MINUTES OF THE 15TH ANNUAL GENERAL BODY MEETING

OF

FORUM OF INDIAN REGULATORS (FOIR)

Venue	:	**"GULMOHAR" Hall** **Convention Centre** **India Habitat Centre, Lodhi Road** **NEW DELHI.**
Date	:	**26th June, 2014**
List of Participants	:	**At Annexure – I (enclosed)**

The 15th Annual General Body Meeting (AGM) of the Forum of Indian Regulators (FOIR) was inaugurated by Shiri Yashwant S. Bhave, Chairperson, AERA / Hony. Chairman, FOIR. He welcomed the Members of the FOIR in the 15th AGM. As per practice, the Chairpersons / Members of the Regulatory Commissions who joined after the last AGM of the FOIR were welcomed and introduced to the Members of the FOIR.

2. After the address by Hony. Chairman, FOIR, Shri Sushanta K. Chatterjee, Joint Chief (Regulatory Affairs), CERC briefed the FOIR about the Agenda Items.

AGENDA ITEM NO. 1 : Confirmation of Minutes of the 14th Annual General Body Meeting of "FOIR" held on 7th June, 2013 at New Delhi.

Minutes of the 14th Annual General Body Meeting of "FOIR" held on 07th June, 2013 at New Delhi and as circulated were confirmed.

AGENDA ITEM NO. 2 : Reconstitution of the Governing Body for the FY 2014-15.

The proposed reconstitution of the Governing Body of FOIR for FY 2014-15 was noted and endorsed.

AGENDA ITEM NO. 3 : Annual Accounts of "FOIR" for FY 2013-14.

The salient features of the Balance Sheet and Income & Expenditure Account along with the Schedules and Notes on Accounts of "FOIR" for the FY 2013-14 were explained. The Forum noted and endorsed the same.

AGENDA ITEM NO. 4 : Appointment of Auditors for FY 2014-15 and fixing their remuneration.

The Hony. Vice Chairperson / Chairperson, CERC was authorized for appointment of the Auditors for auditing the Accounts of FOIR for the year 2014-15 and their remuneration, in place of M/s Hari Ram Agarwala & Associates, Chartered Accountants, New Delhi, who retire after completion of Audit for the year 2013-14.

AGENDA ITEM NO. 5 : Budget of FOIR for FY 2014-15.

The salient features of the Budget Estimates of "FOIR" for the FY 2014-15 were explained. The Forum noted and endorsed the same.

AGENDA ITEM NO. 6 : Any other Item with the permission of the Chair.

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With the permission of Hony. Chairman, FOIR, two presentations were made before the members of FOIR.

The first presentation was made by Shri V.S. Ailawadi on "**Issues of Regulatory Assets".** In his presentation, he highlighted the concept of Regulatory Assets, Accumulated RAs and Implications and Way Forward. The presentation was appreciated by the members of the FOIR. A copy of the presentation made by Shri Ailawadi is **enclosed** at **Annexure-II**.

The second presentation was made by Shri Subhash R. Sethi, Former Member, DERC on "**Prepayment Metering System a boom for Utility and Consumer".** A copy of the presentation made by Shri Ailawadi is **enclosed** at **Annexure-III**. The presentation was appreciated by the members of the FOIR.

At the end, Members present conveyed their gratitude and deep appreciation to the staff of FOIR Secretariat for their arduous efforts at organizing the meeting.

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

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/ ANNEXURE – I /

LIST OF PARTICIPANTS ATTENDED THE 15TH ANNUAL GENERAL BODY MEETING OF FORUM OF INDIAN REGULATORS (FOIR) HELD ON 26TH JUNE, 2014 AT INDIA HABITAT CENTRE, NEW DELHI.

