BEFORE THE MAHARASHTRA REGULATORY COMMISSION

Case No. 226 of 2022

Date: 15th February 2023

IN THE MATTER OF

Petition filed by Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) for Final True Up For FY 20, FY21 and FY22, Provisional True Up For FY23 and Revised Projections and Tariff For FY24 to FY25

Maharashtra State Electricity Distribution Company Ltd. **Petitioner**

Prayas (Energy Group), Pune **Participant in public process/ Applicant**

SUBMISSION BY PRAYAS (ENERGY GROUP)

1 MSEDCL Performance and Tariff increase requirement

MSEDCL has filed a petition for determination of Revised ARR Projections and Tariff for the period (FY24 to FY25). In the same filing, MSEDCL has also proposed the performance and cost true-up for FY20, FY21 and FY22 and a provisional true-up for FY23. The trends in major cost heads for the true-up and MYT years are summarised in Table 1.

Table 1:Cost projections by MSEDCL

Particulars	Unit	True-up			Provisional	Projections	
		FY20	FY21	FY22	FY23	FY24	FY25
Power purchase	Rs. Cr	58,001	52,968	65,991	69,868	71,323	73,411
Transmission expenses	Rs. Cr	8,767	9,037	9,465	9,577	9,855	10,074
Capital expenditure	Rs. Cr	5,606	5,825	6,062	5,852	5,991	6,417
Operation and Maintenance costs	Rs. Cr	7,518	7,498	7,950	7,979	8,383	8,807
Other expenses	Rs. Cr	6,112	4,294	3,844	3,360	3,886	5,881
Aggregate Revenue requirement	Rs. Cr	86004	79622	93312	96636	99438	104590

Table 1 shows that MSEDCL has projected a 4% per annum increase in its costs for the remaining period of the control period, in line with past cost increase. Power procurement expenses form about 70% of the costs followed by transmission costs accounting for 10%. Capital expenses and operation and maintenance expenses are responsible for 6% and 8% of the total regulated costs respectively.

In addition to this, MSEDCL has claimed certain costs, such as ‘Stabilisation amount (FAC Fund) as part of overall revenue requirement.

MSEDCL has claimed that revenue recovery from consumers has been inadequate to meet these costs and thus has claimed that at existing tariff, including latest (say Dec 2022) applicable FAC, the company would be left with a whopping Rs. 67,644 crores of cumulative revenue gaps. The break-up of this claim as per MSEDCL is given below in Table 2.

Table 2: Break-up of MSEDCL's claim for cumulative revenue gap

Cumulative Revenue Gap	Rs. Cr
True-up requirement for FY20	11,516
True-up requirement for FY21	5,932
True-up requirement for FY22	8,151
Provisional true-up requirement for FY23	548
Projected revenue gap for FY24	13939
Projected revenue gap for FY25	18576
Impact of review order in Case No. 322 of 2019	247
Carrying cost for previous gaps	8734
Total	67,644

To address this, MSEDCL has sought a tariff increase of 14% for FY24 and a further increase of 11% for FY25 in this tariff petition. With this increase, MSEDCL would have among the highest tariffs in India for majority of the consumer categories in the state.

MSEDCL has been facing severe financial challenges in the recent past. The outstanding accumulated losses for FY21 was reported as Rs. 24,745 crores and its borrowing to meet working capital requirement was at Rs. 19,487 crores for FY22. While we recognize the financial distress of the utility, it must also be noted that several of MSEDCL's claims in the petition are unfounded and had resulted in a substantial and unnecessary rise in revenue requirement for the control period. These claims need to be disallowed and are discussed below:

2 Treatment of Claim 1: Stabilisation amount as per MYT order is over and above aggregate revenue requirement

MSEDCL has added "Stabilisation amount as per MYT order" to the revenue requirement as summarized in Table 3.

Table 3: Year-wise Break-up of claimed Stabilisation amount of Rs. 20,054 Cr.

Particulars	Unit	FY21	FY22	FY23	FY24	FY25
Stabilisation amount as per MYT order claimed by MSEDCL	Rs. Crore	755	2,679	4,018	5,585	7,017

The claimed amount is unfounded as no such "stabilization amount" was established in Case. No 322 of 2019. **MSEDCL has not provided any explanation or methodology or regulatory provision for this claim.** As shown in Annexure Table 1, this stabilization amount seems to be the shortfall in revenue from sale of power compared to MERC projections in Case 322 of 2019. While computing claimed revenue gap, the revenue requirement and revenue from tariffs is considered at actuals. Hence this 'stabilization amount/fund' is devoid of any regulatory approval and appears to be double counting of revenue shortfall.

