

**MEGHALAYA STATE ELECTRICITY REGULATORY
COMMISSION**

ELEVENTH ANNUAL REPORT

2017– 2018

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



**NEW ADMINISTRATIVE BUILDING, 1ST FLOOR, LEFT WING, LOWER LACHUMIERE, SHILLONG –
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ANNUAL REPORT

Financial Year 2017-18

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 26th March 2004 became functional on 6th 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 Tenth Annual Report relating to the financial year 2017-18 was placed on the Table of the Meghalaya Legislative Assembly on 17th March, 2018. This is the ELEVENTH Annual Report prepared by the Commission and it relates to the financial year 2017-18.

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:

- 3.1. Promote reforms in the electricity sector;
- 3.2. Encourage transparency, competition and economy;
- 3.3. Regulate the power purchase and procurement process of the distribution utilities.
- 3.4. 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:

- 4.1. determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be within the State;

- 4.2. 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;
- 4.3. facilitate intra-State transmission and wheeling of electricity;
- 4.4. issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
- 4.5. promote co-generation 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;
- 4.6. adjudicate upon the disputes between the licensees and generating companies and to refer disputes for arbitration where considered appropriate;
- 4.7. levy fee for the purposes of the Electricity Act, 2003;
- 4.8. specify the State Grid Code;
- 4.9. specify or enforce standards with respect to quality, continuity and reliability of service by licensee;
- 4.10. fix the trading margin in the inter-State trading of electricity, if considered necessary;
- 4.11. discharge such other functions as may be assigned to it under the Electricity Act, 2003, as amended from time to time;
- 4.12. advise the State Government on all or any of the following matters, namely:-
 - 4.12.1. Promotion of competition, efficiency, and economy in the activities of the electricity industry,
 - 4.12.2. Promotion of investment in electricity industry,
 - 4.12.3. 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.
- 4.13. The State Commission shall ensure transparency while exercising its powers and discharging its functions.
- 4.14. 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 of the Act.

5. CHAIRPERSON

The present Chairperson of the Commission is Shri. WMSPariat, IAS (Retd), who tookcharge of the office on the 5th 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, account/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 1st 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.mserc.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 the Consumer Grievances Redressal Forum and Ombudsman and guides the consumer for redressal of their grievances. Further information such as 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 repealing earlier regulations on CGRF.

11. ORDERS

Commission has issued under mentioned orders during the period of report:-

- 11.1. Tariff Order of Generation Company for FY 2018-19
- 11.2. Tariff Order of Transmission Company for FY 2018-19
- 11.3. Tariff Order of Distribution Company for FY 2018-19
- 11.4. Approval of provisional Capital Cost of New Umtru Hydro Electric Project and determination of provisional Generation Tariff for FY 2017-18.
- 11.5. Approval of Business Plan of Meghalaya Power Transmission Corporation Limited for the MYT Control Period from FY 2018-19 to FY 2020-21
- 11.6. Approval of Business Plan of Meghalaya Power Distribution Corporation Limited for the Control Period from FY 2018-19 to FY 2020-21.
- 11.7. Approval of Fuel and Power Purchase Price Adjustment (FPPPA) of Meghalaya Power Distribution Corporation Limited (MePDCL) for FY 2016-17
- 11.8. Amendment of Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations 2014.

12. STATE ADVISORY COMMITTEE

In exercise of the powers conferred under section 87 of the Electricity Act, 2003, the Commission, under a notification dated 5th February 2007, had first constituted the Meghalaya State Electricity Advisory Committee to advise the Commission 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 18th 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

13. CONSUMER GRIEVANCE REDRESSAL FORUM

The MeECL vide notification No. MeECL/GA.II/270/2007/Pt-I/61 dated 30th November, 2016 & MeECL/GA.II/270/2007/Pt-I/68 dated 2nd 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) S.K. Lato - 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) Not 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 15th April, 2010."

The monthly status is being conveyed by the MSERC to the Secretary FOR in the said Format by 15th of the first month beginning next quarter, so that APTEL can be apprised of accordingly.

