MAHAVITARAN
Maharashtra State Electricity Distribution Co. Ltd.
(A. Govt. of Maharashtra Undertaking)
CIN: U40109MH2005SGC153645

Maharashtra State Electricity Distribution Co. Ltd.
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To,
The Joint Secretary to the Government of India
And the Convener of the Committee on NEP
Ministry of Power, Shram Shakti Bhawan, Rafi Marg,
New Delhi.

Subject: Suggestions/Comments for framing Draft National Electricity Policy 2021

Reference: Letter No. 23/23/2018-R&R Dated 27 April 2021 & thereafter letter dated 15th May 2021 from Ministry of Power, GoI.

Sir,

The Ministry of Power vide its letter under reference has invited suggestions/comments on proposed Draft National Electricity Policy (NEP) 2021. Further a meeting through video conferencing with various States was held on 14th May 2021 for interaction of various States with Expert Committee. Ministry of Power vide its letter dated 15th May 2021 informed that, based on the requests from various States during the said interaction, the last date for submission of suggestions/ comments is extended up to 25th May 2021.

In this regards, the suggestions/ comments of Maharashtra State Electricity Distribution Company Ltd., (MSEDCL) which need to be considered while finalizing the Draft NEP 2021, along with its rationale are summarized as below:-

Clause 5.2 - Retrofitting of existing coal plants

The additional capitalization for retrofitting the existing coal based station for 2 shift operations may lead to increase in the power purchase cost for Discom and per unit fixed cost burden will also increase. This will ultimately get passed on to consumer. Hence financial implications for achieving flexibility of thermal generation must be benchmarked and it should be as per requirement of procurer or Discom so as to avoid undue burden on consumers.

***Clause 5.7* - Quality and adequacy of coal**

The emphasis should be given to ensure 100% coal allocation to the GENCOs which have existing PPAs with the State Discoms by requisite coal linkages with Coal India Limited (CIL) or its other subsidiaries. Discoms like MSEDCL have signed PPA under Section 63 with IPPs and still there is no 100 % coal linkage to them and there is crores of rupees financial impact on Discoms, because of alternate coal (imported). In case number of linkages to generating stations including IPPs and beneficiaries is single then flexibility in utilization of coal should be allowed for optimum utilization of coal. NEP must ensure that the generation companies procure coal in order to optimize their generation cost such that least cost plants are utilized to maximum extent.

The provision to address concerns regarding quality of coal are welcome. In addition to this, provisions for ensuring availability of sufficient coal quantity also needs to be in place. It is proposed to formulate SOP for Coal India Ltd. to improve their efficiency. Moreover, any funds collected by Coal India in terms of penalty from generators should be passed on to the concerned DISCOM.

***Clause 5.12* – Storage Hydro Projects for peaking & balancing requirements for integration with RE:**

The policy must ensure that storage technologies used for peaking & balancing requirements for integration with Renewable Energy (RE) plants, may be implemented on benchmark cost basis and not on cost plus basis.

In order to reduce the burden on consumers, it is suggested that Capital subsidy or grant may be provided for pumped storage, pondages, battery storage etc. through Central schemes by utilizing coal cess/PSDF or through environmental funds of Ministry of Environment, Forest and Climate Change (MoEF).

***Clause 5.20* – RE Procurement**

Future Procurement of power from new and renewable energy sources compulsorily through competitive bidding is a welcome step and this would certainly help in the reducing the power purchase cost of the Discoms. However, Waste to Energy (WtE) plants are excluded from competitive bidding and tariff is determined on cost plus basis. It is observed that Capital Cost of WtE plants differs among Municipal Corporations and there is large variation in generation cost and it is in the range of Rs 5 per unit to Rs 9 per unit. Such high cost is unsustainable for the Discoms. Hence, it is requested that a uniform norm (Capex/MW) for such plants should be suggested in the policy itself. Since this issue again relates to environment sustainability, cost sharing mechanism with the beneficiary other than Distribution Licensee such as Municipal Corporation or Environmental department should be specified. Besides this, the thermal generators, PSUs iike NTPC, PGCIL should be encouraged to set up such plants under CSR with reduced tariffs. Also, the tariff for Muncipal Solid waste or any other new technology shall be limited to the Average Power Purchase Cost (APPC) rate of the DISCOM. The tariff determined over and above the APPC rate shall be paid by the State Govt. through Green cess fund in the form of subsidy to promote RE.

