

CENTRAL ELECTRICITY REGULATORY COMMISSION
3rd & 4th Floor, Chanderlok Building, 36 Janpath, New Delhi – 110 001

PRESS RELEASE

18th March, 2009

Meeting of the Central Advisory Committee

A meeting of the Central Advisory Committee of CERC was held today i.e. 18th March, 2009 in India Habitat Centre. Dr. Pramod Deo, Chairperson, CERC chaired the meeting. ‘Implementation of open access’ was the agenda topic for discussion. The following issues were posed from the side of CERC:

- i) Independence of State Load Dispatch Centres
- ii) Role of State Governments
- iii) Regulatory intervention for facilitating open access
- iv) Power availability

There was consensus in the meeting that autonomy of SLDCs needed to be ensured by the State Governments for successful implementation of open access. The recommendation of the Forum of Regulators for structuring the reporting channel of the SLDCs on the lines of State Election Officers (reporting to Election Commission) was widely appreciated. Power sector experts emphasized that CERC should impose stringent penalties on such SLDCs and the senior officers incharge of the companies operating SLDCs which deny open access on flimsy grounds under the influence of incumbent state distribution utilities. They also suggested that the Central Government should expedite the process of ring-fencing the operation of RLDCs from POWERGRID to set an example. A number of members of CAC also suggested that the support from CPSUs like REC, PFC and the allocation from discretionary quota of Central Government should be leveraged to persuade the states for supporting implementation of open access.

The issue of permitting week ahead/ month ahead electricity contracts on power exchanges also came up for discussions. The stakeholders from power sector generally

supported the proposal and emphasized that CERC has adequate powers to regulate all type of electricity contracts under the Electricity Act, 2003 as only the Electricity Regulatory Commissions have powers to issue license and regulate the trading of electricity. However, the representative of the Department of Consumer Affairs said that the provisions of Forward Contract Regulations Act would need to be complied in the cases of transferable specific delivery contracts.

Some concerns were expressed on the proposed flexibility in revision of schedules given by open access customers as it was felt that this might make the contracts less serious. However, some experts supported the proposal if such revisions are required to be made in force majeure conditions faced by generators.

The issue of sale of free power by host states to other states at very high prices was also raised by some stakeholders on the basis of argument that the cost of free power is being recovered from the other beneficiaries through the tariff determined by CERC and therefore the host states should not be allowed to make profits out of such free power.

It was also generally felt that single buyer model, in which the State Governments take over the function of procurement of power by distribution companies through a state owned entity like trading company, should be immediately phased out as this is concentrating the conflict of interest and thereby seriously hindering the implementation of open access. However, some representatives of the states felt that this model was required in transitional phase after unbundling till the time the distribution companies develop sufficient expertise for procurement.

CAC also suggested that the open access regulations and various related charges should be made reasonable and easily understandable, particularly at state level as most of the open access consumers faced difficulties in understanding the same. There was also a suggestion that these regulations should be on the pattern of multi-year tariff framework in order to have certainty and higher confidence amongst the investors.

The meeting was attended by several power sector experts, representatives of state utilities, public sector and private generating companies, transmission companies, traders, power exchanges, research institutions.

The Chairperson, CERC emphasized the need of more frequent meetings of CAC. It was also agreed that next meeting would be convened to discuss 'Development of Power Markets' for which the stakeholders were requested to sent their views for preparation of agenda items.

Sd/-

(Alok Kumar)
Secretary