An FAC fund was established in Case 322 of 2019 to 'ensure stabilisation of tariffs to the extent possible'. It was intended to increase transparency and manage variations in tariffs due to changes in levy of fuel adjustment charges (FAC) across months. The fund is also limited to 20% of the monthly tariff revenue and thus in MSEDCL's case cannot exceed Rs. 1500 crore. Also, in case there is an inadequate amount in the FAC Fund, then MSEDCL can build the same as part of FAC with prior approval of MERC. The Commission's stipulation in Case 322 of 2019 and MYT Regulations, 2019 clearly required the status of this fund (addition and utilization) should be uploaded on MSEDCL website on monthly basis. Since August 2022, the status of the fund has not been reported on MSEDCL's website in compliance with MERC regulations.

Hence the Commission should disallow this unnecessarily inflated claim of Rs. 20,054 crores revenue requirement in the name of 'stabilisation amount' from FY21 to FY25 from consumers.

3 Treatment of Claim 2: Inflated Agricultural demand estimation not in accordance with MERC approved methodology

The Commission had undertaken a detailed, rigourous process for estimation of agricultural demand in Case No. 322 of 2019 based on the recommendations of the study conducted by the Working Group for Agricultural Consumption set up by the Commission. MERC had constituted this working group as MSEDCL had repeatedly failed to submit an independent study of AG consumption estimation. On the basis of a survey of 1.33 lakh farmers and using AMR/AMI data from 502 feeders the working group had reassessed agricultural consumption for FY19. Based on this, MERC restated AG consumption and found it to be much lower than the claim of MSEDCL. This resulted in MSEDCL's distribution losses to be over 20% against MSEDCL claim of less than 14%. MERC in the said order in case 322 of 2019 also directed MSEDCL submit a detailed roadmap and action plan by May 2020 for undertaking the following activities:

- Ensuring availability of (month-wise/time-slot-wise) feeder metering (AMR/MRI) for feeders (>95% time-slot data).
- Addressing the difficulty in feeder metering (AMR/MRI) and minimising assessment of feeder meter data (month-wise/time-slot wise) due to CT/PT errors, mapping errors, communication error etc. (<5% time-slot data)
- Web-publishing of Feeder-wise AMR/MRI data in timely manner (By 7th of month for previous month).
- Metering the DTC (AMR), to start with the DTC on all the 502 feeders which were taken up for survey. Web-publishing of Feeder wise DTC wise AMR data in timely manner (By 7th of month for previous month)
- Feeder-wise mapping of consumers (AG and Non-AG) and indexing/geo-tagging of consumer data to DTC and feeder and regularly updating (not later than one month) it in case of shifting of load from one DTC/feeder to another.
- Compiling/updating Feeder profile information and undertaking technical loss assessment of Feeder based on feeder length, no. of DTCs and its distribution across feeder, current loading pattern, LT circuit distribution and number of pumpsets/connected load
- Updating Master records of AG consumers for Addition/Deletion of consumer based on field validation (before MTR and end of Control Period)
- Updating Master records of Connected Load of AG consumers for Addition/Deletion of Connected Load based on field validation (before MTR and end of Control Period)

As per the Action Plan submitted to the Commission almost a year later in letter dated 09.02.2021, many of these crucial aspects were not addressed adequately.

MERC also clearly stipulated in Case 322 of 2019 that :

'The Commission would undertake a detailed review of the operationalisation of Feeder Input based methodology of determination of AG Sales at the time of MTR, as per roadmap and action plan put in place by MSEDCL. The outcome of results and methodology finalised through this exercise shall form the basis for approval of AG sales from FY2019-20 onwards, during truing up exercise to be carried out at time of MTR.'

The demand estimation in this petition by MSEDCL is not conducted based on the methodology approved and adopted by MERC in case no 322 of 2019.MSEDCL claims that it has challenged the revision in agricultural sales estimation approved in Case No. 322 of 2019 and Case No. 84 of 2020 before the Appellate Tribunal in Appeal No. 65 of 2022. The Commission's order in Case No. 322 of 2019 is still operative and has not been stayed as part of any judicial process.