14. 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 appoints the Ombudsman. 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 15th April, 2010."

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

15. 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:-

15.1. This Commission is **yet to receive a sum of Rs161.69 Lakhs** only as grants-in-aid from State government for 2017-18. In terms of fees, the Commission has so far received **Rs36,87,800** from the MeECL& others for the tariff applications/petitions filed by them during the period.

16. REGULATORY PROCEDURES

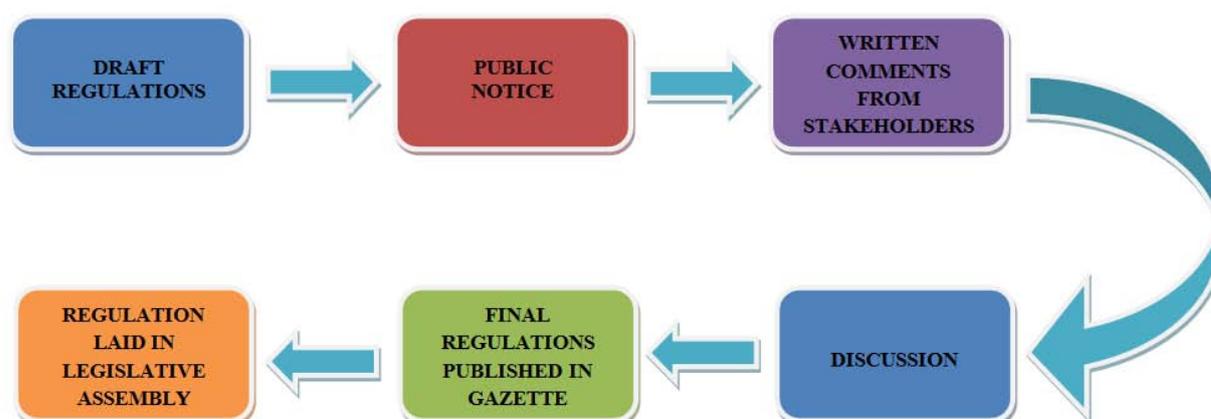
The Commission in discharging its functions under the provisions of the Electricity Act, 2003, undertakes the following:

- a. Notifies Regulations
- b. Issues order on petitions relating to
 - i. Determination of different tariff of electricity.
 - ii. Grant of license
 - iii. Review and miscellaneous petitions.

17. 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.



18. 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.

19. 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 both 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 being 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 while not misusing their dominant position to extract high prices from the buying utilities and consumers.

20. Compliance of Directives laid down in last Tariff Order dated 31st March 2018.

20.1. Directives for MePGCL for FY 2018-19

1. Filing of Petition for New Umtru and Lakroh

MePGCL shall file the petition for approval of final tariff with all the required data for New Umtru and Lakroh projects expeditiously.

2. Financial statements of Accounts:

The Commission directs MePGCL to get the accounts audited by C & AG from FY 2013-14 upto FY 2016-17 and submit petition for True Up of the Business Plan and to appropriate the losses/ gains.

3. Control of Expenditures

The Commission directs MePGCL to prepare an annual budget for FY 2018-19 for every plant and submit the same to the Commission within one month of the issuance of this Order to enable it to monitor that expenses are controlled within the provision of ARR & Tariff Order. A directive to this effect had also been issued by the Commission in the Tariff Order dated 31/3/17, but has not been complied with. Non-compliance of this directive within the time frame indicated will be taken very seriously by the Commission, and may entail action as considered appropriate by the Commission.

4. Assets Records

The Licensee is directed to maintenance Assets records. Since all the Old plants have served their life, allowing RoE and depreciation on those assets would result in excess recovery of costs and tariffs. The asset records shall be duly verified as per the Regulations and to ensure to delete the value of non – performing assets from the asset base in the books for the purpose of calculation of RoE and Depreciation. A directive to this effect had also been issued by the Commission in its Tariff Order dated 31/3/17, but the MePGCL had not complied with the Directive .The Licensee shall submit a report by June 2018.

