

# **BEFORE THE MAHARASHTRA ELECTRICITY REGULATORY COMMISSION**

**In the matter of**

## **The Maharashtra Electricity Regulatory Commission (Multi Year Tariff) (First Amendment) Regulations, 2022**

**Submission by Prayas (Energy Group), Pune**

19<sup>th</sup> September 2022

MERC vide its public notice dated 19<sup>th</sup> August 2022, invited comments and suggestions on the Draft Amendments to the MYT Regulations. The present submission is in response to the said notice, the draft regulation as well as the explanatory memorandum published by the Commission.

The proposed amendment specifies a threshold limit for competitive bidding for Intra-State Transmission System projects in line with Para 5.3 of the National Tariff Policy, 2016. Notification of a threshold and other conditions related to TBCB for InSTS projects (including the stipulation regarding single projects in Point.4 in Annexure IV) are necessary and the Commission's initiative in specifying the threshold is welcome. The detailed explanatory memorandum accompanying the regulations also provided much needed background and context for the amendments.

Our comments are suggestions in the regard are as below:

### **1 Revision of threshold to Rs.100 crores instead of Rs.200 crores**

The Commission has proposed stipulating the threshold at Rs.200 crores. As the Commission has highlighted in the Explanatory Memorandum, the stipulation should be based on cost profiles of past and ongoing schemes and should also take cognizance of thresholds notified by other states. In addition, the threshold should also be relevant for a wide-range of projects and cover sufficient investments to ensure efficient procurement. At the same time, the threshold should not be so low that that it does not attract competitive investments.

Five states including Haryana, Punjab, Uttrakhand, Assam and Bihar have specified thresholds at Rs. 100 crores or below.

In Table 5 of the explanatory memorandum (EM), the Commission analysed 135 completed and ongoing schemes approved by MERC based on approved costs. It would have been important to provide details of completed projects and ongoing schemes separately along with actual costs incurred for completed projects to provide a clear picture.

Nevertheless, Commission's analysis clearly shows that 72% of projects cost less than Rs. 100 crores. Specifying the threshold at Rs. 100 crores would include 28% of projects under the ambit which is significant and at the same time would exclude a large majority of smaller projects.

Conversely, if the threshold is set at the proposed Rs. 200 crore, only 9% of the projects on average would qualify. As per the EM, the STU 5-year Transmission Plan (FY 22 to FY 26) has only 9 schemes out of 412 schemes whose Capital Cost is above Rs. 200 Crore. This clearly makes a case for a lower Rs. 100 crore threshold to bring more projects in the TBCB ambit. More projects under TBCB would also mean wider participation as investors and project developers will also learn from processes and the processes itself can be refined to encourage participation and competition from a wide set of players with sufficient experience.

## 2 Applicability of threshold limit

As per Point 3 in proposed Annexure IV, the stipulated threshold limit is applicable for all new InSTS projects. However, projects for which application for in-principal approval has been submitted to the Commission are being excluded.

It is critical that competitive bidding is applicable for all projects who qualify the cost threshold, irrespective of whether application has been filed or not by the effective date of the regulations. This will limit the risk of a spate of applications before the effective date is applicable and provide a level playing field for all projects.

## 3 Need for tracking critical aspects of ongoing projects

As noted by the Commission in Table 1 of the EM and in Para 2.3 of the EM, there are significant savings from competitive bidding but it must be noted that there are many factors which determine the tariff and cost-competitiveness of transmission projects.

Thus, it is vital that critical parameters be tracked and monitored for all projects on periodic basis whether cost-plus or competitively bid. Thus, it is suggested that:

- The Commission amend its Tariff Regulations such that STU issues periodic reports (say quarterly) or status of all major projects in the state, with project details (name of project, cost outlay, whether cost plus or TBCB, date of TSA etc) as well as progress details (including scheduled/ anticipated completion date, cost overruns, approved versus actual costs by ERC). This could be modelled on the CEA update reports for ongoing and completed ISTS Transmission projects.<sup>1 2</sup>
- The Commission amend its Regulations to allow for such reporting as part of the Regulation 19 of the Maharashtra Electricity Regulatory Commission (Approval of Capital Investment Schemes) Regulations, 2022 and also mandate that such information is available in the public domain.

## 4 Consistency in treatment across regulations

To ensure smooth roll-out and reduced ambiguity, it is suggested that the recently notified Approval of Capital Investment Schemes Regulations, 2022 is referenced where relevant in the MYT regulations. Such a step as a part of this amendment process, will allow for consistent reading and interpretation of the related regulations and also allow for timely filing, planning and tracking.

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<sup>1</sup> [https://cea.nic.in/wp-content/uploads/transmission/2022/08/2022\\_08\\_CP\\_TBCB.pdf](https://cea.nic.in/wp-content/uploads/transmission/2022/08/2022_08_CP_TBCB.pdf)

<sup>2</sup> [https://cea.nic.in/wp-content/uploads/transmission/2022/08/2022\\_08\\_UC\\_TBCB.pdf](https://cea.nic.in/wp-content/uploads/transmission/2022/08/2022_08_UC_TBCB.pdf)