

**Minutes of the 11<sup>th</sup> meeting of the Forum of Regulators for Eastern and North-Eastern States (FORENS) held at Digboi, Assam from 19<sup>th</sup> -22<sup>nd</sup> April, 2019 hosted by Assam Electricity Regulatory Commission**

The 11<sup>th</sup> meeting of the Forum of Regulators of Eastern & North Eastern States was held on 19<sup>th</sup> - 22<sup>nd</sup> April, 2019 at Digboi, Assam.

**Members Present:**

1. Sri U N Behera, Chairperson, FORENS and OERC
2. Sri S.C. Das, Chairperson, AERC
3. Sri N.R. Bhattarai, Chairperson, SSERC
4. Sri S.K. Negi, Chairperson, BERC
5. Dr. Arbind Prasad, Chairperson, JSERC
6. Sri R.P. Singh, Chairperson, APSERC
7. Sri Lalchhariana Pachuau, Chairperson, JERC for Manipur & Mizoram
8. Sri Durgadas Goswami, Member, WBERC
9. Sri R.N. Singh, Member, JSERC
10. Sri S. K. Parhi, Member, OERC
11. Sri R.K. Choudhary, Member, BERC

(Attendance Sheet enclosed)

**Officials Present:**

1. Sri Priyabrata Patnaik, Secretary, OERC & FORENS
2. Sri S.K. Roy, Secretary, AERC
3. Sri Ajoy Sahu, Joint Director, OERC representing FORENS Secretariat

Sri S.C. Das, Chairperson, AERC welcomed the Chairpersons and Members of the participant State Electricity Regulatory Commissions. He spoke about the background of Digboi and adjoining area which adds to the great economic wellbeing of the country. This area is rich in tea gardens, Oil and Coal industries. In spite of the economic activities, the entire area has a green environment with ambient temperature suitable for a comfortable living. He also highlighted about the Kathalguri Gas-based Power Station which is one of the oldest gas-based plants in the country.

Sri U.N. Behera, Chairperson, FORENS welcomed the members of FORENS and especially the new Chairperson of JERC for Manipur & Mizoam Sri Lalchhariana Pachuau, who attended the meeting for the first time. He thanked Chairperson, Assam, Sri S.C. Das, Secretary and other officers of AERC for excellent arrangements for the stay of FORENS members and meeting. He also highlighted that the visits to Digboi Oil Refinery, Oil Fields and Gas-based Power Plant were informative and educative. Sri Behera also observed that the interactions between the members have become more fruitful due to regular meetings of FORENS.

Sri U.N. Behera, Chairperson, FORENS and Chairperson, OERC chaired the 11<sup>th</sup> FORENS meeting.

**Agenda-1: A presentation on the Power Sector of Assam by AERC**

A presentation on the Power Sector of Assam including Power Sector- National overview, Power Sector – State Overview, Generation, Transmission and Distribution sector was made by the host Commission. In Assam there has been appreciable improvement in reduction of the losses and over the years the gap between the approved and actual losses has narrowed down. The overall loss in the distribution segment is 17.10% against the approved loss of 17.64%. JSERC Chairperson Sri Arbind Prasad pointed out that the LT level losses are increasing vis-à-vis HT & EHT losses and therefore there is demand for increased cross subsidy. Due to open access also the LT revenue has been impacted.

It was observed by Sri R.K. Choudhury, Member, BERC that Point of Connection rates for the Eastern and North-Eastern states are high and the method of arriving at POC charges is not clearly understood by the states. He suggested that FORENS can undertake a study on POC charges. It was also observed by the members that Ministry of Power has given a study to Mr. A. S. Bakshi to address this problem and if this report is available that may be analysed as a base. Sri Choudhury observed that seemingly there was nothing wrong with the software but it was the principle of adoption of POC rates which made the difference.

After such deliberation it was resolved that Sri R.K. Choudhury, Member, BERC may study all such aspects and suggest to FORENS as to how to address this issue.

**Agenda-2: Confirmation of the minutes of the 10<sup>th</sup> meeting of FORENS held at Bodh-Gaya on 25<sup>th</sup> – 27<sup>th</sup> October, 2018**

The minutes of the above meeting was circulated vide FORENS Secretariat letter No.1694 dt.07.12.2018 and also placed before the members in the meeting. No views/comments have been received from the FORENS members on the same.

Hence, the said minutes of the meeting were confirmed.

**Agenda-3: Action Taken Report (ATR) on the 10<sup>th</sup> FORENS meeting.**

**1. Consumer Indexing – Purpose Energy Audit**

In the last meeting, this point was discussed and it was left to the member commissions to develop and follow their own consumer indexing protocol.

