

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
FIFTEENTH ANNUAL REPORT
FY 2021-22
(As mandated under Section 105 of the Electricity Act 2003)



NEW ADMINISTRATIVE BUILDING, 1ST FLOOR, LEFT WING,
LOWER LACHUMIERE, SHILLONG – 793001
Website: www.mserc.gov.in & e-mail: mmserc@gmail.com
Phone: 0364/2500142, 2500144

ANNUAL REPORT
Financial Year 2021-22

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 Fourteenth Annual Report relating to the financial year 2020-21 was placed on the Table of the Meghalaya Legislative Assembly in March 2022. This is the Fifteenth Annual Report prepared by the Commission and it relates to the financial year 2021-22.

2. THE COMMISSION

- (a) 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.

Initially, beginning 6th June 2006 this Commission was 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 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.

- (b) Notification No. POWER-110/97/Pt.II/125 dated the 5th November, 2018, in partial modification to this Department's notification PE.110/97/580, dated 26.03.2004, the Governor of Meghalaya is pleased to change the Meghalaya State Electricity Regulatory Commission (MSERC) into a Two Member Commission, with one member being person of law with requisite qualification prescribed.

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 P W Ingty, IAS (Retd), who took charge of the office on the 25th September 2019.

6. MEMBER

Shri Roland Keishing, retired District Session Judge from Manipur joined the MSERC, Shillong as Member (Law) on 27 September, 2019. Notification No. POWER-110/97/Pt.II/125 dated the 5th November, 2018, in partial modification to this Department's notification PE.110/97/580, dated 26.03.2004, the Governor of Meghalaya is pleased to change the Meghalaya State Electricity Regulatory Commission (MSERC) into a Two Member Commission, with one member be person of law with requisite qualification.

7. 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.

The Chairperson has attended the following meetings during the period of report.

Sl. No.	Period	Subject
1.	9 th April 2021	74 th Meeting of the Forum of Regulators (FOR) through video conferencing.
2.	30 th April 2021	75 th Meeting of the Forum of Regulators (FOR) through video conferencing.
3.	10 th May 2021	Special FOR meeting through video conferencing
4.	18 th June 2021	22 nd Annual General Body meeting of FOIR through video conferencing.

5.	26 th August 2021	Interaction of Union Minister of Power and New & Renewable Energy with the Electricity Regulators through video conferencing.
6.	1 st October 2021	76 th Meeting of the Forum of Regulators (FOR) at CERC, New Delhi.
7.	17 th December 2021	77 th Meeting of the Forum of Regulators (FOR) at Lucknow, UP.
8.	3 rd to 5 th March 2022	78 th Meeting of the Forum of Regulators (FOR) at Kolkata, West Bengal.

8. HUMAN RESOURCE.

Under the Electricity Act 2003, the Secretary of the Commission assists the Chairperson in all statutory matters and in personnel, administration, account and 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.

9. 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.

10. 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, 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.

11. REGULATIONS

During the FY 2021-22 the Commission has published the following regulations:-

- 11.1. Meghalaya State Electricity Regulatory Commission (Renewable Energy Purchase Obligation & its Compliance) (1st Amendment) Regulations, 2018.
- 11.2. Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) (1st Amendment) Regulations, 2021.

12. ORDERS

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

- 12.1 MSERC Case No. 27/2021: Approval of Aggregate Revenue Requirement and Generation Tariff for FY 2022-23 for Meghalaya Power Generation Corporation Limited (MePGCL) for Old plants including Sonapani, MLHEP, New Umtru Project and Lakroh mini HEP.
- 12.2 MSERC Case No. 28/2021: Approval of Aggregate Revenue Requirement (ARR) and Transmission Tariff and open access charges for FY 2022-23 for Meghalaya Power Transmission Corporation Limited (MePTCL).
- 12.3 MSERC Case No: 29/2021: Approval of Aggregate Revenue Requirement (ARR) and determination of retail tariff for FY 2022-23 for Meghalaya Power Distribution Corporation Limited (MePDCL).
- 12.4 MSERC Case No. 25/2021: Approval of True-up of Generation Business for FY 2018-19 for Meghalaya Power Generation Corporation Limited (MePGCL).
- 12.5 MSERC Case No. 23/2021: Approval of True-up of Transmission Business for FY 2018-19 for Meghalaya Power Transmission Corporation Limited (MePTCL).
- 12.6 MSERC Case No. 20/2021: Approval of True-up of Distribution Business for FY 2018-19 for Meghalaya Power Distribution Corporation Limited (MePDCL).
- 12.7 MSERC Case No. 26/2021: Approval of True-up of Generation Business for FY 2019-20 for Meghalaya Power Generation Corporation Limited (MePGCL).
- 12.8 MSERC Case No. 24/2021: Approval of True-up of Transmission Business for FY 2019-20 AND Meghalaya Power Transmission Corporation Limited (MePTCL).
- 12.9 MSERC Case No. 22/2021: Approval of True-up of Distribution Business for FY 2019-20 for Meghalaya Power Distribution Corporation Limited (MePDCL).

