

**ORISSA ELECTRICITY REGULATORY COMMISSION**  
**BIDYUT NIYAMAK BHAWAN**  
**UNIT-VIII, BHUBANESWAR - 751 012**  
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Present : Shri B. K. Das, Chairperson  
Shri K.C. Badu, Member  
Shri B. K. Misra, Member

**Case No. 40/2011**

Director (Engg),OERC Vrs. The Commissioner-cum-Secretary, Deptt. of Energy, Govt. of Orissa, & Others.	....	Petitioner
	.....	Respondents

In the matter of: Suo-motu proceeding initiated by the Commission under Sec.23, 42(1), 61 and 86(2) 42 of the Electricity Act, 2003 and Clause 5.9.2, 5.9.4. and 5.9.6 of the National Electricity Policy for introduction of OERC (Demand Side Management) Regulations, 2011.

**Date of Hearing: 28.06.2011**

**Date of Order: 20.08.2011**

**ORDER**

The Commission is mandated under section 23, 42(1), 61 & 86(2) of the Electricity Act, 2003 to maintain an efficient system of supply using resources economically with optimum investment. Clauses 5.9.2, 5.9.4 and 5.9.6 of the national electricity Policy envisages adoption of Demand Side Management(DSM), Energy Conservation measures and load management techniques. In this regard, the Forum of Regulators (FOR) has formulated Model Demand Side Management (DSM) Regulation during May, 2010 and circulated vide its letter dt.30.07.2010. Thereafter, during September, 2010, Bureau of Energy Efficiency (BEE) has requested to adopt the said DSM Regulations by all SERC's after incorporating suitable modifications considering the state level ground realities. Accordingly, in exercise of the powers conferred by clause (zp) of sub sections(2) of section 181 of the Electricity Act, 2003, the Commission had framed a draft OERC (Demand Side Management) Regulations, 2011. A consultative paper was prepared and circulated amongst the stakeholders to furnish their suggestions/opinions. Both the proposed Regulations & Consultative Paper was made available in the Commission website:

www.orienc.org and a public notice was issued through news papers for all concerned for inviting opinions/suggestions from interested persons/ institutions/ associations, if any, on the matter. The Commission had also taken up the matter in the ARR & tariff hearing exercise for the FY 2011-12 to know the proposed DSM activities to be undertaken by DISCOMs and the costs & benefit involved, therein.

In response to the aforesaid public notice and letter the Commission received views/ suggestions from NESCO & WESCO only.

2. Since the matter involves of wider ramification, the Commission decided to finalise the matter through a consultative hearing asking all the stake holders, EIC-cum-PCEI, the nodal officer for DSM in the state. OREDA, REC and other consumer forums to give their comments and attend the public hearing to finalise the DSM Regulation. A Suo-moto proceeding was initiated (Case No. 40/11) and hearing was conducted 28.06.2011. In the hearing the following persons were present and submitted their views:-
  - i) Sri Lingaraj Padhi, D.G.M.(Com), CESU (ii) Sri Prasun Kumar Das, A.G.M.(Elect.) of CESU, (iii) Sri P.M. Mishra, E.E.(EC), Office of the EIC(E)-cum-PCEI & SDA Electricity, (iv) Sri S.C.Mohanty, Legal Consultant, Dept. of Energy, (v) Sri S.K.Sahoo, C.P.M.,REC Ltd (vi) J.K.Nayak, C.M.(F) of REC Ltd., (vii) Sri S.D.Bhanja, D.G.M.(RA & Legal) NESCO, (viii) Ms.Harapriya Behera, A.M.(EL.)R&T, OPTCL (ix) Sri P.K.Dash, G.M.(G.O.), SLDC of OPTCL, (x) Sri Piyush Mohanty, A.M.(F), CSO, BBSR & Sri Manas Kumar Das, G.M.(PT), CSO, WESCO, NESCO & SOUTHCO.
3. Director (Engg.), OERC, being the designated petitioner made a Power point Presentation on the salient points of draft Notification and addressed some of the issues raised by the objectors.
4. The summary of views presented by each of the persons during the hearing on 28.06.2011 including the observation of the Commission are summarized below:

