

RECORD OF PUBLIC HEARING ON TARIFF FOR 2008-09
12TH AUGUST, 2008

The Chairman, M.S.E.R.C. while welcoming the participants to the public hearing, drew their attention to the adjectives of tariff fixation as defined in the Tariff Policy and the Electricity Act, 2003. (A note circulated in this connection is annexed.) While the statutory objectives were to a large extent dependent on the investment policy of the State Government, in the exercise of determination of revised rates of electricity supply during the current year would address the issue of viability. Thus all legitimate expenses including a fair return on equity would qualify for inclusion in the total revenue to be collected through tariff.

The issues raised in 4 (four) representations, received in response to the published summary of the proposal for tariff revision along with the comments of the Board, were shared with the participants. (A copy has been uploaded on the website.) Apart from these, participants were requested to bring up other relevant concerns if any during the hearing.

Participants emphasized several points during the hearing. These are summarized in the following paragraphs:-

- 1) **LOSSES:-**The T & D and AT & C losses indicated in the Tariff proposal were too high. The annual targets shared by the Me.S.E.B., at the public hearing held in connection with the tariff proposal for 2007-08 had not been met. Specific information about the measures taken/proposed to be taken, to reduce these losses was sought. It was pointed out that for every 1% reduction of AT&C loss by a Maharashtra distribution utility, Rs.180 crores was saved by the company. A similar computation should be attempted by the Me.S.E.B. and a serious attempt made to reduce losses.
- 2) **UN-METERED CONNECTION:-** Out of a total number of 2,30,577 consumers 1,45,527 numbers were un-metered. The Board's plan to reduce the number by 23,362 in the current year was found to be too meager. Since in the last 9 months the Board could provide 36,068 metered connections, they had the capacity to accelerate the pace of eliminating un-metered supplies. The loss of revenue on account of this glaring example of inefficiency should not be considered a legitimate cost to be recovered from tariff revision.
- 3) **THEFT:-** It was pointed out that the media had on several occasions reported cases of rampant theft of electricity. The MeSEB's response that while no prosecutions had been launched, fines had been imposed in several cases, was not considered to be an adequate. The Board nevertheless agreed to publicity share details of the performance of their vigilance machinery in curbing theft. A report in this connection would be forwarded to the Commission and also published in prominent newspapers of the State.

- 4) **EMPLOYEE COST:-** The high employee and administrative cost being incurred by the Board came up for adverse notice. The Board clarified that this was partly due to retirements and partly on accounts of fresh recruitment for new projects. The Board was requested to review the situation and to reduce such cost which invariably had a direct impact on the tariff. It was further pointed out that payment of pensions and terminal benefits, from the revenue accumulations was not appropriate and the consumer should not be expected to bear this element of cost.
- 5) **ENERGY AVAILABILITY:-** The Board clarified that they had projected the total energy availability at 1623.39 million units in their tariff proposal. This was done after considering the optimal cost of procurement vis-à-vis the quantum of power to be purchased. Members felt that the Board should provide unrestricted power of the tune of 2600 million units since the Board had earlier asserted they had the capacity to supply this power. The Board, however, gave a clear indication that they did not in fact, have the transmission capacity for this quantum of electricity and therefore the tariff design had to be limited to recovering the cost involved in distributing 1623 MU during 2008-09. In view of this, it was suggested the Commission should fix the percentage of supply category-wise so as to ensure smooth recovery of the approved ARR.
- 6) **TARIFF FOR INDUSTRIAL CONSUMERS:-** Industrial consumers represented that they were running at 15% capacity utilization. The high demand charge, the heavy cross subsidy, coupled with low power supply had made industries incapable of bearing the increased tariff. They suggested a review and rationalization of the tariff structure. They also suggested reviving of the power purchase committee constituted by the Board in which representatives of industry were represented. This committee could go into the possibility of long term purchase planning and draw up agreements with other generators of ensure the best price. This would help industry to function even during the lean period.
- 7) **OTHER SUGGESTIONS:-** The Establishment of thermal capacity was emphasized. The wisdom of pursuing half a dozen hydel projects was questioned. It was felt that the ecological impact of several schemes located on rivers and streams across the State together with the submergence of the limited land mass in the State may need to be studied in a more holistic manner. Augmenting transmission capacity was also suggested as an activity deserving priority attention.