

Comments on Review Petitions by MSEB and Others (Case 01/99)

The points raised in the review petitions by MSEB and others, that are accepted by the Commission can be broadly classified as under:

1. Relaxation in target for T&D loss reduction from 5% to 3%
2. Disallowance of transit loss of coal
3. Increasing the penal interest rate for delayed payment
4. Restoration of category "Seasonal Consumers" and appropriate tariff for the same
5. Reduction in tariff applicable to Agricultural and Power-loom Consumers

1. Relaxation in target for T & D loss reduction from 5% to 3%

Even though the Commission has estimated T&D loss to be over 31.87%, this estimate is based on a relatively weak data. Substantial data collection and analytical efforts are needed to more accurately estimate the correct level of T & D losses. (But, it needs to be mentioned here that the data used by the commission for this estimation was the best data available at the time, and moreover, it is MSEB's primary responsibility to produce reliable, authentic data). In this situation, it is possible that the real level of T&D losses could be higher than the Commission estimate.

In the initial period, it is quite easy to pin-point high value theft and areas of high theft and concentrate on these to increase revenue. With vast experience and manpower, constant touch with field realities, computerized billing systems, MSEB should be able to pin-point such opportunities for large revenue increase quite easily. In fact, efforts made by Pune Urban Zone (PUZ) of MSEB are noteworthy in this respect. A copy of the press report in ToI dated 6th Oct 2000, is attached at Annexure 1. This indicates that PUZ has identified areas where the T&D losses were 50%. PUZ has also identified categories such as Construction companies and software companies using domestic connection that are highly theft prone. By targeted action on these, the T&D losses have been brought down from 26.2% to 20.2%, with a target of bringing it down to 15% by March 00. Similarly, a drive some time ago in Pimpri – Chinchwad area also revealed substantial theft in case of ice factories. A theft reduction drive focussing on such areas and consumer categories is sure to result in substantial revenue increase.

Further, with the help of billing software and MIS system, MSEB should be able to easily identify theft prone, high consumption consumers from commercial and industrial categories. For example, priority for meter replacement and checks, should be for

consumers with high connected / sanction load and with faulty meter or average billing. We had suggested such a detail analysis system in our comments on MSEB's revised tariff proposal dated 6th April 2000. We are sure that MSEB must be using refined systems of these kind. In case, MSEB is unable to identify and rectify such high value theft then it should seek external help, of consultants and experts.

Issue of micro-control: It is surprising that MSEB expresses inability to control theft (which is about Rs 2,000/- crore per year) and when the Commission or the objectors suggests ways of controlling this leakage, MSEB argues against this by saying that it amounts to micro-control.

Also, MSEB has been hiding such huge losses for several years and had resorted to tariff increase to meet the requirement of 4.5% RoR. This has resulted in un-reasonable and unjustified tariff for paying consumers for many years.

Considering these issues, we believe that the target set for loss reduction by the Commission, is reasonable. We urge the Commission not to accept MSEB's plea for relaxation of loss reduction target.

2. Disallowance of transit loss of coal

Considering that coal at the time of loading may have some surface moisture and as per government guidelines, payment for coal has to be made on the basis of loading weight; we feel that MSEB's request for not disallowing transit loss is reasonable. At the same time, it is essential that every effort is made to reduce transit loss, we urge the Commission to undertake a study for the same in association with MSEB and a time bound program for the reduction of these losses should be evolved. Further, the increased revenue requirement for year FY 2000-01, on account of this change could be covered through FCA charges.

3. Increasing the penal interest rate for delayed payment

Similar to the issue of transit loss, we find merit in MSEB's arguments for increase in penal interest rate. But it is essential that high penal interest rate does not lead to harassment of consumers. For this, penal interest rate should be increase only for industrial and commercial consumers and not for domestic consumers. Domestic consumers are un-likely to delay payment solely to take advantage of low penal interest rate. Further, MSEB should be allowed to charge higher penal rate (of say 20% p.a.) only if MSEB is able to ensure timely issue of bills, allowing consumers at least 10 days for payment. In other words, it should be MSEB's responsibility to issues the bills on time.

4. Restoration of category "Seasonal Consumers" and appropriate tariff for the same

We find that the argument of the petitioners have a merit, on the issue of definition of demand charges. We request the Commission to grant appropriate relief to these

consumers. At the same time, the definition of Seasonal Consumers (along with eligibility criteria) need attention.

5. Reduction in tariff applicable to Agricultural and Power-loom Consumers

The population directly dependent on 22 lakh agricultural connections and over 6 lakh power-looms amount to 12 to 15% of the population in the state. Considering that such a large population is facing a substantial tariff shock, it needs a careful consideration. Welfare of such a large predominantly rural society, is as much important as the need to have reasonable tariff for industries. We have been arguing for a gradual approach towards the issue of subsidy reduction (refer our submission dated 5th Feb 2000). We have also argued for a comprehensive approach with innovative solutions.

The apparently conflicting requirement of ensuring MSEB financial viability on one hand, and avoiding large tariff shock to such consumers can be resolved through innovative solutions. Two such examples are explained below.

Example 1 : ToD based, seasonal tariff

Higher tariff for peak hours and summer consumption can be one way out. Such an approach can help in providing support for deserving poor farmers while limiting the adverse impact on MSEB's financial situation.

Example 2 : End-Use Efficiency improvement

Several studies have indicated that efficiency improvement to the tune of 30 to 50% is possible in most of the small agricultural pumping systems, leading to reduction in electricity use to that extent. In case of large pumping systems the saving can be to the tune of 20%. Realising such efficiency improvement would lead to increased paying capacity of farmers (in terms of Rs/unit). Such a DSM program implemented / promoted by utility can remove several bottle-necks in achieving the efficiency improvement, such as, the availability of technology, hardware, and finance.

To address the immediate issues, we request the Commission to consider options such as:

1. Allowing ToD tariff for large agricultural consumers. The consumers can be asked to pay for the ToD meter after which MSEB should install the meters in a time bound manner. The peak period tariff for say 3 hours a day can be decided at Rs 1/- unit along with a flat tariff of Rs 1,000/- per Hp/year.
2. In case of non availability of ToD meters the Commission can also consider time relays (which can shut off the supply during specific time periods) and give similar concessions.

- - - 0 - - -