- (i) During the presentation, it was stressed on the need for Demand Side Management and various enabling provisions and its benefit in Orissa's context. He started his presentation explaining about its background, thrust by Bureau of Energy Efficiency (BEE) supported by guidelines /Model Regulations framed by Forum of Regulators (FoR) and overall benefit of the sector by curtailing the peak demand with proper demand management.
- (ii) *The Commission opined that DISCOMs should offer their views in an objective manner but it is surprising that no stake holders have suggested any genuine addition/subtraction/modification to the proposed Regulations. It seems that no stake holder has analyzed/studied the Regulations in detail to verify whether their issues are addressed or not?*
- (iii) CESU suggested for incorporation of structure of DSM cell and its specific activity in Regulation 4.1, to which Dir.(Engg.) said that Regulation is a higher order document and procedures/guidelines formulated at a later date may address those issues. Replying to a question put forth by CESU as regards to consumer's observance to DSM, Dir(Engg) said that it is specifically mentioned in the consultative staff paper circulated for this purpose that consumer's capability and willingness is required for effective implementation of the aforesaid proposed Regulations.
- (iv) *The Commission observed that the points raised by CESU are not so much relevant. Suggestions/opinions should be focused rather than general in nature. The comments must be substantial instead of frivolous/peripheral/irrelevant. The Commission directed CESU to furnish its exact intention of addition/alteration/deletion of any point in the proposed Regulations with the reasons in support of that within 15.07.2011. The Commission also opined that consumer may itself incentivised with the effectiveness of this Regulation, otherwise things can be made to incentivise the consumer.*
- (v) Representative of DoE, GoO has requested for allowing time up to 15.07.2011 for submission of its comments of the proposed Regulations.
- (vi) *The Commission opined that instead of submitting the activities taken up by GoO for DSM, enlargement/modifications/amplifications/deletion etc. should be furnished with valid reasons, considering the ground realities. In*

*case of non-receipt of anything from GoO within 15.07.2011, it will be presumed that GoO has no views to offer as far as the proposed Regulations on DSM is concerned.*

- (vii) Authorised representative of GRIDCO submitted that the proposed Regulations are mostly required to be implemented by DISCOMs, hence GRIDCO is not having any objection for approval of the DSM Regulations.
- (viii) *The Commission opined that, GRIDCO, being the sole purchaser of electricity for the state's consumption, is an important stakeholder and is required to offer its views/ suggestions, if any within 15.07.2011. GRIDCO instead of confining itself to the purchase/sale of power should actively associate itself in the issues, where purchase of costly power can be avoided. DSM is one such route, strict observance of which can reduce the quantum of purchase of costly power.*
- (ix) OPTCL said that DSM plan should be finalized in consultation with all the stake holders & the same should be available in the website of DISCOM's for information of all concerned. OPTCL stressed to have a Key Performance Indicator to ascertain the performance of DISCOMs.
- (x) Mr.S.K.Sahoo, on behalf of Rural Electrification Corporation urged for clarification of funding mechanism or guidelines for funding are required to be mentioned in clear terms, in the Regulations otherwise there are possibilities of funding problem to DISCOMs. As the consumers will be benefited directly by the implementation of DSM, DISCOMs may conduct public awareness programmes, in order to appraise the objective of Regulations to all concerned.
- (xi) Sri P.K.Dash on behalf of SLDC said that, the DSM Regulation is need of the hour. Maintenance of grid discipline through demand management shall definitely be beneficial to SLDC.
- (xii) Authorised representative of NESCO submitted that as a first step, they have engaged one agency for load research. Supporting the Regulation, NESCO said that they are now trying to introduce DSM programmes in Kamarda section, taken up by the Members of SAC for improvement of quality and Standards of Performance.

- (xiii) Mr. Manas Kumar Das, G.M. of CSO Office of Reliance Infra on behalf of NESCO, WESCO, SOUTHCO requested for some more time to assess the exact amount to be spent and the overall benefit expected from the implementation of the said Regulation.
- (xiv) Mr.R.P.Mohapatra stressed that DSM should be enforced through BST and RST mechanism. He apprehended that, it will not work, if the Commission makes it voluntary. DISCOM should be forced to implement it and educate its consumers, for their benefits. Later, in a submission on a draft consultative paper regarding the Orissa Power Sector, Sri Mohapatra has stressed for provision of penalty for non-performance. Commission feels that, since it is a good suggestion, it may be incorporated at Regulation 20. Other suggestion of publicity of DSM activity has been taken care at Regulation 12.2.x.
- (xv) *After hearing the oral submissions made by the parties (present during the hearing), the Commission directed all the parties to submit their written submission within 15.07.2011 for finalization of OERC (Demand Side Management) Regulations, 2011.*

5. Before the hearing, the Commission had received suggestion/opinion from WESCO & NESCO only. These suggestions along with remarks of the staff of the Commission are noted below at (A) and (B). Further, as per direction of the Commission during the hearing, other stake holders have submitted their suggestion/opinion. These submissions and the remarks of the staff of the Commission are noted at (C) to (G) below:

(A) **WESCO**

**Suggestion:**

- (i) Regulation 3.2: Since the licensees are the stake holders, they may be involved in the process of formulation of objectives.

