

MINUTES OF THE
FOURTH MEETING OF THE FORUM OF REGULATORS (FOR)
HELD AT LEH, JAMMU & KASHMIR

Date : 23rd – 26th July, 2006

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

Shri K.B. Pillai, Chairperson, J&K SERC welcomed Shri Nawang Rigzin Jora, Hon'ble Minister of Power, J&K, Shri A.K.Basu, Chairperson CERC and FOR and other Members of FOR. He expressed his appreciation to the Chairperson, CERC/FOR for choosing Leh as the venue for the meeting of the Forum of Regulators. He briefly apprised the Members of FOR about the setting up of the Regulatory Commission in Jammu & Kashmir.

2. Shri Pillai's welcome address was followed by the address of Shri A.K. Basu, Chairperson, CERC/FOR. Shri Basu welcomed Shri Nawang Rigzin Jora, Hon'ble Minister of Power, J&K and through him the Government of Jammu & Kashmir for their support and assistance in organizing the meeting of the Forum of Regulators. He also complimented the State Government, the administration and the local people for steadfastly pursuing the twin objectives of rapid economic development and meeting the challenges of disruptive elements. Shri Basu also welcomed Shri K.B. Pillai, Chairperson, J&K SERC and other Chairpersons and Members of the SERCs in the Fourth Meeting of Forum of Regulators at Leh. In his brief address, Shri Basu mentioned that Independent Electricity Regulation in India was about 10 years old. During these years, a transparent and credible regulatory mechanism had been put in place by the Central Electricity Regulatory Commission (CERC) and various State Electricity Regulatory Commissions (SERCs). He stated that the Electricity Act, 2003 had brought about manifold increase in the responsibilities of the Regulatory Commissions and the Government had completely distanced itself from regulations.

He also apprised the Members present about the various initiatives taken by the CERC, e.g., the Regulations on Terms and Conditions of Tariff, Open Access in inter-State Transmission, inter-State Trading in Electricity, Grid Code etc. He also mentioned that the CERC had recently come out with the Staff Consultation Paper on Power Exchange/Development of Market in Electricity. He also informed about the important steps taken by SERCs in furthering reforms in power sector. Most of the SERCs had already issued Regulations on Terms and Conditions of Tariff, Open Access in Distribution. Institution of Consumer Grievance Redressal Forum and Ombudsman had been set up to redress the grievances of consumers. He also highlighted the efforts being made by the Forum of Regulators in evolving consensus on issues of importance facing the power sector. Shri Basu also touched upon the developments of power sector in Jammu & Kashmir and complimented the Hon'ble Minister of Power of J&K for having constituted the Electricity Regulatory Commission in the State. He, however, also pointed out certain areas of concern, namely, high level of losses of the State owned distribution companies, high level of AT & C losses, inadequate metering on consumer premises, non-payment of UI charges of nearly Rs.500 crore, insignificant capacity addition in the State etc. He also requested the Hon'ble Minister to take steps to fully operationalize the SERC in the State.

3. Shri Basu's address was followed by the speech of Shri Nawang Rigzin Jora, Hon'ble Minister of Power, J&K. Shri Nawang Rigzin Jora thanked Shri Basu, the Chairperson, CERC/FOR for having given his State the opportunity of hosting the Fourth Meeting of the Forum of Regulators. He felt overwhelmed by the presence of the Chairpersons of the Electricity Regulatory Commission from all across the country. The Hon'ble Minister thereafter briefly explained the circumstances under which his Government had been functioning. He underscored the fact that restoration of peace had become the focal point of governance in the State of J&K. Despite constraint, his Government had been trying to address the problems as highlighted by Shri Basu. He also apprised the Members about the initiatives being taken by the J&K Government towards capacity addition and reiterated that in about 10 years

time, his Government felt that power sector would be the biggest source of revenue for the State. He also pointed out what he felt was the shortcoming in some of the initiatives of the Central Government. For instance, the targets given under the APDRP (especially the target of bringing cash loss to zero in three years time) were unachievable given the circumstances the State of J&K was presently under going through. The Hon'ble Minister informed that his State Government had taken several initiatives towards power sector reforms. Power Finance Corporation (PFC) had been engaged as a Consultant for restructuring of the Power Department in the State. Several initiatives were being taken to discipline the functioning of the Power Department to ensure that the burden of subsidy on the State Government reduced over a period of time and the sector became self-reliance. The Hon'ble Minister wished all success to the meeting of the Forum of Regulators and stated that he looked forward to guidance from Shri A.K. Basu and the FOR Members towards development of the power sector in his State.

4. Shri Nawang Rigzin Jora's speech was followed by a vote of thanks extended by Shri Sonam Gialson, Superintending Engineer, J&K SERC.

BUSINESS SESSION (AGENDA ITEMS) -

5. Review of Reports of Sub-Groups constituted by FOR on :

(I) Distribution Margin and Return on Equity –

A Group was constituted by FOR to deliberate and make recommendations on the comprehensive approach on Distribution Margin and a common approach on Rate of Return on Equity for Distribution.

The Group met twice – first on 12th May, 2006 at Bangalore and subsequently on 28th and 29th June, 2006 at Hyderabad.

Shri A.K. Sachan, Secretary, CERC who was also a Member of the Group briefly apprised the FOR about the deliberations held in the two meetings. He informed the Members that on the Return on Equity (ROE), consensus had been reached and it was recommended that ROE of 14% should be adopted for distribution. About the recommendation on Distribution Margin, Shri Sachan informed that a draft recommendation was under consideration by the Group and the final report of the Group would be circulated to the FOR soon.

