

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

1st Floor (Front Block Left Wing), New Administrative Building, Lower Lachumiere, Shillong – 793 001
East Khasi Hills District, Meghalaya

CASE No.23 /2022

In the matter of:

Approval of Additional Business Plan for third MYT Control period FY 2021-22 to FY 2023-24

And

Meghalaya Power Distribution Corporation Limited (MePDCL) Petitioner

Coram

Shri P.W. Ingty, IAS (Retd)

Chairman

ORDER

Date: 06.02.2023

1. The Meghalaya Power Distribution Corporation Limited (herein after referred to as MePDCL) is a deemed licensee in terms of section 14 of the Electricity Act, 2003 (herein after referred to as Act), engaged in the business of Distribution of electricity in the State of Meghalaya.
2. MePDCL has filed petition for approval of Additional Business Plan (RDSS) for the third MYT control period FY 2021-22 to FY 2023-24 on 10.11.2022.
3. The Ministry of Power (MoP) vide letter No.REC/RDSS/Meghalaya/2022-23/09 dt 14/07/2022 (Annexure A) approved the action plan and DPR of MePDCL for Meghalaya state under Revamped Distribution Sector Scheme (RDSS).

The RDSS project Contemplates:

- (i) Providing of smart metering at an estimated project cost of Rs.307.82 Crore
- (ii) Distribution Infrastructure works for loss reduction in the Meghalaya State at a project cost of Rs.784.72 Crore.

Funding of the Project:

A. Prepaid Smart Metering

Prepaid Smart Metering Solution including consumer meter, DTR meter, Feeder Meter including integration of Existing infrastructure.

- i) 22.5% of the approved project cost of metering including the operational cost, provided that it is not more than Rs. 1350 per meter for consumer metering only would be provided as Grant by Govt. of India.
- ii) 77.5% or more subject to price discovery of the approved cost, to be borne by the Bidder.

B. Distribution Infrastructure Works

- (i) 90% of project cost of works and approved cost of PMA would be provided as grant by Government of India.
 - (ii) 10% of project cost of works and PMA works shall be arranged through own sources of State Government/ Utility or may avail loan from REC & PFC. funding from bilateral/multilateral funding agencies can also be leveraged for which the Government of India would extend benefits of reduced Government Guarantee fee.
4. As per provisions of sub-Regulations 8.1, 8.2 and 8.3, the Business Plan shall comprise of but not limited to detailed category-wise sales and demand projections, power procurement plan, **capital investment plan, financing plan and physical targets.**
5. Commission in exercise of functions under section 86 (2) of EA 2003 shall advise the state government on all or any of the following matters namely:
- (i) Promotion of competition, efficiency and economy in activities of the electricity industry;
 - (ii) Promotion of investment in electricity industry;
 - (iii) Reorganization and restructuring of electricity industry in the state;
 - (iv) Matters concerning generation, transmission, Distribution and trading of electricity or any other matter referred to the State Commission by that Government.

6. The Petitioner shall ensure implementation of the Additional Business plan duly obtaining financial tie up for the capital investment including the capital Grant and contributions projected in the petition for the rest of the control period FY 2023-24 and beyond the control period upto FY 2024-25 for the spillover works.
7. Commission Approves the Additional Business Plan provisionally as per the detailed analysis annexed to this order.

Sd/-
Chairman
Shri P.W. Ingty, IAS(Retd)

1 Introduction

1.1 Meghalaya Power Distribution Corporation Limited

MePDCL is a Deemed licensee within the meaning of section 2(17) of Electricity Act, 2003. MePDCL started functioning as an independent commercial entity from 1st April, 2013 after unbundling of the erstwhile Meghalaya State Electricity Board (MeSEB) as per the State Government Notification; “The Meghalaya Power Sector Reforms Transfer Scheme 2010”. As per Meghalaya Power Sector Transfer Scheme, MePDCL has been vested with the function of distributing power by the State Government of Meghalaya and the Business Scope of the Company falls within the legal framework as specified in the Act and can include:

- To supply electricity on an application of the consumer in accordance with the provisions specified in the Electricity Act 2003
- To develop the required Distribution infrastructure within the State of Meghalaya to meet the demand of the consumers
- To operate & maintain the existing Distribution infrastructure efficiently & effectively
- Merchant Sale of Power in the event of availability of surplus power after meeting the requirement of own consumers with whom the capacity is contracted presently.