**Commission's View:**

*The proposed addition to the Regulation may be considered as the DISCOMs are being involved for assessment of potential for DSM and ultimately the executing agencies for achievement of DSM targets. Hence, Regulation 3.2 may be modified as "While formulating the DSM Objectives, the Commission may take into*

*consideration the National DSM Objectives/ Plans formulated by BEE, if any GRIDCO and DISCOMs may be involved in the process of formulation of objectives*".

**Suggestion:**

- (ii) Regulation 14 : It is difficult to implement DSM without allocation of fund. Further, as the benefit of the DSM programmes goes to all sections of the society either directly or indirectly, in addition to other sources of funds, the Govt. of Odisha may be approached for funding of DSM programmes.

**Commission's View:**

*It has been mentioned in the Regulation that the Distribution Licensee is required to identify the net incremental costs, if any, associated with planning, design and implementation of programmes and propose methodology for recovery of net incremental costs through tariff or any other mechanism. Further, there is no harm if the DISCOM will approach the Government for funding of such projects. Hence, specific mention of the suggestion is perhaps not required to be incorporated in the proposed DSM Regulations.*

(B) **NESCO**

**Suggestion:**

- (i) Regulation 13: NESCO is already having a DSM cell taking various actions for implementation of Demand Side Management in its area of operation.
- (a) Executed the agreement with M/s Banyan Environmental Solutions (P) Ltd for provision of CFLs in exchange of ICLs at nominal cost of Rs.15/- per CFL.
- (b) M/s Daniel Power System Solutions (P) Ltd. has been assigned for implementation of "variable power delivery and theft prevention system" in Barbil subdivision as a DSM module.
- (c) Insisting for inbuilt capacitor motors for single phase 3HP motors and others to use required capacitor banks for the motors used for LI purpose.

**Commission's View:**

*The suggestions are general in nature, of course, the steps taken by NESCO is in line with the stipulations as mentioned in the Regulation 13.4 of the proposed OERC (DSM) Regulations, 2011. Hence, it is not required to include these inputs into DSM Regulation.*

**Suggestion:**

(ii) Regulation 14: NESCO is not having any objection to the DSM Regulations but requested for provision of adequate time & fund for DSM implementation.

**Commission's View:**

*It has been addressed generally in Regulation 13 & 14 of the proposed OERC (DSM) Regulations, 2011, hence inclusion of the suggestion is not required.*

(C) **OPTCL**

**Suggestion:**

(i) Regulation 9.4: Guiding factor for finalization of DSM programme and DSM plan may be prioritised.

**Commission's View:**

*The guiding factors in prioritised manner have been noted in the Regulations. Hence, this suggestion may not be accepted.*

**Suggestion:**

(ii) Regulation 10.1: There may be stringent/prudent cross checking of the net incremental cost and deviation of DSM programme by DISCOMs may debar the DISCOMs from eligibility of cost recovery.

**Commission's View:**

*This suggestion does not appear to have any link with Regulation 10.1 and hence may not be accepted.*

**Suggestion:**

(iii) Regulation 14.2: DSM activity may be considered as a mandatory obligation instead of a free choice on DISCOMs.

**Commission's View:**

*The Regulation provides for proposal by DISCOMs to the Commission for cost recovery. The final decision is of the Commission. Hence, this suggestion may not be accepted.*

**Suggestion:**

(iv) Regulation 6, 11 & 15: All the stakeholders may be involved for formulation of well thought guidelines. DSM target set by the Commission may be considered as one of KPI (Key Performance Indicator) for DISCOMs, to be monitored during periodic performance review.

**Commission's View:**

*Involvement of all the stakeholders may cause delay in implementation of the process. We may not accept the suggestion. However, as at 5(A), we may involve OPTCL also in Regulation 3.2 in the formulation of DSM objective.*

(D) **CESU**

**Suggestion:**

- (i) Regulation 2: Definition of "Load and Market Research" may be added. It may be defined as "The systematic gathering, recording and analyzing of data describing customers' patterns of energy usage."

**Commission's View:**

*The concept of load and market research is to be defined while issuing guidelines under Regulation 6. Hence, we may not accept this suggestion.*

**Suggestion:**

- (ii) Regulation 3.1: The objective may also include –

"Reducing the need for investments in networks and/or power plants thus saving the precious and exhaustible fossil fuels".

