

# MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

## TENTH ANNUAL REPORT

2016– 2017

(As mandated under Section 105 of the Electricity Act 2003)



**NEW ADMINISTRATIVE BUILDING, 1<sup>ST</sup> FLOOR, LEFT WING, LOWER LACHUMIERE, SHILLONG– 793001**

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# **ANNUAL REPORT**

## **Financial Year 2016-17**

### **1. INTRODUCTION**

The Meghalaya State Electricity Regulatory Commission which was notified by the Government of Meghalaya under the provisions of Section 82 of the Electricity Act 2003 on 26<sup>th</sup> March 2004 became functional on 6<sup>th</sup> of June, 2006 on which date the first Chairperson, assumed charge.

Since the time it was set up, the Commission has always endeavoured to set up a fair, transparent and objective electricity regulatory process in the state of Meghalaya. As mandated by law, the Ninth Annual was placed on the table of the Meghalaya Legislative Assembly on 17<sup>th</sup> March, 2017. This is the TENTH Annual Report prepared by the Commission and it relates to the year 2016-17.

### **2. THE COMMISSION**

The Commission was constituted under the provision of the Electricity Act 2003, and is a quasi-judicial body having perpetual succession and common seal with power to acquire, hold and dispose of property both movable and immovable.

This Commission is a one member Commission. In recognition of the need for multi-disciplinary approach while addressing issues related to independent regulation, the law prescribes that the chairman shall be person of ability, integrity and standing who has adequate knowledge of and who has shown capacity in dealing with problems relating to engineering, finance, commerce, economics, law or management. The Chairman is appointed by the Government of Meghalaya from a panel recommended by Selection Committee constituted as prescribed under the statute. The statute also provides for the appointment of a secretary to the commission whose powers and duties are defined by the Commission.

### **3. MISSION OF THE COMMISSION**

The mission of the Commission is to:

- (i) promote reforms in the electricity sector;
- (ii) encourage transparency, competition and economy;
- (iii) regulate the power purchase and procurement process of the distribution utilities.
- (iv) secure the legitimate interests of all stakeholders including the consumers.

### **4. FUNCTIONS OF THE COMMISSION**

The Commission is vested with the responsibility of discharging the following statutory functions:

- A. determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be within the State;
- B. regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- C. facilitate intra-State transmission and wheeling of electricity;
- D. issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;

- E. promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of distribution licensee;
- F. adjudicate upon the disputes between the licensees and generating companies and to refer disputes for arbitration where considered appropriate;
- G. levy fee for the purposes of the Electricity Act, 2003;
- H. specify the State Grid Code;
- I. specify or enforce standards with respect to quality, continuity and reliability of service by licensee;
- J. fix the trading margin in the inter-State trading of electricity, if considered necessary;
- K. discharge such other functions as may be assigned to it under the Electricity Act, 2003, as amended from time to time;
- L. advise the State Government on all or any of the following matters, namely:-
  1. promotion of competition, efficiency, and economy in the activities of the electricity industry,
  2. promotion of investment in electricity industry,
  3. reorganisation and restructuring of the electricity industry in the State including, more particularly, matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by the State Government.
- M. The State Commission shall ensure transparency while exercising its powers and discharging its functions.
- N. In discharge of its functions the State Commission shall be guided by the National Electricity Policy, National Electricity Plan and Tariff Policy issued under section 3.

## **5. CHAIRPERSON**

The present Chairperson of the Commission is Shri WMS Pariat, IAS (Retd), who took over the office on the 5<sup>th</sup> September 2016.

## **6. CONSULTATIVE BODIES**

The Chairman of the Commission is a member of the Forum of Regulators (FOR), a statutory body established in accordance with the provisions of sub-section 2 of section 166 of the Electricity Act, 2003.

During the period under review several meetings of the Forum and its sub-committees were held. These meetings helped in coordinating and aligning regulatory matters, policies and practices followed by different States.

The Chairman is also a member of the Forum of Indian Regulators (FOIR). This is a registered society which predates the Forum of Regulators. The membership of this body is not confined only to regulators in the Power sector but to other sectors also. Several members of this forum have a wealth of experience of regulatory processes and procedures and the deliberations provide an opportunity for wide ranging in-depth examination of technical, legal and implementation issues.

## **7. HUMAN RESOURCE.**

Under the Electricity Act 2003, the Secretary of the Commission assists the Chairperson in all statutory matters and in personnel, administration, accounts/finance. Besides full time employees, the Commission has been utilising the need based services of consultants in the disciplines of law, finance and electrical engineering.

## **8. OFFICE ACCOMODATION**

State Government had allotted one wing of the 1<sup>st</sup> floor of the New Administrative Building at Lower Lachumiere, Shillong, and the Commission has been functioning from the above premises since December, 2007.

## **9. LAN & WEBSITE:**

The computers in the Commission's office are connected through networking to local area network (LAN). The system is useful for access of any information. The commission has its own website, [www.mserec.gov.in](http://www.mserec.gov.in), which is regularly maintained and updated. The website is used for publicising hearing schedules, news, updated, tariff related issues, meetings, inviting comments on concept papers, regulations, petitions, tenders, job vacancies, etc. It also provides information on Consumer Grievances Redressal Forum and Ombudsman and guides the consumer for redressal of their grievances. Further information like updating notified Regulations, Orders and Reports are also available and can be downloaded from the website.

## **10. REGULATIONS**

Commission has published and notified MSERC (Redressal of Consumer Grievances and Ombudsman) Regulations 2017 replacing revised regulations on CGRF.

