

MINUTES OF THE
FIFTH MEETING OF THE FORUM OF REGULATORS (FOR)
HELD AT KOLKATA, WEST BENGAL

Date : 10th November, 2006

List of Participants : At Annexure-I (enclosed).

Shri A.K. Basu, Chairperson, CERC/FOR welcomed the participants in the fifth meeting of the Forum of Regulators (FOR) and conveyed appreciation to the West Bengal Electricity Regulatory Commission for the warm welcome extended to the participants at Kolkata. Shri Basu briefly recapitulated the important issues facing the power sector in general and the Electricity Regulatory Commissions in particular.

2. The following agenda items were taken up for discussion:
- i) Review of actions arising out of Tariff Policy and National Electricity Policy.
 - ii) Harnessing of surplus captive generation.
 - iii) Issues at stake in operationalization of open access in distribution
 - iv) Reorganisation of SEBs

Review of action arising out of Tariff Policy and National Electricity Policy:

3. Shri Basu drew the attention of the Members towards the letter from the FOR Secretariat requesting all State Commissions to indicate in the prescribed format the status of actions taken by them towards implementation of the various provisions of Tariff Policy and the National Electricity Policy. Most of the Regulatory Commissions had brought the status in this regard which they handed over to the FOR Secretariat during the meeting. It was decided that the actions taken by the Regulatory Commissions on National Electricity Policy and Tariff Policy would be compiled by the FOR Secretariat and circulated to all Regulatory Commissions for information and guidance.

3.1 Some specific issues on National Electricity Policy and Tariff Policy were, however, discussed in detail.

3.1.1 **The issue of metering including TOD metering** was discussed. It was informed that most of the State Commissions had in their regulations specified time limit for installation of meters for all consumers. It was, however, felt that there were acute shortages of supply of meters which might delay the process of metering of all consumers. In some States, reluctance has also been expressed by the utilities towards installation of meters. Dr. Pramod Deo, Chairperson, MERC felt that for rural areas, metering of individual households might not be feasible. He stated that franchising of metering should be explored as an option for rural areas. Shri P.K. Mehrotra, Chairperson, MPERC referred to the recommendations of the Planning Commission for remote sensing meters and argued that such meters which could be placed at the distribution transformers could go a long way in arresting the commercial losses at distribution level. He also requested Chairperson, CERC/FOR to take up this issue with Central Electricity Authority (CEA) to ensure that suitable provisions in this regard were made in the metering regulations framed by CEA. It was also generally felt that metering regulations issued by CEA should be more comprehensive in terms of specifications. It was observed that leaving the responsibility of specifying details to the SERCs might not be sufficient. It would be advisable that the specifications were detailed in CEA regulations so that manufacturers of meters could see business opportunities in large scale and get encouraged to produce meters with such specifications. This would also help in bringing about harmonization in terms of metering specifications across the country.

3.1.2 It was decided that Chairperson, CERC/FOR will hold a meeting with Chairperson, CEA shortly where some Chairperson/Members of SERCs would also be invited to discuss these issues.

- 3.1.3 The issue of encouragement of renewables was also discussed. It was informed by the Members present that most of the SERCs have already specified the minimum percentage of power purchased by the utilities from the renewable sources.
- 3.1.4 Status of implementation of intra-State ABT was reviewed. Shri Divakar Dev, Chairperson, UERC felt that there being only one generating company in the State, he did not see any rationale for implementing ABT in his State. Shri S.K. Misra, Chairperson, Chhattisgarh ERC felt that restructuring of State Electricity Boards was a necessary precedent condition for introduction of ABT in the State. It was generally felt that State Load Despatch Centres have also not been upgraded to the level necessary of introduction of ABT in the State. Some State Commissions, however, have already finalized regulations/orders on introduction of intra-State ABT.
- 3.1.5 The issue of depreciation rates for distribution rates was discussed. The Tariff Policy provides in para 5.3(c) that *“The Central Commission shall notify the rates of depreciation in respect of generation and transmission assets. The depreciation rates so notified would also be applicable for distribution with appropriate modification as may be evolved by the Forum of Regulators.”* It was felt by some State Commissions that issue as whether the depreciation rates for generation and transmission could be adopted for distribution, should be examined in detail. It was decided that a Group consisting of the following members would go into the issue in detail and make recommendations for rates of depreciation to be adopted for distribution:
- i) Dr. Pramod Dev, Chairperson, MERC
 - ii) Shri Vijoy Kumar, Chairperson, UPERC
 - iii) Shri S.K.F. Kujur, Chairperson, Jharkhand ERC
 - iv) Shri K. Venugopal, Member, DERC
 - v) Shri K.P. Gupta, Member, GERC
 - vi) Shri S.K. Jena, Member, OERC

