BEFORE THE MAHARASHTRA ELECTRICITY REGULATORY COMMISSION

Case No. 210 and 211 of 2024

Date: 10th February 2025

IN THE MATTER OF

Petition filed by Tata Power Company Ltd – Distribution for Multi-Year Tariff (MYT) Petition for Truing Up of FY 2022-23 and FY 2023-24, Provisional Truing Up for FY 2024-25 and approval of ARR and Tariff for FY 2025-26 to FY 2029-30

Petition filed by Adani Electricity Mumbai Ltd - Distribution Business for Multi-Year Tariff (MYT) Petition for Truing Up of FY 2022-23 and FY 2023-24, Provisional Truing Up for FY 2024-25 and approval of ARR and Tariff for FY 2025-26 to FY 2029-30

Tata Power Company Ltd - Distribution Business	Petitioners (in Case No. 210 of 2024)
Adani Electricity Mumbai Ltd - Distribution Business	Petitioners (in Case No. 211 of 2024)
Prayas (Energy Group), Pune	Participant in Public process / Applicant

Submission made by Prayas (Energy Group)

This submission has been made with reference to the Public Notice dated 18 January 2025 published by TPC-D and AEML inviting suggestions and comments from the public on the Multi-Year Tariff petition filed by the respective distribution licensees for Truing Up of FY 2022-23 and FY 2023-24, Provisional Truing Up for FY 2024-25 and approval of ARR and Tariff for FY 2025-26 to FY 2029-30.

We note that the MYT process is crucial for the consumers as it sets the electricity tariff for the next 5 years till 2030. Given the unique context and history of parallel distribution licensees in Mumbai, and the recent MERC MYT Regulations 2024 which specifies a methodology for implementation of a ceiling tariff for multiple licensees providing services in a common area of supply, the introduction of ceiling tariffs would be beneficial to consumers in Mumbai.

Introduction of a Ceiling tariff in Mumbai

As per the Explanatory Memorandum to the draft MERC MYT Regulations, the rationale for ceiling tariffs was to

- *Encourage competition in the Retail Supply Business,*
- *Optimise the Power Purchase portfolio of the Licensee,*
- *Enable fair consumer choice for the choice of the Retail Supply Licensee.*[1]

As detailed in this submission, the characteristics of the Mumbai power sector will enable these objectives being met with the introduction of ceiling tariffs. The area of supply is contiguous and comparable unlike MSEDCL. The two licensees are operating in the same area of supply for decades and there are already processes and plans for network roll-out. As there is significant differences in wheeling charges and tariffs, a ceiling tariff situation where there is Uniform Demand and Wheeling charges and determination of ceiling for energy charges would benefit consumers considerably.

In the final regulations notified, the Commission also specifies the various factors or indicators in which the ceiling tariff can be invoked including:

(a) Difference between Average Cost of Supply for Retail Supply Business of such licensees is favourable for the introduction of the Ceiling Tariff,

(b) Introduction of Ceiling Tariff shall be beneficial in the long-term interest of retail consumers in the specified geographic area of supply, and

(c) Any other condition as deemed necessary by the Commission upon undertaking consultation process.[2]

The EM of the final regulations further elaborates that the marginal difference between the Retail Supply ACoS of the distribution licensees should be in the range of Rs. 0 to 1.00 / unit.[3]

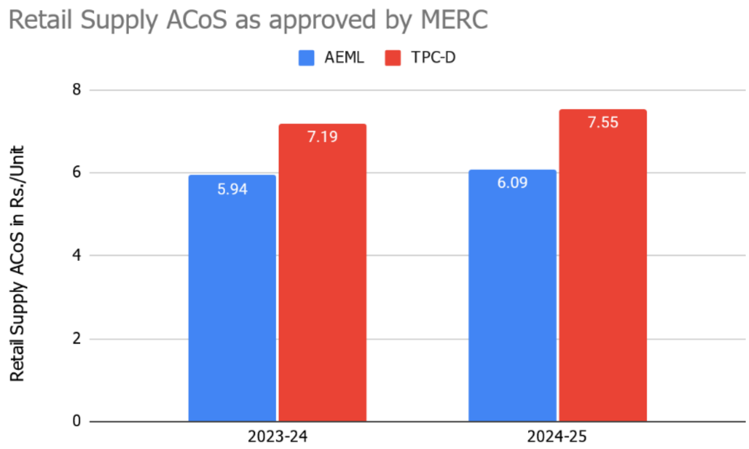
Based on the Commission's orders dated 31 March 2023 for AEML (Case No. 231 of 2022) and TPC-D (Case No. 225 of 2022), we can see that the difference between the Retail Supply ACoS is not more than Rs. 1.00 /unit (Figure 1)

