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## **Summary of Presentation to MERC at Public Hearings at Pune (20/01/2000)**

### ***Initial Observation***

- Ø Prayas welcomes the present process of tariff revision, and expects that refinement of such open processes could lead to increased transparency in operations, accountability of decision makers and public participation. (TAP).

### ***Overestimation of Agricultural Consumption***

- Ø Energy used without metering has been increasing rapidly since last few years. This year, the cost of total unmetered portion of energy generated is of the order of Rs. 6,000 Cr.
- Ø  $\text{Energy}_{\text{generated}} - \text{Energy}_{\text{Billed}} = \text{Energy}_{\text{Unmetered}}$
- Ø A large part of this unmetered energy is claimed to be agricultural consumption and this estimation of agricultural consumption is based on hours of operation of agricultural pumps (consumption norm). In other words, Total Agricultural Consumption = (Connected Load of Agri. Pumps) multiplied by (Hours of Operation)
- Ø Any overestimation of this norm would lead to hiding of T & D loss or theft of electricity. Increment of 1 hr. in agricultural consumption norm means energy worth Rs. 2 Cr. (at average cost of supply) Since 1989, the agricultural consumption norm claimed by MSEB has increased by 1000 hrs.
- Ø The publicly available data about the agricultural consumption is the regional consumption and, hence, the regional consumption norm (hrs./yr.) estimated by MSEB could be identified.
- Ø These regional norms involve serious mismatch and irrationality. The consumption norms for pumps in Vidarbha and Marathwada cannot be substantially higher than the norm for Western Maharashtra.

### **Agricultural Consumption Norm (Hrs./ Yr./ Pump) Estimated by MSEB for 1997-98**

<i>Region</i>	<i>Norm</i>
Western Maharashtra (WM)	1571
Vidarbha	3461 ( 2.2 times WM norm)
Marathwada	2696 ( 1.7 times WM norm)

- Ø The mismatch and discrepancy in MSEB's data don't stop at the regional consumption norms, but extends even to macro-level for the state as well.
- Ø For 1999-2000, MSEB estimates agricultural consumption to be nearly 17,100 Million units (MU). It is estimated that around 16 lakh hectares are irrigated from pump-based irrigation. This implies a consumption of 10,700 units / ha. Such high consumption is feasible only when sugarcane is planted on this entire area (considering water requirement of 2.25 Ha. Mt. and head of 40 mts.) But the total area under sugarcane in the state is just less than 6 lakh Ha. ! (This also includes canal irrigation area which doesn't need a pump)
- Ø Thus, it is amply clear that the agricultural consumption estimated by MSEB is highly overestimated.
- Ø Western Maharashtra has 90 % of the 4,605 co-operative lift irrigation societies in the state and is known for large sugarcane cultivation, which is a very high water-consuming crop. We can assume that the norm for Vidarbha and Marathwada can not be higher than the norm for Western Maharashtra, and higher norm for Vidarbha and Marathwada indicates overestimation of agricultural consumption.
- Ø **This implies nearly 18 % overestimation of agricultural consumption by MSEB., which amounts to Rs. 800 Cr. at average cost of supply in 1999 - 2000.**
- Ø If we remove this overestimation from the consumption claimed by MSEB, even then the mismatch and discrepancy in MSEB's data remains for the state level. This remaining energy consumption can be justified only for 13 lakh ha. Sugarcane with 40 mts. head ! Indicating still higher overestimation of agricultural consumption by MSEB.
- Ø **Thus, the agricultural consumption is highly overestimated by MSEB, and huge components of theft and T&D losses are portrayed as agricultural consumption. This overestimation can be from Rs. 800 Cr. to over Rs. 1,500 Cr.**

***Lacuna in the estimation of agricultural consumption norm based on the Report by a Consultant (SRC)***

- Ø In 1994-95, MSEB increased the agricultural consumption norm by 26 % at the state level, and by 53 % and 44 % for Vidarbha and Marathwada respectively.
- Ø This was apparently done on the basis of a report by SRC Consultants. Which did analysis of only 10 predominantly agricultural feeders. These were among many feeders routinely monitored by MSEB.
- Ø It is interesting that 7 of these 10 feeders were from Western Maharashtra, 2 from Marathwada and only one from Vidarbha ! So based on data of only one feeder, the MSEB increased the estimates for agricultural consumption for Vidarbha by 53% !
- Ø Allocating electricity worth thousands of crores Rupees, based on such scanty data without even cross-checking for macro-level mismatches and inconsistencies is highly deplorable.