S. No.	Name	Designation
1.	Shri Yashwant S Bhave	Chairperson, AERA & Hony. Chairman, FOIR
2.	Shri S. Krishnan	Chairperson, PNGRB & Hony. Vice-Chairman, FOIR
3.	Shri Rakesh Sahni	Chairperson, MPRC & Hony. Vice-Chairman, FOIR
4.	Shri Gireesh B. Pradhan	Chairperson, CERC & Hony. Vice-Chairman, FOIR
5.	Shri M. Deena Dayalan	Member, CERC & Hony. Secretary, FOIR
6.	Shri A.K. Singhal	Member, CERC & Hony. Treasurer, FOIR
7.	Dr. V. Bhaskar	Chairperson, APERC
8.	Shri Naba Kumar Das	Chairperson, AERC
9.	Shri Narayan Singh	Chairperson, CSERC
10.	Shri P.D. Sudhakar	Chairperson, DERC
11.	Shri S.K. Chaturvedi	Chairperson, JERC for Goa & all UTs except Delhi
12.	Shri T.M. Manoharan	Chairperson, KSERC
13.	Shri Donray A. Shishak	Chairperson, NERC
14.	Shri Satya Prakash Nanda	Chairperson, OERC
15.	Shri Vishwanath Hiremath	Chairperson, RERC
16.	Shri Desh Deepak Verma	Chairperson, UPERC
17.	Dr. Pramod Deo	Chairperson, CERC & Hony. Chairman, FOIR
18.	Shri H.L. Bajaj	Ex-Chairperson, CEA
19.	Shri B.K. Halder	Ex-Chairperson, BERC
20.	Shri V.K. Sood	Ex-Chairperson, DERC
21.	Shri V.S. Ailawadi	Ex-Chairperson, HERC
22.	Shri K.S. Chaube	Ex-Chairperson, HERC
23.	Dr. V.K. Garg	Ex-Chairperson, JERC for Goa & all UTs except Delhi
24.	Shri Vijoy Kumar	Ex-Chairperson, UPERC
25.	Shri P. Rajagopal Reddy	Member, APERC
26.	Shri R. Ashoka Chari	Member, APERC

27.	Dr. R.K. Gogoi	Member, AERC
28.	Shri Dipak Chakravarty	Member, AERC
29.	Shri S.C. Jha	Member, BERC
30.	Shri I.A. Khan	Member, BERC
31.	Shri V.K. Shrivastava	Member, CSERC
32.	Shri J.P. Singh	Member, DERC
33.	Shri B.P. Singh	Member, DERC
34.	Dr. M.K. Iyer	Member, GERC
35.	Shri Jagjeet Singh	Member, HERC
36.	Shri M.S. Puri	Member, HERC
37.	Shri G.M. Khan	Member, J&KSERC
38.	Shri Sunil Verma	Member, JSERC
39.	Shri A. Chhawnmawia	Member, JERC for Mizoram & Manipur
40.	Shri V.L. Sonavane	Member, MERC
41.	Shri Aswini Kumar Das	Member, OERC
42.	Shri Virinder Singh	Member, PSERC
43.	Shri Vinod Pandya	Member, RERC
44.	Shri G. Rajagopal	Member, TNERC
45.	Ms. Meenakshi Singh	Member, UPERC
46.	Shri Indu Bhushan Pandey	Member, UPERC
47.	Shri C.S. Sharma	Member, UERC
48.	Shri Sujit Dasgupta	Member, WBERC
49.	Shri V.S. Verma	Ex-Member, CERC
50.	Shri S.K. Jayaswal	Ex-Member, BERC
51.	Shri S.R. Sethi	Ex-Member, DERC
52.	Shri R.K. Sharma	Ex-Member, GERC
53.	Shri Rohtash Dahiya	Ex-Member, HERC
54.	Shri A. Velayutham	Ex-Member, MERC
55.	Shri V.K. Khanna	Ex-Member, UERC
56.	Shri S.C. Dhingra	Ex-Member, UPERC
57.	Ms. Shubha Sarma	Secretary, CERC
58.	Shri S.K. Chatterjee	Joint Chief (RA), CERC

Presentation on serious issue of Regulatory Assets for the FOIR meeting

26th June, 2014, Gulmohar Hall, India Habitat Centre, New Delhi

Presentation by:
Shri V. S. Ailawadi – IAS (R)
Fr. Chairman, ERC

Concept of Regulatory Asset

- The concept of Regulatory Assets (RAs) in the power sector is embedded in the cost plus Regulation. It is an expedient approach for a regulator in dealing with the demand of the distribution utilities for increasing rates in the interest of the rate payers.