***Clause 5.21* – Two Part Tariff for hybrid operation with RE**

At present there is no need of two part tariff, existing single part tariff should be continued as it will increase inefficiency. If there is any backdown because of system constrain then there are already provisions for payment of percentage of tariff.

Clause 5.22—Waste Heat Recovery Systems

These industries install co-generation (co-gen) units to utilize the heat. The government can declare subsidy to promote such generation. The infirm surplus power can be procured by the DISCOM at the lowest tariff during that financial year.

***Clause 5.23* – Renewable Purchase Obligation (RPO)**

The RPO targets must be set after consulting with the States and SERCs. Instead of source specific RPO, it is suggested to provide combined RPO or give flexibility in utilization of sources so that Discoms can have source mix depending on State RE potential.

***Clause 5.26* – Distributed Generation**

It is submitted that the provision in the draft NEP for net-metering needs to be limited upto ten kW only. For loads higher than 10kW, Gross metering should be encouraged, in order to avoid the adverse financial impact of net-metering on common consumers. The emphasis should be given on solarisation of Agricultural feeders through decentralized generation considering the manifold benefit of the scheme.

***Clause 5.27* – Microgrid**

In remote village's Microgrid, to reduce the Tariff discovered , incentivizing such projects by Government is essential, as small capacity projects have comparatively higher per MW capital cost, so that Microgrid can become feasible.

Clause 6.8 – Transmission Projects

The transmission projects should be executed only through tariff based competitive bidding under section 63 of the Act instead of regulated tariff.

Clause 6.9 – Transmission

The Inter-state transmission charges i.e. Point of Connection (PoC) charges have increased manifold in the last 7 to 8 years and are quite high as compared to the STU charges. There should be clear policy level guidelines to optimize and reduce the 'inter-state' PoC cost burden on the State Discoms.

Clause 7.7 – Public Private Partnership (PPP) in Distribution

Such mechanisms may lead to cherry picking of Urban Municipal Corporation/ Council areas with assured revenue, by private Sub-licensees. The cross subsidy balance of existing Distribution Licensee will thus be distorted. The subsidy administration mechanisms also need to be addressed for the existing as well as the new Sub-licensees. The interests of a small group of consumers will impact the interest of all other consumers at large. Further duplication of network at the cost of the wider set of electricity consumers must be avoided.

Also If at all PPP needs to be promoted, then same can be done in high Aggregate Technical and Commercial (AT&C) loss based rural areas where actually efficiency improvement is required.

Clause 7.12 – Reliability

MSEDCL is in synergy with the intent of this proposed clause. However, there is a certain cost involved to ensure reliability and quality supply of power. So for consumers, such as net-metering consumers, grid support charge, banking charge etc. may be levied to avoid its undue burden on other consumers. Besides, the consumer has to have no payment due. Hence appropriate provision for ensuring responsibilities of consumer need to be included in the policy.

Clause 7.17 – Smart Metering

The implementation of the smart metering infrastructure should be on utility's convenience considering its financial health, impact on consumer tariff and its requirement starting from areas with low collection efficiency and high distribution losses in phases.

Clause 7.18 – Incentives for Demand Response

Incentive mechanism for demand response should be clearly defined in the policy. Introduction of 6 slots instead of 4 slots should be encouraged.

Clause 7.19 – Feeder and Distribution Transformer Metering

The State Transmission Utility (STU) shall also be mandated for installation of AMR meters. This will help DISCOMS for proper load management. Also, the ISTS interface data should be made available to DISCOM for accurate load forecasting, considering the stringent implementation of Deviation Settlement Mechanism (DSM) Regulations.

Clause 7.21 – DBT (Direct Benefit Transfer)

There are inherent difficulties in recovering the dues from Agricultural Consumers. The consumers who are not paying even the subsidized tariff, the recovery of full tariff would be a challenge and therefore DBT mechanism is not suitable in such case and licensee will end up losing revenue. To start with, the DBT may be extended to paying consumer categories such as Industries/ power-loom etc.

Clause 9.4 – Aggregators

The interest of DISCOM should be safeguarded under this new concept of aggregators. DISCOM should be compensated with Cross Subsidy Surcharge, Additional Surcharge and all other charges as applicable. Instead it is proposed to promote Distribution Franchisee to implement this requirement.

