RECORD NOTE OF THE 5TH MEETING OF THE STATE ADVISORY COMMITTEE HELD AT 11 AM ON 29TH APRIL, 2010 AT THE MSERC'S OFFICE PREMISES AT SHILLONG.

Present:-

1)	Shri P.J.Bazeley, Chairman, Meghalaya State Electricity Regulatory Commission, Shillong.	Chairman
2)	Shri. F.K. Mawlot, Former MLA.	Member
3)	Smti. J.E. Shullai, Former Chairman MPSC.	Member
4)	Shri. S.K. Lato, Jowai	Member
5)	Shri. Ramesh Bawri, President, Confederation of Industries, Meghalaya .	Member
6)	Shri. M.M. Mehrotra, Jt. Dir (E/M) representing Chief Engineer, Shillong Zone.	Member

Calling the 5th Meeting of the State Advisory Committee to order, the Chairman welcomed the members present and stated that the Tariff(Distribution) Petition for the year 2010-11 had been submitted on 16.02.2010 by the erstwhile Meghalaya State Electricity Board (MeSEB) [known as the Meghalaya Electricity Corporation Limited (MeECL) with effect from 01.04.2010]. The said tariff petition had been published, for general information, in an abridged format in conformity with sub-section 2 of Section 64 of the Electricity Act of 2003 in the local newspapers between 23.02.2010 and 09.03.2010, and a public hearing held thereon on 28.04.2010. Further, on 07.04.2010, a copy of the said tariff petition had been furnished to all the hon'ble Members of the State Advisory Committee (SAC) along with the notice for today's SAC Meeting, as per decision taken at the last SAC meeting. The Commission desired to take on record, the views and comments of the Hon'ble Members of the SAC on the said matter, before considering and disposing of the Tariff(D)

Petition for the year 2010-11. The Chairman then called upon the Hon'ble Members to make their comments / suggestions.

Participating in the deliberations of the SAC, the Hon'ble Members raised the following issues.

No. 1. **Shri. Ramesh Bawri**

Shri Ramesh Bawri made an exhaustive presentation from a well prepared statement, which was subsequently submitted to the Commission, on request, as an Aide-memoire. The complete contents of the said Aide-memoire are reproduced below -

I. ARR

1. It is seen from Page 22 that in respect of Employee costs there is a huge jump of Rs.44.01 crores in the ARR for 2010-11 compared with 2008-09. This reflects an increase of 42% which is most surprising. Moreover, no details or specific reasons have been given to explain this huge increase, other than the few lines mentioned at Page 18. Page 69 clearly shows that the increase in man power is only by 50 heads, from 3600 to 3650, which cannot explain the proposed increase of 42% in employee cost. Further, the Petition which was filed on 12.2.10 ought to have given details of the revised pay scales effective from January 2010, as mentioned at Page 18, but these are significantly missing. Moreover, the Manpower – Energy sold ratio of 3.04 has been calculated on the total energy sold and if calculated on the energy generated works out to 6.77 which is abnormally high and needs to be corrected at least by freezing fresh recruitments.

2. *Similarly, there is a huge increase of Rs.31.30 crores on account of depreciation in the ARR. This is perhaps because of the Leshka Project which appears to have called for an investment of about Rs.1000 crores as per page 43. However, since the project is yet to be commissioned, depreciation for the entire year on the new assets cannot be loaded onto the ARR for the year.*

3. *The ARR also shows a major increase of Rs.20.44 crores in the interest and finance charges. It needs to be seen whether the loans against which the interest has been calculated have in fact been availed of and whether these were really required to be raised. The loan amounts and the rates of interest also ought to have been shown, in order to evaluate and appreciate the ARR on this head. The major concern is the increase of Rs.18.59 crores in the interest on loan from bank which are presumably for working capital (WC) and, stated at Page 20, W.C. loan has been calculated at 3 months estimated sales revenue. This is quite a departure from the past and, even if accepted, W.C. loan to the extent of one month sales revenue is more than sufficient as bills are payable within a fortnight, beyond which delayed payment charges are raised by the Board. It may be noted that while claiming an increased working capital interest burden, at Page 21 the Board has projected a decrease in income from delayed payment charges to the extent of Rs.12.05 crores, which is contradictory.*

4. *A provision of Rs.9.33 crores has been made for Income Tax in the ARR. This is against all accounting and business norms as Income Tax is not to be taken as a cost and has to be paid by the Board out of its profits for which a sum of Rs.28.28 crores has already been provided for as Return on Equity.*

5. *Provision for bad debts to the extent of Rs.10 crores have been made in the ARR. This is extremely high and is clearly avoidable with improved alertness and efficiency on the part of the Board and the genuine consumers ought not to be bear its brunt. Moreover, such bad debts are, in fact, only commercial losses in disguise and go to add to the already high AT & C losses.*

II. TARIFF RATES

1. *Out of the 2.56 lacs consumers of the Board, 90.22% are domestic consumers, drawing 39.80 % of the connected load. In the matter of fixation of tariff, their situation and interests are paramount as the domestic consumers represent almost the entire population of Meghalaya and the tariff affects their personal finances in a big way. In the present inflationary scenario the public, in general, are already finding it difficult to make both ends meet owing to the rising prices. It is therefore suggested that the rates for the domestic sector be retained as at present and no increase be made. As per the calculations shown at Page 44 of the Tariff Petition this will result in a reduction of only Rs.6.61 crores in the Board's Revenue if the rates are not increased.*