On the recommendation of the Group for ROE of 14% in distribution, Shri Basu, Chairperson, CERC/FOR requested the Chairpersons of SERCs to express their views. There was a consensus on adopting 14% ROE for distribution by all SERCs except MERC and UPERC who felt that they would like to continue with the ROE of 16% as already stipulated by them in their Regulations.

(II) Operating Norms for Distribution –

Another Group was formed by FOR to make recommendations on Operating Norms for Distribution Utilities. This Group met on 12th May, 2006 at New Delhi. The Group had recommended that it would be imperative to develop a system linking the Rate of Return to achieving the performance benchmark and for this purpose, a Consultant be appointed by FOR.

The issue as to whether a Consultant needed to be engaged for the purpose was discussed and it was felt that there being a lot of common ground between the concept of operating norms for distribution (being examined by this Group) and the approach on lines of distribution margin (being examined by the other Group), the Group which has been constituted to develop the approach on Distribution Margin would also deliberate on the issues raised by the other Group and

make a consolidated recommendation on both these aspects. Therefore, a Consultant might not be engaged for the purpose.

6. Submission of Tariff Application by Licensees and Issue of Tariff Orders by ERCs.

The status of submission of Tariff Application by Licensees and Issue of Tariff Orders by ERCs was reviewed by the Chairperson. The information collected in this regard is enclosed as **Annexure-“II”**.

7. Training Modules for -
(i) Chairperson/Members of ERCs (3 days);
(ii) Officers and Staff of the ERCs (9 days)

Two proposals of training programmes – one for Chairperson/Members of ERCs and the other for Officers/Staff of ERCs as submitted by TERI to Ministry of Power, and forwarded by the Ministry for FOR's consideration, were discussed.

It was decided that the training programme for Officers/Staff of ERC could be designed and organized. However, the duration should be limited to six (6) working days. It was also felt that this should be an one- off event to start with and only based on the feedback from the training programme, would a decision be taken subsequently for regular conducting of such training programmes in future.

As regards the training for Chairpersons/Members of ERCs, divergent views were expressed and it was felt that this should be designed more carefully. It was desired that the profile of the faculty who would be imparting training/interacting in such training programmes, might first be procured from TERI. Decision in this regard would be taken later.

8. Proposal for preparation of Code of Ethics for Regulators.

TERI's proposal for preparing Code of Ethics for Regulators was discussed.

It was generally felt that it would be advisable to evolve such a Code of Ethics for the Regulators but that it should ideally be developed in-house by the Forum of Regulators (FOR).

It was decided that TERI may be engaged to provide the following inputs to the FOR –

- A survey of literature on Codes of Ethics adopted by other infrastructure or utility Regulatory Commissions
- Questionnaire based survey and discussions with a cross section of stakeholders, particularly regulatory commissions dealing with electricity sectors in India.
- Drafting a Code of Ethics on the basis of above survey and consultations.

Based on the inputs from TERI, Model Code of Ethics would be finalized by the FOR.

For collecting the information as above, TERI may be granted a consolidated fee of Rs.1.95 lakh, including travel expenses, and they may be asked to provide the information within two months from the date of assignment.

9. Presentation by M/s. Pricewaterhouse Coopers on “MYT – Regulating and Incentivising Quality of Service (Qos)”.

A presentation was made on “MYT – Regulating and Incentivising Quality of Service (Qos)” by the officials of M/s. Pricewaterhouse Coopers.

10. Miscellaneous Agenda.

The proposal from Consumer Unity and Trust Society (CUTS) for organizing a training course for officers and staff of the ERCs was also considered by FOR. CUTS had proposed a fee of Rs.25,000/- per participant for a 5-day non-residential training course. It was decided that the proposal of similar training programme from the TERI (which was forwarded by Ministry of Power) was received in the FOR Secretariat prior to the proposal from CUTS. At the same time, the fee involved in case of CUTS (Rs.25,000/- per participant for 5-days non-residential) was substantially greater than that being charged by TERI (Rs.51,600/- per participant for 9-days residential). It was, therefore, decided that the proposal from CUTS could not be considered as decision on assigning the responsibility to TERI for organizing six-day programme for officers and staff of ERCs had already been taken.

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

LIST OF PARTICIPANTS ATTENDED THE FOURTH MEETING

OF

FORUM OF REGULATORS (FOR)

HELD DURING 23RD – 26TH JULY, 2006

AT

LEH, JAMMU & KASHMIR

S. No.	NAME	ERC
01.	Shri A.K. Basu Chairperson	CERC/FOR
02.	Justice (Retd.) B.N.P. Singh Chairperson	BERC
03.	Shri S.K. Misra Chairperson	CSERC
04.	Shri Berjinder Singh Chairperson	DERC
05.	Shri K.B. Pillai Chairperson	J&K SERC
06.	Shri SKF Kujur Chairperson	JSERC
07.	Shri C. Balakrishnan Chairperson	KSERC
08.	Shri P.K. Mehrotra Chairperson	MPERC
09.	Dr. Pramod Deo Chairperson	MERC
10.	Shri Vinay Kohli Chairperson	MeSERC
11.	Shri D.C. Sahoo Chairperson	OERC
12.	Shri S.S. Chakraborty Chairperson	TERC
13.	Shri Vijoy Kumar Chairperson	UPERC
14.	Shri Divakar Dev Chairperson	UERC

15.	Shri S.N. Ghosh Chairperson	WBERC
16.	Shri J.P. Saikia Member	AERC
17.	Smt. Baljit Bains Member	PSERC
18.	Shri S.M. Dharendra Member	RERC
19.	Shri B. Jeyaraman Member	TNERC
20.	Shri A.K. Sachan Secretary	CERC
21.	Shri S.K. Chatterjee Assistant Secretary	CERC