

**Minutes of the 68th Meeting of the
Forum of Regulators
Held on 20.6.2019 at 10.30 hrs. at New Delhi**

Venue : **Conference Hall, Upper Ground Floor
Central Electricity Regulatory Commission
New Delhi-110001**

Time/Day/Date : **10.30 Hrs. on Thursday, the 20th June, 2019**

List of Participants : **Enclosed as Appendix-I**

The meeting was chaired by Shri P.K.Pujari, Chairperson, Central Electricity Regulatory Commission (CERC) and Forum of Regulators (FoR). The Chairperson, CERC/ FOR welcomed all the Members of the Forum to its 68th Meeting. He specifically welcomed Chairperson, Jammu & Kashmir Electricity Regulatory Commission and officiating Chairperson of Uttarakhand Electricity Regulatory Commission who were attending the meeting for the first time after they took over charge in their respective offices. Thereafter, the Forum took up the agenda items for consideration.

Business Session – I

Agenda Item No.1 : Confirmation of Minutes of the 67th FoR Meeting held on 12 April, 2019 at CERC, New Delhi

The Forum considered and endorsed the minutes of the 67th Meeting of Forum of Regulators held on 12 April, 2019 at New Delhi.

Further, Joint Chief (Regulatory Affairs), CERC informed the Forum that in pursuance to the decision taken in the 66th Meeting of the Forum, the standing Technical Committee of FoR has been re-constituted comprising two groups under the Chairmanship of Shri I.S. Jha, Member, CERC,

- On the subject of “Renewable Energy (RE) Integration and Related Matters” with Chairperson / Member of GERC, MERC, TNERC, KERC, RERC, APERC, HPERC, CMD – POSOCO, Head of RA Division, CERC as its Members

and

- On the subject of “Implementation of ABT Framework at State Level” with Chairperson / Member of PSERC, UPERC, BERG, WBERG, KSERG, AERG, CMD – POSOCO, Head of RA Division, CERC as its Members.

Agenda Item No.2 : Reference received from BERG on,

a) Relevance of Consumer Grievance Redressal Forum

b) Consumer Advocacy

a) Relevance of Consumer Grievance Redressal Forum

The Forum considered the issue of relevance of CGRF, in the context of law enacted in Bihar for disposal of grievances of various departments. The Forum observed that as per Section 42(5) of the Electricity Act, 2003, each SERC has a separate set of regulations customized to the needs of the State. The Forum has also brought out model regulations on CGRF for facilitating the SERCs/ JERCs. The Forum felt that an Act notified by the State Government for grievance redressal is in the interest of the consumers and, therefore, a welcome move. However, such Act brought by the State Government and the State CGRF framework may continue to co-exist as both the frameworks are aimed at facilitating the consumers. However, efforts should be made by appropriate agencies to further strengthen the CGRF mechanism by making it simpler, approachable and effective.

b) Consumer Advocacy

The Forum considered the issue of facilitating the consumers to make their views heard during appropriate proceeding. The Forum was informed that CERC has notified consumer representative organizations, which submit their views on draft Regulations. Several other consumer organizations, as part of Central Advisory Committee, also interact with CERC from time to time. The Forum further noted that SERCs/ JERCs have also established appropriate channels for consumer representative organizations to provide their comments/ views on Regulations, Orders etc. The Forum felt that SERCs/ JERCs are free to take further measures, if

any, to encourage consumers/ consumer organizations to approach the ERCs and submit their views.

The Forum was informed that as approved, process for commissioning a study on “Consumer Protection in Electricity Sector” has been initiated.

Agenda Item No.3 : Reference received from JERC (M&M) on non-adherence of tripartite agreement for transfer of funds by the State Governments of Manipur and Mizoram.

The Joint Electricity Regulatory Commission (Manipur & Mizoram) brought to the notice of the Forum that from February 2013 onwards, the State Governments of Manipur and Mizoram have not been equally sharing the expenditure of JERC. This has resulted in curtailing the expenditure to the lowest minimum causing difficulty in managing the affairs of the Commission. The Forum noted that in addition to JERC (M&M), NERC is also facing the issue of non-availability of funds. The Forum felt that this issue may be flagged by the concerned ERC to the Ministry of Power.

Agenda Item No.4 : Report on Review of Status of Open Access in Distribution Sector

The Forum has commissioned a study on “Review of Status of Open Access in Distribution”. M/s Deloitte was appointed as consultant for the study to assist the Forum. The study is aimed at reviewing/ analyzing the status of Open Access in electricity distribution sector (limited to ten States) and identifying the challenges impacting Open Access and way forward. A presentation (**Annexure–I**) on the study was made by the consultant.