Total Petitions received and disposed during the period of report:

No of Petitions pending as on 01.04.2021	5 No.
No. of Petitions received during FY 2021-22	21 No.
No. of petitions disposed of during FY 2021-22	24 No.
No of Petitions pending as on 31.03.2022	2 No.

13. 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 9th December, 2021 with the following members:

Chairman Ex-officio	1	: The Chairman, Meghalaya State Electricity Regulatory Commission, Shillong-793001.
Member Ex- Officio	2	: The Member (Law) Meghalaya State Electricity Regulatory Commission, Shillong-793001.
Ex-Officio Member	3	: The Principal Secretary/Commissioner and Secretary Food, Civil Supplies and Consumer Affairs, Government of Meghalaya, Shillong-793001.
Members	4	: Dr.Anoop Singh, Coordinator, Centre for Energy Regulation (CER) Associate Prof., Department of Industrial and Management Engineering, Indian Institute of Technology Kanpur, Kanpur – 208016.
	5	: Chief Engineer, PHE, Government of Meghalaya, Lower Lachumiere, Shillong – 793001
	6	: Chief Engineer (PWD), Building, Government of Meghalaya, Lower Lachumiere, Shillong-793001.
	7	: CEO, Shillong Municipality Board, Shillong – 793001.
	8	: Mr. Ronald Rikman Sangma, Circular Road, Tura Bazar, Tura-794001, West Garo Hills District, Meghalaya.
	9	: Director Commerce & Industries, Shillong, Meghalaya.

- 10 : Dr. Vanessa Kharmawphlang, 'Vanee Villa,' Lumbasuk, Upper Nongthymmai, Shillong – 793014.
- 11 : Shri. Shyam Sunder Agrawal, CMD (Pioneer Carbide Pvt Ltd.), Byrnihat, Ri-Bhoi district, Meghalaya. Mobile: 7002162868
Email: pioneercarbide@gmail.com.
- 12 : Shri. O. R. Challam, (Rtd. Professor, Kiang Nongbah Government College) Panaliar, Jowai-793150, West Jaintia Hills District, Meghalaya.
- 13 : Chairman, Institution of Engineers (India), Meghalaya Centre, Barik Point, Lower Lachumiere, Shillong – 793001. Phone: 03642503203 Email: iemeghalaya@gmail.com
- 14 : Director (E&M) HQ, Shillong Zone, SE Falls, Shillong-793011, Phone: 03642534847
- 15 : Mr. Jogendra Behera (Vice President- Market Design and Economics), 4th Floor, TDI Centre, Jasela, IEX, New Delhi-110025 (Email ID: rajesh.medirata@iexindia.com)
- 16 : General Manager (Commercial) NEEPCO, Demseiniong Shillong- 793003
- Convenor** 17 : The Secretary, Meghalaya State Electricity Regulatory Commission, Shillong-793001.

The reconstituted Committee will function with effect from 1st February 2022 till 31st January, 2023.

The objective of the State Advisory Committee shall be to advise the Commission on:

- a. Major Questions of Policy
- b. Matters relating to quality, continuity and extent of service provided by the licensees.
- c. Compliance by the licensees with the conditions and requirements of their license.
- d. Protection of consumer interests

- e. Electricity supply and overall standards of performance by the Utilities
- f. Matter which the Commission may refer specifically.

