

PRAYAS

Initiatives in Health, Energy,
Learning and Parenthood



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Saturday, 25

To,
The Secretary
MERC
Mumbai

Subject: Prayas comments and submissions regarding Draft MERC Standards of Performance of Distribution Licensees, Period for Giving Supply and Determination of Compensation Regulations, 2013.

Ref: Public notice with Advt.no 1/2013-14 issued by MERC in this regard on 1st April 2013

Dear Sir,

With respect to the draft regulation for Standards of Performance of Distribution Licensees, Period for Giving Supply and Determination of Compensation, 2013 (henceforth called SoP regulations), please see our submission below. Having a comprehensive set of regulations is the first step towards monitoring the quality of supply and service of distribution companies. It indeed provides the framework and defines the extent to which the quality of service is subject to commission's jurisdiction and public scrutiny. Therefore, we welcome this initiative of the commission and request you to take our submission below on record.

1. Background

Given the dynamic nature of the sector and the growing needs of the people, we welcome the initiative to revise the regulations. Having said this, it is rather unfortunate that this process was not completed earlier. The SoP regulations were first notified in 2005. In 2010, the process for amending these regulations was initiated but after comments and suggestions were received from the public, no SoP regulations were issued by the commission. Almost three years have passed since then and in spite of repeated questions regarding status of this process, there was communication from the commission regarding the reasons for this delay. As mentioned above, SoP regulations are an important process by which DISCOMs can be held accountable for a responsibility for which they may not have a direct economic incentive to fulfil and delaying the revision of these regulations is a serious setback for regulatory oversight of the DISCOMs. There is no doubt that it is essential to have robust regulations but equal emphasis and attention needs to be given to implementation and monitoring as well.

Revision of SoP regulations after 8 years defeats the purpose of having such regulations, i.e. - improving supply and service quality while the utilities are required to ensure compliance based on outdated standards and regulations. Incidentally, no report has been published by the commission reviewing actual compliance and changes in supply and service quality, if any, although this is statutory requirement according to section 59(b) of the Electricity Act 2003. It would have been useful if the commission had published a report/paper that reviewed the SoP implementation across various utilities highlighting key improvements and short-comings. We hope that commission will undertake such exercise, at least in the near future.

2. Need for new approach

In absence of any study by the commission and/or any independent third party assessment of compliance with prevailing SoP regulations, there is need to think of different approaches to ensure better accountability. A more important and compelling reason for ensuring supply and service quality improvement is to safe-guard consumer satisfaction. It is a compelling motivation not only because of the policy mandate but also because it affects the financial viability of the distribution company. Many studies have shown that consumers' willingness to pay is closely linked to improvement in actual service quality experienced by them. Therefore sans a marked improvement in service quality it would be futile to expect consumers to pay more. Furthermore stringent monitoring of service quality is essential to ensure that huge capital expenditure undertaken by distribution companies is being utilised for the objective it was envisaged for. More emphasis should be given to system level solutions, building accountability mechanisms and improving capacity of utility staff through training. Such measures are suggested not for micro-managing the utility but to increase their effectiveness in this regard.

Given this background, our suggestions below are aimed at strengthening the monitoring mechanisms via a systemic approach to SoP implementation so as to facilitate a move towards 'output / outcome based regulation'. We will be happy to assist commission / utilities to take these suggestions forward.

3. Urban – rural divide:

The proposed regulations maintain the difference in service quality norms for urban and rural areas. The necessity of this distinction really needs to be questioned. It is our submission that the rationale for having a disparity in standards be made clear via analysis of challenges faced and average time taken to service rural areas based on the specified parameters. A detailed study would make clear whether differential norms are really needed. A cursory glance at macro-level statistics does not make a case for such a division.

- a. **Remoteness-** Almost all rural settlements in Maharashtra are accessible and have the presence of supporting infrastructure. According to Census, 2011 45%

of Maharashtra, which is the second largest state in terms of population and area, lives in urban areas. Moreover the average number of people per square km is 365; therefore in terms of population there will be very few centres which are remote. According to the Economic Survey of Maharashtra (2011-12), all weather roads connect about 97.8 per cent villages. Around 56% of the road network in Maharashtra is National State and District Highways and 47% of these roads serve the regions of Vidharba and Marathwada. Per capita ownership of cell-phones in Maharashtra is 0.94 which is an indication that other service providers are able to provide for these areas.

- b. **Economy of operation**-Maharashtra is one of the most industrialised states in India. Moreover, all consumers (especially the larger ones with higher consumption) are paying equally high tariffs, irrespective of their geographical location. Under such circumstances, why should they be subject to varied terms of service? Having different standards for quality of service could dis-incentivise setting up of electricity dependant industries in rural areas as well which could hinder rural productivity. Moreover in absence of any real obstacle for the utilities to ensure good quality of supply and service across the entire state, there seems no real reason to institutionalise the rural-urban divide. In fact, effort should be made towards eliminating the same.

If there are only a few areas which are truly inaccessible or remote then most others could be serviced at par with urban areas. Then the difference in services can be based on whether an area is remote or not remote, instead of terming it as rural. The study should also look at expenditure necessary to service such remote areas. It may also be possible that the cost involved in providing service quality at par with urban standards to such remote areas may not be exceptionally high. Hence, the commission should undertake a detail study in this regard and aim at removing or re-evaluating the urban-rural divide as far as electricity service delivery standards are concerned.