The study found increased Open Access activity in the States of Maharashtra, Tamil Nadu and Andhra Pradesh and that this could possibly be due to increased availability of cheaper RE sources coupled with availability of incentives facilitating Open Access. The study also found reduction in short term open access (STOA) in the States of Haryana and Gujarat. Such reduction in STOA could be attributable to significant increase in prices in power exchanges as STOA transactions of consumers in these States depend on power exchanges for STOA.

The study observed that Open Access was viable for captive consumers using conventional power in all States under study, whereas in respect of non-captive consumers, it was found viable in the States of Andhra Pradesh, Tamil Nadu and Maharashtra only. However, OA was found viable in respect of captive as well as non-captive consumers using RE-Solar power in all State except West Bengal.

The study suggested several measures for effective implementation of Open Access, which *inter alia* include streamlining measures in respect of frequent shifting of consumers, progressive tariff rationalization, uniform methodology for determination of OA charges, long term certainty of OA charges, removal of delays in grant of NoC for Open Access etc.

Members were requested to send their views on the report within 15 days of issuance of the minutes, so that the same could be finalized and brought to the Forum in its next meeting.

Agenda Item No.5 : Security Constrained Economic Dispatch and sharing of experience.

In pursuance to the CERC Order dated 31.1.2019 (Petition No. 02/SM/2019), POSOCO operationalized “Security Constrained Economic Dispatch (SCED) of Electricity for the Inter-State Generating Stations” on pilot basis with effect from 1.4.2019. The SCED is aimed at minimizing pan-India ISGS variable cost, subject to the constraints which *inter alia* include, meeting total requisition by States, transmission constraints, technical minimum of plants, maximum generation (DC on bar), ramp-up/ ramp-down rates etc.

A presentation (**Annexure-II**) was made before the Forum by POSOCO on implementation of SCED in Inter-State Generating Stations (pan India) and their experience. The pilot operation of SCED during the months of April and May, 2019, encompassing 150 ISGS plants, amounting to half a million contracts per day across 36 States have resulted in increase in cheaper generation, decrease in costly generation and reduced the average variable cost of generation from 210 paise/ unit to 207 paise/ unit. During these two months of pilot operation, a reduction of Rs. 196 Cr. in fuel cost (without considering heat-rate compensation) has been noted. It was also brought out that SCED has resulted in 42% reduction in number of schedule changes and 32% reduction in schedule GW changes and finally resulted in increased PLF of cheaper stations.

Operationalization of SCED brought out certain challenges which include, further streamlining the scheduling process at all levels, need for Gate Closure, need for Robust and seamless communication etc.

The Forum appreciated the presentation.

Agenda Item No.6 : Presentation on “Indian Accounting Standards (Ind AS) & Its Impact on Capital Cost in Tariff”.

A presentation (**Annexure –III**) on recently notified Indian Accounting Standards (Ind AS) & its impact on Capital Cost in Tariff was made by representatives of NTPC.

The salient features of the new Indian Accounting Standards (which replaced IGAAP) *inter alia* include, importance to concept of ‘Substance Over Form’ i.e. economic reality of a transaction, ‘Fair Valuation Approach’, measurements based on “Time value of Money”, more disclosures of relevant information and assumptions etc. The Ind-AS will have an impact of capital cost as it affects asset accounting, borrowings (accounting of transaction costs), exchange rate variations, measurement of employee loans, discounting of non-current vendor liabilities, accounting of rebate to customers, fair valuation of investments in Equity Instruments and Mutual Funds (Non DDR), proposed dividend and DDT, actuarial gains/ losses – employee benefits, prior period items, related party disclosures etc.

It was also brought out that there is a marked change in calculations under Ind AS vis-à-vis IGAAP (previous accounting standard). Accordingly, the revised accounting standards have a direct bearing on the capital cost component in the context of electricity tariff.

The Forum noted the presentation.

Agenda Item No.7 : Additional Item with the permission of Chairperson.

Issues brought by Secretary, MNRE for consideration of Forum

Secretary, MNRE joined the proceedings of the Forum. In his initial remarks, he said that interaction with the Forum has always benefited the Government in framing its policy interventions. He requested the Forum for its continued support with regard to the policy initiatives taken by MNRE for development of RE generation. Subsequently, he brought the following issues to the notice of the Forum.