**2. Achieving 100% metering with special emphasis on Smart Meter**

This agenda point was discussed in the last meeting. OERC Chairperson informed that in Odisha the Commission has constituted a task force comprising of the officials of DISCOMs and OERC to suggest a way forward in implementation of the smart meters in the state. The teams of the task force visited four locations in the country where the smart meter implementation programme has made some progress. An abstract of the draft report of the task force was placed in the agenda for reference.

**3. Proposed amendment in Tariff Policy, 2016 - Implications in terms of capital fund requirement and imminent tariff rise.**

It was felt that this may not be very relevant at the moment. Further discussion on the subject could be held at appropriate time.

**4. Proposed Amendment to Electricity Act, 2003 (Electricity (Amendment) Act 2018) – Issues and challenges with reference to changing distribution business.**

It was felt that this too could be discussed later at the appropriate time.

**5. Privatization of Distribution Licensee**

Chairman, OERC briefly explained the efforts made at privatization of Odisha DISCOMs.

**6. New RPO Trajectory and its concern**

It was felt that more efforts are needed for adopting appropriate RPO trajectories and compliance thereof.

**7. The Competitive Bidding Framework and Approaches to Threshold Limit**

A presentation was made by M/s Sterlite Power Transmission Limited in the 10<sup>th</sup> meeting held at Bodhgaya. The members after deliberation opined that further clarity was needed on TBCB projects and the role of SERC was critical in order to protect the consumers from higher burden of increased tariff. It was therefore resolved that all the member states who have implemented such projects share their regulations and this would be discussed in the subsequent meetings for taking a view in the matter.

**8. Developing Comprehensive Metering Regulation and Accounting Framework for Grid Connected Roof-Top Solar Deployment in India.**

A presentation on the above topic was made by M/s Ernst & Young LLP in the 10<sup>th</sup> meeting held at Bodhgaya. The members deliberated on the topic and resolved that since this topic is still evolving in many states this can be further taken up in subsequent meetings. Action taken by different states was discussed that was quite informative.

**Agenda-4: Financial Position of FORENS Account**

During the year 2018-19, FORENS secretariat received Annual Subscription Fee of Rs.15,00,000/- (Rupees fourteen lakh) from the member Commissions. A statement of such contribution was placed before the members.

The last FORENS meeting was held at Bodh-Gaya, Bihar from 25<sup>th</sup> – 27<sup>th</sup> October, 2018 hosted by BERC. The total expenditure as submitted by BERC for the said meeting was Rs.16,00,240/-. As per the earlier resolution of the FORENS, an amount of Rs.7 lakhs was paid from FORENS account to the host Commission i.e. BERC. The present financial position was also shown in the shape of Bank statement. The closing balance in the FORENS bank account on 31.03.2019 was Rs.24,14,278.07.

This was discussed and adopted

**Agenda-5: Financial Statement of FORENS Account**

The Financial Statement of FORENS Accounts for the FY 2018-19 was prepared and placed before the members. The Financial Statements for FY 2018-19 were discussed and it was resolved that the the audited accounts of the same may be placed in the next meeting for adoption.

**Agenda-6: A Brief Overview: Distribution Franchisee Framework**

A presentation on the topic highlights Policy framework, Rules & regulations enabling Distribution franchisee mechanism, major franchisee systems, benefits to DISCOMs and experience of Franchisee system in APDCL was made by the host Commission.

The presentation highlighted that in absence of proper regulatory framework, the administration of the franchisees has been slack and has not yielded the desired results. It was observed by the members that the experience with the franchisee system is not very encouraging though the franchisee system may fetch financial benefits to DISCOMs in terms of assured return, saving in O&M expenditure and reduction in losses. There are common problems which franchisees indulge in such as the money they collect from consumers is not deposited in DISCOMs account, there is collusion with the consumers for making meters non-functional, lack of proper monitoring by the DISCOM officials and no efforts to meter all the consumers. Sri S K Negi, Chairperson, BEREC informed that they had three franchisees under Input Based Distribution Franchisee (IBDF) model, but the contract of all of them have been terminated due to non-performance. The losses in the franchisee areas are more, consumer complaints are not being redressed in time, no CAPEX is made by the franchisee and the rural areas are neglected. However franchisee function also suffers due to inheritance of poor infrastructure from DISCOMs.

