



Workshop Report

Trends and Way Forward in the State Electricity Sectors

An Experience Sharing Workshop organised by Prayas (Energy Group)

11th and 12th September 2017, Pune



I. Introduction

A two-day workshop was organized by Prayas (Energy Group) (PEG) on September 11 and 12, 2017 at YASHADA, Pune. The workshop was a coming together of a wide spectrum of persons and organisations working in electricity- NGOs, grassroots based organisations, policy think tanks, as well as consumer activists.

The core idea of the workshop was to provide a platform for persons working on electricity in different states to meet, share experiences of working in the sector, contemplate the commonalities and differences in the electricity sector issues of different states and strategies used to engage with the sector. The event was not oriented towards a solution to the problems that affect the sector, but was intended to provide a space to discuss avenues for future work and collaborations. This is the first in a series of annual state-focused events that PEG hopes to organize in the future.

More than 42 participants from 14 states were present at the event. Most of them have many years of experience in engaging with the sector through policy processes and regulatory proceedings. More than 10 participants from various states have been members of the State Advisory Committee to the State Regulatory Commission. Additionally, about 4 participants have also been members of the State Consumer Grievance Redressal Forum. Based on this rich experience, the workshop proceeded through short presentations and detailed discussions.



The agenda for the workshop is as below:

Day 1: 11th September 2017		
Time	Session	Remarks
10:00-10:45	Welcome & Introduction	PEG to outline objective of event and the agenda for the 2 days. Participants to provide a quick self-introduction.
10:45-11:15	Background presentation by PEG	Context setting presentation to highlight major emerging issues.
11:30-13:00	State session 1: Maharashtra, Kerala, Bihar, Jharkhand	Representatives from various states to highlight major issues and strategies in states. Session will have remarks by lead discussants for each state followed by short discussion.
14:00-15:30	State session 2: Punjab, Uttar Pradesh, Odisha, Madhya Pradesh	
15:45-17:30	State session 3: Karnataka, Rajasthan	
17:30-18:15	State level engagement: experience sharing by PEG, Planning for Day 2	

Day 2: 12th September 2017		
Time	Session	Remarks
09:15-11:00	State session 4: Andhra Pradesh Telangana, Tamil Nadu, West Bengal	Representatives from various states to highlight major issues and strategies in states. Session will have remarks by lead discussants for each state followed by short discussion.
11:00-13:30	Breakout Session	Session to deliberate on major issues across states and identifying actions for a way forward. There is a fifteen minute tea/coffee break in between at 11:15.
11:30-13:30		
14:30-15:45	Reflections and thoughts on the way forward - open session	

This report is organized as follows: the next section introduces some of the major issues raised and discussed in the workshop. Section III provides a summary of the breakout session where certain issues were discussed in greater detail. Finally, Section IV provides action items for the way forward. The list of participants who attended the workshop at enclosed in Annexure 1 with the report.

II. Issues discussed in State sessions

After an introduction by PEG of some of the challenges before the sector, the workshop proceeded with state-specific presentations by the participants. The following is a compilation of the issues raised in the presentations and the discussions that followed.

1. Mode of electricity service provision:

There was discussion on whether electricity is to be treated as a service or a commodity; there were champions on either side, with some suggesting that electricity is a public good in spirit but a private good for pricing purposes. However, there was agreement on the fact that electricity needs to be consumer focused and that the poor need to be protected from high prices.

Drawing from the reform experience, participants deliberated the impact on the sector due to privatisation experiences in Odisha and Delhi. Some participants felt that the efficiency improvement and quality service which were to result from privatization have not materialized, especially in Odisha. It was also mentioned that the current cost plus, fixed rate of return model left

little incentive for private players to reduce costs. Discussion looked at private participation in generation and distribution as well as franchisees. Some participants felt that while the management should be with a private company, the ownership should be with the state (as in franchisees).

