

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION**  
**FOURTEENTH ANNUAL REPORT**  
**FY 2020– 2021**  
**(As mandated under Section 105 of the Electricity Act 2003)**



**NEW ADMINISTRATIVE BUILDING, 1<sup>ST</sup> FLOOR, LEFT WING,**  
**LOWER LACHUMIERE, SHILLONG – 793001**  
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# **ANNUAL REPORT**

## **Financial Year 2020-21**

### **1. INTRODUCTION**

The Meghalaya State Electricity Regulatory Commission which was notified by the Government of Meghalaya under the provisions of Section 82 of the Electricity Act 2003 on 26<sup>th</sup> March 2004 became functional on 6<sup>th</sup> of June, 2006 on which date the first Chairperson, assumed charge.

Since the time it was set up, the Commission has always endeavoured to set up a fair, transparent and objective electricity regulatory process in the state of Meghalaya. As mandated by law, the Thirteenth Annual Report relating to the financial year 2019-20 was placed on the Table of the Meghalaya Legislative Assembly in March 2021. This is the Fourteenth Annual Report prepared by the Commission and it relates to the financial year 2020-21.

### **2. THE COMMISSION**

- (a) The Commission was constituted under the provision of the Electricity Act 2003, and is a quasi-judicial body having perpetual succession and common seal with power to acquire, hold and dispose of property both movable and immovable.

Initially, beginning 6<sup>th</sup> June 2006 this Commission was a one member Commission. In recognition of the need for multi-disciplinary approach while addressing issues related to independent regulation. The law prescribes that the chairman shall be person of ability, integrity and standing who has adequate knowledge of, and who shown capacity in dealing with problems relating to engineering, finance commerce, economics, law or management. The Chairman is appointed by the Government of Meghalaya from a panel recommended by Selection Committee constituted as prescribed under the statute. The statute also provides for the appointment of a Secretary to the Commission whose powers and duties are defined by the Commission.

- (b) Notification No. POWER-110/97/Pt.II/125 dated the 5<sup>th</sup> November, 2018, in partial modification to this Department's notification PE.110/97/580, dated 26.03.2004, the Governor of Meghalaya is pleased to change the Meghalaya State Electricity Regulatory Commission (MSERC) into a Two Member Commission, with one member being person of law with requisite qualification prescribed.

### **3. MISSION OF THE COMMISSION**

The mission of the Commission is to:

- 3.1. Promote reforms in the electricity sector;
- 3.2. Encourage transparency, competition and economy;

3.3. Regulate the power purchase and procurement process of the distribution utilities.

3.4. Secure the legitimate interests of all stakeholders including the consumers.

#### **4. FUNCTIONS OF THE COMMISSION**

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

- 4.1. determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be within the State;
- 4.2. 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;
- 4.3. facilitate intra-State transmission and wheeling of electricity;
- 4.4. issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
- 4.5. promote co-generation 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;
- 4.6. adjudicate upon the disputes between the licensees and generating companies and to refer disputes for arbitration where considered appropriate;
- 4.7. levy fee for the purposes of the Electricity Act, 2003;
- 4.8. specify the State Grid Code;
- 4.9. specify or enforce standards with respect to quality, continuity and reliability of service by licensee;
- 4.10. fix the trading margin in the inter-State trading of electricity, if considered necessary;
- 4.11. discharge such other functions as may be assigned to it under the Electricity Act, 2003, as amended from time to time;
- 4.12. advise the State Government on all or any of the following matters, namely:-
  - 4.12.1. Promotion of competition, efficiency, and economy in the activities of the electricity industry,
  - 4.12.2. Promotion of investment in electricity industry,
  - 4.12.3. 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.

4.13. The State Commission shall ensure transparency while exercising its powers and discharging its functions.

4.14. In discharge of its functions the State Commission shall be guided by the National Electricity Policy, National Electricity Plan and Tariff Policy issued under Section 3 of the Act.

## **5. CHAIRPERSON**

The present Chairperson of the Commission is Shri. P W Ingty, IAS (Retd), who took charge of the office on the 25<sup>th</sup> September 2019.

## **6. MEMBER**

Shri. Roland Keishing, retired District Session Judge from Manipur joined the MSERC, Shillong as Member (Law) on 27 September, 2019. Notification No. POWER-110/97/Pt.II/125 dated the 5<sup>th</sup> November, 2018, in partial modification to this Department's notification PE.110/97/580, dated 26.03.2004, the Governor of Meghalaya is pleased to change the Meghalaya State Electricity Regulatory Commission (MSERC) into a Two Member Commission, with one member be person of law with requisite qualification.

## **7. CONSULTATIVE BODIES**

The Chairman of the Commission is a member of the Forum of Regulators (FOR), 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 matters, policies and practices followed by different States.

The Chairman is also a member of the Forum of Indian Regulators (FOIR). This is a registered society which predates the Forum of Regulators. The membership of this body is not confined only to regulators in the Power sector but to other sectors also. 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.

## **8. HUMAN RESOURCE.**

Under the Electricity Act 2003, the Secretary of the Commission assists the Chairperson in all statutory matters and in personnel, administration, account and finance. Besides full time employees, the Commission has been utilising the need based services of consultants in the disciplines of law, finance and electrical engineering.

## **9. OFFICE ACCOMODATION**

State Government had allotted one wing of the 1<sup>st</sup> floor of the New Administrative Building at Lower Lachumiere, Shillong, and the Commission has been functioning from the above premises since December, 2007.

## **10. LAN & WEBSITE:**

The computers in the Commission's office are connected through networking to local area network (LAN). The system is useful for access of any information. The commission has its own website, [www.mserec.gov.in](http://www.mserec.gov.in), which is regularly maintained and updated. The website is used for publicising hearing schedules, news, updated, tariff related issues, meetings, inviting comments on concept papers, regulations, petitions, tenders, job vacancies, etc. It also provides information on the Consumer Grievances Redressal Forum and Ombudsman and guides the consumer for redressal of their grievances. Further information such as notified Regulations, Orders and Reports are also available and can be downloaded from the website.

## **11. REGULATIONS**

During the FY 2020-21 the Commission has published the following regulations:-

- 11.1. The Meghalaya State Electricity Regulatory Commission (Intra-State Essential Reliability Services Operations) Regulations, 2020.