vii) Shri T.R. Dhaka, Member, HERC

Shri S.K. Chatterjee, Assistant Secretary, CERC/FOR would co-ordinate the meetings and discussions in this regard.

Harnessing of surplus captive generation:

4. As stipulated in the National Electricity Policy/Tariff Policy, the FOR has been deliberating on the issues seeking to harness surplus captive generation. A Group was constituted and several meetings were held to discuss the issues in detail and in the meeting held on 18.01.2006 under the Chairmanship of Shri A.K. Basu, Chairperson, CERC/FOR, consensus was evolved, charting out specific action plan/recommendations for harnessing of surplus captive generation into the Grid. Some of the major recommendations were as under:

- i) There should be no penalty for reduction of contracted demand by the consumer having CPP.
- ii) In view of little jurisdiction for levy of Parallel Operation Charges/Grid Support charges, these charges to be kept at the lowest level.
- iii) There should be no minimum guarantee charges.
- iv) Charges for start-up/standby power should be reasonable and should not exceed the charges fixed for temporary connection.
- v) Wheeling charges and other terms and conditions should be determined in advance by the State Commission ensuring that charges are reasonable and fair.

4.1 Shri A.K. Basu requested the Members to intimate the status of implementation of the above recommendations. The State Commissions informed that there was already consensus on the above issue and State Commissions have been implementing these recommendations.

Issues in operationalization of open access in distribution:

5. Several issues in this regard were highlighted in the background note prepared by the FOR Secretariat. Chairperson, Shri A.K. Basu informed that there were as many as 17 cases where approval had been granted by various State Commissions allowing open access to consumers/captive generators. He requested for information as to whether these approvals have been implemented in reality. Shri K.L. Vyas, Member, RERC informed that in his State three out of four cases approved for open access have been implemented. Shri S.K. Mishra, Chairperson, Chhattisgarh ERC also informed that in his State two out of the four cases have already been implemented. In Jharkhand one case has been implemented. **Shri Basu requested all State Commissions to send the updated information in regard to (i) the number of open access cases approved along with details on capacity and consumer status (captive or consumer) and (ii) the number of cases where open access has been implemented in practice.**

5.1. One of the issues in operationalization of open access, as highlighted in the background paper, was conflict between CERC regulations and SERCs regulations on transmission charges, SLDCs charges etc. for open access. This issue was discussed in detail. Shri Basu, Chairperson, CERC/FOR informed that such differences were posing difficulties in deciding the charges by RLDCs especially under open access transactions involving both intra-State and inter-State transmission systems. **After deliberations, it was decided that the charges on following lines would be implemented:**

- i) A composite operating charge @ Rs. 1,000/- per day for each transaction in respect of SLDCs involved irrespective of MW quantum applied.
- ii) Based on the Transmission Service Charges (TSC) determined by SERC, STU may calculate Short Term Rate (ST_RATE) as per methodology of CERC regulations and intimate the same to RLDCs and post on their websites.
- iii) The following methodology may be adopted for Transmission Charges for Short Term Open Access:

- a. Short Term Rate may be calculated in Rs./MW/Day.
 - b. Short Term Rate may be charged @ 1/4th of the Long Term Rate.
 - c. E-Bidding for short term access in the event of congestion, with a price cap of 125% of the Long Term Rate.
- iv) Part Day Charges may be adopted for short-term consumers in the following manner:
The ¼ of ST_RATE for Short Term Open Access Transactions upto 6 hours duration and ½ of ST-RATE for transaction between 6 hours and 12 hours duration may be charged for State Transmission network.
- v) No Handling and Service charges may be levied.

