

Suggestions for Amendment in the Tariff Policy, 2016

Clause No.	Provisions in proposed amendment	MSEDCL Suggestion	Rationale behind MSEDCL's suggestion
5.2	<p>All future requirement of power should continue to be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a company owned or controlled by the State Government or Central Government as an identified developer and where regulators will need to resort to tariff determination based on norms provided that expansion of generating capacity by private developers for this purpose would be restricted to one time addition of not more than 100% of the existing capacity.</p> <p>Provided further that the Appropriate Commission, as defined in the Electricity Act, 2003,</p> <p>shall ensure that in case of expansion of such projects, the benefit of sharing of infrastructure of existing project and efficiency of new technology is passed on to consumers through tariff.</p> <p>Provided also that the State Government can notify a policy to encourage investment in the State by allowing setting up of generating plants, including from renewable energy sources out of which a maximum of 35% of the installed capacity can be procured by the Distribution Licensees of that State for which the tariff may be determined under Section 62 of the Electricity Act, 2003.</p> <p>Provided that notwithstanding the provision contained in para 5.11(j) of the policy, the tariff for such 35% of the</p>	<p>All future requirement of power should continue to be procured competitively by distribution licensees</p>	<ol style="list-style-type: none"> 1. The Policy objective clearly mentions the availability of electricity to consumers at reasonable and competitive rates. Hence any exception to power procurement through Competitive Bidding is not aligned to policy objective. Hence all future power procurement shall be through competitive bidding without any exception. 2. Policy advocates for price to be determined competitively in its General approach to tariff. Therefore there should not be any compulsion to buy power from expansion of existing plants on MoU basis; 3. Projects developed out of expansion of existing projects use already developed facilities (e.g. roads, rail, reservoirs etc.), and hence such projects should be able to compete at lower than the earlier discovered tariff. Hence, there is no rationale for determining tariff for such projects and it is suggested that all future power procurement to be on Competitive basis.

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	<p>installed capacity shall be determined by SERC.</p> <p>However, the 15% of power outside long term PPAs allowed under para 5.7.1 of National Electricity Policy shall not be included in 35% allowed to be procured by Distribution Licensees of the State.</p>		
5.3	<p>The tariff of all new generation and transmission projects of company owned or controlled by the Central Government shall continue to be determined on the basis of competitive bidding as per the Tariff Policy notified on 6th January, 2006 unless otherwise specified by the Central Government on case to case basis.</p> <p>Intra-state transmission projects shall be developed by State Government through competitive bidding process for projects costing above a threshold limit which shall be decided by the SERCs.</p>	<p>The tariff of all new generation and transmission projects of company owned or controlled by the Central Government shall continue to be determined on the basis of competitive bidding as per the Tariff Policy notified on 6th January, 2006.</p> <p>All new Intra-state transmission projects shall be developed by State Government through competitive bidding process only.</p>	<p>MSEDCL suggests that in line with Clause 5.2 (all power procurement through competitive bidding), all new (intra as well as interstate) transmission projects should also come through Competitive Bidding Only. It is also suggested that Competitive bidding should also be applicable to all Generation projects; hence the 'Generation' word to be retained.</p>
5.4	<p>The Central Electricity Regulatory Commission in consultation with Central Electricity Authority and other stakeholders shall frame within six months, regulations for determination of tariff for generation of electricity from projects using coal washery rejects. These regulations shall also be followed by State Electricity Regulatory Commissions.</p>	<p><u>Needs to omitted</u></p>	<ol style="list-style-type: none"> 1. Since all future power procurement is mandated under Competitive Bidding; such provision is inconsistent with the Clause 5.2 of the Policy. Hence, purchase of electricity from projects using coal washery rejects should also be done through Competitive Bidding only in order to reduce the consumer tariffs; 2. If Government wants to encourage coal washery, considering the higher cost plus tariffs, such procurement should be made eligible for compliance of RPO under non-solar power.