**Commission's View:**

*This is a good suggestion and is in fact one of the primary reasons to go for DSM. We may accept.*

**Suggestion:**

- (iii) Regulation 4.1: Involvement and co-operation of Distribution engineers as well as consumers is required.

**Commission's View:**

*This has been taken care in Regulation 3.2 as per suggestion of WESCO stated earlier. However, we may accept the suggestion and add the proposal at the end of Regulation-4.1.*

**Suggestion:**

- (iv) Regulation 6: The following guidelines may also be added:

"Structure of the cell with delegation of power "

The DSM Cell of DISCOMs may be comprised of one senior officer not below the rank of GM, 2 nos. DGM/AGM, 4 nos. Asst Manager/Dy. Manager and 4 nos. of Ministerial staff for efficient functioning.

**Commission's View:**

*This suggestion does not make any value addition. We need not accept it.*



**Suggestion:**

(v) Regulation 7.1: Hon'ble Commission may approve the hierarchy and staffing pattern of DSM cell with specific budgetary support.

**Commission's View:**

*This may not be required as it should be left to DISCOMs to do the job.*

**Suggestion:**

(vi) Regulation 7.2: DSM cell may be under direct control of CEO with proper delegation of power.

**Commission's View:**

*We may add this at Regulation 7.1.*

**Suggestion:**

(vii) Regulation 8.4 DISCOMs may be empowered to engage consultant / expert teams.

**Commission's View:**

*We may accept this suggestion and add at Regulation 8.1.*

**Suggestion:**

(viii) Regulation 8.2: The following may be added –  
“Distribution licensee may undertake the market research through in-house arrangement or engage consultants/outside agencies having expertise in conducting such research.”

**Commission's View:**

*We may accept it at Regulation 8.4, with modification by substituting “expertise” by “practical working experience expertise” in conducting such research..*

**(E) DoE, GoO/EIC(E)-Cum-PCEI & SDA(O)**

(i) Regulation 2(vi) & (x): Definitions of “Demand Side Management” and Monitoring and Reporting may be modified as below as proper documentation of DSM programme is useful for future reference and achieving standardized approach across all DISCOMs.

“Demand Side Management” means the actions of a Distribution Licensee, beyond the customer's meter, with the objective of altering the end-use of electricity- whether it is to increase demand, decrease it, shift it between high and low peak periods, or manage it when there are intermittent load demands – in the overall

interests of increasing the efficiency of energy utilization and reducing Distribution Licensee costs.

“Monitoring and Reporting” means activities which monitor, evaluate and document the progress of DSM/energy efficiency programmes of the Distribution Licensee.

**Commission’s View:**

*These are standardized definition proposed for adoption country-wide. Hence, we may not accept.*

**Suggestion:**

(ii) Regulation 3.3: The word “may” be substituted with “shall”

**Commission’s View:**

*We may accept.*

**Suggestion:**

(ii) Regulation 6: A new clause to the Regulation 6 may be added as 6(viii) “Evaluation, Measurement and Verification of savings through DSM programmes” as it will be helpful for establishment of a standardized evaluation framework.

**Commission’s View:**

*This has been dealt at Regulation 16, and hence may not be accepted.*

**Suggestion:**

(iv) Regulation 7.1: To ensure the establishment of DSM cell by DISCOMs, the details of the DSM cell constituted, may be submitted to the Commission. Hence, Regulation 7.1 may be substituted as below:

“Every Distribution Licensee shall, constitute DSM Cell within one month of adoption of these Regulations and shall submit to the Commission the details of the DSM cell such constituted.”

**Commission’s View:**

*In the draft Regulation, we may add after” official gazette” – “and shall submit to the Commission, the details of DSM cell such constituted.”*

(F) **REC**

**Suggestion:**

(i) Regulation 3: The following may be added as Regulation 3.4 under DSM objectives.

“The DSM objectives may be broken down into activity-wise operational plans like bifurcation of feeders into agricultural and domestic etc.”

**Commission’s View:**

*This is not an objective, but part of the DSM Plan/Programme and hence may not be accepted. Perhaps this is not required and hence may not be accepted.*

**Suggestion:**

(ii) Regulation 6: The following may be included as Regulation 6.1(viii) under Guidelines.

“The Distribution Licensee shall be at liberty to use their own fund or loan or any combination of own and loan fund. Further, the subsidy and loan ratio shall be approved by Commission.”

**Commission’s View:**

*No where DISCOMs have been barred to use their own fund or loan or any combination. Hence, this may not be accepted.*

**Suggestion:**

(iii) Regulation 12: The following may be included as Regulation 12.2(xi) under approval of DSM programme.