4.1 MePGCL is directed to maintain separate asset records of MLHEP and submit to the Commission by June 2018.

4.2 MePGCL shall arrange for Audit of Accounts for MLHEP separately from FY 2013-14 onwards.

5. Asset wise Breakup

Asset wise Break up for existing plants and New Investments capitalized shall be furnished along with next petition.

6. The Commission is constrained to note that the MePGCL has not been complying with some of the directions issued by the Commission in its Tariff Orders. The Commission takes this opportunity to advice the MePGCL to henceforth take all orders and Directions issued with the utmost seriousness. In the past, the MePGCL has not only failed to comply, but has even failed to

indicate the reasons for its inability to do so , which could have been taken into consideration by the Commission, whether a relook at the directions issued is necessary, or whether any advice on the matter could be given by it. Failure to comply with the directions issued by the Commission may entail strict action as per provisions of Law.

20.2. Directives for MePTCL for 2018-19

EARLIER DIRECTIVES

1. The Commission directs the transmission company to study the open access procedure, evaluate the spare capacity and demand of the state while allowing NOC to Open Access consumers. MePTCL is directed to strictly adhere to the Commission's Regulations and orders while recovering the charges from such Open Access consumers.
2. While allowing open access, the STU shall ensure that the availability / capacity of the line on which open access shall take place is sufficient. In no case it should hinder the power flow to the distribution licensee. It is further directed that STU, while computing the spare capacity in the Transmission lines, shall include the evacuation of power from new central generating stations that are being allocated to Meghalaya in the ensuing Tariff period. Any failure of the grid on account of over utilization of the present capacity by Open Access consumers shall be investigated and suitable action shall be taken to plug the Revenue loss.
3. **Employee expenses/ O&M expenses:**
MePTCL has claimed employee expenses for FY 2014-15 at 41.56 % excess over the approved level. The licensee shall submit detailed analysis of employee expenses, component wise, like Basic Pay, DA, HRA and other allowance. The Licensee shall submit up to date of Circuit Kilo Meters of transmission lines, transmission capacity in MVA and number of Bays Sub-station wise by 30.06.2018 in order to fix the O & M expenses as per the CERC Regulations 2014. Licensee shall seek approval of O & M expenses from the Commission.
Comments by MSERC-Licensee has furnished the network data and the Commission has considered the O&M expenses as per the CERC norms.
4. MePTCL has proposed transmission losses at 4%, which has accordingly been adopted by the Commission. In no case the transmission losses shall be allowed in excess of 4%. The Licensee shall-ensure the network availability without any interruptions for the contracted capacity with the distribution Licensee.
5. STU shall also ensure the compliance of principles of Grid Code, CERC Regulations while allowing open Access and shall recover the charges as allowed by the Commission and its regulations.
Status: -Complied
6. The Commission directs the Licensee to get C & AG certificate of statement of accounts from FY 2013-14 onwards before filing of the next ARR Petition.
Status: - The Licensee has not complied the directive.