It may be noted that the State Advisory Committee has a significant role in guiding the Commission on question of policy, protection of interest of consumers and other matters relating to supply of distribution of electricity in the State.

During FY 2021-22, the State Advisory Committee (SAC) meeting was held on 17th March 2022, at State Convention Centre Shillong. The discussion which took place during the meetings was recorded in the minutes of the meeting and annexed along with the tariff Order issued by the Commission.

14. CONSUMER GRIEVANCE REDRESSAL FORUM

The MeECL constituted the Consumer Grievances Redressal Forum with Headquarter at MeECL corporate office, Lumjingshai on approval received from Meghalaya State Electricity Regulatory Commission with the following members:

- (i) Shri E P Kharbhih, IAS (Retd) - Chairperson
- (ii) S.K. Lato, Industrialist - 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 quarterly status report 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.

15. 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 Commission appointed **Shri C. Kharkrang** as the Ombudsman during the period.

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 three months in the Format already approved through our order dated 15th April, 2010."

The quarterly status report 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.

16. 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:-

16.1. This Commission has received grants-in-aid from the State Government for the F.Y 2021-22 Rs. 1,98,75,000/- (Rupees, One Crore Ninety Eight Lakh Seventy Five Thousand), only. In terms of fees, the Commission has so far received Rs.35,13,510/- (Rupees, Thirty Five Lakh Thirteen Thousand Five Hundred Ten), only from MeECL & others for the tariff applications/petitions filed by them during the period.

17. REGULATORY PROCEDURES

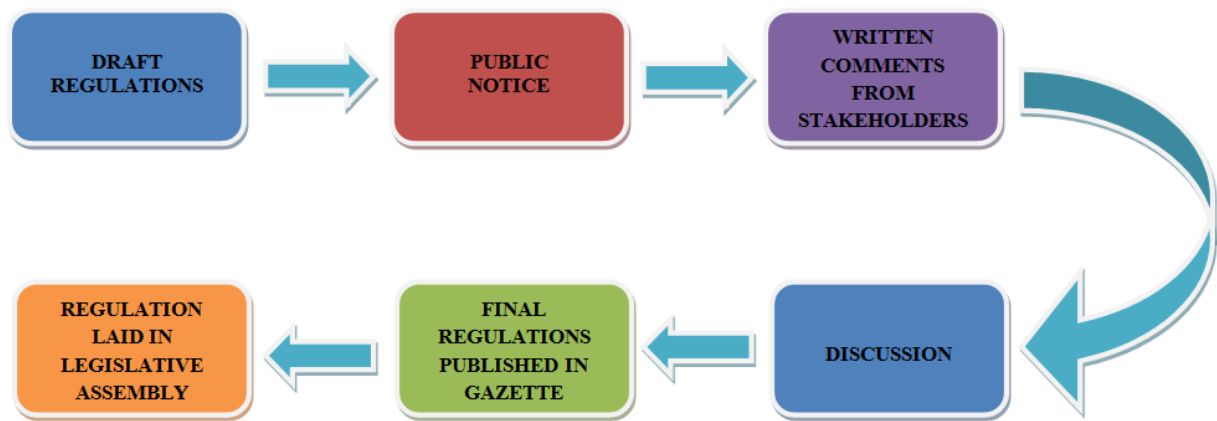
The Commission in discharging its functions under the provisions of the Electricity Act, 2003, undertakes the following:

- 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.

18. 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 drafts 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.



19. 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.

20. 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.

21. Directives:

21.1. Directives for MePGCL.

1. Assets Records and Project wise Breakup

The Licensee was directed to maintain Assets records for each project, 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 ensure to delete the value of assets from the asset base in the Regulatory books for the purpose of calculation of RoE and Depreciation. MePGCL has not complied with the Directive. The Licensee shall submit a report by June 2020.

MePGCL is directed to maintain separate asset records of MLHEP and submit to the Commission by June 2020.

Status:

MePGCL has a consolidated Statement of Accounts for the corporation as a whole. However, individual asset records of old plants (including Sonapani), MLHEP, NUHEP and Lakroh can be segregated from this consolidated SOA. The asset records of MLHEP, NUHEP and Lakroh MHP were submitted to the Commission vide letter no. MePGCL/D/GEN/M-43/2008/Pt-XIV/19 Dt.30.06.2020 in compliance with this directive.