2. *It is further suggested that the unit slabs for domestic consumers be revised and the existing Tariff of Rs.2.35 per KWHR be applied to the first 400 units. This will bring immense relief to the domestic users. The impact of this suggestion would be only Rs.9.18 crores at the current rates on the basis of the figures available at Page 44 of the Petition. This sum of Rs.9.16 crores along with Rs.6.61 crores at para 6 totalling Rs.15.77 crore can easily be offset by the cuts in the ARR as suggested at Paras 1 to 5.*

3. *The Government of India and all States Governments have been vigorously encouraging the growth of the Agriculture and food processing sector. In this view, the Board should also desist from increasing the present tariff for the Agriculture and food processing sector. This will only bring down the estimated revenue at the proposed rates by Rs.0.48 crores.*

4. *It is seen from Page 32 that the procedure for calculation of compensation charge for low power factor is proposed to be changed by billing on KVAH units at the rate applicable for KWHR units. This will be practical only if the Board ensures that KVAH meters are installed in the premises of all consumers, failing which the new procedure cannot be implemented, causing huge revenue loss to the Board. It is therefore proposed that in cases where KVAH meters are not installed, compensation charges may continue to be imposed on the earlier basis.*

5. *It is surprising that compensation charges for low power factor have been made applicable only for HT and LT supply. It is not understood why EHT consumers who draw 251.83 MU of energy annually are exempted from these charges.*

III. T & D

1. *Page 15 shows that the T & D losses are estimated at 27.08% as against the target of 15.69% as per the road map under the 11th Plan. These T & D losses are resulting in an annual loss of Rs.180 crores to the Board and it needs to be borne in mind that even on purchased power there is a T & D loss of 27.08% which can clearly be avoided if the larger consumers are asked to draw power from the external suppliers directly.*

2. *The figures given at Page 76 shown that in the year 2007-08, 65% of the non-Kutir Jyoti consumers were un-metered. In addition 17% had defective meters. Thus, alarmingly, only 18% of the non-Kutir Jyoti consumers had operative meters. In 2010-11 the situation has improved but even now 46% of the non-Kutir Jyoti consumers either have no meters or have defective meters. Therefore, the Board cannot justify the high AT & C losses on account of non-metering which is a situation created by themselves.*

3. *At the same time, whereas the percentage of metered consumers has increased from 18% in 2007-08 to 54% in 2010-11, the T & D losses have not shown a proportionate improvement which clearly shows that there are reasons other than non-metering such as power theft, pilferage and meter tampering leading to such heavy T & D losses, the control of which does not appear to have been suitably addressed by the Board. Hence, in the present year, the mere disallowance of 3% over the T & D losses allowed for FY 2009-10 may not, perhaps, be adequate in order to coax the Board to put its house in order*.

IV. MISCELLANEOUS

1. *The Board ought to have made a 3 part Tariff proposal for its diverse activities i.e. Generation, Transmission and Distribution. In any event, it is felt that it should be made clear that a composite Tariff proposal will not be entertained in F.Y. 2011-12.*

No.2 **Smti. J.E. Shullai**

Smti J.E.Shullai stated that she fully supported the exhaustive issues raised by the Hon'ble Member Shri Ramesh Bawri and had nothing more to add.

No.3. **Shri. F.K. Mawlot.**

Shri F. K. Mawlot stated that Shallang area which is a large industrial coal belt growth centre has no metering of electric connection. He wondered how and on what basis electrical charges are collected by the MeECL. He also suggested that billing should be regular and on a monthly basis as provided for in the relevant regulations.

No.4. **Shri. S.K Lato**

Shri S.K.Lato stated that he also fully supported all the views expressed by Mr. Ramesh Bawri and requested the Commission to take these into consideration while deciding the Tariff(D) for the year 2010-11.

No.4. **Shri. M. Mehrotra.**

Shri M.Mehrotra read out written submission as follows:-

1. *In the previous meeting with MSERC, a point regarding fixing of lower tariff rates for Defence at par with domestic consumers was raised. It was informed by Commission that vide their order dt.31.10.09 the tariff rates applicable to Bulk Supply Consumers were reduced by 25% at par with domestic consumer. However, it is seen that as per MeSEB notifications dt 09 Feb 2010 and 31 March 2010., the rates have been increased considerable. The rate is as under:-*

Category (HT)	Previous rates		Modified by MsERC vide order 31.10.09.		Rates now applicable	
	DC	Unit Rate	DC	Unit rate	DC	Unit rate
Domestic	Rs. 300/-	300 paise	Rs. 225/-	225 paise	Rs. 275/-	330 paise
Bulk	Rs. 300/-	300 paise	Rs.225/-	225 paise	Rs. 275/-	365 paise

2. *It may be noted that Defence is basically a welfare organization involved in operation, training activities or troops. In any Defence Cantt the load is of mix nature and*

it primarily involves govt. offices, domestic, hospital and water works, Also, there has never been the case of payment default. Thus a special status needs to be given to Defence by putting it in a separate category. Further, at places 33 KV systems are coming up which need extra infrastructure at out end. In other states the tariff rates for 33 KV are lower than that for 11 KV. In view of above, following is proposed:-

(a) Categories Defence in a separate category and fix tariff rates which should be lower that other categories or at least at par with Domestic Category.

(b) The rates in case of bulk supply at 33 KV should be fixed lower than that at 11 KV.

Summing-up the discussions, the Chairman placed on record his profound gratitude to the Hon'ble Members present, for their valuable suggestions and submissions and assured that these would be kept in view, while finalizing the Tariff(D) for the year 2010-11.

Sd/-
(P.J. Bazeley)
Chairman, MSERC

………