For the Control Period, MSEDCL has claimed that agricultural demand is on average 24% higher than MERC approved numbers in Case No. 322 of 2019. For the control period, this implies inflated AG consumption claim of 39,426 MUs. This claim should be disallowed by the Commission as it is not based on Commission approved methodology which as per MERC directions should be adopted by MSEDCL. Such a claim seeks to pass on entire cost of inefficiency of high technical and commercial (poor metering, theft etc.) losses to consumers.

As shown in Annexure table 2, assuming 50% of this inflated AG consumption claim is due to high technical losses and 50% is due to commercial losses, cost of this inefficiency for consumers would be Rs. 23,636 Cr.

Hence, in line with MERC directions in this regard, this excessive AG consumption claim of MSEDCL needs to be disallowed and the projected cumulative revenue gap of MSEDCL needs to be reduced by Rs. 23,636 Cr.

4 Treatment of Claim 3: Increase in power purchase cost to be recovered through FAC after post-facto prudence check

There is a significant increase in power purchase cost, especially from MSGENCO and IPPs. MERC has instituted a well-defined and well-designed mechanism to pass on prudent increase in fuel and power purchase cost to consumers in a timely manner. In fact, a significant fuel adjustment charge of Rs. 0.76 / unit has been levied in FY23 on average to account for an increase in fuel and power purchase cost.

Increase in fuel and power purchase cost of MSEDCL is mainly on account of increased coal cost, including requirement to use imported coal to meet domestic coal shortfall and to pass on 'change of law' related costs.

MSEDCL has stated that the Ministry of Power in its letter dated 09.01.2023 has directed all Central and State Generating Companies and IPPs to mandatorily blend 6% (by weight) imported coal up to September 2023. This directive is bound to have significant cost impact on all MSEDCL consumers. IPPs such has Sai Wardha, EMCO have already stated such blending would increase their variable cost by about Rs. 0.30 per unit. MSEDCL's has captured the likely impact of change in law due to coal shortfall for IPPs in Annexure Query 24 submitted as Set 2 of replies to data gaps as part of this petition. This has been reproduced below in Table 4.

Table 4: Change in law cost impact on MSEDCL due to coal shortfall for IPPs

Contracted IPP capacity	Change in Law impact due to coal shortfall (Rs./ unit)		
	FY23	FY24	FY25
Adani Power Maharashtra Limited (1320 MW)	2.16	2.24	2.33
Adani Power Maharashtra Limited (1200 MW)	2.04	2.12	2.20
Adani Power Maharashtra Limited (125 MW)	2.04	2.12	2.20
Adani Power Maharashtra Limited (440 MW)	2.04	2.12	2.20
Rattan India Private Limited (450 MW)	0.37	0.38	0.39
Rattan India Private Limited (750 MW)	0.37	0.38	0.39
GMR Warora	0.37	0.38	0.40
Sai Wardha Power Generation Limited	0.32	0.34	0.35

The Ministry of Power had also issued similar directives in MoP letters dated 20.10.2021, 7.12.2021, 28.04.2022 and 26.05.2022 which contributed to a steep rise of 25% in the average power purchase rate in FY22 from contracted coal capacity of MSEDCL.

As per MSEDCL's demand projections, much of the contracted capacity would be under-utilised (especially the IPPs and MSEPGCL capacity) during the control period. It is quite likely that measures could be undertaken to avoid imported coal procurement. This includes increased contractual accountability of CIL, tracking based on fuel utilisation plans, procurement via e-auction route etc. It is also likely that with the implementation of late payment surcharge rules, timely payment to generators would translate to timely payment to coal suppliers and contribute to better management of fuel supply. However, allowing such cost increase prima facie would not incentivize generating companies to undertake such proactive measures. Also, the power purchase cost would undergo change due to changes in demand, actual cost and quantity of imported coal, the impact of merit order dispatch as per MERC regulation, reduction in IPP variable cost after accounting for one time impact of accumulated change in law burden etc. The fuel cost adjustment mechanism as stipulated in the Multi Year Tariff regulations has been instituted precisely to address this kind of uncertainty in power purchase cost.