## *(Section II)*

### *Emphasising the Need for Energy Audit*

- Ø We are awaiting data, information, and justifications from the MSEB.
- Ø But, in this presentation, on the basis of what we have with us, we have tried to indicate that MSEB has no sound data—collected in systematic and transparent manner—on which it can build its demand for tariff hike of 1200 crores.
- Ø Rather using MSEB's published data, we have demonstrated that there is a possibility of substantial loss of energy, primarily through theft and excessive T & D losses. The magnitude of this loss is estimated to be at least 1000 crores which means Rs. 2 to 3 crores per day.
- Ø In its response to a commentator, MSEB has stated that its exercise of energy audit is “in a premature stage, and the results so far available are not convincing.”
- Ø Conducting energy-audits to prevent this obvious loss that too of this magnitude, is the primary duty of MSEB as a utility. It has not done it despite prodding and insistence by many other agencies such as CEA and PFC.
- Ø Hence, we are of the opinion that, unless MSEB is forced, it will not undertake energy audits in diligent and transparent manner.
- Ø In any case, consumers should not be forced to bear this burden created by the failure of MSEB to perform its basic function.

### *PLEAS To the Commission*

- Ø Hence, we pray to the Commission that MSEB should be asked to present credible data and credible estimation of its costs and revenue, before it is given any permission to hike the tariff.
- Ø MSEB might come up with the argument that it is not in position to bear the loss of 3 crores of rupees per day. But we wish to remind the Commission that granting this plea would mean unjustified burden of 2 to 3 crores of rupees on consumers which could be avoided by MSEB in a considerably short time.
- Ø What the Commission may allow, in our opinion, is some internal rebalancing of tariff reducing the amount of cross subsidy and burden on some consumers who find it impossible to conduct their business with present tariff.
- Ø However, care should be taken that no consumer is subjected to sudden tariff shock. One can suggest that for any year, the effective tariff hike for any consumer should not exceed 30 %.

In this context, we wish to point out that the proposed tariff hike for Agri. Pumps over 10HP would go up to 200% to 300%. This is simply impractical.

- Ø We urge the Commission to specifically include in its order on this case a directive which requires MSEB to implement a systematic and transparent exercise of energy audit in next six months or before any future tariff proposal from MSEB (whichever is earlier).

### ***Regaining Credibility***

#### ***Initiating Public Debates***

- Ø In the meanwhile, we urge the Commission to initiate a process of public debate on the following critically important issues:

#### **+ *Cost-Based Pricing and Cross-Subsidies***

There is a need to debate on this major shift in the governance principle. This shift is intricately linked with the policies in the other sectors and does have serious and severe impacts on lives of a large number of people in the state. Though this is stipulated in the Act, the Act did not precede with wider public debate. Hence, for smooth implementation of the principle, a wider and comprehensive public debate is a necessity.

Second issue is the pace of transition to the cost-based regime, which is not specified in the Act. The pace should be such that the affected sections should have adequate time and resources for adjusting their businesses and lives.

#### **+ *Service Quality and Metering***

There is a close linkage between service quality and tariff people should be asked to pay. This is not reflected in this proposal. However, MSEB's record in this context is dismal. Hence, there is need to involve consumers and others who study these issues in the designing and developing the norms and procedures for service quality.

Meters are hearts of any utility. Here again the MSEB's performance is too dismal. Hence, we urge the Commission not to consider it as an internal management issue of MSEB. Instead, we feel the Commission should take initiative in developing norms for decision-making on issues related to metering.

#### **+ *Irrational Costs Committed in the Past***

The next important issue is the tariff burden of irrational and unreasonable costs levied on the consumers in the present proposal, which have been committed in the past. For

example, this proposal indicates that MSEB intends to burden consumers with the cost of purchases from DPC.

The Commission might take any of the following two views: (a) the Commission could go into investigation of the rationality of these cost committed in the past, and disallow the costs is found to be irrational; or (b) The Commission could choose to pass these costs to consumers without investigating their reasonableness or even though the costs are found to be irrational.

The Commission, in our opinion, should conduct a comprehensive and wider public debate on this controversial issue

#### + Long-Term Issues.

Once the Commission is successful in forcing down MSEB to cut down the grotesque level of losses, i.e., theft and excessive T & D losses, there will be need to work on improving efficiency of the MSEB further.

This would require timely steps to evolve and master various strategies for efficient planning and energy conservation. We wish to mention in this regard the need to work from this day on the planing techniques such as IRP as well as DSM related strategies.

#### **While summing up**

- Ø We wish to reiterate our concern over unjustified and unjustifiable costs the MSEB is trying to pass on to Consumers.
- Ø We also wish to urge the Commission to become pro-active and initiate public debates on critical issues.

#### **Conclusion**

- Ø At the end, we wish to congratulate the Commission for initiating and conducting this participatory process with an emphasis on transparency.
- Ø We also wish to congratulate all individuals and organisations that participated in this process for their efforts to bring back rationality in the decision-making in the power sector.
- Ø We are sure that these efforts of the Commission and other participants will go a long way in improving governance of this country.

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