## **12. ORDERS**

The Commission has issued under mentioned orders during the period of report:-

- 12.1 MSERC Case No. 03/2021: Aggregate Revenue Requirement for the 3<sup>rd</sup> MYT Control Period FY 2021-22 to FY 2023-24 and Transmission and Open access Charges for FY 2021-22 for Meghalaya Power Transmission Corporation Limited.
- 12.2 MSERC Case No. 02/2021: Aggregate Revenue Requirement for the 3<sup>rd</sup> MYT Control Period FY 2021-22 to FY 2023-24 & Generation Tariff for FY 2021-22 for Meghalaya Power Generation Corporation Limited.
- 12.3 MSERC Case No. 04/2021: Aggregate Revenue Requirement for the 3<sup>rd</sup> MYT Control Period FY 2021-22 to FY 2023-24 & Distribution Tariff for FY 2021-22 for Meghalaya Power Distribution Corporation Limited.
- 12.4 MSERC Case No. 09/2021: Approval of Final Capital Cost for Lakroh Mini HEP Project (1x1.5MW) and ARR for 2<sup>nd</sup> MYT Control period for FY 2018-19 to FY 2020-21 and ARR for 3<sup>rd</sup> MYT Control Period FY 2021-22 to FY 2023-24 for Meghalaya Power Generation Corporation Limited.
- 12.5 MSERC Case No.09/2020: Review of Tariff Order for FY 2020-21 dated 25<sup>th</sup> March 2020 for Meghalaya Power Distribution Company Limited (MePDCL).
- 12.6 MSERC Case No.08/2020: Review of Tariff Order for FY 2020-21 dated 25<sup>th</sup> March 2020 for Meghalaya Power Transmission Corporation Limited.

- 12.7 MSERC Case No: 5/2021 (Modified order): Review of True up Orders for FY 2017-18 for Meghalaya Power Distribution Corporation Limited (MePDCL).
- 12.8 MSERC Case No. 13/2020: True-up of Distribution Business for 3<sup>rd</sup> Year FY 2017-18 of 1<sup>st</sup> MYT Control Period FY 2015-16 to FY 2017-18 for Meghalaya Power Distribution Corporation Limited (MePDCL).
- 12.9 MSERC Case No. 12/2020: True-up Business for 3<sup>rd</sup> Year FY 2017-18 of 1<sup>st</sup> MYT Control Period FY 2015-16 to FY 2017-18 for Meghalaya Power Transmission Corporation Limited (MePTCL).
- 12.10 MSERC Case No.11/2020: True-up Business for 3<sup>rd</sup> Year FY 2017-18 of 1<sup>st</sup> and MYT Control Period FY 2015-16 to FY 2017-18 for Meghalaya Power Generation Corporation Limited (MePGCL).

### 13. STATE ADVISORY COMMITTEE

In exercise of the powers conferred under section 87 of the Electricity Act, 2003, the Commission, under a notification dated 5<sup>th</sup> February 2007, had first constituted the Meghalaya State Electricity Advisory Committee to advise the Commission on questions of policy, protection of interest of consumers, and other matters relating to supply and distribution of electricity in the State. This Committee has been reconstituted by the Commission from time to time, with the present Committee constituted on 22<sup>nd</sup> January, 2020 with the following members:

<b>Chairman Ex-officio</b>	1	: The Chairman, Meghalaya State Electricity Regulatory Commission, Shillong
<b>Member Ex- Officio</b>	2	: The Member (Law) Meghalaya State Electricity Regulatory Commission, Shillong.
<b>Ex-Officio Member</b>	3	: The Principal Secretary/Commissioner and Secretary Food, Civil Supplies and Consumer Affairs, Government of Meghalaya
<b>Members</b>	4	: Dr.Anoop Singh, Coordinator, Centre for Energy Regulation (CER) Associate Prof., Department of Industrial and Management Engineering, Indian Institute of Technology Kanpur, Kanpur – 208016.
	5	: Chief Engineer, PHE, Government of Meghalaya, Lower Lachumiere, Shillong – 793001
	6	: Chief Engineer (PWD), Building.

- 7 CEO, Shillong Municipality, Shillong – 793001, Mobile: 9436115861
- 8 : Shri. E N Marak, MCS (Retd) Matchakolgre, New Tura Araimile West Garo Hills, Tura – 794101. Mobile: 9436103643
- 9 : Director Commerce & Industries, Shillong, Meghalaya.
- 10 : Dr. (Mrs) M.P.R. Lyngdoh, (Retd), Principal, Shillong College, Shillong – 793003
- 11 : Shri. Shyam Sunder Agrawal, CMD (Pioneer Carbide Pvt Ltd.), Byrnihat, Ri-Bhoi district, Meghalaya. Mobile: 7002162868  
Email: [pioneercarbide@gmail.com](mailto:pioneercarbide@gmail.com).
- 12 : Shri. Ramesh Bawri, President Confederation of Industries, Meghalaya, Bawri Mansion, Dhanketti
- 13 : Chairman/ Former Chairman, The Institution of Engineers (India), Meghalaya Centre, Barik Point, Lower Lachumiere, Shillong – 793001. Phone: 03642503203 Email: [iemeghalaya@gmail.com](mailto:iemeghalaya@gmail.com)
- 14 : Director (E&M) HQ, Shillong Zone, SE Falls, Shillong-793011, Phone: 03642534847
- 15 : Director(BD), 4 th Floor, TDI Centre, Jasela, IEX, New Delhi – 110025. Email ID: [rajesh.medirata@iexindia.com](mailto:rajesh.medirata@iexindia.com).
- 16 : GM ( Commercial) NEEPCO, DemseiniongShillong-793003
- Convenor** 17 : Secretary, MSERC, Shillong.

The reconstituted Committee will function with effect from 1<sup>st</sup> February 2020 to 31<sup>st</sup> January, 2022.

The objective of the State Advisory Committee shall be to advise the Commission on:

- a. Major Questions of Policy

- b. Matters relating to quality, continuity and extent of service provided by the licensees.
- c. Compliance by the licensees with the conditions and requirements of their license.
- d. Protection of consumer interests
- e. Electricity supply and overall standards of performance by the Utilities
- f. Matter which the Commission may refer specifically.

It may be noted that the State Advisory Committee has a significant role in guiding the Commission on question of policy, protection of interest of consumers and other matters relating to supply of distribution of electricity in the State.

#### **14. CONSUMER GRIEVANCE REDRESSAL FORUM**

The MeECL constituted the Consumer Grievances Redressal Forum with Headquarter at MeECL corporate office, Lumjingshai on approval received from Meghalaya State Electricity Regulatory Commission with the following members:

- |                                   |   |             |
|-----------------------------------|---|-------------|
| (i) Shri E P Kharbhih, IAS (Retd) | - | Chairperson |
| (ii) S.K. Lato, Industrialist     | - | Member      |

##### **A. Powers and function of the Forum:**

- (i) The Forum shall examine and consider all complaints that it receives and pass orders for the corporation to remedy the fault or defect within such time as it may decide.
- (ii) In exercising its function the Forum shall have powers to call for information from the Corporation or any other person concerned and to hear him.
- (iii) In dealing with any matter, the Forum may engage or consult a person having special knowledge or skill in the field.
- (iv) A complaint shall be disposed of within a maximum period of fifteen days from the date of receipt and the complainant consumer and the Corporation shall be informed of the decision taken.

