

**Minutes of 14th General Body meeting of Forum of Indian Regulators (FOIR)
held in New Delhi on 15th & 16th January, 2004**

15.1.2004
Session – I

Shri A.K. Basu, Vice Chairman, FOIR presided over the session in the absence of Shri G.P. Rao, Chairman, FOIR whose flight could not land because of bad weather. Shri Basu welcomed all the Members of FOIR and hoped that the year 2004 will be an eventful year for the Regulatory Commissions particularly in the wake of enactment of Electricity Act, 2003.

2. Following new Members who joined various State Commissions during the period intervening 13th Meeting and 14th Meeting were welcomed to the FOIR:

1. Shri S.K. Jena, Member, OERC
2. Shri Vijoy Kumar, Chairman, UPERC
3. Shri Surender Pal, Member, APERC
4. Shri T.R. Dhaka, Member, HERC

Important decisions

- Submission of all regulations by all SERCs through a soft copy (in CD/floppy) to Secretary, CERC for placing them in FOIR's Web site.
- To raise the annual subscription fee from Rs. 1 lakh to Rs. 1.5 lakh.
- Next meeting of the FOIR to be held on 25th & 26th March, 2004 at Nainital.
- Shri A.K. Basu, Chairman, CERC to take up with the Ministry of Power the issue of hosting next meeting of World Forum of Energy Regulators in India.

3. The Minutes of the 13th General Body meeting of the FOIR held in Bhopal on 11th and 12th September were confirmed with following correction-

Para 1, Line 3,4, read 'Ramesh Chandra' in place of ' Ramesh Kumar'.

4. Shri A.K. Basu, Chairman requested the Members to share the experiences of their respective Commissions with the other Members of the FOIR. Following Members of FOIR narrated their experiences:

I. Shri M.K.G. Pillai, Chairman, Kerala ERC informed that recently they have passed their first Tariff Order. He informed that Government of Kerala has committed payment of subsidies of Rs. 375 crores to the State Electricity Board. The entire gap in the ARR was filled and therefore no tariff increase was necessary for any category of consumers. He stated that as the cost of service to different categories of consumers was yet to be estimated in Kerala, the exercise of rationalisation of tariff also could not be undertaken.

He, further, mentioned that recently KERC has allowed Open Access to one of their industrial consumer namely INDALCO (an Aluminum producing unit) which became sick because of high cost of power. KERC has allowed INDALCO to buy power directly from PTC fixing transmission charge of 10 paise per kWh and loss of 3% and surcharge of 25 paise per kWh. He explained that this order was issued in exceptional circumstances as industry was closed and could be revived only by way of reduction in cost of power to them.

II. Shri S.K.F. Kujur, Chairman, Jharkhand Electricity Regulatory Commission informed the highlights of the first tariff order issued by the Commission recently. He informed that the Commission has reduced industrial and commercial tariff by 7% and 6% respectively. The domestic consumers will now pay 6% higher tariff. The number of slabs have also been reduced. The Government of Jharkhand has agreed to provide Rs. 40 crores as subsidy for domestic and rural consumers for the next year. The Commission has directed Jharkhand State Electricity Board to reduce T&D losses from 47% to 38%. He also informed the Forum that in

Jamshedpur area where TATA is the licensee, the loss has been reduced from 63% to 26% in a very short period.

III. Shri Pramod Deo, Member, MERC informed the Forum that MERC is currently engaged in the issues of parallel licence, open access and dispute between TATA and BSES as also between DPC and MSEB. He explained that in recent tariff order for MSEB the cross subsidy has been eliminated except for the LT industries. The Commission has also ordered that no merit order would be applicable to the wind generation.

IV. Shri S.S. Gupta, Chairman, HPERC informed the Forum that the HPSEB had entered into supplementary PPAs with a number of private generating companies on the eve of last elections to the State Assembly. The State Commission has quashed all these PPAs as they were signed without taking approval of the Commission. He further narrated the difficulties he faced from the Government in the matter of availability of staff and other facilities to make Commission fully functional. He further informed that no tariff petition has been filed by HPSEB for the last three years and Commission could not do anything unless a petition was filed before it. He also informed that the utilities have not complied with large number of orders/directives of the Commission and when the Commission attempted to enforce its directions by way of imposing penalties, the utilities filed appeals in the superior Courts and obtained stay orders.

V. Shri Philipose Mathai, Chairman, KERC informed the Forum the situation prevailing in Karnataka in the wake of issue of number of policy directives by the State Government to the Commission. He expressed his concern about the misuse of powers of policy directive to the extent not permitted by the spirit of legislation. He informed that State Government have issued policy directive changing the orders of the Commission on tariff matters. In one of the policy directive, the IT consumers have been

re-classified as commercial consumers (from the category of industrial consumers).

He further stated that functioning of the Commission in these circumstances was becoming extremely difficult and he is quite at loss what to do.

VI. Shri N. Barua, Chairman, Assam ERC informed that though the State Government is not interfering with the functioning of the Commission but it is total indifference of the Government towards making available the staff and other facilities so as to make the Commission functional. Despite serious constraints on the resources, the Commission has been able to issue the first tariff order in March, 2003 and the second tariff petition filed by ASEB is pending before it. The Commission has also issued guidelines on redressal of grievances of consumers.