5.2. The issue as to whether license is required by a captive generator to supply power to a consumer, was discussed in the context of the Bombay High Court Judgment in this regard which had also been upheld by the Supreme Court. The context of the judgment was discussed. It was generally felt that the judgment did not lead to an interpretation that the captive generator would need a licence to supply electricity to a consumer who has been granted open access under section 42 of the Act. It was also informed that Ministry of Power had filed a SLP clarifying the judgment on these lines before the Supreme Court. SERCs requested that a copy of the SLP filed by the Ministry of Power on the judgment might be formally circulated to all State Commissions for information.

Reorganization of SEBs

6. Shri Sunil Mitra, Principal Secretary (Energy), Government of West Bengal made a presentation highlighting the progress of restructuring of West Bengal State Electricity Board. He informed that the State of West Bengal had the advantage of learning from the experience of other States who had already unbundled in the past. Apart from that the distinguishing feature about West Bengal is that the utility in the State had turned around even before the restructuring. This, together with the fact that various interest groups (including the trade unions) having been taken into confidence, success of unbundling of SEBs in the State stood a fair chance.

Arrival of Chief Minister and Power Minister of West Bengal

7. As scheduled Shri Buddhadeb Bhattacharjee, Chief Minister of West Bengal accompanied by Shri Mrinal Banerjee, Minister (Power, Labour & MNES) Government of West Bengal arrived at 12 noon to interact with and address the Forum. On their arrival, Shri A.K. Basu, Chairperson, CERC/FOR welcomed the Chief Minister and conveyed the deep gratitude of Members on behalf of the Forum for sparing time out of his busy schedule to address the Electricity Regulators of the country. Shri Basu congratulated the Chief Minister for the many initiatives undertaken by the State Government for overall development in all aspects including electricity sector in the State. He informed that West Bengal had been rated as the 5th best State in the country in terms of power sector reforms. This was an up-gradation from the 8th position last year. Ratings for States/State Utilities in power sector were done by an independent agency (CRISIL/ICRA) appointed by Ministry of Power. The utilities in the State had also been performing well. The Regulatory Commission in the State had also contributed significantly towards the development of the sector, the most notable contribution being in terms of inducing utilities to reduce T&D losses and bringing about rationalization of tariff for various consumer categories. Shri Basu, pointed out that there was scope for improvement on rural electrification and on per capita consumption, as these were some of the areas where West Bengal was below the national average.

8. After the welcome address by Shri Basu, Shri Mrinal Banerjee, the Power Minister of West Bengal was requested to address the Forum. The Minister in his brief address informed the Members of the several far reaching reform measures taken by the Government of West Bengal under the able leadership of the Hon'ble Chief Minister. There had been significant improvement in the performance of the West Bengal State Electricity Board since the last few years. The Electricity Act, 2003, he added, had given a fillip to efficiency improvements of the utilities. The Minister also praised the West Bengal Electricity Regulatory Commission for the participative role played towards development of the power sector in the State. On rural electrification he stated that his Government had already taken initiatives towards achieving 100% rural electrification by

2007. On the per capita consumption he stated that he would take all measures necessary to ensure that the State of West Bengal achieved the desired level on this front as well.