##### **B. Under the said Regulations, the grievances may relate to:-**

- (i) Voltage fluctuation.
- (ii) Erratic supply of Electricity.
- (iii) Defective billing.
- (iv) Defective meters.
- (v) Defective street lights.
- (vi) Default in attending to routine complaints.
- (vii) Any other fault or defect which the licensee is duty bound to attend and rectify.



(viii) Not giving or delay in giving electricity connection to an applicant.

It may be mentioned that the Hon'ble Appellate Tribunal on Electricity (APTEL) has directed that, "all the State Commissions/ Joint Commissions and Licensees shall send quarterly written status report regarding the functioning and performance in the approved format (complaints received/adjudicated or settled) to the Secretary, Forum of Regulators who will comply and post the said information online. He would also file a status report in this Tribunal once in 03 months in the Format already approved through our order dated 15<sup>th</sup> April, 2010."

The monthly status is being conveyed by the MSERC to the Secretary FOR in the said Format by 15<sup>th</sup> of the first month beginning next quarter, so that APTEL can be apprised of accordingly.

## **15. OMBUDSMAN**

### **Powers and function**

- (i) 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 redress from the Forum under sub-regulation (1) of regulation 4, as the case may be, make a representation to the Ombudsman for redresses of the grievance.
- (ii) On receiving a representation, the Ombudsman shall after due examination and consideration settle the grievance of the consumer.
- (iii) In exercising its function the Ombudsman shall have the powers to call for reply, information date, records and other related documents from the licensee or from any other person who may be concerned with and to hear them.
- (iv) The Ombudsman may, if necessary, engage or consult a person having special knowledge or experience in the matter under consideration for this opinion or advice.
- (v) Notwithstanding anything contained in his 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.

In exercise of the power under section (2) of section 181 read with sub – section (5) and (7) of section 42 of the Electricity Act 2003 and the regulations framed there-under, the Meghalaya State Electricity Regulatory Commission appoints the Ombudsman during the period. **Shri S.J. Laloo is the Electricity Ombudsman.**

In this regard, it may also be mentioned that the Hon'ble APTEL has directed that, "all the State Commissions/ joint Commissions and Licensees shall send quarterly written status report regarding the functioning and performance in the approved format (complaints received/adjudicated or settled) to the Secretary, Forum of Regulators who

will comply and post the said information online. He would also file a status report in this Tribunal once in three months in the Format already approved through our order dated 15<sup>th</sup> April, 2010.”

The monthly status is being conveyed by the SERC's to the Secretary FOR in the said Format by 15<sup>th</sup> of each specified month so that APTEL can be apprised of the position.

## **16. 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:-

16.1. This Commission has received grants-in-aid from State government for FY 2020-21 Rs. 2,51,56,000.00. In terms of fees, the Commission has so far received Rs.42,15,100.00 from the MeECL& others for the tariff applications/petitions filed by them during the period.

## **17. REGULATORY PROCEDURES**

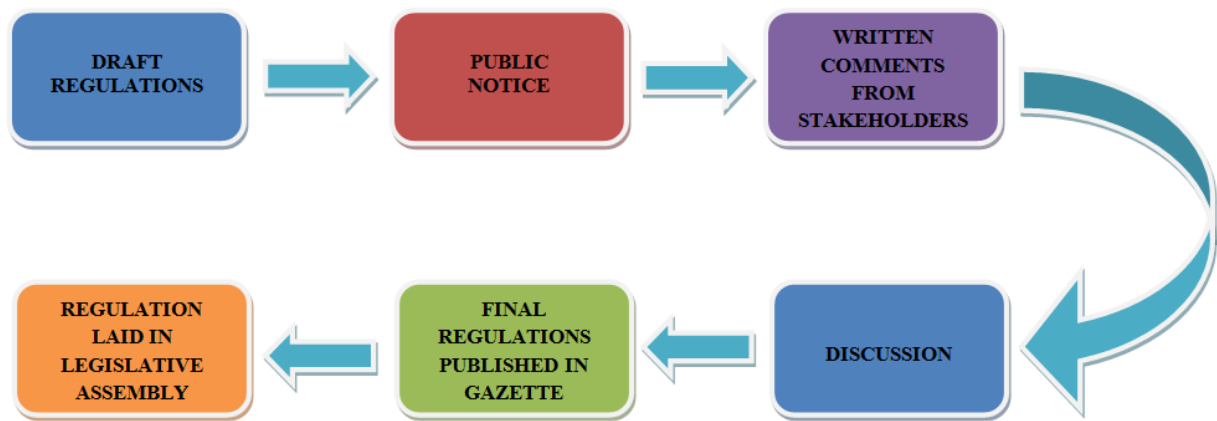
The Commission in discharging its functions under the provisions of the Electricity Act, 2003, undertakes the following:

- a. Notifies Regulations
- b. Issues order on petitions relating to
  - i. Determination of different tariff of electricity.
  - ii. Grant of license
  - iii. Review and miscellaneous petitions.

## **18. PROCEDURE FOR REGULATIONS**

The Commission follows a detailed and transparent process before issuing a Regulation. To start with, a draft regulation is developed on the issue on which it is proposed to be made.

The draft regulation is then given wide publicity through electronic and print media inviting comments and suggestions from stakeholders. On receipt of the comments, the issues are discussed threadbare. As per the requirement of the Act, the drafts Regulations then undergo the process of 'Previous Publication'. This implies that the drafts Regulations are published for comments from the stakeholders. It is only after receipt and consideration of the comments that the Regulations are finally published / notified in the Gazette of Meghalaya.



## 19. PROCEDURE FOR ORDERS ON PETITIONS

Petitions/Applications are made before the Commission primarily for

- (i) Retail Tariff determination
- (ii) Tariff determination for generation and transmission;
- (iii) Grant of license for intra-state trading in electricity.

Apart from the above, the following petitions/applications can also be filed before the Commission:-

- (i) Miscellaneous Petition
- (ii) Review Petition

The applicant files petitions before the Commission along with prescribed fee. The applicants are also required to publish a summary of their application on their website and gives notice in newspapers inviting objections and suggestions from the public. Thereafter, public hearings are held where the petitioners and the respondents argue their case before the Commission. The Commission passes final orders on the petition after hearing all concerned. The petitioners and the respondents are allowed under the law to file for review before the Commission or appeal against the orders of the Commission before the Appellate Tribunal for Electricity within a specified period.

## 20. PROCESS AND PRINCIPLES OF TARIFF DETERMINATION

Prior to the creation of the Commission, the tariff were being determined by the Government of Meghalaya through specific notification. As per the requirement of the Act, the determinations of tariff inter-alia are now entrusted to its Commission. In order to discharge this task, the Commission was required to finalize terms & conditions of tariff. After going through transparent process of views and comments of all stakeholders, the Commission finalized and notified Terms & Conditions of Tariff.

