

**Before the  
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION  
World Trade Centre, Centre No.1, 13th Floor, Cuffe Parade, Mumbai 400005  
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**Case No. 152 of 2016**

**Dated: 31 January, 2017**

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

**In the matter of  
MSEDCL's Petition for Amendment / Modification in Regulation 82 of MERC (Multi  
Year Tariff) Regulations, 2015**

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

**Appearance:**

For the Petitioner:

Smt. Deepa Chawan (Adv.)

For the Authorised Consumer Representatives:

Shri. Ashish Chandaran (VIA)  
Shri. Sarang Sontakke (CMIA)  
Dr. Ashok Pendse (TBIA)

**Daily Order**

Heard the representatives of the Petitioner and Authorised Consumer Representatives.

1. MSEDCL stated that:

- i. Regulation 82 of MERC (Multi Year Tariff) Regulations, 2015 prescribes that provision for bad debt is allowed at 1.5% of trade receivables. MSEDCL's requesting the Commission to relook or amend this provision to make it 1.5% of total revenue, as in the past.
- ii. Earlier, the Commission was allowing 1.5% of revenue as provision for bad debt. This practice was changed to 1.5% of trade receivables through MERC (Multi Year Tariff) Regulations, 2011, which was thereafter continued in MYT Regulations, 2015. Although MSEDCL is approaching for changing the methodology after a lapse of 5-6 years, this delay may be condoned considering the fact that applicability of the 2011 MYT Regulations was relaxed for MSEDCL for the initial two years and MSEDCL had filed only one Petition under that Regulation thereafter..

- iii. Existing provision for bad debt expects 99.94% collection efficiency, which is not at all practicable for the electricity distribution business. Therefore, the Commission may revise the provision for bad debt in the MYT Regulations, 2015 based on accounting principles. MSEDCL has submitted details of the practice followed by some other States in this regard.
  - iv. All the expenses heads in the Annual Revenue Requirement (ARR) are factored in on accrual basis, whereas the provision for bad debt is being considered on normative basis. APTEL has ruled that all expense heads need to be treated uniformly. The Commission may devise the methodology for treating provision for bad debt accordingly.
  - v. MYT Regulations, 2015 also require deduction of unbilled revenue from trade receivables before calculating the allowable amount towards provision for bad debt. This is creating inconsistency as unbilled revenue is considered as part of income, but is not considered while calculating the provision towards bad debt.
2. Shri. Ashish Chandarana of Vidarbha Industries Association (VIA) stated that:
- i. VIA is opposing MSEDCL's proposal to amend the provision for bad debt to 1.5% of revenue. Though bad debt is an integral part of any business, its quantum depends upon the nature of business. MSEDCL is enjoying a monopoly in distribution of electricity. No one can live without electricity. Hence, the consumer is always connected with MSEDCL, and these enables MSEDCL to recover arrears from them. Thus, the chances of debt or non recoverable arrears becoming bad are negligible.
  - ii. Earlier, the provision for bad debt was being allowed at 1.5% of revenue. However, instead of utilizing such amount for writing off bad debt, MSEDCL has utilized it for meeting its working capital requirements. Further, MSEDCL is writing off delayed payment charges and penal interest of live consumers from the provision for bad debt, which is not correct.
  - iii. Electricity Act, 2003 has provided avenues to the Distribution Licensee for protecting its revenue from becoming bad debt. The Act allows the Distribution Licensee to recover Security Deposit towards supply of power, and Section 56 allows it to disconnect supply for non-payment of electricity bills. Therefore, if proper risk management is undertaken, its revenue can be protected from becoming bad debt.
  - iv. VIA has submitted illustrative examples of mismanagement / negligence of MSEDCL which have resulted in increase in consumer arrears. MSEDCL should develop risk management software for monitoring revenue recovery.
3. Shri. Sarang Sontakke stated that Chamber of Marathwada Industries and Agriculture (CMIA) has filed a written submission vide letter dated 27 January, 2017, which may be taken on record.
4. Dr. Ashok Pendse of Thane Belapur Industrial Association (TBIA) stated that MSEDCL has not raised this issue of amending provision for bad debt during its MYT Petition for

the second Control Period. He suggested that MSEDCL should monitor the category-wise and area-wise collection efficiency for identifying any particular trend which then can be addressed by taking corrective steps.

5. In response, Advocate for MSEDCL stated that it will investigate the illustrative examples submitted by VIA and will take corrective actions. MSEDCL also agreed to look into the suggestions made by VIA for reducing and monitoring arrears. MSEDCL requested three weeks for filing its written Reply to the submissions filed by the Consumer Representatives. MSEDCL also requested the Commission to take a relook at the provision for bad debts based on accounting principles.
6. MSEDCL is directed to submit the following within 3 weeks with copies to the Consumer Representatives:
  - i. Reply to the submissions filed by Consumer Representatives.
  - ii. Practice adopted by all the SERCs for allowing provision towards bad debt in ARR.
  - iii. Accounting principles relating to provision for bad debt.

**Subject to filing of the above submission, the Case is reserved for Order.**

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

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