

**REPORT OF THE MEGHALAYA
STATE ELECTRICITY
REGULATORY COMMISSION**

June 2006 to March 2008

1. INTRODUCTION

The Meghalaya State Electricity Regulatory Commission was established in May, 2004 as a statutory body under the Electricity Act, 2003. The Commission was however able to start functioning only from the 6th of June, 2006 when the first Chairperson, Mr Vinay Kohli assumed charge. This report, the first to be published by the Commission, is an account of the activities of the Commission from 6 June 2006 to 31 March, 2008.

2. FUNCTIONS OF THE COMMISSION

The Commission is vested with the responsibility of discharging the following statutory functions:

- (1) determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be within the State;
- (2) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- (3) facilitate intra-State transmission and wheeling of electricity;
- (4) issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
- (5) promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of distribution licensee;
- (6) adjudicate upon the disputes between the licensees and generating companies and to refer any dispute for arbitration;
- (7) levy fee for the purposes of the Electricity Act, 2003;
- (8) specify State Grid Code;
- (9) specify or enforce standards with respect to quality, continuity and reliability of service by licensee;

- (10) fix the trading margin in the inter-State trading of electricity, if considered necessary;
- (11) discharge such other functions as may be assigned to it under the Electricity Act, 2003;
- (12) advise the State Government on all or any of the following matters, namely:-
 - (i) promotion of competition, efficiency, and economy in the activities of the electricity industry,
 - (ii) promotion of investment in electricity industry,
 - (iii) reorganisation and restructuring of the electricity industry in the State including, more particularly, matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by the State Government.

3. MISSION OF THE COMMISSION

The mission of the Commission is to:

- (a) promote reforms in the electricity sector;
- (b) encourage transparency, competition and economy;
- (c) regulate the power purchase and procurement process of the distribution utilities.
- (d) secure that the legitimate interests of all stakeholders including the consumers.

4. CHAIRPERSON

During the reporting period, the Commission was headed by Mr Vinay Kohli, Chairperson.

5. CONSULTATIVE BODIES

The Chairman of the Commission is a member of the Forum of Regulators, a statutory body established in accordance with the provisions of sub-section 2 of section 166 of the Electricity Act, 2003.

During the period under review several meetings of the Forum and its sub-committees were held. These meetings helped in coordinating and aligning regulatory policies and practices followed in different states.

The Chairman is also a member of the Forum of Indian Regulators. This is a registered society and predates the Forum of Regulators. The membership of this body is not confined only to regulators in the Power sector. Several members of this forum have a wealth of experience of regulatory processes and procedures and the deliberations provide an opportunity for wide ranging in-depth examination of technical, legal and implementation issues.

6. HUMAN RESOURCES.

At the officer level two posts have been approved. To start with the State Government spared the partial services of Mr T. Dkhar, IAS for appointment as Secretary to the Commission. The Commission, accepted the State Government's nomination and appointed Mr Dkhar Secretary under section 91 of the Act. For the post of Finance and Accounts Officer the Commission selected Ms Marylene Synrem through an open market selection process. She joined the Commission in November, 2006. The Commission however felt the need for a full time Secretary. The State Government was unable to spare the services of Mr Dkhar on an exclusive basis. The Commission then decided to appoint Ms. C.T. Sangma, MCS (retd) as Secretary on contract for one year in January, 2008 and Mr Dkhar's services were replaced with the state Government.

The other support staff consists of two stenographers, one lower division assistant, one driver, two peons and one chowkidar. All the positions except those of peons and chowkidar have been filled up.

Besides full time employees the Commission has been utilising the need based services of consultants in the disciplines of law, cost accounting and electrical engineering.

While the full time employees of the Commission have been picking up the skills relevant to their responsibilities through on the job exposure, Ms M. Synrem, the F.A.O. was also deputed to a training programme organised by the Forum of Regulators at the campus of The Energy Research Institute, Gurgaon from 26th February to 3rd March, 2007.