Clause 12.1—Power Quality

SERCs should be given timelines to frame Standard of Performance (SoP) for maintaining the power quality at generator as well as consumer end.

The other issues which need to be addressed through the policy are mentioned below:

1. *Agricultural Consumer Metering*

Although as per Electricity Act, 2003 100 % metering is to be done to all consumers, still in almost all states 100 % agricultural consumers are not metered. There are inherent difficulties in metering of AG consumers, therefore considering the Ag feeder segregation, the feeder level metering & energy accounting for ascertaining Ag consumption needs to be promoted in first phase. It is suggested that there should be a policy level stage wise roadmap for Feeder Metering, Distribution Transformer Metering and lastly phase-wise Agricultural consumer metering & billing accordingly. Agricultural metering timeline should be increased to 3 years in a phased manner.

2. Cross-subsidy impact on other consumers in Agricultural dominated area

In MSEDCL, the share of the electricity consumption by the agricultural category consumers is ~25 % of the total electricity consumption. It is also pertinent to note that MSEDCL constitutes about 85% in the total sales for the state of Maharashtra (including all the private licensees). Due to such high quantum of agricultural sales in Maharashtra, there is a huge cross-subsidy burden on the Industrial and Commercial Consumers of MSEDCL. Further the tariff of Agriculture category determined by MERC, is about 50% of Average Cost of Supply (ACoS), and therefore cross subsidy of about 50% is being passed on to subsidizing categories such as Industrial and Commercial categories. It results in increase in tariff of certain subsidizing categories, at time even higher than tariff of Mumbai licensees (AEML-D, TPC-D and BEST) as they are not subsidizing to the Agricultural load in Maharashtra.

Moreover, to minimize the cost for agriculture farming outputs, the input cost to agriculture is kept at minimum through various government subsidies. Electricity cost is also one of the input cost parameter. As a result of the same, all consumers in State are reaping the benefits of low cost of AG produce. Since all the Ag consumers are under MSEDCL area, huge cross subsidy burden to the tune of about Rs 9700 Crore which is being loaded only on MSEDCL's consumers, coupled with the low collection efficiency of about 7% only (in FY 2019-20), MSEDCL is the only licensee which is bearing the brunt of the same. Hence it is suggested that the burden of cross subsidy to be shared proportionately among all the licensees in the State. Hence it is suggested that there should be a policy level guideline for the same so as to address the issue in the larger benefit of the consumers of all the similar States.

3. Solarisation of Agricultural Feeders

In order to reduce the tariff burden of Ag consumers, it is suggested that there should be policy push for solarisation of Agricultural feeders. Also as mentioned in KUSUM, component 'C' guidelines, Capital Expenditure may be funded as per the following pattern:

- State Government: 30%
- Central Government: 30%
- Cross-subsidy on Other Consumers: 30%
- Billed in Tariff of Agricultural consumers: 10%

This will reduce current level of cross subsidy burden in tariff which ultimately lowers the tariff of subsidizing consumers viz. industrial, commercial etc. and also ensure day time power to Ag consumers through clean and green power.

4. Group Captive Users & Open Access

In many cases of Captive Power Plants, it is observed that the plant was setup as Independent Power Producer (IPP) but subsequently, by changing the shareholding in accordance with the Electricity Rules 2005, the plant was converted to a Captive Generating Plant. It has also been observed that power plant has been set up by the promoters, but the promoters including the incorporated entity owning the plant itself does not consume any power. By modifying the shareholding, the captive consumers are able to get the benefit of exemption from levy of Cross Subsidy Surcharge (CSS).

By 'retrofitting' oneself as captive and further evasion of CSS, affects the revenue of Distribution utilities and gets passed on to its other common consumers resulting into increase in their tariff for no fault on their part. Thus there should be policy level guidelines to ensure that such gaming does not happen.

Considering the submissions in foregoing paragraphs, MSEDCL requests to include proposed provisions in NEP to address all the above said issues. The proposed policy has far reaching impacts on common consumers and hence it is requested to take on record comments/suggestions of MSEDCL and be considered while finalizing the Draft NEP, 2021.

Submitted for kind consideration please.

Chavan

Satish Chavan

Director (Commercial), MSEDCL.