

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
World Trade Centre, Centre No.1, 13th Floor, Cuffe Parade, Mumbai – 400 005
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Case No. 121 of 2008

IN THE MATTER OF
Reliance Infrastructure Ltd. Distribution Business' (RInfra-D) Petition for
Truing Up for FY 2007-08, Annual Performance Review for FY 2008-09 and
Tariff Determination for FY 2009-10

And

In the matter of
Investigation of Reliance Infrastructure Ltd. Distribution Business (RInfra-D)
under Section 128 of the Electricity Act, 2003

Shri V. P. Raja, Chairman
Shri S. B. Kulkarni, Member
Shri V. L. Sonavane, Member

Date: September 9, 2010

ORDER

After taking into account the Government of Maharashtra (GoM) letter ref: REL2009/CR 227/NRG-1 dated June 25, 2009, the Commission vide its Order dated July 15, 2009 in Case No. 121 of 2008 held as follows -

“Accordingly, as directed and called upon by the GOM and considering the special circumstances, and the direction to the Commission to undertake a detailed investigation on metering, power purchase expenses and transactions undertaken by RInfra-D, as well as capital expenditure schemes, the tariff increase as approved by the Commission in the above-said Order for the following consumer categories and sub-categories is hereby stayed till the Commission issues further orders:



- *LT I Residential*
- *LT II Commercial (A) and (B)*
- *LT III Industry below 20 kW*
- *LT V Advertisement & Hoardings*
- *LT VII Temporary Others*
- *HT I Industry*

It is clarified that the tariff of only such categories and sub-categories, where the tariffs have been increased vis-à-vis the tariff prevalent in the previous year (after including FAC and Additional FAC), has been stayed till the Commission issues further Orders in this regard. For these categories, the tariff as determined in the previous Tariff Order, i.e., Order dated June 4, 2008 in Case No. 66 of 2007 will be applicable. The tariff for the other consumer categories and sub-categories, where the tariffs have been reduced vis-à-vis the tariff prevalent in the previous year (after including FAC and Additional FAC), will continue to be charged as determined in the Order dated June 15, 2009 in Case No. 121 of 2008.”

Thus, the Order dated June 15, 2009 in Case No. 121 of 2008 was partly stayed as above.

2. In view of GoM’s letter dated June 25, 2009 issuing directions to the Commission under Section 108 of the Electricity Act, 2003 (“EA 2003”) to inter alia investigate whether M/s. Reliance Infrastructure Ltd., has discharged its duties as envisaged in EA 2003 in the most economical and efficient manner, the Commission vide its Order dated 8th September 2009 appointed and directed Administrative Staff College of India (ASCI) to act as an “Investigating Authority” to investigate the affairs of RInfra-D as per the provisions of Section 128 of EA 2003 on the areas mentioned in the said Order dated 8th September 2009.

3. The Commission has received the investigation report from ASCI vide its letter dated 9th July 2010. ASCI has conducted investigation on the following aspects, which were assigned to them vide Order dated 8th September 2009:-

- i. To scrutinise Tariff Petitions, Record of Proceedings / Minutes of meetings and data submitted to the Commission by RInfra-Distribution Business (including Petitions and data submitted by the erstwhile BSES Ltd and Reliance Energy Limited) during the period from 1st April 2003 to 31st March 2009 so as to relate the same to the actual results of the investigation, and to report to the Commission regarding discrepancy found, if any.



- ii. To verify the physical vouchers for each transaction/actual expenses recorded in the books of accounts related to the investigation areas referred to above for the aforesaid period (i.e., Period from 1st April 2003 to 31st March 2009), so as to examine the correctness and appropriateness of the transactions reflected in the books of accounts.
- iii. To examine the procedure adopted for procurement of power and its related transactions reflected in the books of accounts maintained by RInfra-D to ensure the optimal impact on cost of supply and tariff being charged by RInfra-D to its retail consumers.
- iv. To examine/undertake scrutiny of actual scope, objective and procedures adopted for procurement of equipments for capital investment schemes undertaken by RInfra-D and evaluation of benefits stated at the time of in-principle approval vis-à-vis the actual benefits accrued in the operations of RInfra-D.
- v. To undertake detailed item-by-item examination of the various expense and revenue heads, to examine that expenses of other businesses are not being passed on to the consumers under regulated business, and also that the complete and due income of the regulated business is being retained under the regulated business, examine as to whether the assets being reported under regulated business are actually physically existing and are being used for the benefit of the regulated business.
- vi. To examine the basic accounting records including basic vouchers.

4. As required under Section 128 (6) of the EA 2003, R-Infra has been given an opportunity to make a representation in connection with the said report vide the Commission's letter dated 27th July 2010. RInfra's representation has been received on 6th August 2010.

5. With the submission of the investigation report from ASCI vide its letter dated 9th July 2010 on the aspects assigned to ASCI under Order dated 8th September 2009, the direction of the GOM to the Commission to investigate as to whether M/s. Reliance Infrastructure Ltd. has discharged its duties as envisaged in the EA 2003 in the most economical and efficient manner, has been complied with.



6. After considering the contents of the said investigation report and representation received from RInfra as aforesaid, the Commission is of the view that the partial stay of the Order dated June 15, 2009 in Case No. 121 of 2008 as stated above vide Order dated July 15, 2009, has to be vacated.

7. However, taking into account the facts stated in ASCI's investigation report that the retail supply tariffs of RInfra-D have substantially gone up due to procurement of large proportion of power from external sources and drawal from imbalance pool at high cost, the Commission does feel that power procurement by RInfra-D should be better managed in an efficient and economical manner. The Commission does feel that the electricity purchase and procurement process of RInfra-D including the price at which electricity is procured, requires to be streamlined. Electricity should not be purchased at unreasonable rates. The retail tariffs should reflect the relative efficiency of RInfra-D in procuring power at competitive costs. RInfra-D should, therefore, look into all possible ways in which the above objective is met in order to ensure economic efficiency and protection of consumer interests.

In view of the above, the interim order dated Order dated July 15, 2009 stands vacated with immediate effect.

Sd/-
(V. L. Sonavane)
Member

Sd/-
(S. B. Kulkarni)
Member

Sd/-
(V.P. Raja)
Chairman



(K. N. Khawarey)
Secretary, MERC