- a. Approval of Capital Cost of MLHEP
- b. Tariff Order of Generation Company for FY 2017-18
- c. Tariff Order of Transmission Company for FY 2017-18
- d. Tariff Order of Distribution Company for FY 2017-18
- e. FPPPA Order on Petition filed by MeECL.

## **11. STATE ADVISORY COMMITTEE**

In exercise of the powers conferred under section 87 of the Electricity Act, 2003, the Commission, under a notification dated 5<sup>th</sup> February 2007, had first constituted the Meghalaya State Electricity Advisory Committee to advise on questions of policy, protection of interest of consumers, and other matters relating to supply and distribution of electricity in the State. This Committee has been reconstituted by the Commission from time to time, with the present Committee constituted on 18<sup>th</sup> October 2016 with the following members:

- |                        |    |   |                                                                                               |
|------------------------|----|---|-----------------------------------------------------------------------------------------------|
| Chairperson Ex-officio | 1. | : | The Chairman, Meghalaya State Electricity Regulatory Commission                               |
| Member Ex-officio      | 2. | : | The Principal Secretary/Commissioner and Secretary, Food, Civil Supplies and Consumer Affairs |

Department, Government of Meghalaya.

- Members
3. : Shri. Macmillan Byrsat, Pyndengrei Village, Nongstoin.
  5. : Shri. E.N.Marak, MCS(retired), Tura.
  6. : Shri. Ramesh Bawri, President Confederation of Industries.
  7. : Shri. S.K. Lato, Industrialist, Jowai
  8. : Chairman/ Member, The Institution of Engineers (India), Meghalaya Centre.
  9. : Director (E&M) HQ, CE Shillong Zone,
  10. : GM, Commercial, NEEPCO Ltd.
  11. : Vice President (BD), IEX, New Delhi).
- Convenor : Secretary, MSERC

Consumer Grievance Redressal Forum: The MeECL vide notification No. MeECL/GA.II/270/2007/Pt-I/61 dated 30<sup>th</sup> November, 2016 & MeECL/GA.II/270/2007/Pt-I/68 dated 2<sup>nd</sup> March, 2017, constituted the Consumer Grievances Redressal Forum with Headquarter at MeECL corporate office, Lumjingshai with the following members:

- (i) Smti. L. Kharkongor, IAS (Retd) - Chairperson
- (ii) Shri. J.L.Rumjang  
Chief Engineer ( Retd), MeECL - Member
- (iii) Shri. T. Nongsiej  
DyCAO (Retd) MeECL - Member

**A. Powers and function of the Forum:**

- (i) The Forum shall examine and consider all complaints that it receives and pass orders for the corporation to remedy the fault or defect within such time as it may decide.
- (ii) In exercising its function the Forum shall have powers to call for information from the Corporation or any other person concerned and to hear him.
- (iii) In dealing with any matter, the Forum may engage or consult a person having special knowledge or skill in the field.
- (iv) A complaint shall be disposed of within a maximum period of fifteen days from the date of receipt and the complainant consumer and the Corporation shall be informed of the decision taken.

**B. Under the said Regulations, the grievances may relate to:-**

- (i) Voltage fluctuation.
- (ii) Erratic supply of Electricity.

- (iii) Defective billing.
- (iv) Defective meters.
- (v) Defective street lights.
- (vi) Default in attending to routine complaints.
- (vii) Any other fault or defect which the licensee is duty bound to attend and rectify.
- (viii) Non giving or delay in giving electricity connection to an applicant.

**It may be mentioned that the Hon'ble Appellate Tribunal on Electricity ((APTEL) has directed that, "all the State Commissions/ Joint Commissions and Licensees shall send quarterly written status report regarding the functioning and performance in the approved format (complaints received/adjudicated or settled) to the Secretary, Forum of Regulators who will comply and post the said information online. He would also file a status report in this Tribunal once in 03 months in the Format already approved through our order dated 15<sup>th</sup> April, 2010."**

The monthly status is being conveyed by the MSERC to the Secretary FOR in the said Format by 15<sup>th</sup> of each month so that APTEL can be apprised of.

## **12. OMBUDSMAN**

### **Powers and function**

- (i) If the licensee fails or neglects to remove or set right the fault or defect complained of by the consumer or if the Forum neglects or is otherwise unable to deal with the complaint made to it the aggrieved consumer may, within ten days from the last day of the time set for under sub-regulation (1) of regulation 6 or from the date of seeking redress from the Forum under sub-regulation (1) of regulation 4, as the case may be, make a representation to the Ombudsman for redresses of the grievance.
- (ii) On receiving a representation, the Ombudsman shall after due examination and consideration settle the grievance of the consumer.
- (iii) In exercising its function the Ombudsman shall have the powers to call for reply, information date, records and other related documents from the licensee or from any other person who may be concerned with and to hear them.
- (iv) The Ombudsman may, if necessary, engage or consult a person having special knowledge or experience in the matter under consideration for this opinion or advice.
- (v) Notwithstanding anything contained in his regulation the Ombudsman may *suo-moto* take up any matter which is a subject of general grievance by consumers relating to supply of electricity in any area in the State.

In exercise of the power under section (2) of section 181 read with sub – section (5) and (7) of section 42 of the Electricity Act 2003 and the regulations framed there-under, the Meghalaya State Electricity Regulatory Commission presently Shri S J Laloo is the Electricity Ombudsman.

**In this regard, it may also be mentioned that the Hon'ble APTEL has directed that, "all the State Commissions/ joint Commissions and Licensees shall send quarterly written status report regarding the functioning and performance in the approved format (complaints received/adjudicated or settled)**

to the Secretary, Forum of Regulators who will comply and post the said information online. He would also file a status report in this Tribunal once in 03 months in the Format already approved through our order dated 15<sup>th</sup> April, 2010.”