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			3. Government shall issue Standard Bidding Documents for such projects. No Feed-in-Tariff (FIT) shall be made applicable to such projects.
5.11 (a)- 2 nd para	The Central Commission would will notify, from time to time, the rate of return on equity for generation and transmission projects keeping in view the assessment of overall risk and the prevalent cost of capital which shall be followed by the SERCs also. The rate of return notified by CERC for transmission may be adopted by the SERCs for distribution with appropriate modification taking into view the risks involved. For uniform approach in this matter, it would be desirable to arrive at a consensus through the Forum of Regulators.	The Central Commission will notify, from time to time, the rate of return on equity for generation and transmission projects keeping in view the assessment of overall risk and the prevalent cost of capital which shall be followed by the SERCs also. Such rates shall necessarily be linked to 10 year benchmark bond yield (G. Sec 10 year). The rate of return notified by CERC for transmission may be adopted by the SERCs for distribution with appropriate modification taking into view the risks involved. For uniform approach in this matter, it would be desirable to arrive at a consensus through the Forum of Regulators.	MSEDCL suggests that instead of consistent higher rate of return, considering the reduction in the interest rates of long term loans, the Rate of return on equity should be linked to interest rates of long term loans and needs to be 4 to 5% more than 10 year benchmark bond yield (G. Sec 10 year). Further in cost plus regime, there is no rationale for specifying separate norms for G, T and D. Same criteria needs to be followed for G, T and D for rate of return.
5.11 (a)- 4 th para	The State Commission may consider 'distribution and supply margin' as basis for allowing returns in the distribution business at an appropriate time. The State Commission may also consider price cap regulation based on comprehensive study. The Forum of Regulators should evolve a comprehensive approach in this regard. The considerations while preparing such an approach would, inter-alia, include issues such as reduction in Aggregate Technical and Commercial losses, improving the standards of performance	The State Commission may consider 'distribution and supply margin' as basis for allowing returns in the distribution business at an appropriate time. The Forum of Regulators should evolve a comprehensive approach in this regard. The considerations while preparing such an approach would, inter-alia, include issues such as reduction in Aggregate Technical and Commercial losses,	All legitimate costs should be allowed to DISCOMs.

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	and reduction in cost of supply.	improving the standards of performance and reduction in cost of supply.	
5.11 c)	<p>c) Depreciation Benefit of reduced tariff after the assets have been fully depreciated shall remain available to the consumers.</p> <p>Notwithstanding the above, power from those plants of a generating company, where either whose PPAs have expired or plants have completed their useful life, may be bundled with power from renewable generating plants to be set up through the process of bidding or for which the equipment for setting up such plant is procured through competitive bidding. In such cases, power from such plants can be reallocated to beneficiaries purchasing power from renewable energy generating plants on the principles to be decided by Appropriate Government. The Obligated Entities which finally buy such power shall account towards their renewable purchase obligation to the extent of power bought from renewable energy generating plants.</p>	<p>c) Depreciation Benefit of reduced tariff after the assets have been fully depreciated shall remain available to the consumers.</p> <p>Notwithstanding the above, power from those plants of a generating company, where either whose PPAs have expired or plants have completed their useful life necessarily be procured through process of competitive bidding and /or operating cost recovery principle. The Appropriate Commission may specify principles in the said matter and ceiling tariff on case to case basis.</p>	<ol style="list-style-type: none"> 1.It is observed that generators whose Energy Purchase Agreement term is on the verge of expiry or already expired are approaching MSEDCL for contracting power for further period. 2.Since, such projects have already recovered its legitimate cost through Feed-In-Tariff; the real ownership of such projects is with DISCOM consumers and they shall practically get the benefit of it by way of lower tariff. 3.Bundling of such projects with other competitively bid projects may lead to undue profiteering by such developers and additional cost to consumers through tariff. <ol style="list-style-type: none"> 1. It is necessary to assess different tariff options that might be considered post EPA/PPA expiry period of various types of RE/other conventional Projects, and the principles & modalities of the same may be laid down by the appropriate commission. 2. MSEDCL proposes that operating cost recovery principle shall be adopted for such wind projects and competitive bidding models for other technologies such as Co-gen, Biomass etc.

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			3. Ceiling tariff for such cases may be determined by appropriate commission.
5.11 g)	Renovation and modernization of generation plants (including repowering of wind generating plants) need to be encouraged for higher efficiency levels even though they may have not completed their useful life. 		While deciding cost benefit of R&M of generation plant, cost implications for adhering to improved environmental norms should also be considered. Considering the falling cost of RE power, viability of encouraging R & M of old generating plants needs to be reconsidered.
6.2 (1)	A two-part tariff structure should shall be adopted for all long-term and medium-term contracts to facilitate Merit Order dispatch. According to National Electricity Policy, the Availability Based Tariff (ABT) is also to be introduced at State level. This framework would be extended to generating stations (including grid connected captive plants of capacities as determined by the SERC). The Appropriate Commission shall introduce differential rates of fixed charges for peak and off peak hours for better management of load within a period of two years.	<u>No Comments</u>	1. MSEDCL welcomes the proposed amendment. 2. MSEDCL suggests that a transparent method may be devised to implement proposed clause and it would prove to be beneficial to the consumers. Government of India may take lead on this subject.
6.2 (4)	After the award of bids, if there is any change in domestic duties, levies, charges, surcharges , cess and taxes imposed by Central Government, State Governments/Union Territories or by any Government instrumentality leading to corresponding changes in the cost, the same may be treated as "Change in Law" and may unless provided otherwise in the PPA, be allowed as pass through. subject to approval of the Appropriate Commission. The Appropriate Commission	After the award of bids, if there is any change in domestic duties, levies, charges, surcharges, cess and taxes imposed by Central Government, State Governments/Union Territories or by any <u>Indian</u> Government instrumentality leading to corresponding changes in the cost, the same may be treated as "Change in Law"	1. Bids submitted by developers and Power purchase agreement are two important document that stipulates and drives recourse action to tide over any eventualities such as change in law. 2. MSEDCL suggest that the ambit of such change in law situations should be limited to changes in law/taxation made by any Indian

