

30

STANDING COMMITTEE ON ENERGY

(2008-09)

FOURTEENTH LOK SABHA

MINISTRY OF POWER

ROLE OF CENTRAL ELECTRICITY REGULATORY COMMISSION
AND STATE ELECTRICITY REGULATORY COMMISSIONS IN
PROTECTION OF INTERESTS OF CONSUMERS

THIRTIETH REPORT



LOK SABHA SECRETARIAT
NEW DELHI
JANUARY 2009/MAGHA, 1930(SAKA)

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AND STATE ELECTRICITY REGULATORY COMMISSIONS IN
PROTECTION OF INTERESTS OF CONSUMERS

Presented to Lok Sabha on
Laid in Rajya Sabha on



LOK SABHA SECRETARIAT
NEW DELHI
January, 2009 / Magha, 1930 (Saka)

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Composition of the Standing Committee on Energy (2008-09)

Shri Gurudas Kamat – Chairman

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Lok Sabha

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4. Shri Nandkumar Singh Chauhan
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1. Shri Ashok Sarin - Joint Secretary
2. Shri Shiv Kumar - Deputy Secretary
3. Smt Neena Juneja - Committee Officer

* Nominated as Member of the Committee w.e.f. 18.12.2008

** Re-nominated as Member of the Committee w.e.f. 9.1.2009

*** Nominated w.e.f. 15th January, 2009

INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorized by the Committee to present the Report on their behalf, present this 30th Report (Fourteenth Lok Sabha) on the subject 'Role of Central Electricity Regulatory Commission and State Electricity Regulatory Commissions in protection of interests of consumers'.

2. The Committee held two sittings i.e. on 19th December, 2007 and 23rd April, 2008 for examination of the subject. The Committee heard the views of the representatives of the Ministry of Power and the Ministry of New and Renewable Energy, as also the representatives of the State Governments of Assam, Bihar, Madhya Pradesh, Orissa, Uttar Pradesh, West Bengal on the subject. The Committee also undertook a study visit to Jaipur, Ahmedabad, Bangalore and Mumbai and held detailed discussions in connection with examination of the aforesaid subject with Departments of Power of the respective State Governments and the State Electricity Regulatory Commissions (SERCs). The Committee wish to express thanks to the representatives of the Ministry of Power and all others who appeared before the Committee and placed their considered views and also furnished written information on the subject.

3. The Report was considered and adopted by the Committee at their sitting held on 27th January, 2009.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

NEW DELHI;
27th January, 2009
Magha 7, 1930 (Saka)

GURUDAS KAMAT,
Chairman,
Standing Committee on Energy

Introductory

REPORT

Introductory

Electricity is a concurrent subject. The Preamble of the Electricity Act – 2003, states that protecting the interests of the consumers and promoting competition in the Electricity industry are among the main objectives of the Act.

2. The establishment of Central Electricity Regulatory Commission (CERC) and State Electricity Regulatory Commissions (SERCs) goes back to the year 1998, when the Electricity Regulatory Commission Act – 1998 (now repealed) was enacted *inter alia* to provide for establishment of a CERC and SERCs. Certain States had also enacted their State Electricity Reforms Act earlier to the legislation of the Electricity Act, 2003. The Electricity Act, 2003, which has repealed the Electricity Regulatory Commission Act, 1998 provides (sections 76 and 82) that the CERC established under the Electricity Regulatory Commissions Act, 1998 and the SERCs established by the State Governments under the Electricity Regulatory Commissions Act, 1998 or various State Electricity Reforms Acts shall be deemed to be the CERC and SERCs for the purpose of Electricity Act, 2003.

3. Sections 79 (3) and 86 (3) of the Act provide that the Electricity Regulatory Commissions shall ensure transparency while exercising their power and discharging their functions. Further, section 86 (1) (i) of the Act provides that the CERC shall *inter alia* discharge the function of specifying and enforcing standards with respect to quality, continuity and reliability of services by licensee. Section 57 of the Act provides that the Electricity Regulatory Commission may after consultation with the licensees and persons likely to be affected, specify standards of performance of a licensee or a class of licensees. The Act further provides that if a licensee fails to meet the standards so specified, he shall be liable to pay such compensation to the person affected as may be determined by the Commission, without prejudice to any penalty which may be imposed on prosecution. The compensation so determined shall be paid by the licensee within ninety days.

4. The Act gives overriding effects to the provision of the Consumer Protection Act 1986. Accordingly, the consumers can seek redressal of their grievances under the Consumer Grievance Redressal Mechanism established under the Consumer Protection Act.

5. In addition to the above, the Electricity Act provides in section 42 (5) that every distribution licensee shall, within six months from the appointed date or date of grant of licence, whichever is earlier, establish a forum for redressal of grievances of the consumers in accordance with the guidelines as may be specified by the State Commission.

6. The Act further provides in sub-sections (6) & (7) of section 42 that any consumer, who is aggrieved by non-redressal of his grievances under sub-section (5), may make a representation for the redressal of his grievance to an authority to be known as Ombudsman to be appointed or designated by the State Commission. The Ombudsman shall settle the grievance of the consumer within such time and in such manner as may be specified by the State Commission.

7. The Central Government has also notified the Electricity Rules, 2005. Rule 7 of these Rules *inter alia* provides that “The Ombudsman shall consider the representations of the consumers consistent with the provisions of the Act, the Rules and Regulations made hereunder or general orders or directions given by the Appropriate Government or the Appropriate Commission in this regard before settling their grievances. The Ombudsman shall prepare a report on a six monthly basis giving details of the nature of the grievances of the consumer dealt by the Ombudsman, the response of the Licensees in the redressal of the grievances and the opinion of the Ombudsman on the Licensee’s compliance of the standards of performance as specified by the Commission under section 57 of the Act during the preceding six months. The report of the Ombudsman shall be forwarded to the State Commission and the State Government within 45 days after the end of the relevant period of six months.”

8. The Act has provisions to ensure compliance with the directions of the Regulatory Commissions and the provisions of the Act and rules and regulations made thereunder. Section 142 of the Act provides that the Appropriate Regulatory Commission may, after hearing the person concerned, impose penalty on any person for contravention of any of the provisions of the Act or rules or regulations made thereunder or any directions issued by the Commission. Section 146 provides for prosecution and punishment for non-compliance with the order or direction given under the Act, for contravention or attempting or abetting any of the provisions of the Act or any rules or regulations made thereunder.

9. The Central Government has made adequate provisions for the protection of interests of consumers in the Electricity Act – 2003. However, while having discussions with the Ministry of Power and representatives of CERCs and various SERCs who were called to appear before the Committee and also those with whom discussions were held by the Committee during the study visit to Jaipur, Ahmedabad, Bangalore and Mumbai during January and February, 2008, a host of practical difficulties faced by the SERCs vis-à-vis the State Governments and also in getting their orders implemented through the Distribution Companies as also under the existing Consumer Grievance Redressal Mechanism came up before the Committee.

10. Details of the factual information and relevant discussions held during the course of examination of the subject are contained in Chapter-I of the Report. Chapter-II of the Report contains Observations/Recommendations of the Committee.

CHAPTER – I

A. CERC, SERCs and their Role in Protection of the Interests of Consumers

(i) Role of CERC & SERCs

1.1 The Central Electricity Regulatory Commission (CERC), an independent statutory body with quasi judicial powers, was constituted on 25th July, 1998, under the Electricity Regulatory Commission's Act, 1998, and has been continued under the Electricity Act, 2003. The Commission consists of a Chairperson and four other Members including the Chairperson, CEA as the Ex-officio Member.

1.2 To a specific query as regards the role of CERC in regulation of tariff and various other benefits to consumers, the Ministry of Power have replied:

“The Central Electricity Regulatory Commission was created by the Electricity Regulatory Commissions Act, 1998 (since repealed) and is now governed by the provisions of the Electricity Act, 2003, which has since repealed inter-alia the ERC Act, 1998.

The role of the CERC as envisaged in the Electricity Act is as under:

- (a) to regulate the tariff of generating companies owned or controlled by the Central Government;
- (b) to regulate the tariff of generating companies other than those owned or controlled by the Central Government specified in clause (a), if such generating companies enter into or otherwise have a composite scheme for generation and sale of electricity in more than one State;
- (c) to regulate the inter-State transmission of electricity ;
- (d) to determine tariff for inter-State transmission of electricity;

- (e) to issue licenses to persons to function as transmission licensee and electricity trader with respect to their inter-State operations.
- (f) to adjudicate upon disputes involving generating companies or transmission licensee in regard to matters connected with clauses (a) to (d) above and to refer any dispute for arbitration;
- (g) to specify Grid Code having regard to Grid Standards;
- (h) to specify and enforce the standards with respect to quality, continuity and reliability of service by licensees.
- (i) to fix the trading margin in the inter-State trading of electricity, if considered, necessary.”

1.3 The State Electricity Commission shall discharge the following functions as specified in section 86 (1) of the Electricity Act, 2003:

- “(a) Determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State.

Providing that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;

- (b) Regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- (c) Facilitate intra-state transmission and wheeling of electricity;
- (d) Issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
- (e) Promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from

- such sources, a percentage of the total consumption of electricity in the area of a distribution licence;
- (f) Adjudicate upon the disputes between the licensees, and generating companies and to refer any dispute for arbitration;
 - (g) Levy fee for the purposes of this Act;
 - (h) Specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of section 79;
 - (i) Specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
 - (j) Fix the trading margin in the intra-State trading of electricity, if considered, necessary; and
 - (k) Discharge such other functions as may be assigned to it under this Act.
- (2) The State Commission shall advise the State Government on all or any of the following matter, namely:
- (i) Promotion of competition, efficiency and economy in activities of the electricity industry;
 - (ii) Promotion of investment in electricity industry;
 - (iii) Reorganisation and restructuring of electricity industry in the State;
 - (iv) Matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by that Government.
- (3) The State Commission shall ensure transparency while exercising its powers and discharging its functions.
- (4) In discharge of its functions the State Commission shall be guided by the National Electricity Policy, National Electricity Plan and tariff policy published under section 3.”

1.4 The Ministry have further specified that the tariff for retail supply of electricity is not determined by the CERC as the same is the function of State Regulatory Commission. However, the cost of bulk power supplied by inter-State generating stations on long term basis, which is a significant part of power purchased by the distribution licensees is regulated by the CERC. Moreover, CERC regulates interstate transmission and interstate trading, which are important from the view point of reliability, efficiency and economy of power supply. Section 61 of Electricity Act provides that the SERCs shall be guided by

the principles and methodologies specified by CERC for determination of the tariff applicable to generating companies and transmission licensees.

1.5 Moreover, the Committee were informed that section 101 of the Electricity Act requires the CERC to prepare an Annual Report. The form of Annual Report of the Central Electricity Regulatory Commission is described as per the points given below:

- (i) The Commission in brief
- (ii) The mandate of the Commission
- (iii) Mission statement
- (iv) The year in Retrospect
- (v) Annual Accounts of the Commission showing Receipts and Expenditure
- (vi) Outcome of Regulatory process in terms of benefits to consumers and development of sectors
- (vii) Work plan for the year ahead

1.6 The Report of the CERC for year 2006-07, as required under the rules notified by the Central Government, contains a chapter on 'Outcome of regulatory process in terms of benefits to consumers and development of sector'. The Annual Report of the CERC 2006-07 gives details about the benefits to consumers by reduction in bulk electricity process of Central Generating Station under the new terms and conditions for the period 2004-09 on account of the following:

- (i) Reduction in Return On Equity (ROE) from 16% to 14% for the tariff period 2004-09 shall directly reduce the cost of bulk power.
- (ii) Adoption of Department Equity Ratio of 70:30 for new investment.
- (iii) Rationalisation of Depreciation.
- (iv) Higher Benchmarks of performance
- (v) Norms for loss of coal in transit.

(vi) Norms for O&M expenses.

(vii) Target Availability norms for thermal generating station was adopted as 80% and for lignite based stations it has been raised from 72% to 75% and for hydrostations from 85% to 90%.

1.7 Taking note of the fact that under Section 107 of the Electricity Act, 2003, the Central Government has powers to give directions to the CERC in matters of policy involving public interest, the Committee quite categorically desired to know as to whether there had been any instances, where directions were given to the CERC. In this regard, the Committee were informed that no such direction had been given so far by the Government to CERC under the provisions of the Electricity Act, 2003.

1.8 As regards, transparency in the functioning of CERC, the Ministry informed the Committee in a written reply as under:-

“Under Section 178 of the Act, the Commission is required to frame regulations to give effect to the provision of the Act. All regulations made by the Commission are subject to the condition of previous publication. The CERC has informed that it floats discussion paper, calls for comments, and then holds public hearing before preparing the draft regulation. The draft regulation is also put on the website of the Commission for eliciting the comments/response of the stakeholders and public at large. Thereafter, the Commission notifies the regulations. The Commission follows the principle of natural justice in the proceedings before it. Moreover, the proceedings of the Commission are open to the public and the Orders are passed after public hearing where the Petitioner as well as the Respondent gets an opportunity to argue their case/stand. The Orders issued by the Commission are speaking orders.”

(ii) Appointments and Selection Process

1.9 As per the provision of section 78 of Electricity Act, 2003, Central Government shall constitute a Selection Committee for selection to the post of Chairman and Members of CERC. Section 78(5) of the Act further states that the Central Government shall, within one month from the date of occurrence of any

vacancy by reason of death, resignation or removal of a Member of the Appellate Tribunal or the Chairperson or a Member of the Central Commission and six months before the superannuation or end of tenure of the Member of the Appellate Tribunal or Member of the Central Commission, make a reference to the Selection Committee for filling up of the vacancy.

1.10 The Selection Committee shall finalise the selection of the Chairperson and Members referred to in sub-section (5) within three months from the date on which the reference is made to it.

1.11 Asked about the reasons for the post of Chairman, CERC lying vacant since 24th March, 2007, the Ministry of Power have informed the Committee that in accordance with the provisions of the Act, the process for selection of Chairperson of the CERCs was initiated in August, 2006. Applications/nominations were invited vide letter dated 5.10.2006. The vacancy was also posted on the website of the Ministry of Power. Statutory reference to Selection Committee was made on 9.10.2006. 1st meeting of the Selection Committee was held on 19th January, 2007. The Selection Committee made its recommendation available on 14th August, 2007. With the approval of Minister of Power, the recommendations of the Selection Committee were forwarded to Department of Personnel and Training on 20th September, 2007 for getting the approval of the Competent Authority. The final appointment to the post was however, made on 15th April, 2008.

1.12 As regards the number of vacancies of Chairman and Members of various SERCs that are lying vacant, the Ministry of Power have supplied the following information:

**Post lying vacant in SERCs
(As on 15.07.2008)**

S.No.	Name of SERCs	Chairperson	Members
1	Assam	Nil	Nil
2	Chhattisgarh	Nil	Nil
3	Central Electricity	Nil	One. Since

	Regulatory Commission		09.5.2006
4	Delhi	Nil	One. Since 10.05.2007
5	Gujarat	One. Since 06.01.2008	Nil
6	Haryana	Nil	Nil
7	Himachal Pradesh	Nil	Two. Since 08.03.2006
8	Jammu Kashmir	Nil	Nil
9	Jharkhand	Nil	One. Since 24.2.2008
10	Karnataka	Nil	Two. Since 12.3.2008, 14.07.2008
11	Kerala	Nil	Nil
12	Maharashtra	One. Since 09.06.2008	Nil
13	Punjab	Nil	Nil
14	Rajasthan	One. Since 15.01.2007	One. Since 14.01.2007
15	Tamil Nadu	Nil	Nil
16	Uttar Pradesh	Nil	Nil
17	West Bengal	One. Since 03.2.2008	Nil
18	Andhra Pradesh	Nil	One appointed on 11.07.2008. Yet to join.
19	Bihar	Nil	One since 10.04.2008.
20	Madhya Pradesh	Nil	Nil
21	Orissa	Nil	Nil
22	Tripura	One. Since 27.05.2008	-
23	Uttarkhand	Nil	Nil

1.13 When enquired about the other vacancies and posts lying vacant in Regulatory Commission, the Ministry have informed the Committee:

“So far as information relating to Technical persons and Finance experts lying vacant in the SERCs with date of vacancy is concerned it is stated that under section 91 (2) of the Electricity Act, 2003, Appropriate Commission may, with the approval of the appropriate Government, specify the number of, nature and categories of other officers and employees. In terms of the

provisions of the said Act, the matter is, therefore, to be determined between the State Commission and the State Government.”

1.14 The Committee note that the Electricity Act 2003. specifies the following position in regard to appointment of Secretary, officers and others of Regulations Commission:

- 91(1) The Appropriate Commission may appoint a Secretary to exercise such powers and perform such duties as may be specified.
- (2) The Appropriate Commission may, with the approval of the Appropriate Government, specify the numbers, nature and categories of other officers and employees.
- (3) The salaries and allowances payable to, and other terms and conditions of service of, the Secretary, officers and others employees shall be such as may be specified with the approval of the Appropriate Government.
- (4) The Appropriate Commission may appoint consultants required to assist that Commission in the discharge of its functions on the terms and conditions as may be specified.

1.15 However, the Committee have been informed that the Government had awarded a study to the Indian Institute of Public Administration (IIPA) on the 'Impact of Reorganisation of SEBs'. On the staffing requirements of the Commissions the IIPA in its report has recommended as follows:

“The Commissions should have full autonomy in matters relating to staffing pattern, organizational structure and adequate powers to recruit staff, as require. An overall ceiling on expenditure could, however, be fixed.

As no staffing pattern has been specified in the Act regarding officers and other employees of the SERCs, and keeping in mind the recommendations of IIPA study, the Ministry have requested the Forum of Regulators (FOR) to evolve a model of the staffing pattern, after taking into account the size of the State.”

B. National Electricity Policy and Tariff Policy for Protection of Interests of Consumers

1.16 According to the provisions of the Electricity Act, 2003 the Electricity Regulatory Commissions shall be guided, inter alia, by the National Electricity Policy and the Tariff Policy. As informed by the Ministry, these policies were required to be notified by the Central Government under the provisions of the Act after consulting, inter alia, the State Governments. These Policies have already been notified.

1.17 The National Electricity Policy was notified by the Central Government on 12.02.2005. Giving details of the same, the Ministry have specified that protection of consumer interest is one of the objectives of the Policy. The Policy in its para 5.7.1 lays down emphasis on promoting power markets to promote market development, a part of new generating capacities, say 15% may be sold outside long-term PPAs. As power markets develop, it would be feasible to finance projects with competitive generation costs outside the long-term power purchase agreement framework. In the coming years, a significant portion of the installed capacity of new generating stations could participate in competitive power markets. This will increase the depth of the power markets and provide alternatives for both generators and licensees/consumers and in the long run would lead to reduction in tariff. Further, Para 5.13 of the National Electricity Policy deals with protection of consumer interests and quality standards. The Policy requires the Electricity Regulatory Commissions to regulate utilities based on predetermined indices on quality of power supply. The policy also requires that the grievance redressal forums should be set up expeditiously and the Ombudsmen should be appointed within six months.

1.18 As regards, the Tariff Policy notified by the Central Government on 6.1.2006. the Committee have been informed by the Ministry of Power that the Policy aims at, inter-alia, ensuring availability of electricity to consumers at reasonable and competitive rates. One of the key features of the Policy is to enhance competition which will lead to significant benefits to the consumers

through reduction in capital costs and also efficiency in operations. The Policy requires (para 5.1 of the policy) that all future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer and where regulators will need to resort to tariff determination based on norms provided that expansion of generating capacity by private developers for this purpose would be restricted to one time addition of not more than 50% of the existing capacity. Even for the Public Sector projects, tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years or when the Regulatory Commission is satisfied that the situation is ripe to introduce such competition.

1.19 The Committee find that Section 61(a) of the Electricity Act provides that the State Commissions shall be guided by the principles and methodology specified by the Central Commission for determination of tariff applicable to the generating companies and transmission licensees. The principles and methodology for determination of tariff applicable to the generating companies and transmission licensees in the Central sector have been specified in CERC (Terms & Conditions of Tariff) Regulations 2004. This serves as guidelines for State Commission to specify the regulation for terms and conditions for determination of tariff in respect of the generating companies and transmission licensees under their control.

1.20 As regards AT&C loss reduction, the Ministry have specified that Tariff Policy stipulates (para 8.2.1 (2) of the policy) that AT&C reduction needs to be incentivised by linking returns to the power utilities in a multi year tariff framework to an achievable trajectory. The Ministry have further informed the Committee that the Tariff Policy requires (para 8.1(2) of the policy) the State Commissions to introduce mechanism for sharing of excess profits and losses with the consumers as part of the overall multi-year tariff framework.

1.21 On enquiring about the mechanism for sharing excess profits and losses with the consumers that has been introduced by the SERCs as per the requirement of the Policy, the Ministry have furnished the following information to the Committee:

Sl. No.	Name of State	Comments
1.	Assam	<ul style="list-style-type: none"> • No power purchase cost in excess of approved AT&C loss granted to licensees; • For excess loss, no amount is granted after prudent check; • For excess profit, benefits shall be passed to the consumers after meeting the related expenditure and provisions.
2.	Bihar	<ul style="list-style-type: none"> • MYT framework is yet to be put in place. However, Directions given to BSEB for reduction of AT&C losses in a specified time frame.
3.	Chhattishgarh	<ul style="list-style-type: none"> • MYT has not been enforced in the absence of requisite base data. Would be introduced from 1/04/2009; • Mechanism for sharing of excess profits/Losses on the basis of the efficiency parameters is being provided in draft MYT regulations; • CSEB has entrusted the work of study of AT&C losses and cost of supply to a consultant; • Provision for profit sharing and refund of excess amount provided in tariff regulations, 2006; • Incentive (50% retained by the licensee and 50% kept for reducing ARR in future years) is to be provided to the licensee in case income is more than ARR; • Tariff is being determined after prudent checking of ARR; • Commission has so far issued three tariff orders FY 2005-06, 2006-07, 2007-08. Reduction of ARR after Commission's scrutiny led to the reduction of tariff (from 3.45 Rs./Kwh to 3.20 Rs./Kwh and finally to 2.98 Rs./Kwh).

4.	Delhi	<ul style="list-style-type: none"> • Discoms were given a target of 17% reduction over the last 5 years 2002-07; • All three Discoms have been able to achieve the targets. NDPL has been able to over achieve.; • In the MYT regulations, 2007, Discoms have been given a target (NDPL 17%, BRPL 17%, BYPL 22%) to bring down the AT&C losses by the end of the control period; • Incentive/disincentive linked to performance on loss reduction.
5.	Gujarat	<ul style="list-style-type: none"> • The tariff and fuel surcharge are determined on the basis of the T&D losses fixed by the SERC and in case of higher T&D losses, utilities are not allowed to pass on this burden to consumers; • The MYT Regulations notified by the SERC in Dec, 2007 provide for detailed methodology related to sharing of excessive profits/losses with consumers.
6.	Haryana	<ul style="list-style-type: none"> • AT&C losses of licensee have declined and T&D losses benchmark has been set by SERC; • Collection efficiency of the Utility has improved
7.	Jammu & Kashmir	<ul style="list-style-type: none"> • T&D and AT&C losses in the utility are extremely high; • Attempts are being made. However, due to prevailing conditions much progress could not be achieved to reduce losses.
8.	Jharkhand	<ul style="list-style-type: none"> • SEB never attempted to reduce the AT&C loss. However, some action is being taken after being threatened of reducing the tariff ; • MYT will be implemented from April'08 wherein profit sharing mechanism in case of earning profit due to over efficiency by the licensee has been laid down.