- For fear of a consumer backlash and/or to avoid the required retail tariff increases, the revenue recovery although recognised, is deferred for the future.

- Normally, deferred realisation of the RAs is recovered in subsequent rate revision. The rise in RAs occurred in some states on the belief that it could be adjusted / achieved through efficiency gains expected out of the reform process and efficiency improvements..

- However, this has not happened and RAs have grown in size (excess of Rs. 70,000 cr.), as of now.

Accumulated RAs & Implications

- The steady increase in the RAs occurred as no definite time frame for phasing out was determined alongwith approval of ARR of the utilities by the regulator. Besides, there may have been specific reasons/ compulsions.

- Accumulated RAs have a considerable impact across 15 distribution utilities, more serious & essentially confined to about 8 States in India.

- The Regulators do permit carrying costs of RAs to the distribution utilities to manage their cash-flow requirements. However, interest cost allowed for short term borrowing costs, to meet the shortfall in revenue is not sufficient.

- This effects the ability of the distribution utilities to raise commercial debt in the market, as their balance sheets get compromised on account of building up its RAs.

- Lack of fresh investments for improving the network and the service standards, result in poor QoS for the customer as highlighted by recent instances of outages and power cuts by several discoms.

Way Forward Cont…

- Growing concerns on the liquidation of RAs the Appellate Tribunal of Electricity (APTEL) issued a suo-moto order on November 11, 2011 directing State Commissions to act on the same.

- The way to liquidate the accumulated RAs may not be possible to be done in one go. The State Regulators are aware of the factors underlining the increase in RAs. The responsibility for liquidating RAs through MYT regulations largely rests on the Regulators.

- To mitigate the effect of large buildup of RAs, plan for phased liquidation of RAs the following options could be explored:

  – Issuance of Tax Free Bonds by Discoms

  – Issuance of Tax Free Bonds by PFC/REC for the purpose of lending to the distribution entities, strictly for liquidation of RAs - to be paid back by the distribution entities over a period of time.

Way Forward Cont…

- Direct Financing of the RAs by Power Finance Corporation/ Rural Electrification Corporation strictly for RAs - expecting a lower rate of interest to be charged in this case, compared to commercial borrowings.

- There is an existing scheme of PFC and REC for funding the RAs, which requires state guarantee. This is available for 100% state owned utilities. The same product should be made available to Private Distribution entities/ JV Companies, without the condition of State Guarantee/ Corporate Guarantee.

- The above options compare favorably with existing route for discoms for commercial borrowings @ 12.5 – 13% & ensure customers interest and achieve win win situation for all stake holders. (Slides 6 & 7)

• FOIR and/or FOR may provide a uniform approach to ensure recovery of the assets through a clear road map and a time frame (which should be same for all the utilities operating in the circle).

Way Forward Cont…

Options	Issuance of Tax Free Bond by DISCOMs (@8%)	Issuance of Tax Free Bond by PFC/REC (@8.5%)	Direct Financing by PFC/REC (@10.5%)
Key Government agencies involved	RBI, MoF, MoP	RBI, MoF, MoP	MoP
Ease of Execution	Involves co-ordination with several agencies	Involves co-ordination with several agencies	Well established process for state utilities- to be extended for private utilities as well
Reduction in Tariff	4-5 % points saving in funding cost of regulatory assets compared to Commercial Loans	3.5-4.5 % points saving in funding cost of regulatory assets compared to Commercial Loans	1-1.5% points saving in funding cost of regulatory assets compared to Commercial Loans
Benefit to Bond holder	▪ Tax benefit up to 30% of the amount invested ▪ Tax benefit on the interest	▪ Tax benefit up to 30% of the amount invested ▪ Tax benefit on the interest	▪ Not applicable as there is no bond holder in this transaction