7. OFFICE ACCOMODATION

Pending allocation of accommodation for the office, the Chairperson of the Commission was functioning from one room in the State Secretariat. Some space was also made available in the office building of the Directorate of Land Records and Survey. In September 2007, the State Government allotted rooms on the 1st floor of the New Administrative building at Lower Lachauviere, Shillong. After some rudimentary office infrastructure was created the Commission moved to the new premises in December, 2007. The work of partitioning, procuring office equipment, setting up of a conference and communications facility **is progressing satisfactorily. It is anticipated that the new office will be fully functional in the third quarter of 2008.**

8. STATE ADVISORY COMMITTEE

In exercise of the powers conferred under section 87 of the Electricity Act, 2003, the Commission, under a notification dt. 5th February 2007, constituted the Meghalaya State Electricity Advisory Committee to advise on questions of policy, protection of interest of consumers, and other matters relating to supply and distribution of electricity in the State.

The Committee consists of the following persons as Chairperson and Members:

Chairperson Ex-officio : The Chairman, Meghalaya State Electricity Regulatory Commission

Member Ex-officio : The Principal Secretary/Commissioner and Secretary, Food, Civil Supplies and Consumer Affairs Department, Government of Meghalaya.

Members : 1. Shri V.K.Gulati, Director (E&M) and Superintending Engineer , MES;
2. Shri J.B. Poon, Chairman, Institute of Engineers (India), Shillong;
3. Shri F.K. Mawlot, Ex-MLA, Nongstoin;
4. Shri K.C.Momin, Ex-MLA, Tura;
5. Shri Polycarp K. Marak, Ex-CEM, Resubelpara;
6. Smti. J.E.Shullai, Shillong;
7. Prof. Eugene D. Thomas, Department of Economics, NEHU;
8. Sri Darlington Dympep, General Secretary Meghalaya State Commission, AITUC;
9. Sri S.K. Lato, Jowai;
10. Sri Ramesh Bawri, President Confederation of Industries of Meghalaya and Adviser Meghalaya Chamber of Commerce, Dhankheti, Shillong.

The first meeting of the State Advisory Committee held on 4th September 2007 was inaugurated by the Governor of Meghalaya, Sri B.L.Joshi. The record of discussions is at **Annexure 1**.

10. OMBUDSMAN

As required under Sub-section (6) of section 42 of the Act and in exercise of powers contained in the Commission's sub-regulation (1) of regulation 8 (Redressal of Grievances) Regulation 2007, the Commission appointed Sri A.V. Rangad as Electricity Ombudsman for the State of Meghalaya. The responsibilities of the Ombudsman are listed at **Annexure II**.

11. CAPTIVE GENERATION

In its efforts to harness spare capacity of captive power plants (as envisaged in National Electricity Policy), the Commission collected information from the State Industries Department about captive generating plants being established in the State.. A meeting was also convened on 6th July 2007 with the senior officers of the State Government, representatives of Me.S.E.B, and executives of industrial units that have set up, or are taking steps to set up captive power plants.

The meeting revealed that in the near future a total capacity of about 400 megawatts would be created by captive producers. While it was too early to gauge what proportion of this power could be surplus, issues such as selling of excess power to distribution licensees and bulk consumers, open access, fixation of tariff and the several steps that the Commission would be taking under relevant provisions of the Electricity Act were discussed.

12. REGULATIONS FRAMED BY THE COMMISSION

The Commission has so far issued the following 8 regulations which are arranged by date of publication in The Meghalaya Gazette.

