

FORUM OF INDIAN REGULATORS

Sectt: Central Electricity Regulatory Commission
Core-3, 6/7th Floor, Scope Complex, Lodhi Road, New Delhi – 110 003

Subject:- Minutes of the 15th Governing Body Meeting of the FOIR held at India Habitat Centre, New Delhi on 28th June, 2004

1. List of participants enclosed.
2. Shri P. Subrahmanyam, Hony. Chairman, FOIR, welcomed all the participants. The Governing Body placed on records its appreciation for the services rendered by Shri G.P. Rao, Chairman APERC (formerly Hony. Chairman FOIR) in the development and functioning of FOIR as an institution. The Minutes of the 14th Governing Body meeting which was held at Dehradun on 25th March, 2004 were confirmed. The Governing Body expressed that Union Minister of Power could be requested to address the Forum in the next FOIR Meeting which could be scheduled accordingly.
3. The Governing Body discussed the distinctive roles of FOR (Forum of Regulators) and FOIR (Forum of Indian Regulators). It was expressed that FOIR should maintain its distinct identity and render assistance to FOR on important issues. With regard to constitution of FOR, Shri A.K. Basu, Chairman CERC, informed that the Terms of Reference for FOR were referred to CERC and the views/comments of CERC have already been communicated to MOP. He further added that at present the issue of FOR was under consideration of the Law Ministry.
4. The issue of Election of Governing Body Members of FOIR for the year 2004-05 was taken up. It was finally decided to propose to the General Body the following as Office bearers of FOIR for the year 2004-05:-

Shri V.K. Sood*	:	Hony. Chairman
Shri Arun Kumar*	:	Hony. Senior Vice Chairman
Shri A.K. Basu	:	Hony. Vice Chairman
Shri S.S. Gupta	:	Member
Shri P.K. Mehrotra	:	Member
Shri D.C. Sahoo	:	Member
Shri K.N. Sinha	:	Hony. Secretary and
Shri Bhanu Bhushan	:	Hony. Treasurer

* Till they demit the office of Chairman of their respective Regulatory Commission or 31st March 2005, whichever is earlier.

5. The Governing Body considered the Balance Sheet and audited accounts for 2003-04 and approved the same with the observation that the amount provided for Research, Training and Information Fund could be utilised in time to avail Income Tax benefits. The Governing Body deliberated at length about the training courses and the mechanism of training which could be taken up by FOIR. It was suggested that Chairman of all the Regulatory Commissions be contacted to identify the Training Institutes in this regard. Shri V.K. Sood, Chairman DERC proposed that senior officers of the Regulatory Commissions can arrange interactive training capsules all over the country. Shri P. Subrahmanyam, Hony. Chairman, FOIR, endorsed the view of Shri V.K. Sood and suggested that the subjects for training could be discussed in the General Body Meeting. He further added that there should be actual on-job training and the Training Staff & the subjects are to be identified along with the Regional Centres.

6. In the context of Research activities of FOIR, Shri A.K. Basu, Chairman, CERC suggested that FOIR could consider taking up a Study on issue of Cross-subsidy under Section 61(g) of the Electricity Act, 2003. Shri Bhanu Bhushan, Member CERC, informed about a Study Report of UK Expert Group on Transmission Pricing. The Governing Body was of the view that the purchase of said Study Report could be considered after a presentation on the subject by the concerned agency before the FOIR. The Governing Body observed that in case some more studies can be taken up by FOIR during the current year, the amount transferred to the Research, Training and Information Fund could be optimally utilised.

7. The Governing Body approved retention of M/s. Thakur, Vaidyanath Aiyer & Co. as Chartered Accountants for auditing of the accounts of FOIR for the year 2004-05 at an annual payment of Rs.10,800/-. The Budget for 2004-05 covering an Income of Rs.32.80 lakhs and estimated expenditure of Rs.29.72 lakhs was approved by the Governing Body.

8. The Agenda items for the Annual General Body Meeting scheduled for 28th June, 2004 was discussed and generally approved. The Meeting ended with a vote of thanks to the Chair.

**LIST OF PARTICIPANTS IN THE 15TH GOVERNING BODY MEETING OF
FOIR HELD ON 28TH JUNE, 2004 AT NEW DELHI**

S.No.	NAME	DESIGNATION/OFFICE
1.	Shri P. Subrahmanyam	Chairman, MERC
2.	Shri A.K. Basu	Chairman, CERC
3.	Shri Arun Kumar	Chairman, RERC
4.	Shri V.K. Sood	Chairman, DERC
5.	Shri K.N. Sinha	Member, CERC
6.	Shri Bhanu Bhushan	Member, CERC
7.	Shri Hemant Jain	Executive Treasurer, FOIR