Advantage All: *Gains for every stakeholder*

Bond Holders

- Tax benefit of upto 30% of the amount invested in the bonds and also on the interest on investment in bonds
- Interest rates of 8% compatible to the interest on FD (with extra tax benefits)

Consumers

- Reduction in tariff rates
- Benefits available to bondholders can be availed by investing into the bonds
- Improved network and hence reliable supply
- Benefits of loss reduction in the form of reduction in tariff

Regulators

- This will give the regulator increased time to recover regulatory assets through tariff hikes and hence reduce the pressure on the regulator

Government

- If used as an alternative for financial restructuring, state governments will not require to give support for interest and principal payment
- Augmentation of Distribution Infrastructure and thereby achievement of mission of “Power for All”

Discoms

- Effective alternative for procurement of funds
- Alternative for financial restructuring of State Electricity Boards (SEBs)
- Stable availability of funds
- Increase in liquidity for Expansion of Distribution Infrastructure

Generators

- A viable distribution sector ensures that the payment to the generators is secured
- Generators do not have any tool like regulatory assets to show their debts and thus long non payment of dues become non performing assets, affecting the balance sheet and borrowing capacity

Lenders

- If used as an alternative for financial restructuring, lenders need not give moratorium for payment of principal payment to DISCOMs
- Improved financials of the discoms would allow lenders to extend fresh loans

Investors

- Improved viability of distribution sector will enhance the investors’ confidence

To Resolve…

- Regulatory firmness to pursue the matter is important to get much needed solution to this problem.

- Regulators may also commit themselves to ensure that no such liabilities get created in future to restore financial health of the discoms, going forward.