The monthly status is being conveyed by the SERC’s to the Secretary FOR in the said Format by 15<sup>th</sup> of each month so that APTEL can be apprised of the position.

**13. FINANCIAL RESOURCES**

Section 103 of the Electricity Act, 2003 provides for the creation of a State Electricity Regulatory Commission Fund. Section 102 of the Act provides for grants and loans to be extended to the Commission by the State Government. In addition any revenue arising out of collection of fees by the Commission is also to be credited to this fund. Against this background the situation for the period under review is as follows:-

- A. This Commission received a sum of Rs152.27 Lakhs only as grants-in-aid from State government in 2016-17. In terms of fees, the Commission has so far received **Rs28.07 lakhs** from the MeECL& others for the tariff applications/petitions filed by them during the period.

**14. REGULATORY PROCEDURES**

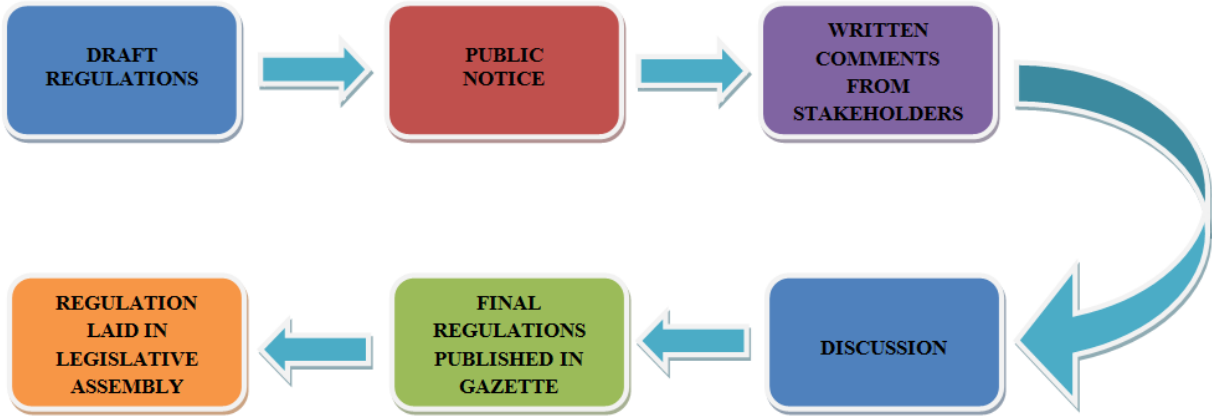
The Commission in discharging its functions under the provisions of the Electricity Act, 2003, undertakes the following:

- (i) Notifies Regulations
- (ii) Issues order on petitions relating to
  1. Determination of different tariff of electricity.
  2. Grant of license
  3. Review and miscellaneous petitions.

**15. PROCEDURE FOR REGULATIONS**

The Commission follows a detailed and transparent process before issuing a Regulation. To start with a draft regulation is developed on the issue on which it is proposed to be made.

The draft regulation is then given wide publicity through electronic and print media inviting comments and suggestions from stakeholders. On receipt of the comments, the issues are discussed threadbare. As per the requirement of the Act, the drafts Regulations then undergo the process of ‘Previous Publication’. This implies that the draft Regulations are published for comments from the stakeholders. It is only after receipt and consideration of the comments that the Regulations are finally published / notified in the Gazette of Meghalaya.



## **16. PROCEDURE FOR ORDERS ON PETITIONS**

Petitions/Applications are made before the Commission primarily for

- (i) Retail Tariff determination
- (ii) Tariff determination for generation and transmission;
- (iii) Grant of license for intra-state trading in electricity.

Apart from the above, the following petitions/applications can also be filed before the Commission:-

- (i) Miscellaneous Petition
- (ii) Review Petition

The applicant files petitions before the Commission along with prescribed fee. The applicants are also required to publish a summary of their application on their website and gives notice in newspapers inviting objections and suggestions from the public. Thereafter, public hearings are held where the petitioners and the respondents argue their case before the Commission. The Commission passes final orders on the petition after hearing all concerned. The petitioners and the respondents are allowed under the law to file for review before the Commission or appeal against the orders of the Commission before the Appellate Tribunal for Electricity within a specified period.

## **17. PROCESS AND PRINCIPLES OF TARIFF DETERMINATION**

Prior to the creation of the Commission, the tariff were being determined by the Government of Meghalaya through specific notification. As per the requirement of the Act, the determinations of tariff inter-alia are now entrusted to its Commission. In order to discharge this task, the Commission was required to finalize terms & conditions of tariff. After going through transparent process of views and comments of all stakeholders, the Commission finalized and notified Terms & Conditions of Tariff.

The tariff is determined as per the Regulations on Terms and Conditions of Tariff as applicable from time to time. The terms and conditions contain the financial norms and technical norms. The tariff is usually called the cost plus tariff because the capital cost of the project is the starting point for tariff calculations. It would be more appropriate to call it regulated tariff because other than actual capital expenditure, most of the financial & technical parameters adopted for tariff are normative and not actual.

The tariff calculation exercise is quite elaborate, with various elements going into the tariff are computed individually before arriving at the full tariff. The retail tariff shall be different for different categories of consumers based on the subsidy provided by the State Governments and other factors. The tariff shall also be different for each generating station, depending on its admitted capital cost and applicable norms of efficient operation. The exercise is quite elaborate and time consuming but essential to ensure that the distribution, transmission and generators function in an efficient and economic manner and do not misuse their dominant position to extract high prices form the buying utilities and consumers .