The tariff is determined as per the Regulations on Terms and Conditions of Tariff as applicable from time to time. The terms and conditions contain both the financial norms and technical norms. The tariff is usually called the cost plus tariff because the

capital cost of the project is the starting point for tariff calculations. It would be more appropriate to call it regulated tariff because other than actual capital expenditure, most of the financial & technical parameters adopted for tariff are normative and not actual.

The tariff calculation exercise is quite elaborate, with various elements going into the tariff being computed individually before arriving at the full tariff. The retail tariff shall be different for different categories of consumers based on the subsidy provided by the State Governments and other factors. The tariff shall also be different for each generating station, depending on its admitted capital cost and applicable norms of efficient operation. The exercise is quite elaborate and time consuming but essential to ensure that the distribution, transmission and generators function in an efficient and economic manner while not misusing their dominant position to extract high prices from the buying utilities and consumers.

## **21. Directives:**

### **21.1. Directives for MePGCL.**

#### **Earlier Directives and status of Compliance.**

#### **1. Filing of Tariff Petition for FY 2020-21**

There has been a gap in the incumbency of the competent Commission. The Petition filed by the Licensee for approval of the ARR and Tariff order for FY 2019-20 was not registered. The Licensee had to implement the tariff orders passed on 31.03.2018, till 31.03.2020. The Licensee shall render the regulatory accounts for FY 2019-20 duly audited by C&AG for true up of business.

#### **Commission's Review:**

Delay in filing of the True up petitions causing delay in recovery of charges attributing to levy/claim of interest on the borrowed money.

The Licensee shall expedite filing of petitions as per the due dates.

#### **2. Filing of Petition for New Umtru and Lakroh**

MePGCL shall file the petition for approval of capital cost and final tariff with all the required data for Lakroh project.

#### **Status:**

The True up petition of New Umtru H.E. Project for FY 2017-18 was filed on 30<sup>th</sup> June, 2020. For FY 2018-19, the CAG's report has not been obtained and, therefore, the true up petition for FY 2018-19 has not been filed. The petition will be filed once the CAG's report is available.

The Final tariff petition for Lakroh SHP will be filed by 30<sup>th</sup> November 2020.

**Commission's Review:**

Commission had issued orders in FY 2021-22, the Directive is dropped.

**3. Financial statements of Accounts:**

The Commission directs MePGCL to get the accounts audited by C&AG up to FY 2019-20 as per the Schedule without subjecting the carrying cost claim.

**Status:**

Compilation of the accounts for FY 2018-19 was completed and the process of auditing the same has been taken up by the Accounts Wing of MeECL.

**Commission's Review:**

Delay in filing of the True up petitions causing delay in recovery of charges attributing to levy/claim of interest on the borrowed money.

The Licensee shall expedite filing of petitions as per the due dates.

**4. Assets Records and Project wise Breakup**

The Licensee was directed to maintain Assets records for each project, since all the Old plants have served their life, allowing RoE and depreciation on those assets would result in excess recovery of costs and tariffs. The asset records shall be duly verified as per the Regulations and ensure to delete the value of assets from the asset base in the Regulatory books for the purpose of calculation of RoE and Depreciation. MePGCL has not complied with the Directive. The Licensee shall submit a report by June 2020.

MePGCL is directed to maintain separate asset records of MLHEP and submit to the Commission by June 2020.

**Status:**

MePGCL has a consolidated Statement of Accounts for the corporation as a whole. However, individual asset records of old plants (including Sonapani), MLHEP, NUHEP and Lakroh can be segregated from this consolidated SOA. The asset records of MLHEP, NUHEP and Lakroh MHP were submitted to the Commission vide letter no. MePGCL/D/GEN/M-43/2008/Pt-XIV/19 Dt.30.06.2020 in compliance with this directive.

**Commission's View:**

Licensee has been filing separate ARR project wise, the breakup of assets for MePGCL old projects approved by the commission at Rs.49.39 Crore shall be filed in all the future applications. The segregated breakup for MLHEP, New UMTRU HEP and Lakroh shall invariably be filed in all future applications.

## **Directives issued in the Tariff Order dated 25.03.2020 and status of Compliance.**

### **5. Audited Annual Accounts**

The ARR for MYT period FY 2018-19 to FY 2020-21 was approved based on the projected business plan. The Licensee has not been presenting the audited accounts to the Commission as stipulated in the Regulations. The Commission is constrained to adopt the MYT ARR provisions for want of the audited financial statements up to FY 2018-19.

#### **Status:**

MePGCL is doing its best to complete the audit of the accounts for FY 2018-19 inspite of the constraints arising out of the COVID-19 situation. While filing true up petitions, the actual expenses as per statements of Accounts audited by the CAG are being used. The audited SOA's reflect the actual expenses of MePGCL and it is prayed that the Commission kindly consider the actual expenses reflected in the SOA's after audit by the CAG, while approving the True up petitions of MePGCL.

#### **Commission's View:**

Licensee shall ensure filing of True up petition for FY 2018-19 and FY 2019-20 immediately; commission considers approval of the expenses admissible as per Regulations.

### **6. Regulation of Expenses for FY 2013-14 and FY 2014-15**

There has been a flaw in the filing of the petitions for approval of the expenses for the past periods of FY 2013-14 and FY 2014-15 where in certain heads of accounts show excess over the admissible expenses in the provisional true up orders.

Commission took up **Suo-Moto** action for Regulatory analysis and the resultant gaps/surpluses in the **Suo-Moto** true up exercise has been appropriated in the present Tariff Order. The Licensee is directed to comply with the Regulatory provisions without giving room for public objections in claiming the Gaps of the previous years.

#### **Status:**

Licensee not responded.

#### **Commission's View:**

The Licensee shall file the True up petition inclusive of suo-motu orders for appropriate action by the commission.

### **7. Regulatory Accounts**

The Licensee shall maintain and file Regulatory accounts along with Tariff Petition and for True up petition as mandated in Regulation 4.2 (c) of MYT Regulations 2014.

**Status:**

The Regulatory Accounts shall be maintained as per guidelines/formats once issued by the Commission.

**Commission's View:**

Noted.

**21.2. Directives for MePTCL.****1. Filing of Tariff Petition for FY 2020-21**

There has been a gap in the incumbency of the competent Commission.

The Petition filed by the Licensee for approval of the ARR and Tariff order for FY 2019-20 was not registered. The Licensee was to implement the tariff orders passed on 31.03.2018, till 31.03.2020. The Licensee shall render the Regulatory accounts for FY 2019-20 duly audited by C&AG for true up of business.