1.2 Meghalaya State Electricity Regulatory Commission

MSERC is an independent statutory body constituted under the provisions of the Electricity Regulatory Commission Act, 1998 which was superseded by Electricity Act, 2003.

The Commission is vested with the authority of regulating the power sector in the State inter alia, including determination of Tariff of electricity consumers.

1.3 Business Plan

As per Regulation 8 of the MYT Regulations, 2014, MePDCL has to file the Business Plan for the control period of FY 2021-22 to FY 2023-24. The relevant regulation is reproduced below.

“8 Business Plan

8.1 The Generating Company, Transmission licensee, and Distribution Licensee for Distribution Business, shall file a Business Plan for the Control Period of three (3) financial years from 1st April 2021 to 31st March 2024, which shall comprise but not be limited to detailed category-wise sales and demand projections, power procurement plan, capital investment plan, financing plan and physical targets, in accordance with guidelines and formats, as may be prescribed by the Commission from time to time:

1.4 Admission of the Petition

MePDCL has filed the present petition for Approval of Additional Business plan for the rest of Control period FY 2022-23 and FY 2023-24

Commission has examined the petition with reference to the Regulations and required additional data has admitted the petition and taken on record as Case No. 23 /2022.

2 Capital Investment Plan for Additional Business Plan

2.1 Capital Investment Plan for the control period FY 2021-22 to FY 2023-24

Petitioner's Submission

There are number of internal and external factors which affect the planning of the company and thus the investment plan calls for regular reviews with a view to introduce any mid-term corrections considering the current business environment. Certain attributes have changed due to uncontrollable externalities with respect to projections in the Business Plan submitted for control period FY 2021-22 to FY 2023-24. Therefore, the project particulars need to be modified. These changes include the impact of the change in policy and introduction of new schemes by the Government of India, Ministry of Power.

Transformation of the power Distribution sector is crucial to the viability and sustainability of the Indian power sector. With the objective of expediting reforms in the power Distribution sector, Government of India has launched the Revamped Distribution Sector Scheme (RDSS).

This is aimed at improving the financial condition and operational efficiencies of state-owned DISCOMs. The Ministry of Power (MoP) vide letter No.REC/RDSS/Meghalaya/2022-23/09 dt 14/07/2022 (Annexure-A) approved the action plan and DPR of MePDCL for Meghalaya under Revamped Distribution Sector Scheme (RDSS) besides sanctioning of the same.

As per this sanction letter, approval is given to the following schemes/works

- a) DPR for Smart metering works with total Project Cost of Rs 307.82 crore with GBS of Rs. 69.26 crore and PMA charges of Rs. 1.73 crore including GBS of Rs. 1.56 crore.
- b) DPR for Infrastructure works- Loss reduction works (except IT/OT works) with total Project cost of Rs. 764.37 crore with GBS of Rs. 687.93 crores and PMA charges of Rs. 11.47 crore with GBS of Rs. 10.32 crore.
- c) IT/OT works DPR for Loss reduction works with Project cost of Rs. 20.35 crore with GBS of Rs. 18.31 crore and PMA charges of Rs. 0.31 crore with GBS of Rs. 0.27 crore.

The (b) and (c) above together constitute the Distribution infrastructure works.