Sri U N Behera, Chairperson, OERC informed that there are three major franchisee operators in the Central DISCOM area of Odisha under IBDF model. These franchisee operators have been given fourteen divisions and the DISCOMs have retained six urban divisions out of total 20 divisions of the DISCOM area. Two franchisee operators have shown improvement in revenue collection but there is no appreciable progress in CAPEX or metering undertaken by the franchisee. Sri S C Das, Chairperson, AERC observed that there is no existing regulatory framework to regulate or monitor the functioning of franchisees. Sri R K Choudhury, Member, BEREC observed that the hand holding of DISCOMs is very important in successful operation of franchisee. There is a need for standardizing certain features of the franchisee agreements and operations through regulations which may form a part of the agreement through Standard Bidding Guidelines. He further observed that installation of pre-paid smart meters may address many such problems and for the state of Bihar EESL has placed orders for such meters and all the meters have been targeted to be fully replaced by 15<sup>th</sup> August, 2025.

It was therefore resolved that the matter may be discussed further in the next meeting.

**Agenda-7: Consumer Advocacy**

A presentation on the topic highlighting the provisions for protection of Electricity consumer interest, NEP, Tariff policy, FOR Model Regulation 2011, consumer Advocacy Group (CAG) and Funding was made by the host Commission.

The presentation raised the issue of protection of interest of the consumers of North East area and selection of and financial assistance to the CAGs. It was highlighted that during the tariff hearing proceedings at CERC, no SERC is represented and therefore the important issues concerning distribution are not highlighted. There is a need to strengthen the consumer advocacy groups at the local level in the state which may be encouraged to represent the state before the CERC proceedings. These groups may be funded by the SERCs for espousing such cause.

It was resolved that the members may discuss this issue further in the next meeting.

**Agenda-8: Achieving 100% metering with special emphasis on Smart Meter**

In the last meeting, the development of the implementation of smart meters, feasibility, financial implications and models of implementation were discussed by the members. It was also resolved in the last meeting that further developments in the matter shall be discussed in the next meeting.

In Odisha the Commission constituted a task force comprising of the officials of DISCOMs and OERC to suggest a way forward in implementation of the smart meters in the state. The teams of the task force visited four locations in the country where large scale implementation of the smart meter has been carried out. The task force is finalizing the report on their findings. The recommendations in the draft report of the task force was placed to enable the members to deliberate on the issue.

This issue was discussed while discussing the agenda on franchisee operation. Since the issue is still evolving, it was decided that this may be taken up in subsequent meetings.

**Agenda-9: Proposed amendment in Tariff Policy, 2016 - Implications in terms of capital fund requirement and imminent tariff rise.**

In June, 2018, MoP, GoI have circulated the proposed amendments in Tariff Policy, 2016. The proposed amendment envisages many changes to strengthen the generation, transmission and distribution segments. However, there are certain amendments proposed on installation of Smart Meters and reduction of losses in a very short period, which have far reaching consequences to the states in terms of financial implications as the DISCOMs are in poor financial health. The views of OERC submitted to the MoP, GoI, have been placed along with the agenda.

It was resolved in the last meeting that this point would be discussed further in the next meeting. This issue was deliberated by the members and since the matter is on hold in the MoP, Govt. of India, the development on such aspect may be watched and deliberated in the subsequent meetings.

**Agenda-10: Proposed Amendment to Electricity Act, 2003 (Electricity (Amendment) Act 2018) – Issues and challenges with reference to changing distribution business.**

MoP, GoI proposed amendment to the Electricity Act, 2003 in their notification dt.07.09.2018. The new proposed amendment envisages many sweeping changes to the Act.

A brief presentation on the proposed changes was circulated for discussion by the members in the meeting. The comments/ suggestions of WBERC on the proposed amendment sent to the Ministry of Power, Government of India was also circulated to the members in the meeting.

It was resolved that this point would be discussed further in the next meeting. This issue was deliberated by the members and since the matter is on hold in the MoP, Govt. of India, the development on such aspect may be watched and deliberated in the subsequent meetings.

**Agenda-11: Privatization of Distribution Licensee**

Privatization of Distribution Licensee has been thought as a way forward for improving the performance of public sector distribution utilities . Both Odisha and Bihar have tried this route with mixed outcome. The members were to share the experience of privatization as a way forward for improving the efficiency of Distribution utilities. Chairman, OERC informed that fresh efforts are being made for privatization of the DISCOMs

**Agenda-12: New RPO Trajectory and its concern**

In the proposed amendment to Electricity Act, 2003, a new Section (57C) has been inserted in the following manner:

*“Renewable Purchase Obligation” means such minimum percentage of the purchase of electricity from Renewable Energy Sources to be procured by every obligated entity in a manner as may be prescribed by the Central Government from time to time.*

Further, in Section-3 (National Electricity Policy and Plan), a new sub-section in the following manner have been inserted.