**Status:**

The Regulatory accounts audited by C&AG for FY 2019-20 for True up of business shall be submitted when the same is available.

**Commission's View:**

Delay in filing of the True up petitions causing delay in recovery of charges attributing to levy/claim of interest on the borrowed money.

The Licensee shall expedite filing of petitions as per the due dates.

**2. Regulatory Accounts**

The Licensee shall maintain and file Regulatory accounts along with Tariff Petition and True up petition based on the Regulatory accounts as mandated in Regulation 4.2 (c) of MYT Regulations 2014.

**Status:**

MePTCL shall comply with the above directive.

**Commission's View:**

Noted.

**3. Audited Accounts**

The Commission directs the Licensee to get C&AG certificate of statement of accounts for FY 2017-18, FY 2018-19 and FY 2019-20 before filing of the next ARR Petition.

**Status:**

C&AG has submitted the certificate of statement of accounts for the FY 2017-18. The Annual Accounts of the Corporation for the FY 2018-19 is under statutory Audit. It

may be mentioned that due to the outbreak of COVID-19 pandemic, Statutory Auditor of MePTCL for the FY 2018-19 (M/S Hari Singh & Associates, CA, Guwahati) could not reach this office for closure of the ongoing audit.(Copy of CAOs letter attached). It may also be mentioned here that on receipt of Statutory Audit report, Principal & Accountant General shall be informed for commencement of supplementary CAG Audit.

**Commission's View:**

Delay in filing of the True up petitions causing delay in recovery of charges attributing to levy/claim of interest on the borrowed money.

The Licensee shall expedite filing of petitions as per the due dates.

4. The MePTCL is required to maintain separate Account Books for SLDC and file the expenditure and income along with Transmission ARR without fail.

**Status:**

All the accounting records and date till FY 2017-18 are maintained separately for SLDC under MePTCL and presentation of Accounts for SLDC and Consolidation of the same with MePTCL is assured to be taken up at the earliest.

**Commission's View:**

Noted.

5. MePTCL shall maintain Assets records and arrange for audit, post restructuring of the MeSEB.

**Status:**

Irrespective of location, the accounting treatment in terms of Fixed Assets pertaining to depreciation etc., are being carried out as per the prescribed rate of Central Electricity Regulatory Commission. Valuation of assets transferred from MSEB to MeECL and subsequent transfer to MePTCL from MeECL at time of restructuring (effecting on 01.04.2012), had been done on the basis of book value of various such assets maintained centrally at the Head Office Compilation Section. The Government of Meghalaya has also agreed the same and accordingly published in the Notification which complies with clause 132(2) of Electricity Act 2003. Assets owned or acquired by erstwhile MSEB have been recorded separately on the basis of nature of utility i.e. Generation, Transmission and Distribution of power and depreciation at the prescribed rate of CERC have been accounted and reflected in the books of MeSEB and MeECL accordingly. On restructuring into MeECL and its subsidiaries viz. MePGCL, MePTCL and MePDCL, depreciation has been charged simultaneously in the respective books of three entities. The depreciation has been charged on straight line basis and procurement of new assets is recorded separately so as to ascertain that in any case, no depreciation is being charged on and above 90% of its actual cost. However, in the Books of Accounts, only the Net Assets (Gross Block-



Depreciation) as on the date, is reflected. As the records pertaining to Asset are maintained in a systematic order as explained above and Actual Accounts of the Corporation is being audited by Statutory Auditor as well as Supplementary audit by CAG hence audited figures are reflected in the Annual Accounts and as such no separate audit on Asset Records has so far been conducted.

**Commission's View:**

Noted.

**6. Open Access Procedure:**

Commission directs the transmission company to study the open access procedure, evaluate the spare capacity, demand of the state while allowing NOC to Open Access consumers. MePTCL is directed to adhere to the Commission's Regulations and orders while recovering the charges from such Open Access consumers strictly.

While allowing open access, the STU shall ensure that the availability / capacity of the line on which open access shall take place is sufficient. In no case it should hinder the power flow to the distribution licensee. It is further directed that STU, while computing the spare capacity in the Transmission lines, shall include the evacuation of power from new central generating stations that are being allocated to Meghalaya in the ensuing Tariff period. Any failure of the grid on account of over utilization of the present capacity by Open Access consumers shall be investigated and suitable action shall be taken to plug the Revenue loss.

**Status:**

The spare capacity of the local transmission lines is always evaluated while granting open access clearance to consumers. The sufficient availability/capacity of the lines in which open access takes place have always been considered while allowing open access. Consideration and care were taken so as not to hinder power flow to the Distribution licensee. The evacuation of power from Central generating stations to Meghalaya has been considered while determining the spare capacity of the lines. The utilisation of power by the open access consumers including distribution licensee (but not at the cost of the distribution licensee) is always monitored so as not to put at risk the security and reliability of the grid and to prevent grid failure.

MSERC's Regulation are adhered to strictly while recovering charges from OA consumers. However, additional charges relating to imbalance and Reactive Energy charges as applicable have not been fixed in the Transmission Tariff Order of the commission, although this is a requirement according to clause 12(3) Table-2 Sl.No.1&2 of the Terms and conditions of Open Access Regulations, 2012.

**Commission's View:**

Noted.

7. STU shall also ensure the compliance of principles of Grid Code, CERC Regulations while allowing open Access and shall recover the charges as allowed by the Commission as per Regulations.

**Status:**

SLDC is always ensuring compliance of the principles of Grid code, CERC Regulations while allowing Open Access. The Open Access charges (including DSM) allowed by MSERC have been strictly followed and apply to all the state entities. However, there are some clauses of the MSERC's State Grid code, Terms and conditions of open Access Regulations 2012, Deviation Settlement -Mechanism and Related Matters Regulation 2018 which need to be reviewed/amended, since similar CERC clauses are more stringent, the consequences of which only the MeECL/MePDCL/MePTCL have to bear penalty/measures at the inter-state level on behalf of all intra-state entities including open access consumers.

**Commissions' View:**

Noted.

8. MePTCL has proposed transmission losses at 4%. Accordingly Commission adopted. In no case the transmission losses shall be allowed in excess of 4%. The Licensee shall ensure the network availability at 98% without any interruptions for the contracted capacity with the distribution Licensee. The losses are to be examined voltage wise by conducting energy audit.

**Status:**

The losses are being examined voltage wise via means of Boundary Metering between the Generation and the distribution at all 220KV,132Kv and power stations. Monthly Energy reading of all Grid substations of MePTCL are collected from the respective Resident Engineers for loss calculation.

**Commission's View:**

Noted.