## **18. Compliance of Directives laid down in last Tariff Order dated 31<sup>st</sup> March 2015. (Further directions issued by the Commission to the utility vide its orders dated 31<sup>st</sup> March 2016 are given in bold, after each direction)**

### **Directions:**

#### **A. Reduction in AT&C losses**

- (a) Reduction in T & D losses
- (b) Reduction in commercial losses



(c) Improvement in metering, billing and collection

**The targets and action plans fixed circle wise, and achievements thereon, may be submitted to the MSERC every quarter, within 15 days of end of quarter**

Checking of pilferages/thefts to be conducted by the MTI & Vigilance Sub Division of the respective circles. **Quarterly report, circle wise may henceforth be submitted to MSERC every quarter, within 15 days of end of quarter**

Replacement of defective meters to be carried out as a continuous process and **Report may be submitted on circle -wise showing targets achieved every quarter, within 15 days of end of quarter**

**Efforts to be taken to familiarise all customers about new payment methods introduced, through brief publicity material enclosed together with one bill during the year as** Online collection system has already been implemented in Shillong, Jowai, Nongpoh, Sohra, Mairang and Nongstoin. Collection is also being made through CSC-SPV's in different areas throughout the State. The total number of collection centres (through CSC-SPV's) as on 15<sup>th</sup> June, 2015 is 53 (fifty three). Separate counters for women and senior citizens have been introduced in Shillong and facilities provided.

All 132/33 KV & 33/11 KV substations including incoming and outgoing feeders in Shillong are metered and monitored. Energy audit of 11 KV feeders and commercial complex distribution transformers in Shillong is to be done regularly and the report of the same is to be submitted monthly.

**B. Energy procurement**

**The Licensee shall ensure optimum level of procurement in order to reduce the cost and tariffs as** the major procurement of power is from the State generation sources and Central Generating Stations as per allocation.

**C. Time of Day Tariff**

Impact of the Peak and off peak demand difference for industries is to be controlled through implementation of ToD tariff. A more detailed study is to be carried out regarding the benefits of implementing the ToD billing and the same shall be submitted to the Commission. **The process shall be expedited, and to be submitted to the MSERC before filing next Tariff Petition.**

**D. Computerized billing**

It is observed that the consumers in Shillong, Jowai, Nongpoh, Sohra, Mairang and Nongstoin can make payment of electricity bills at any collection centre where SAP billing system is being implemented. Also with the opening of the collection centres through CSC-SPV the consumers can make payment from any of these counters throughout the State. **The Licensee shall further strengthen the facility.**

**E. Energy audit of high revenue yielding centre's**

Energy audit in Byrnihat Industrial Area to be done through third party. **The process shall be expedited, and copy of report shall be shared with the MSERC before next Tariff hearing.**

**F. Submission of audited record**

It is noted that the accounts for FY 2014-15 and FY 2015-16 to be audited. **The Licensee shall expedite the process of obtaining the C&AG audit report by close coordination with the concerned AG, by a nodal officer who may be identified specifically for this purpose.**

**G. Settlement of past dues**

It is submitted that action has been taken to see that there is no power regulation to the consumers. Efforts are being made to clear the outstanding power purchase dues. Accordingly, in light of the power purchase dues of NEEPCO, MePDCL has approached Power Finance Corporation Limited (PFC) for sanction of medium term loan to pay off its outstanding dues of power purchase and has sought approval of MSERC. The Commission has allowed working capital needs of the Licensee in order to pay the power purchase dues to the suppliers. **Steps taken may be followed up closely.**

**H. Energy conservation and DSM**

MeECL submitted that in fact the Government has observed that CFL is to be phased out and consumers are encouraged to use LED bulbs for lighting purpose. The M/s Energy Efficiency Services Limited is being engaged as consultant to assist MePDCL to implement energy conservation and DSM. The Licensee shall advise the local Government to avoid use of fluorescent, Mercury, sodium vapour, CFL fittings, incandescent lamps by replacing with LED lamps and fittings in order to ensure implementation of energy conservation and DSM.

**EESL may be advised to strengthen their publicity efforts in local media and also increase the number of outlets/ agencies for sale of LED bulbs to the consumers in general.**

**I. Man power utilization study**

It is submitted that the Manpower mapping is being done by Corporate Affairs.

**The Licensee shall expedite the study report to maintain optimum level of manpower, without affecting efficiency while at the same time reducing costs. Report may be shared with the MSERC latest by 30<sup>th</sup> September, 2017)**

- J.** The Commission further directs the Licensee that payable/receivable towards UI are to be scrutinized accurately so that any excess allowed in the power purchase cost due to difference in scheduling and actual drawal by the open access consumer should not be collected from the consumers.
- K.** The Commission directs the Licensee to place the details of transaction of pension, terminal liabilities and status of the Trust made for disbursement of the retired employees in its next ARR so as to make necessary adjustments, if any, in accordance with the Regulations.
- L.** The Commission directs that the Petitioner shall furnish the complete report on the implication of the Hon'ble Supreme Court Orders dated 28<sup>th</sup> August, 2012 along with the report of C&AG on Statement of Accounts of FY 2012-13. It should be filed as a separate petition along with the proposal of benefit to be given to the other category of consumers during the same period as indicated in the Hon'ble Supreme Court order.

