

**RECORD NOTE OF THE 7th MEETING OF THE STATE ADVISORY COMMITTEE
HELD AT 11.00 AM ON 12th JANUARY, 2012 AT THE MSERC CONFERENCE
HALL AT SHILLONG.**

Present:-

- 1) Shri Anand Kumar, Chairman, Meghalaya State Electricity Regulatory Commission, Shillong.
- 2) Shri. S.K. Lato, Jowai.
- 3) Shri. Ramesh Bawri, President, Confederation of Industries, Meghalaya.
- 4) Shri. Sanjeeb Tamuli, RM representing IEX

Calling the 7th Meeting of the State Advisory Committee to order, the Chairman welcomed Mr B K Dev Varma, Additional Chief Secretary i/c Power, Government of Meghalaya as a special guest and the members of the advisory committee. He apprised the members about the tariff order that will be issued soon and expected hike in the tariff. Chairman explained about the re-engineering of tariff because of low power factor in the HT & EHT industries which now varies between 0.85 to 0.90. Chairman called upon the Hon'ble Members to participate in the deliberations and invited their suggestions. Members of the SAC raised the following issues:

1. Shri. S.K Lato

Shri S.K.Lato wanted that the performance of MeECL to be improved in terms of reducing commercial losses and also their efficiency to work.

2. Shri Ramesh Bawri

Shri Ramesh Bawri stood by his earlier submission in the 6th Advisory Committee meeting and made few observations relating to the petition that are reproduced below -

- i. A **Single Tariff Petition** has been filed by MeECL as the holding Company, whereas separate petitions ought to have been filed by MePDCL, MePGCL and MePTCL as required under the Electricity Act, 2003 ('the Act'). This would have led to a much better understanding of the workings of MeECL. It is suggested that it be made clear that, at least in future, Single Tariff Petitions will not be entertained.
- ii. It is requested that when finalizing the Tariff, all **earlier orders** passed by this Hon'ble Commission as well as the road-maps for AT&C losses is adhered to and improvement shown. At page 69, there is a big jump in the power purchase as projected in ARR. Prior

period charges should not come in the current tariff. Capitalisation of MLHEP should be properly checked before finalization of the tariff.

- iii. The periods for which depreciation on the various added assets has been claimed has not been shown but it is obvious that the additional assets were not put to user throughout the year. Regulation 57 requires that depreciation be calculated pro-rata, as per the period of operation of an asset. It further lays down that depreciation be worked out on the straight-line method. The rate of depreciation MLHEP may be crossed checked and Hon'ble Commission may kindly look into these aspects.
- v. Regulation 49 requires that the reasonableness of the quantum of **fresh capital investments** be checked by the Commission, as unjustified escalations in capital costs have a deep impact on the Interest burden and Depreciation amount which are major components of the ARR, not only of the current year but on a long-term recurring basis. Besides, unreasonable escalation leads to heavy financial outflow of capital, in itself. The Hon'ble Commission is requested to look into these aspects.
- vii. The salary bill would perhaps have been no less even if no power was purchased and sold. It is feared that the employees' **productive parameters** might not be within the nationally accepted norms.

3. Shri Sanjeeb Tamuli

Shri Sanjeeb Tamuli stood by his submission in the 6th SAC Meeting and further referred to opinion expressed by Ministry of Law & Justice on the operationalization of open Access in Power Sector.

Summing-up the discussions, Chairman requested Mr B K Dev Varma to make a closing remark in which Mr Dev Varma stated he has noted and heard from members in which some views will be taken by the department. Chairman then thanked Mr Dev Varma and all the members of the SAC for their valuable suggestions and submissions and assured that these would be kept in view, while finalizing the Tariff.

(J.B. Poon)
Secretary
MSERC