**9. Fresh Directives**

The Licensee has not disclosed the grants and contributions for implementation of the new investment for the MYT control period FY 2018-19 to FY 2020-21, whereas capitalization of assets has been projected for the entire value of proposed capital investment during the control period in the business plan. As the ARR is considered on the basis of estimates, Commission considers that the grants and contributions data may be made available during the course of project execution.

**Status:**

The data on grants and contributions shall be made available during the course of project execution.

**Commission's View:**

The Data on Grants and Contributions shall be made available along with the True up petitions for FY 2018-19 to FY 2020-21.

10. Huge investments are proposed for improving the transmission system during second control period and it is possible to reduce the losses below 4%. Smart meters shall be provided on both ends of each transmission lines and losses worked out on each line.

**Status:**

Installation of smart meters at every boundary point of Intra state EHT levels is currently being initiated for implementation through settlement, Accounting, Metering and Settlement of Transformation in Electricity (SAMAST) under PSDF funding. Tender for the project (invited on behalf of NER states by NERPC shilling) is completed.

**Commission's View:**

Action shall be accelerated.

**11. Transmission system availability**

Transmission system availability is stated to be 98% without adequate data. Commission accepted the proposal. To assess the system availability MePTCL should maintain record of performance of each transmission line voltage wise by showing details of interruptions, break downs with duration. Based on monthly reports maintained, system availability should be arrived and shown in the next tariff petition for accepting the system availability.

**Status:**

Transmission system availability has been maintained at 98%. Monthly reports are submitted from the field offices and monthly system availability report for the month of May 2020 is hereby enclosed along with a sample of details of interruptions, breakdowns with duration report of a 132/33KV substation for the month of July 2020.

**Commission's View:**

Noted.

**New Directives**

12. The useful life of the Transmission lines is 35 years from the date of commissioning. The Fixed assets of the STU are in use for more than 35 years of its life for which the MePTCL is claiming Depreciation and Return on Equity. The Licensee shall ensure withdrawal from Gross fixed assets block whose life term has been completed. Licensee shall ensure reduction in the claim of depreciation and ROE for the assets

completed lifetime for determination of tariff henceforth, so that the cost and tariff can be reduced.

MePTCL shall file the data as pointed out for commission's review by 30<sup>th</sup> June 2021.

- 13.** The O&M expenses for Transmission utility shall be determined based on the Network quantity and data as notified under Regulation 69.3.

The Network data filed with the petition for ARR of 3<sup>rd</sup> MYT control period and additional information/data filed on 03.02.2021 is contradicting/not matching each other by which the commission constrained to formulate a norm for computation of admissible O&M expense for Tariffs for FY 2021-22 as per the Regulations.

MePTCL shall file Actual Transmission Network data for fixing of O&M norms as called for on 04.01.2021 by 30<sup>th</sup> June 2021.

### **21.3. Directives for MePDCL.**

- 1.** The ARR for MYT period FY 2018-19 to FY 2020-21 was approved based on the projected business plan. The Licensee has not been presenting the audited accounts to the Commission as stipulated in the Regulations. The Commission is constrained to adopt the MYT ARR provisions for want of the audited financial statements up to FY 2019-20.

#### **Commission's Review:**

Action may be expedited.

- 2. Energy audit**

As per the MOU entered for implementation of UDAY scheme, energy audit upto 11Kv level has been made mandatory; licensee shall ensure energy audit as contemplated in the MOU and report progress of loss levels to the Commission every month.

#### **Commission's Review:**

**Licensee has not complied with the directive.**

#### **Reply:**

Feeder metering & DT Metering is being taken up under DDUGJY scheme. In view of the pandemic the work completion is extended till March 2021. All works expected to be completed by March 2021. Process of closure of already completed work in progress Appointment of third party for auditing work is done.

#### **Commission's Remarks:**

Status Report may be filed by 30.06.2021.

- 3. Energy conservation and DSM**

MeECL submitted that in fact the Government has observed that CFL is to be phased out and consumers are encouraged to use LED bulbs for lighting purpose. It may be mentioned that the M/s Energy Efficiency Services Limited is being engaged as

consultant to assist MePDCL to implement energy conservation and DMS. The Licensee shall advise the local Government to avoid use of fluorescent, Mercury, sodium vapour, CFL fittings, incandescent lamps by replacing existing street lights with LED lamps and fittings in order to ensure implementation of energy conservation and DSM. Commission had not considered the tariffs for public lighting with CFL fittings in the Tariff Order for FY 2018-19, proposals for Tariff rates for CFL fittings in the petition for FY 2020-21 is not considered.

**Commission directs the licensee to advise EESL to strengthen their publicity efforts in local media to increase the number of outlets/ agencies for sale of LED lamps and fittings to the consumers in general and authorities of public lighting.**

**Reply:**

At present TERI (The Energy and Resource institute) has been engaged as a consultant to assist MePDCL to implement the energy conservation & DSM activities. A draft guide lines on cost effectiveness has been prepared by the DSM Cell in consultation with TERI, and the same has been submitted to MSERC for approval. The commission has sought views and opinions on the pre-publication notification on the matter for which the same is being examined and shall be submitted soon.

**Commission's Remarks**

Action may be accelerated.

**4. Man power utilization study**

Licensee submitted that the Manpower mapping is being done by Corporate Affairs wing of the MeECL.

Commission directs the Licensee to expedite submission of report for optimum utilisation of manpower, which would not affect efficiency while at the same time reducing costs. Report to be made available to the Commission by 30/06/2020.

**Commission's Review:**

**Licensee shall submit the status report.**

**Reply**

Presently there are 3025 employees in all out of which 1831 nos are Regular and 1194 nos Casual employees. The mapping of employees is being carried out to ascertain the optimal requirement.

**Commission's Remarks**

Efficient measures shall be deployed.

**5. Energy Accounting Under UI/Swapping**

The Commission directs the Licensee that payables/receivables towards UI/Swapping are properly scrutinized so that any excess allowed in the power purchase cost, due to difference in scheduling and actual drawl, by the open access consumer is not

collected twice.

**Commission's Review:**

**Licensee shall submit findings of the scrutiny along with true up petitions.**

**Reply:**

Officers dealing with the matter are instructed to maintain strict observance as directed.

**Commission's Remarks**

MePDCL shall file buyer wise sales data under swapping along with account balance.

**6. Restructuring of MeSEB/Functioning of the Trust**

The Commission directs the Licensee to place the details of transaction of pension, terminal liabilities and status of the functioning of Trust made for disbursement of the retired employees in its next ARR so as to make necessary adjustments, if any, in accordance with the Regulations.

**Commission's Review:**

**Licensee has not complied with the Directive; the status report shall be filed before 30.06.2020.**

**Reply**

The Pension Trust was created and registered in the office of the Sub-Registrar Shillong, vide date of Trust 17.06.1998 called the MeSEB Pension Trust. It may be noted that no separate Balance sheet is being prepared for the Pension Trust, hence the Trust may be considered as non functional but remains only as the Drawing & Disbursing authority.