Commission Views

MePGCL shall file breakup of approved capital cost of the old projects including Sonapani for future applications.

2. Regulatory Accounts

The Licensee shall maintain and file Regulatory accounts along with Tariff Petition and for True up petition as mandated in Regulation 4.2 (c) of MYT Regulations 2014.

Status:

The Regulatory Accounts shall be maintained as per guidelines/formats once issued by the Commission.

Commission's View:

The licensee has been claiming the ARR elements higher side than admissible as per the Regulations in every Tariff and True up petitions.

Commission has been limiting the claims based on either Audited accounts or the actual admissible as per the Regulatory implications.

In the above process, the regulatory accounts approved in the true up exercise only prevails for computation of subsequent years ARR and True up.

Thus the licensee shall maintain Regulatory books with reference to the trued up figures for future filings with the commission.

The licensee shall file a compliance report of maintaining Regulatory books by 30.06.2022.

21.2. Directives for MePTCL.**1. Regulatory Accounts**

The Licensee shall maintain and file Regulatory accounts along with Tariff Petition and True up petition based on the Regulatory accounts as mandated in Regulation 4.2 (c) of MYT Regulations 2014.

Status:

MePTCL shall comply with the above directive.

Commission's Review:

The licensee has been claiming the ARR elements higher side than admissible as per the Regulations in every Tariff and True up petitions.

Commission has been limiting the claims based on either Audited accounts or the actual admissible as per the Regulatory implications.

In the above process, the regulatory accounts approved in the true up exercise only prevails for computation of subsequent years ARR and True up.

Thus the licensee shall maintain Regulatory books with reference to the trued up figures for future filings with the commission.

The licensee shall file a compliance report of maintaining Regulatory books by 30.06.2022.

- 2.** The MePTCL is required to maintain separate Account Books for SLDC and file the expenditure and income along with Transmission ARR without fail.

Status:

All the accounting records and data till FY 2017-18 are maintained separately for SLDC under MePTCL and presentation of Accounts for SLDC and Consolidation of the same with MePTCL, is assured to be taken up at the earliest.

Commission's Review:

The SLDC is strategic business centre which will monitor the power flow through the intra state transmission network and also monitor open access account of interstate transmission through the interface metering point.

The licensee shall update the records of SLDC and file separate ARR from next filings.

3. The useful life of the Transmission lines is 35 years from the date of commissioning. The Fixed assets of the STU are in use for more than 35 years of its life for which the MePTCL is claiming Depreciation and Return on Equity. The Licensee shall ensure withdrawal from Gross fixed assets block whose life term has been completed. Licensee shall ensure reduction in the claim of depreciation and ROE for the assets completed lifetime for determination of tariff henceforth, so that the cost and tariff can be reduced.

MePTCL shall file the data as pointed out for commission's review by 30th June 2021.

Commission's Review

MePTCL has not filed status report as called for in the Tariff Order for FY 2021-22. The same shall be filed by 30.06.2022.

4. The O&M expenses for Transmission utility shall be determined based on the Network quantity and data as notified under Regulation 69.3. The Network data filed with the petition for ARR of 3rd MYT control period and additional information/data filed on 03.02.2021 is contradicting/not matching each other by which the commission constrained to formulate a norm for computation of admissible O&M expense for Tariffs for FY 2021-22 as per the Regulations.

Status Report

MePTCL has submitted network data as on March 2022.

The norms for O&M expenses shall be formulated and communicated for adaptation in future filings.

21.3. Directives for MePDCL.**1. Energy audit**

As per the MOU entered for implementation of UDAY scheme, energy audit upto 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.

Reply:

Feeder and DT Metering have been installed. However, Loss analysis has not been carried out due to shortage of Man power. With the launching of RDSS (Revamped Distribution Sector Scheme) by the Government of India, all the above meters are expected to be replaced with smart meters which will eliminate the necessity to have more man power to carry out the loss study.

Commission's Views

Licensee shall expedite action in locating the pockets of loss making network and ensure efforts to reduce the losses and reap the benefits provided in the UDAY scheme.