| Sl.No | Name of the Regulations | Date of publication in the Meghalaya Gazette |
|--------------|---|---|
| 1. | The Meghalaya State Electricity Regulatory Commission (Powers and Duties of Secretary) Regulations, 2006 | 19 th October,2006 |
| 2. | The Meghalaya State Electricity Regulatory Commission (Appointment and conditions of Service of Officers and Staff) Regulations, 2006 | 7 th December,2006 |
| 3. | The Meghalaya State Electricity Regulatory Commission (Determination of Tariff) Regulations, 2006 | 7 th December,2006 |
| 4. | The Meghalaya Electricity Supply Code, 2006 | 7 th December,2006 |

| | | |
|----|--|--------------------------------|
| 5. | The Meghalaya State Electricity Regulatory Commission (Standards of Performance) Regulations, 2006. | 7 th December,2006 |
| 6. | The Meghalaya State Electricity Regulatory Commission (Conduct of Business) Regulations, 2007 | 22 nd February,2007 |
| 7. | The Meghalaya State Electricity Regulatory Commission (Redressal of Grievances) Regulations, 2007 | 22 nd February,2007 |
| 8. | The Meghalaya State Electricity Regulatory Commission (Appointment of Consultants) Regulations, 2007 | 22 nd February,200 |

13. FINANCIAL RESOURCES

Section 103 of the Electricity Act, 2003 provides for the creation of a State Electricity Regulatory Commission fund. Section 102 of the Act provides for grants and loans to be extended to the Commission by the State Government. In addition any revenue arising out of collection of fees by the Commission is also to be credited to this fund. Against this background the situation for the period under review is as follows:-

For discharging statutory and administrative functions including defraying recurring expenditure on account of salaries the Commission received Rs 49.875 lakhs from the State Government in 2006 - 07. In 2007-08 the State Government made available Rs 1.70 crores. This has enabled the Commission to procure furniture, create office infrastructure and set up computer facilities, besides meeting its routine liabilities. In terms of fees the Commission has so far received Rs 15 lakhs from the Me.S.E.B. for the three tariff applications made by them so far.

14. TARIFF.

The Commission has passed two Tariff orders.

On 20th June, 2007 the Meghalaya State Electricity Board submitted their petition for determining their Annual Revenue Requirement and distribution tariff. On perusal, it was revealed that the petition filed by the Board was not in accordance with the provisions of the Act, the Tariff Policy and the Regulations framed by the Commission. Accordingly the Commission's order dated 28th June, 2007 directed the Board to provide supplementary details and file an independent transmission tariff application.

On 16th August, 2007 the Board was asked to publish a summary of their final application for distribution tariff in compliance with the statutory provision providing an opportunity to citizens to express their views on the proposal of the Board. Several petitions objecting to the proposed tariff were received from different groups and individuals. The State Advisory Committee, also deliberated on the proposal in their meeting held on 1st November, 2007. A public hearing was organised 21st November, 2007 to provide an opportunity to all stakeholders to make their submissions. The various views that emerged in the written submissions, the discussions and the hearing were taken into account before the Commission finalised the tariff on 17th December, 2007.

A separate transmission tariff application dated 25th July 2007 was received in the Commission and an order for the publication of a summary was issued on 16th August, 2007. After conducting a public hearing on 27th February, 2008 a final announcement of the transmission tariff was made by the Commission on 28th February, 2008.

Although the statutory date for filing a tariff application for the year 2008-09 was 30th November, 2007, due to the slippage in the schedule, the Board requested for late filing of the tariff application pertaining to the year 2008-09. Permission was granted allowing time until the 31st of March, 2008.

An application dated 31st March, 2008 for the tariff proposed by the Board for 2008-09 has been received in the Commission.

15. FINANCIAL DISCIPLINE

In terms of sub-section (1) of section 104 of the Electricity Act 2003, the Commission is required to maintain accounts and other records and prepare Annual Statement of Accounts in such forms as may be prescribed by the State Government in consultation with Comptroller and Auditor General of India (CAG). Under the provisions of sub-section (2) of Section 104 of the Act *ibid*, such Accounts are to be audited by the CAG.

The State Government, vide letter No. PE. 102/2005/27 dt. 26th June 2006 (copy annexed), informed the Commission that the rules for the maintenance of accounts of the Commission were under consideration in consultation with the CAG. Pending finalisation of the rules the Commission was asked to follow the draft rules of the Assam Government for the Assam Electricity Regulatory Commission.

The Annual Statement of Accounts of the Commission has been compiled/prepared in the format used by Assam Electricity Regulatory Commission.