Thank you for your time

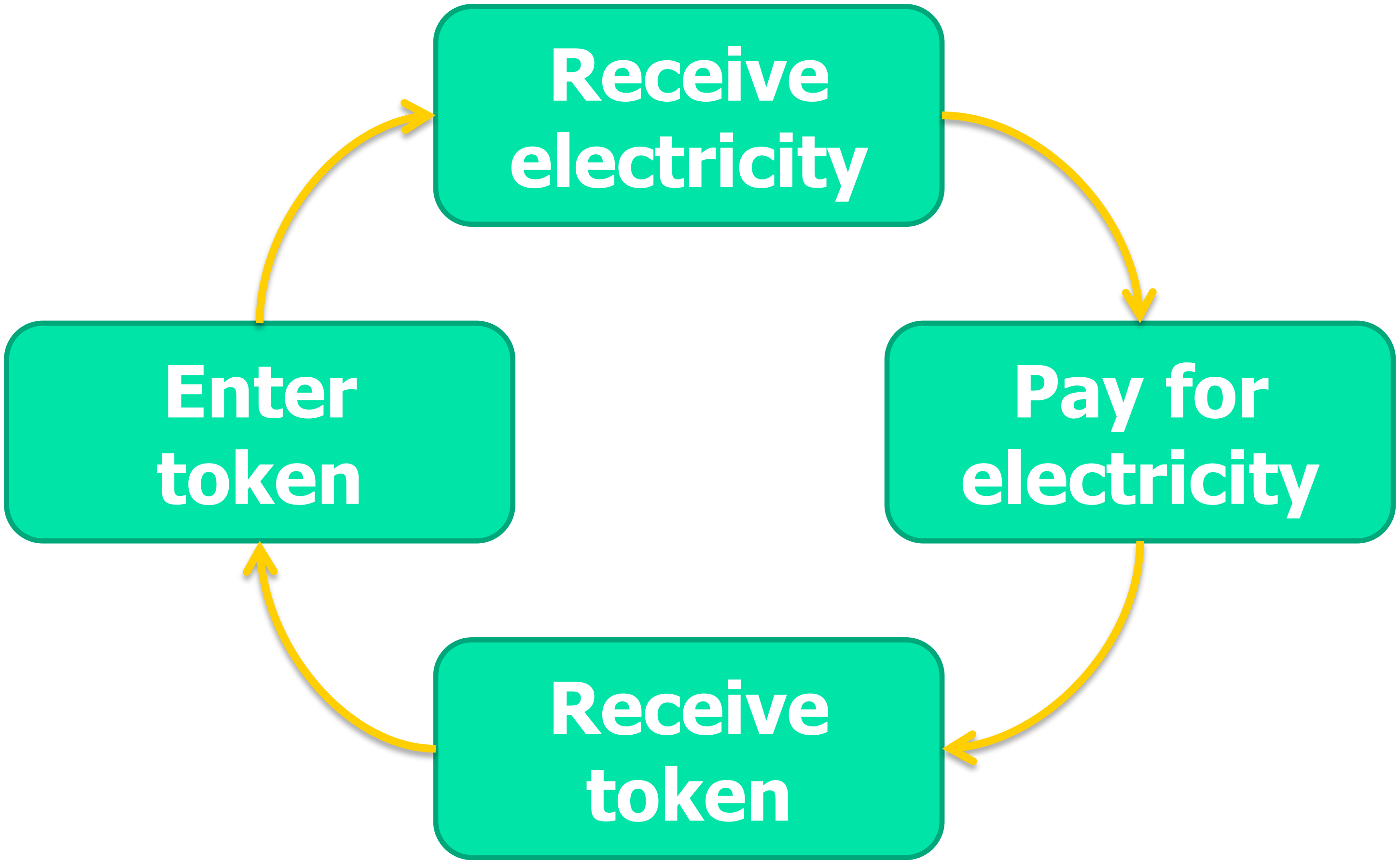
Prepayment Metering System a boom for Utility & Consumer

Subhash R Sethi

Former Member, Delhi Electricity Regulatory Commission (DERC)
Advisor, University of Petroleum & Energy Studies

- Cash Flow improves for Utility
- Consumer has Control over his spending
- No Defaults

Concept


Receive electricity
Pay for electricity
Receive token
Enter token

Traditional Billing V/s Pre-payment Concept

Example

- **Traditional Metering**
  - Month "May'14" — Use electricity
  - Month "10th Jun'14" — Read meter
  - Month "20th Jun'14" — Bill Generation & Distribution
  - Month "5th July'14" — Collect money
  - Month "20th July'14 As per Article 56 of EA. — Warn late payers
  - Month "5th Aug'14 — Disconnect non-payers

- **Pre-Payment Metering**
  - **Collect money (in advance)**
  - **Transfer credit to meter**
  - **Use electricity**

Benefits to Discoms

- Reduction in high AT&C losses, by
  - Improvement in Cash Cycle
  - Improvement in Billing & Collection efficiency
  - Reduction in Theft & Payment Defaulters
- Improved Cash Flow
- Timely Collection from Government establishments
  - As paying authority is different from the user of meter and they are mostly located at different place, LPSC is charged due to delayed payment and becomes a point of objection by the auditors.
- Cost of billing will significantly improved
- Reduced Consumer Grievance

In view of the above benefits , Delhi State Government made Prepayment Mandatory for their Government connections.

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GOVERNMENT OF NCT OF DELHI
(DEPARTMENT OF POWER)

8TH Level, B-Wing, Delhi Secretariat, New Delhi-110 002.
Telephone : 011-23392047, 23231748 & 23215198

No.11(168)/2005/Power/PF/ 14/0 Dated:11.06.2007.