FORUM OF INDIAN REGULATORS

Sectt: Central Electricity Regulatory Commission
Core-3, 6/7th Floor, Scope Complex, Lodhi Road, New Delhi – 110 003

Subject:- **Minutes of the 5th Annual General Body Meeting of the FOIR held at India Habitat Centre, New Delhi on 28th June, 2004**

1. List of participants enclosed.
2. Shri P. Subrahmanyam, Hony. Chairman, FOIR, welcomed all the participants and new Members of the FOIR. He discussed about the development of FOIR over the last few years and expressed that FOIR should continue as an active independent body even after the constitution of FOR (Forum of Regulators).
3. The Election of Governing Body Members of FOIR for the year 2004-05 was taken up and the General Body elected the following as Office bearers of FOIR for the year 2004-05:-

Shri V.K. Sood*	:	Hony. Chairman
Shri Arun Kumar*	:	Hony. Senior Vice Chairman
Shri A.K. Basu	:	Hony. Vice Chairman
Shri S.S. Gupta	:	Member
Shri P.K. Mehrotra	:	Member
Shri D.C. Sahoo	:	Member
Shri K.N. Sinha	:	Hony. Secretary and
Shri Bhanu Bhushan	:	Hony. Treasurer

* Upto the date they demit office of Chairman of their respective Commission or 31st March 2005, whichever is earlier.

4. The General Body confirmed the Minutes of the 15th General Body Meeting held at Dehradun on 25th & 26th March, 2004. The issue of FOIR taking up a Study on the aspect of cross-subsidy under Section 61(g) of Electricity Act, 2003, as proposed by Shri A.K. Basu, Chairman CERC, was taken up for discussion.

4.1 The General Body was of the view that the State Government was required to be involved on the issue of cross-subsidy. Shri P.K. Mehrotra, Chairman MPERC, remarked that the State Government was itself not clear

about the policy in the matter. Shri Arun Kumar, Chairman RERC, expressed that the issue of cross-subsidy could be taken care of only at the time of Tariff revision and in case of Rajasthan only one Tariff revision has taken place during the last five years. Shri G. Subba Rao, Chairman GERC, informed that another way to reduce cross-subsidy was by resorting to energy conservation in agricultural consumption. The General Body was of the view that the issue had political and economic angle and considerable time was required for correction of cross-subsidy element. Shri S.D. Ukkali, Member KERC, mentioned that this issue could be discussed in the Coordination Forum which has to be constituted at the State level. On a query from Hony. Chairman, FOIR, Member KERC informed that the issue of Coordination Forum in the State of Karnataka was yet to be resolved.

4.2 Shri B.C. Jena, Member OERC, mentioned that the loss reduction had not been to the required level and, therefore, cross-subsidy element was still there. He mentioned that the cost of supply to each category of consumers was to be looked into at the time of Tariff revision/fixation. Shri K.S.R. Murthy, Acting Chairman APERC, stated that the cross-subsidy element could be eliminated only if the State Government provided the required funds. He informed that in case of Andhra Pradesh the State Government was paying the subsidy element in advance. He further mentioned that the recovery from agriculture sector was 17% of the cost of supply and the decision of the State Govt. to allow free power to agriculture will eliminate even the said recovery of the cost. Shri V.S. Ailawadi, Hony. Member, expressed that the FOIR with considerable experience of Members should frame and suggest as to whether the cost of service model could be utilised for determination of cross-subsidy. He suggested that State Governments should be involved in the process. Shri S.K. Jena, Member OERC, mentioned that there had been no support from the State Govts. and actual cost of service model should be adopted.

4.3 Shri S. Thangarathnam, Member TNERC was of the view that getting support from the State Govt. to eliminate cross-subsidy on average cost of service would require considerable funds and the cost to serve model should be adopted. Shri S.D. Ukkali, Member KERC was of the view that Cross-subsidy element should be determined for each category of consumers. Shri A.K. Basu,

Chairman CERC, stated that there was no time limit to eliminate the cross-subsidy element in Tariff and in case the cross-subsidy was reduced, the industrial tariff will go down while the domestic & agricultural tariff will go up. Shri S.M. Dharendra, Member RERC, suggested that a Concept Paper on the subject be generated by FOIR through a Task Force of Members.

5. Hony. Chairman, FOIR invited suggestions from the Members with regard to subjects for Training and Research. Dr. Pramod Deo, Member MERC, mentioned that Training program was already being conducted by USAID for all the Regulatory Commissions and FOIR could consider to utilise its fund for Research activities.

6. The General Body considered the Balance Sheet and Audited Accounts of the FOIR for the year 2003-04 which was earlier approved by the Governing Body. After detailed discussions, the General Body approved the Balance Sheet and Audited Accounts for the year 2003-04. The General Body of the FOIR also approved retention of M/s. Thakur, Vaidyanath Aiyer & Co. as Chartered Accountants for auditing of the accounts of FOIR for the year 2004-05 and also approved payment of remuneration of Rs.10,800/- for the purpose.

