

PUBLIC NOTICE

Subject: Implementation of Availability Based Tariff (ABT) regime at State level within Maharashtra and related issues
- Case No. 42 of 2006

The National Electricity Policy (NEP) notified by Central Government on February 12, 2005 states that the ABT regime introduced by Central Electricity Regulatory Commission (CERC) at the national level has had a positive impact. It has also enabled a credible settlement mechanism for intra-day power transfers from licenses with surpluses to licenses experiencing deficits. Accordingly, NEP advised State Electricity Regulatory Commissions (SERCs) to introduce the ABT regime at the State level within one year. Subsequently, the National Tariff Policy notified as on January 6, 2006 stipulated that two-part tariff structure should be adopted for all long term contracts to facilitate Merit Order despatch and the Availability Based Tariff (ABT) is to be introduced at State level by April 2006.

2. With the success of ABT implementation at Regional level and with improved grid frequency, reduced frequency variations and reduction of number of interruptions/grid failures, it is felt that such scheme may further help the Power System, if implemented at State level also.

3. The Forum of Indian Regulators (FOIR) had formulated Sub-Committees during March 2005 to get into the details of introduction of ABT mechanism at State level. The two specific tasks assigned to the Sub-Committee were (i) to make recommendations to FOIR on implementation of ABT in intra-State systems and (ii) to co-ordinate with CEA on Metering Regulations. Upon several rounds of deliberations, the Sub-Committee finalized its recommendations during November 2005 on implementation of ABT mechanism at the State level. The Sub-Committee acknowledged that its recommendations are not mandatory and the SERCs are fully competent to decide on the subject matter within their respective State jurisdiction. However, it suggested that while introducing ABT mechanism at State level it needs to be ensured that intra-State ABT mechanism is not incompatible with the inter-State ABT system.

4. Thus, it is clear that introduction of ABT mechanism at State level – its scope, pricing methodology, exclusions of some state participants, etc., is left to the discretion of respective SERCs. However, the Availability Based Tariff (ABT) mechanism at State level need not necessarily mean frequency linked UI mechanism as applicable at regional level.

5. Hence, it is necessary to identify these peculiarities and complications within the power sector at State level before finalizing appropriate design for implementation of ABT within Maharashtra. Further, ABT mechanism with frequency linked UI pricing was introduced at the time when most of the State participants were structured as integrated/bundled entities. Thus, response of State participants at regional level has been a reflection of their system operations by managing their load as well as the generating stations at their disposal. It is important to understand change in role envisaged for various

participants including SLDC upon un-bundling/restructuring of State Utilities, as mandated under Electricity Act 2003.

6. In view of above, the objective for introduction of ABT at State level needs to be ascertained in view of changing electricity industry structure. Further, selection of appropriate mechanism for introduction of ABT at State level should have minimal impact on sector entities and retail consumers while meeting the objectives of implementation of ABT at State level. In this context, an analysis of various issues and key concerns in extending intra-State ABT to various participants in the state system is presented under a Discussion Paper titled – **‘Introduction of Availability Based Tariff (ABT) Regime at State level within Maharashtra and related issues’**.

7. In this context, the Commission had appointed M/s ABPS Infrastructure Advisory-Deloitte Touche Tohmatsu India Pvt Ltd (DTT) to develop ‘appropriate mechanism for introduction of ABT at State level’ and assist the Commission in the regulatory process thereof, for finalizing the same. They have submitted a Discussion Paper on **‘Introduction of Availability Based Tariff (ABT) regime at State level within Maharashtra and related issues’**. Executive Summary (English) of the Discussion Paper can be obtained free of cost from the Commission’s office on request. Hard copies of the Discussion Paper (in English) can be obtained from the Commission’s office on payment of Rs.65/- (plus Rs.55 for postages, wherever required), and can be accessed, including Executive Summary (English), in downloadable format from the Commission’s website at www.mercindia.org.in.

8. The Commission would like to invite comments / suggestions from various utilities and stakeholders in the State of Maharashtra, on the proposed mechanism for introduction of ABT regime within Maharashtra. The same should be submitted on affidavit at Commission’s office **on or before 13th December, 2006**.

9. I am directed to communicate that the Public Hearing in the above matter will be held in the presence of authorised consumer representatives, Licensees and Generating Companies, on **Thursday, 21st December, 2006 at 11.00 hours at the Seminar Hall, 31st floor, Centre No.1, World Trade Centre, Cuffe Parade, Mumbai 400 005**.

Sd/-
(Smt Malini Shankar)
Secretary, MERC