“The Distribution Licensee shall cause to develop awareness among different category of consumers through advertisement in print and /or in electronic media or any other method as the Commission may deem fit.”

**Commission’s View:**

*This is already there in Regulation 12.2(x) and hence may not be accepted.*

**Suggestion:**

Regulation 15: The following may be included as Regulation 15.2 under Monitoring and Reporting of DSM programmes.

“The Commission may direct the Distribution Licensee to place, update and maintain the progress of each individual DSM programme, category-wise or in any other manner the Commission may desire, in its website for monitoring.”

**Commission’s View:**

*This is a good suggestion and may be accepted.*

(G) **GRIDCO**

**Suggestion:**

Scope of DSM may include consumer awareness & training of the consumers. Funding pattern of DSM may be clearly defined for preparation of feasibility of the proposed projects. GRIDCO, being a Govt. undertaking and Nodal Agency of the State Govt., may be considered as Agency for Implementation of the schemes under DSM in Orissa.

**Commission's View:**

*Proposal of GRIDCO has not stated the Regulations at which these items can be fitted. However, in general the proposals may cause major changes in the proposed DSM Regulation, which may not be acceptable in view of the fact that this Regulation is being broadly accepted nationwide. First two suggestions have been addressed at Regulation 12.2.x, 9.4.iv,11.1 and 14.2. However, as at 5(A), we may involve GRIDCO also in Regulation 3.2 in the formulation of DSM objective. We may also include at Regulation 13.1 regarding involvement of GRIDCO.*

6. After taking in to account the various suggestions/comments of different stakeholders vis-à-vis the views of the Commission staff and considering the recommendations/suggestions received from FOR, BEE etc., Commission has finalized OERC (DSM) Regulations, 2011 which is attached to this order as an Appendix.
7. The Secretary is directed to take necessary steps for publication of the same in the Orissa Gazette and it may also be placed in the Commission's website for information of the general public.
8. Accordingly, the case is disposed of.

**Sd/-**  
**(B. K. Misra)**  
**Member**

**Sd/-**  
**(K. C. Badu)**  
**Member**

**Sd/-**  
**(B.K.Das)**  
**Chairperson**

**ORISSA ELECTRICITY REGULATORY COMMISSION  
BIDYUT NIYAMAK BHAWAN  
UNIT-VIII, BHUBANESWAR-751 012**

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**NOTIFICATION**

Dated, the 20<sup>th</sup> August,2011.

No.OERC-Engg.-61/1998 (Vol.II)/1530(A)- WHEREAS section 23 of the Electricity Act 2003 provides that “If the Appropriate Commission is of the opinion that it is necessary or expedient so to do for maintaining the efficient supply, securing the equitable distribution of electricity and promoting competition, it may, by order, provide for regulating supply, distribution, consumption or use thereof”;

AND WHEREAS Section 42 (1) of the Electricity Act 2003 provides that “it shall be the duty of a distribution licensee to develop and maintain an efficient, co-ordinated and economical distribution system in his area of supply and to supply electricity in accordance with the provisions contained in this Act”

AND WHEREAS Section 61 of the Electricity Act 2003 provides that “The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely:-“Clause (c) “the factors which would encourage competition, efficiency, economical use of resources, good performance and optimum investment”

AND WHEREAS Section 86(2) of the Electricity Act 2003 provides that “State Commission shall advise the State Government on all or any of the following matters, namely:-“Clause (i) “promotion of competition, efficiency and economy in activities of the electricity industry;”

AND WHEREAS Clause 5.9.2 of the National Electricity Policy provides that “The potential number of installations where demand side management and energy conservation measures are to be carried out is very large, Bureau of Energy Efficiency (BEE) shall initiate action in this regard. BEE would also make available the estimated conservation and DSM potential, its staged implementation along with cost estimates for consideration in the planning process for National Electricity Plan”;

AND WHEREAS Clause 5.9.4 of the National Electricity Policy provides that “In the field of energy conservation initial approach would be voluntary and self-regulating with emphasis on labelling of appliances. Gradually as awareness increases, a more regulatory approach of setting standards would be followed”;

AND WHEREAS Clause 5.9.6 of the National Electricity Policy provides that “In order to reduce the requirements for capacity additions, the difference between electrical power demand during peak periods and off-peak periods would have to be reduced. Suitable load management techniques should be adopted for this purpose. Differential tariff structure for peak and off peak supply and metering arrangements (Time of Day metering) should be conducive to load management objectives. Regulatory Commissions should ensure adherence to energy efficiency standards by utilities;

NOW, THEREFORE, in exercise of the powers conferred by clause (zp) of sub-section (2) of section 181 of the Electricity Act, 2003 (36 of 2003), the Orissa Electricity Regulatory Commission hereby makes the following Regulations namely Orissa Electricity Regulatory Commission (Demand Side Management) Regulations, 2011.