7. The Budget for 2004-05 covering an Income of Rs.32.80 lakhs and estimated expenditure of Rs.29.72 lakhs was taken up for discussion by the General Body. Shri Divakar Dev, Chairman UERC, desired to know whether the increase in FOIR Membership fee from Rs. 1 lakh to Rs. 1.5 lakh per annum was justified considering the expenditure figures of FOIR for 2004-05 and the present position of Fund availability with FOIR . Shri Arun Kumar, Chairman RERC and other FOIR Members suggested for some flexibility in the duration of stay in the event of stay arrangements being funded by FOIR for meetings held outside New Delhi. Hony. Chairman, FOIR accepted the suggestion for consideration. Shri S.N. Ghosh, Chairman WBERC, suggested that some amount could be spent by FOIR for information dissemination on key issues such as multi-year tariff etc. Shri K.N.Sinha, Member CERC, mentioned that FOIR Secretariat be kept informed about such relevant documents/studies for further action. The General Body of FOIR finally approved the Budget for the year 2004-05.

8. The FOIR Secretariat highlighted the developments with regard to the Consultancy assigned by FOIR to TERI for "Compilation of Electricity Tariff Orders". Members suggested that the final report of TERI should be put on FOIR website and its printed copy be circulated to all the Commissions. Hony. Chairman, FOIR, advised Shri Shahid Hasan – representative of TERI, to ensure that the Final report of TERI be sent to all the Commissions. He further suggested that the Commissions should notify the FOIR Secretariat for the mistakes in TERI Report. It was proposed that a Committee of 3 Members be constituted by FOIR for considering the TERI Report for its acceptance and final payment to TERI. Hony. Chairman, FOIR, expressed that no payment was to be made to TERI for the time being and TERI should be asked as to why all the tariff orders and that of CERC & OERC had not been covered in the Report. The General Body finally decided that CERC should sort out the matter with TERI and TERI should be advised to circulate the Report to all the Commissions for their comments. Further a presentation was to be made by TERI on this Report in the next FOIR Meeting.

9. The General Body endorsed the proposal of Hony. Chairman, FOIR, that a special Meeting of FOIR could be held in which Hon'ble Minister of Power be invited. The issues of Regulatory Fund and Task Force Report were discussed by the Members. With regard to the Task Force Report, Hony. Chairman, FOIR, suggested that each SERC should record its views and forward the same to Govt. of India. It was informed that OERC had already forwarded its comments to Ministry of Power and FOIR Secretariat. Shri S.N. Ghosh, Chairman WBERC, was of the view that FOIR should not be silent on this important issue. Endorsing these views, Shri V.K.Sood , Chairman DERC, pressed for formation of a FOIR Committee. On the request of Members, Hony. Chairman, FOIR, constituted a Committee of the following Members for finalising the comments on Tariff Policy / Task Force Report by end of July,2004 :

- (i) Shri V.K. Sood, Chairman DERC
- (ii) Shri K.S.R. Murthy, Member APERC
- (iii) Shri B.C. Jena, Member OERC
- (iv) Dr. Pramod Deo, Member MERC
- (v) Shri S.D. Ukkali, Member KERC
- (vi) Shri S.S. Chakroborty, Chairman TERC

(vii) One representative from CERC

Hony. Chairman, FOIR requested all the State Commissions to send their comments/views to the said Committee at the earliest.

10. In the afternoon session a presentation was made by Shri Bhanu Bhushan, Member CERC, on 'Intra-state ABT'. The said presentation explained the relevant aspects with an example of transaction in which Discom in AP was to contract power from Tata Power Co. in Maharashtra. The Members actively participated in the deliberations during the presentation.

11. Hony. Chairman, FOIR extended a hearty welcome to Shri A.L. Bongirwar, Chairman TAMP, who was attending the FOIR Meeting for the first time since TAMP was enrolled as Member of FOIR in June,2003. Hony. Chairman, FOIR then requested the Members to share the experience and developments in the respective Commissions since the last General Body Meeting.

11.1 Shri D.C.Sahoo, Chairman OERC, informed that OERC is in the process of fixing the tariff for the year 2004-05 for which the ARR petition filed before the Commission has been reviewed. He further informed that the Commission has taken up the study of distribution losses for 20 feeders and the study is being conducted by M/s Pricewater House Coopers as consultants.