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	<p>shall lay down the principle and procedure for the same.</p> <p>Provided further that Appropriate Commission shall also allow and establish mechanism for reimbursement of carrying cost for the period from date of occurrence of change in law and till the approval of Change in law by the Commission.</p> <p>Provided further that in case of dispute in implementation of above procedure, principles the same may be referred to the Appropriate Commission.</p> <p>Provided further that in case of any excess payment made, the same shall be reimbursed at the rate of carrying cost.</p>	<p>and may unless provided otherwise in the PPA, be allowed as pass through, subject to approval of the Appropriate Commission. The Appropriate Commission shall lay down the principle and procedure for the same.</p> <p>Provided further that Appropriate Commission shall also allow and establish mechanism for reimbursement of carrying cost for the period from date of occurrence of change in law and till the approval of Change in law by the Commission. The Appropriate Commission shall decide issue of reimbursement of carrying cost only after assessment of controllable and uncontrollable events involved therein.</p> <p>Provided further that in case of dispute in implementation of above procedure, the same may be referred to the Appropriate Commission.</p> <p>Provided further that in case of any excess payment made, the same shall be reimbursed at the rate of carrying cost.</p>	<p>government instrumentality.</p> <ol style="list-style-type: none"> 3. Supreme Court in Civil appeal number 5399-5400 of 2016 and batch dated 11th April, 2017 has ruled that any change in foreign law does not translate to change in law events under PPA. 4. From proposed amendment it seems that Discoms and Generators needs to decide on change in law cases based on the principles and procedures laid down by the Commission. The Role of the Commission is only in case of disputes in implementation of procedures laid by it. MSEDCL suggest that the appropriate Commission is the only forum to decide whether a particular event is change in law or not. 5. While deciding issue of carrying cost incurred on account of change in Law events, the Commission needs to access controllable and uncontrollable events involved in the issue. Impact due to any controllable events shall not be passed on to Discoms.
6.4 (i)	<p>Pursuant to provisions of section 86(1)(e) of the Act, the Appropriate Commission shall fix a minimum percentage of the total consumption of electricity in the area of a distribution licensee for purchase of energy from renewable</p>	<p>Ministry of Power has already issued 'Long term growth trajectory of RPOs' for non-solar as well as solar sources, uniformly for all States/UTs, initially for three years from</p>	<ol style="list-style-type: none"> 1. While adopting RPO trajectory, RE potential and installed capacity in state needs to be assessed. 2. Determination of terms and tariff of

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	<p>energy sources, taking into account availability of such resources and its impact on retail tariffs. Cost of purchase of renewable energy shall be taken into account while determining tariff by SERCs. Long term growth trajectory of Renewable Purchase Obligations (RPOs) will be prescribed by the Ministry of Power in consultation with MNRE.</p> <p>Ministry of Power has already issued 'Long term growth trajectory of RPOs' for non-solar as well as solar sources, uniformly for all States/UTs, initially for three years from 2016-17 to 2018-19. Further Trajectory for the period till year 2022 and also further beyond that, if required, shall be notified by the Ministry of Power in consultation with MNRE from time to time. All SERCs will adopt the RPO trajectory issued by Central Government.</p> <p>Provided that the applicable base consumption for assessment of RPO requirement and its compliance shall be worked out from total consumption by deducting the consumption from Hydro power.</p> <p>Provided further that in case the obligated entity is an industry with captive generation, the consumption from captive generation from waste heat gases as a byproduct of the industrial process shall also be deducted from total consumption;</p> <p>Provided further that in case of consumption from cogeneration from sources other than renewable sources, the same shall not be excluded from applicability of RPOs to arrive at base consumption for of RPO requirement and</p>	<p>2016-17 to 2018-19. Further Trajectory for the period till year 2022 and also further beyond that, if required, shall be notified by the Ministry of Power in consultation with MNRE from time to time. All SERCs will adopt the RPO trajectory issued by Central Government considering RE potential/installed capacity in state and its impact on retail tariffs.</p> <p>Provided that the applicable base consumption for assessment of RPO requirement and its compliance shall be worked out from total consumption by deducting the consumption from Hydro power.</p> <p>Provided further that in case the obligated entity is an industry with captive generation, the consumption from captive generation from waste heat gases as a by-product of the industrial process shall also be deducted from total consumption;</p> <p>Provided further that in case of consumption from cogeneration from sources other than renewable sources, the same shall not be excluded from applicability of RPOs to arrive at base consumption for of RPO requirement and compliance.</p>	<p>distribution segment is prerogative of State Commission. Just for sake of meeting RPO target high cost of RE Power should not be passed on to the consumers.</p> <ol style="list-style-type: none"> 3. Hydro being the renewable in true sense, it should be considered as renewable power and should be accounted for meeting RPO obligations. 4. All renewable power except municipal waste should be procured through competitive bidding (reverse auction). 5. In order to extract the States' RE potential and to increase competitiveness, procurement of RE power from any state/UT be allowed. It is also necessary for the development of country-wide renewable energy market. 6. Increase flexibility to manage RPO/ Merging of RPO Targets: Discoms want to meet their overall RPO through more cost effective RE, like wind in short run and then shift to solar. However, this is not possible with RE technology specific RPO. Hence Solar and Non-solar RPO targets should be merged.