2. Planning and uncertainty:

There was agreement on the fact that planning was going to become more difficult give the increasing complexity in the sector. The surplus capacity situation in some states was discussed in this context, where it was recognised that massive capacity addition was undertaken but without reliable estimation of demand. There were deliberations on how demand estimation should be undertaken.

3. Data availability:

Paucity of data was highlighted by most participants. It was acknowledged that it deters consumer participation in the sector and renders the sector less transparent and less accountable. In addition, participants brought up the point of data quality and data discrepancies. There was discussion on pushing the DISCOMs and ERCs to put out more data in accessible formats, as well as ideas on collaborations to share available data.

4. Conventional generation

- Focus on coal based generation: Participants felt that conventional generation was to be the mainstay of electricity generation for the country in the near to middle future and issues with respect to fuel availability and plant operation need to be given attention. At the same time, there was recognition of the fact that coal based generation capacity was unable to compete with falling RE prices. Significant discussion took place on high cost of thermal generation (both cost plus and competitively bid), backing down, low PLFs and significant capacity in the pipeline.
- Fixed costs of coal based generation: Some participants stated that because of inadequate monitoring of expenses by the regulators, the costs of coal based generation plants have become unsustainable. It was stated that large variations in Detailed Project Report costs is allowed, while the bidding for the construction of the plants was not transparent. Another issue brought up was the lack of benchmarking for capital costs, with the last available numbers from 2009. Some recommended that CEA take up this task for different types of power generation.
- Socio-environmental impacts: Participants raised points on the socio-environmental impacts of coal based thermal power plants. They stated that environmental norms were not being met, while land acquired for power plants was being diverted to other uses.
- Political economy of capacity addition: Many participants felt that it is important to understand the political economy of capacity addition, whether coal based or renewable based. They stated that contracts are signed and capacity is added not based on any proper demand estimates or planning.

5. Renewable energy:

Some participants felt that there was not much clarity on how the target of 175 GW of RE by 2022 had been decided by the central government. They also felt that since solar could not meet the demand for the full day, a comparison with coal powered generation prices is unfair. Some



participants felt that not enough research was being undertaken regarding the integration of RE into the grid. There was also discussion on the role of renewables in meeting the access challenge. In certain states, like Bihar, rooftop solar and mini-grids are being seen as a means to self-sufficiency and are being encouraged.

6. DISCOM operations and commitments:

- Access: Providing reliable, affordable and high quality power supply to all remains a challenge for DISCOMs, with 5 crore households still without access. While connections have picked up in the past few years, the quality of supply remains an issue.
- Distribution losses and agricultural subsidies: Participants from different states stated that utilities were covering up their losses by calling it agricultural consumption, to meet AT&C targets and receive subsidy. This is all the while agriculture supply continues to suffer from poor quality and short supply hours. There was discussion on agriculture metering which revolved around understanding the barriers to metering from the perspective of the consumer (farmer) and the DISCOM. Thus, existing challenges of reducing AT&C losses persist. For states where electrification has picked up in the past few years, the issues of losses and theft will become more urgent.
- Financial position: DISCOMs are saddled with AT&C losses, as well as costly surplus capacity for which they continue to pay fixed cost. DISCOMs have also accumulated large regulatory assets, with high carrying costs. These regulatory assets are a result of inefficiencies and inability to get a tariff hike. Participants were unsure if UDAY scheme will provide a permanent fix to the DISCOMs' financial losses.
- Tariff revision: Some participants stated that petitions are submitted late or tariff hikes are not implemented during election years. There is a political resistance to increase in tariffs and there is pressure on utilities to fall in line.

7. Sales migration and the emerging realities of DISCOMs

With open access and falling rooftop solar prices, consumers are no longer solely reliant on distribution companies. Across states, consumers now have an option to move away, even if it is for part of the day. Migration of sales, especially with short term open access has led to increased demand uncertainty for DISCOMs. This has implications for the financial position of DISCOMs, which face long term power purchase agreements (surplus capacity) and a declining consumer base (loss of revenue). The uncertainty makes continuing with the current cross-subsidy system a challenge. It is possible that only small consumers would be left solely relying on the DISCOMs as large consumers begin to move to open access. Therefore focus of efforts should be on tariff, supply and service quality of small consumers.