16. POLICY AND REFORMS

Encouraged by the public pronouncements of the Government in the second half of 2007 about the need for a new Power policy the Commission scrutinised the draft policy of the Government and made certain observations and suggestions. A copy of the Commission's advice forwarded to the Deputy Chief Minister is at **Annexure III**.

17. CONSUMER ADVOCACY

One of the important responsibilities of the Commission is to familiarise the public with the functional complexities of the regulatory environment. The implications of reform and the emerging culture of transparency in the power sector need to be fully appreciated before the consuming public can become a responsible partners in shaping the future of the Power sector in the State. As part of this exercise the Commission presented salient features of the reform agenda at the inaugural function held to usher in the newly established Advisory Committee. A booklet published by the Commission as well as the relevant legislation was also distributed to the audience.

A similar presentation has also been made in Tura. It is expected that with the culture of sharing information enshrined in various provisions of the Electricity Act, members of the public will increasingly involve themselves in the consultative process. This will enrich decision making and will also create a more responsive attitude among the service providers.

18. CONCLUSION

During the period under review, the Commission received considerable support and encouragement from the Government, the Meghalaya State Electricity Board and from all section of the public of Meghalaya. It is expected that this support will continue during ensuing years and the Commission would be in a position to consolidate the work done so far and take further strides towards establishing a sustainable electricity regulatory and reform process in Meghalaya.

**Record of discussions at the 1st meeting of the State Advisory Committee,
Shillong**

4th September, 2007.

(List of members who attended is at Annexure A)

1. The Advisory Committee was inaugurated by the Governor, Shri. B.L. Joshi. While Mr. Joshi could not physically be present, his speech, read out at the function, drew the attention of the Committee to the role of the Regulatory Commission and the support and assistance that the Advisory Committee could provide. Raising the concerns of different interest groups and providing the necessary insights into how policy and tariff related issues could be tackled were primary areas in which the Commission could benefit from the Advisory Committee's views.
2. The Chairman of the Commission, Mr. Vinay Kohli briefed the members on the statutory backing for the Commission, its autonomous structure and the statutory basis for the State Advisory Committee. He spoke at length about the purpose of reforms in the electricity sector and the role that the Act, the Commission and the Advisory Committee were expected to play. The country being substantially deficit in power the Act was expected to provide a framework in which accelerated investment could be encouraged. The Commission, an autonomous body has been empowered to create a favourable non-discriminatory environment for all players in the Power sector. The Advisory Committee has the responsibility of providing state-specific advice on how this can best be achieved. Beyond this the Chairman also felt that individual members of the Commission could also act as bridge between the citizens and the Commission so that the ample opportunities for engagement with the people, created by the Act, could be made more useful and outcome oriented.

In response to a specific query about the Advisory Committee's role in respect of tariff, Mr. Kohli emphasised that the details of the tariff proposal would shortly be advertised and members of the Advisory Committee will be expected to express their views on the proposals.
3. The Ombudsman, Mr. A.V. Rangad continued the briefing. His major area of concern was grievance settlement and consumer awareness and satisfaction. The importance of "service" has been duly recognized in the Electricity Act, 2003. Apart from the internal grievance settlement practices that utilities already provide, Mr. Rangad drew the attention of members to the statutory requirement of setting up Grievance Forums. He also referred to the procedure for seeking relief and the hierarchical grievance settlement structure.

Two novel features were also specifically referred to. The first related to the already notified standards of service and the second to the specific requirement already notified standards of service and the second to the specific requirement for utilities to annually publish the standards achieved every year in the month of January.

Responding to a specific complaint about deficiencies in service in Garo Hills, Mr. Rangad clarified that the complaints would have to first be brought up at the level of the utility (Me.S.E.B.) before the grievance Redressal Forum and the Ombudsman could be approached.