9.	Karnataka	<ul style="list-style-type: none"> • T&D loss reduction target for licensees; • Penalty/Incentive for under-achievement/ over-achievement of loss targets by allowing power purchase cost with reference to loss targets; • Incentive/disincentive for performance on loss reduction, in MYT; • To take care of surplus profits, truing up exercise for past years undertaken and only permissible ROE and surplus/deficit being carried forward to next year. This obviates need for sharing of surplus profits.
10.	Kerala	<ul style="list-style-type: none"> • MYT Principles, not applicable to the KSEB; • Incentive regulations are followed for approving the ARR (2003-04 & 2004-05) of the Licensee; • Loss on account of under achievement of AT&C loss reduction target to be borne by the licensee; • Excess profit (If any) earned over the approved level, shall be adjusted to allowable level during the truing up process.
11.	Madhya Pradesh	<ul style="list-style-type: none"> • Profit Sharing Mechanism (excess profit) for a period of three years from FY 2007-08; • 50% of the excess profit will be retained by the utility and 50% will be passed on to the consumer through tariff commencing from the next tariff period; • Targets for distribution losses (technical and non-technical) for 3 distribution companies for 5 year (2006-07 to 2010-11) period are set by state government; • Commission to disallow at the time of truing up the amount on account of excess purchase due to not adhering to annual loss reduction target.
12.	Maharashtra	<ul style="list-style-type: none"> • Mechanism for sharing of gains or losses on account of controllable factors are specified in the Regulations (Terms & Conditions of Tariff); • SERC monitors distribution losses and collections efficiency separately in stead of AT&C loss.

13.	Meghalaya	<ul style="list-style-type: none"> • MSERC operationalised in 2006. Not possible to comment on this issue.
14.	Orissa	<ul style="list-style-type: none"> • Licensee, allowed an approved return. Profit over and above approved return is shared in the following manner: <ul style="list-style-type: none"> • 1/3rd amount to be declared by the licensee as dividends to the shareholder; • 1/3rd amount to be returned to consumers by way of reduction in the consumer bills as rebate; and • 1/3rd amount to be kept as tariff balancing reserve to be used to reduce sharp rise in ARR in future • Target set for the reduction of AT&C loss has not been achieved. Thus, No incentive sharing with the consumer. However, regarding under achievement of the target, losses are entirely born by the licensee.
15.	Punjab	<ul style="list-style-type: none"> • Utility shall retain the entire gain/ bear the loss for any variation in respective norms including T&D losses trajectory; • Penalty imposed for not achieving specified loss trajectory.
16.	Rajasthan	<ul style="list-style-type: none"> • The Commission may revise the tariff if the current tariff results in excessive profits to licensees so as to allow only reasonable return; • While truing up of the ARR of the licensees the commission has allowed only target losses as specified by the Commission and accordingly their cumulative deficit up to the year 2004-05 as allowed by the Commission has been reduced by disallowing amount toward not achieving the desired targets of loss reduction.
17.	Tamil Nadu	<ul style="list-style-type: none"> • The trajectory for reduction of loss under the multi-year tariff framework is yet to be stipulated; • AT&C loss reduction targets during the control period

		<p>shall be determined with reference to the loss level for base year and such level shall have the flexibility to accommodate changes due to completion of metering arrangements for accurate measurement of losses.;</p> <ul style="list-style-type: none"> • Losses due to under achievements of the target shall be borne by the licensee and gain shall be shared with the beneficiaries at the rate of 50:50.
18.	Tripura	<ul style="list-style-type: none"> • Licensee has taken an action plan under APDRP Scheme to reduce AT&C loss to 25% which at present is 40%.
19.	Uttar Pradesh	<ul style="list-style-type: none"> • Excess profit (i.e. Profit over and above the approved returns by way of reduction of distribution losses collection efficiency etc.) is as follows: <ul style="list-style-type: none"> • 50% of the additional profit to the licensee; • 25% credited to the licensees contingency; • 25% passed on to the consumer by reducing ARR provided to the Licensee; • Does not allow losses to be passed on to the consumer.
20.	Uttarakhand	<ul style="list-style-type: none"> • In its first order in Sept.,2003, SERC fixed a trajectory for loss reduction of 4% every year for the next five years for the licensees; • Over the years, SERC has not allowed loss to the licensee in excess of the trajectory approved by it.
21.	West Bengal	<ul style="list-style-type: none"> • The targets for reduction in AT&C losses are fixed in individual tariff orders; • The licensee can retain the difference if the target of reducing losses has been over achieved. However, in the case of under achievement licensee shall bear the losses.

1.22 On enquiring about the need of indepth scrutiny of the financial and technical data submitted by the licensees, which form the basis of tariff determination, the Committee have been informed that the SERCs have been required by the policy (para 8.2.1(2) of the Tariff Policy) to institute a system of independent scrutiny of financial and technical data submitted by the licensees.

1.23 The Committee have desired to know how far reduction in capital cost and increase in efficiency in operations have been achieved through different regulations of the State Regulatory Commissions and how the SERCs fixes the tariff for various classes of consumers, i.e., the domestic, commercial and agricultural consumers. In this regard, the following information was furnished to the Committee by SERCs during the study tour of the Committee during January-February, 2008:

Rajasthan Electricity Regulatory Commission (RERC)

“About the reduction in T&D losses, the Committee were informed that the State had reduced distribution losses by 5.47% in 2006-07, and plan to bring down the same to less than 20% level. In this direction, measures such as Feeder Separation schemes, adoption of Theft Preventive Techniques, replacement of old over-head lines/cables and installation of push-fit meters are being undertaken. RERC’s order regarding ‘Tariff for supply of Electricity-2004’ came into force w.e.f. 1st January, 2005. Tariffs determined for all the categories of consumers were within the limit of $\pm 20\%$ of cost of supply as per tariff policy of the GOI except agriculture sector where it was less than the specified limit. However, for non-domestic supply it was more than the specified limit. Since, all the three distribution companies are State-owned and are not claiming any return on equity in their petition of revenue requirement, probably under the directions of the State Government, the tariff determined on 31 August 2007 is still continuing.”

Gujarat Electricity Regulatory Commission

Regarding energy audits, the Committee have been informed that at present, these are being done in-house by the licensees and the Commission is engaging experts/independent consultants like TERI, PWC, ASCI for scrutiny and analysis of the data submitted by the licensee for tariff determination. The tariff and fuel surcharge are determined on the basis of the T & D losses fixed by the Commission and in case of higher T & D losses, Utilities are not allowed to pass on this burden to consumers. GERC’s tariff orders resulted in no significant increase in electricity tariff in the state during the last seven years. Cross-subsidy surcharge has been reduced from Rs.1.80 per unit in 2005-06 to Rs.1.37

per unit in 2006-07 and to Rs.1.00 in the year 2007-08. According to the Commission, they are in the process of further reducing the cross-subsidy surcharge, although no directives have been issued to the Commission from Government for Tariff Regulations or Tariff Fixations. However, the State Government is providing fixed subsidy of Rs.1100 crore for Agriculture sector. Over and above, the Government was also providing cash subsidy for the difference between rates fixed by the Commission and rates recovered from the agricultural consumers.

Maharashtra Electricity Regulatory Commission

Regarding AT&C losses, the Committee were informed that loss reduction of 5.61 % was achieved by November, 2007. The Committee were further informed that reforms measures such as increasing of collection efficiency, network upgrading, photo-billing of consumer bills, metering of feeders by photo meter reading and HT consumers reading through MRI were under progress.

1.24 Regarding role of MERC in tariff fixation, the Committee have been informed that MERC hold Public Hearings across the State, before determining the Aggregate Revenue Requirement (ARR) and tariff in case of the Distribution Licensees in the State, which distributes and supplies electricity across the State. There has been tremendous participation by individual consumers, organisations, industries, etc., over the years, which increased to around 13000 representations made during the Multi-Year tariff process for Maharashtra State Electricity Distribution Company Ltd. undertaken in February and March 2007. The Commission's Tariff Orders are very detailed and clearly enunciate the philosophy and principles adopted by the Commission. According to the Commission, it has ensured complete transparency at all stages of the tariff determination process. However, it was pointed out that almost all the tariff orders passed by MERC were challenged.

1.25 When asked about bringing efficiency in distribution system and tariff rationalisation, the Secretary, Ministry of Power stated during evidence on 23.04.2008:

“Tariff rationalisation has not been achieved in full, but the progress that has been made is good. I would not say that it is entirely satisfactory, it is good. There have been some innovative methodologies to encourage efficiency. This institution of regulators is a very senior and responsible body. We only hope that with our support and whatever guidance we can give from out side, they can achieve the desired results because if the consumer complaints are not removed in time and if the efficiency of the distribution system is not improved soon, the desired effects of re-organisation of the earlier electricity boards into these various entities will not be sustaining or not giving desired objectives because these distribution companies could also sink into the red.”

1.26 Regarding fixation of tariff and its retionalisation, the following information was provided by the representatives of SERCs before the Committee during evidence on 23rd April, 2008:

Delhi Electricity Regulatory Commission

“From 2004 there has been five paisa increase in one year to another and six per cent increase which came to 20 paisa over one unit. So, Rs. 2.20 went to Rs. 2.40 and that is what the Government decided to roll back at that stage.

It is not correct to say that out of three companies one did not ask. All the three companies and Delhi Transco., all of them put together projected a gap of Rs. 3055 crore. So, Rs.3055 crore was the gap projected by all the companies. But on the scrutiny and examination, if the whole thing was allowed, Rs.3055 crore would have translated into 60 per cent tariff hike. Ultimately what the Commission ordered was 6.67 per cent. We have gone through the whole process and every item of expenditure, cost of power purchase, all were looked into and finally we arrived at a number of Rs.320 crore or so which resulted in a tariff hike of 6.67 per cent. If I can claim that it would be a kind of advantage or help which was rendered to the citizens of Delhi.

Orissa Electricity Regulatory Commission

With regard to tariff, since 2001 there is no increase in the tariff. Rather in this year there is fall in tariff. So far as agro industries are concerned, there is a fall. For the first time we have seen a fall. “ With regard to regulation, Orissa is the first State which has privatized this sector after the reforms in 1995. Orissa is the first State which has revoked licences in the post-reform era we have revoked licences of CESCO. Now, it is under control under a scheme under Electricity Act 2003. We are running the utility under that scheme. In the case of another three utilities Wesco, Nasco and Southco, we have issued notice for revocation of licences because they have not complied with our orders and business plan. Business plan is a comprehensive plan where there is an arrangement for the utility and the regulator as to how they will achieve the results and as to how the sector will go, etc. After a thorough discussion we have drawn the business plan. As they have not complied with the orders of the Commission, we have issued notice to revoke the licences. Then, they have gone to the Appellate Tribunal. Now, we have gone to the Supreme Court. Now, it is pending.

Uttar Pradesh Electricity Regulatory Commission

In UP, we have 110 lakh of consumers as on date. The villages that have been electrified, get power only 4-6 hours a day. People are not questioning our authority to fix tariff. They say if you are supplying electricity for 12 hours, then the tariff is worth. It is fair enough.

Madhya Pradesh Electricity Regulatory Commission

For the last three years, there has been no increase in tariff of this segment. Similarly, for the agriculturists also, we have tried to keep the tariff minimum and we have tried to give them a lot of relief, particularly those farmers who consume energy up to 300 Hp. Now, the position is that in MP, if a farmer who consume monthly to the extent of 500 units, he will have to make a contribution of only 75 paise per unit.

For industry also we have given incentives; load factor and power factor incentives. We have introduced time of day tariff. We want to bring energy efficiency, clean development mechanism and hence we have made a very conscious effort to promote new and renewable energy in our power generation.

Assam Electricity Regulatory Commission

A new category of agricultural load has been introduced to encourage use of electric power by the farmers by carving out from irrigation category. Earlier, unmetered category was there and we have abolished that. Then we have introduced ToD tariff for 4 (four) HT category time. We have kept the peak hours rate moderately high so that the people are discouraged to use energy during that period. Last year, we noticed that in Gauhati itself, the demand in the peak hours was reduced by 30 to 40 MW.

As regards cross subsidy, in 2005-06, we had reduced it from Rs.80 crore to Rs.60 crore. During 2006-07, we have asked the Government whether it would give any subsidy. But the Government has not responded. What we have done is that we have got the trading income which means we have deducted the purchase from the sale and whatever profit they make that is to be adjusted with the cross subsidy.

We have established consumer grievance redressal forum delete regulation. We are encouraging electricity utilities to install electronic meters in all cases. There was lot of resistance by the consumers. However, it is in progress.

Bihar Electricity Regulatory Commission

The Bihar Electricity Regulatory Commission came into force in August 2005. Within this short period, we have notified a number of regulations and passed tariff order in November 2006. A question was raised why there is an increase in tariff by the Regulatory Commission. I have got a comparative chart of tariff. This example is from Kutir Jyoti Yojana. It was unmetered and the rate was Rs.30 per month. The proposal which we had received from the utility is for Rs.107 per month which is 256 per cent increase. Ultimately, we have fixed it at Rs.35 per month. Similarly, in domestic rural, the proposal was 245 per cent hike but we have ultimately made it hardly 15 to 20 per cent hike. So, these are the basic problems. Actually our utilities want to recover the entire loss through tariff order passed by the Regulatory Commission but it is just not practicable.

Another thing is that the average cost of supply before this first tariff order was Rs.5.55 per unit and we have reduced it to Rs.5 and we

hope that it will be reduced further in future. As regards T&D losses actually they suppress some information also. We have asked for all this information two-three times. They have given some affidavit but still I find that there is some variation. We calculated ourselves and ultimately found that it is 41 per cent and we have asked them to reduced by 3 per cent per annum. We are little bit confused because they say that the T&D losses are 41 per cent but according to the Ministry of Power figure, the AT&C losses are more than 70 per cent.”

C. Capacity Building of Consumer Groups and Consumer Grievance Redressal Mechanism

1.27 As regards the Consumer Redressal Mechanism, the Ministry of Power have informed the Committee that section 173 of the Electricity Act, 2003 provides that nothing contained in the Act or any rule or regulation made there under shall have effect in so far as it is inconsistent with any other provisions, inter-alia, of the Consumer Protection Act, 1986. The Committee find that the National Electricity Policy (Para 5.13.4) requires the Central Government, the State Governments and the Electricity Regulatory Commissions to facilitate capacity building of consumer groups and their effective representation before the Regulatory Commissions.

1.28 Asked about the steps that have been taken by the Electricity Regulatory Commissions to facilitate capacity building of consumer groups, the following information was furnished to the Committee:

“Section 94(3) of the Act, 2003, provides that the Appropriate Commission may authorize any person as it deems fit to represent the interests of the consumers in the proceedings before it. The Karnataka Electricity Regulatory Commission constituted the Office of the Consumer Advocacy in year 2001 under the similar provision of Karnataka Electricity Reforms Act 1999.

Ministry of Power vide its letter dated 14.1.2008 has drawn the attention of the Forum of Regulators towards section 94(3) of the Act and para para 5.13.4 of the National Electricity Policy and the Forum has been requested to ensure the effective representation of the consumers in the regulatory process.

Regulations 18 & 19 of the CERC (Conduct of Business) Regulation, 1999 provide for effective representation to the consumers before the Central Commission in its proceedings.”

1.29 On enquiring about the violation of the provisions of the Electricity Act, 2003, that have gone before different consumer forum, the Committee have been informed that the National Consumer Dispute Redressal Commission (NCDRC) established at national level under the Consumers Protection Act is adjudicating

the consumers complaints filed, inter-alia, against the Electricity Boards or Companies providing the electricity related services filed by aggrieved consumers whenever there is an allegation of any defect in the goods or deficiencies in the services rendered which include any unfair/restrictive trade practices adopted. Beginning from the year 1988 and upto November 2007, 1358 such cases (relating to consumers of electricity) have been filed before NCDRC in the form of Original Petitions, First Appeal (against the order of the State Commissions) and Revision Petitions, out of which 1077 cases have been disposed off.

1.30 The Committee have been informed that the Electricity Act, 2003, Section 42 (5) provides that every distribution licensee shall, within six months from the appointed date or date of grant of license, which ever is earlier establish a forum for redressal of grievances of the consumers in accordance with the guidelines as may be specified by the State Commission.

1.31 To a query on the State-wise position in regard to the capacity building of consumer groups, the Ministry in a written reply has informed the Committee:

Sl. No.	Name of State	Comments
1.	Assam	<ul style="list-style-type: none"> • A Consumer Advocacy Cell, consisting of 12 consumer groups, has been constituted to educate consumers; • Periodic consumer awareness meets are organized by SERC through such groups; • A periodic newsletter viz. 'The Electricity Consumer Grid' published wherein different developments related to consumer interest are highlighted.
2.	Bihar	<ul style="list-style-type: none"> • Comments/suggestion are invited from the consumers' groups/associations and general public before finalizing any Regulation or before taking any decision on policy issues; • A number of consumers groups/associations and general public participated in tariff determination process for 2006-07.
3.	Chhattisgarh	<ul style="list-style-type: none"> • Services of a reputed NGO have been enlisted by SERC to create awareness amongst the consumers about their

		<p>rights and obligations under the Act;</p> <ul style="list-style-type: none"> • The NGO has conducted meetings/seminars at Panchayat level, expenditure for which has been borne by SERC; • Consumer Advocacy Cell has been set up in SERC for support of consumers. The Cell visits different places to create awareness amongst consumers; • Wide publicity regarding functioning of CGRFs and Ombudsman by distributing pamphlets and also through monthly energy bills; • Representation to various categories of consumers given in the Advisory Committee, constituted u/s 87 of the Act; • System of Registration of NGOs and necessary support by the Commission.
4.	Delhi	<ul style="list-style-type: none"> • Pursuant to DERC proposal, Deptt. of Power, GNCT of Delhi has notified constitution of Electricity Consumers Advocate Committee (ECAC) with the objective, inter-alia, of capacity building amongst the consumers groups, particularly in comprehending and verifying the data submitted in various petitions filed by the Discoms before the SERC.
5.	Gujarat	<ul style="list-style-type: none"> • During initial period, SERC appointed 'consumer advocate' for representing the small consumers; • A number of associations/groups such as – Chambers of Commerce & Industries, Consumer Education & Research Society, Distt. Industrial Associations – participated in various matters before SERC including tariff petitions as well as direct petitions on matters of consumer interest; • SERC also funded Consumer Education & Research Society for creating awareness among consumers; • SERC put responsibilities to some of its official to put the facts & consumers interest before the Commission; • SERC specified State Advisory Committee, where in representation to all types of consumers have been given and broader issues are discussed in its meetings.
6.	Haryana	<ul style="list-style-type: none"> • SERC is considering appointing consumers advocate to present cases on behalf of the consumers during the public proceedings.
7.	Jammu & Kashmir	<ul style="list-style-type: none"> • Three eminent engineers were appointed to apprehend the interests of consumers during public hearings.
8.	Jharkhand	<ul style="list-style-type: none"> • SERC organized public awareness programmes and

		<p>thereafter invited register of consumers groups;</p> <ul style="list-style-type: none"> • These groups are also invited to participate in workshops, organized by the SERC.
9.	Karnataka	<ul style="list-style-type: none"> • Pioneering steps by SERC to promote consumers participation, by giving legal status for consumer advocacy; • Office of the Consumers Advocacy (OCA) appointed within SERC in 2001; • In last six years, OCA has undertaken several activities to empower, inform and educate public in general and several societies/organizations in particular about developments in the electricity sector; • OCA has been conducting various activities and events seeking to disseminate information to the public; • OCA publishes newsletters, bringing out leaflets, pamphlets, alerts and fact-sheets to educate consumers on several issues; • OCA has published a training module covering all aspects of electricity regulations, which can be used by consumers groups in their training seminars; • OCA holds Public Outreach Meeting (POM), capacity building programme, public hearings etc; • OCA also appears before the Commission in public hearings wherever consumer interest is involved. It has been a party in various petitions before SERC, High Court and Appellate Tribunal for Electricity.
10.	Kerala	<ul style="list-style-type: none"> • SERC has conducted a training programme for consumers groups for verifying objections on ARR, petitions of licensees, training programme for electricity safety was also conducted; • SERC is in the process of creating Consumer Advocacy Cell for effective representation before the Commission.
11.	Madhya Pradesh	<ul style="list-style-type: none"> • 120 NGOs have been registered with the SERC; • Details of supply code, containing salient provisions were distributed through the NGOs about information/rights/obligations of licensees and consumers; • NGOs were also invited in the hearings before SERC for represent interest of consumers; • NGOs workshops held in August, 2007 to apprise them about Standards of Performance, details of compensation payable in various cases etc. They have also been requested to present in consumer interest in individual

		<p>cases as well as during hearing related to consumers interest like tariff determination;</p> <ul style="list-style-type: none"> • Consumer Advocacy Cell constituted by SERC to look after the consumers' interest and educate consumers.
12.	Maharashtra	<ul style="list-style-type: none"> • SERC has authorized four Consumers Representatives of different fields for attending hearings/technical validation session held in the Commission's office. They are provided with the data/petition/ applications/ records required for their analysis and comments/suggestions/objections; • A separate fund is reserved by the SERC for reimbursement of the actual expenditure, incurred by these Consumers Representatives for attending hearings/ technical validation sessions.
13.	Meghalaya	<ul style="list-style-type: none"> • Steps like – public contact through media and empanelled NGOs have been initiated in the first tariff determination exercise. There were as many as 10 representations.
14.	Orissa	<ul style="list-style-type: none"> • Guidelines for empanelment of consumer groups by SERC for consumer advocacy; • Appointment of NGOs as Consumer Council in tariff proceedings, Consumer inter-phased programmes by SERC in collaboration with consumer groups, state-wise workshops for training orientation by consumer groups; • Translation of Regulations into local language; • Publication of Frequently Asked Questions (FAQs); • A state level workshop organized in August, 2007 wherein several consumer related issues were discussed and subsequently SERC undertook a multi-media consumer awareness campaign in collaboration with consumers groups; • State-wise consumer survey is being conducted by SERC to attend consumer satisfaction with the performance of distribution utilities in the State.
15.	Punjab	<ul style="list-style-type: none"> • Participation of NGOs of consumer groups is encouraged by SERC; • Their representatives have been nominated as members of State Advisory Committee, District Coordination Committees have been constituted by State Government under the Act; • A general guide educating the consumers in respect of complaints handling procedures and facilities available in redressal of grievances has been prepared and made

		available to these groups and Distt. Coordination Committee Members.
16.	Rajasthan	<ul style="list-style-type: none"> • Audio-visual presentation of petitions of licenses on ARR; • Amicus-curie appointed by SERC in some cases; • Representatives from industrial sector and from NGOs nominated in the State Advisory Committee.
17.	Tamil Nadu	<ul style="list-style-type: none"> • Consumer Advocacy Officer appointed to educate consumers and to impart knowledge on power sector reform process and their rights and responsibilities; • SERC is publishing a quarterly issue on newsletter and also prepared a consumer guide in questions & answers; • A web enabled interactive software application 'Consumer Query Platform' has been hosted in the Commission's website facilitating the consumers to get clarifications on proper interpretation on the orders, codes and regulations; • SERC has proposed to conduct one-day seminar/workshop for consumers' associations/groups/NGOs in all the nine distribution regions of licensees to provide knowledge to consumers on power sector reforms.
18.	Tripura	<ul style="list-style-type: none"> • Public awareness campaign, open house discussions are held periodically in district headquarters and sub-division headquarters.
19.	Uttar Pradesh	<ul style="list-style-type: none"> • A cell for consumer education and advocacy has been created by SERC on public-private partnership basis, to create consumers awareness by Education and Advocacy as well as for directing the consumers rights.
20.	Uttrakhand	<ul style="list-style-type: none"> • UERC has organized "Jan Ghoshtis" to impart knowledge and education consumers' groups about their rights and responsibilities.
21.	West Bengal	<ul style="list-style-type: none"> • A State Advisory Committee is already in position and consumer groups are effectively represented in that advisory Committee; • SERC has decided to launch a program for increasing consumer awareness at the district level with the help of district Administration, the Zilla Parishads and other public bodies; • The Ombudsman gives open hearing to the concerned consumers / consumer groups.