8. Quality of supply and service

- Issues with Metering: Meter reading is often not regular which leads to accumulation of arrears for the consumer. Faulty meters add to consumer mistrust in the billing system.
- Standards of Performance Regulations and consumer awareness:
 - It has been over a decade that most states have instituted Standards of Performance (SoP) regulations, but due to lack of consumer awareness, regulations continue to be mere paper tigers.



- It has been noticed that several imprudent infrastructure investments (which are justified on the basis of bettering quality of supply) have been made, exposing the lack of planning and accountability.
- Accountability of ground-level DISCOM engineers was discussed with respect to provision for penalties in case of non-compliance of SoP regulations.
- **CGRF and Ombudsman:**
 - Lack of consumer awareness regarding avenues for redressal of complaints, like the CGRF, reduce the effectiveness of such institutions. It was discussed that in some states, not even eight complaints reach the CGRF, even with a consumer base of around fifteen lakhs. The efforts of the office of Ombudsman are also at times perceived as discouraging.
 - Legitimacy and accountability of CGRFs become questionable when majority of the composition is represented by DISCOM officials, thereby creating a conflict of interest.

9. Electrical Safety

Around 500 to 800 deaths due to electrical accidents were reported in some states in a year, while more than 8000 linemen positions lie vacant in certain states. Electrical accidents are especially pervasive in rural areas, where supply interruptions are rampant and farmers tend to put their lives at risk attending to the repairs themselves. Compensation is also a problem, with only a third of the victims receiving compensation in some states. Concerted efforts are needed to ensure accountability of DISCOMs and timely compensation.

10. Consumer participation:

- **Funds for consumer capacity building:** While it was discussed that inadequate funds were allocated for consumers' capacity building, some states, like Karnataka, had a positive experience where civil society organisations have been able to effectively conduct programs with such funds (specifically allocated to each DISCOM).
- **Prohibitive legal costs and access to institutions, especially APTEL:** Participants felt that the financial burden of appearing before the APTEL is prohibitive in nature for most consumers. Even the cost of travelling to Delhi for taking cases to the APTEL can be too expensive for most consumers. Participants also felt that institutions, like the ERCs and APTEL, have become legalistic, with parties being represented by lawyers. They felt it was becoming harder for consumers to represent themselves, making the process less participatory.

11. Role of institutions:

- **Governance issues:** The regulatory commissions find it difficult to hold the utilities accountable for their performance. Participants felt that this has contributed to the persistent financial losses of utilities. This also discourages consumers from approaching ERCs and has resulted in a trust deficit between the consumers and the ERCs.
- **State Advisory Committees:** The autonomy and legitimacy of the State Advisory Committees was deliberated upon. Some participants were of the opinion that while framing regulations the Commission fails to include the SAC's views.



III. Breakout sessions

The breakout session saw participants divide into 5 groups of 10 members each to deliberate in detail five important issues raised in the earlier discussions - power procurement, quality of supply and service, consumer participation, regulatory processes and governance, and rural electrification.

The following table provides the summary of the discussion, as well as the major issues identified, the analysis needed, and the advocacy and collaborations possible around these issues.