7. The MePTCL is required to maintain separate Account Books for SLDC and file the expenditure and Income along with Transmission ARR without fail.
Status: - MePTCL has not filed separate ARR for SLDC. Licensee shall maintain separate books of accounts before filing next petition, which shall be done along with SLDC data.
8. MePTCL shall maintain Assets records and arrange for audit, post restructuring of the MeSEB. The OCFA value of Assets which have served their life shall be removed from the books while retaining 10 % salvage value.
Status: - MePTCL has not complied with the directive. Commission directs the Licensee to arrange for audit of books post restructuring of the MeSEB, and the retirement of assets values whose life term has been completed, shall be brought into books in order to reduce the cost and Tariff.
9. **Fresh Directives**
The Licensee has not disclosed the grants and contributions for implementation of the new investment for the MYT control period FY 2018-19 to FY 2020-21, whereas capitalization of assets has been projected for the entire value of proposed capital investment during the control period in the business plan. As the ARR is considered on the basis of estimates, Commission considers that the grants and contributions may be made available during the course of project execution. The Licensee shall furnish the details of the grants and contributions in the first year of control period FY 2018-19.
10. Commission observed that the true up of business from FY 2013-14 to FY 2016-17 is yet to be filed by the licensee. The losses and gains on true up of the business shall be appropriated for which interest costs may be a burden to both utility and users. Licensee shall expedite action on the above delays.
11. Huge investments are proposed for improving the transmission system during second control period and it is expected that it would be possible to reduce the losses below 4%. The Commission directs that quality meters shall be provided on both ends of each transmission line and losses worked out on each line. Particulars of line wise losses shall be provided from September 2018 onwards, for each and every quarter, to the Commission. Total system losses based on metering data shall be worked out and submitted with the petition for FY 2019-20.
12. **Transmission system availability**
Transmission system availability is stated to be 98% without adequate data. Commission accepted the proposal. To access the system availability MePTCL should maintain record of performance of each transmission lines voltage wise by showing details of interruptions, break downs with duration.
Based on monthly reports maintained system availability should be arrived and shown in the next tariff petition for accepting the system availability.
13. MePTCL shall maintain separate books for SLDC and file the petition for tariff in the next ARR filings.

20.3. Directives for MePDCL for FY 2018-19

20.3.1. Compliance of Directives of last Tariff Order

1) **Computerized billing**

It is submitted that the consumers in Shillong, Jowai, Nongpoh, Sohra, Mairang and Nongstoin can deposit 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.

Commission directs that Licensee shall further strengthen the facility and implement 100% computerised billing to avoid manual interference.

2) **Energy audit**

As per the MOU entered for implementation of UDAY scheme, energy audit at 11Kv level has been made mandatory; **licensee shall ensure energy audit as contemplated in the MOU and report progress of loss levels to the Commission every month.**

3) **Submission of audited accounts**

The accounts for FY 2015-16 and FY 2016-17 may be ensured to be audited by C & AG. **Commission directs the Licensee to expedite the process of obtaining the C&AG report on the annual accounts year on year and submit the same along with true up petition of relevant year.**

4) **Settlement of past dues**

It is submitted that action has been taken to see that there is no power regulation to the consumers, and for this purpose, efforts are being made to clear the outstanding power purchase dues. Accordingly, in order to clear 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 also 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. Regulations do not allow any late payment surcharge for delayed payment.

Commission directs that effective steps are taken to settle the past dues.

5) **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. It may be mentioned that the M/s Energy Efficiency Services Limited, a GOI undertaking is being engaged as consultant to assist MePDCL to implement energy conservation and DMS. The Licensee shall advise the local Government to avoid use of fluorescent, Mercury, sodium vapour, CFL fittings, incandescent lamps by replacing existing street lights with LED lamps and fittings in order to ensure implementation of energy conservation and DSM.

Commission directs the licensee to advise EESL to strengthen their publicity efforts in local media and also increase the number of outlets/ agencies for sale of LED lamps and fittings to the consumers in general.

6) Man power utilization study

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

Commission directs the Licensee to expedite submission of report for optimum utilisation of manpower, which would not affect efficiency while at the same time reducing costs. Report to be made available to the Commission by 30/06/18 positively.

- 7) The Commission directs the Licensee that payables/receivables towards UI are properly scrutinized so that any excess allowed in the power purchase cost, due to difference in scheduling and actual drawal, by the open access consumeris not collected twice.
- 8) The Commission directs the Licensee to place the details of transaction of pension, terminal liabilities and status of the functioning of 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.
- 9) The Commission directs the licensee to look into the representation of the BIA in the light of judgement made by the Hon'ble Supreme Court dated 28.08.2012.
- 10) The Commission directs the Licensee that there should be an independent audit of power purchases from FY 2011-12 to FY 2014-15 where in 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 submitted to the Commission along with C&AG audit report in the next true up petition.
- 11) 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 30.06.2018. The Commission reiterates that NOC for open access consumers shall only be given to those who have no pending dues against them as per the Regulations.
- 12) 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 areas. This report should be submitted latest by 30.06.2018. The Commission advises the management to go for third party verification in Industrial areas.