11.2 Shri A.L. Bongirwar, Chairman TAMP, informed that unlike the Electricity Regulatory Commissions there is no separate Act for TAMP and no policy directives are being given by Govt. of India to TAMP for issuance of regulations. He informed that of the 400 cases filed in the last five(5) years TAMP had disposed off 380 cases. He mentioned that TAMP is looking after consumer interests which in turn results in certain degree of reduction in profits for the Port Trusts. He raised the issue of guidelines given by CAG for regulatory bodies and expressed that most of the provisions in the said guidelines were of administrative nature. He suggested that FOIR should discuss as to whether the regulatory bodies should at all be answerable to audit on these issues. The General Body held extensive discussion about the CAG guidelines as highlighted by Shri Bongirwar.

11.3 Shri S. Surya. P. Rao, Secretary APERC, informed that APERC had imposed fine on a distribution company for delay in rectification of the faults. He mentioned that regulations for Open Access were being finalised and the terms & conditions of tariff for the distribution companies were also to be finalised shortly. He further stated that 400 MW power is being wheeled from the first gas based captive power plant in AP and the Commission was considering levy of a charge for cross-subsidy element in this case. He informed that AP High Court has directed the Non-conventional power developers to approach APERC for tariff. He suggested that some regulations are required to be framed for theft of electricity. In this regard Shri V.K. Sood, Chairman DERC, clarified that Delhi High Court had given a verdict that old regulations issued by DERC under the previous Act were still applicable and Ministry of Power has now referred the matter to Law ministry.

11.4 Shri P.K. Mehrotra, Chairman MPERC informed that MPSEB was not going to exist after 10th December,2004, but there was still no action from the Govt. on part of the successor utilities/entities. He mentioned that NHDC was willing to sell power to the State Govt. and not to SEB on account of the payment guarantee and in-turn the State Govt. was to trade power with SEB as a natural trader. Shri K.N.Sinha, Member CERC, clarified that tariff of common project such as BBMB is not fixed by the regulators. Shri Mehrotra further mentioned that the State agency which was getting power from NHDC was also intending to recover its investment for development of the Narmada valley. Shri S.K. Jena, Member OERC, was of the view that the Commission had the power to regulate the rate at which the licensees will buy power. Shri V.K. Sood, Chairman DERC, expressed that the retail tariff of SEB will continue to apply on the unbundled entities but ARR determination will depend on distribution of assets and liabilities. In reply to a query from Shri S.K.F. Kujur, Chairman JERC, it was stated by Shri K.N.Sinha, Member CERC, that the tariff of DVC will be decided by CERC.

11.5 Shri Somit Dasgupta, Secretary DERC, presented the highlights of the tariff order of DERC for the year 2004-05 as issued in June, 2004 wherein the tariff had been increased by 10%. He mentioned that the distribution companies were required to effect a reduction in technical & commercial losses and collection inefficiency to the extent of 17% over a period of five(5) years . He

informed that the gradual loss reduction had been according to the target during the first two years. He stated that penalty has been levied on the distribution companies for not achieving the target of capital investment. He added that the order on public lighting was issued in March,2004 wherein incentives were provided for efficiency in this regard and the results are being obtained. He further stated that the charges for Service lines have been rationalised and the appointment of Ombudsman for Public Grievances was to be notified shortly.

11.6 Shri M.K.G. Pillai, Chairman KSERC, discussed about the Annual Revenue Requirement (ARR) of KSEB for the year 2004-05. He mentioned that some reduction in ARR had been achieved by rationalisation of power purchases and following CERC's tariff orders for power generation. He stated that in this regard some advantage was also received due to UI charges. He mentioned that directions had been issued to KSEB for improvement in capital investment, replacement of faulty meters, computerised billing and loss reduction. He added that the Commission was trying to determine the cost of service for each category of consumers.

11.7 Shri G. Subba Rao, Chairman GERC, informed that the Commission had passed 3 Orders since the last FOIR Meeting held on 25th & 26th March,2004 at Dehradun. The said 3 Orders were as under -

- (i) Tariff Order on ARR
- (ii) Quarterly Billing for adjustment of power purchase cost and fuel price.
- (iii) Grid support & parallel operation

11.8 Dr. Pramod Deo, Member MERC, informed that tariff in Mumbai city had been revised after a period of 7 years and there has been 8% reduction in tariff during 2003-04 & 2004-05. Referring to effective utilisation of Schedule VI, he mentioned that the Demand charges had increased while the energy charges had been reduced. He stated that consumers with consumption of more than 3000 units are required to have KVA Demand Meters. He raised the issue of manner in which Depreciation Fund was to be treated. He further added that CEA had been appointed as technical consultants by MERC for statutory advice under the Act. It was informed that performance norms and quality standards

were under finalisation. Further the T&D loss charge had been removed in the December tariff order and incentives were being given to power intensive industries.

11.9 Shri S.D. Ukkali, Member KERC, informed that KERC had finalised all the regulations as required under the Electricity Act,2003. He mentioned that there was a case with regard to security deposit which was reduced by the Commission from 3 months to 2 months but the order of KERC was stayed by the Court.

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