2. 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 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 had not considered the tariffs for public lighting with CFL fittings in the Tariff Order for FY 2018-19, proposals for Tariff rates for CFL fittings in the petition for FY 2020-21 is not considered.

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

Reply:

TERI's Contract was over on April 2021. TERI was engaged by BEE under the scheme Capacity Building for Discom. After this period, BEE has not provided any man power support.

It may be mentioned that energy conservation activities are being done by the Office of Senior Electrical Inspector being State Designated Agency. Only DSM part is being taken up by MePDCL.

Commission's Views

MePDCL shall expedite measures for energy conservation. Commission had allowed MePDCL for the billing of existing fixtures at the prevailing rates till 100% fittings and fixtures are replaced with LED fittings vide page no.108 in the Tariff Order of FY 2020-21. The licensee shall file the data of number of CFL fixtures along with the Revenue realised for FY 2020-21 and the billing may be continued till the existing fixtures are replaced with LED fittings.

3. Man power utilization study

Licensee 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 30/06/2020.

Reply:

Presently there are 2898 no's employees in all under MePDCL out of which 1660 no's are regular and 1238 no's are Casual employees. Besides, there are 260 no's employees in all under MeECL out of which 185 no's are regular and 75 no's are Casual employees. These employees of MeECL perform common duties for Distribution, Generation and Transmission like Accounts wing, Material Management, HR wing, the Office of Company Secretary, Legal cell etc.

Commission's Views

The report called for from the licensee by 30.06.2020 was not received till date. Man power mapping may be expedited.

4. Energy Accounting Under UI/Swapping

The Commission directs the Licensee that payables/receivables towards UI/Swapping are properly scrutinized so that any excess allowed in the power purchase cost, due to difference in scheduling and actual drawl, by the open access consumer is not collected twice.

Reply:

Officers dealing with the matter are on the job. Intimation will be provided in due course.

Commission's views

MePDCL has commenced commercial operations from FY 2013-14, the energy account for source wise swapping, banking details (sale and purchase) may be expedited for the FY 2013-14 to FY 2019-20 and invariably filed along with true up petition from FY 2020-21 onwards.

5. Restructuring of MeSEB/Functioning of the Trust

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.

Reply:

The Pension Trust was created and registered in the office of the Sub-Registrar Shillong, vide date of Trust 17.06.1998 called the MeSEB Pension Trust. It may be noted that no separate Balance sheet is being prepared for the Pension Trust, hence the Trust may be considered as non functional but remains only as the Drawing & Disbursing authority.

In this regard, the licensee would like to submit that MeECL has not received the contribution from the State government for the Corpus Fund, amounting to Rs.840 crore as on 31.03.2010, which would have been used to clear up the pension liabilities as agreed in Transfer Notification Scheme and to enable to maintain the Trust fund. In the absence of assistance from the State government, there has been no subsequent yearly/monthly transfer to the trust fund which would have catered to the terminal benefits liabilities of MeECL. The terminal liabilities will therefore be borne from its revenue from tariff based on the actual payment basis. As of today, the trust fund remains non-functional but remains only as Drawing & Disbursing authority.

Commission's Views

Commission held discussion with the MeECL officials on 24.11.2021. It has been held that the pension trust should be functionalised henceforth as provided in the Transfer scheme 2010 and the contributions from the utilities should be credited into the Trust account.

The licensee shall file status report by 30th June 2022.

6. Reduction in AT&C losses

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

Reply:

The Status Report is as below:

- a) Strengthening of infrastructure under IPDS, R-APDRP, SAUBHAGYA & NERPSIP are under closure. ADB FUNDED PROJECT is being implemented.
- b) AMI metering to be implemented under ADB Funding.
- c) Smart metering project (under ADB Scheme) is being implemented.

Commission's Review

Reduction in AT&C losses would provide monetary benefit towards power purchase cost, sale of power Revenue while reducing the quantum of surplus power sold at lower rate and improve operational efficiency.

Licensee shall initiate action to reduce AT&C losses henceforth and file status report at quarterly intervals commencing from 30.06.2022.

7. 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 resulted 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 & tariffs, since there is a surplus of about 1100 MU available for FY 2020-21.