In this regard, the licensee would like to submit that MeECL has not received the contribution from the State government for the Corpus Fund, amounting to Rs.840 crore as on 31.03.2010, which would have been used to clear up the pension liabilities as agreed in Transfer Notification Scheme and to enable to maintain the Trust fund. In the absence of assistance from the State government, there has been no subsequent yearly/monthly transfer to the trust fund which would have catered to the terminal benefits liabilities of MeECL. The terminal liabilities will therefore be borne from its revenue from tariff based on the actual payment basis. As of today, the trust fund remains non-functional but remains only as Drawing & Disbursing authority.

**Commission's Review:**

Tariff Regulations do not allow for the liabilities of the Retired employees in the ARR.

**7. Reduction in AT&C losses**

- a. Reduction in T & D losses

- b. Reduction in commercial losses
- c. Improvement in metering, billing and collection

**Status:**

MePDCL had entered into Tripartite MOU for implementation of UDAY Scheme (UJWAL Discom Assurance Yojana) on 09.03.2017.

The following are the activities targeted to be implemented.

- a) Among other performance parameters the licensee shall reduce the T&D losses to 12% for FY 2020-21 and AT&C losses to be brought down to 15%.
- b) Metering of DTRs, energy audit upto 11Kv level, GIS mapping and consumer indexing for towns not covered under R-APDRP and smart metering of consumers with above 500 units.
- c) Commission has also approved capital investment to meet the capex for above activities in the business plan for FY 2018-19 to FY 2020-21
- d) MePDCL shall furnish monthly progress report on the above activities to the Commission in order to update the records and ensure cost- to- serve model Tariff.

**Commission's Review:**

**Licensee shall submit status report on the above performance parameters by 30.06.2020.**

**Reply:**

The Status Report is as below:

- a) Strengthening of infrastructure under IPDS, R-APDRP, SAUBHAGYA, ADB FUNDED PROJECT, NERPSIP etc is being taken up.
- b) Man power has been recruited for meter reading, billing etc.
- c) Re-organization of Distribution wing carried out.
- d) Input based Distribution Franchisee has been implemented.
- e) AMI metering to be taken up under ADB Funding.
- f) 100% computerized billing has been implemented.
- g) Pre-paid metering is being implemented.
- h) Smart metering project is being initiated.

**Commission's Remarks**

Action may be expedited.

**8. Power Purchase:**

Licensee has been projecting high volume of power procurement without corresponding increase in the level of energy sales. As a result a huge quantum of energy is being surrendered to UI/exchange, IEX which at times does not even cover cost price. This results in high cost of procurement and ultimately resulted in substantial increase in tariffs. The Licensee shall properly estimate the demand and follow the procedure laid down for sale to the consumers in the licensed area. The

Licensee shall invariably obtain prior approval from the Commission where it is proposed to purchase power from sources other than approved vendors bilaterally, as specified in Regulations.

Commission directs the licensee to ensure optimum level of energy procurement in order to reduce the costs& tariffs, since there is a surplus of about 1100 MU available for FY 2020-21.

**Reply:**

Officers dealing with the matter are instructed to maintain strict observance as directed.

**Commission's Review**

MePDCL shall ensure optimal power procurement every year.

**9. Metering, Billing and Collection Efficiency:**

The Licensee is directed to ensure 100% metering of all consumers. Similarly, all 33kV and 11kV feeders and distribution transformers in towns and urban areas, as this would enable the Licensee to conduct energy audit, and accounting for assessing the exact T&D losses. While no new unmetered connections shall be given hence forth, an action plan may also be formulated to meter all unmetered connections existing at present. Licensee shall send a status report and plan of action by 30.06.2020. The licensee shall also target 100% of billing every month by employing IT tools like hand held spot billing machines.

The Licensee should provide multiple options for bill payment by consumers in order to improve the collection efficiency. It is also to be ensured that disconnection of consumer is enforced for non-payment, as multiple facilities have been provided for the convenience of the consumer. All the consumer service centres at sub-division level should co-relate entire metering, billing and collections, so that errors like wrong billing etc are avoided.

**Reply:**

100% metering of all consumers is the prime target of MePDCL. New connections are all metered. MePDCL is striving to meter all the unmetered consumers.

Multiple options are made available to the consumers for bill payment. Some of the payment options to be named are through Spot Billing, Billing Counters at market areas, online payment options (Paytm, Google Pay, Amazon Pay etc.)

The consumers under EIBiS System covering approximately 3.27 lakhs consumers shall be covered under online payment solution soon.

**Commission's Review**

Smart Metering will address the issue. Licensee shall expedite action.

**10. Un Billed Consumers**

An analysis of data submitted by the licensee gives rise to the suspicion that there



are large numbers of metered consumers who have not been billed for years together. The Director Distribution shall constitute a Taskforce consisting of at least three senior officers of the level of Superintendent Engineer and above to confirm that all such consumers who have not been billed at least once in three months are identified, and to suggest systemic changes to ensure that such anomalies do not arise in future.

**This issue has been raised in state advisory committee meeting held on 12.03.2020. Licensee shall expedite action taken on this aspect and report.**

**Reply:**

At Present the unbilled consumers are mainly the consumers given connection under the SAUBHAGHYA Scheme. In this regard, meters have already been procured & the same shall be installed in the premises of all the consumers. A Task Force already been constituted.

**Commission's Review**

Action may be Expedited..

**11. Regulatory Accounts**

The Licensee shall maintain and file Regulatory accounts along with Tariff Petition and True up petition based on the Regulatory accounts as mandated in Regulation 4.2 (c) of MYT Regulations 2014.

**Reply**

Noted.

**Commission's Remarks**

Noted.

**12. Power Purchases Invoices**

Purchase invoices should be matched with the actual energy drawn. MePDCL shall ensure to file the purchase invoices with the energy details in the true-up petition.

**Reply:**

Officers dealing with the matter are instructed to maintain strict observance as directed.

**Commission's Remarks**

MePDCL shall file the data along with invoices for True up.

**13. Electric Vehicle Charging Stations**

The Licensee has proposed a Tariff for electric vehicle charging stations vide table no.16 of the petition with fixed charges and energy charges under LT commercial category and HT commercial category without projecting the number of consumers and the connected load of the services. The Commission does not find it prudent to

decide on the categorization of the proposed electric charging stations. The Licensee shall submit a status report as soon as the consumers registered their charging stations with the Distribution Company as per the IE rules and safety norms. Commission shall take suitable decision based on the status report.

### **Reply**

Status shall be furnished as and when the consumer requirement on the same is received.

### **Commission's Remarks**

Noted.