Figure 1: Retail Supply ACOS of AEML-D and TPC-D

[1] Section 8.10.3 of the Explanatory Memorandum to the MERC MYT Regulations 2024, available here: https://merc.gov.in/wp-content/uploads/2024/03/EM_Draft-MERC-MYT-Regulations-2024.pdf

[2] Regulation 114.2 of the MERC MYT Regulations 2024

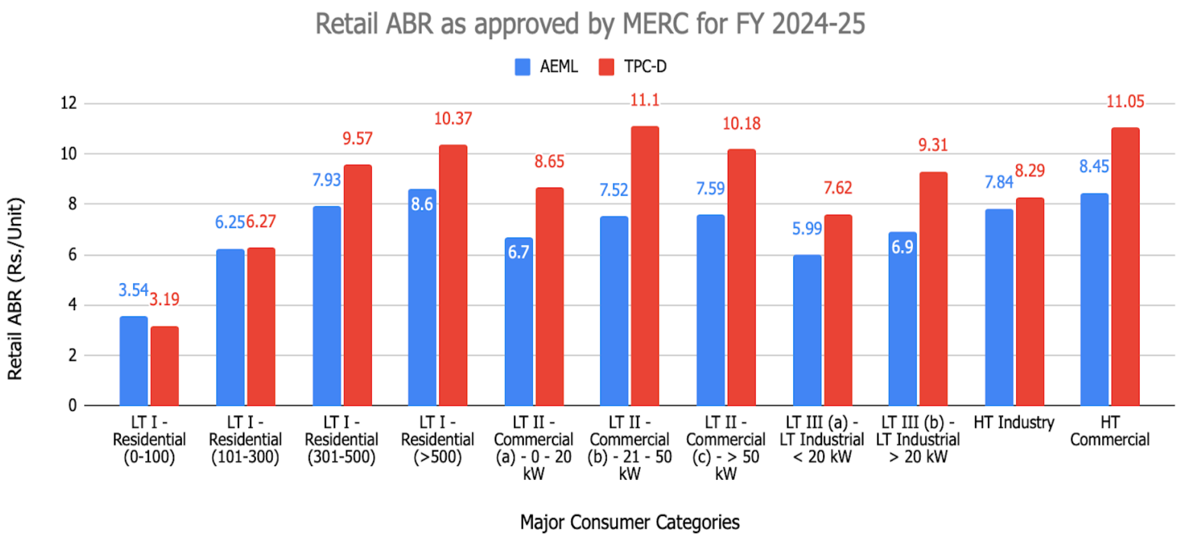
[3] Section 8.10.5 and 8.10.18 of the Explanatory Memorandum to the MERC MYT Regulations 2024, available here: https://merc.gov.in/wp-content/uploads/2024/03/EM_Draft-MERC-MYT-Regulations-2024.pdf



Source: MERC Order in Case No. 225 of 2022 (for TPC-D) and MERC Order in Case No. 231 of 2022 (for AEML)

Furthermore, it can be seen that despite the difference between the Retail Supply ACoS < Rs. 1.00/unit, there is a significant difference in the retail supply ABRs for the major consumer categories.[4] As shown in Figure 3, there is a 20% different in commercial and residential supply tariffs and a 6 to 10% difference in industrial supply tariffs.

Figure 2: Retail Supply ABRs of AEML-D and TPC-D for FY25



Source: MERC Order in Case No. 225 of 2022 (for TPC-D) and MERC Order in Case No. 231 of 2022 (for AEML)
Note: Retail ABR calculated as Approved ABR - Wheeling Charges

[4] LT Categories constitute 55% of the sales and [ ] % of the total revenue for TPC-D.
HT Categories constitute [ ]% of the sales and [ ] % of the total revenue for AEML and TPC-D respectively

Thus, in the case of Mumbai, ceiling tariffs are desirable as it:

- Provides a wide array of consumers with more choice: As can be seen from Figure 2, there is a significant difference in the Retail ABRs (net of wheeling charges) for all categories. By introducing a ceiling tariff, these consumers will avail choice to switch retail suppliers and save on electricity bills. For example, LT and HT consumers opting for AEML over TPC-D may have a 17 to 25% reduction in their electricity bills (as per the approved ABR for FY25). The proposed tariffs also show differences in the retail ABRs of the 2 licensees.

- Optimisation of power procurement portfolio: The possibility of competition will incentivise distribution companies to reduce cost of supply and improve efficiency. This would entail improvements in power procurement planning, a goal also identified in the EM as follows: *The thrust to the Retail Supply competition across the Distribution Licensees shall be based on the Power Purchase portfolio presently being maintained and the strategy to offer the most economical Energy Charges to the respective consumer categories*.[5] Currently 18% of TPC contracted is from short-term sources, and in AEML's case 5% is from short-term sources and 38% is from medium term sources (at 10% higher price than long term sources). Historically these utilities have high reliance on short-term power which has resulted in increase in costs and consumer tariffs.[6] In ceiling tariff situation competition for the same pool of consumers and shift away from cost-plus framework will bring the necessary accountability for efficient power procurement.