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	<p>compliance.</p> <p>Provided further that the electricity generated and consumed from the waste heat in gas based power plant, shall not be deducted to arrive at base consumption.</p>	<p>Provided further that the electricity generated and consumed from the waste heat in gas based power plant, shall not be deducted to arrive at base consumption.</p>	
6.4 (iii)	<p>It is desirable that purchase of energy from renewable sources of energy takes place more or less in the same proportion in different States. To achieve this objective in the current scenario of large availability of such resources only in certain parts of the country, an appropriate mechanism such as Renewable Energy Certificate (REC) would need to be promoted. Through such a mechanism, the renewable energy based generation companies can sell the electricity to local distribution licensee at the rates for conventional power and can recover the balance cost by selling certificates to other distribution companies and obligated entities enabling the latter to meet their renewable power purchase obligations. The REC mechanism should also have a solar specific REC.</p>	<p><u>Clarity regarding REC mechanism is required</u></p>	<p>In spite of best efforts of the obligated entity, if it is not possible for it to meet its RPO due to any reason beyond its control, then REC shall be allowed to that extent or such quantum shall be allowed to be deferred. Also the obligated entity shall not be charged with penalty for non-fulfilment of RPO.</p>
6.4 (iv)	<p>Appropriate Commission may also provide for a suitable regulatory framework for encouraging such other emerging renewable energy technologies by prescribing separate technology based REC multiplier (i.e. granting higher or lower number of RECs to such emerging technologies for the same level of generation). Similarly, considering the change in prices of renewable energy technologies with passage of time, the Appropriate Commission may prescribe vintage based REC multiplier (i.e. granting higher or lower number of</p>		

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	RECs for the same level of generation based on year of commissioning of plant).		
8.0	<p>DISTRIBUTION</p> <p>Supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates is one of the main objectives of the National Electricity Policy. The State Commission should determine and notify the standards of performance of licensees with respect to quality, continuity and reliability of service for all consumers. It is desirable that the Forum of Regulators determines the basic framework on service standards. A suitable transition framework could be provided for the licensees to reach the desired levels of service as quickly as possible. The basic framework on service standards shall include the following:</p> <ul style="list-style-type: none"> <li data-bbox="264 874 987 1066">i. Continuity and reliability of supply – the consumer is entitled to have reliable supply of electricity on a 24x7 basis provided he is not in default, and has not been charged with any offence under the Electricity Act warranting disconnection. <li data-bbox="264 1086 987 1158">ii. The quality of supply shall be as per standards prescribed by the Central Electricity Authority <li data-bbox="264 1179 987 1331">iii. Application for connection/ disconnection/enhancement or reduction of connected load must be responded to and disposed off within a reasonable time frame <li data-bbox="264 1351 987 1423">iv. Complaints of disruption in supply must be responded within the stipulated time frame barring major 		<ol style="list-style-type: none"> <li data-bbox="1585 360 2157 392">1. 24x7 power supply is a welcome step. <li data-bbox="1585 400 2157 568">2. Short term arrangement provides a effective tool for peak management as peak load cannot be accurately projected. Hence ~ 15-20% power shall be allowed to be procured through short term arrangement. <li data-bbox="1585 576 2157 711">3. Excess Long Term PPAs will lead Discoms to incur higher capacity charges and consumers will be burdened with high cost power.

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	<p style="color: red;">breakdown or force majeure</p> <p>Penalties may be imposed on licensees in accordance with section 57 of the Act for failure to meet the standards.</p> <p style="color: red;">Within the above framework the State Commission shall notify the standards of performance of licensee with respect to quality, continuity and reliability of service for all consumers. This notification shall issue within 60 days of the issue of the Tariff Policy.</p> <p style="color: red;">.....</p> <p style="color: red;">The State Regulatory Commission will devise a specific trajectory so that It shall be mandatory for the Distribution Company to show to the respective Commission that they have tied up long term/ medium term PPAs to meet the annual average power requirement in their area of supply, failing which their license shall be liable to be suspended. 24 hours supply of adequate and uninterrupted power may be ensured to all categories of consumers by March, 2019 or earlier 2021-22 or earlier depending upon the situation prevailing in the State.</p> <p style="color: red;">In case of power cuts other than in force majeure conditions or technical faults an appropriate penalty, as determined by the SERC shall be levied on the Distribution Company and credited to the account of the respective consumers. The quantum of penalty shall be laid down by the respective SERC through Regulations.</p>		
8.1 2)	<p style="color: red;">The State Commissions should introduce mechanisms for sharing of excess profits and losses with the consumers as</p>	<p style="color: red;">The State Commissions should introduce mechanisms for sharing of excess profits</p>	<p>This provision is the basis for sharing of gains or losses during control period which encourages</p>