## **Chapter I: General**

### **1. Short Title, extent and Commencement**

1.1. These Regulations may be called the “Orissa Electricity Regulatory Commission (Demand Side Management) Regulations, 2011”.

1.2. These Regulations shall be applicable to the Distribution Licensees in the Orissa in their respective areas of supply.

1.3. These Regulations shall come into force from the date of its publication in the Official Gazette.

### **2. Definitions**

2.1. In these Regulations, unless the context otherwise requires –

i. “Act” means the Electricity Act, 2003 (36 of 2003);

ii. “Baseline data” means the initial base level consumption and/or demand for electricity before a DSM programme begins to provide a starting point for comparison for assessing programme impact”;

iii. “Bureau” means the Bureau of Energy Efficiency established under subsection (1) of Section 2 of The Energy Conservation Act, 2001

iv. "Commission" means the Orissa Electricity Regulatory Commission;

v. “Cost Effectiveness Index” means an indicator of the attractiveness of any investment in DSM programme or when compared to the costs of energy produced and delivered in the absence of such an investment

vi. “Demand Side Management” means the actions of a Distribution Licensee, beyond the customer's meter, with the objective of altering the end-use of electricity - whether it is to increase demand, decrease it, shift it between high and low peak periods, or manage it when there are intermittent load demands - in the overall interests of reducing Distribution Licensee costs.

vii. “DSM Resource Acquisition” means a mechanism to implement DSM projects through customers, Energy Service Companies, Non-Government Organisations, manufacturers/ suppliers, or other private sector organizations, with payment made to them by the Distribution Licensee for the resultant energy and load reductions

viii. “Energy Services Company” means a company which is in the business of providing energy efficient and load management equipment and/or services to end-use customers and is approved by Bureau

ix. “Evaluation, Measurement and Verification” means activities which evaluate, measure and verify performance or other aspects of DSM/energy efficiency programs or their market environment

x. “Monitoring and Reporting” means activities which monitor and evaluate the progress of DSM/energy efficiency programs of the Distribution Licensee

xi. “MYT” means Multi Year Tariff

## **Chapter II: DSM Objectives, targets and guidelines**

### **3. DSM Objectives**

3.1. The Commission shall formulate DSM objectives that shall be considered in the advancement and implementation of cost effective DSM initiatives in the State. The objectives may include power shortage mitigation, seasonal peak reduction, cost effective energy savings, lowering the cost of electricity, reduction in emissions of greenhouse gases, reducing the need for investment in networks and/or power plants thus saving the precious and exhaustible fossil fuels etc.

3.2. While formulating the DSM Objectives, the Commission may take into consideration the National DSM Objectives/ Plans formulated by BEE, if any. DISCOMs, OPTCL & GRIDCO may be involved in the process of formulation of objectives.

3.3. The DSM objectives shall be consistent with the DSM objectives set out by Bureau as a part of Energy Conservation Plan for the country.

### **4. Assessment of technical potential for DSM**

4.1. The Distribution Licensees in the State shall carry out assessment of potential for DSM in the area of their supply one year before the start of every MYT Control Period. Involvement and co-operation of Distribution Engineers as well as consumers is required in this assessment.

Notwithstanding above provision, the first assessment of technical potential for DSM shall be carried out within six months of the notification of these Regulations.

4.2. Distribution Licensee shall be guided by methodology developed by Bureau while assessing of technical potential for DSM.

### **5. DSM Targets**

5.1. The Commission shall establish DSM targets for each Distribution Licensee in the State.

5.2. While setting DSM target for the Distribution Licensee, the Commission will give due consideration to factors such as consumer mix, load profile, etc.

5.3. Examples of DSM targets may include the following:

- Percentage reductions in load growth;
- Savings in kW, kWh;
- Savings as a percent of total resources to meet load;

5.4. While establishing the targets, the Commission shall consider the technical potential in Orissa as assessed by the Distribution Licensees.

### **6. Guidelines on DSM process**

6.1. The Commission shall issue guidelines to guide the Distribution Licensees in execution of the following activities

- i. Load and market research
- ii. Implementation of DSM programmes
- iii. Cost Effectiveness Assessment of DSM programmes
- iv. Monitoring and Reporting of DSM Plans and programmes
- v. Eligibility criteria for DSM programmes
- vi. Methodology for setting DSM targets and funding levels
- vii. Database development framework

6.2. The Commission shall issue guidelines on these matters from time to time

6.3. Issuance of such guidelines shall not be a pre-requisite for preparation and submission of the first DSM plan by the Distribution Licensees.