Hence, a prudent approach to address the increase in power purchase cost is to allow any pass through as part of FAC and not make it a part of base tariff under MYT regime. If increase in PP is included as part of basic tariff, then it will defeat the basis objective of MYT.

As shown in Annexure table 3, a claimed increase in revenue gap only due to increase in power purchase cost of MSEDCL and IPPs for ensuing two years (FY 24 and FY 25) is Rs. 13,585 Cr. After adjusting for reduced power purchase to account for inflated agricultural consumption estimation, the increase in MSPGCL and IPP power purchase cost is Rs. 12,120 Cr. over two years. This needs to be passed on to consumers only through FAC mechanism, on actuals and after prudent check. Hence, MSEDCL's claimed revenue gap should be reduced by Rs. 12,120 Cr. on account of this one factor alone.

5 Treatment of Claim 4: Carrying cost needs to be disallowed due reduction in claimed revenue gap

With the disallowance of the Stabilisation Fund, and impact of additional agricultural sales and need to recover any increase in power procurement costs through FAC in coming two years, MSEDCL's overall revenue gap reduces by over 80%. **Hence, as most of MSEDCL's revenue gap is not justified, it's claim of carrying cost on revenue gaps needs to be rejected. This will further reduce the claimed revenue gap by Rs. 8,734 Cr.**

6 Combined effect of reduction in revenue requirement on Tariff increase required by MSEDCL

Table 5 summaries the combined impact of above four parameters on overall revenue gap, and hence tariff increase demanded by MSEDCL.

Table 5: Required reduction in claimed revenue gap

	Parameter / Details	Rs. Cr.
1	Claimed Revenue Gap / Requested Tariff Increase	67,644.0
2	Required reduction in claimed Revenue Gap	
3	Unjustified claim of 'Stabilisation amount'	20,054
4	Disallowance of excess AG consumption claim	23,636
5	Increase in power purchase cost of coming two years to be recovered through FAC on actuals after prudence check	12,120
6	Disallowance of carrying cost	8,734
7	Total reduction in revenue gap	64,544
8	Balance revenue gap	3,100
9	Balanced Revenue Gap as % of revenue in FY 24 and FY 25	1.7%

Thus, tariff increase beyond the existing Average Billing Rate (ABR) along with FAC is not required for MSEDCL. Any further revenue gap in the coming two years should be met with changes in FAC based on actual fuel and power purchase cost increase with due prudence check and any balance gap can be assessed at the end of current control period, as at this juncture, as shown in the above table it is expected to be marginal.

MERC was the first Commission in India which fixed tariffs for the 5 year period in Case No. 322 of 2019. This brought clarity and certainty to consumers while also providing clear signals to MSEDCL to improve performance. This approach should be continued in this mid-term review petition wherein no change in base tariff should be allowed. Any increase in costs beyond this base tariff set in order 322 of 2019 should be recovered only through FAC mechanism and as may be allowed under FAC regulations. No additional tariff increase is warranted up to the end of current control period.

Any increment beyond that would reduce consumer and investor confidence, reduce MSEDCL performance accountability and be burden on consumers who are already paying among the highest tariffs in India.

In addition to this submission on MSEDCL's major claims, there are submissions on particular aspects related to tariff design and performance accountability of MSEDCL which are detailed below:

7 Detailed scrutiny of Power Purchase

Not only is power purchase 70% of total costs, the rate of power procurement has seen a sharp increase in the recent past, growing at an average rate of 5% during the control period. Some specific aspects need to be deliberated in detail as part of these proceedings. These include:

Provision of clarity for competitively bid projects to mitigate disputes

In replies to data gaps, MSEDCL has listed several areas where there are ongoing disputes with IPPs on contractual issues which could potentially have huge cost impact. The disputed amounts some of which are sub-judice would be recovered subsequently. However, on some crucial matters such as estimation of coal cost, IPPs seem to be not adhering to methodologies and frameworks set up by the Commission which is resulting in undue increase in MSEDCLs bills. Some of these include:

- Normative accounting of IPT coal instead of on actuals in Compliance with Commission's directions by Adani Tiroda which results in claiming of IPT coal costs even when there was no generation and reporting of imported coal when evidence of its use is not submitted and use of normative transport costs rather than actuals.
- Non compliance with Commissions and APTEL's directions regarding treatment of SHR and GCV

The Commissions should address these issues, provide clarity and disallow such costs to ensure speedy resolution for MSEDCL and reduce carrying cost impact on consumers

Accountability for RPO non-compliance

MSEDCL is reporting substantial RPO shortfall as compared to the approved for FY20, FY21 and FY22 as shown in the Table 1.

