

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Case No. 7 of 2008

Petition filed by Reliance Energy Limited (REL) seeking clarification in the matter of the composite transmission losses of InSTS as held by the Commission vide its Order dated June 27, 2006 in Case No.58 of 2005.

Shri A. Velayutham, Member
Shri S. B. Kulkarni, Member

ORDER

Dated: July 18, 2008

The Commission issued the Order in Case No. 58 of 2005 in the matter of Development of Transmission Pricing Framework for the State of Maharashtra and other related matters on June 27, 2006. In the said Order, the Commission, in the context of treatment of transmission loss, observed that:

2.1.1 *“The Commission notes that clause 7.2 of National Tariff Policy stipulates as under –*

“Transactions should be charged on the basis of average losses arrived at after appropriately considering the distance and directional sensitivity, as applicable to relevant voltage level, on the transmission system. Based on the methodology laid down by the CERC in this regard for inter- state transmission, the Forum of Regulators may evolve a similar approach for intra-state transmission.

The loss framework should ensure that the loss compensation is reasonable and linked to applicable technical loss benchmarks. The benchmarks may be determined by the Appropriate Commission after considering advice of CEA.

It would be desirable to move to a system of loss compensation based on incremental losses as present deficiencies in transmission capacities are overcome through network expansion.”



- 2.1.2 *The Commission notes that currently, as per CERC directives in case of inter-State transmission networks, the transmission losses are borne by all the beneficiaries on proportionate basis linked to the actual energy drawn by the beneficiaries during the assessment period. This method is simple, easy to understand and implement and energy accounting is also simplified.*
- 2.1.3 *The Commission has initiated a study through CPRI to undertake assessment of voltage-wise loss levels prevalent within the transmission network owned by various licensees. Accordingly, the Commission is of the view that, until such exercise is completed and CERC/FOR prescribes methodology for 'allocation of losses' linked to distance/ direction, as applicable at relevant voltages, adoption of 'average loss' methodology is appropriate.*
- 2.1.4 *Accordingly, the Commission rules that actual transmission loss shall be borne by all TSUs (off-takers) on pro-rata basis based on their actual energy drawal. Further, the Commission observes that, average transmission loss of 'Intra-State transmission system' to be borne by all Transmission System Users would result in state-wide uniform transmission loss across all transactions of various Transmission System Users, irrespective of entry point and exit point.*
- 2.1.5 *The Commission notes that as per clause (c) of Sub-section (2) of Section 32 of EA2003, SLDC is required to maintain State-wide account of energy flows and energy transactions taking place over intra-State transmission system (InSTS) covering all interface points. The Commission directs MSETCL (being, Government company undertaking SLDC operations) to ensure metering of all interface points (generation to transmission and transmission to distribution) and to put in place appropriate energy accounting system within six months from date of issue of this Order."*

2. Subsequently, through its Transmission Tariff Order for FY 2006-07 dated September 29, 2006 in Case 31 of 2006, the Commission elaborated on the energy accounting aspect and treatment of transmission loss for Intra-State Transmission system (InSTS) (under Part-F, para 22 to 33 and Appendix-I of the said Order). The above mechanism for treatment of transmission loss of intra-State Transmission system (InSTS) has been in operation since October 1, 2006 and has also formed the basis for subsequent Transmission Tariff Orders for FY 2007-08 (Case 86 of 2006) and for FY 2008-09 (Case 104 of 2007).

3. Reliance Energy Limited (REL) submitted a Petition under affidavit before the Commission on February 26, 2008, inter alia seeking clarification on the issue as to whether the composite transmission losses of Intra State Transmission System (InSTS), which are to be borne by all Transmission System Users (TSU), should be charged at the Weighted Average Variable Cost (WAVC) or at the Weighted System Marginal Price (WASMP).



4. REL in its Petition prayed as under:

- a) *“The Hon’ble Commission may be pleased to clarify whether the losses of InSTS of the state that is to be borne by the Transmission System Users should be charged at Weighted Average Variable Cost (WAVC) of Maharashtra system or at Weighted Average System Marginal Price (WASMP);*
- b) *REL requests the Hon’ble Commission to clarify the above point so that if Hon’ble Commission agree with the contentions of REL, SLDC can appropriately modify the monthly IBSM working for the period Oct. 2006 onwards and accordingly the issue can be taken up at MSPC for settlement of Imbalance Pool of the state.”*

5. The Commission, vide its Notice dated April 23, 2008 scheduled the hearing in the matter on May 13, 2008 in the presence of consumer representatives authorized on a standing basis under the Electricity Act, 2003 (EA 2003). REL was also directed to serve a copy of its Petition, along with its accompaniments, to Maharashtra State Electricity Distribution Company Limited (MSEDCL), The Tata Power Company Limited (TPC), Brihan Mumbai Electric Supply & Transport Undertaking (BEST), and Maharashtra State Load Despatch Centre (MSLDC).