9. The address of Power Minister was followed by the address of Shri Buddadeb Bhattacharjee, Chief Minister of West Bengal. In his clear and positive statement, the Chief Minister reiterated the commitment of his Government towards overall development on all aspects in the State. He stated that the general perception about the Left Government was that they were resistant to change. Dispelling the impression he stated that measures taken by the Government of West Bengal could be used as yardstick for assessment of the Left Government. His Government was committed to reforms with a view to improving the service condition for the consumers. On the electricity sector he stated that the subject was complex and needed expert handling. He expressed full confidence in the Electricity Regulatory Commission which had been formed in the State in the endeavour towards power sector development. He informed of the progress made so far in re-organising the State Electricity Boards and expressed optimism that the entire process would be completed smoothly by 31.12.2006. He was appreciative of the cooperation of the stakeholders including the trade unions who had traditionally been vocal force in the State. On rural electrification, he informed that except for one district, electrification of 100% rural households would be completed by 31.03.2007. The Chief Minister also stated that his Government did not believe in free power. Consumption of electricity should be paid for. The support, if any, considered necessary for any specific consumer category could be provided by the State Government in the form of subsidy.

10. The Chief Minister expressed gratitude for having selected Kolkata as the venue for the meeting of the Forum of Regulators. He wished all success to the Forum in its endeavour to deliberate on critical issues facing the power sector and arriving at fruitful consensus. On behalf of the Forum, Chairperson, WBERC conveyed his sincere thanks to the Chief Minister and the Power Minister for the free and frank deliberations.

Other Agenda Items –

Recommendation on Distribution Margin

11. The FOR Group constituted for recommending measures to implement the Tariff Policy provisions regarding distribution margin approach for efficiency improvement was discussed. It was generally felt that preparedness on the part of the distribution company was a pre-condition to success of the distribution margin approach recommended by the Group. Shri Divakar Dev, Chairperson, UERC stated that it might not be possible to implement the recommendations in his State in near future because it called for preparation of a detailed business plan by the utility which was not fully prepared to undertake the exercise at this moment. Some State Commissions felt that the MYT approach as recommended by the Group – excluding the recommendation on DM – could be implemented to start with. Shri P.K. Mehrotra, however, stated that he agreed with the recommendations and was confident of implementing them in his State from the next financial year.

11.1 After discussion **it was decided that the recommendations of the FOR Group which were conveyed to all State Commissions by FOR vide letter dated 26.09.2006 would be implemented by the State Commissions w.e.f. 01.04.2007. The State Commissions, who found it difficult to implement from 01.04.2007, might implement it from 01.04.2008.**

Discussion on important orders of various authorities

12. Important orders of various authorities were discussed. It was decided that the orders of general importance having wide regulatory implication could be summarized and sent to FOR Secretariat for suitable action by the Chairperson of FOR.

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

LIST OF PARTICIPANTS ATTENDED THE FIFTH MEETING

OF

FORUM OF REGULATORS (FOR)

HELD ON 10TH NOVEMBER, 2006

AT

KOLKATA, WEST BENGAL.

S. No.	NAME	ERC
01.	Shri A.K. Basu Chairperson	CERC/FOR
02.	Shri Pranab Kumar Bora Chairperson	AERC
03.	Shri S.K. Misra Chairperson	CSERC
04.	Shri Bhaskar Chatterjee Chairperson	HERC
05.	Shri K.B. Pillai Chairperson	J&K SERC
06.	Shri S.K.F. Kujur Chairperson	JSERC
07.	Shri K.P. Pandey Chairperson	KERC
08.	Shri C. Balakrishnan Chairperson	KSERC
09.	Shri P.K. Mehrotra Chairperson	MPERC
10.	Dr. Pramod Deo Chairperson	MERC
11.	Shri Vinay Kohli Chairperson	MeSERC
12.	Shri Jai Singh Gill Chairperson	PSERC
13.	Shri S.S. Chakraborty Chairperson	TERC
14.	Shri Vijoy Kumar Chairperson	UPERC

15.	Shri Divakar Dev Chairperson	UERC
16.	Shri S.N. Ghosh Chairperson	WBERC
17.	Shri R. Radha Kishen, Member	APERC
18.	Shri B.K. Halder Member	BERC
19.	Shri K. Venugopal Member	DERC
20.	Shri K.P. Gupta Member	GERC
21.	Mr. S.K. Jena Member	OERC
22.	Shri K.L. Vyas Member	RERC
23.	Shri B. Jeyaraman Member	TNERC
24.	Shri S.K. Chatterjee Assistant Secretary	CERC