**Report may be submitted expeditiously, after which the Commission shall take a final view.**

- M.** The Commission directs the Licensee that there should be an independent audit of power purchases from FY 2011-12 up to FY 2014-15 wherein the study should be made on current bill for each year, the delayed payment surcharge and supplementary bills because of revision of tariffs separately. **This report should be given to the Commission along with the C&AG audit report in the next true up petition.**
- N.** The Commission directs the licensee to give a report on realization of dues as per the Commission's Order for the past period from OA consumers by 30<sup>th</sup> September, 2017.

**The Commission reiterates that NOC for open access shall only be given to those who have no pending dues against them as per the Regulations.**

- O.** The Commission directs the Licensee to segregate the Technical & Commercial losses and submit the report to the Commission, in so far as it relates to the revenue yielding area. This report should be submitted latest by 30<sup>th</sup> September, 2017. **The Commission advises the management to go for third party verification in Industrial areas and in Shillong.**

**19. New Directives issued by the Commission vide its order dated 31<sup>st</sup> March, 2017.**

- a. Power purchase:** Licensee has been projecting high volume of power procurement without corresponding increase in the level of energy sales. As a result of the huge quantum of energy being surrendered to UI/exchange, IEX which at times does not cover cost price, this results in high cost of procurement and ultimately results in substantial increase in tariffs. The Licensee shall properly estimate the demand and follow the procedure laid down for sale to the consumers in licensed area. The Licensee shall obtain prior approval from the Commission invariably where it is proposed to purchase power from sources other than approved vendors bilaterally, as specified in Regulation 93.
- b.** Licensee has been filing tariff petitions belatedly for FY 2016-17 and FY 2017-18 without submitting audited accounts for FY 2014-15 and FY 2015-16 respectively and seeking provisional true up which is a deviation from the Regulation 15 (3) of MSERC Regulations, 2011.

The delay in filing the petitions with in-adequate data and without audited accounts results in duplication of the true up exercise for the same period of time, and in the process, the distribution of gains/losses to the beneficiaries is delayed.

**The Commission will ordinarily not condone delay in filing petitions with in-adequate information / data and without audited accounts in future. The Licensee shall bear the obligation of interest claims if any, made by aggrieved Stake Holders.**

- c. T&D Losses:** The Licensee has been projecting the T&D Losses ranging from 25% to 28% while filing the tariff petitions during the past 4 years, whereas the targets have not only been met, but the performance has been deteriorating from year to year.

The following data reveals the non-performance of Licensee in the area of T&D losses:

	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
<b>Projected</b>	28.74%	27.07%	27.59%	26.41%
<b>Achieved</b>	31.59%	32.55%	35.56%	35.56%

Regulation 91 (4) specifies that the Licensee shall conduct regular energy audit and submit reports relating to the previous years and substantiate estimation of energy losses. This has not been adhered to. The reasons for non-submission of energy audit reports shall be explained to the Commission. In the absence of the energy audit reports, the Commission may have to suo-moto determine the loss levels and power procurement shall be restricted accordingly, in order to safeguard the interests of the Stake holders. It also needs to be stated that even a marginal improvement in checking T&D losses can have a substantial impact on the tariff rates which can be passed on to the consumers, while at the same time improving the financials of the Licensee itself.

- d. The Licensee is directed to file true up petition along with C&AG Audit report, since present true up orders for FY 2014-15 are passed only on provisional basis.
- e. **Metering, Billing and Collection Efficiency:** The Licensee is directed to ensure 100% metering of all categories. Similarly, all 33kV and 11kV feeders and distribution transformers in towns and urban areas, which would enable the Licensee to conduct energy audit accounting for assessing the exact T&D losses. While no new unmetered connections shall be given henceforth, an action plan may also be formulated to cover all unmetered connections existing at present. This Action Plan may be drawn up and shared with the Commission by the 31<sup>st</sup> July, 2017

The licensee shall also ensure 100% of billing every month by employing IT tools like hand held spot billing machines.

The Licensee should provide multiple options for bill payment by consumers in order to improve the collection efficiency. It is also to be ensured that disconnection of consumer is enforced for non-payment, as multiple facilities have been provided for the convenience of the consumer. All the consumer service centers at sub-division level should co-relate entire metering, billing and collections, so that irritants like wrong billing etc are avoided.

**f. Submission of audited record:**

The Licensee should ensure availability of C&AG audit reports of FY 2014-15 and FY 2015-16 which have been substantially delayed, for filing with the statutory authorities and also filing with the Commission.

**g. Settlement of past dues to the Generators/traders/suppliers:**

The Commission has been approving the working capital to meet the power purchase obligations to avoid levy of surcharge for belated payment of power purchase dues. Borrowing loans from financial institutions to discharge power purchase liabilities will result in additional interest burden, with consumers ultimately being penalized with that interest commitment through tariffs. The Commission will not allow any such interest commitment in the ARR.

**h. Voltage wise Cost of Supply**

Hon'ble APTEL in its verdict in the Appeal No. 146 of 2014, held that the State Commission should initiate study of voltage wise cost of supply to determine more accurately the cross subsidy by various category of consumers for use in the tariff order for FY 2015-16. In compliance of Hon'ble APTEL directions licensee was asked to workout cost of supply and submit the report by 30<sup>th</sup> September, 2016 (Directive 11). The report is still awaited. The Commission is constrained to issue a final direction in the matter, and the licensee is directed to expedite submission of the same. The report should be filed positively before 30<sup>th</sup> June, 2017.

## **20. UDAY**

A majority of the states & their Discoms had signed MOU's with Power Ministry with the objective of operational and financial efficiency of State owned Discoms all over the country.