OFFICE MEMORANDUM

1. With the restructuring of the power sector three private Distribution Companies started functioning w.e.f. July, 2002. One of the important issues to be resolved is the payment of energy charges on the electricity consumed by Government Departments to the Distribution Companies. The system prevailing hitherto has been found to be unsatisfactory and the DERC has stated that non-payment/delayed payment of electricity bills directly impacts on the distribution business and has tariff implication for consumers. Therefore, such dues need to be settled in a time-bound manner. It is often not possible for the Distribution Companies to deprive Government Departments of electricity because of vital functions performed by many Government Departments. It is with this in view that a new payment mechanism / system is now proposed.

2. The Cabinet vide its decision No.116 dated 21.09.2006 has emphasized the timely settlement of power dues of Government Departments to Distribution Companies. A number of meetings have been held by the Chief Secretary and after discussions with various Departments and the Distribution Companies; it is felt that advanced technological solutions need to be introduced instead of the conventional system of billing and settlement of dues. It has therefore been decided that the following changes would be made in the payment system for settlement of power dues in future:-

A. All Government Departments and autonomous bodies under the Government having single-phase and three-phase electricity load below 45 kW would need to switchover to the <u>Pre-paid Metering System</u>. The pre-paid meters at the different locations would be identified and installed by the Distribution Companies.

B. For all Government Departments / autonomous bodies having load above 45 kW including High Tension loads, DISCOMs would switchover to <u>Automatic Meter Reading System</u> and settlement of pending dues could be done on the basis of advance drawal of contingent bills.

A. (a) <u>Pre-paid Metering System:</u> The Distribution Companies would identify the locations where pre-paid metering systems would be installed. These would be ISI approved pre-paid meters, duly tested for their certification.

(c) <u>Rebate of 2% shall be allowed</u> as the payment is being given in advance (In line with the guidelines of CERC on the subject) as approved by DERC.

Benefits to Discoms contd..

- If utilities pay the dues within the stipulated time to NTPC they get 1 % rebate. Hence, advance collection through prepayment can help in getting the rebate.

Initiatives Taken by the Government

- As per **National Electricity Policy** “Prepaid Meters” should be encouraged.
- “No security deposit for prepaid consumer” in mentioned in **Electricity ACT**.
- Under the **Financial Restructure Package (FRP)** for all the Government utility, one of the major criteria is to install prepaid meters for Government Consumers.
- CERC had appointed Delloite as consultant and according to their report, FOR has recommended that “All state utilities should try prepaid meters for target consumers viz Government/PSU establishments, temporary connections, tenancy metering, etc.”

Cont..

Government Domain Consumers

- Schools
- Police Stations
- Water Pumping
- Street Lightning
- Primary Health Centres
- Field offices of PWD, MCD

Cont….

Government Colonies

- staff is transferred over a period of 3-5 years
- Disconnection and re-installation of new meters could be avoided
- Areas of Payment be no longer an issue
- NOC will not impact handing over of the accommodation

Private Consumers

- Shops in weekly Bazars
- Construction of Houses
- Connection for Marriages
- other functions

Tariff Issues to be Looked at by Regulators

- Simplified and Separate Tariff for Prepaid consumers
  - No retrospective tariffs: In post paid system ,billing happens after consumption while in prepaid billing happens on real time basis in meter itself. Hence retrospective calculation will create doubt in the mind of consumers .
  - Tariff Fixation Is the exercise of assumption which is trued up after one year hence tariff like Fuel Surcharge Adjustment should be accounted at the year end at the time of next recharge based on the energy purchased in the previous year.

- Various regulators such as WBREC, DERC, HPSEB, etc. have simplified tariffs

Other Issues to be Looked at by Regulators

- All Group housing society connections / multistory buildings should mandatorily have single point connection with prepayment meters on each occupant's premise.

- Those who have already taken the possession in CGHS/ Multistorey and are on post paid there meter should be replaced with prepayment.

- Tariff Rebate should be given to the consumers on prepaid meter.