*4. The Central Government may, after such consultation with the State Governments as may be considered necessary, notify policies and adopt measures for promotion of Renewable Energy Generation including grant of fiscal and financial incentives.*

*Further for promotion of Renewable Energy Generation the Central Government may issue trajectory for Renewable Purchase Obligations from time to time.*

In view of the above newly inserted provisions, the RPO Trajectory as issued by Central Govt. from time to time will have to be adhered to by the licensees without taking into account the specific issues with regard to type of resources and potential of Renewable Energy in each state.

A brief presentation on the proposed changes was circulated for discussion by the members in the meeting. It was resolved that this point would be discussed further in the next meeting.

**Agenda-13: The Competitive Bidding Framework and Approaches to Threshold Limit**

A presentation was made by M/s Sterlite Power Transmission Ltd. in the last meeting. The members after deliberation opined that there needs to be more clarity on TBCB projects and the role of SERC is critical in order to protect the consumers from higher burden of increased tariff. It was therefore resolved that all the member states who have implemented these projects share their regulations and this would be discussed in the subsequent meetings for taking a view in the matter.

This was deliberated by the members.

**Agenda-14: Developing Comprehensive Metering Regulation and Accounting Framework for Grid Connected Roof-Top Solar Deployment in India.**

A presentation on the above topic was made by M/s Ernst & Young LLP in the 9<sup>th</sup> meeting. The presentation highlighted on The world Bank – SBI Grid connected Rooftop Solar Photovoltaic Technical Assistance program (SUPRABHA). The program would cover 17 Indian States with interventions such as Policy and Regulatory, capacity Building, Knowledge exchange, process streamlining and demand aggregation. The presentation also highlighted technical and commercial issues related to model Net Metering Regulation. The members deliberated on the topic and resolved that since this topic is still evolving in many states this can be further taken up in subsequent meetings.

**Agenda-15: Venue for the next meeting of the FORENS with tentative date.**

The earlier meetings were conducted at the following places.

Sl. No.	Meetings	Dates	Venue	Host Commission
1	1 <sup>st</sup> meeting	26 <sup>th</sup> – 27 <sup>th</sup> October, 2013	Puri	Odisha ERC
2	2 <sup>nd</sup> meeting	7 <sup>th</sup> – 8 <sup>th</sup> February, 2014	Kaziranga	Assam ERC
3	3 <sup>rd</sup> meeting	13 <sup>th</sup> – 14 <sup>th</sup> November, 2014	Rajgiri	Bihar ERC
4	4 <sup>th</sup> meeting	18 <sup>th</sup> – 21 <sup>st</sup> November, 2015	Sundarbans	West Bengal ERC
5	5 <sup>th</sup> meeting	5 <sup>th</sup> – 6 <sup>th</sup> May, 2016	Ranchi	Jharkhand ERC
6	6 <sup>th</sup> meeting	8 <sup>th</sup> – 10 <sup>th</sup> September, 2016	Imphal	Jt. ERC (Manipur & Mizoram)
7	7 <sup>th</sup> meeting	27 <sup>th</sup> – 30 <sup>th</sup> April, 2017	Gangtok	Sikkim SERC
8	8 <sup>th</sup> meeting	12 <sup>th</sup> – 14 <sup>th</sup> October, 2017	Puri	Odisha ERC
9	9 <sup>th</sup> meeting	19 <sup>th</sup> – 21 <sup>st</sup> April, 2018	Itanagar	Arunachal Pradesh ERC
10	10 <sup>th</sup> meeting	25 <sup>th</sup> -27 <sup>th</sup> October, 2018	Bodh-Gaya	Bihar ERC
11	11 <sup>th</sup> meeting (current Meeting)	19 <sup>th</sup> -22 <sup>nd</sup> April, 2019	Digboi	Assam ERC

The venue of the next (12<sup>th</sup>) meeting of the FORENS was fixed at Bomdila, Arunachal Pradesh to be held during September, 2019.

**Agenda 16 : Record of appreciation**

Contributions made by the members who retired during the last session and record appreciation of their efforts on strengthening the Forum was discussed. The Forum record the appreciation of ex-members Mr. R N Sen, Ex-Chairperson, WBERC, Sri Deepak Chakraborty, Ex-Member, AERC, Sri A Biswas, Ex-Member, WBERC and Sri A K Das, Ex-Member, OERC.

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