20.3.2. New Directives

1) Reduction in AT&C losses

- a. Reduction in T & D losses
- b. Reduction in commercial losses
- c. Improvement in metering, billing and collection

Status

MePDCL had entered into Tripartite MOU for implementation of UDAY Scheme (UJWAL Discom Assurance Yojana) on 09.03.2017.

The following are the activities targeted to be implemented.

- a) Among other performance parameters the licensee shall reduce the T&D losses to 12.19% by FY 2019-20 and AT&C losses to be brought down to 15%
- b) Metering of DTRs, energy audit upto 11Kv level, GIS mapping and consumer indexing for towns not covered under R-APDRP, and smart metering of consumers with above 500 units.
- c) Commission has also approved capital investment to meet the capex for above activities in the business plan for FY 2018-19 to FY 2020-21
- d) MePDCL shall furnish monthly progress report on the above activities to the Commission in order to update the records and ensure cost- to- serve model Tariff.

2) Billing Efficiency

The licensee has furnished average billing rate lower than approved tariffs for the FY 2015-16 & FY 2016-17 vide letter dated 05.01.2018 at Rs.5.18/KWh and Rs.5.58/kWh as against the approved rate of Rs.5.78/KWh and Rs.6.23/KWh respectively. The licensee shall improve billing efficiency in order to achieve the targets set in UDAY Scheme as per MoU in the second control period.

3) Power purchase:

Licensee has been projecting high volume of power procurement without corresponding increase in the level of energy sales. As a result a huge quantum of energy is being surrendered to UI/exchange, IEX which at times does not even 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 the licensed area. The Licensee shall invariably obtain prior approval from the Commission where it is proposed to purchase power from sources other than approved vendors bilaterally, as specified in Regulations.

Commission directs the licensee to ensure optimum level of energy procurement in order to reduce the costs and tariffs, since there is a surplus of about 1800 MU available annually during the control period.

- 4)** Licensee had 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

and in the process, the distribution of gains/losses to the beneficiaries is delayed.

The Commission will not accept the petitions filed with inadequate information / data and without the relevant audited accounts in future. The Licensee shall bear the obligation of interest claims if any, made by aggrieved Stake Holders.

- 5) In view of the mandatory achievement of T&D losses prescribed in the UDAY Scheme, the licensee shall ensure reduction in T&D losses, as targeted therein.
- 6) The Licensee is directed to file true up petition along with C&AG report, since the true up orders for FY 2014-15 were passed only on provisional basis. The true up shall be taken up for the FY 2015-16 and 2016-17 only on filing of C&AG report as per the Regulations.

7) Metering, Billing and Collection Efficiency:

The Licensee is directed to ensure 100% metering of all consumers. Similarly, all 33kV and 11kV feeders and distribution transformers in towns and urban areas, as this 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 meter all unmetered connections existing at present. Licensee shall send a status report and plan of action by 30.06.2018. The licensee shall also target 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 centres at sub-division level should co-relate entire metering, billing and collections, so that irritants like wrong billing etc are avoided.

- 8) An analysis of data submitted by the licensee gives rise to the suspicion that there are large number of metered consumers who have not been billed for years together. The Director Distribution shall constitute a Taskforce consisting of at least three senior officers of the level of Superintendent Engineer and above to confirm that all such consumers who have not been billed at least once in three months are identified, and to suggest systemic changes to ensure that such anomalies do not arise in future.
- 9) Licensee is directed to avail the provision of free power from NEEPCO where entitled on highest priority and a detailed report submitted to the Commission by 30th June 2018, in order to reduce the power purchase cost.