As per serial 6. of the said letter, the funding pattern may be summarized as:

Sl. No.	Name of work	GBS % (Max) by CentralGovt.	Utility/State Govt/ Bidder
1	Prepaid Smart Metering solution including at consumer, DT, and feeder level including integration of existing infrastructure	22.5% of the approved cost metering including the operational cost, provided that it is not more than Rs. 1350 per meter for consumer metering only.	77.5% or more subject to price discovery of the approved cost, to be borne by the Bidder.
2	Distribution Infrastructure works	90% the approved cost of Distribution Infrastructure works	10% to be borne by Utility/ State Government
3	PMA charge for Metering and infrastructure works	90% of the approved cost of PMA	10% to be borne by Utility/ State Government

REC vide letter No. REC/RDSS/20-21/72 Dt 22.10.2021 has issued guidelines to implement the above works and accordingly proposed to be taken up as follows:

1. For Smart metering works, the smart meters to be installed in prepaid mode only through TOTEX mode (i.e., CAPEX + OPEX); and
2. For Distribution Infrastructure works, the work is to be carried out under CAPEX mode.

The effect of O&M Expenditure/Total Expenditure, capital expenditure and capitalization of this project will be included in the Petition for revision of Tariff for FY 2023-24 of 3rd Control Period FY 2021-2024 over and above the approved capex and capitalization of the Business Plan order dated 09 October 2020.

Tentative Project Cost and Funding:

S. No	Description	Number	Estimated Cost (Rs. Cr)
1	Consumer Metering		
1.a	1 Ph smart Consumer Meter	3,85,138	231.08
1.b	3 Ph whole current smart Consumer Meter	74,862	44.92
2	Smart DT Metering	11,419	26.26
3	Smart Feeder Metering	904	3.8
4	Smart Boundary Metering	420	1.76
	Total	4,72,743	307.82
5	PMA charge for Smart Metering works		1.73
	Total Investment		309.55

Installation Plan:

Project will be implemented on a turn-key basis where the Utility will strive to complete the installations tentatively within March 2025.

Funding Pattern:

The project will be funded on TOTEX mode where Rs. 69.26 Crore will be funded by the Central Government and the remaining amount Rs 238.56 crores to be recovered from Tariff under O&M for a period of 10 years **subject to other conditions prescribed by the MoP.**

Year wise additional recovery of the expenditure under O&M (i.e over and above the normal O&M expenditure) **starting from FY 2023-24** tentatively will be about Rs 23.87 crore per year **subject to the discovery of cost through tenders.**

Details of Distribution infrastructure works to be implemented under Capex mode.

Tentative timeline for capital expenditure of Distribution infrastructure works

(in Rs. Cr)

S. No	Parameter	Targets				
		FY 2022	FY 2023	FY 2024	FY 2025	Total
1	LTABC Progress	0.00	29.20	43.80	73.00	146.00
	[Target: 1249.81 Ckm.]					
2	Reconductoring of lines	0.00	96.48	144.72	241.19	482.39
	[Target: 3755.07Ckm.]					
3	HVDS Coverage: (in no. of DTs)	0.00	27.20	40.79	67.99	135.98
	[Target: 2595 DTs]					
4	SCADA Coverage	0.00		5.09	15.26	20.35
	[Target: 3 towns]					
	Sub-Total	0.00	152.88	234.40	397.44	784.72
	PMA Charges					11.78
	Total					796.50

The project will be funded on Capex mode where Rs. 716.83 crore will be funded by the Central Government and the remaining amount Rs79.67 crore to be funded by State Government/Loan/ equity **subject to other conditions prescribed by the MoP.**

MePDCL submits before the Commission to approve the Additional Business Plan of MePDCL for the control period FY 2021-22 to FY 2023-24.

Commission Analysis

Licensee was asked vide letter dated 24.11.2022, to submit the details of works carried out to consider the further investment now proposed in the petition under the smart metering and Distribution system strengthening areas, since the Capitalization of both the schemes now proposed was approved under 100% Grant funding (Business plan for FY 2017-18 to FY 2020-21) and;

To furnish details of the scheme/project wise capitalization and funding pattern since the additional business plan now proposed is for the same nature of action plan if the works already executed in the FY 2020-21 and now proposed to be implemented are not the same.