Reply:

Power is purchased as per PPA from the Central generating stations and from MePGCL. Based on the daily entitlement schedule projected by NERLDC and the projected availability from MePGCL, the tentative Surplus/ Shortfall on the Demand is determined in every 15-minute time block (96 time blocks in a day). Should there be surplus, the energy is either sold to exchange or banked with different utilities, and should there be deficit, the required energy is either swapped with other utilities to be returned or purchase from exchange under RTM. Generally, power is sold or banked during monsoon period and purchased or received back the banked power during the lean period.

Commission's Views

MePDCL has been drawing energy more than the requirement for supply to the consumers of the state after grid losses. The T&D losses were claimed between 31% to 60.66% during the period from FY 2015-16 to FY 2023-24 as approved in the energy balance statement, excluding the bilateral short term purchases from various traders and UI and IEX.

As a result huge quantity of power and purchase cost being claimed in the ARR causing sale of surplus power at a cheaper rate than purchase cost.

The licensee has been projecting sale of surplus power under swapping, banking arrangement to various traders.

MePDCL shall ensure optimal power procurement by day a head assessment of requirement.

The licensee has not been filing the source wise energy account for the Transactions under swapping, banking etc., from the FY 2013-14. MePDCL shall expedite the above energy account by 30.06.2022.

8. 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, and accounting for assessing the exact T&D losses. While no new unmetered connections shall be given hence forth, 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

30.06.2020. 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 supply 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 with entire metering, billing and collections, so that errors like wrong billing etc are avoided.

Reply:

Smart metering is being implemented under ADB Project. At present about 28,000 smart meters have already been installed and billed accordingly. About 1.8 lakh consumers will be covered under ADB project and the remaining consumers will be covered under RDSS scheme.

Commission's Views

Action may be expedited and a progress report shall be filed for review of the commission quarterly commencing from 30.06.2022.

Honourable Member of State Advisory Committee opined that the facility of online recharging of prepaid meters to be provided. The licensee shall ensure to provide online recharging facility for prepaid meters.

9. Un Billed Consumers

An analysis of data submitted by the licensee gives rise to the suspicion that there are large numbers 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.

This issue has been raised in state advisory committee meeting held on 12.03.2020. Licensee shall expedite action taken on this aspect and report.

Reply:

Most of the consumers where service connection has been provided under Saubhagya Scheme are now in the billing net. Effort is being made that all consumers are brought into the billing net.

Commission's Views

Action may be expedited to provide 100% connections metered.

10. Regulatory Accounts

The Licensee shall maintain and file Regulatory accounts along with Tariff Petition and True up petition based on the Regulatory accounts as mandated in Regulation 4.2 (c) of MYT Regulations 2014.

Reply:

Noted.

Commission's Views

The licensee has been claiming the ARR elements higher side than admissible as per the Regulations in every Tariff and True up petitions.

Commission has been limiting the claims based on either Audited accounts or the actual admissible as per the Regulatory implications.

In the above process, the regulatory accounts approved in the true up exercise only prevails for computation of subsequent years ARR and True up.

Thus the licensee shall maintain Regulatory books with reference to the trued up figures for future filings.

The licensee shall file a compliance report of maintaining Regulatory books by 30.06.2022.

11. Power Purchases Invoices

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.

Reply:

While filing the true up petitions the detailed invoices are also submitted to substantiate the claims. Accordingly the power purchase cost is being passing through in the true up order.

Commission's Views

The power purchase invoices filed for True up does not feature the actual energy drawn in respect of generators like NTPC for Bongaigaon project.

The licensee shall ensure to obtain invoices duly incorporated the actual energy drawn before filing the True up petition.

12. Electric Vehicle Charging Stations

The Licensee has proposed a Tariff for electric vehicle charging stations vide table no.16 of the petition with fixed charges and energy charges under LT commercial category and HT commercial category without projecting the number of consumers and the connected load of the services. The Commission does not find it prudent to decide on the categorization of the proposed electric charging stations. The Licensee shall submit a status report as soon as the consumers registered their charging stations with the Distribution Company as per the IE rules and safety norms. Commission shall take suitable decision based on the status report.

Reply:

Status shall be furnished as and when the consumer requirement on the same is received.