4. Independent survey and third party monitoring of SoP compliance:

The Commission should commission surveys through an independent agency in various parts of the state and especially rural and remote areas, to evaluate actual supply and service quality and related issues and publish results of such studies from time to time. This survey could feed into determination of compensation in case of service quality issues as well. It will be desirable to institutionalise this process by spelling it out in the regulations itself. Further, like the Odisha commission, MERC can also consider setting up an independent committee for monitoring compliance with SoP regulations.

5. Training of utility officers:

It has been often discovered that utility staff which interacts with consumers on billing and other service quality related issues, is not well informed about SoP standards, norms and other such regulations and provisions. We welcome the commission's initiative to make sure that all important documents are publically available with respect to complaint handling and service quality. In this regard it would be useful if the commission mandates that the process for complaint handling devised by the DISCOM according to regulation 8.9 be made publically available. It is also submitted that the regulation should mandate all utility staff that directly interacting with customers (like say in billing and recovery centres) to attend a specially designed training course covering all aspects of SoP regulations, consumer grievance handling procedures and other relevant provisions so that they are aware of the consumers rights and their own duties.

6. 24 hour call centre:

Having a 24 hour helpline to address consumer complaints is a much needed initiative. In section 8.1 the commission has not specified any time limit for setting-up of call centres for rural areas. Even the timeframe for setting up call centres in urban areas does not seem reasonable. It is our submission that the time limit for setting up call centres in both urban and rural areas should not exceed one year (12 months). Moreover, as far as registering of complaint through a 24 hour call centre is concerned there is no need to divide consumers on rural and urban basis. Given the advancement in communication technology such distinction for setting up and operating a call centre based on location of consumer is totally un-necessary and unreasonable. In fact, most other service providers such as banks, telecom/mobile service providers operate in similar manner and serve both urban and rural consumers. We suggest that each DISCOM must provide a single toll free customer care number for this purpose. Having a single customer care number will ensure that consumers do not suffer on account of any delay on part of commission to notify time frame for rural call centres or delay on part of utility to act accordingly.

7. Audits to address systemic issues-Internal systems and IT systems audit:

As highlighted above, in order to strengthen accountability of the utility the commission should undertake a detail system audit to verify administrative channels and internal systems developed / implemented by each DISCOM to ensure compliance with the SoP regulations. This should be done at system level so that it is not confused with micro-managing of the utility's operations. The commission can engage an independent third party auditor for these purposes. Most of the billing errors/consumer complaints are on account of errors in bills generated which is largely done through IT systems. The commission should undertake a detail billing and IT systems audit of all utilities through an independent agency such as CAG. This exercise can be of great value to eliminate root cause of many systemic level billing errors thereby greatly reducing consumer

complaints related to these issues. The commission should set up practice to undertake such audits on a periodic basis.

8. Compliance with section 59 of Electricity Act 2003:

According to draft regulation 13, in compliance with section 59 of the Electricity Act, 2003, the commission should publish formats for the utility to submit information regarding compliance of SoP regulations and compensation given to consumers. In this respect we have the following suggestions:

- a. **Quarterly Submissions to be made publically available-** We submit that the information submitted on a quarterly basis by the DISCOM to the commission according to regulation 13.1 be made available on the commissions website. And should be updated from time to time.
- b. **Third Party Verification-** According to regulation 13.2 the commission will authorise commission staff or independent agencies to conduct checks to monitor compliance to standards. It is our submission that the information not just be monitored but validated and checked by a third party and the observations/ report of the third party should be made publically available on the commission's website. The charges for such third party verification are to be borne by the respective DISCOM but the selection of the agency must be done by the commission. Such third party verification of information must be undertaken on an annual basis.
- c. **Annual Report by Commission** on the SoP compliance - It is also submitted that based on the submissions of the DISCOMs and the verifying agency, the commission should publish an annual report on the Standards of Performance compliance for all DISCOMs on an annual basis and that it be given wide publicity.

9. Benchmarks of Reliability indices-

Draft Regulation 10 specifies the use of various indices to estimate reliability. It is submitted that the process to fix the standards for these indices to be determined by the commission be publically available and the commissions fixes a time limit and periodicity (annually, quarterly or monthly) for making these standards available. This is because such benchmarks though specified as necessary as per the currently applicable regulation were never fixed by the commission.

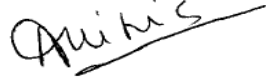
10. Statement of reasons:

The commission should publish a detail statement of reasons along with all the regulations to make its rationale clear and transparent. The statement of reasons should address all suggestion and objections raised by the public. Such practice can greatly help in correct interpretation of commission's perspective regarding these matters and avoid un-necessary litigation. The commission should explain the reasons for delay in completing this process which was started in 2010.

We once again request the commission to take our submission on record. We will be glad to clarify any particular issue or assist in any manner as the commission may so desire in this regard. We would also request the commission to allow us to making additional submissions if any, during the subsequent hearings or process in this regard.

Thanking you

Sincerely



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