4. The legal consultant with the Commission, Mr. L. Jyrwa spoke at length about the history of legislation in the Power sector. Like all laws the 2003 Act emerged out of the felt need to provide non-discriminatory treatment for utilities in the Power sector. The controlling authority of the Electricity Boards contained in the Electricity (Supply) Act, 1948 has now been done away with. The Government's licensing and tariff determination powers have been transferred to the Commission and transparency and accountability have been not just recognized but have been integrated as essential ingredients in the regulatory structure. To a specific query about whether the Advisory Committee could suggest amendments to the Act, Mr. Jyrwa response was that since Electricity is a concurrent subject under the Constitution, it was possible, following established procedures, to enact State specific amendments.
5. On behalf of the members of the Advisory Committee, Mr. Ramesh Bawri expressed appreciation for the convening of the 1st meeting. He was confident that he spoke for all when he averred that the Advisory Committee would serve as a very useful and constructive sounding board. The views of the larger community need to be heard and a responsive Commission could benefit from remaining sensitive to the concerns of the people.

ANNEXURE – A

List of members attending the 1st meeting of the State Advisory Committee held on 4th September, 2007 at Pinewood Hotel, Shillong.

| Sl. No. | NAME | ADDRESS |
|----------------|-------------------------|--|
| 1. | Smti. J.E. Shullai | : Ex-Chairman, Meghalaya Public Service Commission, Golf-Link, Golf Club, Shillong. |
| 2. | Shri. Darlington Dympep | : General Secretary, Meghalaya State Committee AITUC, Shillong. |
| 3. | Prof. Eugene D. Thomas | : Department of Economics, NEHU Permanent Campus, Shillong-793022. |
| 4. | Shri. J.B. Poon | : Chairman, The Institution of Engineers (India) Shillong Local Centre Barik Point, Shillong-793001. |
| 5. | Shri. S.K. Lato | : Jaintia Hills District, Jowai. |
| 6. | Shri. Ramesh Bawri | : President Confederation of Industries, Meghalaya, Adviser Meghalaya Chamber of Commerce, Dhankheti, Shillong. |
| 7. | Shri. K.C. Momin | : Ex-MLA, West Garo Hills District, Tura. |
| 8. | Lt. Col. Ballaney RN | : C/o HQ Chief Engineer Shillong Zone. |
| 9. | Shri. F.K. Mawlot | : Ex-MLA, Nongpyndeng, Nongstoin, P.O. Nongstoin-793119. West Khasi Hills District. |

**Record of discussions at the 2nd meeting of the State Advisory Committee,
Shillong**

1st November, 2007.

(List of members who attended is at Annexure A)

1. The Chairman welcomed the members to the 2nd meeting of the Advisory Committee called for the specific purpose of eliciting the views of the member on the Meghalaya State Electricity Board's proposal for a new tariff to be applied in the year 2007-08. The details of the proposal had been published in leading newspapers and as many as ten representations had been received. These have since been forwarded to the Me.S.E.B. for their response. The gist of the representations was read out and there was general satisfaction with the way the consumers had engaged with the transparent interactive process of determining tariff prescribed in the 2003 Act.
2. Participating in the discussion, Mr. K.C. Momin spoke at length about the poor quality of service provided to consumers in different parts of Garo Hills. On top of this the extraordinary burden being proposed to be inflicted on the consumers through the proposed enhanced tariff was totally unjustified.
3. Mr. L. Roy, Commissioner and Secretary, Consumer Affairs spoke about the alarmingly low generation output achieved by the Me.S.E.B. This when combined with the equally dismal figures of T&D losses was, in his view the principal reason for the proposed hike. He urged the Commission not to accept such low levels of efficiency while computing the ARR for the current year.
4. Mr. Lato's remarks went into details of how extensive theft of electricity is carried out. He spoke about instances of connivance with Me.S.E.B. staff and pointed to the fact that many of the meter readers were working on daily wages and had no commitment to the duties. A specific reference was made by him to Lad Rymbai where the entire community was involved in illegal drawing of power.
5. Mr. Francis Mawlot brought to the notice of the meeting the unrest among consumers because of the widely held view that the new electronics meter show excessive consumption. In his view, at least in Nongstoin, there were hardly any instances of theft of power.