The cost of incremental RE purchase was reported at less than Rs. 3/unit by MSEDCL for FY20. Thus, there is significant potential for accelerated RE procurement to reduce the cost of supply of the DISCOM and an imperative for MSEDCL to meet its RPO target of 25% of consumption by the end of the control period.

While RE procurement is rapidly rising, as the table shows, MSEDCL is still unable to meet about 20% of its RPO target each year and is also projecting to not meet its target in the future. MERC has given RPO compliance relaxation and cumulative compliance order several times without penalties and - the result is the same after over a decade of experience.

Further, RPO compliance orders are also not issued in a timely manner. In fact, orders for FY21 and FY22 are not finalised by the Commission even though true-up processes are being conducted for the year.

Given the requirement to accelerate RE deployment, reduce system cost, it is vital that MERC hold MSEDCL accountable for RE procurement to meet RPO.

Table 6: Actual and anticipated RPO shortfall as submitted by MSEDCL

Year	Quantum	Unit	Solar	Non-Solar	Total	% shortfall
Prior to FY20	Cumulative shortfall till FY20 approved by MERC for carry forward	MU	4321	6,115	10,436	
FY20	Target	MU	4,469	14,683	19,152	27%
	Achieved	MU	3,616	10,453	14,069	
	Shortfall (+)/Surplus (-)	MU	853	4,230	5,083	
FY21	Target	MU	5,555	14,196	19,751	17%
	Achieved	MU	5,673	10,769	16,442	
	Shortfall (+)/Surplus (-)	MU	-118	3,427	3,309	
FY22	Target	MU	8,164	15,648	23,812	19%
	Achieved	MU	7,184	12,186	19,370	
	Shortfall (+)/Surplus (-)	MU	980	3,462	4,442	
FY23	Target	MU	11,508	16,542	28,050	29%
	Achieved (estimate)	MU	7,696	12,236	19,932	
	Shortfall (+)/Surplus (-)	MU	3,812	4,306	**8,118**	
FY24	Target	MU	15,383	16,848	32,231	17%
	Projections for achievement	MU	13,325	13,482	26,807	
	Shortfall (+)/Surplus (-)	MU	2,058	3,366	**5,424**	
FY25	Target	MU	20,163	17,176	37,339	20%
	Projections for achievement	MU	16,426	13,267	29,693	
	Shortfall (+)/Surplus (-)	MU	3,737	3,909	**7,646**	
Control Period	Expected cumulative shortfall	MU	15,643	28,815	44,458	

Tracking of Pipeline capacity

As per MSPGCL's annual report for FY21, the Government of Maharashtra issued a letter dated 17.06.2020 conveying that no thermal power plant shall be proposed in next five years. It is unclear if this letter only pertains to MSPGCL building capacity or also to MSEDCL contracting capacity. Given its impact on consumer tariffs and costs going forward, and potential of stranded assets in a decade or so it would be important if clarity on this front is provided in the tariff order itself.

8 Change in sales mix

Sales mix for FY20

MSEDCL has claimed a substantial deviation in actual revenue from retail tariffs as compared to Commission approved figures in FY20. This deviation contributes to more than half the revenue gap claimed by MSEDCL in that year. The drop in revenue is particularly stark in Industrial and Residential categories. However, the rationale provided for such reduction is not very clear, especially as the reduction in sales is not commensurate to the reduction in revenue. MSEDCL as part of the data gaps has claimed that drop is in part attributable to average billing and reduction in sales during the COVID-19 lockdown. However, the lockdown would have affected only 10 days in the year FY20 and such a stark reduction in revenue seems unjustified. Considering the fact that Order in Case 322 of 2019 was issued in March 2020, this claim of MSEDCL's should be scrutinized in detail by the Commission.

