

**Minutes of the 11th Meeting of the State Advisory Committee of the
Assam Electricity Regulatory Commission held on 27th June 2007
at Assam Administrative Staff College Khanapara**

Members present as per list at Annexure at – I.

Shri P.K.Bora I.A.S.(Retd), Chairperson of the Assam Electricity Regulatory Commission presided over the meeting.

Leave of absence were granted to Shri Dhiraj Kakoti, Secretary ABITA, Shri A.K.Sachan, I.A.S., Managing Director of LAEDCL / CAEDCL, and Shri P.K.Bordoloi, Retd Professor Department of Energy Tezpur University.

Thereafter the following deliberations were made as per agenda.

Agenda Item No. 1 : To confirm minutes of the 10th meeting of the State Advisory Committee.

The minutes of the last meeting of the Advisory Committee held on 21.12.2006 already circulated amongst the members was placed again before the Committee for confirmation and the same was confirmed.

Agenda Item No. 2 : Action taken report on the minutes of the 10th meeting of the State Advisory Committee.

A detail discussion was held on the action taken on the minutes of the last meeting held on 21.12.2006.

The Chief General Manager (Generation) APGCL informed that the Government of Assam has not given any subsidy for liquid fuel for revival of CTPS. He further stated that the APGCL is planning to revive CTPS by replacing the oil fired boilers with fluidized Bed Combustion Boilers and expression of interest has already been invited. President FINER desired to know about the viability of such a venture. He said that before taking any action on the revival of CTPS a viability report must be obtained.

The Chairman ASEB said that before finalizing any project they must have the detail project report which spells out the viability. He also said that in this particular CTPS revival project the Company have even kept open the production limit of 50 MW. Only problem he cited is coal linkage. Already seven parties have applied; out of these two have expertise in the field. As suggested by the member, the Chairman ASEB said that they will prepare the DPR.

Agenda Item No. 3 : Multi Year Tariff Proposals filed by ASEB and its Successor Entities for the FY 2007-08, 2008-09 and 2009-10.

Shri P.K.Bora Chairperson of the Commission apprised that in the last meeting of the State Advisory Committee held on 21.12.2006, the Committee suggested that extension of time may be given to the ASEB and its successor entities for filing MYT for 2007-8 2008-9 2009-10. The Commission after going through the prayer of the Petitioners allowed extension of time till 28th February 2007 for filing the Tariff proposals. While processing the Tariff Petitions the Commission found that the Petitions suffer from infirmity of incomplete submission of important and vital documents in support of their claim of ARR. In order to admit the petitions the Petitioners were directed to furnish all detail information within 30.3.2007. The Tariff Petitions filed as per direction of the Commission still contained some discrepancies/anomalies which were brought to their notice through written communication and subsequently in a meeting with the petitioners. The petitioners having assured the Commission that they will make necessary rectification and remove the discrepancies, the Commission admitted the Petitions on 11.05.2007.

As per direction of the Commission the Petitioners have published the ARR in the newspapers inviting objection, if any, on or before 21.06.2007. Later, on request from consumer organizations the Commission extended the date for submission of objection petition till 10.7.2007. The Chairperson also apprised that so far total 10 objection petitions have been received by the Commission and the Commission has tentatively fixed the date of public hearing on the objection petitions on 20.7.2007.

The Chairperson also apprised that the Distribution Companies have filed ARR for FY 2007-08, 2008-09 and 2009-10 and tariff proposal for 2007-08. The

total ARR sought by them as per their petition for 2007-08 is Rs.1503.56 crore with an average tariff of Rs. 5.17/unit against sale of power of 2904.93 MU. The Commission in their Tariff order 2006-07 approved the ARR for the Distribution Companies at Rs. 1069.56 Crore with an average tariff Rs. 4.42 / unit against sale of 2417.7 MU power. Therefore as per the Distribution Companies proposal for 2007-08 they have prayed a tariff hike of 16.9% over last year.

The Chairperson also stated about theoretical parameters of MYT and gave stress that for Multi year tariff when the exercise is for three years it is very important that the base figures are firm otherwise a lot of problems may arise.

Taking part in the discussion Shri M.K.Sharma, Chairman Power Committee FINER, suggested that before taking the figures in the ARR as valid whether the accounts of the ASEB and the five Companies can be audited by private auditor.