- i. As regards progress made in achievement of RPO, he requested SERCs to align RPO trajectory with that notified by Ministry of Power till the year 2021-22; and ensure compliance of RPO targets by State obligated entities. Further, RPO may not be taken as the cap for RE installations, and encourage such installation even beyond RPO level.
- ii. In order to mitigate delays in adoption of tariff discovered through competitive bidding, it was suggested that SERCs may adopt tariff arrived at through competitive bidding process within forty five days from the date of request.
- iii. As regards issues relating to Curtailment and Forecasting & Scheduling, it was suggested that curtailment should be resorted to only for grid security reasons, through transparent process; and intimation must be given in writing. He urged that final F&S regulations be notified at the earliest and, if needed, amendments in State Grid Code may be made for facilitating F&S, real time generation data acquisition and energy accounting.
- iv. As regards Open Access and Banking, he suggested that Regulatory interventions may be explored to ensure a facilitative Open Access and banking norms that do not put renewable energy generators at a disadvantageous position.
- v. In order to promote rooftop solar/ grid connected solar pump projects, it is important to create a framework that is fair to project developers/ owners as well as the distribution companies.
- vi. Feed in Tariff (FiT) for 5 MW Solar & 25 MW Wind Power Projects may be fixed by the SERCs considering average of tariff discovered during last year.
- vii. A system may be mandated facilitating payment governed by the principle of First in First out (FIFO) so that earlier dues are paid first and no preferential treatment is given to anyone, while imposing penalty on DISCOMs on delay in payment beyond a prescribed period.
- viii. SERC may not allow any DISCOM to modify the PPA after it has been signed and implementation started.

The Forum observed that appropriate measures are taken by respective SERCs/ JERCs for promoting RE generation, while taking care of availability of RE sources in the States, financial health of discoms, interests of all stakeholders as well as impact on tariff for the end consumers.

Session – II

Shri R.K. Singh, Hon'ble Minister of State (I/C) for Power, New & Renewable Energy, Skill Development and Entrepreneurship joined the proceedings.

Interaction of Hon'ble Minister with the Forum:

Chairperson, CERC/ FoR formally welcomed the Shri R.K. Singh, Hon'ble Minister of State (I/C) for Power, New & Renewable Energy, Skill Development and Entrepreneurship.

The Hon'ble Minister, during his initial remarks stated that Regulators play a very critical role in development of the power sector by facilitating effective implementation of the policies of the Government. He further observed that regulatory function is ever evolving considering the experience gained so far. Unbundling of the electricity sector was carried out with the objective of making the sector sustainable, bringing in accountability etc. However, over the period, the discoms have not significantly improved their financial health, necessitating financial support on a periodical basis through schemes such as DDGY, IPDS, UDAY etc. Regulators should have a vision for future, while learning from the past, and facilitate the sector to provide reliable and sustainable service for the consumers.

He said that given the present condition of the distribution utilities, the Government is seriously considering several policy interventions for the benefit of the sector.

Generation:

1. Policy interventions should be provided to ensure each segment in value chain of the sector stays financially healthy. Presently, payment security for the generating companies is not adequately ensured, which is causing great difficulty for them to operate. The generating companies have to pay in advance for fuel, fuel transport, besides meeting other working capital requirements. However, the receivables are not securely guaranteed, thereby making them vulnerable to financial difficulties.
2. He stated that in this context, it is necessary to bring in a policy intervention necessitating the distribution licensees to open and maintain adequate letter of credit as payment security mechanism with the generating companies under the power purchase

agreements. He stated that Ministry of Power will be issuing an Order on this matter in a short period.

3. In the context of generation, he further stated that the issue of allowable fuel mix needs to be examined and appropriate measures should be taken to economize the fuel cost of generating companies.
4. He noted that unutilized cheaper generation capacities should be effectively utilized by restructuring the scheduling process.

Distribution:

5. He stated that in the best interest of the consumers, it is necessary to sensitize them to understand economic value of subsidy being given to them. Therefore, Government is considering the possibility of providing subsidy through “Direct Benefit Transfer”, which is aimed at facilitating the consumers understand the economic value of subsidy. Once “Direct Benefit Transfer” is in place, the consumers will be able to understand the economic value and optimize their power consumption effectively.
6. He observed that “Open Access” should be made attractive to the large consumers by making structure of Open Access charges simple and transparent and establishing non-cumbersome channels for seeking permissions to get Open Access.
7. In the context of billing, he stated that pre-paid metering can be a very effective solution. Therefore, efforts should be made to take up for installation of pre-paid smart meters by the distribution utilities to prevent leakages at billing and metering end.
8. He stated that the draft tariff policy has proposed that technical and commercial losses in distribution, in excess of 15%, need to be borne by the distribution licensee. In addition, load shedding without any valid technical difficulty will be unacceptable. Therefore, in this context, proactive measures in the area of metering, billing, installation of pre-paid smart meters assumes significance.
9. Franchisee model in distribution sector reportedly achieved significant success in loss reduction. Therefore, efforts should be made to encourage franchisee model in distribution sector.
10. He stated that the Government is committed to achieving the target of 175 GW of RE generation by 2022. In order to facilitate demand for RE generation, Ministry of Power has also determined RPO trajectory which is required to be adhered to by the obligated entities. SERCs should take appropriate measures to ensure RPO target are met by the entities.
11. He noted that internal governance of distribution utilities is also an important issue to be observed as certain States are yet to unbundle the sector at the State level.