VII. Shri D.C. Sahoo, Chairman, OERC informed the Forum that the last tariff order of June 2003 has been set aside by the High Court and there is also one Contempt of Court petition pending in the High Court against the Commission.

VIII. Shri Arun Kumar, Chairman, RERC stated that there are four important players in the Power Sector Reforms namely Government, Regulatory Commissions, utilities and consumers. He cautioned that the State Commissions should not think that they are the sole players and it is entirely their responsibility to reform the sector. The co-operation of the Government in running of the Commission as well as implementing the Power Sector Reforms is of immense importance. He stated that he did not have any problem with previous Government as well as the present Government in Rajasthan and the utilities are also co-operating with the Commission.

IX. Shri L.S. Deol, Member, PERC stated that in its tariff order in September, 2002 tariff was imposed on agriculture consumption. The State Government issued advertisements in newspapers criticising the State Commission alleging links with the political party which was running the previous Government. He further stated that the imposition of agriculture tariff was done with full knowledge of the State Government as the Commission had asked the State Government to intimate the amount of subsidies they would like to provide to subsidise the agricultural consumption, if the Government so desired. After receiving the reply from the Government, the Commission had fixed tariff of Rs. 0.57 per kWh with subsidy. He also informed that Shri S.K. Sharma, Member of the Commission opted for the new terms and conditions and the Government did not decide the case before his retirement.

X. Shri A.K. Basu, Chairman, CERC explained the features of draft terms and conditions of tariff regulations decided by CERC recently. He stated that the CERC proposes to move from intrusive regulation to light handed regulation by prescribing norms for almost all parameters. He informed that ROE has been reduced from 16% to 14% post tax in the case of CPSUs, while the private sector projects will get ROE of 16%. In the event of GOI extending the benefit of payment security mechanism to private sector the ROE for them also be 14% post-tax. Ceiling for advance against depreciation has been raised to 1/10th of loan repayment from existing 1/12th. The norms for Availability, Station Heat rate, Auxiliary consumption, specific fuel oil consumption, capacity index etc. have been rationalised.

5. The issue of framing of model regulation through FOIR was also discussed. It was felt that since many SERCs have already framed most of regulations, evolving model regulation will not serve any purpose. The need is to share the information about the regulations framed by various SERCs. It was decided that all SERCs will send a soft copy (in CD/floppy) of all regulations to

Shri A.K. Sachan, Secretary, CERC so that these can be posed in the Website of FOIR.

6. Shri R.N. Srivastava, former Chairman, CEA stated that it's a matter of concern that many utilities are not filing tariff petitions and ignoring the direction of the SERCs. He said that as institutions we cannot remain helpless. He said that there is a need for SERCs to be active in redressal of consumers' grievances.

Session-II -- In the Chair – Shri G.P. Rao

7. In the Post-lunch session, a presentation was made on the terms and conditions and Distribution Tariff by APERC. After threadbare discussion, it was decided that the Group of following Members will discuss the terms and conditions and finalise it:

1. Shri K. Sreerama Murthy, Member, APERC.
2. Shri Pramod Deo, Member, MERC
3. Shri A.K. Jain, Member, WBERC
4. Shri T.R. Dhaka, Member, HERC
5. Shri S.S. Gupta, Chairman, HPERC.
6. Shri B.C. Jena, Member, OERC
7. Shri N. Barua, Chairman, AERC

It was decided that the group will meet on 2.2.2004 at Hyderabad.

8. Shri T.N. Thakur, CMD Power Trading Corporation made a presentation on trading of power and highlighted the need for development of spare capacity in the transmission to facilitate competition both in generation and supply of electricity.

16.1.2004

9. Administrative Staff College of India, Hyderabad made a presentation on Regulatory Staff Education Training Programme. It was informed that they are developing training module with the help of USAID for the staff of various

Regulatory Commissions. Chairman, UPERC suggested inclusion of training in rural distribution in introductory module while deciding the contents of various modules. They requested the Forum to depute its representative to be in the Advisory Panel. After discussions, it was decided that Shri Pramod Deo, Member, MERC will be representing the Committee in the Advisory Panel. It was also decided that Shri A.K. Sachan Executive Secretary, FOIR will work as nodal officer for this purpose.

10. Mr. Danny Carrol, Renoir Consulting (India) Private Limited made a presentation on “Framework for Improving Efficiency and Profitability in Electricity Distribution”.

11. The Energy and Resources Institute (TERI) made a presentation on clean the Development Mechanisam (CDM) before the Forum.

12. It was resolved to raise the annual fee from Rs. 1 lakh to Rs. 1.5 lakh from the next financial year to finance additional costs of holding various meetings of FOIR and other activities.

13. It was resolved that the next meeting of the Forum will be held on 25th and 26th March, 2004. The proposal of Shri Divakar Deo, Chairman, Uttranchal Electricity Regulatory Commission for holding the Forum’s meeting at Nainital was accepted.

14. The issue of possibility of organizing the next meeting of World Forum of Energy Regulators in India was discussed threadbare. It emerged that the event is very prestigious and large. Forum felt that the Ministry of Power should be involved in hosting the Conference. The Forum authorised Shri A.K. Basu, Chairman, CERC to take up the matter with Ministry of Power for organising the Conference.

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