- (a) The UDAY scheme restructures the debt but also lays upon the Discoms the responsibility to cut their losses and improve their financial performance. The scheme announced in November 2015, has been projected as a bailout for India's state owned Discoms that are almost bankrupt and which are weighed down by Rs 4.3 lakh crore of collective debt and Rs

3.8 lakh crore of losses some of which cannot even afford to buy electricity from power generators.

The scheme envisages the states to take over 75 percent of the debt held by their Discoms, and that the Discoms will sell bonds guaranteed by state governments to cover the remaining 25 percent of the debt.

**a. State Government Role under UDAY**

- I. Shall take over 75 pc of the debt of its Discom outstanding as on 30<sup>th</sup> September, 2015. In 2015 (1650 pc) and 25 pc in 2016-17.
- II. Shall take over the future losses of Discom in a graded manner and shall fund the losses as shown in table at pg 32 top.
- III. Shall provide Operational Funding Requirement (OFR)-support to Discom till it achieves turnaround.
- IV All outstanding dues from the state government departments to Discom for supply of electricity shall be paid by 15<sup>th</sup> March, 2016.
- V. Shall guarantee repayment of principal and interest payment for the balance debt remaining with Discom bonds issued.
- VI. Banks / FIs shall not advance short term debt to Discom for financing losses.
- VII. Shall ensure replacement of street lights with LEDs in all municipal towns through Municipal Corporations.
- VIII. Shall improve efficiency of State Generating Units.
- IX. Shall endeavour to ensure tariff hikes
- X. Will endeavour to ensure that all operational targets are met.
- XI. Shall review Discom's performance on monthly basis.

**b. Discom Role under UDAY**

For the 50 pc of the debt remaining with it as on 31<sup>st</sup> March, 2016, Discom to fully / partially issue state government guaranteed bonds or get them converted by Banks / FIs into loans or bonds with interest not more than the Banks base rate plus o.i pc.

- I. Discom shall pay interest to the state government in future, if any, on the outstanding loan in a financial year at the rate at which state government issued bonds.
- II. Discom to reduce AT&C losses to 15 pc level.
- III. Discom shall eliminate the gap between ACS and ARR after adjustment of subsidy from state government, if any, to any category of consumers.
- IV. Discom shall procure power through the transparent process of competitive bidding.
- V. Discom shall devise Key performance Indicators (KPIs) for each officer in charge on.
- VI. Areas of AT& loss reduction and improvement in meter / billing / collection efficiency.
- VII. Discom shall set up Centrallized Customer Call Centre.

- VIII. Shall revise tariff quarterly particularly to offset fuel price increase
- IX. Shall undertake to provide LED for domestic and other category consumers under DELP program through EESL and replace at least 10 pc of existing agriculture pumps with energy efficient pumps by March 2019.
- X. Discom shall take the following measures for Loss Reduction
- XI. Prepare loss reduction targets at subdivision / division / circle / Area level and making concerned officers responsible for achieving them.
- XII. Implement performance monitoring and management system MIS for tracking meter replacement, loss reduction and day to day progress.
- XIII. Achieve 100 pc Distribution Transformer (DT) and Feeder metering.
- XIV. Undertake energy audit up-to 11 KV level.
- XV. Install Smart Meters for all consumers other than agricultural consumers consuming above 500 units per month by 31<sup>st</sup> December, 2017 and consumers consuming above 200 units per month by 31<sup>st</sup> December, 2019.

**21. Deen Dayal Upadhaya Gram Jyoti Yojana (DDUGJY)** is a Government of India Scheme designed to provide continuous supply to rural India. It was launched with the following aims and objectives.

1. To provide electrification to all villages
2. Feeder separation to ensure sufficient power to farmers and regular supply to other consumers
3. Improvement of Sub-transmission and distribution network to improve the quality and reliability of the supply
4. Metering to reduce the losses

The Meghalaya Power Distribution Corporation Limited (MePDCL) has been entrusted by the Government for the execution of Electrification works which inter – alia include “construction of New 11 kV & LT line, Installation of Distribution transformer and providing service connection to BPL consumers under Phase – I and Strengthening Works comprising of Construction of new 33 and 11 kV Feeder and DT metering in Rural areas of the State of Meghalaya under Phase II of Deen Dayal Upadhaya Gram Jyoti Yojana (DDUGJ) Project” in every District of the State of Meghalaya.

The project is being funded by the Ministry of Power, Government of India under “Deen Dayal Upadhaya Gram Jyoti Yojana “ DDUGJ project and being implemented by the MePDCL under suitable arrangement with the Rural Electrification Corporation Limited (REC), New Delhi.

Electrification of Un-Electrified Villages will be implemented by MePDCL through Grid. For off-grid Villages, the work will be executed by MePDCL as well as by the MNREDA under DDG.

### **a. Decentralized Distributed Generation (DDG)**

The De-Centralized Distribution Generation (DDG) is a sub scheme of DDUGJY. The DDG scheme comprises of electrification works of rural remote villages through LED based DC Solar Home Lighting Systems along with Solar Street Lighting, in rural areas of Meghalaya. Under the DDG project, remote villages inaccessible to Grid will be electrified through Solar Panels. Each house will be provided with Solar Home Lighting System (SHLS) consisting of 5 nos of 7.0 W light pointys, a Fan Point of 20.0 W and a Mobile Charging Point of 18.0 W Solar Street Light Points will be provided in each of the above villages.

### **b. Implementation and Progress:**

The Scheme is being executed on Turnkey basis in State. After completion of the Project, it is expected that Electricity will be easily accessible to residents of every households in the State.