1.32 The Committee have been further informed that the Central Government notified the Electricity Rules, 2005. Rule 7 of these Rules, inter-alia, provides that 'The Ombudsman shall consider the representations of the consumers consistent with the provisions of the Act, the Rules and Regulations made thereon or general orders or Directions given by the appropriate Government or the appropriate commission in this regard before settling their grievances. The Rule also requires the Ombudsman to prepare a report on six monthly basis giving details of the nature of the grievances of the consumer dealt by the Ombudsman, the response of the licensees in the redressal of the grievances and the opinion of the Ombudsman on the licensee's compliance of the standards of performance as specified by the Commission under section 57 of the Act during the preceding six months. These reports of the Ombudsman are required to be forwarded to the State Commissions and the State Governments within 45 days after the end of the relevant period of six months.' In this context, the Committee desired to know the break-up of the nature of the grievances of the consumers dealt with by the Ombudsman in different States, the response of the licensees thereto as also opinion of the Ombudsman in relation thereto.

1.33 In this regard, the Government in its reply furnished to the Committee has provided the following details of Consumer Grievances Redressal Forum and Ombudsman in various States as received from SERCs:

Sl. No.	Name of State	Comments
1.	Assam	<ul style="list-style-type: none"> • Regulations stipulating guidelines on Consumer Grievance Redressal Forum and Electricity Ombudsman, issued; • Most of the complaints received are of irregular billing due to installation of digital energy meters.
2.	Bihar	<ul style="list-style-type: none"> • CGRF established by BSEB and is functional from Sept 2006; • 213 cases have been filed by consumers and 86 cases have been disposed of by CGRF upto 30.11.2007; • Ombudsman yet to be appointed as the post of Ombudsman not yet sanctioned by State Government.

3.	Chhattisgarh	<ul style="list-style-type: none"> • Regulations on CGRF and Ombudsman notified; • CGRFs set up by CSEB in Raipur, Bilaspur, Jagdalpur; • Other Discoms viz. Bilai Steel Plant (BSP) and JSPL have set up single Forum in their area; • 234 cases received by CSEB Forums, out of which 225 cases have been settled; • Both Ombudsman and SERC monitor progress of complaints filed with CGRFs; • Regular meeting held by SERC with CGRF on complaint redressal; • Non-compliance of orders of CGRF and Ombudsman, treated as violation of SERC regulations and as liable for action under section 142 of the Act; • Ombudsman appointed. 30 cases received so far, out of which 26 cases have been disposed of till Nov., 2007; • Quarterly report by Ombudsman to SERC on disposal of cases; • Also a six monthly report by Ombudsman about the nature of grievances, response of licensees, and Ombudsman's opinion about licensee's compliance of standards of performance; • Most of the complaints are related to billing dispute. Some cases are relating to delay in giving connections; • Issues regarding effectiveness of CGRF because of CGRF consisting primarily of licensees' employees.
4.	Delhi	<ul style="list-style-type: none"> • CGRFs formed by each of the three Discoms in 2004; • 4677 complaints received by CGRFs so far, out of which 4541 have been disposed of till Nov 2007; • 75% of the cases decided have gone in favour of consumers; • Ombudsman appointed; • Ombudsman sends bi-annual reports. SERC maintains break-up of complaints. Over 80% of complaints are related to metering and billing problems; • Out of 4677 complaints received by CGRFs, only 226 complaints i.e. 4.8% of the total number of complaints have gone on appeal; • Ombudsman bi-annual reports have been discussed with licenses and suggestions made by Ombudsman about strengthening of grievances handling mechanism at Discom level have been generally accepted by Discoms.
5.	Gujarat	<ul style="list-style-type: none"> • SERC is regularly holding meetings of Consumer

		<p>Grievances Redressal Forums (CGRFs) for reviewing grievances redressal mechanism;</p> <ul style="list-style-type: none"> • SERC is also getting quarterly progress reports regarding complaints handled by the CGRFs; • The nature of complaints received include non-release of deposits, transfer charges, development charges, slowness of meters etc; • In order to review and monitor performance of CGRFs, meeting convened by Ombudsman; • Information regarding Ombudsman was published in newspapers; • All CGRFs were requested to fix information regarding Ombudsman on their notice boards and to upload this information on their websites.
6.	Haryana	<ul style="list-style-type: none"> • CGRFs established by Discoms; • Discoms file a quarterly report to the SERC; • Ombudsman has been appointed; • Ombudsman has to submit report to the SERC every six month containing details of the nature of grievances; • 15 complaints filed during July, 07 to Dec,07.
7.	Jammu & Kashmir	<ul style="list-style-type: none"> • J&K State Electricity Act does not have provision for CGRF and Ombudsman.
8.	Jharkhand	<ul style="list-style-type: none"> • CGRFs established by Discoms; • SERC exercises checks through quarterly reports and giving directions in case of delay in disposal of cases; • Ombudsman appointed; • 14 cases filed before Ombudsman, out of which 12 relate to billing dispute and 2 relate to connection/reconnections.
9.	Karnataka	<ul style="list-style-type: none"> • CGRFs established by Discoms; • During 2006-07, 109 cases have been disposed of by CGRFs and 21 cases are pending; • Ombudsman appointed; • Ombudsman submits bi-annual report to SERC indicating nature of grievances, his opinion about implementation of orders; • 32 cases disposed of by Ombudsman so far – 8 cases are pending; • Complaints relate mainly to new connection, delay in refund of security deposit, relief from payment of arrears, violation of electricity supply and distribution code standards, wrong billing/excessive billing, etc;

		<ul style="list-style-type: none"> • Licensees have implemented all orders of Ombudsman.
10.	Kerala	<ul style="list-style-type: none"> • CGRFs set up; • 391 cases received till March 2007, out of which 336 cases disposed of and 45 are pending; • Ombudsman appointed; • 33 cases received till December, 2007, out of which 31 cases have been disposed of and 2 are pending; • 11 cases disposed of have gone in favour of licensees and 20 in favour of consumers.
11.	Madhya Pradesh	<ul style="list-style-type: none"> • CGRFs established; • SERC monitors performance of CGRFs through Ombudsman; • During 2006-07, 1875 cases settled, out of the total of 2007 cases (including 521 pending cases of the previous year); • During 2007-08 (upto September, 2007) 673 cases settled, out of the total of 790 cases (including 132 pending cases of the previous year); • Ombudsman appointed; • Ombudsman conducts proper hearing to decide cases and also monitors whether decision of CGRF/Ombudsman being properly implemented. On non-compliance SERC issues notices to Discoms; • Scrutiny of 6 cases settled by each CGRF undertaken by Ombudsman every month; • Ombudsman submits six monthly report to SERC; • Response of licensees towards disposal of complaints has been satisfactory.
12.	Maharashtra	<ul style="list-style-type: none"> • SERC has framed a comprehensive “Electricity Consumer’s Rights Statement” with the objective of enabling consumers to protect themselves by creating awareness about their rights available and the service as well as the level of quality that may reasonably expect from the electricity distribution companies in their respect areas etc; • Utilities are also directed to spread over awareness about the consumers grievances redressal mechanism; • As per information available, leaflets on consumers’ awareness were circulated along with electricity bills and information hoardings have been displayed of their respect billing centre/customer care centre about consumer grievances redressal mechanism.
13.	Meghalaya	<ul style="list-style-type: none"> • Regulations on Redressal of Grievances have been notified

		<p>in 2007;</p> <ul style="list-style-type: none"> • Ombudsman appointed; • No cases filed before Ombudsman so far.
14.	Orissa	<ul style="list-style-type: none"> • CGRFs are operational all over the State since October, 2004 and Ombudsmen are functioning since Jan, 2005; • Procedure for redressal laid down in Regulations on CGRF and Ombudsman; • SERC conducts periodic inspection of the operation of the CGRFs; • Requirement for CGRFs to submit quarterly, biennial and annual reports; • Monitoring of complaints of Ombudsman relates to billing disputes, low voltage, allegedly illegal disconnection, delay in new connection, defective meter, dispute over contract demand, delay in replacement of burnt transformer and non-implementation of orders of CGRFs; • Bi-annual report by Ombudsmen to SERC; • Observations of Ombudsmen so far include: rising trend of registration of cases before Ombudsman, greater awareness about role of Ombudsman required, mutual conciliation should be predominant means of addressing disputes, non-implementation of orders of Ombudsmen in some cases.
15.	Punjab	<ul style="list-style-type: none"> • CGRF established. SERC monitoring performance regularly; • Ombudsman appointed. Half report to SERC.
16.	Rajasthan	<ul style="list-style-type: none"> • CGRF established. SERC monitoring performance regularly; • Ombudsman appointed; • Half Yearly report by Ombudsman to SERC, giving details about nature of grievances of consumers, response of licensees, opinion of Ombudsman on licensees compliance of Performance Standards; • Out of 68 cases received, 50 cases have been settled and 18 are pending.
17.	Tamil Nadu	<ul style="list-style-type: none"> • The Commission issued Regulations for CGRFs & Ombudsman which came into force in Feb, 2004; • Licensees have established CGRFs in all the 38 distribution circles. The Forums have disposed of 382 petitions from July 2006 to June 2007; • Ombudsman has been functioning from 7.6.2005. 17

		petitions have been admitted and all have been disposed of during 1-1-2007 to 31-12-2007.
18.	Tripura	<ul style="list-style-type: none"> • SERC notified Grievance Redressal Management System and Ombudsman appointed; • On receiving a complaint, SERC advised the consumer to follow the grievance redressal procedure.
19.	Uttar Pradesh	<ul style="list-style-type: none"> • CGRFs established in all Discoms; • SERC holds meetings with CGRFs to hear their problems and assess procedures followed in disposal of grievances of consumers; • Regulations on Ombudsman notified and Ombudsman is required to submit reports to SERC.
20.	Uttarakhand	<ul style="list-style-type: none"> • CGRFs appointed for redressal of complaints; • Licensees are required to submit a quarterly report on the number of complaints received, redressed and pending along with reasons for their pendency; • Ombudsman has also been appointed by SERC.
21.	West Bengal	<ul style="list-style-type: none"> • CGRF has been established at the level of the licensees as per the Regulation of Commission; • Ombudsman operating for more than 3 years has kept a close watch to ensure that the grievances of the consumers submitted to the Forum and the cases of non redressal of the grievances referred to the Ombudsman are settled expeditiously; • Out of 1970 cases received, 1726 cases have been settled and 244 are pending.

1.34 When asked about the nature and status of complaints received by the SERCs, the following information has been furnished by the Ministry:

Sl. No.	Name of State	Comments
1.	Assam	<ul style="list-style-type: none"> • Complaints received in SERC referred to CGRFs for redressal; • However, general complaints are deliberated in the State Advisory Committee (SAC) meeting.
2.	Bihar	<ul style="list-style-type: none"> • Consumers grievances are redressed by Consumer Grievances Redressal Forum (CGRF), established u/s

		<p>42(5) of the Act;</p> <ul style="list-style-type: none"> • So far 213 complaints have been filed and 86 complaints have been redressed by CGRF upto September, 2007.
3.	Chhattisgarh	<ul style="list-style-type: none"> • Consumer Grievances Redressal Forum (CGRF), set up u/s 42(5) of the Act to redress consumers grievances; • After analyzing of complaints received by CGRF, it is observed that most of the complaints relate to billing disputes and delay in new connections.
4.	Delhi	<ul style="list-style-type: none"> • Fast running meters was a general complaint received in SERC; • SERC took cognizance and conducted third party testing of meters along with CPRI & BIS; • SERC has also got survey conducted for consumers satisfaction; • SERC has been receiving petitions filed by consumers u/s 142 of the Act for imposing of penalty on licensees for violation of certain provisions of the Act, Regulations of the SERC; • Out of 100 petitions filed upto December, 2007, 86 have been disposed off and penalty ranging from Rs. 500 to Rs. One lakh imposed in 23 cases and compensation ranging from rs. 1000/- to Rs. 10000/- allowed in 8 cases.
5.	Gujarat	<ul style="list-style-type: none"> • Consumer complaints handled through in-house mechanism of the licensees, Consumer Grievances Redressal Forums (CGRFs) and Ombudsman; • In case of receipt of a complaint by SERC, same is forwarded to licensees/CGRFs for redressal.
6.	Haryana	<ul style="list-style-type: none"> • Consumer's complaints are addressed by CGRF and Ombudsman; • Few complaints involving power factor rebate, Advance consumption deposit and interest on security have been addressed by the SERC.
7.	Jammu & Kashmir	<ul style="list-style-type: none"> • No complaints received so far.
8.	Jharkhand	<ul style="list-style-type: none"> • Complaints received are of the nature of :- non providing of electricity connections, vigilance case/complaints cases of non-providing connections;

		<ul style="list-style-type: none"> • Out of 980 complaints, nearly 700 cases have been decided in favour of the complainants and connections have been provided.
9.	Karnatka	<ul style="list-style-type: none"> • Office of the Consumer Advocacy (OCA) in the Commission has received 1043 complaints, out of which 891 complaints have been solved to the satisfaction of the consumers; action is being taken to dispose of the remaining 152 complaints.
10.	Kerala	<ul style="list-style-type: none"> • Complaints are mainly on tariff classification; • SERC has received 20 complaints filed as per Regulations so far.
11.	Madhya Pradesh	<ul style="list-style-type: none"> • Consumer complaints are required to be sent to Consumer Grievances Redressal Forum (CGRF) and Ombudsman; • Every complaint received by the SERC is also being taken care of through Ombudsman; • After scrutiny, these complaints are forwarded to CGRF or to respective licensee; • 218 complaints were received and sent to Discoms for redressal, out of these redressal reports of 137 complaints have been received and 33 complaints were sent to CGRF, out of which redressal reports of 18 complaints have been received; • No serious complaint of low voltage, interruption in supply and delay in new service connection were received; • General complaints were of billing raised on account of enhancement of load and cases u/s 126 & 135 of the Act.
12.	Maharashtra	<ul style="list-style-type: none"> • Complaints received in SERC referred to concerned utility and CGRFs for redressal.
13.	Meghalaya	<ul style="list-style-type: none"> • There are no reported cases in the State.
14.	Orissa	<ul style="list-style-type: none"> • Most of the complaints received by SERC relate to :- voltage complaint, interruption/failure of power supply, problems in metering, billing disputes, dis-connections and re-connections of power supply, delay in providing new connections, non-implementation of the orders of CGRF/Ombudsman; • Most of these complaints have been settled in favour

		of the consumers.
15.	Punjab	<ul style="list-style-type: none"> • General complaints regarding billing/metering being received by SERC, are got settled from the licenses through intervention of the Commission.
16.	Rajasthan	<ul style="list-style-type: none"> • Appellate Tribunal for Electricity as well as Hon'ble Supreme Court have held that redressal of consumers grievances is the specific responsibility of the CGRFs u/s 42 (5) of the Act.
17.	Tamil Nadu	<ul style="list-style-type: none"> • No instance as yet.
18.	Tripura	<ul style="list-style-type: none"> • Complaints are settled by the licensee; • In case of complaint received, SERC issued directions to licensee for disposal and no re-appeal/ re-consideration so far.
19.	Uttar Pradesh	<ul style="list-style-type: none"> • Normally when complaints are received from the consumers, licenses are informed about these complaints; • SERC of its own does not decide on these complaints but facilitates stakeholders by issuing suitable directions in accordance with the provisions of the Act and Regulations framed by it.
20.	Uttarakhand	<ul style="list-style-type: none"> • General complaints such as non-implementation/ wrong implementation of orders, wrong billing, defective meters, supply problems etc. are received by SERC; • Orders are given by the Commission to rectify the same, which have been duly complied and implemented by the licensees.
21.	West Bengal	<ul style="list-style-type: none"> • Of the total number of 629 cases disposed of by the Commission, the verdicts in favour of the complainants have gone in 336 cases (including orders for payment of compensation in 38 cases).

1.35 Regarding establishment of forums for redressal of consumer grievances, the Committee were informed by Rajasthan Electricity Regulatory Commission (RERC) during a study tour to Jaipur that all the three distribution companies have already set up forums for redressal of consumers grievances and the

Commission has appointed one Ombudsman for each Distribution Companies for settlement of complaint of the consumer aggrieved with the decision of the Forum. The process of specifying the mechanism of compensation by the utilities to the aggrieved person, in case of non-adherence of Standards of Performance by the former within a specified time period, was reported to be under process in the Commission.

1.36 During their study visit to Ahmedabad in January, 2008, the Committee also observed that the Gujarat Electricity Regulatory Commission is regularly holding meetings with consumer Grievance Redressal Forums (CGRFs) for reviewing Grievance Redressal mechanism. The Commission is also getting quarterly progress reports regarding complaints handled by the CGRFs. With the designation of the Secretary, Gujarat Electricity Regulatory Commission as Ombudsman, the office of Ombudsman has become functional since 5th August, 2005. The information regarding Ombudsman was published in newspapers for the purpose of public awareness. All forums were also requested to affix the information regarding Ombudsman on their notice boards and to upload this information on their web-site.

1.37 When enquired about the grievance redressal mechanism, the Committee were informed that the MERC had formulated its Consumer Grievance Redressal Forums and Electricity Ombudsman Regulations, 2006, which provides guidelines to the Licensees in the matter. As per the above said guidelines separate machinery have been set up for redressal of grievances. All five (5) Distribution Licensees have established Consumer Grievance Redressal Forums in each Distribution Zone falling within their area of supply. Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) has established twelve CGR Forums at each Zone, i.e., Amravati, Nagpur (Urban), nagpur (Rural), Aurangabad, Nashik, Pune, Beed, Latur, Kolhapur, Kalyan, Kinkan and Bhandup. Tata Power Co. Ltd., Reliance Energy Ltd., Brihan-Mumbai Electricity Supply & Transport Undertaking (BEST) and Mula Pravara Electric Co-operative Society Ltd. have also established one Forum each for their respective supply areas.

1.38 Regarding Consumer Advocacy in the state it was brought out to the notice of the Committee that during initial period, the Commission appointed 'Consumers Advocate' for representing the small consumers. The Commission also funded 'Consumer Education and Research Society' (a prominent consumer association) inter-alia for creating awareness among Electricity Consumers. In the State Advisory Committee (SAC), representation to all the types of consumers is given and broader issues are discussed.

1.39 The Committee have also been informed that in accordance with the requirements of the Karnataka Electricity Reforms Act 1999 and in the interests of the consumers, the Karnataka Electricity Regulatory Commission (KERC) has established the Office of Consumer Advocacy (OCA) within the Commission. The OCA has been functioning independently since its establishment in 2001. A senior consumer activist has been nominated as Consultant (Consumer Advocacy) to head the OCA. Besides, the KERC has recognized the Consultant (CA) as the representative of consumers in all matters relating to electricity. The OCA has been put in charge of all activities relating to consumers.

1.40 In the last six years, the OCA had reportedly undertaken several activities to empower, inform and educate the public in general and the civil society organizations in particular, about the developments in the electricity sector. The Committee have been informed that OCA is acting as a catalyst to make the consumers participate in the power sector reform process and at the same time act as a countervailing force both on the Licensees and the Regulatory Commission. The Committee have been further informed that OCA is obtaining quarterly reports of Standards of Performance and monitoring its compliance. Periodically, a consolidated report of the performance of the Licensees are prepared and made public.

1.41 To a query about the mechanism for handling Consumer Grievances in the State, the Committee were informed that despite the fact the Licensees have established their own Consumer Grievance Redressal Forums as required under

the Electricity Act, 2003 and Regulations made thereunder by the KERC, the OCA has been facilitating redressal of consumer grievances. Up to 31st March 2007, the OCA was stated to have received 1043 complaints out of which 891 had been resolved to the satisfaction of the consumers and the action was being taken to dispose off the remaining 152 complaints.

1.42 When enquired about the Grievance Redressal Mechanism in Maharashtra, the committee have been informed by MERC during the study visit that they had formulated its Consumer Grievance Redressal Forums and Electricity Ombudsman Regulations, 2006, which provides guidelines to the Licensees in the matter. As per these guidelines, separate machinery has been set up for redressal of grievances. All five (5) Distribution Licensees have established Consumer Grievance Redressal Forums in each Distribution Zone falling within their area of supply. Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) has established twelve CGR Forums at each Zone i.e. Amravati, Nagpur (Urban), Nagpur (Rural), Aurangabad, Nashik, Pune, Beed, Latur, Kolhapur, Kalyan, Konkan, and Bhandup. Tata Power Co. Ltd., Reliance Energy Ltd., Brihan-Mumbai Electricity Supply & Transport Undertaking (BEST), and Mula Pravara Electric Co-operative Society Ltd. have also established one Forum each for their respective supply areas.

1.43 The Committee have been further informed that the office of the Electricity Ombudsman was constituted on December 27, 2004 and was made functional immediately, to receive representations and settle grievances of consumers who are aggrieved by non-redressal of grievances by the Forums in the State, as envisaged in the Electricity Act, 2003. The MERC (Consumer Grievance Redressal Forums (CGRF) and Electricity Ombudsman) Regulations, 2006 stipulate that the order issued by the CGRF has to be implemented within the stipulated timeframe. In case the consumer is aggrieved by the CGRF order, or Forum has not passed an order within maximum period of two months from the date of receipt of the grievance by the Forum, he may approach the

Ombudsman. The above Regulations further stipulate that the Ombudsman's order is binding on both parties. The Regulations also stipulate that in case of non-compliance of the CGRF order and Ombudsman's order by the distribution licensee, the penal proceedings against the distribution licensee under Sections 142 and 149 of EA 2003 are attracted.

1.44 The Committee were further apprised by MERC that the Commission had framed a comprehensive "Electricity Consumer's Rights Statement (ECRS)". The ECRS spells out in great detail the rights of electricity consumers available under the Electricity Act 2003 and serves a twin purpose – it enables consumers to protect themselves by creating an awareness regarding the rights available, and the service as well as the level of quality that they may reasonably expect from the electricity distribution companies in their area of supply, details on security deposit, billing, etc. The ECRS lists the procedure for getting a new connection, the right to receive notice and due process prior to disconnection and the procedure for reconnection, the standards of performance of electricity distribution, the complaint handling and grievance redressal system and their right to the electricity supplier of their choice.

1.45 Regarding Consumer Representatives', the Committee were informed that MERC authorized four (4) Consumer Representatives viz. – Prayas (Energy Group), Pune, Mumbai Grahak Panchayat, Mumbai, Thane Belapur Industries Association, Navi Mumbai and Vidarbha Industries Association, Nagpur. All the 4 authorized Consumer Representatives are called for every hearing, and technical validation session held at the Commission's office and at public hearings held at different places, for effective representation of all the consumers before the Commission. They are provided with the Data/Petition/Applications/Records required for their analysis and comments/ suggestions/ objections. MERC has already taken a decision to reimburse the actual expenditure incurred by the authorised consumer representatives to be present at the hearing/public hearing.

A separate fund is reserved by the Commission for the expenditure on consumers.

1.46 Regarding Consumer Redressal Mechanism, during evidence on 19.12.2007, the Secretary, Ministry of Power informed the Committee:

“The consumer interest being paramount, this legislation, the 2003 Act, does not interfere with the rights of consumers within the Consumer Protection Act. That Act is supreme and any consumer is at liberty to approach any of the consumer fora under that Act for legal redressal of his grievances. However, a more expeditious, mode of consumer-redressal has been provided under the 2003 Act where it is made obligatory on the distribution company, which is a licensee, to provide for a forum which shall be redressing consumer grievances. If a consumer is not satisfied with his petition in this forum, he can come to the Ombudsman. The effort would be to address the grievances. It is generally understood and I am given to believe that it is supported by a judgement of the Supreme Court also reported in 2007 that individuals are not to appear before the Commission.”

1.47 The Secretary, Ministry of Power further stated:

“----- we have just yesterday decided to conduct a study or rather commission a study for studying the impact of these consumer redressal mechanisms which are available in the various States. We have chosen three or four States in each region and we intend to invite quotations on the subject from the IIPA and the Administrative Staff College of India for conducting the study and give a report within a period of probably three months. We hope that the status of consumer redressal as it exists in the various States would be appropriately brought up and in case, any further changes are needed, we shall do so. From our side, we have also made suitable rules and regulations which make it compulsory for the report on this redressal mechanism in the States to be placed before the appropriate Government.”