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	<p>part of the overall MYT framework. In the first control period the incentives for the utilities may be asymmetric with the percentage of the excess profits being retained by the utility set at higher levels than the percentage of losses to be borne by the utility. This is necessary to accelerate performance improvement and reduction in losses and will be in the long term interest of consumers by way of lower tariffs.</p>	<p>and losses with the consumers as part of the overall MYT framework. In the first control period the incentives for the utilities may be asymmetric with the percentage of the excess profits being retained by the utility set at higher levels than the percentage of losses to be borne by the utility. This is necessary to accelerate performance improvement and reduction in losses and will be in the long term interest of consumers by way of lower tariffs.</p>	<p>Discoms for efficient operations. Hence this provision needs to be retained</p>
<p>8.1 4)</p>	<p>The tariff shall be a two part tariff with the capital costs being reflected in the fixed charges linked to capacity and the energy charges reflecting the average purchase price of power with administrative margins. Licensees may have the flexibility of charging lower tariffs than approved by the State Commission if competitive conditions require so without having a claim on additional revenue requirement on this account in accordance with Section 62 of the Act.</p>		<ol style="list-style-type: none"> 1. It is a welcome step. 2. At present, around 55% of total cost of MSEDCL is fixed in nature; however, the recovery through fixed charges is much lower at around 16% of total revenue. Higher quantum of revenue recovery through variable charges instead of fixed charges results into steep fluctuations in revenue with varying consumption. This affects Discoms ability to meet its fixed coat obligations.
<p>8.2 8.2.1 (1)</p>	<p>All power purchase costs to provide 24 hour supply need to be considered legitimate unless it is established that the merit order principle has been violated or power has been purchased at unreasonable rates. Further, there is need to reduce the Aggregate Technical & Commercial (AT&C) losses. The reduction of Aggregate Technical & Commercial (AT&C) losses needs to be brought about but not by denying</p>		<ol style="list-style-type: none"> 1. MSEDCL welcomes the proposed provision. 2. SERC should consider trajectory proposed in UDAY scheme for determination of tariff.

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	<p>revenues required for power purchase for 24 hours supply and necessary and reasonable O&M and investment for system up gradation. Consumers, particularly those who are ready to pay a tariff which reflects efficient costs have the right to get uninterrupted 24 hours supply of quality power.</p> <p>Actual level of retail sales should be grossed up by normative level of AT&C losses as indicated in MYT trajectory for allowing power purchase cost subject to justifiable power purchase mix variation (for example, more energy may be purchased from thermal generation in the event of poor rainfall) and fuel surcharge adjustment as per regulations of the SERC.</p>		
8.2.1 (3)	<p>Section 65 of the Act provides that no direction of the State Government regarding grant of subsidy to consumers in the tariff determined by the State Commission shall be operative if the payment on account of subsidy as decided by the State Commission is not made to the utilities and the tariff fixed by the State Commission shall be applicable from the date of issue of orders by the Commission in this regard. The State Commissions should ensure compliance of this provision of law to ensure financial viability of the utilities. To ensure implementation of the provision of the law, the State Commission should determine the tariff initially, without considering the subsidy commitment by the State Government and subsidized tariff shall be arrived at thereafter considering the subsidy by the State Government for the respective categories of consumers.</p> <p>The Appropriate Commission shall determine the tariff</p>	<p>Section 65 of the Act provides that no direction of the State Government regarding grant of subsidy to consumers in the tariff determined by the State Commission shall be operative if the payment on account of subsidy as decided by the State Commission is not made to the utilities and the tariff fixed by the State Commission shall be applicable from the date of issue of orders by the Commission in this regard. The State Commissions should ensure compliance of this provision of law to ensure financial viability of the utilities. To ensure implementation of the provision of the law, the State Commission should determine the tariff initially, without considering the</p>	<ol style="list-style-type: none"> 1. Policy advocates for Payment of subsidies through DBT with an ultimate goal to bring down cross subsidy; 2. However there is no discussion on protection of Licensee's revenue from subsidized category; 3. There are inherent difficulties in recovering the payments from farmers. It is also difficult to disconnect the supply of farmers in case of draught like situations. It is observed that collection efficiency from the agriculture consumers is only around 15-16%. 4. It is strongly advised to assess the practicability of DBT on pilot basis. Only

