

Ref. No PEG/2014/24

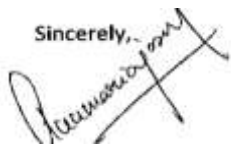
03 March 2014

The Secretary  
Delhi Electricity Regulatory Commission  
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Sub: Comments on Draft Delhi Electricity Regulatory Commission (Power Regulatory Accounting ) Regulations,2014

Sir,

Please find attached comments from Prayas Energy Group on the draft Delhi Electricity Regulatory Commission (Power Regulatory Accounting ) Regulations,2014. We are sorry for the delay in submission, which was due on February 28<sup>th</sup>, 2014 as per the notice. We request you to kindly consider these during the finalisation of the regulations.

Sincerely,  


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Encl: Comments on Power Regulatory Accounting Regulations, 2014

## **Comments by Prayas Energy Group, Pune on Draft Delhi Electricity Regulatory Commission (Power Regulatory Accounting) Regulations, 2014**

We appreciate the fact that the Commission is making regulations for regulatory accounting of all the licensees' regulated businesses. The draft regulation is comprehensive and proposed accounting formats will certainly reduce ambiguities with respect to valuation of fixed assets, accounting of grants and subsidies and estimating revenues of the licensees. Moreover such accounts will make it easier to ascertain costs which are controllable and which are uncontrollable and therefore costs which could be passed on to the consumers and which should not. Given the current lack of clarity in information submitted, information asymmetry could hinder informed participation and consumer welfare. This is a welcome step by the commission and we hope that it is implemented in letter and spirit.

Our suggestions are mostly with respect to changes in the data formats themselves especially with respect to the business of the licensees and with the need for more disaggregated data to aid analysis.

We have a few suggestions with respect to the draft regulations which are expanded on below:

1. *Need for Audit Report on the reporting system for all licensees to be available to the public-* We feel that the Information submitted by the licenses should be uploaded on the website of the regulatory commission as well as the website of the licensee in formats prescribed by the regulatory commission, according to the frequency prescribed by the regulatory commission. Availability of such information will ensure informed participation in public proceedings before the commission and promote accountability of the licensees.
2. *Reasons to be filed if there is delay in submission or incomplete submission-*If there is a delay in submitting formats as per the time frame specified in the regulations, then it is our submission that the licensee should submit a statement of reasons to the regulatory commission which should be available on the website of the commission. Penalties and the decision to extend the time for submission of accounts can be based on the statement of reasons. Additionally, the commission regularly publish status of compliance to regulations by all licensees. Moreover, if formats are incomplete, statement of reasons for submitting incomplete formats should also be specified to the commission.

3. *Formats for trading licensees* – Intra- State Trading licensees are deemed licensees under the purview of the regulatory commission and according to Regulation 8.2 of the Intra-State Electricity Trader regulations, 2005 must submit periodic performance reports to the commission. We feel that formats for trading licensees, similar to those specified as per CERC trading licensee regulations 2009 with monthly transaction wise information on RTC, Peak and off peak transactions with volumes traded, price, trading margin and details of buyer and seller would be useful.
4. *Formats for trading activities of distribution companies* – Other than information sought as per Form F1 in the draft regulations, we feel there is a need for more disaggregated data with respect to short term transactions undertaken by the distribution company. In this respect it would be useful to have monthly information on:
  - a. Seller wise, contract wise, number of MU procured and per unit price, time of trade and term of contract.
  - b. Buyer wise, contract wise, number of MU sold and per unit price, time of trade and term of contract.
  - c. Selling /Buying price and volume with type of trade for all trades via Power exchange, time of trade and term of contract.
5. *Changes in Form F1* – We feel that if power purchase data was available, not at the station level but at the unit level it would be useful to analyse the efficacy of costs being incurred by the distribution company with respect to power purchase.
6. *Formats for SLDC* –As SLDC's are regulated entities as well, it would be useful if formats specific to the business of the SLDC are also part of the regulation. Specifically if hourly, source wise, contract wise, generation as well as hourly load data, UI and frequency data are reported, on a daily basis as well as if aggregates are reported on a monthly and annual basis, it would be useful. Even though such data is available on the SLDC website, it is requested that the reporting of such data is asked for by these regulations.
7. *Capital Expenditure formats*-With respect to capital expenditure, if the following information was asked in the formats it would be useful:
  - a. Break-up of planned, approved and actual capital expenditure amount for the based on source of funds (grants, loans, equity) and funding entity (PFC, ADB etc.)
  - b. Break up of planned, approved and actual circle wise DPR and Non-DPR projects and their outlay.

- c. Circle wise, project wise break up of funds capitalized, work done and results achieved for the previous year as well as current year along with target parameters
- 8. *Changes in F2*-With respect F2, if the data is reported slab wise instead of consumer category wise it would be revealing. Moreover if in a separate format, the data for division wise ,consumer category slab wise sales, number of consumers, connected load, revenue billed, revenue recovered, collection efficiency and additional charges as specified are reported ,it would be useful to ascertain performance of distribution companies which is linked to much of its capital expenditure and revenue recovery.
- 7. *Independent third party systems audit*- It is a commendable that the auditors for this process are to be appointed by CAG and it would increase the legitimacy of the process. However, we feel that for the process to be effective, the regulations should also ask for periodic independent third party systems audit to verify that the systems for measuring and accounting of all the information presented is actually working and in place. Such an audit would be to verify if physical systems are in place (like working meters) and also to check if process are in place (aggregation of billing data, IT systems) etc.

We would also like the commission to specify which types of information it feels is commercially sensitive in the regulation itself in order to reduce the possibility of resistance from the utilities or possible litigation. We request the Commission to accept this submission on record and to allow us to make further submissions in this matter, if any.