1.48 Talking of Consumer Redressal Mechanism, the representative of the State Electricity Commission of Uttar Pradesh during evidence on 23.04.2008 stated as under:

“First, when the Regulatory Commissions were created, the much-harassed consumers in almost all the States felt that the God’s Avatar has come to help them, to rescue them from all problems and woes of power. We are looked by the consumers in a State as the solution to all their problems. I get midnight calls from the consumers. People have great expectations from the Regulatory Commissions because, after a prolonged torture of the consumers, the Regulatory Body has been formed.” The Consumer Grievance Redressal Forum is one window which the Act has created. We have to put in place in the respective States that Body. When in 2003 the Act was passed by Parliament, this Forum had a constitution where only the licensee-officers were there to adjudicate the disputes between the licensee and the individual consumer. Normally, they would be headed by the level of Se. In a certain case, the General Manager or the Chief Engineer has said like this. The consumers can go to the Ombudsman. We have appointed the Ombudsman. The Ombudsman says “no”. He says that as per the Bill, the limit is only up to rupees one lakh. They do not implement it. The licensee does not listen. What can the Ombudsman, do? He has no power to do anything. After exhausting the channel of Ombudsman, the hapless consumer has no place to go in the country. He cannot come to the Commission because the appeal provision does not lie in us. He has to go to the Tribunal or the Supreme Court or somewhere. How can a poor consumer go to such places for the rectification of a bill? So, certain grey areas are there. Certain modifications and improvements are required to the Act. Maybe, there is a parallel need to look into ourselves and see how we can better our performance. At the same time, the basic premise and the structure of the Act is not very effective as far as the Forum and various other things are concerned. Therefore, my personal view is that the hon. Committee should review this aspect also so that consumers get some relief some justice. So far as the consumer satisfaction is concerned, we have done a lot. We are very proud that we have 12 GRFs and two Ombudsmen. We have done a lot of things so far as consumer satisfaction is concerned.”

1.49 Regarding the Grievance Redressal Mechanisms, the Secretary, Ministry of Power informed the Committee:

“----- Forum of Regulators has engaged the Indian Institute of Management, Ahmedabad to review the gaps between vision and achievements of reforms and regulatory framework and to suggest the way forward in respect of six States where they will do the study.”

1.50 A representative of MPERC made the following submission on their role in protecting the interests of the consumers:

“First of all, we have set up three IT-enabled Central Call Stations at the headquarters of the three Distribution Companies which we are having: one at Bhopal, the other at Jabalpur and the third at Indore. We have also given them a facility whereby online registration of complaints can be done by the citizens. There is also an additional facility created that there could be online tracking of status of each complaint made by the complainant. All these things are being done so that the two offices of Forum and the Ombudsman become more responsive to the need of the time that is genuinely resolving the grievances of the consumers. For that also we have made a departure from the established practice. Earlier the Forum used to sit only at the headquarters. Now, we have stated that for two definite days, in the first week and the third week of each month, the Forum has to sit at another important part of the Company. For example, for the Central Discom it is at Gwalior because Gwalior is also as big a city as Bhopal. Similarly, we have asked that Indore Division Forum must sit at Ujjain which is another big place within the area of that Company. Similarly, for the other Discom also we have stated that apart from sitting at Jabalpur it must reach out to the citizens in Rewa and Sagar, two other big towns of the Discom.

..... there has been an increase in the number of cases registered. Similarly, there has been an increase in number of disposal of cases. When we analyse the disposal of cases by the three Forums we find that 58 per cent of the cases have gone in favour of the consumers. When we analyse the cases decided by the Ombudsman we find that 57 per cent of the cases have gone in favour of the consumer. This is, of course, the beginning. We are not fully satisfied with it. We realise that there are inherent weaknesses in the composition of the Forum itself. There are two Members from the licensee's side and there is only one independent Member who is picked up by the Commission through a prudent process of checking and interviewing.

We held a workshop inviting NGOs from all over the State. Fortunately, we have got 125 NGOs registered with the Commission. Perhaps, this must be the largest number anywhere in the country. We got them a lot of material because we want them to be more and more informed. We told them that since they are people who are closest to the consumers, they now their day to day

difficulties and problems, the kind of difficulties they face when they come up against the licensees to get their connections regularized, etc. We told them to come and help the consumers by instilling confidence of the licensees in the consumers and be a facilitator.”

1.51 In a post evidence reply regarding number of complaints, Delhi Electricity Regulatory Commission (DERC) has furnished the following information:

1.	Billing complaints	:	17293
2.	Metering complaints	:	23051
3.	Power failure complaints	:	371701
4.	Street light complaints	:	105054
5.	Voltage related complaints	:	45650

1.52 On being asked about payment of compensation by the Distribution Companies in the event of default in observance of Standards of Performance, the DERC has informed the Committee in a post evidence reply that the Delhi Electricity Supply Code and Performance Standards Regulations, 2007 envisage payment of compensation by the Distribution Companies to consumer(s) in the event of default in observance of the notified Standards of Performance (SoP) on their part. Regulation 65 of the Delhi Electricity Supply Code and Performance Standards Regulations, 2007 reads as under:

“65. Compensation

(i) The Licensee shall be liable to pay to the affected consumers compensation specified in Schedule – III for Licensee’s failure to meet the Guaranteed Standards of Performance specified in Schedule – I. The compensation shall be paid by the Licensee in the manner specified in Schedule III:

(ii) The Licensee concerned shall pay the compensation referred to under sub-clause (i) above by way of adjustment in the current or future electricity bill(s) as laid out in Schedule-III”

1.53 The Commission has directed all the Distribution companies to pay compensation to the affected consumer without there being a need for such consumers to apply for the same. The DERC receives quarterly MIS reports from Distribution companies in respect of compliance of the guaranteed SoP by them. The information submitted by all Distribution companies show 133 cases of

failure which are eligible for compensation in terms of Regulations for the first quarter of financial year 2008-09. In such cases these Distribution companies have mentioned that the compensation will be reflected on individual bills of consumers in next billing cycle on receipt of their claims. The amount so disbursed shall be known after the due credit in the billing account of all the affected consumers has been given.

1.54 The Committee have been further informed that for putting in place a permanent monitoring mechanism for compliance of SoP by the Distribution companies, the DERC has proposed creation of certain additional posts. The approval of GNCTD is awaited. Once the dedicated institutional framework is in place, the monitoring of SoP compliance by Distribution companies shall become more effective.

1.55 Further, in regard to the issue relating to the fast running of electricity meters, the DERC has stated:

“The Delhi Electricity Supply Code and Performance Standards Regulations, 2007 require the electricity meters to conform to the Central Electricity Authority (Installation and Operation of Meters) Regulations, 2006. The CEA regulations specify that meters shall comply with the requirements of the relevant Standard notified by the BIS which *inter alia* define the error limits of meters. The error limits for electricity meters are set by BIS in their relevant standards and the current limits are $\pm 1\%$ and $\pm 2.5\%$ for Class I static (electronic) type meter under standard and on-site conditions, respectively.

DERC has notified ERTL (North), Okhla, Delhi and CPRI which are NABL accredited Government laboratories, as independent third parties for testing of meters.”

D. Standards of Performance and Reliability Indices

1.56 As regards the protection of consumers interests and quality standards, the Committee have been informed that as per Rule 5.13 of National Electricity Policy, 2005, appropriate Commission should regulate utilities based on pre-determined indices on quality of power supply. Parameters should include, amongst others, frequency and duration of interruption, voltage parameters, harmonics, transformer failure rates, waiting time for restoration of supply, percentage defective meters and waiting list of new connections. The Appropriate Commissions would specify expected standards of performance.

1.57 Enquired about the performance of standards laid down by Central Electricity Regulatory Commission (CERC), the Ministry have informed the Committee as under:

(a) Performance Standards specified by CERC

- (1) Performance of Power Stations and Inter-State Transmission system regulated by the CERC is governed by the benchmark standards of performance specified by the Commission as part of the multi-year terms and conditions of tariff notified by the Commission. In special cases, the specific norms of performance are laid down by the Commission through orders giving reasons for the same.
- (2) In order to ensure reliability of supply which ultimately has to reach the end consumer through a distribution utility, the capability of generating stations to produce electricity and of a transmission utility/licensee to deliver the same from the point of generation to the point of drawal is important. CERC has specified a benchmark Target Availability/Capacity Index in this regard. The payment of annual fixed charges is linked to achieving the specified benchmark. In case of under achievement there is a pro-rata reduction in payment. In case of

thermal power stations, the generating company has to take into account, the availability of its machine as well as the fuel.

- (3) In case of all power stations covered by Availability Based Tariff (ABT), the availability has to be declared on day-ahead basis as per the time-line specified in the Indian Electricity Grid Code (IEGC), so that beneficiary distribution utility can plan its drawl in advance.
- (4) The general norm of target availability for thermal generating stations was adopted as 80% and for NLC's TPS-II lignite-based station the norm was 72% for the period 2001-04. The target availability norm for thermal generating station has been retained as 80% for the period 2004-09, while the norm for lignite-based stations has been raised to 75%.

In case of hydro-stations, capacity index norms for the Run of the River type hydro stations have been raised to 90% from 85%. The raising of availability norms has positive impact on reliability of power supply. The target availability for Inter-State Transmission System is 98% for AC Transmission System and 95% for HVDC systems.

- (5) In addition to target availability, the CERC has also set performance standards for efficiency (Heat rate), auxiliary consumptions and secondary fuel oil consumption in respect of thermal power stations and performance standard of auxiliary consumption for surface as well as underground hydro-electric stations. Energy charges are payable based on specified parameters. No compensation is given for plants performing below the specified norms and the consequent financial loss has to be entirely borne by such generation stations.
- (6) The Commission has also specified performance standards in respect of allowable Operation & Maintenance (O&M) expenses for thermal power station as well as for Inter-State Transmission System. This

induces the generating station to economize and optimize its expenses.

(7) Performance standards for inter State traders:

(i) In order to monitor the performance of the Inter-State Traders, CERC has specified in its Regulations for Inter-State Trading, the requirement of submission of quarterly report on trading.

(ii) The licensees are required to post the information in their website.

(b) Performance standards specified by SERCs

Sl. No.	Name of State	Comments
1.	Assam	<ul style="list-style-type: none"> • Distribution Licensees' Standards of Performance Regulations, 2004 notified; • Utilities are regulated by predetermined indices on quality of power supply, voltage variation limits and neutral voltage displacement.
2.	Bihar	<ul style="list-style-type: none"> • Regulations on Standards Performance of distribution licensees issued by SERC after consultation with licensees, stakeholders and general public.
3.	Chhattisgarh	<ul style="list-style-type: none"> • Standards of performance in distribution of electricity, notified in July, 2006; • These Regulations cover issues like restoration of power supply, attending normal fuse of call complaints, replacement of failed distribution transformers, complaints regarding unscheduled load shedding, complaints regarding voltage variation beyond permissible limits, replacement of failed meters, providing new connections etc. ; • Quarterly reports on compliance of performance standards, published by SERC at least once in a year; • Method to compute distribution system reliability index also specified.
4.	Delhi	<ul style="list-style-type: none"> • Delhi Electricity Supply & Performance Standards Regulations, 2007 issued by DERC, provide for specific standards to be followed by Discoms for various

		operations.
5.	Gujarat	<ul style="list-style-type: none"> • SERC notified the Standards of Performance Regulations after comments/suggestions from stakeholders which include – licensees, consumer groups, individual consumers of various categories etc.
6.	Haryana	<ul style="list-style-type: none"> • SoP regulations notified in July, 2004 which incorporate quality, continuity and reliability of service that a licensee shall achieve in discharge of its obligation; • Guaranteed standards of performance specify the rate of compensation if licensee fails to meet them.
7.	Jammu & Kashmir	<ul style="list-style-type: none"> • Regulations on distribution performance standards have been notified.
8.	Jharkhand	<ul style="list-style-type: none"> • Regulations on Standards Performance of distribution licensees issued by SERC after consultation with licensees, stakeholders and general public; • Licensees directed to provide new connections to the consumers from whom money has been realized and in case of nine villages connections have been provided after intervention of the Commission; • In some cases penalty has been imposed on licensees for default.
9.	Karnataka	<ul style="list-style-type: none"> • Regulations on Standards Performance of distribution licensees issued by SERC after consultation with licensees, stakeholders and general public; • Office of the Consumers' Advocacy (OCA) hears complaints on non-compliance of standards of performance; • Some affected parties have also approached to the consumers' Grievances Redressal Forum.
10.	Kerala	<ul style="list-style-type: none"> • Regulations on Standards Performance of distribution licensees issued by SERC after consultation with licensees, stakeholders and general public.
11.	Madhya Pradesh	<ul style="list-style-type: none"> • Regulation of distribution performance standards notified by MPERC on 28.10.2005; • Quarterly and annual report on performance standards are published in newspapers/ available in MPERC website; • NGOs workshop held by MPERC in August, 2007 to

		<p>disseminate information on performance standards among consumers;</p> <ul style="list-style-type: none"> • Discoms directed by MPERC to display performance standards at their offices. Field visit by MPERC to ensure compliance of directions; • Ombudsman directed to review performance standards bi-annually; • As per directions of MPERC, six lakh pamphlets containing details of performance standards, distributed along with electricity bills in Bhopal, Indore and Jabalpur; • Pre-identified indices like total number of 11KV feeders, sum of outage duration of all feeders, outage duration per feeder, number of outage per feeder, total number of tripping, feeder reliability index of area etc.; • Monthly information on power reliability indices, published in newspapers every year; • Quality Monitoring Cell constituted in MPERC.
12.	Maharashtra	<ul style="list-style-type: none"> • Regulations have been framed after wide ranging consultations with stakeholders including distribution licensees.
13.	Meghalaya	<ul style="list-style-type: none"> • Regulations on Standards Performance of distribution licensees issued by SERC after consultation with licensees, stakeholders and general public.
14.	Orissa	<ul style="list-style-type: none"> • Regulations on Standards Performance of distribution licensees issued by SERC after consultation with licensees, stakeholders and general public; • Monthly, quarterly and annual reports are being submitted by the Discoms on guaranteed standards of performance and overall standards of performance.
15.	Punjab	<ul style="list-style-type: none"> • Regulations on standards of performance of the licensees have been issued in consultation with the licensees; • Electricity Supply Code and related matters Regulations have also been issued.
16.	Rajasthan	<ul style="list-style-type: none"> • Standards of performance Regulations specified by SERC; • These Regulations cover, inter-alia, time limit (prescribed maximum period) for attending to various complaints;

		<ul style="list-style-type: none"> • Quality of power supply etc; • Discoms are required to publish status of various performance parameters including status of attending complaints for new connections; T&D /AT&C losses; Reliability index etc.
17.	Tamil Nadu	<ul style="list-style-type: none"> • The SERC specified the Regulations on Standards of Performance (SoP) for the distribution licensees after following due pre-publication process; • The Commission has also conducted special meetings with the licensees for fixing the SoP for different services.
18.	Tripura	<ul style="list-style-type: none"> • SERC specified the Regulations on Standards of Performance (SoP) after consultation with public/ licensee/stakeholders and through a process of Regulatory Information Management System; • Datas are reviewed and directions are issued.
19.	Uttar Pradesh	<ul style="list-style-type: none"> • Regulations on Standards Performance of distribution licensees issued by SERC after consultation with licensees, stakeholders and general public.
20.	Uttarakhand	<ul style="list-style-type: none"> • UERC (Standard of Performance) Regulations, 2007 notified for guaranteed and overall standards with respect to replacement of burnt/defective meters, voltage variations/unbalance, meters complaints, billing complaints, reliability indices etc. These Regulations came into effect w.e.f. 01.10.2007.
21.	West Bengal	<ul style="list-style-type: none"> • Regulations on Standards Performance of licensees were specified in 2004. The same was repealed and another set was notified in October 2005.

1.58 The Ministry have further informed that the issues relating to specifying and enforcing standards with reference to quality, continuity and reliability of service to the consumers and regulating it on the pre-determined indices are under the purview of the State Electricity Regulatory Commissions. Asked about the action taken by various SERCs for enforcing standards, the Ministry of Power has furnished the following information:

Sl. No.	Name of State	Comments
1.	Assam	<ul style="list-style-type: none"> • Distribution Licensees Standards of Performance Regulations, 2004 notified; • Utilities are regulated by predetermined indices on quality of power supply, voltage variation limits and neutral voltage displacement.
2.	Bihar	<ul style="list-style-type: none"> • Specified standards with respect to quality, continuity and reliability of services to be maintained by a Distribution Licensee in its Standards of Performance of Distribution Licensee Regulation, 2006; • Licensee would be liable for payment of compensation to the affected consumers.
3.	Chhattisgarh	<ul style="list-style-type: none"> • Standards of performance in distribution of electricity, notified in July, 2006; • These Regulations cover issues like restoration of power supply, attending normal fuse of call complaints, replacement of failed distribution transformers, complaints regarding unscheduled load shedding, complaints regarding voltage variation beyond permissible limits, replacement of failed meters, providing new connections etc; • Quarterly reports on compliance of performance standards, published by SERC at least once in a year; • Method to compute distribution system reliability index also specified.
4.	Delhi	<ul style="list-style-type: none"> • Reliability indices viz. system average interruption frequency index (SAIFI), system average interruption duration index (SAIDI), monthly average interruption frequency index (MAIFI), laid down in Electricity Supply Code and Performance Standards Regulations, 2007; • These indices indicate reliability of services being offered by distribution companies (Discoms); • Other standards specified by DERC include procedure and time limit for Discoms to attend to problems of consumers on metering, billing etc.; • Compensation for non-compliance of performance standards by Discoms; • Pre-determined indices on quality of power supply like requirement of maintaining not less than 99% in case of fuse-off calls rectification within 3 hours for urban

		areas/ 8 hours for rural areas.
5.	Gujarat	<ul style="list-style-type: none"> • Standard of Performance of Distribution Licensees Regulations notified in March, 2005 which deals with the matters relating to quality, continuity and reliability of services; • Specified formats for submission of information related parameters like – interruption, period of schedule outages to performance; • Regular compliance reports from the distribution licensees to SERC; • SoP Regulations provide for various limits/time period for the, voltage variations, harmonics – related to quality of power.
6.	Haryana	<ul style="list-style-type: none"> • SoP regulations notified in July, 2004 which incorporate quality, continuity and reliability of service that a licensee shall achieve in discharge of its obligation; • Guaranteed standards of performance specify the rate of compensation if licensee fails to meet them; • Reliability Indices viz. SAIFI, SAIDI and MAIFI has been specified in the regulation.
7.	Jammu & Kashmir	<ul style="list-style-type: none"> • Distribution Performance Standard Regulations 2006, which contain the indices on the quality power supply, notified by the J&K SERC.
8.	Jharkhand	<ul style="list-style-type: none"> • Standard of performance for distribution licensee notified by the Commission in 2005; • SERC ordered in one case, reduction of energy charge on tariff by 2.5% for failure to implement the regulations.
9.	Karnataka	<ul style="list-style-type: none"> • Standard of supply, continuity and quality of power supply, specified in Grid Code; • Frequency limits being maintained through implementation of Availability Based Tariff (ABT). This has helped in ensuring grid discipline; • The Commission, through monthly reports, is monitoring the interruptions and reliability of supply.
10.	Kerala	<ul style="list-style-type: none"> • Overall standards of performance specified by KSERC; • Quality of Supply for voltage and frequency is

		specified in Kerala Electricity Supply Code, 2005.
11.	Madhya Pradesh	<ul style="list-style-type: none"> • Regulation of distribution performance standards notified by MPERC on 28.10.2005; • Quarterly and annual report on performance standards are published in newspapers/ available in MPERC website; • NGOs workshop held by MPERC in August, 2007 to disseminate information on performance standards amongst consumers; • Discoms directed by MPERC to display performance standards at their offices. Field visit by MPERC to ensure compliance of directions; • Ombudsman directed to review performance standards bi-annually; • As per directions of MPERC, six lakh pamphlets containing details of performance standards, distribution along with electricity bills in Bhopal, Indore and Jabalpur; • Pre-identified indices like total number of 11KV feeders, sum of outage duration of all feeders, outage duration per feeder, number of outage per feeder, total number of tripping, feeder reliability index of area etc.; • Monthly information on power reliability indices, published in newspapers every year; • Quality Monitoring Cell constituted in MPERC.

12.	Maharashtra	<ul style="list-style-type: none"> • Regulations on Standards of Performance (SoP) viz. Electricity Supply Code & Other Conditions of Supply, Terms & Conditions of Tariff and General Conditions of Distribution License, have been issued; • SERC through different orders also gives directives to utilities for enforcing standards with respect to quality, continuity and reliability of service, however, due to severe demand-supply gap in the State, SERC regulated quantity of supply to ensure that no category of consumers is discriminated against; • Reliability indices have been specified in the Regulations on SoP; • Reports on various indices are hosted by licensees in their websites which are monitored by SERC. SERC has also engaged an agency to carry out field inspections on behalf of Commission.
13.	Meghalaya	<ul style="list-style-type: none"> • Promulgated the Meghalaya Electricity Supply Code, 2006 and the MSERC (Standards of Performance) Regulations, 2006; • These Regulations provide consumers with the necessary means of securing their rights in accordance with the provisions of Act.
14.	Orissa	<ul style="list-style-type: none"> • Regulation on Licensee's Standard of Performance notified in May, 2004, which specifies minimum standard with respect to quality, continuity and reliability of services by Licensees; Guaranteed Standard of Performance and overall Standard of Performance; • Under Guaranteed Standard of Performance, performance of licensees is monitored on parameters like restoration of power supply, voltage variation, harmonics, complaints about meters, applications for new connection/additional load, complaints about consumer's bills etc; • Methods of computing distribution system reliability indices like SAIFI, SAIDI, MAIFI, are specified in overall Standards of Performance; • Under the standards of performance, licensees are required to attend to the service within a fixed period of time. Provision of incentive or disincentive linked to performance; • Monthly, quarterly and annual reports are being submitted by the Discoms on guaranteed standards of

		performance and overall standards of performance.
15.	Punjab	<ul style="list-style-type: none"> • Specified in Electricity Supply Code and Related Matters Regulations (w.e.f. 01-01-2008); • Licensee shall be liable to pay compensation for violation.
16.	Rajasthan	<ul style="list-style-type: none"> • Already specified various standards of performance (SoP) for the licensees to ensure quality, continuity and reliability of services, and system availability, voltage management, voltage unbalance, current unbalance, system adequacy, frequency management, service reliability, harmonic distortion for transmission licensees.
17.	Tamil Nadu	<ul style="list-style-type: none"> • Standard of Performance Regulations came into force in Sept., 2004 with salient features – effective new service connections, change of tariff, shifting & transfer of service connection, quality of supply, interruption and restoration of supply, handling of complaints, payment of compensation, level of overall performance, to be achieved by the licensee etc.; • Regulations related to payment of compensation when the licensee fails to meet the specified performance standards came into force in Jan, 2007; • SERC has set standards in respect of effecting new service connection, duration of interruption, voltage parameters, transformer failure rates, waiting time for restoration of supply etc.; • SERC has directed the utility (as per CEA Regulations on connectivity standards on harmonics) to measure the harmonics and its impact on distribution system.
18.	Tripura	<ul style="list-style-type: none"> • Regulations on Performance Standards and Supply Code notified.
19.	Uttar Pradesh	<ul style="list-style-type: none"> • Reliability index at the feeder level and at consumer level determined by UPERC. Also defined are guaranteed time limits for various break downs, voltage variations, rectification of billing disputes, installation/ replacement of meters; • SAIFI, SAIDI, MAIFI indices of reliability defined; • Licensees directed to do rostering based on AT&C losses of a particular division; • Incentive/disincentive schemes linked with the loss levels at distribution transformers introduced for the

		benefit of consumers and staff of the licensee.
20.	Uttarakhand	<ul style="list-style-type: none"> • Regulations specifying standards with respect to quality, continuity and reliability of services by licensee have been issued; • SERC has also taken steps to streamline the billing system of the licensee by issuing time bound action plan to eliminate billing deficiencies and often visited different parts of the State for effective compliances of the same; • Standards of Performance Regulations have specified the power supply on quality, restoration, voltage variations/unbalance and period of schedule outages; • Reliability indices viz. System Average Interruption Frequency Index (SAIFI), System Average Interruption Duration Index (SAIDI) and Momentary Average Interruption Frequency Index (MAIFI) specified by the SERC.
21.	West Bengal	<ul style="list-style-type: none"> • Standards have been laid down by notifying the allowable periods of unplanned interruption of supply to consumers to ensure quality, continuity and reliability of supply; • Indices on quality of power supply are yet to be developed which require collection of data (voltage level of supply, the terrain, climate condition, salinity of atmosphere and such other natural characteristics of different localities within the area of supply of distribution licensee, consumer mix, the character of various loads under different categories of consumers, the predominant mode of supply etc.

