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PRESS RELEASE

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Electricity Regulators Move Ahead with Power Reforms

“The gigantic task of reforms in power sector including the targets set in terms of generation and transmission capacity addition can not be achieved without the active cooperation of the Regulators”, The Minister of Power Shri Sushil Kumar Shinde said while inaugurating the Third Meeting of the Forum of Regulators on 20th April, 2006. The Forum of Regulators, a body representing Chairpersons of all Electricity Regulators in the country and headed by Shri A K Basu, the Central Regulator met in New Delhi on 20th and 21st April, 2006.

Balancing consumer’s interests and investor’s return is the sensitive role of the regulators, the Minister noted. During the last several years, CERC as well as SERCs have provided a credible regulatory framework in the electricity sector, through various orders like Terms and Conditions of Tariff, Grid Code, Regulatory based Tariff, various Distribution Tariff Orders. The Minister appreciated that the regulatory mechanism has responded to the challenges of the changing environment unfolded by the Electricity Act, 2003. Regulations on Open Access have been issued by the Central and State Regulators. The institutions of Consumer Grievance Redressal Forum and Ombudsman have also been operationalized in several States. The Minister assured that the Central Government was fully committed towards ensuring the independence and autonomy of the regulatory mechanism so that it can operate on professional lines.

The Forum of Regulators in the two-day long meeting discussed various issues facing the electricity sector today. The Agenda for the meeting included :

- Issues arising out of the Tariff Policy
- Harnessing of Surplus Captive Generation
- Rising Cost of Traded Power
- Consumer Advocacy Mechanism

The following important decisions were taken in the meeting:-

❖ **Tariff Policy related issues**

- The Tariff Policy has identified certain actions for the Regulatory Commissions and the Forum of Regulators. The Regulatory Commissions have already taken actions on several counts as appreciated by the Minister of Power. Some of these are indicated below:
 - Distribution Open Access regulations have finalized by 22 SERCs
 - Terms & Conditions for Tariff announced by 16 SERCs
 - Performance standards have been set by 13 SERCs
 - Consumer grievance redressal forum and Ombudsman have been institutionalised by 19 SERCs
 - Electricity Grid Code has been issued by 13 SERCs.
 - ToD Tariff has been introduced by several SERCs
 - Terms and Conditions for integration of captive generation with grid and purchase by licensee have been finalised by several SERCs
 - Orders on obligation to purchase power from renewable sources have been issued by several SERCs
 - The Regulatory Commissions have initiated actions towards implementation of intra-State ABT. Some State Commissions have finalized orders in this regard and others would finalize them in near future.
- Three Groups were constituted – (1) to deliberate and make recommendations on the concept of distribution margin as the basis for

allowing returns in distribution business; (2) to review the return on equity in distribution; and (3) to deliberate on the operating norms for distribution.

- Para 5.1 of the Tariff Policy mandates all future procurements of power from private power projects through competitive bidding. The Ministry of Power has recently issued a clarification stipulating inter alia that a project for which appraisal by the Financial Institutions has started before 06th January, 2006 would be treated as falling outside the scope of clause 5.1 of the Tariff Policy if in such a case the final PPA has been filed before the Regulatory Commission by 30th September, 2006. The Forum of Regulators feels that such a stipulation has the potential of encouraging several non-serious projects to come up.
- The Tariff Policy has stipulated a formulation for computation of Cross Subsidy Surcharge. Application of this formulation leads to wide variation in determination of surcharge. The powers to determine surcharge vest with the Regulatory Commissions and as such it should be left to the Forum of Regulators to evolve consensus in this regard.

❖ **Harnessing of Surplus Captive Generation**

- Most of the existing capacities are tied up under long term PPAs. As such, harnessing of surplus captive generation is crucial to effectively operationalise distribution open access and ensure consumer choice.
- As recommended by the FOR Group constituted for the purpose, it was decided unanimously that various charges levied on the Captive Generation for sale of surplus power to the grid would be rationalized.
- SERCs were urged to encourage the utilities to procure firm committed supply from captive generation. For such purchases – (i) the tariff could be benchmarked or (ii) a maximum and minimum ceiling price could be fixed or (iii) the price could be linked to frequency linked UI rates.
- Standby arrangements for backup supply to an open access consumer shall be provided by the incumbent licensee on payment of charges equivalent to temporary connection charges.

- Some States have already determined temporary connection charges. Others would specify such charges in near future.

❖ **Consumer Advocacy Mechanism.**

- Several State Commissions have taken pro-active role in reaching out to the consumers to apprise them of the regulatory actions and also to ensure that their interests are protected and grievances redressed by the distribution licensees.
- Some State Commissions have set up dedicated consumer advocacy cells to effectively monitor compliance of performance standards and redressal of grievances of consumers. Others would also set up such cells in near future.
- State Commissions were urged to have regular interface with consumer groups.
- It was also decided to require the licensees to use the back of the electricity bill for dissemination of information regarding Consumer Grievance Redressal Forum, Ombudsman etc.

❖ **Rising Cost of Traded Power**

- The Forum expressed concern over the trend of rising cost of traded power.
- Various measures were discussed. It was reiterated that the authority available with the State Commissions under section 86 (1)(b) of the Act should be used more rigorously to put a check on the procurement of power by the distribution licensee beyond a ceiling price to be determined by the State Commission. State Commissions were also urged to use their authority under the Act to discourage artificial price volatility and keep the price within reasonable limits.

Sd/-

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