- 10) **Ferro Alloys:** BIA has represented that a separate tariff for Ferro Alloys industries may be considered. In view of the power-intensive nature of the industry, a high Load Factor of 85%, the petitioner also indicated that in some states, this has already been done. Licensee shall examine the case and a report may be submitted to the Commission on the need, justification and feasibility thereof, giving appropriate details. This may be submitted to the Commission by the 30/6/2018.
- 11) MePGCL, MePTCL and MePDCL shall update the Assets Records and submit a report to the Commission by 30th September 2018.
- 12) Purchase invoices should be matched with the actual energy drawn, MePDCL shall ensure to file the purchase invoices with the energy details in the true-up petition.

21. 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 Discom 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 30th September, 2015.
- II. Shall take over the future losses of Discom in a graded manner and shall fund the losses..
- 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 15th 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 31st 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 0.1 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 Centralized 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 31st December, 2017 and consumers consuming above 200 units per month by 31st December, 2019.

22. DeenDayalUpadhyaya Gram JyotiYojana (DDUGJY)in the State of Meghalaya

The Government of India has launched Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) for the rural areas with the following aims and objectives:

- Village Electrification.
- Feeder Separation in the rural areas.
- Strengthening and augmentation of sub-transmission & distribution network in rural areas.
- Metering at distribution transformers, feeders and consumers end in urban areas.

The existing programme of Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) for continuation in 12th and 13th Plans will get subsumed in this scheme as a separate rural electrification component.

The approved outlay under RGGVY for rural electrification is being carried forward to DDUGJY for completion of the targets laid down under RGGVY for 12th and 13th Plans by subsuming RGGVY in DDUGJY.

Under DDUGJY, the scope consists of the electrification works of Virgin Villages and Intensification, System Strengthening works in construction of 33/11KV Sub-Stations with 33KV & 11KV feeders and DT Metering in rural areas of the districts of Meghalaya.

1. Grid Phase-I Project

The first Approval amount of Rs.100.64 crores for electrification of 463 villages and 8 nos of villages to be taken up under SAGY (Sansad Adarsh Gram Yojana). The DDUGJY Phase-I Project for Virgin Village Electrification and intensification is overall 90 % completed. Presently, 100% Household connection is being provided in every village under SAUBHAGYA Scheme.

2. Grid Phase-II Project

Under the project, the item of works are:

- i. Village intensification in electrified villages and issue of 100% HH under Saubhagya. The work is ongoing and which is target for completion by 31st December, 2018.
- ii. 33 KV Village System Strengthening.
The project has been awarded for Khasi and Garo Hills Package. Presently the work is ongoing.
- iii. System Metering.

This project consists of metering of 33KV and 11KV Feeder and Distribution Sub-Station Metering. This project is in the tendering stage.

3. Decentralised Distributed Generation (DDG)

The Decentralised Distributed Generation (DDG) scheme is a sub scheme of DDUGJY. The DDG scheme comprises of electrification works of rural remote villages through Solar Home Lighting Systems along with Solar Street Lighting, in rural areas of Meghalaya.

Under the project, 100% HH Solar Lighting System has been provided in 55 villages in Meghalaya.

With the completion of DDUGJY Project, every village as per 2011 census would be electrified either through Grid or through solar power.

23. Progress of Pradhan Mantri UJALA Yojana in Meghalaya

The UJALA (UnnatJeevan 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	-	-
Total	2,43,362	3,06,865	2,610	3,498

As of 1st 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:-

- Energy saved per year: 39,852 MWH
- Cost saving per year: 16 Cr
- Added peak demand: 8 MW
- Co₂ reduction per year: 32,280 t CO₂

24. 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.

25. Audit Report

The Commission has engaged CAG empanelled statutory auditor for internal auditing of the Commission Accounts and submitted the report to concerned departments, CAG and also tabled the same in the State assembly as required under Section 105 of EA 2003. The Commission's accounts are up-to-date from FY 2006-07 to FY2017-18. Fund & Accounts Rule of MSERC as vetted by Controller & Auditor General of India was duly notified in the Gazette of Meghalaya on 10th April 2014.

CAG has also already audited the accounts of the Commission from 2006-07 to 2017-18 and the AG audit report has been received.

26. 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 hoped 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.

