

No. A-118/2003 –IPC(Vol.IV)
Government of India
Ministry of Power

Shram Shakti Bhawan, Rafi Marg,
New Delhi, dated 3rd December, 2009

To

The Principal Secretary / Secretary (Energy) of all States / UTs.

Sub:- Distribution reforms under the modified Mega Power Policy.

Sir,

Policy guidelines for setting up of mega power projects were last revised and issued vide this Ministry's letter of even number dated 2nd August, 2006. In order to further liberalize the mega power policy and also remove such provisions which have lost relevance since the Mega policy was initially formulated the Government has made the several modifications in the Mega Power Policy and the revised policy guideline is being issued separately. One of the decisions taken in this regard is that the existing condition of privatization of distribution by power purchasing states would be replaced by the condition that power purchasing states shall undertake to carry out distribution reforms as laid down by Ministry of Power(MoP).

Accordingly, the matter was examined in the Ministry of Power and was followed up in the meeting held on 28th October, 2009 with the representatives of State Power Departments in which various measures for distribution reforms that could be taken up by the State Government were discussed in detail. Summary record of discussions of the aforesaid meeting is annexed (**Annexure-I**)

In the aforesaid meeting, it was observed that distribution reforms like establishment of franchisees in rural areas and reduction of AT&C at utility level are already included in the RGGVY and APDRP schemes of the MOP and for which States give undertakings so it need not be included under the reforms under the Mega Power Policy. There was a broad consensus at the aforesaid meeting that certain key reform measures needs to be undertaken by power purchasing States namely, timely release of subsidy, ensuring timely approval of annual revenue requirement/tariff determination according to the SERC regulations, setting up special courts to tackle theft of electricity and ring fencing of State Load Dispatch Centres (SLDCs).

Accordingly, in pursuance of the Cabinet decision dated 1st October, 2009 on the modification to the Mega Power Policy, following four distribution reform measures

hereby laid down by the Ministry of Power required to be undertaken by the States purchasing power from the mega power projects:

- a) Timely release of subsidy as per Section 65 of Electricity Act 2003.
- b) Ensure that Discoms approach SERC for approval of annual revenue requirement/tariff determination in time according to the SERC regulations.
- c) Setting up special courts as provided in the Electricity Act 2003 to tackle theft related cases.
- d) Ring fencing of SLDCs.

An undertaking in the enclosed format (Annexure-II) may be given to the Ministry of Power. The said undertaking needs to be given at least once and would be considered in all the cases where the concerned State Distribution Utility ties up procurement of power from a power project considered for grant of mega power status.

Receipt of this communication may please be acknowledged and the undertaking in the enclosed format may be sent to this Ministry at the earliest to facilitate processing of the Mega Power Policy case(s).

Yours faithfully

Enclosed: As above.

(Puneet K Goel)
Director (IPC)

Copy to : i) Chairman, CEA., ii) CMDs of all PSUs of MOP

Copy for information to:-

PS to MOP / PS to MOS (P) / PS to Secretary(P) / Sr. PPS to AS(AK) / PPS to AS(GBP)
/ All Joint Secretaries in Ministry of Power.

Copy also to Cabinet Secretariat, New Delhi.

NIC (MOP) for putting on website of Ministry of Power.

(Puneet K Goel)
Director (IPC)

Ministry of Power

Summary record of discussions of meeting held under Chairmanship of Shri I. C. P. Keshari, Joint Secretary(IPC), Ministry of Power on 28th October, 2009 at 10.30 AM with representatives of State Power Departments on distribution reforms in pursuance of the decision of the Cabinet on modification to the mega power policy.

List of participants is annexed.

JS(IPC) welcomed all the participants. He referred to the recent decision of the Cabinet on modifications to mega power policy and informed that this meeting has been called to seek the views of the State Governments on the distribution reforms which has now been made part of the mega power policy conditionalities. He informed that, Cabinet while approving the modification proposals to the mega power policy, have replaced this by the condition that power purchasing states shall undertake to carry out distribution reforms as laid down by the Ministry of Power. Therefore, Ministry of Power is now required to stipulate those specific measure of distribution reforms which the States purchasing power from the mega project are required to undertake while grant of mega power certificate.

He further informed that the Ministry of Power hopes to arrive at a consensus on the specific distribution reform measures which the State Government would undertake to carry out. Such undertaking would be required at least once, in respect of the first of the mega power projects that would come up for implementation and the same undertaking would be applicable for the subsequent mega projects.

Director(Thermal), MOP made a brief presentation on existing mega power policy highlights, changes approved by the Cabinet and suggested distribution reform measures. Thereafter following distribution reform measures were taken up for discussion one by one with the representatives of the State Government present:

Metering of all consumers including agriculture & single point consumers and adoption of energy accounting & auditing.

Establishment of franchisees in rural areas.

Reduction of AT&C at utility level:

Utilities having AT&C loss above 30%: Reduction by 3% per year

Utilities having AT&C loss below 30%: Reduction by 1.5% per year

Timely release of subsidy as per Section 65 of Electricity Act 2003.

Ensure that Discoms approach SERC for approval of annual revenue requirement/tariff determination in time according to SERC regulations

Finalization of Audited Annual Accounts of previous year by 31st March

Open Access in Distribution, Ring fencing of SLDCs

Set up special courts as provided in the Electricity Act, 2003 to tackle theft of electricity as per sections 153-157 of Electricity Act

Director(R&R), MOP added that rationale behind these distribution reform measures are strengthening repayment capacity of Discoms by increasing revenue collection, cutting down commercial losses thereby promoting financial health of Discoms.

