



Multi Year Tariff (MYT) Application by MSEDCL for FY 2008 to 2010

Comments/Suggestions

By

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Principles for the MYT framework

- I Principles for the MYT framework
 - First exercise of implementing MYT
 - Significant uncertainties (demand, load shedding, availability and cost of power)
 - Very weak data collection and performance monitoring systems
 - è Need very cautious approach to prevent excessive burden on consumers and to minimize the possibilities of “Gaming”
 - è Need emphasis on improving performance monitoring systems and enhancing accountability

Preliminary Observations

- | True-up for FY 2005-06
 - Need to consider actual revenue earned
 - Reconciliation of actual FAC recovered by MSEDCL with total revenue is required

- | O&M Expenses
 - Consists of highly controllable and predictable expenses
 - | Employee
 - | Repairs & Maintenance
 - | Administration & General

- è Should be considered as a controllable parameter

Multi Year Tariffs – Key Issues

- | Key controllable parameters
 - Distribution Loss (Technical and Commercial)
 - O&M Expenses
 - | Employee Cost
 - | R&M Cost
 - | A&G Cost

Distribution Loss

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- Loss reduction of 2% per annum is envisaged by MSEDCL in the MYT control period

Year	2006	2007	2008	2009	2010
Transmission Loss (%)	4.5%	4.9%	4.9%	4.9%	4.9%
Distribution Loss (%)	35.0%	33.0%	31.0%	29.0%	27.0%
Total T&D Loss (%)	37.9%	36.2%	34.3%	32.4%	30.5%

- No significant reduction in the T&D losses
- Even in 2010, total T&D losses in the state are projected to be 30.5% !

Distribution Loss

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- | According to Planning Commission guidelines for XI plan ATC loss in the country should be reduced to 15% in next 5 years
 - This requires steep reduction in the distribution losses and aggressive targets for the control period

- | According to MERC Tariff Regulations, consumers will be bearing 1/3rd of any loss even on account of controllable factors
 - è Somewhat higher distribution losses are inherently passed on to consumers

- è Consumers should not be burdened for MSEDCL's inefficiency

Capital Expenditure

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- | One of the most crucial parameter that needs be monitored in the control period
- | MSEDCL planning for a CapEx of Rs 20,000 Cr in next 3 years
- | Has long term bearing on the consumer tariff
 - è Thorough data and information should be collected
- | No project could be considered without in-principle clearance by the MERC

Capital Expenditure

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- | MERC should specify the CapEx data submission formats in this order
 - è MSEDCL can maintain the data in the same format during the next year
 - è Data formats suggested by Prayas during last year's ARR process
 - è A thorough third party audit of the CapEx data should be carried out by MERC

Power Purchase

- I Availability and Load Shedding
 - Extremely uncertain scenario in the context of availability of power, load shedding and hence sales projections during the control period
 - è Significant dangers of “Gaming”
 - è MERC has to be extremely cautious in approving the sales forecast and power purchase (MUs as well as Rs Cr)
- è Power purchase (especially high cost/short term power), sales projections and load shedding should not be approved beyond a period of 1 Year