## **22. 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.

## **23. Audit Report**

The Commission has engaged CAG empanelled statutory auditor for internal auditing of the Commission Accounts and submitted the report to concerned departments, CAG and for which the final report for the FY 2020-21, is yet to be received from the CAG as on date. The latest Commission's approved audited accounts by CAG is available up to FY 2019-20 only. Therefore, the financial report as appeared in this edition is based on the CAG audited Report for FY 2019-20.

## **24. CONCLUSION**

Commission will be monitoring the action taken on the directives issued to MeECL on submission of performance reports. During the period under review, the Commission received considerable support and encouragement from the State and Central Governments, the Meghalaya Energy Corporation Ltd., the utilities under it, and from all sections of the public of Meghalaya. It is hoped 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 sustainable electricity regulatory and reform process in Meghalaya.

**(R. Keishing)**  
**Member**  
**MSERC**

**(P.W.Ingty)**  
**Chairman**  
**MSERC**

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT) MEGHALAYA, SHILLONG –**  
**793001.**

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Ltr. No.AGM-II/3-1/Accounts/MSERC/2020-21/492

Date: 18<sup>th</sup> December 2020

To,

The Secretary  
Meghalaya State Electricity Regulatory Commission (MSERC)  
Lower Lachumiere,  
Shillong – 793001.

Sub: **Separate Audit Reports of the Comptroller and Auditor General of India on the accounts of the Meghalaya State Electricity Regulatory Commission for the years ending 31 March 2020.**

Sir,

I am forwarding herewith the Separate Audit Reports of the Comptroller and Auditor General of India on the accounts of the Meghalaya State Electricity Regulatory Commission for the year ending 31 March 2019.

1. The date of placing of the Separate Audit Report and annual accounts on the table of the State Legislature may please be intimated in due course and ten copies of the Report, placed before the Legislature, may please be sent to this office for record.
2. The Separate Audit Report may please be treated as **Confidential** till it is placed before the Legislature.
3. Receipt of the letter along with the enclosures may please be acknowledged.

Yours faithfully,

Encl: As stated above

Sd/-

**Deputy Accountant General**

**AGM - II**

**SEPARATE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR  
GENERAL OF INDIA ON THE ACCOUNTS OF MEGHALAYA STATE  
ELECTRICITY REGULATORY COMMISSION (MSERC), SHILLONG FOR  
THE YEAR ENDED 31 MARCH 2020**

We have audited the attached Balance Sheet of the Meghalaya State Electricity Regulatory Commission, Shillong as at 31 March 2020, the Income and Expenditure Account and Receipt and Payment Account for the Year ended on that date under section 19(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act, 1971, read with Section 104(2) of the Electricity Act, 2003 and Rule 9 of the MSERC (Fund) Rules, 2013. These financial statements are the responsibility of the Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

2. This Separate Audit Report contains general comments of the Comptroller and Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms etc. Audit observations on financial transactions with regard to compliance with the Law, Rules and Regulations (Propriety and Regularity) and efficiency-cum-performance aspects, etc., if any, are reported through Inspection Reports/ CAG's Audit Reports separately.

3. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

4. Based on our audit, we report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of accounts and other relevant records have been maintained by the Commission as required under Rule 7(4) of the MSERC (Annual Accounts, Audit and Budget) Rules, 2013 so far as it appears from our examination of such books, subject to the observations made in subsequent paras.
- iii. We further report that:

**A. Balance Sheet**

**Provisions (Schedule A) - NIL**

**A1.** The Commission has not framed/disclosed the accounting policy relating to provisioning towards 'gratuity' and 'leave encashment' payable to employees though they have adopted the National Pension scheme (NPS). The Commission had worked out the estimated liability of ` 52.24 lakh towards 'gratuity' (` 27.73 lakh) and 'leave encashment'

(` 24.51 lakh) as on 31 March 2020 but has not made necessary provisions against these liabilities.

**B. Grants-in-aid**

**B1:** The Commission had an opening balance of Grant-in-aid of ` 32.28 lakh. During the year 2019-20, no Grant-in-aid was received from the Government. Out of the available Grants, ` 32.28 lakh had fully utilised leaving a Nil closing balance as on 31 March 2020.

**iv.** Subject to our observation in the preceding paragraphs, we report that the Balance Sheet, Income and Expenditure Account and Receipts and Payments Account dealt with by this report are in agreement with the books of accounts.

**v.** In our opinion and to the best of our information and according to the explanations given to us, and subject to the significant matter stated above the said financial statements, and other matter mentioned in **Annexure-I** to this Audit Report, give a true and fair view in conformity with accounting principles generally accepted in India:

(a) In so far as it relates to the Balance Sheet, of the 'state of affairs' of the Commission as at 31 March 2020; and

(b) In so far as it relates to Income and Expenditure Account, of the 'Deficit' (Excess of Income over Expenditure' for the year ended on that date.

**For and on behalf of the Comptroller and  
Auditor General of India**

**Sd/-**

**(Shefali Srivastava Andaleeb)  
Accountant General (Audit)**

**Place: Shillong**

**Date: 18 December 2020**

## **Annexure I to Separate Audit Report**

**1. Internal Audit System.**

The Commission does not have its own Internal Audit Wing. However, the Internal Audit for the year was outsourced to a Chartered Accountant Firm and the Scope of internal audit covered all the receipts and expenses of the Commission during the year.

**2. Adequacy of Internal Control System.**

The internal control system was found adequate in the sphere of activities relating to verification of cash transactions and reconciliation of cash balances with that of bank balances.

**3. System of Physical Verification of Fixed Assets.**

Physical Verification of Fixed Assets and Inventory has been conducted as on 31 March 2020.

**4. Regularity in payment of statutory dues.**

No instances of delay in remittance and payment of statutory dues were noticed in audit.

**Sd/-**

**Sr. Audit Officer/AMG-II**

## **Annexure I to Separate Audit Report**

### **1. Internal Audit System.**

The Commission does not have its own Internal Audit Wing. However, the Internal Audit for the year was outsourced to a Chartered Accountant Firm. The scope of internal audit covered all the expenses and receipts of the Commission during the year.

### **2. Internal Control System.**

The following observations are made on the internal controls system of the Commission:

- . The cash balances were certified by the component authority
- . Bank Reconciliation Statement has been prepared.
- . Confirmations of balances maintained in the bank account (current account and MOD accounts as well as interest accrued on MOD (as on 31 March 2019) were not obtained.

### **3. System of Physical Verification of Inventory.**

Physical Verification of fixed assets has been conducted as on 31 March 2019.

### **4. System of Physical Verification of Inventory.**

Physical Verification of Inventory has been conducted as on 31 March 2019.

### **5. Regularity in Payment of Statutory Dues.**

No instance of delay in remittance and payment of statutory dues were noticed in audit.

Sd/-

**Sr. Audit Officer  
Economic Sector - II**