The Business plan approved for the control period FY 2021-22 to FY 2023-24 was also included investment plan towards smart metering package and Distribution system improvement with 100% Grant funding under ADB package;

The licensee was also asked to furnish the status of the Bids/RFPs identified (Service provider ie., AMISP) if any for implementation of the business plan under RDSS as per the guidelines issued by REC vide letter dated 22.10.2021.

The petitioner has submitted the status of various government funding schemes for Capital Investment Plan in their letter dated 06.01.2023 as detailed below.

- (i) Integrated Power Development Scheme (IPDS)
 - (a) IPDS Phase 1: System Strengthening – Completed
 - (b) Gas Insulated Sub-Stations under IPDS: Completed
 - (c) ERP Implementation under IPDS : Completed
- (ii) Meghalaya Power Distribution Sector Improvement Project under ADB Funding
 - (a) Installation of new 33/11 KV Sub-stations and augmentation and renovation of existing 33/11KV sub-stations:- Work is in progress.
 - (b) Metering Infrastructure Improvement – installation of 2.05 lakh smart metering system:- Work is in progress.
 - (c) Installation of new 33KV & 11KV Lines and reconductoring, augmentation & replacement of existing 33 KV & 11 KV lines: - Work is in Progress.

- (iii) Rooftop Solar Program, No Progress so far. Awaiting finalization of funding pattern from State Government.
- (iv) Revamped Distribution Sector Scheme (RDSS): The RDSS scheme for Meghalaya was approved on 14.07.2022. While sanctioning this scheme, the Ministry of Power has instructed that there should not be any duplication/overlapping of works with any other Government of India and state scheme. Accordingly, the tentative works to be taken up through this scheme are as mentioned in the petition. The installation of smart meters is over and above the quantity approved under ADB scheme. Similarly for the work under the loss reduction scheme.
- (v) The Status of Bids/RFPs
 - (a) The NIT/RfP for appointment of Advance Metering Infrastructure Service Provider (AMISP) was floated on 25.11.2022 and Bids are scheduled tentatively to be opened on 09.01.2023.
 - (b) The NIT for loss Reduction works was floated on 2.12.2022 and Bids are scheduled tentatively to be opened on 13.01.2023.

Commission in exercise of functions vested vide section 86 (2) (i) (ii) (iv) of EA 2003 considers approval of capital investment plan proposed in the additional business plan as filed by the Licensee for the Control period FY 2021-22 to FY 2023-24 for implementation of smart metering project and providing Distribution Infrastructure for loss Reduction and AT&C loss Reduction contemplated for Meghalaya state in the Ministry of Power memorandum dated 20.07.2021.

The licensee shall ensure the implementation of the RDSS project as per the guidelines issued vide Ministry of Power, Govt. of India letter no REC/RDSS/Meghalaya/2022-23/09 dt. 14/07/2022.

Licensee shall ensure:

- (i) Obtain approval of the Govt. of Meghalaya as required for implementation of the RDSS Project guidelines issued in the Ministry of Power letter dated 20.07.2021.
- (ii) The investment plan is a least cost plan for undertaking investments on strengthening

and augmentation of the Distribution system for meeting the requirement for smart metering, billing and collection system, etc. for reduction in Distribution losses, AT&C losses, improvement of supply and reliability.

- (iii) The investment plan shall cover all capital expenditure to be undertaken by the Distribution licensee in the control period and shall be as may be stipulated in the Guidelines of Ministry of Power memorandum dated 20.07.2021.

The Distribution Licensee shall be required to ensure implementation of Project to enhance efficiency, productivity and meet performance standards stipulated in the Ministry of Power Govt. of India letter dt. 14/07/2022.

Commission provisionally approves the Additional Business plan (RDSS) for capital investment/expenditure plan as proposed by MePDCL, keeping in view the requirement of strengthening of Distribution system network and to achieve the growth in the State and also the schemes envisaged for system improvement and operational efficiency.

Sd/-
Chairman
Shri P.W. Ingty, IAS(Retd)