### **Chapter III: DSM Cell**

#### **7. Constitution of DSM Cell, its roles & responsibilities**

7.1. Every Distribution Licensee shall, constitute DSM Cell within one month of publication of these Regulations in the official Gazette and shall submit to the Commission, the details of DSM cell such constituted. . The DSM cell shall be under direct control of CEO with proper delegation of power.

7.2. The DSM Cell so constituted shall be provided with necessary authority and resources so as to execute the functions assigned to it under these Regulations

7.3. The DSM Cell shall be responsible for:

- i. Load research and development of baseline data
- ii. Formulation of DSM Plan
- iii. Design and development of DSM projects including cost benefit analysis, plans for implementation, monitoring & reporting and for measurement & verification
- iv. Seeking necessary approvals to DSM Plan and individual programmes
- v. Implementation of DSM programmes
- vi. Any other additional function that may be assigned by the Commission from time to time

### **Chapter IV: DSM Process**

#### **8. Load and market research and development of baseline data**

8.1. Distribution Licensee shall undertake load research to identify the target consumer segment and end uses for DSM programmes to build the necessary database. DISCOMs may be empowered to engage consultant/expert teams for this purpose.



8.2. Distribution Licensee shall undertake market research to estimate market potential for specific energy efficiency technologies and applications, establish key performance indicators, and determine existing baseline market conditions

8.3. On the basis of the results of load and market research, the Distribution Licensee shall develop baseline data for its area of supply

8.4. Distribution Licensee shall design, develop and implement the initial few DSM programmes on the basis of available data and studies completed by BEE till the complete baseline data is available for its area of supply and establishment of base line data shall not be a pre-requisite for design of such initial DSM programmes by the Distribution Licensees. DISCOMs may undertake the market research through in-house arrangement or engage consultants/outside agencies having practical working experience / expertise in conducting such research.

## **9. Formulation of DSM Plan**

9.1. Distribution Licensee shall formulate and submit to the Commission a perspective DSM Plan covering period of the control period, within one year of notification of these Regulations. The Plan shall include

- i. An overall goal for DSM Plan
- ii. Description of DSM programmes to form a part of DSM Plan
- iii. Implementation process and schedule of each programme in the plan as a whole
- iv. Plan for Monitoring and Reporting
- v. Indicative cost effectiveness assessment of programmes

Notwithstanding above, the first DSM Plan shall be prepared within one year of the date of notification of these Regulations and shall be for the period till the end of ongoing MYT Control Period.

9.2. The Distribution Licensee shall include all relevant DSM programmes (including multi-state programmes) developed by Bureau in its perspective plan as and when such programmes are announced by Bureau.

9.3. The Distribution Licensee shall submit on rolling basis, an annual plan, not inconsistent with the perspective plan, for upcoming year, along with the Annual Performance Review.

9.4. Selection and prioritisation of various DSM programmes in the DSM Plan shall be guided by the following factors:

- i. The Cost effectiveness guidelines issued by the Commission
- ii. DSM Objectives identified in Regulation 3
- iii. Whether the proposed programmes supplement National level efforts adopted by the Bureau
- iv. Programmes with high visibility and therefore potential for creation of awareness within consumers

## **10. Commission review and approval of DSM plan**

10.1. Distribution Licensee shall submit the DSM Plan to the Commission for approval at least six months before the start date of the next MYT period.

10.2. The Commission may adopt procedures as specified in the OERC (Conduct of Business Regulations, 2004 for according approval to the DSM Plan

## **11. Preparation of DSM Programme Document**

11.1. For each DSM programme included in the DSM Plan, a detailed description shall be provided in a separate Programme Document. The description shall include general information, technology, schedule for deployment, budget, cost effectiveness assessment, detailed implementation plan, estimation of savings, etc.

11.2. For each DSM programme cost benefit analysis shall be carried out as per guidelines issued by the Commission on Cost effectiveness from time to time.