The key suggestions given during the breakout sessions to address the issues identified are detailed below:

1. **Power Procurement:** Need for review of existing MoUs and PPAs to weed out stalled projects and highlight inefficiencies. Need for comprehensive power procurement regulations/guidelines which include demand forecasts based on end-use projections, supply estimation based on a review of existing and in-pipeline capacity, review of stranded or stalled capacity. Such guidelines need to be implemented and there should be public hearings for all power purchase related matters before the Commission. The need for designing different PPAs with varying durations, payment schedules, and tariff design for contracting future capacity was also highlighted. It was also decided that each person or organization could pick up one PPA in their respective state and review its performance. It was felt that the linkages of coal based generation with other sectors such as environment, land, water, and finance, need more explicit attention in the policy and regulatory processes and the current silo based approach is not sustainable.
2. **Quality of supply and service:** The group felt the need to develop model Standards of Performance (SoP) regulations based on analysis of the Standards of Performance regulations across states. There is also a need to build evidence regarding supply quality for all consumer categories across states. Data from initiatives like ESMI (Electricity Supply Monitoring Initiative) can be used as well. Regulators and consumer bodies should monitor strict implementation of SoP regulations. Pressing regulators to have a hearing on supply quality issues every quarter is something participants can do. Additionally there is a need to increase awareness on quality of supply and SoP among consumers which can be done in collaboration with grass root organisations.
3. **Consumer Participation:** Outputs that inform consumers about their rights (good supply quality, on time billing, working meter, etc.) as well as duties (paying bill on time, reporting power theft, etc.) is as necessary as providing evidence of supply quality to consumers. Further, the tariff process needs to be simplified to allow for more effective consumer participation. The tariff order also needs to provide information in a clear manner. DISCOMs should also be encouraged to build consumer capacity. Consumer groups should partner with technical organisations to build consumer capacity in the sector. It is also important to work with local MLAs and politicians in highlighting consumer issues. Holding workshops for people to convene and discuss issues, such as payment of bills is also a step in the right direction.

4. **Regulatory Process and Governance:** Due to lack of transparent processes for appointment of regulators, there is a clear for clear selection committee guidelines followed by statement of reasons for selection of a candidate. Also, given the varied levels of regulatory governance across states, the group suggests the creation of a public dashboard with data on regulatory processes, appointments to ERCs, SAC constitution etc. Other suggestions to better regulatory governance include mandatory appointment of judicial member in ERC, cooling period before appointment and after term to reduce the risk of regulatory capture and inter-state rotation of staff between states for cross-learning. As access to APTEL is limited due to prohibitive fees, it is suggested that consumer representatives are subject to less fees while appearing before APTEL. With respect to tariff processes, it was felt that a Technical Validation Session (TVS) with consumer representatives should be conducted before the public process as is the case before the Maharashtra ERC. Moreover, public hearings should be conducted in multiple locations and it's important to have public hearings for crucial non-tariff related matters as well such as supply quality and power procurement. Ensuring all orders have the perspectives of all stakeholders recorded with a detailed statement of reasons is also important. Collaborations with academic institutions to study gap impact of regulatory effectiveness on regulatory capacity and taking the help of legal experts and research teams to explore legal options for ensuring regulatory accountability were also considered by the group.
5. **Rural Electrification:** Survey of un-electrified households, Compliance level of DISCOMs for metering at the DT level, Extension of grid to remote areas v/s having a decentralised rural electrification system, What are the exact costs to the distributors to provide supply to un-electrified households, The need for effective AT&C loss estimation, Awareness Camps in Rural Areas, CSOs can facilitate better communication amongst multiple administrative departments (Forest, Ground water, etc.), Including farmer associations in regulatory forum, Partnering with colleges and NGOs for consumer awareness (as already done in Kerala)

IV. Way Forward

The concluding session of the workshop entailed discussions regarding future engagements of the participants. The event ended with participants remarking on the many common trends across states as well as on the importance of state-level workshops. Many participants felt that the discussions during the session had helped provide a broader perspective on issues, and they had been inspired by the strategies used by different actors in different states.

Prayas mentioned specific activities that it will engage in with respect to the state level electricity sector in the coming year such as studying agriculture – electricity –water inter linkages, examining the functioning of the Appellate Tribunal for Electricity (APTEL) from a consumer interest perspective and publishing excel based tools and a study to understand the cost of generation of coal based thermal power plants. PEG also committed to hosting a multi-state annual conference for civil society organisations, consumer representatives and activists.