Estimation of future sales migration and its impact on revenue, sales mix

With options such as group captive being more competitive, feasible and with support from enabling policy frameworks, the next couple of years would likely see a stark increase in open access use and a reduction in DISCOM sales. While MSEDCL's projections capture important aspects such as projecting power procurement costs based on MoD, realistic/scenario based projections of sales migration is absent. It is suggested that the Commission's order factor reasonable estimates for migration based on potential savings in tariffs from sales migration and the advent of enabling frameworks and business models which will accelerate the shift. Such an estimation would provide a reasonable estimate of revenue recovery potential and mitigate carrying cost requirement in the future.

9 Green Open access rules implementation

As per MSEDCL's estimates about 45% of the open access sales in MSEDCL's area of supply would be RE based by FY25. This is a substantial shift and would bring into focus frameworks such as RE banking and the provision of concessions on open access charges for RE based use. MERC Open access regulations, 2016 as well as the Green Open Access Rules, 2022 will provide the framework for consumers to choose their own supplier. However, without clarity provided in the regulations in the light of the recent policy change especially on critical matters such as:

- Whether eligibility limit for green open access in the state is 100 kW as per the Rules or 1 MW as per the 2019 regulations
- Concessions open access charges will be provided for green open access as per provisions in the rules or would MERC maintain its stance that REOA does not require concessions and can stand on its own economic proposition
- Applicable framework, duration and charge for RE banking
- Process for application given that there is a state level portal and the green open access rules specifies a centralised portal

Without such clarity, consumers would not be able to exercise their choice and would face several implementation and procedural hurdles. Investors would also be wary given the lack of clarity and therefore certainty in frameworks and charges. For many consumers, the right to choose one's supplier as allowed in the Electricity Act is imperative. If long term migration is encouraged it would also enable MSEDCL to plan better and taken critical steps early on to increase its operational efficiency.

10 Accountability for capital expenditure

MSEDCL has mentioned that the utility has submitted its action plan under RDSS which was approved in August 2022. Substantial investments are planned under the scheme which will affect consumer cost, quality of supply and measures to improve performance accountability of MSEDCL. However, details of the planned works (on a circle-wise basis), year-wise roll-out plan, cost estimates, conditionalities and targets committed to under the scheme have not been reported. MERC should direct MSEDCL to provide critical details of the scheme on a quarterly basis.

In addition to enable scrutiny of capital expenditure, MSEDCL should provide details of cost overruns (not just reporting instances of slippages) and zone/ circle-wise details of planned works. As per MERC's Approval of Capital Investment Scheme Regulations, 2022, the utility is to submit DPR schemes for in-principal approval on a quarterly basis. It would be critical to know if any such approvals have been provided. In MSEDCL's case, such DPR approvals should take place through a public consultation process.

11 Restructuring Time of day tariffs

MERC commissioned and published a study report on implementation of time of day tariffs in November 2022. MSEDCL has not commented on the report or its findings. The report clearly iterates that seasonal variation in time of day tariffs, incentivizing day time consumption and increasing the ambit of ToD to consumers with connected load > 10 kW is both feasible and desirable. Our comments on specific aspects are listed below:

Seasonal tariffs: The decision on slots and change in tariffs on a seasonal basis should not be based on present demand supply situation but also based on future projections for demand supply changes as time would be required for consumers to shift load and change behaviors based on tariff signals. In this context, higher penalties during summer months and higher off-peak rebates during high wind seasons would reduce system cost and aid RE integration.

Provision of day-time rebate: We strongly support the provision of day time rebates to incentivise consumption during solar hours. In fact, Maharashtra would be the first state to provide such a strong incentive.

Time-bound mandatory levy of ToD on 10 kW and above consumers: MSEDCL in its replies to data gaps has mentioned that all consumers with 3 phase meters have ToD capabilities. ToD tariffs can be applicable on all consumers with 3 phase meters with the notification of the order. Further, the study report states that MSEDCL has meters where with offline modifications, ToD features are programmable for 5 to 8 tariff registers. This can be accomplished in 3 to 6 months. Therefore, for all single phase consumers with load >10 kW, ToD can be mandatory from FY25 which provided MSEDCL with enough lead time to ensure meters are capable of this shift.

We welcome the Commissions initiative to undertake this change and hope this will enable effective RE integration, system cost reduction and improved supply quality for consumers.