### **c. Problems and Challenges:**

Most of the un-electrified targeted for electrification under DDUGJY are located in remote areas and not easily accessible by road due to difficult and hilly terrains. During the monsoon season progress of construction works is very slow and almost comes to a snail's pace or halts in most villages due to bad road condition and flooding streams and rivers. Materials have to be manually transported either by head load or with the help of elephants. After completion works there will be challenges faced in Operation and maintenance as well as collection of Revenue since meter reading poses a great challenge. After completion viable commercial operation will be challenging to maintain utility's as well as consumer's interest.

## **22. Progress of Pradhan Mantri UJALA Yojana in Meghalaya**

The UJALA (Unnat Jeevan by Affordable LED's and Appliances for All) scheme aims at promoting the use of energy efficient lighting solutions in India by the sale of LED bulbs to domestic consumers of the Distribution Company.

*Achievements:*

District	9W Bulbs		20W Tube Lights	
	No. Of Consumers	No. of Units Sold	No. Of Consumers	No. of Units Sold
East Khasi Hills	94,864	1,06,357	1,845	2,653
West Garo Hills	25,657	46,678	320	361
East Jaintia Hills	18,342	31,091	-	-
North Garo Hills	48,794	69,854	264	278
RiBhoi	15,163	18,068	64	76
West Jaintia Hills	20,626	22,323	117	130
East Garo Hill	2,348	5,235	-	-
West Khasi Hills	1,273	2,876	-	-
South West Khasi Hills	946	1,840	-	-
South Garo Hills	15,349	2,543	-	-
<b>Total</b>	<b>2,43,362</b>	<b>3,06,865</b>	<b>2,610</b>	<b>3,498</b>

As of 1<sup>st</sup> December, 2017, Total 3,06,865 Bulbs and 3,498 Tube lights (Institutional sale included) have been sold in Meghalaya under the UJALA scheme and this figure is being update frequently on the UJALA dashboard.

The followings are the approx energy saving and cost savings through LED distribution:-

1. Energy saved per year: 39,852 MWH
2. Cost saving per year: 16 Cr
3. Added peak demand: 8 MW
4. Co<sub>2</sub> reduction per year: 32,280 t CO<sub>2</sub>

### **23. Financial Discipline**

In terms of sub-section (1) of section 104 of the Electricity Act 2003, the Commission is required to maintain accounts and other records and prepare Annual Statement of Accounts in such forms as may be prescribed by the State Government in consultation with Comptroller and Auditor General of India (CAG). Under the provisions of sub-section (2) of Section 104 of the Act *ibid*, such Accounts are to be audited by the CAG.

### **24. Audit Report**

The Commission engaged CAG empanelled statutory auditor for internal auditing of the Commission Accounts and submitted the report to concerned departments & CAG and also tabled in the State assembly as required under Section 105 of EA 2003. The Commission accounts are up-to-date from FY 2006-07 to FY2015-16. Fund & Accounts Rule of MSERC as vetted by Controller & Auditor General of India was duly notified in the gazette of Meghalaya on 10<sup>th</sup> April 2014.

CAG has already audited the accounts of the Commission from 2006-07 to 2016-17 and the AG audit report has been received.

### **25. Conclusion**

Commission will be monitoring the action taken on the directives issued to MeECL on submission of performance reports. During the period under review, the Commission received considerable support and encouragement from the State and Central Governments, the Meghalaya Energy Corporation Ltd., the utilities under it, and from all sections of the public of Meghalaya. It is expected that this support will continue during ensuing years and the Commission would be in a position to consolidate the work done so far and take further strides towards establishing sustainable electricity regulatory and reform process in Meghalaya.

( WMS Pariat)  
Chairman  
MSERC



**OFFICE OF THE  
ACCOUNTANT GENERAL (AUDIT)  
MEGHALAYA SHILLONG -793001**

**EPABX-0364-2228861/62/63; FAX-2223494**

**Email: [agauMeghalaya.gov.in](mailto:agauMeghalaya.gov.in)**

**Ltr. No. ES-II/4-32/MSERC/2017-18/153**

**Date: 28<sup>th</sup> August 2017**

To,

**The Secretary**

**Meghalaya State Electricity Regulatory Commission (MSERC)**

**Shillong – 793001.**

**Sub: Separate Audit Reports of the Comptroller and Auditor General of India on the accounts of the Meghalaya State Electricity Regulatory Commission for the years ending 31 March 2017.**

Sir,

I am forwarding herewith the Separate Audit Reports of the Comptroller and Auditor General of India on the accounts of the Meghalaya state electricity Regulatory Commission for the year ending 31 March 2017.

2. The date of placing of the Separate Audit Report and annual accounts on the table of the State Legislature may please be intimated in due course and ten copies of the Report, placed before the Legislature, may please be sent to this office for record.
3. The Separate Audit Report may please be treated as Confidential till it is placed before the Legislature.
4. Receipt of the letter along with the enclosures may please be acknowledged.

Yours faithfully.

Encl: As stated above.

Sd/-  
Deputy Accountant General  
Economic Sector-II

**Separate Audit Report of the Comptroller and Auditor General of India  
on the Accounts of the Meghalaya State Electricity Regulatory  
Commission, Shillong for the year ended 31<sup>st</sup> March 2017**

We have audited the attached Balance sheet of the Meghalaya State Electricity Regulatory Commission, Shillong as at 31<sup>st</sup> March 2017, the Income and Expenditure Accounts and Receipt and Payment Accounts for the Year ended on that date under section 19(2) of the Comptroller and Auditor General's (Duties, powers and Conditions of service) Act, 1971, read with Section 104(2) of the Electricity Act, 2003 and Rule 9 of the MSERC (Fund) Rules, 2013. These financial statements are the responsibility of the Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

2. This Separate Audit Report contains general comments of the Comptroller and Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms etc. Audit observations on financial transaction with regard to compliance with the Law, Rules and Regulations (Propriety and Regularity) and efficiency-cum-performance aspects, etc., if any, are reported through Inspection Reports/CAG's Audit Reports separately.

3. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimate made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

4. Based on our audit, we report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of accounts and other relevant records have been maintained by the Commission as required under rule 7(4) of the MSERC (Annual Accounts, Audit and Budget) Rules, 2013 so far as it appears from our examination of such books, subject to the observations made in subsequent paras.
- iii. We further report that:

**(i) Balance Sheet.**

**Assets**

**Fixed Assets (Schedule B) –Rs. 21.05 lakh.**

A1: The above does not include Rs. 1.39 lakh being cost of electrical installations which was wrongly charged to "Other Administrative Expenses" under the Income & expenditure accounts. This has resulted in understatement of Fixed assets – Electric Installations with

corresponding understatement of “excess of income over expenditure” by Rs.1.29 lakh each (Cost Rs. 1.39 lakh – Depreciation Rs.0.10 lakh).

### **Current assets, loans and advances (Schedule C)**

#### **Current assets: Cash at Bank – Rs.446.12 lakh**

A2. The above represents balance in current account amounting to Rs.208.91 lakh and balance in Multi Option deposit (MOD) account amounting to Rs.237.21 lakh maintained with a scheduled bank which needs to be classified separately.

#### **(ii) General:**

#### **Deviations from Form of Financial Statements adopted by the Meghalaya state Electricity Regulatory Commission (Commission) for preparation of Annual Accounts.**

B1: The following are the deviations in the Annual Accounts from the format of Financial Statements:

#### **Balance Sheet:**

- (i) The Commission has not shown the presentation of General reserves and surplus during the year under “Reserves and Surplus” but under “General Reserve” only.
- ii. “Current Liabilities & Provisions” were wrongly stated as “Current Liabilities & Expenses”. Further, in the schedule – A forming part of it, term were not classified separately under “Current Liabilities and Provisions”. Further, the Commission has not made provision for retirement benefits (Gratuity and Earned Leave) to the employees. However, monetary impact of the issue could not be qualified in the absence of complete information.
- iii. Schedule – B forming part of Fixed assets has not been presented as per the adopted format highlighting the items of fixed assets as per the following sequence:

#### **Gross Block:**

- (i) Cost/valuation as at the beginning of the year
- (ii) Additions during the year
- (iii) Deductions during the year
- (iv) Cost/valuation at the year end

#### **Depreciation:**

- (v) As at the beginning of the year
- (vi) On addition during the year
- (vii) On deduction during the year
- (viii) Total up to the year end

**Net Block:**

(ix) As at the Current year-end

(x) As at the previous year-end

**Income & Expenditure accounts:**

There are no schedules forming part of Grants/Subsidies. Hence, in the absence of Schedules, the users of Financial Statement cannot ascertain the source of Grants received by the Commission.

**C. Grants-in-aid:**

The Commission received an amount of Rs.227.48 lakh as Grants-in-aid from Government of Meghalaya during the year 2016-17. Further, the Commission had opening balance of Rs.59.25 lakh. Out of the available amount of Rs.129.87 lakh was utilised during the year, leaving a balance of Rs.156.86 lakh as on 31<sup>st</sup>March 2017.

IV. Subject to our observation in the preceding paragraphs, we report that the Balance sheet, Income and Expenditure Account and Receipt and Payments Accounts dealt with by this report are in agreement with the books of accounts.

V. In our opinion and to the best of our information and according to the explanations given to us, and subject to the significant matter stated above the said financial statements. And other matter mentioned in **Annexure-1** to this Audit Report, give a true and fair view in conformity with accounting principles generally accepted in India:

(i) In so far as it relates to the Balance Sheet, of the state of affairs of the Commission as at 31<sup>st</sup>March 2017; and

(ii) In so far as it relates to Income and expenditure accounts, of the “Excess of Income over expenditure” for the year ended on that date.

For and on behalf of the Comptroller

Place: Shillong

and Auditor General of India

Date: 31<sup>st</sup>August 2017

Sd/-

(Stephen Hongray)

Principal Accountant General (Audit)

Meghalaya

## **Annexure I to Separate Audit Report**

### **1. Internal Audit System.**

The Commission does not have its own Internal Audit Wing. However, the Internal Audit for the year was outsourced to a Chartered Accountant Firm. The scope of internal audit covered all the expenses and receipts of the Commission during the year.

### **2. Internal Control system.**

The following observations are made on the internal controls system of the Commission:

- (iii) The cash balances were certified by the competent authority.
- (iv) Surprise checks of cash had not been carried out during the year.
- (v) Bank Reconciliation Statement has been prepared.
- (vi) Confirmations of balance in the bank account and MOD accounts as well as interest accrued on MOD (as on 31<sup>st</sup>March 2017) were obtained.

### **3. System of Physical Verification of Fixed Assets.**

Physical Verification of Fixed Assets has been conducted as on 31<sup>st</sup> March 2017.

### **4. System of Physical Verification of Inventory.**

Physical Verification of Inventory has been conducted as on 31<sup>st</sup>March 2017.

### **5. Regularity in payment of Statutory Dues.**

No instances of delay in remittance and payment of statutory dues were noticed in audit.

**Sd/-**  
**Audit Officer**  
**Economic Sector-II**