Transmission:

12. Transmission price structure for RE generation is currently attractive and beneficial for the sector to grow. However, free transmission for RE generation needs to be reviewed in the context of changing cost economics of RE generation.

The Hon'ble Minister, in his closing remarks urged the Regulators to take initiatives in the best interest of the power sector.

The Chairperson, CERC/ FoR thanked the Hon'ble Minister of State (I/C) for Power, New & Renewable Energy, Skill Development and Entrepreneurship for sparing his valuable time to join the proceedings and share his thoughts with the Forum.

The Chairperson, CERC/ FOR thanked the Members of Forum and informed them that next meeting of the Forum will be held on 20th September, 2019 at Amritsar. Secretary, CERC thanked the staff of "FOR" Secretariat for their arduous efforts in organizing the meeting.

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

LIST OF PARTICIPANTS ATTENDED THE 68TH MEETING

OF

FORUM OF REGULATORS (FOR)

HELD ON 20TH JUNE, 2019 AT NEW DELHI.

S. No.	NAME	ERC
01.	Shri P.K. Pujari Chairperson	CERC / FOR – in Chair
02.	Shri R.P. Singh Chairperson	APSERC
03.	Shri Subhash Chandra Das Chairperson	AERC
04.	Shri S.K. Negi Chairperson	BERC
05.	Shri Anand Kumar Chairperson	GERC
06.	Shri Jageet Singh Chairperson	HERC
07.	Shri S.K.B.S. Negi Chairperson	HPERC
08.	Shri Lokesh Dutt Jha Chairperson	J&KSERC
09.	Dr. Arbind Prasad Chairperson	JSERC
10.	Shri M.K. Goel Chairperson	JERC (State of Goa & UTs)
11.	Shri Lalchharliana Pachuau Chairperson	JERC for M & M
12.	Shri Shambhu Dayal Meena Chairperson	KERC
13.	Shri Preman Dinaraj Chairperson	KSERC

14.	Dr. Dev Raj Birdi Chairperson	MPERC
15.	Er. Imlikumzuk Ao Chairperson-cum-Member	NERC
16.	Shri U.N. Behera Chairperson	OERC
17.	Ms. Kusumjit Sidhu Chairperson	PSERC
18.	Shri Shreemat Pandey Chairperson	RERC
19.	Shri Nanda Ram Bhattarai Chairperson	SSERC
20.	Shri Raj Pratap Singh Chairperson	UPERC
21.	Shri D.P. Gairola Officiating Chairperson/Member (Law)	UERC
22.	Shri Sutirtha Bhattacharya Chairperson	WBERC
23.	Shri P. Rama Mohan Member	APERC
24.	Shri Mukesh Khullar Member	MERC
25.	Shri Sanoj Kumar Jha Secretary	CERC
26.	Dr. Sushanta K. Chatterjee Joint Chief (RA)	CERC
MINISTRY OF POWER		
27.	Shri Sanjiv Nandan Sahai Additional Secretary	MOP
28.	Shri Sandeep Nayak Director	MOP
MNRE		
29.	Shri Anand Kumar Secretary	MNRE

30.	Shri Praveen Kumar Additional Secretary	MNRE
31.	Dr. K. Balaraman Director General	NIWE
SPECIAL INVITEES		
CERC		
32.	Dr. M.K. Iyer Member	CERC
33.	Shri M.K. Anand Chief (Fin.)	CERC
34.	Ms. Geetu Joshi Chief (Eco.)	CERC
35.	Shri S.C. Shrivastava Chief (Engg.)	CERC
POSOCO / NTPC & OTHERS		
36.	Shri K.V.S. Baba CMD	POSOCO
37.	Shri S.R. Narasimhan Director (System Operation)	POSOCO
38.	Shri A.K. Gautam	NTPC
39.	Ms. Sangeeta Bhatia	NTPC
40.	Shri Amit Goenka Senior Manager	DELOITTE
41.	Shri Rajat Goel Senior Consultant	DELOITTE
