

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
World Trade Centre, Centre No.1, 13th floor, Cuffe Parade, Mumbai 400 005.
Tel. No. 022 22163964/65/69 – Fax 022 22163976
E-mail mercindia@mercindia.org.in
Website: www.mercindia.org.in

In the matter of
Multi Year Tariff Framework under Regulation 12 of Part C of the Maharashtra
Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2005.

Dr Pramod Deo, Chairman
Shri A. Velayutham, Member
Shri S.B.Kulkarni, Member

ORDER

Dated: 20th December, 2005.

Regulation No. 12.1 under Part C of the Maharashtra Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2005 notified on 26th August 2005 stipulates that the Commission shall determine the tariff for following matters under a multi-year tariff framework with effect from 1st April 2006:

- a) Supply of Electricity by a Generating Company to a Distribution Licensee
 - b) Intra-State transmission of electricity
 - c) Wheeling of electricity
 - d) Retail sale of electricity
2. Regulation No. 14.1 under Part C of Terms and Conditions of Tariff Regulations states that *“The applicant shall submit a forecast of his aggregate revenue requirement and expected revenue from tariff and charges for the approval of the Commission for each financial year within a control period of five (5) financial years. Provided that for the first application made to the Commission under this Part, the control period shall be three (3) financial years i.e. April 1, 2006 to March 31, 2009.”*
3. In line with the Tariff Regulations, the Commission vide its letters dated 14th November 2005 directed the following Utilities to submit the first Application for determination of multi year tariff for the control period of 3 financial years i.e. FY 2006-07, FY 2007-08 and FY 2008-09 by 30th November 2005:
- Ø The Tata Power Company Limited (TPC)
 - Ø Reliance Energy Limited (REL)
 - Ø BEST Undertaking (BEST)
 - Ø Maharashtra State Electricity Transmission Company Limited (MSETCL)
 - Ø Maharashtra State Electricity Distribution Company Limited (MSEDCL)
 - Ø The Mula Pravara Electric Co-operative Society Ltd. (MPECS)

Further, the Commission, vide its letter dated 21st November 2005, forwarded the “Draft MYT Data Formats” to the Utilities and advised the Utilities to provide the data in the draft formats.

4. In response to the Commission’s letters, all the Utilities have requested the Commission to extend the time for submission of first MYT application and have made the following submissions.
5. TPC vide its letter REG/MERC-SUB/05/123 dated 29th November 2005 has submitted that it has filed its Tariff Proposal for FY 2005-06 initially in December 2004 and subsequently submitted the disaggregated ARR in June 2005 in compliance with the Commission’s directions, which is now under its consideration. TPC has submitted that the directives issued by the Commission while dealing with the ARR for FY 2005-06 would greatly impact the filings made under MYT for FY 07 to FY 09. TPC has further submitted that based on the work involved in the filing for MYT, it would require additional time period of at least 45 days. TPC has requested the Commission to grant the time extension for submission of MYT application.
6. REL, vide its letter dated 25th November 2005, has submitted that they have received soft copy of draft formats on 22nd November 2005 and as the required data needs to be compiled from the various operational departments, a period of 30 days will be required from the date of receipt of the draft formats for submission of MYT petition for the first control period FY 07 to FY 09. REL has requested the Commission to grant the extension till 21st December 2005 for submission of MYT application.
7. BEST vide its letter Ref. DO/GM/AGEM(ES)/65574/2005 dated 5th December 2005, has submitted that MYT is a new concept and the parameters, which would determine/influence MYT proposal have to be cleared at the outset. BEST, being a local authority, has been exempted from certain provisions of Electricity Act, 2003 and it may have bearing on Commission’s Order on BEST ARR. It has further submitted that it has twin responsibilities of transport and electricity distribution for city of Mumbai, and not being a corporate entity, has different accounting procedures and methods as compared to the other distribution licensees. BEST has further submitted that its ARR and Tariff Petition for FY 2005-06 has been admitted on 17th October 2005 and the public hearing is scheduled on 21st December 2005 and as BEST purchases power from TPC, indications about TPC’s MYT are essential for formulating the MYT proposal. The financial and other indicators essential for formulating MYT proposal would be available only after MERC’s Order on ARR and Tariff Petition for FY 2005-06. BEST has requested the Commission to grant extension for a period of one month after finalisation of MERC’s Order on its ARR and Tariff Petition for FY 2005-06 for submission of MYT proposal for first control period.
8. MSEDCL, MSETCL and MSPGCL vide their letters dated 8th December 2005 and 12th December 2005 have submitted that there are several important issues involved in formulating a MYT filing for Maharashtra’s State Owned entities. They have made the following submissions:

- Ø **Restructuring Transition:** The erstwhile MSEB has recently undergone restructuring of its operations and has created functionally separate entities responsible for Generation, Transmission and Distribution functions. The Companies have commenced operations only recently and are coping with the transition period and the staffing of the companies at various levels is also incomplete.
- Ø **Agreements:** The formal agreements between the Companies are yet to be entered and the Companies will have better understanding of base line for MYT once the Commission decides the matter of individual ARR's being filed shortly.
- Ø **Company Asset Valuation:** The GoM is in the process of appointing consultants for undertaking the business valuation of successor entities and considering that significant costs which can be considered for pass through in MYT filing will depend upon asset valuation, in absence of such asset values, the MYT application will be incomplete.
- Ø **Data Availability:** The MYT filing will require more comprehensive and complex data as compared to ARR filing and the Companies would need significant time to compile such data for preparing the MYT application.
- Ø **Capacity Building:** Trifurcation of the erstwhile MSEB has necessitated the creation of regulatory affairs cell in each successor Company, however, due to multiplicity of posts in the successor Companies and due to limited manpower availability, capacity building in the regulatory area is a cause of concern for the Companies.
- Ø **ARR Filing Status:** While there are implementation issues w.r.t MYT filing, the successor Companies have made significant progress in formulating the ARR for FY 2006-07 and are planning to submit the same shortly.

In view of above submissions, MSEDCL, MSETCL and MSPGCL have requested the Commission to grant a period of 2 months after final Transfer Scheme is notified by GoM for submitting the MYT application.

9. MPECS vide its letter MPECS/MERC/MYT/05/6689/05 dated 30th November 2005, has submitted that as per provision 12.1 of Tariff Regulations, the Commission may exempt any licensee from filing of MYT application, however, MPECS is not seeking exemption from filing MYT application, but is requesting for grant of additional time for filing MYT application. MPECS has mentioned that it has filed ARR and Tariff application for FY 2003-04, FY 2004-05 and FY 2005-06, on 13th June 2005 and submitted that there are several regulatory issues that would have significant influence on the MYT application to be filed by a rural electric co-operative society like MPECS. It has further submitted that the Commission has called for 'State Advisory Committee' meeting on 20th December 2005 to deliberate on policy issues to be addressed under 'rural electrification policy framework' for Maharashtra and to provide statutory advice to Government of Maharashtra. Mula Pravara has requested the Commission to grant additional time of at least three months or any other time frame as the Commission may consider appropriate for filing MYT application, upon resolving of "key regulatory issues pertaining to Mula Pravara".
10. Based on the submissions made by the Utilities, the Commission observed that all the Utilities have requested for grant of additional time for submission of MYT application for first Control Period. REL and TPC have requested for extension of time by 21 and 45 days, respectively, from the date specified by the Commission, i.e., 30th November 2005. The other four Utilities have linked the MYT application to resolution of certain critical issues.

11. Further, the four Utilities, i.e., TPC, REL, BEST and Mula Pravara have submitted their respective ARR and Tariff Petitions for FY 2005-06 and these Petitions are at different stages of processing by the Commission.
12. The Commission is inclined to accept the view that in the case of five Utilities i.e., BEST, Mula Pravara, MSEDCL, MSETCL and MSPGCL, it will be preferable that the critical issues raised by the respective Utilities are resolved before filing of MYT application, which will take some time.
13. The Commission also holds, that it will be preferable that the MYT framework for all the Utilities in the State of Maharashtra is implemented together, and the first Control Period for all the Utilities commences at the same time. Considering the critical issues raised by some of the Utilities and their preparedness for filing of MYT application, the Commission has decided to grant exemption to all the Utilities in Maharashtra from implementation of MYT framework for the year 2006-07 and the Commission shall determine the tariff under a multi year tariff framework with effect from April 1, 2007 instead of April 1, 2006 as stipulated in MERC (Terms and Conditions of Tariff) Regulations, 2005. Accordingly, the first control period for first MYT framework shall be three financial years from April 1, 2007 to March 31, 2010.
14. The Commission directs the following Utilities to submit their respective ARR and Tariff Petition for FY 2006-07 by 31st December 2005 in the draft formats forwarded by the Commission.

- Ø The Tata Power Company Limited (TPC)
- Ø Reliance Energy Limited (REL)
- Ø BEST Undertaking (BEST)
- Ø Maharashtra State Electricity Transmission Company Limited (MSETCL)
- Ø Maharashtra State Electricity Distribution Company Limited (MSEDCL)
- Ø Maharashtra State Power Generation Company Limited (MSPGCL)
- Ø The Mula Pravara Electric Co-operative Society Ltd. (MPECS)

Sd/-
(S B Kulkarni)
Member

Sd/-
(A. Velayutham)
Member

Sd/-
(Dr. Pramod Deo)
Chairman, MERC

Sd/-
Secretary, MERC