1.59 As regards Reliability Index (RI) of supply of power to consumers, the Committee have been informed that as per para 5.13.2 of the National Electricity Policy, the SERCs are required to draw a roadmap for declaration of Reliability under Reliability Index (RI) of supply of power to consumers for all cities and towns upto the district headquarters as also rural areas. The Committee have desired to know as to whether the roadmap for RI has been drawn by all SERCs. In this regard, the following information has been furnished by Ministry of Power:

Reliability Index

Sl. No.	Name of State	Comments
1.	Assam	<ul style="list-style-type: none">• Voltage variation limits specified by SERC;• Reliability index has been specified in the Distribution Licensees' Standard of Performance Regulation as Consumers Average Interruption Frequency Index (CAIFI) and Consumers Average Interruption Duration Index (CAIDI);• The utilizes are directed to submit the index of different area from time to time;• No benchmark has been fixed till date.
2.	Bihar	<ul style="list-style-type: none">• SERC, in the process of drawing roadmap for declaration of Reliability Index (RI) of supply of power to consumers.
3.	Chhattisgarh	<ul style="list-style-type: none">• The Standards of Performance Regulation cover inter alia issue regarding voltage variation beyond permissible limit, unscheduled load shedding and load shedding etc.
4.	Delhi	<ul style="list-style-type: none">• Reliability Index has been framed by DERC in the Delhi Electricity Supply Code and Performance Standards Regulations, 2007.
5.	Gujarat	<ul style="list-style-type: none">• SERC directed the licensee to build the database and provide the information to it;• On getting the required information for the base year, SERC notifies the target levels for these indices annually, as part of the roadmap.
6.	Haryana	<ul style="list-style-type: none">• No Reliability Index roadmap has been specified so far.
7.	Jammu & Kashmir	<ul style="list-style-type: none">• Distribution Performance Standard Regulation issued by SERC provides for Reliability Index in respect of power supply to consumers both in cities/towns and rural areas.
8.	Jharkhand	<ul style="list-style-type: none">• Reliability Index yet to be specified.
9.	Karnataka	<ul style="list-style-type: none">• Due to data availability constraints, the roadmap for Reliability Index is yet to be specified.
10.	Kerala	<ul style="list-style-type: none">• Target is given in Performance Standard Regulation. Monthly Reports are reviewed.

11.	Madhya Pradesh	<ul style="list-style-type: none"> The Reliability Index of the supply of power to the consumers in line with the guidelines of CEA for the cities and towns up to the District HQ towns and industrial growth centers has been prescribed in the Regulations notified by SERC.
12.	Maharashtra	<ul style="list-style-type: none"> The matter related to Reliability Index is under consideration of SERC and would take some time.
13.	Meghalaya	<ul style="list-style-type: none"> Reliability Index will take some time.
14.	Orissa	<ul style="list-style-type: none"> Reliability Index is specified in Licensee Standards of Performance Regulation; Quarterly reports on Reliability Index, submitted by licensee are published annually by SERC.
15.	Punjab	<ul style="list-style-type: none"> SERC is in the process of drawing up roadmap for declaration Reliability Index/supply of power to consumers in all cities and towns upto the District HQ and also for rural areas.
16.	Rajasthan	<ul style="list-style-type: none"> Feeder Renovation Programme, introduced by DISCOM is due to complete in 2009; SERC to draw roadmap for declaration of Reliability Index of the supply of power to consumers after completion of this programme; SERC has already identified 54 cities and towns in the State (18 in each DISCOM areas) for which the DISCOMs are required to indicate the performance relating to supply of power to the consumers.
17.	Tamil Nadu	<ul style="list-style-type: none"> Quarterly reports on reliability index (RI) of feeders for cities and municipal corporations are furnished by the licensee and monitored by the Commission; Commission is in the process of finalizing the road map for declaring the RI.
18.	Tripura	<ul style="list-style-type: none"> Due to lack of information by the Government, study is yet to be completed; Roadmap for declaration of RI for cities, district headquarters and rural areas yet to be finally notified.
19.	Uttar Pradesh	<ul style="list-style-type: none"> SERC is in the process of drawing a roadmap for declaration of Reliability Index of the supply of power to consumers for all cities and towns upto the District HQ

		towns as also for the rural areas.
20.	Uttrakhand	<ul style="list-style-type: none"> • UERC has laid down reliability indices viz. System Average Interruption Frequency Index (SAIFI), System Average Interruption Duration Index (SAIDI) and Momentary Average Interruption Frequency Index (MAIFI) in its standards of performance Regulations; • These indices shall be computed for the Discoms as a whole by stacking, for each month all the 11KV/33KV feeders in the supply area, excluding those serving predominantly agricultural load and then aggregating the number and duration of all interruption in that month for each feeder; • SERC accordingly notifies these indices based on licensee's proposal of target level while submitting ARR.

1.60 The Ministry of Power have further informed the Committee that National Electricity Policy provides that the data of reliability index of supply of power to consumer should be compiled and published by Central Electricity Authority (CEA). According to CEA, it has been capturing the 'Outage Duration' and 'No. of Outages' of 11 kV feeders in respect of State capitals, District Headquarters and towns with population more than 8 lakhs. The Reliability Indexing in terms of 11 kV feeders, instead of consumer level, was started initially as consumer indexing, i.e. linking of consumers to the distribution transformers was not in place. Subsequently, CEA has now covered the towns with a population of more than 1 lakh. As regards consumer level, the information has been received w.e.f. April, 2007 onwards in respect of a few States only that too irregularly as consumer indexing has not been in place in most of the towns. According to the Ministry under Accelerated Power Development and Reforms Programme (APDRP), thrust was given to the high density population areas, only towns were covered which may also include rural areas partly in the first phase. The information is reported to be compiled on monthly basis and is also put up on CEA's website and is available up to the month of October, 2007.

1.61 Asked about improving the efficiency of distribution system, the Secretary, Ministry of Power stated during evidence:

“Now, the basic thing is 100% metering should be done and with the IT enabled network today we are trying to structure these activities as a compulsory activity in the new APDRP that is going to be launched in the 11th Plan. We are putting this component as a compulsory component. Of course, the proposal has received the clearance of the EFC of which the Secretary (Expenditure) and myself are members. It is now going to be placed before the Cabinet where we are making it very clear that putting this energy audit system in place, ring fencing of your distribution or supply side and consumption and IT monitoring with a third party verification is a pre-requisite. The proposal also envisages compensating the States in full for the IT component of the project cost and we would like to encourage this kind of thing to happen.”

1.62 During a study visit to Jaipur in January, 2008, the Committee were briefed that the Rajasthan Electricity Regulatory Commission (RERC) has specified various Standards of Performance (SoP) for the licensees towards performance, minimum standards for the purpose of penalty and for statistical purposes. The Rajasthan Electricity Regulatory Commission (Distribution Licensee’s Standards of Performance) Regulations, 2003, of the Commission enforced with effect from 29th March, 2003, contained detailed procedure for, among other things, the procedure for release of new electric connection, inspection of meters and complaint redressal mechanism.

1.63 To a specific query regarding metered consumers in the State, the Committee were informed that only about 63% of consumers in Agricultural Sector of the State were metered. The representative of Government of Rajasthan further clarified that the consumers could also purchase and install their own meters subject to metering code of RERC.

1.64 When asked about the notification of reliability index for the utilities in the State by the State regulator, the Committee were informed that the Commission specified the method of calculating reliability of system by way of two indices, namely System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI), the minimum limits thereof for the purpose of compensation have not been specified because the licensees are in

the process of renovation of their distribution system in a big way with the emphasis on rural focus, industrial focus and urban focus under Feeder Renovation Programme (FRP) which is targeted to be completed by March 2009. According to the Commission, this would lay a platform for determining the benchmarks of the indices. RERC in its effort to reduce cost of power has also advised the State and directed the distribution licensees to introduce competitive bidding in generation and for all future purchases. The committee were also informed that the generating company, transmission company and the distribution companies are State owned companies and are required to file tariff petitions and Annual Revenue Requirement (ARR) for ensuing year along with information for the previous year based on accounts audited by a Chartered Accountant and further reported upon by the Comptroller and Auditor General of India. The third party verification to the extent of data contained in the financial statements was not considered necessary by the State. As regards technical data, the technical losses in the transmission system are measured through appropriate meters and the Committee have been informed that there is no need to get the same verified from the 3rd party.

1.65 Asked about the steps taken by the Gujarat Electricity Regulatory Commission (GERC) to protect the interest of consumers during a study visit to Ahmedabad in January 2008, the Committee have been informed that GERC had notified various Regulations, issued directives, tariff orders and such other orders keeping in view the importance of protection of interest of consumers. The GERC already notified the Regulation "Standard of performance of Distribution Licensee" (SoP Regulations) vide Regulation No. 10 of 2005 dated 31st March, 2005. The Commission specified formats for submitting information related to performance and obtains compliance reports from the Distribution Licensees and same are also uploaded on the Commission's website ([Website-
www.gercin.org](http://www.gercin.org)). The SoP Regulations provide for the various limits and time period for the parameters (Interruption, Period of Schedule Outages, Voltage variations, Harmonics) related to quality of power.

1.66 Regarding enforcement of Standards of Performance, the Karnataka Electricity Regulatory Commission (KERC) and Maharashtra Electricity Regulatory Commission (MERC) informed the Committee during study visits to Bangalore and Mumbai in January – February, 2008, as under:

“The Commission in its Grid Code specified the standards of supply, continuity and quality of power by specifying voltage, frequency and harmonics limits. To enforce these standards, detailed procedures have been prescribed in the Grid Code to be complied with by the licensees. Further, the Commission, through monthly reports, is reported to be monitoring the interruptions and reliability of supply. The interruptions up to 11 KV feeder level are also being monitored. The licensees are being directed to set right abnormalities in interruption.”

“The MERC Standards of Performance (SoP) Regulations has specified – Period for giving power supply, restoration of power supply, quality of supply and system of supply, metering, reconnections, consumer Charter/service and Reliability Indices. In Maharashtra, the utilities, viz. Rural Electrification Corporation, Tata Power Corporation Ltd. and Barihan-Mumbai Electricity Supply & Transport Undertaking have developed their respective indices on quality of power supply. The Commission has, however, not so far pre-determined any indices on quality of Power Supply, to be followed by licensees, as the data available from the utilities is under analysis of the Commission, and systems are yet to be installed and unified for all utilities. The level of compensation payable to the consumers for non-adherence to the above specified standards, have also been indicated in the SoP Regulations, 2005.”

E. Forum of Regulators

1.67 The Ministry of Power have apprised the Committee that Forum of Regulators (FOR) was constituted in February, 2005 under section 166(2) of the Electricity Act, 2003. The Forum consists of Chairperson of Central Electricity Regulatory Commission (CERC) and Chairpersons of State Electricity Regulatory Commissions (SERCs). The Chairperson of CERC is the Chairperson of the Forum.

1.68 On enquiring about the functions of the Forum envisaged in the Forum of Regulators Rules 2005, the Ministry of Power have informed the Committee of the following:

- (i) analysis of the tariff orders and other orders of Central Commission and State Commissions and compilation of data arising out of the said orders, highlighting, especially the efficiency improvements of the utilities;
- (ii) harmonization of regulation in power sector;
- (iii) laying of standards of performance of licensees as required under the Act.
- (iv) sharing of information among the members of the Forum on various issues of common interest and also of common approach.
- (v) undertaking research work in-house or through outsourcing on issues relevant to power sector regulation;
- (vi) evolving measures for protection of interest of consumers and promotion of efficiency, economy and competition in power sector; and
- (vii) such other functions as the Central Government may assign to it, from time to time.

1.69 When asked about the number of meetings held by FOR and the pivotal role played by it in building consensus amongst the electricity regulators, the Ministry have informed that since its constitution the FOR has held six meetings to discuss and evolve consensus on the following important issues facing the electricity sector in general and regulation in particular:

(i) Strengthening Consumer advocacy system;

Issues relating to empowerment of consumers were discussed. An action plan was charted by Chairperson, FOR. SERCs have been taking steps on consumer related issues;

(ii) Return on equity for distribution;

Consensus was evolved on 14% ROE for distribution as against the existing practice of 16% ROE. All SERCs except two States agreed to adopt ROE of 14% for distribution. This decision has the potential of reducing consumer tariff.

(iii) Operationalisation of open access in distribution;

Issues at stake in the path of operationalisation of open access in distribution were discussed including legal and operational constraints. Consensus was evolved on issues inter alia relating to rationalisation of various charges for open access.

(iv) Harnessing of surplus captive generation;

The issue was discussed at length by FOR and consensus evolved on creating proper commercial arrangement for harnessing surplus captive generation in the grid, including rationalization of various charges levied on CPPs.

(v) Depreciation Rates for distribution;

FOR Group recommended adoption for distribution, of depreciation principles and rates on lines of CERC regulation. Adoption of this recommendation by SERCs will have the same benefit for consumers as was sought by CERC through rationalization of depreciation rates in its regulations.

1.70 On enquiring about as to whether any study has ever been conducted by the Ministry in respect of implementation of Electricity Reforms and Regulations, Secretary, Ministry of Power informed the Committee during evidence:

“Forum of Regulators has engaged the Indian Institute of Management, Ahmedabad to review the gaps between vision and achievements of reforms and regulatory framework and to suggest

the way forward in respect of six States where they will do the study. We look forward to this Report and we will share it with you.”

1.71 In this regard, in a post evidence reply furnished to the Committee, the Ministry of Power have further informed the Committee:

“The Central Electricity Regulatory Commission has informed that the Forum of Regulators (FOR) has appointed the Indian Institute of Management Ahmedabad (Centre for Infrastructure and Regulation) as Consultant for conducting a study on “Electricity Reforms and Regulations – a Critical Review of last 10 years experience with focus on constraints and gaps between the vision and achievements.

The Main objectives of this study are: (a) To review the role of various authorities involved in the process of reforms in the electricity sector in India, more importantly, the role played by the Government (Central as well as State), government agencies, the Regulatory Commission, Appellate Authorities and (b) To assess the roles envisaged for various stakeholders including the Government (Central as well as State), Government agencies, Regulatory Commissions, Appellate Authorities and the constraints and gaps on achievements of the objectives set, and the way forward etc. The draft report is expected shortly.”

F. Indian Electricity Grid Code

1.72 The Committee observe that Section 79 (l)(n) of the Electricity Act, 2003 states that Central Electricity Regulatory Commission (CERC) shall specify Grid Code having regard to Grid Standards. In pursuance of the above provision, as per the Annual Report (2006-07) of CERC, the Commission had notified revised Indian Electricity Grid Code (IEGC) on 17.03.2006 which became effective from 01.04.2006. Prior to coming into force of the revised IEGC, the function of preparation of Regional Energy Accounting (REA) as well as Unscheduled Interchange (UI) and VAR accounting was entrusted to Regional Electricity Boards (REBs). Ministry of Power while notifying Regional Power Committees (RPCs) for five regions in May, 2005 had not mentioned Regional Energy Accounting as one of the functions of RPCs. Keeping this in view, the Commission transferred work of REA and weekly UI & VAR accounting from RPCs to RLDCs in the revised IEGC. Subsequently, Ministry of Power vide its letter dated 12.04.2006 informed the Commission that present arrangement of RLDCs being operated by CTUs was being reviewed by the Central Government and suggested that Secretariats of RPCs be allowed to discharge the function of REA for the time being. Representations from Central Electricity Authority, NTPC and Northern Regional Power Committee for amending the relevant provisions of IEGC were also received. When the Commission invited comments from stakeholders, they overwhelmingly reposed faith in RPC Secretariats for discharge of REA function. The Commission decided that REA as well as UI and reactive energy accounts be issued by RPCs from 01.09.2006 and accordingly two IEGC amendments were issued.

1.73 Asked about the penalty imposed on the utilities for violation of Indian Electricity Grid Code (IEGC), the Committee have been informed that overdrawal from the grid at low frequency is the major violation that have been brought to the notice of the CERC. The procedure of day-ahead scheduling and pricing of deviations from the schedule (i.e. Unscheduled Interchange or UI) was part of the IEGC prepared by Central Transmission Unit (CTU) and approved by the

Commission which was implemented with effect from 1st February 2000. The provision for pricing of UI, however, became effective only after implementation of Availability Based Tariff (ABT) progressively in various regions beginning July 2002. The earlier IEGC as well as the IEGC notified by the Commission under the provisions of the Act gives flexibility to States to deviate from the schedule with appropriate frequency linked prices for such Unscheduled Interchanges to be notified by the Commission. The ceiling rate of UI is at 49.0 Hz and is related to price of electricity that can be produced using costliest fuel and thus reflects system marginal cost. Such UI pricing mimics real time market help in inducing grid discipline. The ceiling UI price also acts as effective price cap for short-term trading of electricity.

1.74 The Committee have been further apprised that the IEGC, however, further provides that States should endeavour to restrict their net drawl from the grid within their respective drawl schedules whenever frequency is below 49.5 Hz and States have to carry out requisite load shedding to curtail over-drawl when frequency falls below 49.0 Hz. Few instances have been brought to the notice of the Commission when States have overdrawn from the grid even below 49.0 Hz. The Commission has penalized two utilities for violation of IEGC in view of their persistent and severe overdrawal from the grid at low frequencies.

1.75 While disposing petition filed by Western Regional Load Despatch Centre, the Commission vide order dated 28 January, 2003 had directed that MPSEB shall pay a penalty of Rs. One lakh only invoking powers conferred on the Commission under Section 45 of now repealed ERC Act, 1998. Similarly, while disposing a petition filed by Northern Regional Load Despatch Centre (NRLDC), the Commission had imposed a penalty of Rs. One lakh only on Uttar Pradesh Power Corporation Limited (UPPCL) invoking powers under Section 142 of the Electricity Act, 2003. A penalty of Rs. One lakh on UPPCL was also imposed by the adjudicating officer appointed by the Commission under Section 143 of the Act to conduct an inquiry into the instances of non-compliance by the respondent of the instruction of the NRLDC during the period 1.4.2006 to 30.4.2006.

1.76 As regards disposal of petitions of non-payment of UI charges by Madhya Pradesh State Electricity Board (MPSEB) and Jharkhand State Electricity Board (JSEB), the Committee have observed the following from the Annual Report of CERC (2006-07).

- (i) WRLDC had filed petition and sought for imposition of penalties under Section 146 and 149 of the Electricity Act 2003 on MPSEB for its failure to pay UI charges. WRLDC also sought direction for regulation of power supply of MPSEB in case of default in payment of UI charges and to open LC for future UI payments to ensure timely payment of UI charges. The Commission directed MPSEB to pay Rs.25 crore on or before 25.06.2006 and balance amount of Rs.25.7 crore by 27.07.2006. Interest payable by MPSEB on outstanding UI amount from time to time shall be worked out by WELDC and shall be cleared by MPSEB within one month of issuance of relevant statement by WRLDC. MPSEB was directed to pay current UI charges regularly. MPSEB had complied the Commission's directions.
- (ii) As regards petition filed by ERLDC before CERC seeking directions to Jharkhand State Electricity Board (JSEB) for payment of outstanding UI charges within 15 days with interest thereon and to accord highest priority to payment of weekly UI charges, while admitting its liability to pay UI charges claimed by ERLDC, sought to pay the outstanding dues in 20 equal installments. It was observed that in the earlier hearing JSEB had given undertaking to pay the outstanding dues in six monthly installments but it did not adhere to its undertaking. Therefore, JSEB was directed to show cause why action should not be taken under Section 142 of the Electricity Act 2003 read with Section 144 thereof, for breach of undertaking. Thereafter, JSEB had made payments towards all

pending UI charges to the Eastern Region (ER) pool. The Commission, while disposing of the petition warned JSEB that the casual attitude in complying with the undertaking given before them, in future, would be viewed strictly.

1.77 When asked about the problem of non-payment of UI charges by some States during evidence on 23 April, 2008 the Committee have been apprised that a Uttar Pradesh is not paying for the UI charges and has an outstanding arrears of more than Rs.770 crore. Asked about the remedial steps taken to recover the amount, representative of CERC *inter alia* informed the Committee during evidence:

“We have given them an order that they have to liquidate their arrears in the next six months. They have habitually been not paying. They may have their own compulsions. But then they are taking extra power from the grid and not paying for it. States which are underdrawing, are paying for more energy than they get because they have to pay to the generating companies and whatever is the underdrawal they do not get any compensation unless the UI payment comes. So, we have petitions from Delhi utilities saying that this must be recovered and paid to them We had proposed Central appropriation as the ultimate thing because States like Jammu and Kashmir are not able to pay it at all. But some how that has not yet found favour.”

1.78 The witness further added:

“But that is also not an easy option because it endangers the whole grid. We have said in our last order that even if it endangers the whole grid we will have to take this step because otherwise it is promoting total anarchy in the system – that States can overdraw from the grid, get the grid into danger and then not pay for the over drawl. It is virtually taking power from the grid without paying for it. So we cannot allow this to continue. We will have to take up some extreme measures even at the risk of a grid disturbance because otherwise we will be perpetuating anarchy in the system.”

1.79 Speaking on the issue of trading of electricity and the UI rates, Secretary Ministry of Power *inter alia* informed the Committee:

“I had also expressed grave concern about States violating the unscheduled interchange barrier and overdrawing power to the detriment of some States. This issue had been brought to our notice by the Chief Ministers also including the Chief Minister of Maharashtra. I believe that UI charge should be in excess of the charge for generating power from naphtha. It is only then it will act as a deterrent and the regulatory commission has given out a notice to that effect raising that charge to about Rs.10 per unit.”

1.80 The witness further added:

“..... the regulators should evolve a practice that when the ARRs are being filed, the damages which have been imposed for the UI charges should be stated separately and very clearly and those payments which are in the nature of damages should not go to show purchase of power because that really is the inefficiency or incompetence of that particular distribution company or entity. That must be set aside. That must go to the negatives of that organisation and not be loaded on to the consumer. As the law develops and as we get on to this regime, we should be solving most of these problems.”

G. Open Access in Transmission and Distribution of Electricity

1.81 As regards the implementation of open access in transmission and distribution of electricity, the Ministry have informed the Committee that the regulations for Open Access in inter-state transmission were issued by CERC in February 2004. Thereafter, a major amendment was carried out in these regulations in February 2005 to further harmonize them with requirements of trading. The Committee have been informed that the Open Access Regulations for Inter-State transmission, 2008 have been conceived after taking into account the evolution of the electricity market during the last four years. It has created a framework, which would not only facilitate traditional bilateral transaction (negotiated directly or through electricity traders), but also cater to collective transactions discovered in a power exchange through competitive bidding by sellers and buyers.

1.82 The Committee have been informed that the Commission had issued draft regulations on open access in December 2007 inviting comments, suggestions and objections from the stakeholders. The Commission received an overwhelming and prompt response from as many as forty stakeholders. While finalising the new regulations, the Commission has taken into consideration the concerns raised, and it incorporates most of the suggestions received.

1.83 Enquired about the salient features of the new regulations, the Committee have been apprised of the following:

- “(i) Facilitates traditional bilateral transactions as well as collective transactions discovered in a Power Exchange.
- (ii) Emphasis is on scheduling rather than reservation because from the perspective of an open access customer, what matters ultimately is that his request is included in the dispatch schedules released by the Regional Load Despatch Centre (RLDC).
- (iii) Following type of transmission services shall be available to open access customers:

Bilateral transactions

Scheduling and open access up to three months in advance.

Scheduling and open access for the current month up to four days in advance.