The Chairperson while appreciating the anxiety of the member said that as per the accepted system, accounts of the utilities are subject to audit by the A.G. The Commission while processing the tariff petitions takes care in scrutinizing the financial statements by its own staff and for any inconsistencies seeks clarifications from the utilities.

Shri G.C.Baishya, President Grahak Surakha Samittee suggested whether copies of the working papers on the tariff determination process can be circulated to all the members so that they can give their comments. He further wanted to know whether the rate at which the ASEB as trader has purchased power are as per approved rate of the CERC. He also desired to know whether the money receivable to ASEB on account of supply of power to the Government has been received. He further desired to know if the ASEB received less power than in the power purchase agreement and thereby supplying less power to the consumers whether any compensation is given for non supply of required power to the consumers. He requested the Commission to look into this point.

The member also desired to know the pattern of funding from the central government to the state government and from the state government to the

ASEB and its five successor entities. He requests the Commission to look into the matter that ASEB as trader should have skeleton staff.

The member raised some more points :

- (a) The distribution companies have purchased a huge number of meters for domestic purpose/vacuum vapour lamp. Whether the rates are at market price.
- (b) For giving connection the Distribution Companies are charging 5% storage charge, 15% labour charge, 18% service charge and 3% contingency charge for supplying only the meter to the consumer who is to pay the cost of the meter. Above all they are charging meter rent for the whole life. Whether these are justified.
- (c) Whether the rate of supply of power by National Grid Corporation and Assam Grid Corporation is the same.
- (d) Recently the BTPS has been handed over to the NTPC at Re. 1/- (Rupee one) only, and whether the APGCL has taken the decision.
- (e) If the ONGC and OIL fail to supply gas as per agreement whether there is any clause for imposing compensation.
- (f) The Commission in its Tariff Order 2006-07 passed order directing the Distribution Companies to give interest to the consumers on the load security and adjust it in their bills in the month of April. Whether this has been done. Since the utilities are charging the amount he requested the Commission to look into the matter whether such amount have been passed over to the consumers.

On request of the Chairperson of the Commission, Shri S.C.Das, Chairman, ASEB responded on the points raised by the member.

That power purchase is made by the ASEB from the central quota as per approved rate of the CERC and in case of power purchase from own generating company i.e. APGCL at the rate approved by the Commission.

On compensation due to non supply of required quantity of power as

per agreement he apprised that at present, whether it is from central generation company or from state generation company, power supply is on availability based tariff (ABT). There are two parts one is fixed charge and the other is variable charge. Whatever power is committed the ASEB is to pay the fixed charge. He further explained the pattern of payment on power purchase mentioning about design energy for hydro power generation and thermal power stations.

About the rate of purchase of meters, he said that about 4 lakh meters were purchased from fund from ADB inviting global tendering. Since the fund is from ADB, there was exemption of excise duty. The meters purchased from the L&T HCL are cheaper than those available in the market.

About charging of labour charge, storage charge etc. in the bill the Chairman ASEB informed that whatever charges have been given are as per rates approved by the AERC. He also said that they are trying to reduce the loss in the Assam Power Grid which is about 6% compared to National Power Grid's loss at 4%. They are also representing to reduce the loss of National Power Grid in the NE Region which is high compared to other states.

As to the query of the member, on handing over of BTPS @ Re. 1 to NTPC, the Chairman, ASEB said that the decision was taken at the highest level i.e. by the Government of Assam in the greater interest of the public of Assam. As stated by Chairman, ASEB, that the Government of Assam, Revenue Department, estimated the total cost of land and other asset handed over to NTPC would be at around Rs. 30 Crore. However, if the Government of Assam charge the amount from NTPC, NTPC will load the same in project cost which will have bearing on tariff. He narrated that actually the government will not be a loser by handing over the BTPS at the token price of Re. 1, because every year around 2 million tons of coal will be required for running the project and the Government of Assam will get approx. Rs. 45 crores as coal royalty as the project is to be run from Assam Coal from Lidoo at the prevailing rate thereby during the very first year cost of the land along with the infrastructure will come back to the Government of Assam. Keeping in view that present power shortage is due to less generation of power than the expected limit and keeping in view that a thermal project in Assam is of urgent necessity and generation from hydel

project is not always dependable due to drought etc., the decision of the Government of Assam is justified, he said.