Commission's Views

Licensee shall file the data in the future filings.

13. Tariff rates for the Year FY 2022-23

Honourable SAC members during the SAC meeting have opined to arrange circulation of the tariff rates to all the consumers

In this respect, the licensee shall circulate/display the tariff rates approved for the year to every consumer. In this regard, licensee may arrange the pre-printed bills duly notified tariff rates on the back side of the bill. This would have one time commitment in a year.

Compliance report on the above directive may be furnished by 30.06.2022.

22. 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.

23. 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. The latest Commission's approved audited accounts by CAG is available up to FY 2021-22. It may be stated that in the Annual Report for FY 2020-21, the Commission was not able to provide the CAG audited Report for FY 2020-21 due to some delay. Therefore, the financial report as appeared in this edition is based on the CAG audited Report for FY 2020-21 and FY 2021-22 and the same is annexed as ANNEXURE-A and ANNEXURE-B respectively.

24. 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.

(R. Keishing)
Member
MSERC

(P.W.Ingty)
Chairman
MSERC

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

Email: agauMeghalaya@caq.gov.in

Ltr.No. AMG-II/3-14/ANNUAL ACCOUNTS/MSERC/2021-22/31

Date: 11 April 2022

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 2021.**

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 2021.

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
Audit Management Group-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 2021**

We have audited the attached Balance Sheet of the **Meghalaya State Electricity Regulatory Commission**, Shillong as at **31 March 2021**, the Income and Expenditure Account 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 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 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 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 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 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 paragraphs.

iii. We further report that:

A. Balance Sheet

Provisions (Schedule A) - NIL

A1. Refer CAG's comment (No. A1) included in the Separate Audit Report on the accounts of the Commission for 2019-20 highlighting non-disclosure of the accounting policy on provisioning towards 'gratuity' and 'leave encashment' payable to employees although the Commission has adopted the National Pension scheme (NPS). The Commission had worked out the estimated liability of ` 58.42 lakh towards Gratuity (` 30.90 lakh) and Leave Encashment (` 27.52lakh) as on 31 March 2021 but has not made necessary provisions against these liabilities despite the assurance given during the previous year.

B. Income and Expenditure Account

Income- Grants/Subsidies: ` 2.51 crore

B1. This represents the State Government Grants/Subsidies received during the year towards Salaries (` 1.41 crore) and General Expenditure (` 1.11 crore) out of which, ` 1.79 crore was utilised leaving an unspent balance of ` 0.73 crore as on 31 March 2021. Hence, a matching liability should have been created for the unspent portion of Grants (` 0.73 crore) as per Accounting Standard 12 which was not done. This has resulted in understatement of 'Current Liabilities' for the year by ` 0.73 crore with corresponding overstatement of 'Surplus' (*excess of income over expenditure*) to the same amount.

C. Receipts and Payments Account

Payments-Purchase of Fixed Assets (Scorpio Hawk Car): ` 12.95 lakh

C1. This represents the cost of a new vehicle purchased by the Commission during the year. However, the actual payment made by the Commission was only ` 11.85 lakh after adjustment of ` 1.10 lakh towards exchange of the old car. Since the amount of ` 1.10 lakh was a non-cash transaction, it should not have been recorded in the Receipts and Payments Account.

D. Grants-in-aid

D1: The Commission had **NIL** opening balance of Grant-in-aid. During the year 2020-21, an amount of ` 2.52 crore was received as Grant-in-aid from the State Government. Out of this, ` 1.79 crore was utilised leaving a closing balance of ` 0.73 crore as on 31 March 2021.

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 above 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 2021; and

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

Place: Shillong

Date: 11 April 2022

Sd/-

Accountant General (Audit)

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 and the Scope of internal audit covered all the receipts and expenses of the Commission during the year.

2. Adequacy of Internal Control System.

The internal control system was found adequate in the sphere of activities relating to verification of cash transactions and reconciliation of cash balances with that of bank balances.

3. System of Physical Verification of Fixed Assets.

Physical Verification of Fixed Assets and Inventory had been conducted as on 31 March 2021.

4. Regularity in payment of statutory dues.

Instances of delay in remittance and payment of statutory dues were not noticed in audit.