6. Mr. R. Bawri felt that most of the relevant issues had already been covered in the representations received from the consuming public. He however wished to draw the attention of the meeting to insist on audited figures of account. He also felt that the discrepancy in “loss” figures used on different occasions needed to be further enquired into. Authenticating the claimed figures of generation achieved should also be carried out. He along with others felt that burdening the consumers with Rs. 55 crores of interest included in the ARR was not justified. Reforming the Board in accordance with the provisions of the Act was overdue and expediting action in this regard would help in bringing about greater efficiency in the sector.
7. Ms. J. Shullai spoke about the proposed hike in tariff and the likelihood of consumer resistance leading to litigation and a stalemate which could actually stall the entire scheme of power supply in the State.
8. Lt. Col. Ballaney RN insisted on third party authentication of actual generation figures. He found it difficult to accept that generation was restricted to only 24% of the installed capacity.
9. Mr. Dympep expressed his dismay with the extra-ordinarily high tariff increase proposed by the Board. He felt that the burden would be too much for the consumers in the State. He was also critical about the high manpower cost projected by the Board.
10. Referring to the Act the Chairman dwelt on the 120 day limit for completing determination of the new tariff. This meant that the Commission should announce its decision before the 18th of December. The next step for the Commission was to hold a public hearing. This would be an open affair at which the Board and the representees would have an opportunity to place their points of view before the Commission. This meeting should take place around the third week of November. Members of the Advisory Committee would also be free to attend the public hearing.

On behalf of the Commission the Chairman expressed his deep appreciation of the constructive suggestions made by the members. He was particularly satisfied with the way in which the members of the Advisory committee projected the views of various stakeholders. This would assist the Commission in completing the task of determining the tariff for the current year.

ANNEXURE – A

List of members attending the 2nd meeting of the State Advisory Committee held on 1st November, 2007 at Pinewood Hotel, Shillong.

| Sl. No. | NAME | ADDRESS |
|----------------|-------------------------|--|
| 1. | Smti. J.E. Shullai | : Ex-Chairman, Meghalaya Public Service Commission, Golf-Link, Golf Club, Shillong. |
| 2. | Shri. Darlington Dympep | : General Secretary, Meghalaya State Committee AITUC, Shillong. |
| 3. | Shri L . Roy | : Commissioner & Secretary Food Civil Supplies & Consumer Affairs Department. |
| 4. | Shri. S.K. Lato | : Jaintia Hills District, Jowai. |
| 5. | Shri. Ramesh Bawri | : President Confederation of Industries, Meghalaya, Adviser Meghalaya Chamber of Commerce, Dhankheti, Shillong. |
| 6. | Shri. K.C. Momin | : Ex-MLA, West Garo Hills District, Tura. |
| 7. | Lt. Col. Ballaney RN | : C/o HQ Chief Engineer Shillong Zone. |
| 9. | Shri. F.K. Mawlot | : Ex-MLA, Nongpyndeng, Nongstoin, P.O. Nongstoin-793119. West Khasi Hills District. |

RESPONSIBILITIES OF THE OMBUDSMAN:-

- (1) If the licensee fails or neglects to remove or set right the fault or defect complained of by the consumer or if the Forum neglects or is otherwise unable to deal with the complaint made to it the aggrieved consumer may, within ten days from the last day of the time set for under sub-regulation (1) of regulation 6 or from the date of seeking redressal from the Forum under sub-regulation (1) of regulation 4, as the case may be, make a representation to the Ombudsman for redressal of the grievance.
- (2) On receiving a representation, the Ombudsman shall after due examination and consideration settle the grievance of the consumer.
- (3) In exercising its functions the Ombudsman shall have the powers to call for reply, information data, records and other related documents from the licensee or from any other person who may be concerned with and to hear them.
- (4) The Ombudsman may, if necessary, engage or consult a person having special knowledge or experience in the matter under consideration for his opinion or advice.
- (5) Notwithstanding anything contained in this regulation the Ombudsman may suo moto take up any matter which is a subject of general grievance by consumers relating to supply of electricity in any area in the State.