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	without taking into account any subsidy components. Any subsidy to be given to any category of consumers shall be given by way of Direct Benefit Transfer directly into their accounts.	subsidy commitment by the State Government and subsidized tariff shall be arrived at thereafter considering the subsidy by the State Government for the respective categories of consumers.	after conducting the pilot study and considering the stakeholders responses, further decision on DBT shall be taken.
8.2.1 (5)	Pass through of past losses or profits should be allowed to the extent caused by uncontrollable factors. During the transition period controllable factors should be to the account of utilities and consumers in proportions determined under the MYT framework.	Pass through of past losses or profits should be allowed to the extent caused by uncontrollable factors. The controllable factors should be to the account of utilities and consumers in proportions determined under the MYT framework.	The controllable factor needs to be considered for sharing of losses and gains irrespective of period.
8.3 1.	In accordance with Section 43 and 45 of the Electricity Act, 2003 all consumers shall be metered and shall be required to pay electricity charges for the electricity consumed in accordance with the tariff fixed by the Appropriate Commission. Where government propose to give subsidy to any category of consumers, this may be done by Direct Benefit Transfer.	In accordance with Section 43 and 45 of the Electricity Act, 2003 all consumers shall be metered and shall be required to pay electricity charges for the electricity consumed in accordance with the tariff fixed by the Appropriate Commission. Where government propose to give subsidy to any category of consumers, this may be done as per stipulations made in Section 65 of the Electricity Act, 2003.	<ol style="list-style-type: none"> 1. Section 65 of the Electricity Act, 2003 stipulates provisions related to grant of subsidy. 2. MSEDCL is serving around 41 Lakhs agriculture consumers. There are inherent difficulties in recovering arrears from Agricultural consumers as well as disconnecting such consumers. In the absence of any remedial provisions, Licensees will end-up losing revenue. 3. As already indicated in comment on Clause 8.2.1 (3) above, decision on DBT needs to be taken only after pilot study is done.
8.3 2.	In a time frame of three years Electricity Supply shall shift from a post-paid basis to pre-paid basis with the meters	The appropriate Commission shall define milestones for shifting consumers from a	<ol style="list-style-type: none"> 1. It has been observed that theft of electricity by hooking supply wires beyond

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	<p>being designed to automatically cut off supply when the amount credited is exhausted. Accordingly the meters will be Smart Meter in a pre-paid mode for bigger consumers and simple prepaid meter for smaller consumers. The trajectory for this shall be laid down by the Appropriate Commission with priority given to areas with high losses. The shift to the pre-paid system will do away with all the problems associated with meter reading, billing, collection and disconnection in case of non-payment.</p>	<p>post-paid to pre-paid regime, with the meters being designed to automatically cut off supply when the amount credited is exhausted. Accordingly the meters will be Smart Meter in a pre-paid mode for bigger consumers and simple prepaid meter for smaller consumers. Priority should be given to areas with high losses. The shift to the pre-paid system will do away with all the problems associated with meter reading, billing, collection and disconnection in case of non-payment.</p>	<p>meters is rampant and prepaid metering is not a solution for this type of theft.</p> <ol style="list-style-type: none"> 2. Considering the huge quantum of electricity consumers, prepaid metering will only add to huge capex thereby increasing tariff further without any benefits. Further, it is necessary to consider limitations in manufacturing & installation capacity in the country. 3. The Electricity Act requires notice to be given to consumer before disconnection. The Act will have to be amended if prepaid meters are to be installed.
<p>8.3 3.</p>	<p>Third proviso to the sub-section (2) of the Section 42 of the Electricity Act 2003 inter-alia provides that cross subsidies shall be progressively reduced in the manner as may be specified by the State Commission. Towards this end, the Appropriate Commission would ensure that cross-subsidies are reduced and the tariff for all consumer categories are brought within $\pm 20\%$ of the average cost of supply effective from 1st April 2019 or earlier.</p> <p>Provided that the consumers belonging to poorer sections of the society who consume below 60 kWh per month may receive a special support through cross subsidy. Effective tariffs for such designated group of consumers will be at least 50% of the average cost of supply after taking into account the subsidy given by the State Government through DBT mechanism in accordance with para 8.3A (11) of this</p>	<p><u>No Comment</u></p>	<ol style="list-style-type: none"> 1. MSEDCL welcomes the provisions made in the proposed amendment. However, if the tariffs are brought within $\pm 20\%$ of average cost of supply then it will lead to increase in tariff of subsidised category. Presently, tariff of farmers have been cross-subsidised and also supported by government subsidy. Despite of subsidy benefit, recovery from farmers is very low. 2. If the tariffs of farmers are increased, poor recovery and inherent difficulties in disconnecting their supply will further badly affect DISCOM's financial and its ability to serve its consumers.