He further stated that there is no clause in the agreement with the OIL and ONGC on recovery of compensation if the companies are not supplying gas at optimum required level.

Regarding load security interest he said that action has already been initiated and if there is any default, they would be taken care of.

Representative of NESSIA desired to know (1) whether ASEB can explore the possibility of two different types of tariff structure, one for urban area and other for rural areas, (2) whether ASEB has done any study to know the actual demand of power and whether they have made any long term / short term plan to meet the demand, (3) whether ASEB has taken any steps to reduce the T & D loss.

Shri Das, Chairman, ASEB apprised that a study has been done through consultants to know the demand till 2015, 2020, based on growth rate etc. The figures are now available and up to 2011 / 12 actual demand will increase to 1550 MW. To meet that demand apart from state owned projects the utilities are asking for additional allotment of 300 MW from Subansiri, 300 MW from Kameng, 750 MW from NTPC, 400 MW from Agartala project to name a few.

He further said that the utilities are taking steps to reduce the loss. Last year in lower Assam loss is 29%, but in the tariff proposal they have given the loss as 23.88% i.e. the gap of 5% is their commercial loss. The reduced figure is given by them so that the consumer would not suffer for inefficiency of the utilities. To reduce the loss they have taken steps to curb theft of electricity.

One member suggested whether aerial bus conductor can be used in the rural electrification, to reduce loss.

On a query from the member, Chairperson, AERC, stated that while determining the tariff, cost of supply principle is to be adopted and therefore, the possible gap in revenue collection in rural areas vis-à-vis urban areas will have an impact on the tariff if fixed for rural areas separately and in that case unless subsidized by Government, the rural consumers will have to bear the increased burden.

Another member suggested a task force can be formed to curb power theft and he requested the Commission to look into the matter.

He also said that there are a good number of households where people are consuming load of 100 KW without installing a separate transformer as required by the Commission's Regulation. He requested the concerned Discoms to take remedial action.

He also brought to the notice of the committee that for getting a connection of 1 MW, a consumer has to move from the lowest level to the Government; whether this process can be simplified. The Chairman, ASEB also feels that for a connection of 5 MW the proposal should not go to Government. In the regulation of AERC, Chief Engineer is the authority of such connections. Since there is an internal direction from the government so, the utilities are sending such proposals to the government. He requested the Commission to take up the matter with government so as to simplify the matter.

Shri B. Kalyan Chakraborty, Secretary, Agriculture, Government of Assam taking part in the discussion said that the growth of agriculture in the last plan is negative compared to other states. Basic input to Agriculture i.e. water and irrigation is much higher in the State. Andhra Pradesh is providing subsidy to the farmers, Haryana and Punjab government has subsidized the farmers, most of the pump sets are energized and have power, and they are not operated on diesel. But, in Assam, pumps are operated with diesel and hence agriculture is very uneconomical. Big investments are coming in Agriculture sector in line of contract farming. So, he requested that if some sort of incentives can be given in this sector, it will be of great help and requested the Commission to keep these aspects in mind while determining tariff of different categories.

A detailed discussion was held on the issue of treating the industrial units certified by DIC as industry. Representatives of NESSIA suggested that SSI units should be treated under the category of industrial tariff and not under the commercial tariff.

MD, UAEDCL, clarified that although DIC is giving certificate to some consumers as industry as per basic terms and conditions for getting benefit of

industrial tariff rate, a consumer has to have a consumption of 60% or above of motive power to produce finished products. The utilities distinguish commercial tariff and industrial tariff on the basis of above terms and conditions only, he said.

Shri B. P. Bakshi, Member of the committee and also Shri S. C. Das, Chairman, ASEB opined that since both sides have valid points, therefore, the Commission should take a decision in this matter.

Shri P. K. Bora, Chairperson, AERC, said that this issue is to be considered in its totality and not sectorwise alone. Obviously, Government's policy decision will be very relevant as also the State's Industries Policy and the North Eastern Industries Policy. If the government has categorized some trades as industry, it will be relevant to see if any power tariff relief has been given to such category. If that be the case, it will be normally expected that the Discoms are subsidized to that extent by Government so that for any shortfall in revenue on this account the burden does not get shifted to other consumers.