6. At the hearing held in the matter on May 13, 2008, REL submitted that the Petition had been filed under Regulation 96 of the MERC (Conduct of Business) Regulations, 2004, wherein REL was seeking certain clarifications from the Commission to remove difficulties faced in the interpretation of the Commission’s Order dated June 27, 2006 in Case No. 58 of 2005. The Commission observed that the Commission issues Orders, which are required to be implemented and Regulation 96 of MERC (Conduct of Business) Regulations, 2004, which provides for removal of difficulties in giving effect to said Regulations, cannot be used to remove difficulties or deal with interpretation issues faced in the implementation of the Orders passed by the Commission, as has been prayed for by REL.

7. REL submitted that in the past, the Commission had allowed various affected parties to seek clarifications on interpretation of the Orders of the Commission, wherein the Commission had issued Clarificatory Orders. The Commission opined that there is a difference between seeking clarifications and removal of difficulties faced in implementation of the Orders. The Commission further observed that if REL is facing any difficulty in interpretation of the aforesaid Order of the Commission, a resolution could be arrived at by organizing a meeting of all Utilities to discuss the implementation aspects of the Commission’s aforesaid Order dated June 27, 2006 in Case No. 58 of 2005. Further, REL being an affected party as a TSU, it may consult the other Utilities if it needs any clarification on the implementation aspects. The Commission observed that the forum of Maharashtra State Power Committee (MSPC) has already been created for such purposes.



8. REL submitted that on August 2, 2007, in a meeting conducted in the office of the Commission, certain clarifications with regard to implementation of Interim Balancing and Settlement Statement (IBSS) were issued by the Commission, wherein, the Commission had directed MSLDC to submit the copy of the final settlement statements. REL contended that based on those directives, the other utilities may take a view that the issue of settlement and IBSS has been settled by the Commission and therefore, there is no need to dwell upon the clarifications required for correct implementation.

9. The Commission observed that in case MSLDC faces a problem in implementing the aforesaid Orders and directions issued by the Commission, then all the Utilities would be asked to provide their respective viewpoints both in writing and by way of presentations if so desired. The Commission observed that any issues faced by the REL towards implementation of the aforesaid Order cannot be admitted by the Commission under Regulation 96 of MERC (Conduct of Business) Regulations, 2004, since the said Regulation cannot be used to remove difficulties faced in the implementation of Orders passed by the Commission, however, in case REL is faced with a dispute then it will have to invoke the appropriate provisions of EA 2003 for its adjudication. In case, REL is not agreeable with the aforesaid Order dated June 27, 2006 in Case No.58 of 2005 or is aggrieved by it, then it will need to invoke the appropriate proceedings under the EA 2003.

10 REL sought clarification from the Commission on interpretation issues arising out of the aforesaid Order, since it has to close energy accounting for FY 2006-07 so that implementation issues are settled once and for all. The Commission observed that in case REL does not agree with the actions of MSLDC, then REL would need to invoke the appropriate proceedings under EA 2003 to approach the Commission for its decision.

11. Upon enquiry by the Commission regarding its views in the matter, MSLDC submitted that, it functions according to the mandate under the EA 2003 and the guidelines as may be specified by the Commission from time to time. It further submitted that no party to the present proceedings has raised any dispute earlier regarding this issue either before MSLDC or MSPC. MSLDC also submitted that it had no role to play in the present matter. The energy accounting done by MSLDC would be applicable to all utilities. MSLDC further confirmed that all energy accounting and IBSS have been undertaken in accordance with the principles outlined by Commission under its various Orders issued from time to time. MSLDC opined that the question of interpretation of the Commission's Order does not arise as it has followed Commission's directives in the matter. All other utilities, viz., MSEDCL, TPC and BEST have agreed with energy accounting and IBSM settlement carried out by MSLDC.

12. The Commission observes that Regulation 96 of MERC (Conduct of Business) Regulations, 2004, which provides for removal of difficulties in giving effect to said Regulations cannot be used to remove difficulties or deal with interpretation issues faced in the implementation of Orders passed by the Commission, as has been sought to be prayed for by REL. The Commission further opines that if at all there is any problem in the interpretation



of the aforesaid order, a solution could be arrived at if all Utilities discuss the implementation aspects of the aforesaid Order dated 27.6.2006 passed in Case No.58 of 2005. Since, REL is a TSU, it may need to consult the other Utilities if it needs any clarification on the implementation aspects. A forum in the form of MSPC has already been created for such purposes. However, the Commission observes that MSLDC, which is responsible to carry out State-wide energy accounting and IBSM settlement has not encountered any difficulty in interpretation of this issue, and neither has any party raised this issue with MSLDC until now. In fact, MSLDC has brought to the notice that all other Utilities have also agreed with energy accounting and IBSM settlement carried out by MSLDC. Under the circumstances, the Commission does not find any need to deal with the matter at this stage unless any implementation /interpretation issue remains unaddressed by MSLDC and MSPC, which has not been pointed out by REL.

With the above observations, the Commission disposes of the present petition filed by REL in Case No. 7 of 2008.

Sd/-
(S.B. Kulkarni)
Member

Sd/-
(A. Velayutham)
Member



(P.B. Patil)
Secretary, MERC