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	Policy.		
8.3 4.	In keeping with the principle that the tariff reflects the cost of supply of electricity the Appropriate Commission shall, with effect from 1st April, 2019, determine the tariff in such manner that the slabs are brought within +/- 20% of the cost of supply.		
8.3 8.	<p>In order to promote electric mobility and for enhancing energy security, SERCs may lay down appropriate tariff framework for electricity supply from the Discom to the charging stations such that:</p> <p>(a) Tariff shall be less than or equal to the average cost of supply determined based on AT&C loss level of 15% or actual, whichever is lower, and</p> <p>(b) there shall be single part tariff for this purpose in the initial 3 years</p>	<p>In order to promote electric mobility and for enhancing energy security, SERCs may lay down appropriate tariff framework for electricity supply from the Discom to the charging stations such that:</p> <p>- there shall be two part tariff</p>	<p>1. As indicated in Clause 8.1 (4), the two part tariff shall be applicable to all categories without any exception.</p>
8.3 A	<p>Simplification of tariff categories and rationalization of retail tariff</p> <p>Over the years, the tariff structure across the States has become very complex and disparate and there is a need to not only simplify and rationalize the tariff structure, but also make it harmonious across all States. Towards this end, the following principles shall be adopted:</p>		<p>1. Though this is a welcome step by the Ministry and it is good to have less number of tariff categories, it is pertinent to note that some categories have been created as a consequence of litigation or sometimes there is necessity of separation of categories;</p> <p>2. Further, various factors such as capacity to pay, type of usage, uniqueness of activity, social aspects, etc. also affect number of categories.</p>

Clause No.	Provisions in proposed amendment	MSEDCL Suggestion	Rationale behind MSEDCL's suggestion
(8)	For consumers who are having suitable meters, the time-of-the-day (ToD) and two part tariffs shall be introduced not later than 1 st April 2019. This scheme should automatically be extended to other consumers as and when they get meters suitable for ToD and two part tariff.	<u>No Comment</u>	This is a welcome step.
(9)	<p>In order to reflect the actual share of fixed cost in the revenue requirement of Distribution licensees, there is need to enhance recovery through fixed charges. The fixed charge shall be so set that it leads to recovery of at least 50% of the fixed costs in case of Domestic and Agriculture categories and at least 75% recovery of fixed costs in case of other categories progressively over next three years. The SERCs and JERCs shall lay down a roadmap to achieve the same.</p> <p>Provided that tariff for poorer sections of the society referred to in para 8.3 of this Policy shall be single part tariff.</p>	<p>In order to reflect the actual share of fixed cost in the revenue requirement of Distribution licensees, there is need to enhance recovery through fixed charges. The fixed charge shall be so set that it leads to recovery of 100% of the fixed costs over next three years. The SERCs and JERCs shall lay down a roadmap to achieve the same.</p> <p>Provided that tariff for poorer sections of the society referred to in para 8.3 of this Policy shall be two part tariff.</p>	<p>This is a welcome step. Draft National Policy mandates the discom to provide 24 x 7, quality power to the consumers. Provision of penalty has been prescribed in case Discom fails to provide 24x7 quality supply. Hence there is no rationale for not providing for 100% recovery of fixed costs through fixed charges.</p> <p>Two part tariff structure is in place for MSEDCL, which consists of fixed cost/demand charges and energy charges. However, at present, the fixed costs constitute around 55% of the ARR of MSEDCL, whereas their revenue recovery through fixed Charges amounts to ~ 16% of total revenue. Hence, 100% fixed costs should be recovered from fixed charges.</p>
(10)	In case State Government decides to subsidize a certain section of consumers, the relief shall be passed on to such consumers solely through direct benefit transfer (DBT) mechanism.	<u>Needs to omitted</u>	1. As already indicated in comment on Clause 8.2.1 (3) above, decision on DBT needs to be taken only after pilot study is done.
8.5 8.5.1	... Provided that the surcharge shall not exceed 20% of the	<u>No Comment</u>	1. This is a welcome initiative. 2. Section 42 (2) of the Electricity Act stipulates

Clause No.	Provisions in proposed amendment	MSEDCL Suggestion	Rationale behind MSEDCL's suggestion
1 st proviso	tariff applicable to the category of the consumers seeking open access.		<p>levy Cross Subsidy Surcharge to meet current level of cross subsidy.</p> <p>3. However it is pertinent to note that currently retail tariffs for all the categories are not within the range of $\pm 20\%$ of the average cost of supply.</p> <p>4. Hence, unless tariff of all the category are brought within $\pm 20\%$ of the average cost of supply, till such time such capping of $\pm 20\%$ should not be implemented.</p>
<p>8.5</p> <p>8.5.1</p> <p>2nd proviso</p>	<p>...</p> <p>Provided further that the open access customer shall be liable to pay cross subsidy surcharge for a maximum period of one year from the date of opting for open access.</p>	<p>...</p> <p>Provided further that the open access customer shall be liable to pay cross subsidy surcharge for a maximum period of one year from the date of opting for open access.</p>	<p>1. When a DISCOM consumer opts for Open Access, the loss of cross-subsidy remains a loss to the DISCOM thereafter and cross subsidy surcharge does not make good such loss in one year. Hence, there is no rationale for limiting the cross subsidy surcharge for just one year.</p> <p>2. Moreover, section 42 (2) of the Electricity Act stipulates the levy of Cross Subsidy Surcharge and any such provision of restricting CSS to 1 year will be in contravention to the provisions of the Act.</p> <p>3. Any such provision will result in Industrial/Commercial consumers slowly opting for Open Access and DISCOMs will not be able to survive if all its paying consumers go out of its net. It will also lead to passing of undue burden due to loss of</p>