The participants also proposed a collective way forward which included:

1. **Annual event:** The participants agreed that it would be useful to conduct annual conferences of civil society organisations (CSOs) working in the area of electricity and consumer rights. It was



also decided to publish annual reports on developments across states, including any landmark judgments.

2. **Regulatory dashboard:** It was also recognised that creation of an online dashboard on regulatory processes would be useful, with information on composition of ERCs, SACs, regulations on common issues, etc.
3. **Collective advocacy process:** There was an agreement for mutual technical and analytical support for advocacy agendas. Further, the participants felt that they need to engage in a collective advocacy process to strengthen regulatory processes (by restricting to clear process related demands involving common consensus). Some of the issues identified for this purpose are as follows:
 - Capacity building in DISCOMs: It is important to ensure adequate training for DISCOM staff. The training of ground-level engineers and employees of distribution companies will go a long way to improve quality of service and compliance with safety procedures. Currently the CEA regulations on training are not being followed. Should insist that DISCOM follow these regulations.
 - Regulatory Processes: Need for deliberation on regulatory processes with focus on appointments, tenure and the like to strengthen regulatory capacity in order to uphold public interest. Judicious review of power purchase agreements and energy demand thus becomes necessary. The regulator needs to be agile in its functioning (regulation making, monitoring, etc.) to respond to the changing scenario. In addition, the regulator must be encouraged to view monitoring of supply quality and utility performance as steps in repairing the trust deficit created between the regulator and consumers.
4. **Building capacity of civil society:** There is a need to build the capacity of CSOs and consumer representatives to allow them to respond effectively to the changing environment. In this regard national level efforts to share developments, bridge data gaps in various states and to provide technical support is necessary, especially for issues related to rural electricity supply. Further, the idea of conducting training workshops in multiple states for enhancing capacity can also be considered. On their part, the CSOs and consumer representatives should be open to new policy prescriptions and approaches. It is important to look beyond the set pathways to deal with emerging changes.
5. **Increasing consumer participation:** Increasing consumer participation would involve work on the following two fronts:
 - Increasing consumer capacity: It is important to empower consumers to have their own issues redressed. Simple tools, such as simple checklists, can be developed to help consumers to determine the quality of supply and service issues on their own. This will enable the compilation of grievances to be presented before the ERCs. Simplified booklets as well as dissemination of information through mobile phones or through illustrations on the walls of local public intuitions will also aid this process.
 - Making institutions consumer friendly: Institutions need to encourage consumer participation and provide avenues for the same. In this regard, the participants felt that having mandatory public hearings in multiple locations across the states for tariff as well



as non-tariff (amendment to regulations, supply quality) will go a long way. In addition, lowering the fees for the APTEL to the level of the state High Courts as well as having the APTEL benches function in various states would also help. Changes to the composition of the CGRF and Ombudsman would also help in this regard.

- Approaching other institutions: It was also decided that consumers and consumer representatives need not restrict themselves to institutions within the electricity sector. Institutions like Competition Commission of India (CCI), or consumer courts can be approached depending on the issue at hand.

6. Areas requiring more attention:

- Some participants felt that not enough attention was being given to the transmission sector, and future work must also focus on transmission costs and losses.
- Participants also brought up the point that socio-environmental aspects need more attention, as do the number of accidents and deaths due to electricity.

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It was also noted that several other consumer activists / interested participants could not attend the workshop due to various reasons. It was decided to reach out to such individuals and share workshop report with them, include them in broader networking process and to invite them for further such event.

Each participant gained more ideas for continuing engagement with the sector in their own areas of work with an informal network for support. As mentioned before, this workshop is expected to a first step of such interactions, and over a period of time, more such events will be conducted.

The presentations or notes prepared by the participants are available here: <http://www.prayasipune.org/peg/publications/item/360>



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