Quality of Supply and Service

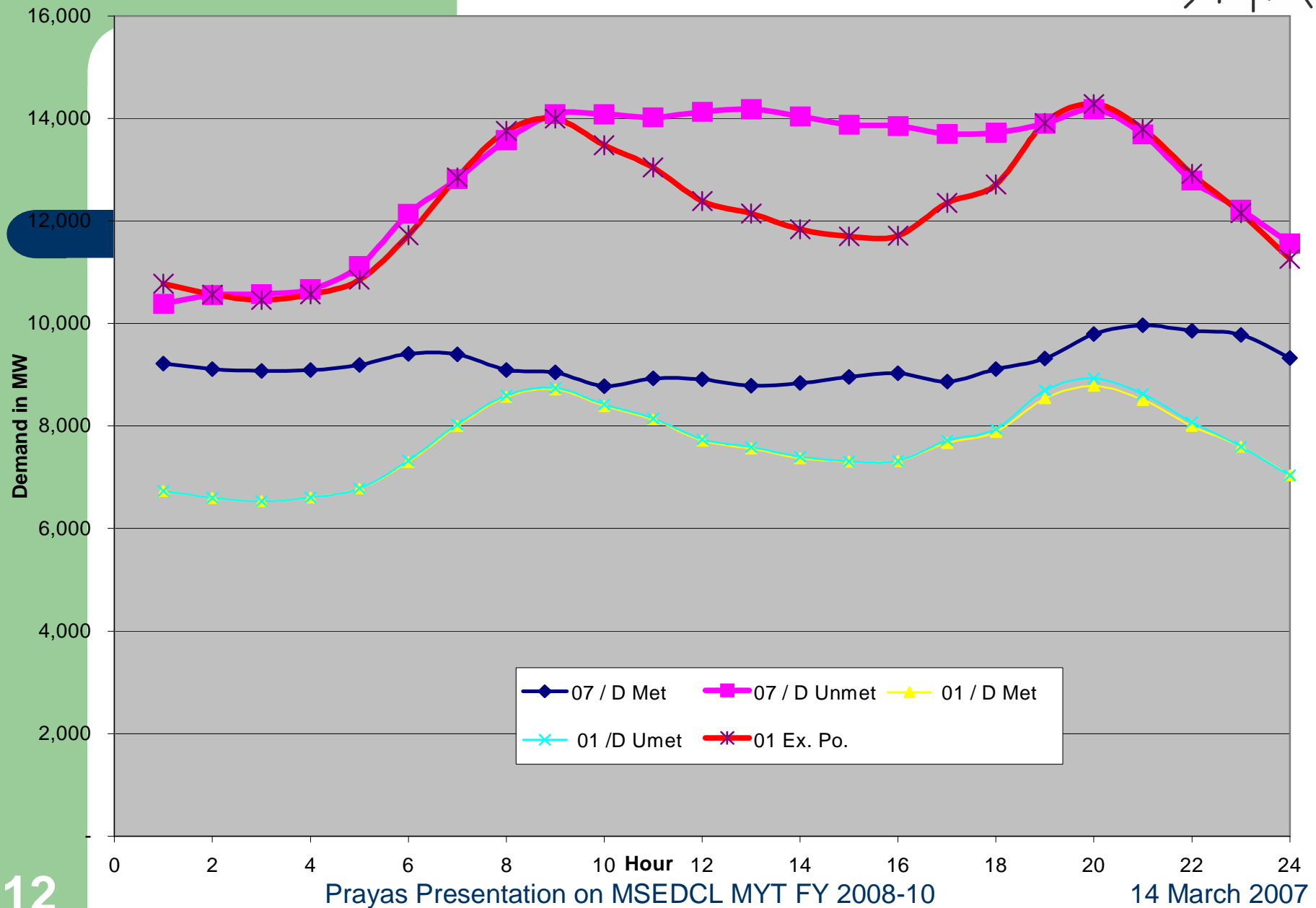
- | Ensuring Quality of Supply and Service and implementing SoP and Supply Code Regulations is at the very heart of the MYT process
 - è Very stringent data monitoring processes required
 - è Improvement in metering and billing

- | Need to publish Quality of Supply/Service reports regularly
 - è New and reliable data collection processes need be devised

Load Shedding

- | Need to improve the data collection processes
 - Feeder level load shedding data than division/zone level figures
 - Accounting for demand variations to avoid anomalies in the data
- è Necessary steps for getting reliable Load Shedding Data

Comparison of MSEDCL Demand for February first week (2001 & 2007)



Making MSEDCL accountable ...1

- I MSEDCL staff should be made accountable
 - AT & C loss
 - Compliance with MERC regulations and directives
 - Regional public hearings specifically on T & D loss
 - Third party audit of key data such as CapEx, Energy Audit, Billing etc
 - Circle wise supply quality monitoring reports should be published
 - Incentives / disincentives for employees based on performance
 - Proceedings under Sec 142 / 146 for non-compliance

Making MSEDCL accountable ...2

- | Need for Milestones Based Tariff
 - Any future tariff increase should be linked with the compliance with MERC directives such as
 - | Achievement of feeder and DTC metering targets
 - | Compliance with Quality of Service regulations (Supply Code and Standards of Performance)

Other Issues

- I Simple tariff structure
 - Tariff (mainly energy charges and ASC) should be published by MERC in the form of a matrix for every division

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