Sd/-

(W M S Pariat)
Chairman
MSERC

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT) MEGHALAYA,
SHILLONG – 793001.

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

Email:aguaMeghalaya.gov.in

Ltr. No. ES-II/4-5/MSERC/2018-19/210

Date: 27 September 2018

To,

The Secretary

Meghalaya State Electricity Regulatory Commission (MSERC)

Lower Lachumiere,

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 2018.**

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 2018.

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/-

Sr. Deputy Accountant General

Economic Sector - II

SEPARATE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION (MSERC), SHILLONG FOR THE YEAR ENDED 31 MARCH 2018

We have audited the attached Balance Sheet of the Meghalaya State Electricity Regulatory Commission, Shillong as at 31 March 2018. The Income and Expenditure Accounts and Receipt and Payment Account 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 responsible 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 Audit 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 transactions 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 misstatements. 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 estimates 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

A. Balance Sheets

Current Liabilities and Provisions (Scheduled- A)

A1: This does not includes Provision for Auditor fee payable for the years 2016-17 and 2017-18. The Provisionfor Auditor feeshould have been worked out to ₹ 64,150/- on the basis of previous expenses (₹ 32,075/- during 2015-16) and suitably included in the Financial Statements. This resulted in understatement of Provision and understatement of Excess of Expenditure over Income by ₹ 64,150/-.

Income and Expenditure

Expenditure

Other Administrative expenses (Schedule-I)

Legal expenses ₹ 8.85 lakh.

A2: The above includes an amount of ₹3.41 lakh paid in respect of legal expenses which relates to the period prior to April 2017. As such it should have been booked and depicted separately as prior period expenses instead of current year expenditure. This has resulted in understatement of prior period expenses and overstatement of 'Other Administrative expenses' for the year by ₹3.41 lakh each.

B. General:

B1: The Commission has not made provision for retirement benefits (Gratuity and Earned Leave) to the employee as required under Accounting Standard-15.

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

Balance Sheet:

B2: In the Schedule-A (Current and Provisions), items were not classified separately under Liabilities and Provisions.

B3: Instead of Liabilities, the nomenclature Corpus/Capital Fund and Liabilities should have been inserted.

B4: Significant Accounting Policies were not mentioned on the face of the Balance Sheet.

C. Grants-in-aid:

The Commission had an opening balance of ₹156.86 lakh. An amount of ₹148.49 lakh was utilised during the year, leaving a balance of ₹8.37lakh as on 31st March 2018. The Commission did not receive any amount as Grants-in-aid from Government of Meghalaya during the year 2017-18.

IV. Subject to our observation in the preceding paragraphs, we report that the Balance Sheet, Income and Expenditure Account and Receipts and Payments Account 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 the said financial statements, and other matter mentioned in Annexure-I to this Audit Report, give a true and fair view in conformity with accounting principles generally accepted in India.

(a) In so far as it relates to the Balance Sheet, of the state of affairs of the Commission as at 31 March 2018; and

(b) In so far as it relates to Income and Expenditure Accounts, of the "Excess of Expenditure over Income" for the year ended on that date.

For and on behalf of the Comptroller
And Auditor General of India

Sd/-

Place: Shillong

Date: 27 September 2018

(Stephen Hongray)

Principal Accountant General (Audit),
Meghalaya

Annexure I to Separate Audit Report

1. Internal Audit System.

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:

- . The cash balances were certified by the component authority
- . Surprise checks of cash had not been carried out during the year.
- . Bank Reconciliation Statement has been prepared.
- . Conformations of balances in the bank account and MOD accounts as well as interest

Accrued on MOD (as on 31 March 2018) were obtained.

3. System of Physical Verification of Inventory.

Physical Verification of fixed assets has been conducted as on 31 March 2018.

4. System of Physical Verification of Inventory.

Physical Verification of Inventory has been conducted as on 31 March 2018.

5. Regularity in Payment of Statutory Dues.

No instance of delay in remittance and payment of statutory dues was noticed in audit.

Sd/-

**Audit Officer
Economic sector - II**