Clause No.	Provisions in proposed amendment	MSEDCL Suggestion	Rationale behind MSEDCL's suggestion
			Cross subsidy on Common consumers increasing tariff.
8.5.6	<p>In case of outages of generator supplying to a consumer on open access, standby arrangements should be provided by the licensee on the payment of tariff for temporary connection to that consumer category as specified by the Appropriate Commission. Standby charges shall be applicable only for the open access customers who had have not retained Contracted Demand with the distribution licensee.</p> <p>Standby charges shall be applicable only for the open access customers who have not retained Contracted Demand with the distribution licensee. The Standby charges shall be in the form of two-part tariff levied for the maximum demand imposed and the energy drawn respectively from the system of distribution licensee during a month in which such a customer has to fall back on supply from the distribution licensee for some reason .Standby charges shall be designed to reflect the actual fixed cost and variable cost liability incurred by the DISCOMs to supply back up power to Open Access consumer. Standby charges shall be determined annually by SERCs to reflect the variation in costs over time or Auto- indexation mechanism may be designed for periodic (quarterly/annual) revision of standby charges.</p> <p>Provided that such standby charges shall not be more than 125 percent of the normal tariff (both fixed charge and energy charge separately) of that category.</p>	<p>Standby charges shall be applicable only for the open access customers who have not retained Contracted Demand with the distribution licensee. The Standby charges shall be in the form of two-part tariff levied for the maximum demand imposed and the energy drawn respectively from the system of distribution licensee during a month in which such a customer has to fall back on supply from the distribution licensee for some reason. Standby charges shall be designed to reflect the actual fixed cost and variable cost liability incurred by the DISCOMs to supply back up power to Open Access consumer. Standby charges shall be determined by SERCs along with regular tariff determination exercise. Fixed cost necessarily be equal to 125 % of fixed charge applicable to relevant category of consumer and energy charges needs to be billed at temporary tariff.</p>	<ol style="list-style-type: none"> 1. MSEDCL welcome the move to charge two part tariff to Open Access consumers. 2. It is pertinent to note that during outage of its captive power plant/OA supply, the consumer draws power from the discom grid. The discom not only has to procure the power for such consumers at higher tariff but also needs to keep the infrastructure ready to serve the OA consumer. Hence such consumers shall be levied higher tariffs. 3. Standby charges shall be determined by SERCs along with regular tariff determination exercise. Fixed cost necessarily be equal to 125 % of fixed charge applicable to relevant category of consumer and energy charges needs to be billed at temporary tariff. 4. MSEDCL further submits that in case if any OA consumer without any standby arrangement draws power from grid due to its source failure, then discom should be at liberty to disconnect his supply without giving any notice.

Clause No.	Provisions in proposed amendment	MSEDCL Suggestion	Rationale behind MSEDCL's suggestion
8.5.7	In case Open Access customer retains Contracted Demand partly or fully, no standby charges shall be levied. Only tariff applicable and penalties for drawing power beyond Contracted Demand as determined by the Appropriate Commission shall be applicable.	In case Open Access customer retains Contracted Demand partly or fully , no standby charges shall be levied. Only tariff applicable and penalties for drawing power beyond Contracted Demand as determined by the Appropriate Commission shall be applicable.	<ol style="list-style-type: none"> 1. Consumer needs to seek Open Access for its entire requirement; partial open access need not be allowed. 2. Considering Open Access consumer, Standby Charges on standby component will be applicable as suggested in above clause 8.5.6.
8.5.8	In order to avoid frequent changeover of customers between supply from Open access and that from the incumbent distribution licensee, such customers must schedule power on open access for at least eight consecutive hours from conventional sources and four consecutive hours from renewable sources.	In order to avoid frequent changeover of customers between supply from Open access and that from the incumbent distribution licensee, such customers must schedule power for at least 24 hours whenever they seek open access.	<ol style="list-style-type: none"> 1. For short term open access consumers sourcing power from collective market or power exchanges, there is high degree of uncertainty in their power procurement from Power Exchange and DISCOMs. They tend to deviate from their schedule. 2. Considering the number of open access consumers and the fluctuation in their demand, managing replacement power for them is practically not feasible within such a small period of 4-8 hours. Hence it shall be mandatory for OA consumers to schedule their power for at least 24 hours.