MD, UAEDCL, has given a detailed working plan on how to meet the demand by the end of 11th Plan i.e. by 2011-12. One factor he sighted was evacuation capacity. Present evacuation capacity is 1900 MVA. From APDRP / ADB projects, the utilities are planning to increase this capacity by another 900 MVA. Thereby, evacuation will come to 2800 MVA. Therefore, in their 11th Plan they will have to increase the capacity by another 1200 MVA so as to meet the projected demand by 2011-12 by the three distribution companies.

One member raised a question that ASEB is selling power when there is shortage of power, load shedding etc. in the state. The Chairman, ASEB, apprised that generally sell of power is done during off-peak hour when there is surplus power. He further stated that the Government of India have assured to give 125 MW of power from Kahelgaon till commissioning of the BTPS. This will surely meet the shortfall of power during winter. He also stated that Assam is expected to get 128 MW from Kahelgaon by January 2008.

On sale of power the Chairman, ASEB, stated that as per Power Purchase Agreement they will have to pay fixed charge for the power purchased by

them even if they receive less power than in the agreement. They sell power when there is surplus during off-peak hours only, and thereby earn revenue.

The Chairperson, AERC, informed that while processing the tariff petition filed by the utilities the factor sale of power has an impact on the tariff determination process. By selling power the ASEB as trader earn money and that amount will be calculated as reduction in the ARR. Even if they do not sell the surplus power they still have to pay the fixed charge, and thus incur an expenditure.

Agenda item no 4 : Cogeneration and generation of electricity from renewable sources of energy and matters regarding regulation.

The Chairperson of the Commission apprised that under section 86(1) (e) of the Electricity Act 2003 the Commission has to formulate Regulations to promote cogeneration and generation of electricity from renewable sources of energy and to specify for purchase of electricity from such sources, a percentage of total consumption of electricity in the area of a distribution licensee. The Distribution Companies have already been requested to let the Commission know the quantum of electricity that they can earmark for purchase from non conventional sources of energy as percentage of their total consumption which is anticipated for purchase during the coming years so as to take a view for incorporation of a suitable provision in the proposed Regulation. The Chairperson also gave stress that the utilities should encourage private parties coming to establish such projects from non conventional sources. Such renewable sources refer to small hydel project upto 25 MW capacity, wind, solar, biomass, urban / municipal waste etc.

The members were also informed that the Government of Assam have notified the Policy for development of Small Hydro Power (SHP), 2007.

Members were generally enthusiastic about the use of small hydro power. A note of caution was however sounded by a member as to use of raw materials like paddy husk as source which have alternate uses. Chairman said that only after examining the viability of a project the same can be accepted.

Agenda Item No. 5: Status of AERC (Electricity Supply Code and Related Matters) Regulations, 2004(First Amendment), 2007.

The Chairperson of the Commission informed that the Commission found it urgent to incorporate provisions to deal with theft of electricity in the Regulations of act in terms of clause 2 of the Electricity (Removal of Difficulties) Order, 2005 of Ministry of Power, published in the Gazette of India. There are also some apprehension if it would be prudent to go through amendment of some definitions / terms now in view of certain court cases, and therefore instead of going for amendment the AERC (Electricity Supply Code and Related Matters) Regulations, 2004, as proposed earlier by the Commission and also discussed in the State Advisory Committee in its previous meetings, the Commission decided to concentrate on this important issue of theft of electricity and decided to add a new chapter – chapter 5A Interference with supply mains and apparatus, keeping the other clauses of the Regulations intact as before for the present. The Commission, notified the AERC (Electricity Supply Code and Related Matters) Regulations, 2004 (First Amendment), 2007 and forwarded the same to the Government for publication in the Assam Gazette.

Chairman also apprised the members that the Electricity Act, 2003 has been recently amended by Government of India which was published in the Gazette of India dated 29/05/2007. Many of the amendments deal with theft of electricity. Chairman read out some sections of such amendments for information of the members.

The meeting ended with vote of thanks from the Chairperson, Assam Electricity Regulatory Commission.

Sd/-(P. K. Bora)
Chairperson,
Assam Electricity Regulatory Commission