

April 11, 2001

To,
The Secretary,
MERC
Cuff Parade
Mumbai

Subject: FOCA Proposal of MSEB

Dear Sir,

During the technical validation session, we had submitted our comments on the FOCA proposal by MSEB.(letter dated March 9, 2001). In the said letter (Part II – 1) we had pointed out a mistake made by MSEB whereby it compared cost of it's Gross Generation with the Net Generation cost specified in the MERC Order. This mistake was rectified in the supplementary note submitted by MSEB on 12th March 2001. In the revised proposal also MSEB seems to have correctly compared it's net generation cost with net generation cost specified by MERC.

But, in the revised proposal (dt. 21 March 01), there seems to be a discrepancy. Cost of thermal generation claimed by MSEB in it's revised proposal (dt. 21 March 01) is much lower than the cost of thermal generation claimed in the Supplementary Note (dt. 12th March 01). The difference is shown below.

Month,2000	MERC Bench Mark (Rs./kWh)	MSEB Thermal Actual Cost, (Rs./kWh)	
		12th March 01	21st March 01
	CGo	Pg. 5, (CGi)	Pg. 30, (CGi)
May	0.81	0.81	0.75
June	0.81	0.82	0.74
July	0.81	0.88	0.74
August	0.81	0.88	0.77
September	0.81	0.86	0.78
October	0.81	0.89	0.82
November	0.81	0.87	0.79
December	0.81	0.87	0.79

As a result of this difference, MSEB has claimed a cost increase of Rs. – 68.83 Cr. (i.e. savings) in the revised proposal, against Rs. 145.82 Cr. (increase) claimed in the Supplementary Note (on 12th March). This amounts a difference of Rs 214 Crore. This is surprising considering that in both proposals bench mark cost of generation (as per MERC order 5th May 2000) is considered as Rs. 0.81 /kWh.

Reasons for this difference in generation cost, are not explained in the revised proposal. In fact, both proposals have same attachments explaining methodology of computing variable cost of MSEB's thermal generation (Appendix A). It is possible that the difference is on account of certain difference in methodology and cost components. But, which methodology and cost components are consistent with those considered in the MERC order is not clear from the revised proposal. Also, the proposal does not give base data in a format similar to the one used for tariff proposal.

In our submission dated March 9, 2001, during the technical validation, we had requested that MSEB should submit detail calculations and data sources, along with excel worksheet calculations. (Part I – 2.7) MSEB has not made available the same.

Such differences and lacunae in MSEB's submissions and calculations are very difficult to understand. They are very time-consuming to decipher. This results in limiting consumer groups' ability to comment on MSEB's proposal. In absence of worksheet calculations and lack of details regarding how MSEB's calculation methodology and components compare with MERC's calculations, **we are not in a position to make proper comments on the proposal submitted by MSEB.**

In light of this experience, we again request the commission to specifically direct MSEB to make available all calculations, along with data and assumptions in worksheet format (soft copy, with formulae). Also MSEB should be directed to submit data in a consistent, transparent format, which would facilitate analysis and easy comparison with data submitted during the tariff process and MERC calculations and orders.

Thanking you,

With regards,

Girish Sant
For Prayas

CC: Chairman, MSEB
Accounts Member, MSEB