Scheduling and open access for the day-ahead and up to three days in advance.

Scheduling and open access for the same day in the event of a contingency.

Collective transactions

Scheduling and open access for collective transactions discovered in a power exchange through anonymous simultaneous competitive bidding by buyers and sellers, presently on day-ahead basis.

- (iv) Greater role assigned to State Load Despatch Centre (SLDC) to bring them at par with the Regional Load Despatch Centre (RLDC).
- (v) Provision of standing clearance by the State Load Despatch Centre (SLDC) introduced with the aim of harnessing of intra-state sources of generation.
- (vi) Nominal transmission charges for open access customers to be levied in Rupees per MWh instead of Rupees per MW per day, earlier.
- (vii) In case of bilateral transaction, the transmission charges for the use of inter-state transmission system shall be as follows:

Type of Transaction	Transmission charges (Total) (Rs./MWh)
(a) Bilateral, intra-regional	30
(b) Bilateral, between adjacent regions	60
(c) Bilateral, wheeling through one or more Intervening regions	90

- viii) In case of the collective transactions charges at the rate of Rs.30/MWh for energy approved for transmission for each point of injection and for each point of drawal shall be payable for use of the inter-State transmission system.

- ix) The intra-State entities shall additionally pay transmission charges for use of the State network as determined by the respective State Commission. In case the State Commission has not determined the transmission charges, the charges for use of respective State network shall be payable for the energy approved at the rate of Rs. 30/MWh. Non-determination of the charges by the State Commission shall not be ground for denial of open access.
- x) The operating charges for the bilateral transactions and collective transactions shall be as follows:

Type of Transaction	Operating Charges
(a) Bilateral Transaction	(a) Rs. 2000/- per day for each RLDC. (b) Rs. 2000/- per day for each SLDC.
(b) Collective Transaction	(a) Rs.5,000/- per day for NLDC for buyers and sellers, after clubbing them separately, for each State. (b) Rs. 2,000/- per day for SLDC for each point of transaction.

- xi) Real time deviations from the net schedules for a State to be settled by the Regional Load Despatch Centre (RLDC) as per the established UI mechanism at the regional level.
- xii) The State utility designated for the purpose of collection / disbursement of UI charges from / to intra-State entities shall be responsible for timely payment of the composite dues of the State to the regional UI pool account.
- xiii) Any mismatch between the scheduled and the actual drawal at drawal points and scheduled and the actual injection at injection points for intra-State entities shall be determined by the concerned State Load Despatch Centre (SLDC) and covered in the intra-State UI accounting scheme.
- xiii) It has been stipulated that unless specified otherwise by the concerned State Commission, the UI rate for intra-State entity shall be 105% (for over-drawals/under generation) and 95% (for

under-drawals / over generation) of the UI rate at the periphery of regional entity. This has been done to facilitate dispute free energy accounting and settlement of deviations for intra-state entities located in the State where intra-state ABT has not yet been implemented. In an inter-connected grid, deviations from schedule of an entity are met from the entire grid and the local utility is no longer solely responsible for absorbing these. Since unscheduled interchange (UI) mechanism has been provided to distribute the burden and charges of support for countering deviations, it is specified that neither any restrictions regarding magnitude of deviations (except on account of over stressing of concerned transmission or distribution system), nor any standby charges, grid support charges, parallel operation charges etc shall be imposed.

- xv) Exit option for open access customers by giving five days advance notice and payment of charges up to five days.
- xvi) In case of curtailment of approved schedule by the Regional Load Despatch Centre, transmission charges to be payable *pro-rata* in accordance with the curtailed scheduled.
- xvii) The transmission charges recovered from open access customers to be utilized for reduction in monthly transmission charges payable by long-term customers of the region after allowing 25% to be retained by the Central Transmission Utility. The transmission charges for the use of State network to be disbursed to the State Transmission Utility concerned.
- xviii) In case a State utility open access customer, the operating charges and the transmission charges to be collected by the nodal agency shall include the charges for the State network and operating charges for the State Load Despatch Centre.
- xix) Separate guidelines to be issued for those seeking long or medium term lien over the inter-State transmission system requiring creation of new transmission facilities or otherwise. The provisions relating to long-term customers as contained in the Open Access Inter-State Transmission Regulations, 2004 shall continue to apply till the Commission notifies separate regulation.”

1.84 To a query on the present position of the open access and inter State trading, the Ministry informed that the Open Access Regulations and Inter-State Trading Regulations of the Central Commission have facilitated power trading in an organized manner. Today, it is possible to trade electricity between any two points in India through inter-State Open Access on advance reservation basis, on current reservation basis, on day-ahead basis and even on real time basis. Open Access charges are transaction specific depending on the regions/ transmission systems involved between point of injection and point of drawal. At present, power is mostly being traded between power surplus distribution utilities in Eastern Region (ER) and Northeastern Region (NER) on one-hand and deficit utilities in Northern Region (NR) and Western Region (WR) on the other. Annual volume of electricity traded through open access route is of the order of two percent of the total energy availability. In terms of power, the magnitude of all India short-term bilateral trade is in the range of 1000 to 1500 MW compared to installed capacity of about 1,40,000 MW. The availability of power for trading peaks during monsoon and bottoms out during winter. Table below depicts growth in number of inter-State open access transactions and volume of electricity approved for such transactions during the period of 2004-05 to 2006-07.

S.No.	Year	Total Number of inter-State Open Access transactions	Energy approved for inter-State Open Access transactions (Million kWh)
1	2004-05	778	16440
2	2005-06	3398	22526
3	2006-07	5933	23598

1.85 The Ministry have further informed that most of the open access transactions taking place presently are between SEBs or their successor entities with or without involvement of trading licensees. Full potential of open access in overall optimization by way of facilitating trading will be realized only when open access at intra-State level also becomes effective.

1.86 Enquired about the steps taken by the various SERCs to implement the various provisions of the Act regarding Open Access at distribution level, the Ministry of Power have furnished the following information to the Committee:

Sl. No.	Name of State	Comments
1.	Assam	<ul style="list-style-type: none"> • Regulation for open access upto 1MW amended in April, 2006; • No case of open access consumer has yet come up.
2.	Bihar	<ul style="list-style-type: none"> • Open Access Regulation notified in May, 2006 which covers phased introduction of open access; • No application has been received so far for open access.
3.	Chhattisgarh	<ul style="list-style-type: none"> • Open Access Regulation notified in July, 2005 covers phased introduction of open access; • 35 consumers have availed open access in the State; • Open access charges are being reduced in every tariff order.
4.	Delhi	<ul style="list-style-type: none"> • Open Access Regulation notified in 2007 which covers phased introduction of open access.
5.	Gujarat	<ul style="list-style-type: none"> • Open Access Regulations notified in Sept, 2005. At present 8 consumers are using open access; • Regulations on Power Procurement/Obligation for Distribution Licensees notified in Oct, 2005.
6.	Haryana	<ul style="list-style-type: none"> • Open Access Regulation has been notified; • No request has been received for Open Access.
7.	Jammu & Kashmir	<ul style="list-style-type: none"> • Open Access Regulation has been notified; • No request has been received for Open Access.
8.	Jharkhand	<ul style="list-style-type: none"> • Open Access Regulation notified by the SERC; • Efforts have been made to bring the Captive Power generation into grid.

9.	Karnataka	<ul style="list-style-type: none"> • Open Access Regulation notified which covers phased introduction of open access; • Transmission charges, wheeling charge and surcharge have been determined by SERC for implementation of open access; • No consumer has availed open access.
10.	Kerala	<ul style="list-style-type: none"> • Open Access Regulation notified in November, 2005 which covers phased introduction of open access; • Open Access order was issued to one consumer, namely, Indian Aluminum Company.
11.	Madhya Pradesh	<ul style="list-style-type: none"> • Open Access Regulation notified which covers phased introduction of open access; • 18 applications (17 CPP and 1 non-captive consumer) have been received and processed for the total capacity of 54.35 MW; • Out of 18 applications, Bulk Power Transmission Agreements have been executed for 17 applicants.
12.	Maharashtra	<ul style="list-style-type: none"> • SERC has permitted open access to consumers with more than 1MW contract demand w.e.f. April, 2007; • SERC has developed “Transmission Pricing Framework” for OA transactions, which prevents pan-caking of the transmission charges and facilitates open access by reducing the transaction cost; • Cross-subsidy surcharge has determined as ‘zero’ for all distribution licensees in the State; • SEERC has specified open access charges for short-term OA consumers between 19 paise/kWh to 94 paise/kWh and for long-term OA consumers between 36 paise/kWh to 113 paise/kWh, depending on voltage of injection & drawl of power and respective licensee’s wire cost; • Various Regulations on open access notified by SERC for effective implementation of provisions of the Electricity Act, 2003.
13.	Meghalaya	<ul style="list-style-type: none"> • Measures are being initiated during the year 2008.

14.	Orissa	<ul style="list-style-type: none"> • Open Access Regulation notified in 2005 which covers phased introduction of open access; • No OA consumer so far.
15.	Punjab	<ul style="list-style-type: none"> • Open Access Regulation issued.
16.	Rajasthan	<ul style="list-style-type: none"> • Open Access Regulation notified which covers phased introduction of open access; • Presently, there are nine (9) open access cases involving 98.10 MW transmission/wheeling of power within the State and in addition to this fifty three (53) consumers are also availing open access of aggregate capacity of 46.25 MW (captive) based on renewable energy (wind energy).
17.	Tamil Nadu	<ul style="list-style-type: none"> • CERC has issued following orders/regulations : • Intra-state Open Access Regulations, 2005 (w.e.f. 3.8.05); • Order on Transmission & Wheeling Charges (w.e.f. 15.5.06).
18.	Tripura	<ul style="list-style-type: none"> • The stage for open access is yet to come, however, Regulations sent for notification.
19.	Uttar Pradesh	<ul style="list-style-type: none"> • Open Access Regulation notified in 2004 which covers phased introduction of open access.
20.	Uttarakhand	<ul style="list-style-type: none"> • UERC issued Regulations and Orders on open access in distribution for SHP/Bagasse based renewable sources laying down various relaxations and incentives.
21.	West Bengal	<ul style="list-style-type: none"> • Regulation on Open access has been specified covering transmission and distribution; • Transmission & Distribution charges payable by OA customer are being determined within the respective tariff orders; • Four applications have been received from four consumers seeking OA. One has been rejected and three have been approved. However, one of the

		<p>three applications has challenged one of the OA Charges (wheeling charges). All the applicants are yet to avail OA;</p> <ul style="list-style-type: none"> • No OA application is pending with Nodal agency, as of now.
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1.87 During a study visit to Jaipur, Ahmedabad, Bangalore and Mumbai, the following information was provided by the SERCs regarding implementation of Open Access in their respective States:

Rajasthan

Open Access Regulation has been notified in the State which covers phased introduction of open access; Presently, there are nine (9) open access cases involving 98.10 MW transmission/wheeling of power within the State and in addition to this fifty three (53) consumers are also availing open access of aggregate capacity of 46.25 MW (captive) based on renewable energy (wind energy).

Gujarat

On the issue of Open Access, the Committee were informed Gujarat Electricity Regulatory Commission (GERC) on 29th September, 2005 had notified Regulation regarding open access at distribution level and at present eight consumers (871 MW) are using open access facilities for wheeling captive power from point of generation to destination of its use by paying transmission charges.

Karnataka

Karnataka Electricity Regulatory Commission (KERC) informed the Committee that the Commission had issued necessary regulation to introduce open access in Karnataka in four phases. At present, the third phase of open access is under implementation (2007) wherein open access is permissible upto a level of 3 MW. From April 2008, all HT consumers of one MW and above will be allowed open access. The Commission has determined the transmission charges, wheeling charges and surcharge for implementation of open access. None of the consumers have availed the open access so far. However, the generators from the state are selling power outside the state through open access.

Maharashtra

Regarding operationalisation of 'Open Access' in the State, it was submitted that Open Access Regulations for transmission and distribution business was developed by MERC and the Commission permitted open access to consumers with more than 1 MW contract demand w.e.f. April 2007. MERC has stipulated all the relevant charges applicable for open access transactions. Further, MERC has developed the 'Transmission Pricing Framework' for Open Access transactions, such that there is a single composite transmission charge stipulated for the entire State, irrespective of ownership of transmission network, which prevents pan-caking of the transmission charges, and facilitates Open Access by reducing the transaction cost.

The effective open access charges applicable in case of short-term open access consumers in the State of Maharashtra were stated to be ranging between 19 paise/kWh to 94 paise/kWh, depending on the voltage of injection and drawal of power and the respective distribution licensee's wire cost. In case of long-term open access consumers, the open access consumers in the State of Maharashtra were stated to be ranging between 36 paise/kWh to 113 paise/kWh, depending on the voltage of injection and drawal of power and the respective distribution licensee's wire cost."

1.88 On enquiring about the steps taken by the Government for operationalisation of open access, the Secretary, Ministry of Power informed the Committee during evidence on 19th December, 2007:

"It is envisaged and mandated in the Act and we are taking every possible measure to see that it is actually operationalised in letter and spirit. We had convened a Conference of Chief Secretaries and Power Secretaries earlier this year followed by a Conference of Chief Ministers and Power Ministries which was chaired by the Hon'ble Prime Minister himself and the issue of open access was one of the four or five issues that were taken up for discussion in these conferences. The idea was to bring forth the point of open access being a desired objective besides being a mandated one. It was also brought out in the conferences that while electricity is in short supply, we should see to it that no idle generation is lying parked anywhere and that power which is lying in a captive mode with somebody should reach the consumers who are desirous of

taking it. This, of course, is initially relevant to consumers who have a load of one mega watt and above.

The Chief Ministers Conference unanimously resolved to support this proposition and a line was also given in the resolution that the Governments would, if necessary, issue necessary directions or advice in this regard. We followed this up in the meeting of the Forum of Regulators. It is a forum of all the electricity regulators in the country and is headed by the Chairman, CERC. We also invited all the State Power Secretaries in this Forum in November this year. We openly discussed and debated the constraints felt in some States for exporting power out of the territory of that State. We have noticed a disturbing trend in some States who are forcing their regulators to bring directions that the power is to be consumed within that State. There is also a tendency in some States to impose excessive charges for wheeling this power out or cross subsidy charges which makes it unremunerative for people to sell their power outside the State.”

1.89 The witness further added:

“We have impressed upon this to the Forum and to the State Secretaries that this needs to be addressed. In fact, we have persuaded the Forum of Regulators to bring out a website which will post all the rates which have to be paid and charges which are leviable for utilising open access and also indicate how many applications are pending and how many sanctions are granted.”

H. Setting up of Power Exchanges

1.90 The Committee have been informed the Central Electricity Regulatory Commission issued guidelines for setting up of Power Exchange in February 2007. The general approach of the Commission was to allow operational freedom to the Power Exchange within an overall regulatory framework. The promoters were asked to seek permission from the Commission before start of operation. Asked about the broad guidelines for developing Power Exchange, the Ministry have informed the Committee as under:

- De-mutualised form of organization
- Reliable, effective and impartial management
- Ring fencing between ownership, management and participation
- Investment support from the investors including institutional investors
- Transparency in operation and decision making
- Computerized trading clearing system
- Efficient clearing settlement and guarantee system
- Effective trade information dissemination system

1.91 Further, as informed by the Ministry, the Commission has issued guidelines in February 2007 for setting up of power exchanges. The rules, byelaws and procedures for operation of a power exchange are approved by the CERC, and the promoters of the exchange have the freedom to develop, manage and operate the power exchange within the ambit of such approved rules, byelaws and procedures.

1.92 In accordance with the guidelines, Indian Energy Exchange, a company registered under Companies Act 1956 had applied for permission for setting up of the power exchange. The Commission in its order dated 31.8.2007 has granted permission to Indian Energy Exchange to set up the first power

exchange in the country. The Committee have been informed by CERC that the first power exchange is likely to be operational during May, 2008.

1.93 Giving details of the power exchange, a representative of the CERC informed the Committee during evidence on 19th December, 2007, as under:

“Earlier this year, we had given out guidelines on setting up of power exchange. What we have proposed is that the power exchange should be an option available to the utilities apart from the other ways in which they can buy and sell power. They can do it bilaterally, one to one. They can do a trading through a trader. The power exchange will be another option available. There will be no compulsion to go through a power exchange which is the case in some Western countries that all trading should be through power exchange only. So, we are not contemplating anything like that. It will be for utilities to decide as to what suits them the best. The State Electricity Boards and the distribution companies can choose what suits them the best like if they want to purchase some extra power or if they want to sell some surplus power. So, we have not mandated a single exchange for the country or for a region. We have left it open. Let the market decide and the promoters decide how many exchanges will be there. So far, we have received one application and that was from MCX. We have given them a go ahead to set up a power exchange. Now, they are under the process of finalizing their rules and regulations in consultation with the Regional Load Dispatch Centres. We will approve those rules and regulations making sure that the system operates in a streamlined manner. NTPC had made an application to say that they will be forming joint venture projects and setting up a power exchange.”

1.94 Regarding first power exchange, a representative of CERC informed the Committee during evidence on 23rd April, 2008, as under:

“It will be useful if I answer some of your queries. I would like to say a word about power exchanges. I am happy to inform that the first power exchange would be in operation next month. They have almost finalised the rules, regulations and bye-laws on which we are giving a final review. They are also interacting with RLDCs for scheduling what will come through exchange. Hopefully, we will have the first power exchange in operation next month. We have received another application from NCDEX and MCX for setting up of second exchange. We will take it up.”

1.95 In a post evidence reply furnished to the Committee, the Ministry of Power have informed that CERC has given permission to the following two entities to set up and operate power exchanges:

1. M/s. India Energy Exchange Ltd. – It has started operation on 9th June, 2008.
2. Power exchange Indian Ltd.

1.96 The application of M/s. NTPC Ltd. seeking permission to set up and operate a power exchange (with other stakeholders viz. M/s. NHPC and NCDEX) was, however, stated to be pending with CERC.

1.97 When asked that will the power exchange end up in hiking the rate of electricity, the Committee have been informed by a representatives of CERC as follows:

“----- as the situation in the country today is with the shortage that we have, I am not very sure whether power exchange will be able to bring down the prices. Of course, the price of power depends on the time at which you want it. Now there are times of the day when there is a shortage and there are times of the day, night time or afternoon when all the generating capacity if you add up together is more than the load of the system at that time. So, there will be some time during the day when there is surplus and if at that time somebody wants extra power, it should not be costing that high. It should be available and it should not cost that high and depending on the time at which utility wants extra power, there would be a price.”

1.98 The witness further added:

“It depends on the situation. We already have trading going on. Two parties can do directly or bilaterally between them or through a trader. Power exchange will be another platform for trading. It will give another option to both the buyers and the sellers. If the buyers are more and sellers are less, then prices will go up. If there are more sellers and less number of buyers, then prices will come down.”

1.99 A power exchange is a voluntary platform and no existing power purchase agreements or bilateral agreements are disturbed as a result of setting up of a power exchange.

1.100 According to the information given by the CERC, 4 paise per unit is the trading margin applicable for inter-State trading of electricity.

I. Power Purchase Obligation for Purchase of Electricity from Renewable Sources of Energy

1.101 The Committee have been informed that section 86(I)e of the Electricity Act – 2003 provides that the State Commissions shall promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee.

1.102 Giving details of the Power Purchase Obligation from Renewable Energy, the Ministry of Power have informed that the National Electricity Policy and Tariff Policy recognises the need to promote power generation from renewable energy sources. It also suggests preferential tariff and implementation of section 86(I)e with progressively increasing percentages for renewable power generation.

1.103 The Ministry of New and Renewable Energy have informed the Committee that all the States have not specified the quota so far for power purchase from renewable energy sources. Those who have specified the same there is variation from 2% to 10% among different States.

1.104 During a study visit to Jaipur, Ahmedabad, Bangalore and Mumbai during January – February, 2008, the Committee had desired to know the steps taken by the State Electricity Regulatory Commission to promote cogeneration and generation of electricity from renewable sources of energy. The following information was provided to the Committee by the State Commissions:

(i) Rajasthan Electricity Regulatory Commission

The Government of Rajasthan has constituted Rajasthan Renewable Energy Corporation Limited (RREC) on 9th August, 2002, as nodal agency for development of energy from renewable energy sources in the State and for promoting energy efficiency and energy conservation in the State. Wind power projects to the tune of 490.545 MW have been

installed till December 2007. Owing to conducive policy of the State and incentives as also benefits offered to renewable sector, work on 4 Biomass projects, having aggregate capacity of 45.5 MW is in progress and the projects are expected to be commissioned by September 2008 / March 2009. Also 13 Biomass projects of aggregate capacity of 104.3 MW were reported to be at various stages of implementation.

The Committee were given to understand that Rajasthan has the best solar insulation in the country and has abundant land availability at cheaply affordable price. Thus, the State is likely to emerge as the power house of the country with the potential of setting up solar power plants with installed capacity exceeding 1,00,000 MW by using Concentrated Solar Power (CSP) technology in an area of 60 x 60 sq. kms. in the deserts of Rajasthan. In this context, it was submitted to the Committee that the limitation of 10 MW cap for a State subject to a maximum of 5 MW per developer set by Ministry of New and Renewable Energy be relaxed so as to increase the cap for Rajasthan at least upto 100 MW and the cap per developer may also be raised beyond 10 MW.

(ii) Gujarat Electricity Regulatory Commission

The Commission had notified the Power Procurement Obligation for distribution licensees thorough Gazette dated 29th October, 2005. Accordingly, the distribution licensees have to procure minimum 1% of its total consumption of electricity from renewable sources during financial year 2007-08. The Committee were apprised that this limit would be increased to the level of 2% from the year 2008-09.

(iii) Karnataka Electricity Regulatory Commission

The total installed capacity of New and Renewable Energy projects in the State was only 236 MW on 31.03.2001 and it had gone upto 1543 MW, a phenomenal increase of nearly 6.5 times. The major contribution

(about 838 MW) to this increase was from Wind Energy. The Committee were informed that Karnataka has cogeneration Plants in Sugar Mills totaling to a capacity of about 355 MW. There were also Mini Hydel Plants and Biomass Plants in the State with a total installed capacity of 253 MW and 97 MW, respectively.

1.105 In a separate meeting held on 22nd April, 2008, with the representative of Ministry of New and Renewable Energy, the Committee have been informed about implementation of 86(I)(e) of Electricity Act in case of Wind Power generation in the country:

State	Renewable Obligation Percentage	Purchase (RPO)	Installed Capacity as on 31.03.2008 (MW)
Tamil Nadu	10		3873.4
Maharashtra	3-6		1755.9
Karnataka	7-10 Min – 20 Max		1011.4
Andhra Pradesh	5		122.5
Gujarat	2		1252.9
Rajasthan	7.5		538.8
Madhya Pradesh	10		187.7
Kerala	3		2.0
West Bengal	3-8		1.1
Haryana	3-10		-
Others	-		3.2

1.106 Clarifying further, the representative of the Ministry of New and Renewable stated during evidence on 23rd April, 2008: -

“This has been left to the State Commissions to decide as to how to procure it. So, every State Commission goes through a regulation process or order process. There is a variation from two to ten per cent in different States as of now in terms of renewables. There is no standard that it should be minimum five per cent, minimum two per cent or minimum ten per cent. It varies. As of now, there is no

capital subsidy for wind power projects, at least, in case of private sector participation. Fiscal incentives available today are basically depreciation and tax holiday, which is there for any infrastructure project. The way the Indian Electricity Act has been framed and the powers have been given to the Central Electricity Regulatory Commission and the State Electricity Regulatory Commissions, it has been left entirely to the discretion of the State Electricity Regulatory Commissions to fix the Renewable Purchase Obligations (RPO), keeping in view the resources that are available in the State. Second, the SERCs have not been asked to do this RPO technology-wise, but for renewables as a whole. Strictly speaking, Tamil Nadu have touched more than ten per cent contribution mainly because of large wind power capacity. But if you ask a State like Punjab or Haryana who do not have wind power, this renewable power obligation remains more on paper than in implementation.”