Sd/-

**Sr. Audit Officer
Audit Management Group-II**

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

Email: agauMeghalaya@caq.gov.in

Ltr.No. AMG-II/3-11/MSERC (AA2021-22)/2022-23/1008

Date: 14 December 2022

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 2022.**

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 2022.

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
Audit Management Group-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 2022**

We have audited the attached Balance Sheet of the **Meghalaya State Electricity Regulatory Commission**, Shillong as at **31 March 2022**, the Income and Expenditure Account 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 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 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 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 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 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:

- iv. 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.
- v. 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 paragraphs.
- vi. We further report that:

A. Balance Sheet
Current Liabilities and Provisions

Provisions (Schedule A): ` 7.24 lakh

1. This is understated by ` 1.17 lakh being non-provisioning towards Dearness Allowance arrears (period: July 2021 to March 2022) announced (May 2022) before approval (June 2022) of Annual Accounts for 2021-22. This has correspondingly resulted in understatement of the 'Deficit for the year' to the same extent.

Current Liabilities (Schedule A): ` 0.30 lakh

2. This is understated by ` 9.15 lakh due to non-accounting of Consultancy charges payable to Administrative Staff College of India (ASCI), Hyderabad for determining True up orders of Financial Year 2017-18 of three power sector companies. Since the work has already been completed, the amount payable should have been provided for in line with Commission's declared accounting policy (*refer policy no. 1*) regarding preparing the Accounts on 'accrual method of accounting' This has correspondingly resulted in understatement of the 'Deficit for the year' to the same extent.

3. This is understated by ` 0.95 lakh due to non-accounting of miscellaneous expenses for the current year but paid after March 2022. This has correspondingly resulted in understatement of the 'Deficit for the year' to the same extent.

B. Income and Expenditure Account

Income

Interest on MOD Bank A/c: ` 9.01 lakh

1. This is understated by ` 1.53 lakh due to non-inclusion of the accrued interest income as on 31 March 2022 receivable against Multi Option Deposit Bank Accounts kept with SBI. This has correspondingly resulted in overstatement of 'Deficit for the year' and understatement of 'Current Assets-Accrued Interest Receivable' to the same extent.

Expenditure

Other Administrative Expenses

Membership Subscription Fee: ` 8.58 lakh

2. (i) This is understated by ` 0.20 lakh due to non-accounting of the Membership Fee (under CER MoU signed between IIT, Kanpur and MSERC) for February and March 2022 paid in June 2022. This has correspondingly resulted in understatement of 'Deficit for the year' and 'Current Liabilities' to the same extent.

(ii) The above included the Membership Fee of ` 1.38 lakh pertaining to prior periods, which should have shown separately under 'prior period expenses'.

Other Administrative Expenses: ` 46.02 lakh

3. The above included ` 1.65 lakh pertaining to prior periods (Telephone bill: ` 3105, Audit fees: ` 62,060 and Annual Membership Contribution to Forum of Regulators for Eastern & North-Eastern States: ` 1.00 lakh). which should have been shown separately under 'prior-period expenses'.

C. Grants-in-aid

1: The Commission had ` 0.73 crore opening balance of Grant-in-aid. During the year 2021-22, an amount of ` 1.99 crore was received as Grant-in-aid from the State Government. Out of this, ` 2.03 crore was utilised leaving a closing balance of ` 0.69 crore as on 31 March 2022.

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 above 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 2022; and

(b) In so far as it relates to Income and Expenditure Account, of the 'Deficit' (*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

(Shefali Srivastava Andaleeb)

Date: 14 December 2022

Accountant General (Audit)

Annexure I to Separate Audit Report

5. 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 and the Scope of internal audit covered all the receipts and expenses of the Commission during the year.

6. Adequacy of Internal Control System.

The internal control system was found adequate in the sphere of activities relating to verification of cash transactions and reconciliation of cash balances with that of bank balances.

7. System of Physical Verification of Fixed Assets.

Physical Verification of Fixed Assets and Inventory had been conducted as on 31 March 2022.

8. Regularity in payment of statutory dues.

Instances of delay in remittance and payment of statutory dues were not noticed in audit.

Sd/-

**Sr. Audit Officer
Audit Management Group-II**