12 Retail annual consumption limit for BPL tariffs

MSEDCL, has proposed to change the threshold for BPL consumption from 360 units a year to 30 units a month. The annual limit for BPL consumption was a progressive move protecting many poor consumers from tariff shock and ensuring they have access to concessional tariffs. Removing such tariff protection in the face of rising costs is unwarranted. MERC has been a pioneer in such a measure and there are very few states in India that retain such pro-poor measures in their tariff design. It is hoped that this measure continues as the benefits to small consumers far outweigh the limited cross subsidy burden.

13 Levy of sales migration charges

MSEDCL has used the formula prescribed in the National Tariff Policy, 2016 to arrive at the applicable cross-subsidy surcharge (CSS). Similar to its approach in petition for Case No. 195 of 2017 and Case No.

322 of 2019, MSEDCL has not levied the ceiling of 20% of the applicable tariff which is also prescribed in the tariff policy. Without the ceiling that CSS for most categories is prohibitive. MERC dismissed such claims in the past and should continue to do so.

Similarly, there are questions around methodology used for determination of additional surcharge and the rationale for the levy when open access quantum itself reduces due to applicability of levy.

In order to provide certainty of CSS and Additional Surcharge to consumers and to ensure incentives to increase efficiency for the DISCOM, it is proposed that the

- CSS and AS together should be fixed in nominal terms at Rs. 2.5/unit for FY24 which can be fixed for a 5 year duration.
- Alternatively, a progressively reducing trajectory for CSS and AS together can be defined for the 3 to 5 years

14 Review of performance of Franchisees

As per Commissions directive in Case No. 322 of 2019, MSEDCL was to report the following on an annual basis, for the franchisees operating in its area of supply:

- Category-wise number of consumers, energy input, energy billed, revenue billed and collection efficiency
- Loss reduction trajectory as per the franchisee agreement and its actual performance
- Annual capitalisation by the franchisee versus target
- Quarterly report on pending dues from franchisees
- Standards of Performance reporting as per MERC SoP Regulations and Section 59 (2) of the Electricity Act, 2003 for the franchisee area

In its compliance to directives, MSEDCL has reported that this information is available on its website. However, the details submitted are limited:

- Input, sale and distribution loss is reported but consumer category-wise details are not provided.
- Loss reduction trajectory as per the franchisee agreement and its actual performance is not reported on an annual basis
- Annual capitalisation by the franchisee versus target is not reported
- Pending franchisee dues are not reported
- No SoP compliance reports are provided.

As several new franchisees are appointed by MSEDCL and given MSEDCL's chequered history with franchisees, it is important that such crucial performance indicators and publicly reported and tracked.

15 Review of supply and service quality

MERC must undertake detailed review of supply reliability and quality of service provided by MSEDCL

As pointed out by several stakeholders, electricity tariffs in Maharashtra are one of the highest. There may be several reasons for the same, but consumers paying such high tariffs certainly have a legitimate expectation that service quality and reliability should be good. Reliability and quality of supply is also important part of MERC's regulatory responsibility. Hence, we urge the commission to undertake an independent study to assess the reliability of supply and quality of service of MSEDCL. MERC should hold separate public processes on these important aspects of consumer concerns.

16 MSEDCL's finances

Under advice of the MERC, the Government of Maharashtra had constituted a Committee to study MSEDCL finances. The report of the Committee and its recommendations are pertinent to this ongoing process as MSEDCL has claimed financial distress and has sought increase in tariffs on that basis. Many of MSEDCLs concerns need to be addressed through medium-term and long term concerted action with the involvement of GoM and MERC. Therefore, the status of the committee process and report of the committee, if any should be submitted by MSEDCL as part of these proceedings.

17 Impact of Late Payment Surcharge Rules,2022 on MSEDCL

Timely payment of dues has to be ensured by MSEDCL in compliance with Late Payment Surcharge Rules. As per submissions by MSEDCL other that amounts where there are disputes, payments to IPPs, Transmission Utilities and NTPC has mostly been timely but MSEDCL has not exercised payment discipline when it comes to MSPGCL. In fact, the average delay for FY21 and FY22 has been about 154 days. MSEDCL's plan for payment of pending dues, especially to MSPGCL should be shared with the Commission along with action plan to manage impact on working capital borrowing.