1.107 Asked about the reasons for inability of some States to make use of renewable sources of energy, the Secretary, Ministry of New and Renewable Energy stated during evidence:

“The Central Electricity Regulatory Commission was to come out with a policy alone, not exactly a percentage obligation. That, unfortunately, has not been given by the CERC as yet. All these percentages that we are talking about, they are the minimum purchase obligations and not maximum. They have to procure minimum. But as it would happen, if they notify today, they would give a lead time of two to three years for the State utilities to source as much of renewable power as they prescribe. But what happens if they choose to violate it is something which is yet to be seen, as and when we make further progress. There is also another initiative we are working on which goes beyond the Electricity Act and the tariff policy. We hope to have it in position in the near future. There are States which do not have a real potential. But at the same time, just because a State does not have the potential, we cannot say that they need not purchase renewables. We are thinking of introducing a system by which electricity that is generated in one State can be supplied to another State, not exactly through transmission lines, but by the issue of certificates which we would call ‘renewable certificates’ or ‘green certificates’. While doing so, I am going into the territory of a market creation for renewable power. We have to take into account the views of the Power Ministry and the Finance Ministry. The certificates can be obtained by the generators. So, instead of getting a utility somewhere, I purchase the certificate so as to fulfil my obligation. This is

something that we are doing some market engineering to work on. We are engaging some Consultants to work out a structure. Ultimately, I have to get the blessings of the Finance Ministry to make it operational. We are working on it.”

1.108 Further, regarding fixing the minimum purchase obligation renewable energy, a representative of Madhya Pradesh stated during evidence:

“----- we have fixed minimum purchase obligation for all the three distributing agencies at 10 per cent, subject of course to availability. I am very happy to tell you that apart from issuing wind energy tariff order we have recently issued a biomass tariff order. There has been a tremendous response to that. We have never passed such an order. We did it and within two months the nodal department, solar Energy Development Corporation of Madhya Pradesh has been flooded with applications from the developers all over the country and sites for generation of about 200 MW of power have been fixed up. This is an unprecedented response which we have got for biomass.

We are also trying to come out with tariff orders with respect to co-generation, small hydro projects up to 25 MW. We are also coming up with solar energy tariff. These are all very sincere efforts of the Commission within a very short span of time. We hope that we will come out well.”

1.109 Regarding promotion of non-conventional energy in Assam, the representative of Government of Assam stated during evidence on 23.04.2008 that a 2.2 MW small scale hydro power project has been in progress. The State also has one 10 MW biomass unit and one 6 MW unit is there which would use municipal waste in Gauhati.

Chapter – II

Observations and Recommendations of the Committee

A. CERC, SERCs and their Role in Protection of the Interests of Consumers

2.1 The Committee note that functions of the Central Electricity Regulatory Commission (CERC), an independent statutory body with quasi-judicial powers, are mainly to regulate the tariff of generating companies; regulate inter-State transmission of electricity; determine tariff for inter-State transmission of electricity; issue licenses to persons to function as transmission licensees, adjudicate upon disputes involving generating companies or transmission licensees; specify grid code having regard to grid standards; specify and enforce the standards with respect to quality, continuity and reliability of services by licensees and also fix trading margin in the inter-State trading of electricity. Section 61 of the Electricity Act, 2003 provides that the SERCs shall be guided by the principles and methodologies specified by the CERC for determination of tariff applicable to generating companies and transmission licensees. Also under the provisions of Section 107 of the Act, the Central Government has powers to give directions to the CERC in matters of policy involving public interest. The Committee, however, are surprised to find that no such direction has ever been given by the Central Government to the CERC (since coming in to force of the Electricity Act, 2003). This proves that the Central Government has acted with complete indifference or lack of any interest in the matter. The Committee would like the Central Government to fulfil their

responsibility in protecting the interests of consumers by ensuring frequent and meaningful interaction between the Central Government and CERC. The Committee expect the Government to issue necessary direction on policy related matters concerning consumers at the earliest. The Committee would like to be apprised of the action taken in this regard.

2.2 As regards the transparency in the exercise of powers and functioning of the CERC, the Committee have been given to understand that the CERC floats discussion paper among stakeholders, calls for comments and then holds public hearings before preparing the draft regulation. The draft regulation is also stated to be put on the website of the Commission for eliciting the comments/response of the stakeholders and pursue at large with a view to eventually notifying the regulation. The Committee desire that suitable steps should also be taken to create public awareness regarding the role of the Electricity Regulatory Commissions so that large number of peoples' groups/organisations and public can take active part in the formulation of requisite consumer friendly policies.

2.3 The Committee are constrained to find that the post of Chairman, CERC which was lying vacant since March 2007 was filled up only on 15th April, 2008. While acknowledging the fact that the process for selection of Chairman was initiated way back in August, 2006 and Statutory reference in this regard to the Selection Committee was made on 09.10.2006, the Committee are perturbed to note that instead of taking the required 3 months for finalising the process, the Selection Committee's

recommendation was made available only on 14th August, 2007, i.e., after 10 months. What is surprising is the fact that even Department of Personnel and Training (DOPT) took about 9 months thereafter to take the approval of the competent authority for making appointment to the post. The Committee deplore the inordinate delay in appointment of the Chairman of CERC which according to them could have been curtailed. The Committee expect the Government to take all necessary steps at the earliest to fill up all other vacant posts in this Organisation.

2.4 The Committee also find that 8 SERCs in the States of Assam, Chhattisgarh, Haryana, Jammu & Kashmir, Kerala, Punjab, Tamil Nadu and Uttar Pradesh, have no Chairman and Members as on 15.07.2008. This is yet another instance which indicates the causal approach with which the regulation of power sector – which has a direct bearing on the consumers and their interests is being taken up both by the Centre and States. The Committee would like the Ministry of Power to take up and pursue the matter of vacancies in SERCs at the appropriate level with the respective State Governments so that these are filled up at the earliest. The Committee would like to be informed of the steps taken in this direction.

2.5 The Committee observe that as per Electricity Act, 2003, the appropriate Commission may, with the approval of the Appropriate Government, specify the numbers, nature and categories of other officers and employees. However, the salaries and allowances payable and other service conditions of the Secretary, officers and other employees are to be

such as specified with the approval of the Appropriate Government. In this connection, the Indian Institute of Public Administration (IIPA) has conducted a study on the impact of reorganization of State Electricity Boards (SEBs), wherein they have recommended that the Commission should have full autonomy in matters relating to staffing pattern, organisation structure and adequate powers to recruit staff as required with an overall ceiling on expenditure. Concurring with these views, the Committee recommend that more and more autonomy need to be given to the CERC & SERCs in the recruitment process for which Government ought to take necessary steps.

B. National Electricity Policy and Tariff Policy for Protection of Interests of Consumers

2.6 The Committee find that as per the provisions of the Electricity Act, 2003, the Electricity Regulatory Commissions shall be guided *inter alia* by the National Electricity Policy and the Tariff Policy. Besides laying emphasis on promoting competition in the long run which would lead to reduction in tariff, the National Electricity Policy also require the Electricity Regulatory Commissions to regulate utilities based on predetermined indices on quality of power supply, setting up Grievance Redressal Forums expeditiously and appointment of Ombudsman within six months. The Committee observe that in most of the States where Electricity Regulatory Commissions have been set, some sort of Grievance Redressal Mechanism has also been put in place and Ombudsman appointed. As regards the tariff policy notified by the Central Government on 06.01.2006, the Committee note that its main aim is to enhance competition through the reduction in capital costs and bringing about efficiency in operations. It also requires that all future requirement of power should be procured competitively by the distribution licensees except in the case of expansion of existing projects or in case of State controlled/owned company as an identified developer. Even for public sector projects, tariff for all new generation and transmission projects needs to be decided on the basis of competitive bidding. The Committee observe that as specified by Tariff Policy that Accredited Transmission and Commercial (AT&C) reduction

needs to be incentivised by linking returns to the power utilities in a Multi Year Tariff (MYT) framework to an achievable trajectory, most of the States have yet to put in place the MYT framework. The Committee further note that although distribution companies in the States have been directed by SERC to bring down the AT&C losses to a desired level by issue of MYT regulations with detailed methodology related to sharing of excess profits/losses with consumer, the same could not be achieved in spite of measures taken such as feeder separation schemes, adoption of theft preventive techniques, replacement of old overhead lines, installation of new electronic meters, etc. While appreciating the new policy initiatives to enhance competition through reduction in capital costs and efficiency in operations, the Committee recommend that the Government should strive hard to see that both the CERC and SERCs ensure that AT&C and high T&D losses are brought down to specified percentages at the earliest so that consumers are also benefited by reduction in tariff of electricity.

2.7 The Committee observe that as per Para 8.2.1 (2) of Tariff Policy, third party verification/energy audit of technical and financial data for different areas/localities could be used to impose area/locality specific surcharge for greater AT&C loss levels and this, in turn, would generate local consensus for effective action for better governance. Further Para 8.2.1 (2) of the policy requires the SERCs to institute a system of independent scrutiny of financial and technical data submitted by the licensees. The policy also emphasises that an in-depth scrutiny of the

financial and technical data submitted by the licensees would form the basis for tariff determination. The Committee are, however, concerned to note that in many of the States energy audits are being done in-house by the licensees themselves. To ensure that the consumers are extended the benefit of energy audit results and at the same time are not unnecessarily put to disadvantage, the Committee feel that SERCs should ensure third party verification of energy audit results by engaging experts/independent consultants for scrutiny and analysis of the data submitted by the licensees for tariff determination. The Committee also desire that the Government should take the necessary steps so that guidelines of tariff policy in this regard are followed by all the SERCs.

2.8 The Committee have been informed that fixing tariff for the various classes of consumers is State specific but the principles and methodology for determination of tariff applicable to the generating companies and transmission licensees in the Central sector have been specified in CERC (Terms and conditions of Tariff) Regulations 2004. These regulations also serve as guidelines for State Commissions to specify the regulation for terms and conditions for determination of tariff in respect of the generating companies and transmission licensees under their control. The Ministry of Power have informed the Committee that tariff rationalisation has not been achieved in full, but the progress has been good. The Committee feel that the consumers generally are not satisfied with the service rendered and the tariff of electricity supplied to them, the whole process of re-organisation of

Electricity Boards and the reforms as such have not served the desired purpose. The Committee, therefore, recommend the Government should take the necessary measures to improve the distribution system so that consumers get good service as well as benefit of the tariff rationalisation.

2.9 Although, the provisions of Section 61 (f) of the Electricity Act, 2003, provide that Appropriate Commission shall specify the terms and conditions for the determination of tariff and is stated to be guided by Multi Year Tariff (MYT) principles, only some States have adopted this procedure. The Committee desire that such arrangement should also be in vogue in the rest of the States for which Central Government ought to impress upon them at appropriate level. Further, since the licensees/distribution companies are making huge profits by resorting to the setting up of tariff slabs for various categories of consumers, the Committee would like to be informed as to whether any such policy in regard to fixing different tariff slabs for the consumers has been formulated by the Government. The Committee feel that instead of resorting to different slab systems across the country for fixation of power tariff, Government should examine the feasibility of achieving particular uniform rates of power supply for different categories of consumers, i.e. domestic, agriculture and industrial, etc. in the country.

2.10 The Committee note with satisfaction that most of the State Governments are making efforts to reduce the cross subsidy and hope that the same would be kept within limits, benefiting only the most deserving

sections of society, i.e., agriculturists/BPL households, etc. At the same time, the Committee desire that it would be useful if important details like the cost of electricity to the Government, subsidy given to consumers thereon, etc. are clearly mentioned in the bills issued to the consumers to educate and make them aware of the money being spent by the Government – for making available to them the electricity at a particular rate as is being done in certain States like Rajasthan, etc.

C. Capacity Building of Consumer Groups and Consumer Grievance Redressal Mechanism

2.11 The Committee have been given to understand that the Electricity Regulatory Commissions are to facilitate capacity building of consumer groups. Section 94 (3) of the Act provides that the appropriate Commission may authorize any person as it deems fit to represent the interests of the consumers in the proceedings before it. It is pertinent to note in this regard that a unique feature was introduced by Karnataka Electricity Regulatory Commission by constituting the Office of Consumer Advocacy (OCA) in the year 2001 under the similar provision of Karnataka Electricity Reforms Act, 1999. Further, the OCA has been facilitating redressal of consumer grievances and up to 31st March 2007, the OCA received 1043 complaints out of which 891 were resolved to the satisfaction of the consumers and the action was being taken to dispose off the remaining 152 complaints. Similarly, in Maharashtra, MERC has formulated its Consumer Grievance Redressal Forums and Electricity Ombudsman Regulations, 2006, which provides guidelines to the Licensees in the matter. As per the guidelines, separate machinery has been set up by MERC for the redressal of grievances. All the five Distribution Licensees in the State have established Consumer Grievance Redressal Forums in each Distribution Zone falling within their area of electricity supply. The Committee further observe that Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) has established twelve CGRF at each Zone, i.e., Amravati, Nagpur (Urban), Nagpur (Rural), Aurangabad, Nashik, Pune, Beed, Latur, Kolhapur, Kalyan,

Konkan and Bhandup. While appreciating that distribution companies in Maharashtra have established CGRF in each Zone, the Committee recommend that the Government/CERC should pursue all SERCs to ensure that CGRF/Ombudsman are set up in each distribution zone at convenient and easily accessible locations/places in each State to make them approachable by the common consumers. As regards disposal of cases by the Consumer Grievance Redressal Forums, the Committee note that in Madhya Pradesh, the State Government has introduced the facility of on-line-registration of complaints and fifty-eight percent of the cases have been reported to be gone in favour of the consumers. Madhya Pradesh Electricity Regulatory Commission (MPERC) held workshops with 125 NGOs that have been registered with it who in turn educate the consumers in the State. As satisfactory work is being done by Electricity Commission in the aforesaid States, the Committee feel that all such reform processes should also be put in place in other States also so that there is greater involvement of consumer groups in the policy decisions having a bearing on the interests of the consumers and redressal of their grievances. For this, the CERC/FOR need to take proactive role in consultation and coordination with Electricity Commissions of those States.

2.12 The Committee find that Section 173 of the Electricity Act, 2003, provides that nothing contained in this Act or any rule or regulation made thereunder or any instrument having effect by virtue of this Act, rule or regulation shall have effect in so far as it is inconsistent with any other

provisions of the Consumer Protection Act, 1986 or the Atomic Energy Act, 1962 or the Railways Act, 1989. The said Act thus does not interfere with the rights of the consumers within the Consumer Protection Act, 1986. Any consumer of electricity is, therefore, at liberty to approach any of the Consumer Courts for a legal redressal of his/her grievance. The Electricity Act, 2003, however, provides a more expeditious mode of consumer redressal whereunder it has been made obligatory on the distribution company – a licensee to establish forum which shall be addressing consumer grievances. Not satisfied with the decision of this forum, the consumer can appeal to Ombudsman appointed for the purpose. Taking note of the fact that the Consumer Grievance Redressal Forums (CGRFs) have been set up and Ombudsmen have been appointed in almost all the States, the Committee are of the view that the CERC/SERCs should ensure that these bodies function independently out of any Governmental control(s), whatsoever.

2.13 The Committee also note that after exhausting the channel of CGRF and Ombudsman, the affected consumer has no place to go for appeal except for having an option to go through the normal legal process as the Regulatory Commissions are not empowered to hear any appeal. The Committee, therefore, desire that some sort of mechanism needs to be worked out by the Government in this regard so that the electricity consumers may be spared from the cumbersome legal processes in seeking the redressal of their grievances.

2.14 The Committee are surprised to note that only after the Committee chose to take up for detailed examination the subject 'Role of CERC and SERCs in Protection of Interests of Consumers', the Ministry decided examine issues related thereto. A study on the consumer redressal mechanisms was entrusted to Indian Institute of Public Administration and Administrative Staff College of India (ASCI) for conducting the study and give a report within a period of three months. The Committee have been informed that ASCI has submitted the draft report which is being examined by the Ministry. The Committee would like to be apprised of the details of this study Report and the precise action taken by the Government thereon.

2.15 The Standing Committee on Energy, in their 9th Report (14th Lok Sabha) on APDRP, presented to Lok Sabha on 25.08.2005, had recommended that besides resolving the issues like steep tariff hike and reduction in T&D losses, the private distribution companies in Delhi should also sort out the issues relating to increasing complaints of fast running of electricity meters. As regards the number of complaints received by distribution companies in Delhi, the Committee are informed during 2007-08, 17293 complaints related to billing and 23051 complaints on metering problems were received by the distribution companies. The DERC has also informed that the Delhi Electricity Supply Code and Performance Regulations, 2007 require the electricity meters to conform to the Central Electricity Authority (CEA) Installation and Operation of Meters Regulation 2006. The CEA regulations specify that meters shall comply with the

requirements of the relevant standard notified by the Bureau of Indian Standards (BIS) which *inter alia* define the error limits of meters. The error limits for electricity meters are set by BIS in their relevant standards and current limits are $\pm 1\%$ and $\pm 2.5\%$ for class I static (electronic) type meter under standard and on site conditions. The Committee are happy to note that DERC has notified ERTL (North), Okhla, Delhi and CPRI which are National Accreditation Board for Testing and Calibration Laboratories (NABLs) accredited Government laboratories, as independent third parties for testing of meters. However, the fact remains that consumers in Delhi are mainly dissatisfied with such measures. The Committee strongly feel that ways and means should be found to ensure satisfaction of the consumers in respect of over-billing as well as fast running of meters. In case of complaints of fast running meters, quick action needs to be taken to replace them. The Committee also recommend that the consumers should be allowed to have a meter of their own choice from a set of meters approved by the agencies like CPRI. The Committee also feel that distribution companies should educate the consumers as to how the electric appliances are to be used with a view to ensuring minimum consumption of electricity which in turn would reduce the possibility of the excess reading of sensitive meters.

2.16 The Delhi Electricity Supply Code and Performance Standards Regulations, 2007 envisage payment of compensation by the Distribution companies to consumers in the event of default in observance of the

notified Standards of Performance. The Commission has directed all the Distribution companies to pay compensation to the affected consumers without there being a need for such consumers to apply for the same. The Committee would like to know details of the cases disposed off where compensation have been paid by the Distribution companies to the affected consumers. At the same time, the Committee would like the Government/CERC to ensure that the other State Regulatory Commissions also follow suit in the matter to protect and safeguard the interests of the consumers.

D. Standards of Performance and Reliability Indices

2.17 Performance of power stations and inter-State Transmission system regulated by the Central Electricity Regulatory Commission (CERC) is governed by the benchmark Standards of Performance specified by the Commission as part of multi-year terms and conditions of tariff notified by it. Further, the CERC has specified a benchmark of target availability/capacity index in order to ensure reliability of supply which ultimately has to reach the end consumer through a distribution utility, the capacity of generating stations to produce electricity and of a transmission utility/licensee to deliver the same from the point of generation to the point of drawal. The Committee note that in most of the States, the State Electricity Regulatory Commissions (SERCs) have notified the Standards of Performance for quality, continuity and reliability of service to the consumers after consultation with licensees, stakeholders and general public. Some States are stated to have taken initiatives to notify and implement the Standards of Performance. In this regard, Karnataka has made an innovation by introducing Office of the Consumer's Advocacy (OCA), who hears complaints about the non-compliance of the Standards of Performance by the utilities. In Madhya Pradesh, quarterly and annual Reports on the performance standards are being published in newspapers and are available in Madhya Pradesh Electricity Regulatory Commission (MPERC). The MPERC also hold workshops with NGOs to disseminate information on the performance standards among consumers. The

distribution companies have been directed by MPERC to display performance standards at their offices. As per the directions of MPERC, six lakh pamphlets containing details of performance standards were distributed alongwith electricity bills in Bhopal, Indore and Jabalpur. Further, Ombudsmen are directed to review performance standards bi-annually. Similarly, Gujarat Electricity Regulatory Commission (GERC) specified formats for submitting information related to performance and obtains compliance reports from the Distribution Licensees and same are also uploaded on the Commission's website. The Standards of Performance Regulations provide for the various limits and time period for the parameters (Interruption, Period of Schedule Outages, Voltage variations, Harmonics) related to quality of power. To enforce these standards, detailed procedures have been prescribed in the Grid Code to be complied with by the licensees. While the Committee appreciate the steps taken by some of the State Electricity Regulatory Commissions, for monitoring the Standards of Performance and reliability of supply through monthly Reports, yet the Committee find out that many of these Commissions have not so far fixed the pre-determined indices on quality of power supply, to be followed by licensees. Taking note of the fact that as many as 21 State Electricity Regulatory Commissions (SERCs) have laid down Standards of Performance, the Committee desire that the Government should persuade all the SERCs to take elaborate steps to ensure that the Distribution Companies supply the consumers with the

continuous, quality and reliable supply of power. To ensure this, the Committee recommend that SERCs/Distribution companies should regularly disseminate information on Standards of Performance (SoP) being followed by the Distribution Companies. This needs to be ensured that the quarterly reviews are carried out by SERCs and the defaulting Distribution Companies are penalized. The Committee would like to be apprised of the action taken by the Government in this regard.

2.18 The Committee note that as per the National Electricity Policy, 2005 (Para 5.13.2), the SERCs are required to draw a road map for the declaration of reliability under the Reliability Index (RI) of supply of power to consumers of all cities and towns upto district headquarters as also rural areas. The Committee are, however, dismayed to note that till date the States like Bihar, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Maharashtra, Meghalaya, Rajasthan, Punjab, Tamil Nadu and Uttar Pradesh have reportedly not specified the Reliability Indices. The Committee feel that specifying the Reliability Indices should have been the top priority of SERCs to ensure consumer satisfaction. The Committee, deprecate the delay in specifying the Reliability Indices in these States and strongly urge the Government to intervene and pursue the matter with the concerned SERCs to ensure that their Reliability Indices be declared without any further loss of precious time.

2.19 The Committee observe that the Central Electricity Authority (CEA) has been capturing 'Outrage duration' and 'Number of Outrages' of 11 kv

feeders in respect of State capitals, district headquarters and towns with population of more than 8 lakhs. Subsequently, the CEA has now covered the towns with a population of more than 1 lakh. Since, National Electricity Policy also requires that the data of Reliability Index of supply of power to consumer should be completed and published by the CEA, the Committee desire that speedy action needs to be taken up in the matter so that relevant data collected by the Distribution Companies / State agencies could be compiled by the CEA. The Committee would like to be apprised of the steps taken by the Government in this regard.

E. Forum of Regulators

2.20 The Committee note that the Forum of Regulators (FOR) which was constituted as per Section 166 (2) of the Electricity Act, 2003, consists of the Chairperson of the Central Electricity Regulatory Commission (CERC) and Chairperson of State Electricity Regulatory Commissions (SERCs). The Forum is envisaged with functions like analysis of the tariff orders and other orders of the Central Commission and the State Commissions, harmonization of regulation in power sector, laying of Standards of Performance of licensees as required under the Act, sharing of information among members of the Forum on issues of common approach, evolving measures for the protection of consumers and promotion of efficiency, economy, competition and also undertaking research work-in-house or through outsourcing on the issues relevant to power sector regulation. The Committee observe that one of the main functions assigned to the Forum of Regulators is to strive for the harmonization of regulation in power sector. The Committee are, however, constrained to find that so far the FOR has held only six meetings since its inception (February, 2005) where certain important issues like strengthening the consumer advocacy system, Return on Equity (ROE) for distribution, operationalisation of open access in distribution, harnessing of surplus captive generation and Depreciation Rates for distribution were discussed and consensus on them was evolved. The Committee recommend that it would be only – and in line with the mandate of the Forum of Regulators under the Act, if the FOR

holds its meetings more frequently and analyse the important issues/challenges facing the power sector like tariff orders of State Commissions, especially those which have been challenged by the respective State Governments/Distribution companies. At the same time, the Committee would also like the FOR to evolve consensus and common approach on other important issues of common interest like fixing of Power Purchase Obligations from the renewable energy sources, implementation of power sector reform programmes, etc.

