajvanshi as Pilot Study and implement it in Phaltan.

8. The Commission requested MSEDCL to nominate an officer to facilitate implementation of pilot franchise proposal, like that suggested by Dr Rajvanshi. Shri Palamwar nominated Shri Vijay Sonavane, Executive Director-Corporate Planning-MSEDCL, as the nodal officer. He requested that all project proposals should be addressed to him

9. Shri Girish Sant of Prayas stated that under RGGVY scheme nearly 18 lakh consumers have been covered. MSEDCL under approved schedule of charges are to collect Rs.1500/- per new connection towards connection charges. This is a barrier for the poor consumers and hindrance to NTP provision of power for all. He suggested that it should be reduced to very nominal level, like that of BPL category tariff, for agricultural consumers in rural areas. He further suggested that to reduce the cost a model of providing **current**

**limiters'** for rural consumers, instead of providing meter etc., could be adopted so that their consumption will not be allowed to exceed a certain limit. At the same time the consumer may not have the fear to pay heavy bills and thereby reducing the chances of default. The Commission observed that if the requirement of metering, which is mandatory under the Act, is met then the issue of reducing the connection charges for certain category of rural consumers could be reviewed.

10. In response to a query posed by Prof. Khaparde, Shri Girish Sant responded that fixed charges need to be paid by consumers in whose premises meters are installed and hence the model of current limiters can be adopted for BPL type consumers.

11. To a query from Member (Finance), MERC regarding the expected duration for completion of RGGVY projects, Shri Palamwar explained REC is the nodal agency of GoI to implement the Rural Electrification programme. REC has laid certain binding stringent conditions for providing financial assistance to various distribution companies. Moreover, REC wants the sector to be decentralized. In view of the above the process of implementing RGGVY scheme is a time-bound process and he anticipates that all the projects would be completed by March 2008.

12. Member (Finance) advised suggested MSEDCL to circulate a draft paper on the monitoring mechanism adopted and the stage-by-stage verification of progress of implementation of the RGGVY scheme. Besides the important milestones, the stage-by-stage implementation process of the RGGVY scheme in the project report and the deadline of completion of the RGGVY scheme should be brought out. In addition, the Commission suggested that the project plan should map and detail the electrification delivery mechanism (grid and standalone) considering inter alia the available technologies, environmental norms, fuel availability, distance from the grid etc.

13. Shri P.S. Pandya of REL mentioned that they had a similar experience in Orissa, Delhi and Uttar Pradesh with distribution companies, but which were all on contract basis. However, he further stated that REL would be willing to assist MSEDCL for the implementation of RGGVY scheme in Maharashtra.

14. Dr. S.L. Patil of Thane Belapur Industries Association stated that care should be taken to prepare the feasibility report of the scheme before it is put forward for implementation in order to avoid any technical and/or commercial lacunae. He further brought to the notice of the members that there is an effort to get MIDC area notified as Industrial Township and would not then come under RGGVY.

15. The Chairman advised MSEDCL to prepare a status paper on RGGVY in the State explaining how franchisee commitment will be met and circulate it among the members of SAC. Based on their feedback, appropriate franchisee models for this scheme and all rural areas in the State should be developed.

**Encl: Presentation copy of MSEDCL**

List of participants is annexed hereto.

**List of professionals present at the SAC meeting held on 09.10.06 at 15.00 hours**

S.No	Name of the individual	Organization
1	Shri A.D.Palamwar	Maharashtra State Electricity Distribution Co. Ltd.
2	Shri Trimukhe	Maharashtra State Electricity Distribution Co. Ltd
3	Shri Vijay Sonavae	Maharashtra State Electricity Distribution Co. Ltd
4	Shri V.K.Pandit	Mula Pravara Electric Co-op. Society Ltd.,
5	Shri R.V.Kulkarni	Mula Pravara Electric Co-op. Society Ltd.,
6	Shri S.B.Galande	Mula Pravara Electric Co-op. Society Ltd.,
7	Shri Anil Kelkar	Institution of Engineers, Pune
8	Dr A.K.Rajvanshi	Director, NARI
9	Shri Ashok Pendse	Mumbai Grahak Panchayat,
10	Shri Girish Sant	Prayas (Energy Group)
11	Shri J.D.Kulkarni	Dy. General Manager, TPC Ltd
12	Shri S.N.Manekar	Energy Dept, GoM
13	Shri P.N.Mudkhedkar	Energy Dept, GoM
14	Prof. S.A. Kharparde	Indian Institute of Technology
15	Shri A.V.Kane	BEST Undertaking
16	Shri N.V.Bhandari	BEST Undertaking
17	Shri A.K.S.Sharma	CEE, Central Railway
18	Dr. S.L.Patil	Secretary General, Thane Belapur Industries Association
19	Shri Kapil Sharma	Reliance Energy Ltd.,
20	Shri P.S.Pandya	Sr. Consultant, Reliance Energy Ltd.

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