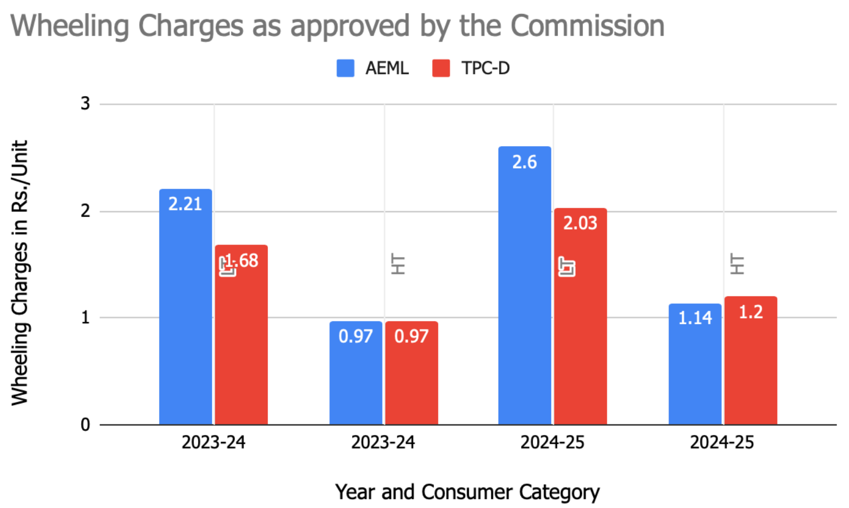
- Wheeling charges and network expansion: Even though the difference in average cost of supply is about 10%, there is a significant difference in the wheeling charge. While AEML wheeling charge is Rs. 0.97/unit and Rs. 2.21/unit for HT and LT categories, TPC is much lower at Rs. 1.68/unit for LT category and the same for HT category. This is perhaps indicative of the network coverage of both utilities. Having a common pooled wheeling charge will reduce the network charge for LT category consumers considerably (from Rs.

[5] Section 8.10.8 and 8.10.17 of the Explanatory Memorandum to the MERC MYT Regulations 2024, available here: https://merc.gov.in/wp-content/uploads/2024/03/EM_Draft-MERC-MYT-Regulations-2024.pdf

[6] Prayas (Energy Group). (2017, February). In the Name of Competition: The annals of 'cost-plus competition 'in the electricity sector in Mumbai.

2.60/unit to Rs. 2.03/unit) and increase the network coverage for the other. This will benefit the consumers substantially.

Figure 3: Wheeling charges for AEML-D and TPC-D for FY25



Source: (a) Annexure I(A) and Annexure I(B) in MERC Order in Case No. 225 of 2022 (for TPC-D), (b) Annexure I(A) and Annexure I(B) MERC Order in Case No. 231 of 2022 (for AEML)

This approach will also ensure that several issues and challenges that may arise in the implementation of ceiling tariff and parallel licensees, such as metering, energy accounting, cross-subsidy and cherry picking of consumers as highlighted in our submission to the draft MYT Regulations[7] are tried and tested out in a mature electricity sector in Mumbai before being introduced in other parts of Maharashtra where a larger distribution licensee such as MSEDCL is operational.

While ceiling tariffs will increase choice between two suppliers, it is also crucial that consumers choice is not limited to the parallel licensees and is extended to open access, captive and grid interactive RE. While operationalizing ceiling tariffs, the Commission and the nodal agencies must:

— Address operational and procedural challenges in availing open access, net metering options in Mumbai.

[7] Prayas Submission: https://energy.prayaspune.org/our-work/policy-regulatory-engagements/comments-and-suggestions-on-draft-merc-myt-regulations-2024

— Publish data on a six monthly basis on number of applications for open access, captive and grid interactive RE received, number of applications rejected along with the top 10 reason for rejection. Pendencies and delays in processing applications, after registration should also be tracked to address implementation challenges. In addition, the number of consumers availing open access, captive and grid interactive consumers (net metering, net billing, virtual net metering, group net metering etc) should be tracked along with source-wise consumption etc.

Thus, we urge the Commission to:

- To provide detailed operational guidelines on ceiling tariffs in Mumbai as part of the MYT Tariff Order for this Control Period.
- Appoint a working group/ committee to monitor progress and highlight implementation aspects which need to be addressed in a timely manner.
- Not introduce ceiling tariff in any other area of supply in Maharashtra unless the approach has been implemented and operating in a smooth manner in Mumbai.
- Address implementation challenges to increasing access to open access, captive and grid interactive RE and tracking number of applications, consumers and sales migration.

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