2.21 The Committee have been informed that the Forum of Regulators has appointed the Indian Institute of Management, Ahmedabad as consultant for conducting a study on Electricity Reforms and Regulations – a Critical Review of last 10 years experience with the main objectives (a) To review the role of various authorities involved in the process of reforms in the electricity sector in India, more importantly, the role played by the Government (Central as well as State), Government agencies, the Regulatory Commission, Appellate Authorities and (b) To assess the roles envisaged for various stakeholders including the Government (Central as well as State), Government agencies, Regulatory Commissions, Appellate Authorities and the constraints and gaps on achievements of the objectives set, and the way forward etc. According to the Ministry, draft Report in this regard is expected shortly. The Committee would like to be informed of the main findings of this study and the remedial action taken by the Government thereon.

F. Indian Electricity Grid Code

2.22 The Committee note with great concern that the major issue brought to the notice by the CERC with regard to the violation of Indian Electricity Grid Code (IEGC) remain frequent overdrawal from the Grid by certain States at lower frequencies. The Committee have been informed that the procedure of day ahead scheduling and pricing of deviations from the schedule (unscheduled interchange or UI) was part of the IEGC prepared by Central Transmission Utility and approved by the Commission which was implemented w.e.f. 1st February, 2000. The provision for pricing of UI, however, became effective only after implementation of the Availability Based Tariff (ABT) progressively in various regions beginning from July, 2002. The Committee also note that the ceiling rate of UI is fixed at 49.0 Hz and is related to the price of electricity that can be produced using the costliest fuel and thus reflects system marginal cost. However, there have been instances when States have overdrawn below the desired frequencies. In this regard, the Committee note that while disposing of a petition filed by the Western Regional Load Despatch Centre, the Central Commission vide its order dated 28th January, 2003 had directed that MPSEB shall pay a penalty of Rs. One lakh only invoking powers conferred on the Commission under Section 45 of now repealed ERC Act, 1998. Similarly, while disposing of a petition filed by Northern Regional Load Despatch Centre (NRLDC), the Commission had imposed a penalty of Rs. One lakh only on Uttar Pradesh Power Corporation Limited (UPPCL)

invoking powers vested with it under Section 142 of the Electricity Act, 2003. A penalty of Rs. One lakh on UPPCL was also imposed by the adjudicating officer appointed by the Commission under Section 143 of the Act, to conduct an inquiry into the instances of non-compliance by the respondent of the instruction of the NRLDC during the period 1.4.2006 to 30.4.2006. The Committee feel that the penalty imposed on the States overdrawing from the Grid at low frequency is too meagre to discourage them from overdrawing and to force them to follow the Grid Code. The Committee, therefore, recommend that more stringent penalties should be taken by the Central Government/CERC to prevent overdrawal from the Grid and as such to protect the Grid from collapsing.

2.23 The Committee note that some of the States have not even paid the UI charges. The Committee also take note of the fact that in a petition filed by WRLDC, the Commission has directed MPSEB to pay Rs.25 crore on or before 25.06.2006 and the balance amount of Rs.25.7 crore by 27.07.2006. Further, Uttar Pradesh is also reported to be not paying the outstanding arrears of Rs.770 crore of Unscheduled Interchange. In view of the huge outstanding arrears on accounts of non-payment of UI charges, the Committee feel that the Government should take up the matter at the highest level to ensure that the States abiding by the Grid Code do not suffer on account of the unauthorised overdrawl of power by other States. The Committee fully endorse the view of the Government that the outstanding amount from the defaulting States needs to be recovered by

way of the Central appropriation of their allocated funds and desire that the action taken in this regard be reported to them.

2.24 The Committee agree with the concern expressed by the Ministry about States violating the unscheduled interchange barrier and overdrawing power to the detriment of other States, and expect them to appropriately fix UI charges taking into account the cost of generation of power from various kind of fuels including naphtha and these charges may be allowed to increase as and when the fuel cost is increased. The Committee also fully endorse the views of the Government that the regulators should evolve such a practice that when the Annual Return Rates (ARRs) are being filed, the damages which have been imposed for the UI charges should be stated separately and very clearly and those payments which are in the nature of damages should not go to show purchase of power because that really is the inefficiency or incompetence of that particular Distribution company or entity. The Committee would, therefore, recommend that the matter may be deliberated by FORs to arrive at a consensus and the Committee may be apprised of action taken in the matter. At the same time the Committee strongly recommend that certain more stringent measures are needed to be evolved by the Central Government in consultation with the CERC to avoid any major grid disturbances in the future.

G. Open Access in Transmission and Distribution of Electricity

2.25 The Committee note that regulations for open access in inter-State transmission issued by the Central Electricity Regulatory Commission (CERC) in February, 2004, were amended in February, 2005, to further harmonise them with the requirements of trading in electricity. The CERC has now finalised the new open access regulations for the inter-State transmission after consultation with the stakeholders and the new regulations have been reported to become fully effective with effect from April 1, 2008. Steps are stated to have been taken in 19 States to implement the provision of Electricity Act, 2003 regarding issue/notification of the regulation for open access. Further, 35 consumers in Chhattisgarh, 17 applicants in Madhya Pradesh, 9 consumers in Rajasthan have been reported to be availing/sanctioned open access of electricity. The Committee observe that the annual volume of electricity traded through open access route is only of the order of two per cent of the total available energy. The new regulations for open access state that in case of bilateral intra-regional transaction, the transmission charges for the use of interstate transmission system shall be Rs.30/MWh, for bilateral, between adjacent regions, these will be Rs.60/MWh and Rs.90/MWh for bilateral wheeling of electricity through one or more intervening regions. Further, in case of the collective transactions charges at the rate of Rs.30/MWh for energy approved for transmission for each point of injection and for each point of drawal shall be payable for use of the inter-State transmission

system. The Committee also observe that the transmission charges recovered from open access customers are to be utilised for reduction in the monthly transmission charges payable by long-term customers of the region after allowing 25% to be retained by the Central Transmission Utility and the transmission charges for the use of State network to be disbursed to the State Transmission Utility concerned. The Committee believe that these new regulations which have come into force with effect from 1st April, 2008, would not only improve the magnitude of bilateral trade of power in the country where the present transactions are taking place between the SEBs or their successor utilities, but will also benefit the consumers once open access at intra-State level also becomes effective. The Committee appreciate the efforts made by the Ministry to see that the open access is operationalised in the country and also take note of the fact that it was unanimously resolved to support this proposition in the Chief Ministers conference held during 2007. The Committee recommend the State Governments should ensure that the open access takes off in their States more steadily and progressively.

2.26 The Committee are concerned to note that some States are reported to be forcing their regulators to bring directions to use power within the State and also there has been a tendency of some States to impose excessive wheeling charges for the export of power which makes it unremunerative for generating companies to sell their power outside the State. While appreciating the Government's action to direct the Forum of

Regulators to bring out a website which will post all the rates which have to be paid and charges which would be levied for utilising open access as well as the distribution companies who intend to purchase power through open access, the Committee urge the Government to take immediate steps to ensure that all the Regulatory Commissions to follow a uniform policy regarding open access and levying of wheeling charges therefor to usher in effective operationalisation of open access in the country.

H. Setting up of Power Exchanges

2.27 The Committee note that the CERC has issued guidelines in February 2007 for the setting up of power exchanges in the country. The rules, byelaws and procedures for operation of a power exchange are approved by the CERC and the promoters of the exchange(s) have the freedom to develop, manage and operate the power exchange within the ambit of such approved rules, byelaws and procedures. Further, the Ministry have also specified that power exchange is a voluntary platform and no existing power purchase agreements or bilateral agreements are disturbed as a result of the setting up of a power exchange. The Committee find that the CERC has given permission to M/s India Energy Exchange Ltd. and the first power exchange has started operation on 9th June, 2008. Further, the CERC has also given permission to Power Exchange India Ltd. to set up the power exchange. The application of M/s NTPC Ltd. seeking permission to set up and operate a power exchange (with other stakeholders viz. M/s NHPC and NCDEX) is, however, reported to be pending with the CERC. According to the Government, power exchange should be an option available to the utilities apart from other ways in which they can buy and sell power. Although, the Committee feel that the very purpose of the setting up of power exchanges should have been to bring down the cost of electricity, the Committee are concerned to take note of a candid submission made by a representative of CERC 'it will give another option to both the buyers and the sellers. Thus, if the buyers are more and

sellers are less, then prices will go up and if there are more sellers and less number of buyers, then prices will come down.’ The Committee apprehend that in the present scenario of power shortage in the country, where the number of buyers are always going to be more than the number of sellers, the power exchanges programme may end-up in the increase in the rates of electricity and may not benefit the consumers as envisaged originally. The Committee, therefore, recommend the Government/CERC to formulate guidelines whereby a higher limit of trading margin upto which the sellers should be allowed to benefit, is fixed. The Committee would like to be apprised of the action taken by the Government in this regard.

I. Power Purchase Obligations from Renewable Sources of Energy

2.28 The Committee note that Section 86 (l)(e) of the Electricity Act, 2003, provides that the State Electricity Regulatory Commissions shall promote cogeneration and generation of electricity from the renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person and also specify, for purchase of electricity from such sources – a percentage of the total consumption of electricity in the area of a Distribution Licensee. The National Electricity Policy and Tariff Policy also suggest preferential tariff and implementation of Section 86 (l)(e) with progressively increasing percentages for renewable power generation. Consequently some State Governments are making efforts to exploit the available renewable energy potential in their States – whether it is through the wind, biomass, solar, small hydro projects and as a result of these efforts the States like Tamil Nadu, Maharashtra, Karnataka, Gujarat, Rajasthan, Madhya Pradesh have 3873.4 MW, 1755.9 MW, 1011.4 MW, 1252.9 MW, 538.8 MW and 187.7 MW of installed capacity of electricity from renewable sources of energy. Steps are also stated to be taken by the State nodal agencies to further promote the development of energy from renewable energy sources. The Committee are however, constrained to note that a number of States have not as yet even specified the Renewable Power Purchase obligation percentages. The States who have specified the power purchase obligations, the figure varies from 2% to 10%. Although, the Committee acknowledge that State Commissions should decide as to

how and which renewable source of energy needs to be tapped or procured, the Committee observe that the non-implementation of provision of Section 86 (l)(e) of the Electricity Act, 2003, by some of the States would further hinder the exploitation and use of renewable energy in those States. The Committee, therefore, recommend that the Central Government/ CERC should take up the matter at appropriate levels and ensure that all the States lay down the obligations not only for the generation of electricity from renewable sources of energy but also for the purchase of such electricity by the Distribution Licensees. The Committee also expect the Forum of Regulators (FOR) to play a proactive role in promoting renewable energy and bringing about uniformity in the Renewable Energy Purchase Obligation provisions in all the States.

2.29 The Ministry of New and Renewable Energy have informed the Committee during evidence that it is working on a different proposition whereby those States who do not have the potential renewable sources, can purchase from other States and that too not exactly through transmission lines, but by the issue of certificates which would be called 'renewable certificates' or 'green certificates'. According to the Ministry, these certificates can be obtained by the power generators. The Ministry of New and Renewable Energy have reportedly engaged some consultants to work out the modalities for the same. The Committee would like to know the outcome of the study carried out by the consultants as well as the action taken by the Government thereon in due course. The Committee

also recommend the Government to ensure that the 'green certificates' be strictly issued only in those States which do not have enough renewable sources of energy.

NEW DELHI;
27th January, 2009
Magha 7, 1930 (Saka)

GURUDAS KAMAT,
Chairman,
Standing Committee on Energy

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2007-2008) HELD ON 19.12.2007 IN COMMITTEE ROOM NO. 'B' PHA, NEW DELHI

The Committee met from 1500 hours to 16.50 hrs.

PRESENT

1. Shri Gurudas Kamat - Chairman

MEMBERS

LOK SABHA

2. Shri Kailash Baitha
3. Shri Gaurishanker Chaturbhuj Bisen
4. Shri Mohan Jena
5. Sardar Sukhdev Singh Libra
6. Shri Sanat Kumar Mandal
7. Shri Dharmendra Pradhan
8. Dr. Ravindra Kumar Rana
9. Shri Vijayendra Pal Singh
10. Shri E.G. Sugavanam
11. Smt. Susmita Bauri
12. Shri Chandra Pal Singh Yadav

RAJYA SABHA

13. Shri Sudarshan Akarapu
14. Dr. K. Kasturirangan
15. Shri Motilal Vora

SECRETARIAT

1. Shri R.C. Ahuja - Joint Secretary
2. Shri J.S. Chauhan - Deputy Secretary
3. Shri Shiv Kumar - Deputy Secretary
4. Shri Arvind Sharma - Under Secretary
5. Smt. Juby Amar - Under Secretary

WITNESSES

MINISTRY OF POWER

S.No.	Name of Officer	Designation
1.	Shri Anil Razdan	Secretary (Power)
2.	Shri Anil Kumar	Addl. Secretary
3.	Shri G.B. Pradhan	Joint Secretary
4.	Shri Jayant Kawale	Joint Secretary
5.	Shri V.P. Joy	Joint Secretary
6.	Shri Devender Singh	Joint Secretary
7.	Shri Rajesh Verma	JS&FA
8.	Shri Alok Kumar	Director (R&R)
9.	Shri Kapil Mohan	Director (Dist.)

CENTRAL ELECTRICITY AUTHORITY

10.	Shri V.S. Verma	Member (Plg.)
11.	Shri V. Ramakrishna	Member (PS)
12.	Shri Sunil Verma	Member (E&C)
13.	Shri S.M. Dhiman	Member (GO&D)

CENTRAL ELECTRICITY REGULATORY COMMISSION

14.	Shri Bhanu Bhushan	Member and Acting Chairman
15.	Shri Ravinder	Chief (Engineering)
16.	Shri Sushant Chatterjee	Dy. Chief (Regulatory Affairs)

POWERGRID CORPORATION OF INDIA LTD.

17.	Shri Sanjay Garg	DGM
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At the outset, the Chairman welcomed the Members of the Committee and the representatives of Ministry of Power to the sitting of the Committee and invited their attention to the provisions contained in Direction 58 of the Directions by the Speaker.

2. The Secretary, Ministry of Power thereafter briefed the Committee on the various aspects of the functioning of CERC and SERCs and their role in protection of interests of consumers.

3. The Committee then sought clarifications on the various issues having a strong bearing on the subject 'Role of CERC and SERCs in protection of interests of consumers'. The following important points came up for discussion during the sitting of the Committee:

- (i) The role of CERC and SERC in matters of policy, tariff rationalization, specification of standards of performance by CERC and setting up of Power Exchange in the country
- (ii) The number and nature of complaints received by the SERCs and their redressal
- (iii) The reduction in the AT&C losses by utilities and sharing thereof with consumers
- (iv) Implementation of open access in the country in generation and transmission sectors
- (v) Tariff fixation and trading of power
- (vi) Procurement and exchange of power between different States and policy guidelines in regard thereto

4. The representatives of the Ministry of Power replied to the queries of the Members on the aforesaid issues. The Chairman desired that the information that was not readily available with the representatives of the Ministry of Power could be furnished to the Secretariat in due course.

5. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned

MINUTES OF THE TENTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2007-08) HELD ON 23.04.2008 IN COMMITTEE ROOM 'D', PHA, NEW DELHI

The Committee met from 1500 hours to 18.30 hrs.

PRESENT

Shri Gurudas Kamat - Chairman

MEMBERS

LOK SABHA

2. Shri Kailash Baitha
3. Shri Mohan Jena
4. Prof. Chander Kumar
5. Sardar Sukhdev Singh Libra
6. Shri Dharmendra Pradhan
7. Dr. Ravindra Kumar Rana

RAJYA SABHA

8. Dr. K. Kasturirangan
9. Shri Syed Azeez Pasha
10. Shri Jesudasu Seelam

SECRETARIAT

1. Shri R.C. Ahuja - Joint Secretary
2. Shri Shiv Kumar - Deputy Secretary
3. Shri Arvind Sharma - Under Secretary

WITNESSES

Ministry of Power

1. Shri Anil Razdan, Secretary
2. Shri G.B. Pradhan, Additional Secretary
3. Shri Anil Kumar, Additional Secretary
4. Shri Rajesh Verma, JS & FA
5. Shri Jayant S. Kawale, Joint Secretary
6. Shri V.P. Joy, Joint Secretary
7. Shri Devender Singh, Joint Secretary
8. Shri I.C.P. Keshari, Joint Secretary

Central Electricity Authority

9. Shri Rakesh Nath, Chairperson
10. Shri V.S. Verma, Member(Plg.)
11. Shri Gurdial Singh, Member (Hydro)
12. Shri R. Dahiya, Member (Thermal)
13. Shri V. Ramakrishna, Member (PS)
14. Shri Sunil Verma, Member (E&C)
15. Shri S.M. Dhiman, Member (GO&D)
16. Shri D.S. Arora, Secretary
17. Shri Alok Gupta, Chief Engineer
18. Smt. Sangeeta Verma, Economic Advisor

Central Electricity Regulatory Commission

19. Shri Bhanu Bhushan, Member
20. Shri Ravinder, Chief (Engineering)
21. Shri Sushant Kumar Chatterjee, Dy. Chief (Regulatory Affairs)

Assam Electricity Regulatory Commission

- 22. Shri Himadri Dutta, Member
- 23. Smt. Neelima Dewri, Secretary

Bihar Electricity Regulatory Commission

- 24. Shri B.K. Halder, Chairman

Madhya Pradesh Electricity Regulatory Commission

- 25. Dr. J.L. Bose, Chairman
- 26. Shri K.K. Garg, Member (Engineering)
- 27. Shri Ashok Sharma, Commission Secretary
- 28. Shri Gajendra Tiwari, Director (Tariff)

Orissa Electricity Regulatory Commission

- 29. Shri N.C. Mahapatra, Secretary

Uttar Pradesh Electricity Regulatory Commission

- 30. Shri Vijoy Kumar, Chairperson
- 31. Shri R.D. Gupta, Member

West Bengal Electricity Regulatory Commission

- 32. Shri Prititosh Ray, Member
- 33. Shri Anirban Guha, Director (Engg.)

Ministry of New and Renewable Energy

- 34. Shri K.P. Sukmaran, Scientist 'G'
- 35. Dr. J.R. Meshram, Scientist 'F'

2. At the outset, the Chairman welcomed the Members of the Committee and the representatives of Ministry of Power, representatives of the Central Electricity Regulatory Commission (CERC) and the State Electricity Regulatory Commissions (SERCs) to the sitting of the Committee and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker, Lok Sabha.

3. The Secretary, Ministry of Power then briefed the Committee on the various aspects of the subject 'Role of CERC and SERCs in protection of interests of consumers'. The following important points came up for discussion during the sitting of the Committee:

- (i) Open access in transmission and distribution of power and the present status of its implementation.
- (ii) Standards of Performance notified by the State Electricity Regulatory Commissions.
- (iii) Study assigned to the Administrative Staff College of India to assess the functioning of the grievance redressal mechanism, under the Electricity Act, 2003.
- (iv) Implementation of consumer redressal mechanism system and role of Ombudsman therein.
- (v) Existing T&D losses in various States and steps taken to reduce them. Implementation of restructured APDRP scheme and its role in reducing the AT&C losses.
- (vi) Rationalisation and fixation of power tariff in different States.
- (vii) Fixing of Renewable Energy Obligations (REOs) in various States and efforts being made to fix the same in other States including their implementation aspect.
- (viii)** Need to strengthen Regulatory Commissions to protect the interest of the aggrieved consumers.

4. During the meeting, the Chairman asked the representatives of SERCs to present their views on the role of SERCs in protection of consumers' interests in their respective State. The following important submissions were *inter alia* made by the representatives of the Commissions:

- (i) Steps taken by the Delhi Electricity Regulatory Commission to avoid major tariff hike in Delhi from 2004 onwards. The Committee were informed that as on 31.3.2008, i.e., the first year of the Multi Year Tariff period, the T&D losses of NDPL are around 18.5 per cent, starting from 48.1 in 2002. As regards BRPL, the other discom, which is supplying to south and south-west Delhi, these are around 27 per cent and in the BYPL which started off at 57.2 per cent in 2002, it is 29.9 per cent today.
- (ii) The representatives of the Orissa Electricity Regulatory Commission informed the Committee about the power sector reforms carried out in the State and the extent of tariff regularisation achieved there. They further informed the Committee that twelve Grievance Redressal Forums (GRFs) and two Ombudsman had been appointed in the State. Written submissions on the subject were also made by the representatives of the State Commission.
- (iii) Concern was raised by Chairman, Uttar Pradesh Electricity Regulatory Commission to strengthen the Regulatory Commissions in order to enable them to protect the interests of the consumers as they had no other options but to go to the Appellate Tribunal or Supreme Court after approaching the Ombudsman. The Committee were also informed that power shortage in the State was a major problem resulting in overdrawl by the utilities.
- (iv) Tariff rationalization taken up in West Bengal, the cross subsidization and T&D losses in the State which had been reduced from 41 per cent to 24.92 per cent were discussed among other things.
- (v) The facility of online registration of complaints made available in Madhya Pradesh, disposal of electricity related disputes, involvement of NGOs in the

public hearings held for tariff fixation and fixation of the minimum Purchase Obligation for power utilities from renewable energy were the main issues which came in for discussion.

- (vi) Assam State Regulatory Commission informed the Committee that the non-conventional sources of energy in the State are being promoted and power utilities are also being encouraged to install electric meters in spite of resistance from the consumers.
- (vii) Bihar State Electricity Commission informed the Committee about T&D losses in the State which were stated to be to the tune of 41%. The Committee were informed that the State Commission has asked the utilities to reduce the same by 3% per annum. Implementation of orders regarding the standards of performance and their adoption by the licencees also came in for discussion.

5. The Committee were then apprised of the status of setting up of power exchanges and trading of power in the country by the representative of Central Electricity Regulatory Commission (CERC). They (CERC) also felt that strict measures would have to be taken against those States who are overdrawing from the grid and a more severe penalty need to be imposed on them. The Committee were also informed that a discussion paper on harnessing various kinds of renewable energy would also be issued by the Commission to the State Governments.

6. The Members also raised several queries on the subject which were replied to by the representatives of Ministry of Power, CERC and SERCs, respectively.

7. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2008-09) HELD ON 27TH JANUARY, 2009 IN COMMITTEE ROOM 'C', PHA, NEW DELHI.

The Committee met from 1100 hrs to 1150 hrs.

PRESENT

Shri Jesudasu Seelam - In the Chair

MEMBERS

LOK SABHA

2. Smt. Susmita Bauri
3. Sardar Sukhdev Singh Libra
4. Shri Sanat Kumar Mandal
5. Shri Rabindra Kumar Rana
6. Shri Tarit Baran Topdar

RAJYA SABHA

7. Dr. Bimal Jalan
8. Shri Prakash Javadekar
9. Shri Sayed Azeez Pasha
10. Shri Shivpratap Singh
11. Shri Veer Pal Singh Yadav

SECRETARIAT

1. Shri Raj Kumar, Deputy Secretary
2. Shri Shiv Kumar, Deputy Secretary
3. Shri Rajesh Ranjan Kumar, Deputy Secretary-II

2. In the absence of the Chairman, the Committee chose Shri Jesudasu Seelam, a Member of the Committee, under Rule 258(3) of the Rule of Procedure and Conduct of Business in Lok Sabha, to act as Chairman for the sitting. The acting Chairman welcomed the Members of the Committee to the sitting. The Committee then took up for consideration/adoption the following draft Reports and adopted the same without any amendment/modifications:

- (i) Draft Report on the subject “Role of CERC and SERCs in the Protection of Interests of Consumers”.
- (ii) Draft Report on Action Taken on recommendations contained in the 22nd Report of the Committee on the subject “Ultra Mega Power Projects”.
- (iii) Draft Report on Action Taken on the recommendations contained in the 25th Report of the Committee on Demands for Grants of the Ministry of Power for the year 2008-09.
- (iv) Draft Report on Action Taken on the recommendations contained in the 26th Report of the Committee on Demands for Grants of the Ministry of New and Renewable Energy for the year 2008-09.

3. The Committee authorised the Chairman to finalize the Reports and present the same to both the Houses of Parliament.

The Committee then adjourned.