Commission's advice forwarded to the Deputy Chief Minister:

Thank you for the opportunity to exchange notes on the draft power policy of the Government. I have since gone through the document in greater detail. Besides some of the issues that we discussed on the 18th a few other suggestions are detailed in the subsequent paragraphs.

The Commission's role vis-à-vis the power policy of the State is defined in sub-section 2 of section 86 of the Electricity Act, 2003. While the Commission's views are purely recommendatory, I do look forward to making a constructive contribution to the power policy of the State.

Before going into specific issues I must commend the draft document for the fact that it contains all the ingredients that any well formulated policy should contain. In fact the exhaustive nature of the document makes it necessary for me to suggest that it be tightened so as to provide it with the necessary focus. In the emerging market oriented power environment the State will have to compete for investments. The policy is bound to be the first point of reference for all prospective investors. The document must therefore be to the point, unambiguous and articulate the State's sectoral priorities.

Given the State's current critical power shortage I would urge dividing the policy into two parts. A short term policy should address the urgent need to augment power availability. The current generation capacity together with the entitlement from Central sector projects and the prospect of the Leshka project coming on stream next year still leaves us deficit by at least 200 MWs. This gap needs to be urgently addressed. The short-term policy must set out a road map to cover this immediate requirement. In order to demonstrate the commitment of the Government, the policy could consider constituting a Power Augmentation Mission. A senior functionary-at least of the level of a Commissioner-should be placed in charge and the mission made responsible for the immediate twin tasks of augmenting generation and strengthening transmission. The mission should bring out periodical reports which should be reviewed by the empowered cabinet committee on power.

The long term, or "full", Power policy should not be restricted to merely meeting the power needs of Meghalaya. The potential generation capacity however needs to be realistically re-assessed. The 3000 MWs of hydroelectric capacity and the location of hydroelectric projects across the State have been discussed over the last several years. While the technical data may not have undergone drastic change opposition to land acquisition, environmental concerns and the desirability of choosing river systems for power generation over other conflicting claims, must be re-analysed at each plant location. Multi-disciplinary teams at the district level headed by respective Deputy Commissioners could take stock of the situation in their respective districts. After scanning the feedback from the districts a realistic listing of projects for prospective development should be announced.

As for thermal generation the draft document has clearly established the case for creating additional capacity. The fact that lack of thermal generation has left the state without the ability to meet the fluctuating demand for electricity cannot be disputed. A mix of thermal and hydro capacity is necessary for meeting both peak and seasonal demands and the policy must place emphasis on investment in this sector. Coal linkages have however to be worked out for each project and the strategy of encouraging existing mine-owners to establish partnerships with power companies might be explored. The Mineral Resources Department may also make a realistic assessment of the quantity of coal that can be diverted for the generation of power. Since thermal generation has environmental concerns relating to disposal of fly ash and air pollution a good strategy to adopt will be to establish an expert group to identify locations, suggest technology and fix capacity before specific announcements are made.

From the point of view of the Electricity Act, 2003 and the role of the Commission I have a few words of caution. These relate to the implications emerging from the transparent procedure for determination of tariff, the delicensing of generation and the progressive move towards creating a seamless competitive market for electricity. A related issue of particular importance to the North Eastern region is the need to maintain a competitive edge while harnessing the potential for generating surplus power. Planning for additional power capacity has to keep a close watch on the strategies being implemented in other states in the region. The competitive price at which surplus power is likely to be offered will be a temptation that, in the long run, no distribution company will be able to refuse. Generation companies therefore have to ensure viability in an emerging buyer driven power market. **Meghalaya needs to draw up an expansion strategy in which only optimum sized plants using the most efficient technology producing power at the most economical cost with a high plant load factor are encouraged.** This will keep the power tariff under control and ensure a long term market for surplus electricity.