## **12. Approval of DSM Programme Document**

12.1. Prior to implementing any DSM programme, Distribution Licensee must obtain approval of the Commission.

12.2. Each Programme Document shall include the following:

- i. Description of the programme;
- ii. Objectives and rationale for the programme;
- iii. Consumer segments and estimated level of participation;
- iv. Estimate of baseline;
- v. Assessment of programme in line with Cost Effectiveness Guidelines issued by the Commission
- vi. Mechanism for recovery of cost and performance incentives;
- vii. Marketing, delivery strategy and Implementation schedule;
- viii. Implementation mechanism e.g. Energy Service Companies, DSM Bidding, DSM Resource Acquisition, etc
- ix. Monitoring and evaluation plan;
- x. Plan for Training/Seminars/Workshops to increase consumer awareness

12.3. The Commission shall approve a DSM program if it is in line with the Objectives set out in Section 3 of the Regulations. The Commission may direct modifications to proposed or on-going programmes to ensure consistency with the DSM Objectives. However, the Commission shall allow Distribution Licensee adequate time to notify consumers of program modification.

### **13. Implementation of DSM programmes**

13.1. Distribution Licensee shall undertake implementation of DSM programmes in line with the guidelines issued by the Commission from time to time. For the State of Orissa, Gridco shall be the Agency for implementation of the DSM schemes.

13.2. The implementation of the programme shall be undertaken in the manner as approved by the Commission

13.3. Distribution Licensee shall undertake implementation of quick gain DSM programmes

13.4. Distribution Licensee shall carry out implementation of activities assigned to it either by itself or through engagement of appropriate independent entity While doing so, the Distribution Licensee shall ensure that continuity and consistency is maintained and interest of the consumers is not compromised

### **14. Mechanism for Cost Recovery**

14.1. Distribution Licensee shall identify the net incremental costs, if any, associated with planning, design and implementation of programmes

14.2. Distribution Licensee may propose methodology for recovery of net incremental costs through tariff or any other mechanism

14.3. In order to qualify for cost recovery, each program must be

- i. Approved prior to implementation
- ii. Implemented in accordance with the approved program plan and
- iii. Implemented cost effectively

14.4. Distribution Licensee shall provide all necessary assistance to the Commission, or third party assigned by the Commission in undertaking Evaluation Measurement and Verification of DSM programmes implemented by it.

14.5. The Commission may direct the Distribution Licensee to undertake DSM programmes that may not be cost effective but is highly beneficial to the society.

The Commission will make available resources for such project.

### **15. Monitoring and reporting of DSM Programmes**

15.1. Distribution Licensee shall prepare plan and undertake monitoring and reporting of DSM programmes as per Guidelines on Monitoring and Reporting issued by Commission from time to time or as approved by the Commission while approving the DSM programme.

15.2. The Commission may direct the Distribution Licensee to place, update and maintain the progress of each individual DSM programme, category-wise or in any other manner the Commission may desire, in its website for monitoring.

### **16. Evaluation Measurement and Verification of DSM Programme**

16.1. Distribution Licensee shall prepare plan for evaluation, measurement and verification of savings from DSM programmes as per Guidelines on Evaluation, Measurement and Verification issued by the Commission from time to time.

16.2. Third party Evaluation Measurement and Verification of DSM programmes may be undertaken by the Commission or third party assigned by Commission. While engaging the agency, the Commission shall ensure that the Agency is not undertaking any other engagement which could conflict with the interests of the consumers in the State.

16.3. Distribution Licensee shall make available necessary information/data to the Commission or third party assigned by the Commission to measure and verify the savings from DSM programmes.

#### **Chapter V: DSM Plan and Programme Completion Report**

17. Reports on progress of DSM Plan and expenses incurred on implementation of DSM Plan shall be submitted by the Distribution Licensee every six months.

18. The Distribution Licensee will prepare and submit a detailed Program Completion Report and submit the same to the Commission within one month of completion of such programme.

19. The Report shall cover the programme expenses, achievements, outcomes and outputs, constraints and difficulties faced, conclusions, recommendations, lessons learned and way forward.

#### **Chapter VI: Incentives**

20. The Commission may provide incentives to Distribution Licensees for achieving or exceeding DSM Objectives as identified in Section 3 of the Regulations. In case of deliberate and persistent default, the Commission may impose penalty after giving sufficient opportunity to the distribution licensees.

#### **Chapter VII: Miscellaneous**

21. The Commission may, at any time add, vary, alter, modify or amend any provisions of these Regulations.

22. If any difficulty arises in giving effect to the provisions of these Regulations, the Commission may, by general or specific order, make such provisions not inconsistent with the provisions of the Act, as may appear to be necessary for removing the difficulty

23. The Commission may, from time to time, issue orders and practice directions in regard to the implementation of the Regulations and procedures to be followed.

24. All disputes arising under these Regulations shall be decided by the Commission based on an application made by the person aggrieved, by way of a proceeding as provided in the Orissa Electricity Regulatory Commission (Conduct of Business) Regulations, 2004.

**By order of the Commission**

**SECRETARY**