

**Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Case No. 123 of 2016

Dated: 12 January, 2017

**CORAM: Shri Azeez M. Khan, Member
Shri. Deepak Lad, Member**

**In the matter of
Miscellaneous Application of Maharashtra Electricity Distribution Co. Ltd. in its MYT
Petition (Case No. 48 of 2016)**

Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)Petitioner

Appearance:

For the Petitioner: Shri. Satish Chavan (Rep.)
Shri. Milind Digraskar (Rep.)

For the Authorised Consumer Representatives: Shri. Prasad Kokil (CMIA)

Daily Order

Heard the representatives of the Petitioner and Authorised Consumer Representative.

1. MSEDCL stated that:

- i. Present Petition has been filed as a Miscellaneous Application in the MYT Petition (Case No. 48 of 2016) for modification in MYT Regulations, 2015 and thereby allowing Operation and Maintenance (O&M) Expenses as projected in the MYT Petition. The Petition was filed on 19 September, 2016, when the Commission had completed the Public Hearing process on the MYT Petition (Case No. 48 of 2016) of MSEDCL. During the pendency of the present Petition, the Commission has issued the MYT Order dated 3 November, 2016 in Case No. 48 of 2016. MSEDCL has also filed a Petition seeking review of the MYT Order on various issues, including O&M expenses.
- ii. To a query of the Commission, MSEDCL stated that it is limiting the present Petition to the prayer for modifying/amending the provisions relating to O&M expenses in the MYT Regulations, 2015.

- iii. The norms for calculation of O&M expenses in the MYT Regulations, 2015 are different from the earlier MYT Regulation, 2011. They also differ from the O&M norms specified in the draft MYT Regulations, 2015 which were published for public consultation.
 - iv. The MYT Regulations, 2015 do not give any weightage to growing consumer base, sales and network expansion. WPI/CPI methodology provided in the MYT Regulations, 2015 covers the aspects of inflation/deflation only.
 - v. As per the methodology specified in the MYT Regulations, 2015, the O&M Expenses for the base year work out to Rs. 5786 crores, which is lower than the O&M expenses approved for FY 2015-16, i.e. Rs. 6712 crore. Further, the permissible YoY rise in O&M Expenses for FY 2016-17 will be only 2.76% over the base year (FY 2015-16) expenses, whereas the historical trend of increase in O&M expenses is much higher. Based on these Regulations, the Commission, in its MYT Order dated 3 November, 2016, has approved O&M expenses for FY 2016-17 to FY 2019-20. In that Order, O&M expense approved for FY 2019-20 is Rs. 6455 crore which is lower than the O&M expenses approved for FY 2015-16, which is at variance with the accepted notion that O&M Expenses would increase over time.
 - vi. Further, Employee Expenses contribute 75% of the total O&M Expenses. The next pay revision for MSEDCL's employees is due in FY 2017-18. MSEDCL would not be able to meet its increased Employee Expenses with the lower amount of O&M expenses approved in the MYT Order. Being a Government Utility, it is very difficult for MSEDCL to make any drastic reduction in Employee Expenses.
 - vii. O&M Expenses being a controllable parameter under the Regulations, any increase will add a financial burden on MSEDCL. The lower O&M Expenses allowed will take toll on the quality of power supply and services to consumers.
 - viii. Therefore, the provisions relating to O&M Expenses in the MYT Regulations 2015 need to be modified.
2. Shri. Prasad Kokil of Chamber of Marathwada Industries and Agriculture (CMIA) stated that the MYT Order in Case No. 48 of 2016 has been issued after a due public consultation process, and hence the present Miscellaneous Application in Case No. 48 of 2016 needs to be dismissed as infructuous. He further stated that Employee Expenses of MSEDCL are increasing continuously, whereas quality of service is deteriorating. Increase in Employee Expenses needs to be controlled so that there is no impact on consumers.

The Case is reserved for Order.

**Sd/-
(Deepak Lad)
Member**

**Sd/-
(Azeez M. Khan)
Member**