The representative of the State Government of Gujarat referred to various distribution reform measures and stated that it was tough to bring down AT &C losses below 20%. Representative of West Bengal stated that it should be open to the State Government to distribute electricity in rural areas through any suitable medium not necessarily through franchisees.

Representatives from the Harayana, Tamil Nadu and Karnataka sought clarifications on various aspect of mega power policy as in vogue and changes now brought out. These related to prospective applicability of the instant amendments, applicability of ICB procedure, inter-State sale of power, procurement of power through negotiate route, mention of mega power benefit admissibility in the RFP documents. These were appropriately addressed in light of extant policies and guidelines.

JS(IPC) stated that all the States have set up SERC/JERC except Arunachal Pradesh. Arunachal Pradesh has been advised to set up independent regulatory Commission or join any other joint regulatory commission. He further mentioned that in the interest of financial health of Discoms, the States should release the subsidy to them regularly. He also pointed out that distribution reforms like establishment of franchisees in rural areas and reduction of AT&C at utility level are already included in the RGGVY and APDRP schemes of the MOP and for which States give undertakings so it need not be included under the reforms mooted under the Mega Power Policy. It was agreed that following key reform measures be undertaken by power purchasing State(s)

- a) Timely release of subsidy as per Section 65 of Electricity Act 2003.
- b) Ensure that Discoms approach SERC for approval of annual revenue requirement/tariff determination in time according to the SERC regulations.
- c) Setting up special courts as provided in the Electricity Act 2003 to tackle theft of Electricity.
- d) Ring fencing of SLDCs.

Representatives of the State Governments were requested to act swiftly on the above.

The meeting ended with vote of thanks to the Chair.

List of Participants

1. MINISTRY OF POWER

Shri I.C. P. Keshari, Joint Secretary in Chair
Shri Puneet K. Goel, Director
Shri Malay Srivastava, Director
Shri S. Narayanan, Under Secretary
Shri K. C. Sharma, Under Secretary
Shri C. J. Jose, Under Secretary
Shri A. Sengupta, Section Officer.

2. Govt. of Madhya Pradesh

Shri A. Shrivastava , Addl. CE(DRG), MPPGCL

3. Govt. of Punjab.

Shri K. D. Chaudhry, Member, PSEB

4. Govt. of Himachal Pradesh

Shri Ravinder Thakur, Protocol Officer.

5. Govt. of Karnataka

Shri T. Sannappa, Resident Engineer

6. Govt. of Sikkim

Shri P. B. Subba, C.E.

7. Govt. of Tamil Nadu

Shri V. K. Jain, R.M.

8. Govt. of Uttar Pradesh

Shri Srikant Prasad, Director.
Shri Navdeep Rinwa, M. D..

9. Govt. of Chattisgarh.

Shri L.S. Chawla, C.E.(Comml.)
Shri S. P. Chaturvedi, M.D.(Gen.)

10. Govt. of Kerala

Shri Muhammed Jaffaar, OSD

11. Govt. of Gujarat

Shri L. Chuaungo, M. D., GUVNL

12. Govt. of West Bengal

Shri Debashis Sen, M. D., West Bengal Power Development Corp.

13. Govt. of Rajasthan

Shri A.K.Sharma, SE(TD), RVUN
Shri B.K.Makhija, Ad. Projects, RVPN

14. Govt. of Haryana

Shri D.C.Arya, FA/HQ, HPGVL
Shri R.C.Chaudhary, CE(Operation), UHBNL
Shri A. K. Jain, C.E., DHBVN

15. Govt. of Tamil Nadu

Shri R.Ganapathy Sankaran, TNEB

16. Govt. of Andhra Pradesh

Shri N.V.V.S.Chandra Sekhar, DE(IPC), APTransco
Shri Neel Kanth, ALO, A.P.Bhavan

17. Govt. of Arunachal Pradesh

Dr. Hari Krishna, Principal Secretary (Energy)

18. Govt. of Nagaland

Shri T.S.Angami, Addl. Chief Engineer

19. Govt. of Jharkhand

Shri S.N.Choudhary, Memembr(Distn.), JSEB
Shri Anjani Kumar, Resident Executive, JSEB

20 Govt. of Bihar

Shri S.N.Sinha, Resident Executive, BSEB

21 Govt. of Delhi

Shri B.C.Mathur, GM(SLDC), DTL

22. NTPC

Shri I. K. Kapoor, Dir.(Comml.).

Shri V. K. Padha, GM(Comm.)

23 NHPC Ltd.

Shri B.R.Saraf, ED(Projects)

Shri Arvind Bhat, CE(Design)

PROFORMA

ANNEXURE-II

No.
State Government
Power/Energy Department

Dated

To

The Secretary
Ministry of Power
Government of India
New Delhi

Sub: Distribution reforms under the mega power policy

Sir

I am directed to say that the State Government undertakes to carry out the following distribution reform measures in accordance with the Government of India letter No. A-118/2003-IPC(Vol.II) dated

- (a) Timely release of subsidy as per Section 65 of Electricity Act 2003.
- (b) Ensure that Discoms approach SERC for approval of annual revenue requirement/tariff determination in time according to the SERC regulations.
- (c) Setting up special courts as provided in the Electricity Act 2003 to tackle theft related cases.
- d) Ring fencing of State Load Dispatch Centres(SLDCs).

Yours faithfully,

(Name/Designation)
Power/Energy Department