Policy Push: Regulators

Regulator	Rebates on unit price & meter rent	Simplified Tariffs	Remarks
WBERC	-	Yes, separate tariff for prepaid consumer	Separate & simplified tariff for all category of consumers.
DERC	2% on bill	Yes	Mandatory for State Government offices by state government.
HPERC	Zero fixed charge	Yes, separate tariff for prepaid consumer	
JERC (Manipur)	2% on bill	Yes	Decided to install meter at all consumer
KERC	In Progress	In Progress	Mandatory for Temporary Connection
JERC	In Progress	Yes, separate tariff for prepaid consumer	Mandatory for up to 20kW
Forum of Regulators		Recommended (vide study carried by M/s Deloitte)	

Policy Push: Regulators

WBERC

- Separate & Simplified tariffs for Prepaid Consumers
- TOD / TOU implementation in various consumer category
- A remarkable stand & support by regulator on implementation & applicability of new tariffs for prepaid consumers ***"Consumer can use electricity at the old tariff for the remaining credit in the meter at the time of release of new tariff order"***.

LOW AND MEDIUM VOLTAGE CONSUMERS

Sl No	Type of Consumer	Applicable Tariff Scheme: Consumer category	Name of the Tariff Scheme	Quarterly consumption in KWH	Energy Charge P/kWh	Fixed Charge / Demand Charge * in Rs/KVA/mon	Optional Tariff Scheme – I: Consumer category	Name of the Tariff Scheme	Quarterly consumption in KWH	Energy Charge P/kWh	Fixed Charge/ Demand Charge * in Rs/KVA/mon	Optional Tariff Scheme – II: Consumer category	Name of the Tariff Scheme	Quarterly consumption in KWH	Energy Charge P/kWh	Fixed Charge/ Demand Charge * in Rs/KVA/mon
6.	Public utility/ Specified Institution Public Bodies	Rate A(CM-PU) (MUN)	Normal	On all Units	599	12	Rate A(CM-PU) (MUN) PP	Prepaid	On all Units	587	12	Rate A(Cm-PU) (Mun) ppt	Prepaid - TOD	06.00 hrs. – 17.00 hrs. & 20.00 hrs - 23.00 hrs	On all units 582	12
														17.00 hrs to 20.00 hrs.	On all units 640	
	In Municipal Area													23.00 hrs to 06.00 hrs	On all units 541	
7.	Public utility/ Specified Institution Public Bodies	Rate A(CM-PU) (NON-MUN)	Normal	On all Units	599	12	Rate A(CM-PU) (NON-MUN) PP	Prepaid	On all Units	587	12	Rate A(Cm-PU) (Non-Mun) ppt	Prepaid - TOD	06.00 hrs. – 17.00 hrs. & 20.00 hrs - 23.00 hrs.	On all units 582	12
														17.00 hrs to 20.00 hrs.	On all units 640	
	In Non Municipal Area													23.00 hrs to 06.00 hrs	On all units 541	
8.	Cottage Industry / Artisan / Weavers / Small production oriented establishment not run by electricity as motive power	Rate A(CM-II)	Normal	First 300	519	12	Rate A(CM-II) PPT	Prepaid - TOD	06.00 hrs to 17.00 hrs All units	622	12	[illegible]				
				Next 300	662				17.00 hrs to 23.00 hrs All units	684						
				above 600	696				23.00 hrs to 06.00 hrs All units	578						
9.	Poultry, Duckery, Horticulture, Tissue culture, Floriculture, Herbal – Medicinal – Bio-diesel Plant Farming, Food Processing Unit	Rate A(CM-III)	Normal	First 900	623	12	Rate A(CM-III) PPT	Prepaid - TOD	06.00 hrs to 17.00 hrs All units	611	12	[illegible]				
				Above 900	728				17.00 hrs to 23.00 hrs All units	672						
									23.00 hrs to 06.00 hrs. All units	568						

Thank you