18 Prayers

We request the Commission to:

a. Take this submission on record
b. Allow Prayas (Energy Group) to participate in the public hearing process where we wish to speak and raise some of these matters and related issues
c. Permit Prayas to make additional submissions and file rejoinders as part of these proceedings
d. Re-instate Technical Validation Sessions with participation of consumer representatives to avoid unnecessary panic among consumers and adverse opinions on MSEDCL tariffs and related processes.
e. Provide appropriate relief to consumers based on our submission in the above paragraphs.

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Annexure tables

Annexure Table 1: Break-up of claimed Stabilisation amount as per MYT order

Estimation of stabilisation amount as per MYT order	Unit	Formula	FY21	FY22	FY23	FY24	FY25
ARR approved by MERC in 322 of 2019	Rs. Cr	A	80,163	81,721	84,021	86,298	88,910
Revenue at existing tariff in 322 of 2019	Rs. Cr	B	85,021	88,667	92,479	96,504	1,00,738
Approved revenue gap in 322 of 2019	Rs. Cr	C=A-B	-4,858	-6,946	-8,458	-10,206	-11,828
Projected revenue by MSEDCL in this petition	Rs. Cr	D	80,918	84,400	88,039	91,883	95,927
Revised revenue gap based on MSEDCL projected revenue	Rs. Cr	E=D-B	-4,103	-4,267	-4,440	-4,621	-4,811
Difference in approved revenue gap and revised revenue gap	Rs. Cr	F=E-C	755	2,679	4,018	5,585	7,017
Stabilisation amount as per MYT order claimed by MSEDCL	Rs. Cr	F	**755**	**2,679**	**4,018**	**5,585**	**7,017**
ARR claimed by MSEDCL in this petition	Rs. Cr	G	79622	93312	96636	99438	104590
Total ARR including stabilisation amount as per MYT order	Rs. Cr	H=G+F	80,377	95,991	1,00,654	1,05,023	1,11,607
Revenue from tariff and non-tariff sources	Rs. Cr	I	74,444	87,840	1,00,106	91,083	93,031
Revenue gap claimed by MSEDCL with clear double counting	Rs. Cr	J=H-I	5,932	8,151	548	13,939	18,576
Actual revenue gap without stabilisation amount	Rs. Cr	K=G-I	**5177**	**5472**	**-3470**	**8354**	**11559**

Annexure Table 2: Impact of disallowance of excess AG consumption claim

Particulars	Unit	
Excess AG consumption claimed from FY 20 to FY 25	MUs	39,426
Average APPC	Rs./ unit	3.8
Excess PP cost (assuming 5% T losses)	Rs. Cr.	15731
Average ABR of Non-AG Sales	Rs./ Unit	8
Lost revenue	Rs. Cr.	31,541
Assuming 50% technical loss (reduction in PP) and 50% commercial loss (i.e. lost revenue)	Rs./ Cr.	23636

Annexure Table 3: Increase in power purchase cost due to claimed / projected increase in MSPGCL and IPP power purchase cost

Particulars	**Unit**	**FY 24 Approved**	**FY 24 Estimated**	**Increase**	**FY 25 Approved**	**FY 25 Estimated**	**Increase**
Average power purchase rate for MSPGCL	Rs. / Unit	4.32	4.76	0.44	4.38	4.86	0.48
Average power purchase rate for IPPs	Rs./ Unit	4.11	5.47	1.36	4.17	5.62	1.45
Power procurement projections for MSPGCL	MU PP		62325			65655	
Power procurement projections for IPPs	MU PP		29108			25744	
Increase in PP Cost due to increase in MSPGCL and IPP cost							
		Unit	**FY 24**			**FY 25**	
Average increase in cost due to increase in rate for MSPGCL Rs.Cr.		Rs.Cr.	2742			3151	
Average increase in cost due to increase in rate for IPP Rs.Cr.		Rs.Cr.	3959			3733	
Total increase in power purchase cost due to increase in rate Rs. Cr.		Rs. Cr.	**13585**				
Total MUs from MSGENCO and IPPs in 2 yrs.		MU	1,82,832				
AG disallowed MUs in these 2 yrs.		MU	19,717				
AG disallowed units as % of MSPGCL and IPP projected units		%	0.11				
Increase in PP net of AG PP disallowance		Rs.Cr.	12,120				