So far a subsidy is concerned the Electricity Act clearly allows the State Government to make up front payments to distribution companies for supply electricity at a lower tariff to any identified category of consumers. The Act does not envisage providing incentives to generating Companies. Such benefits will necessarily be monetized and eliminated from the cost computation. The expectation that incentives might serve as an encouragement to investors is not likely to materialize since the margin of profit determined by the tariff policy and the directives of the Forum of Regulators will remain constant and neutralize any advantage that could accrue in an unregulated market.

On the question of free power, another issue discussed in the draft policy, the impact of the prescribed method for determining tariff is likely to increase the cost of the remaining power for all other consumers. The Government should therefore seriously study this implication since the computation of tariff under the Act is now done in a transparent manner in which all stakeholders including consumers are afforded an opportunity to raise objections and have their say.

So far as the Commission is concerned we would strongly suggest not including free power levy as a precondition for assigning generation projects. Apart from the fact that this does not conform to the principles enunciated in the Electricity Act, 2003 the purpose for which the free power is being proposed to be used for may be difficult to implement. If the Government is keen to collect a cess or royalty, an up front ad-volarem or per unit levy might be a neater option.

While it is useful to publicise the type of proposals that Government will prefer, the rationale for allotting power projects needs to be based on a justifiable criteria. The draft policy is silent in this regard. Reference to public sector (both State and Central), joint ventures, build, operate, own and transfer (BOOT) schemes, etc. is not enough. Similarly merely mentioning that certain capacities will be allotted to certain categories of investors without spelling out any rationale for such a policy will not suffice. A well conceived policy must contain reasons for the announcements it contains. Specifically, from the point of view of tariff, the selection criteria must clearly take care to ensure that any identified project does not distort the cost at which consumers are likely to receive electricity. While Government will no doubt take all pertinent factors into account in elaborating the selection criteria for approving investments, it is important that cost distortions are avoided. Ideally efficiency of investment and operations should be the basis for selection but should compelling reasons exist for deviating from this principle, these should be transparently spelt out.

Since electricity is such an important infrastructure facility any comprehensive policy needs wide support. Even if endorsement is not always possible, citizens do need to know about the current power scenario and the plans that the Government proposes to put in motion. Constructive comments and suggestions can also often enrich the policy. I would therefore strongly advocate inviting comments from the public before finalizing the policy. The short term policy may not require to be delayed. The “full” policy should be finalized only after taking the citizens into confidence.

Captive generation has been defined in the Electricity Act. Section 9 details the manner in which such units can be operated. The capacity limitations contained in the draft policy seem to introduce the need for the granting of approvals for larger captive capacities. This is neither necessary nor desirable. The policy may at best provide for registration of capacity.

An Empowered Committee is envisaged in the draft policy. This is clearly meant to be a high powered committee. To be really effective this should be an **empowered cabinet committee. Ministers representing Power, Labour, Revenue, Environment and Finance should be its members. The Committee should receive its mandate from the Cabinet and should be free to provide all types of relaxations required to facilitate the establishment of Power projects in the State.** A similar team of officers headed perhaps by the Chief Secretary with Secretaries from all concerned Departments should service this Committee. All proposals should be examined and cleared within a time bound period and the schedule should be specified in the policy.

The draft policy does not cover issues concerning rural electrification sufficiently. Government should ideally be moving towards setting up an independent agency to implement and complete the already overdue task of providing all rural clusters with electricity. Such an agency will be even more necessary now that the MeSEB is on the verge of being unbundled. As for the policy, in keeping with my suggestion for an independent agency and the importance of the sector, a separate policy document devoted to Rural Electrification should be evolved.

Any document articulating policy should clearly highlight Government's commitment and outline the concomitant strategy. In a sector such as Power it must inevitably be a declaration of the intention of Government to attract investment. Any invitation to investors cannot be loaded with conditions. Meghalaya is only one among many States vying for investments in the Power Sector. The State must therefore appear to be more attractive to prospective investors. If the policy is to be effective it should clearly highlight investment opportunities, underscore targets, and announce the support that it will provide to suitable entrepreneurs intending to invest in the power sector.