

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
World Trade Centre, Centre No.1, 13th floor, Cuffe Parade, Mumbai 400 005

Case No.32 of 2001

In the Matter of
Application filed by The Pune Chapter of Cost Accountants
in respect of conducting Cost Audit by Cost & Management Accountants
in Generating Stations of the Maharashtra State Electricity Board.

Shri P. Subrahmanyam, Chairman
Shri Jayant Deo, Member
Dr Pramod Deo, Member

Date of the Order: May 07, 2002

INTERIM ORDER

The Maharashtra Electricity Regulatory Commission, in exercise of the powers vested in it under Sections 22 and 29 of the Electricity Regulatory Commissions Act, 1998 and all other powers enabling it in this behalf and, after considering the application submitted by the petitioner, the Pune Chapter of Cost Accountants dated 13th March 2002 hereby passes the Interim Order in Case No.32 of 2001 in the above referred matter.

2. A Hearing was held in the matter on May 02, 2002 before the Commission, during which the Petitioner as well as the Respondent made their submissions.

3. During the Hearing the Commission observed that the petition is in the nature of a Public Interest Petition and the MSEB, therefore, may refrain from merely arguing its case on legality overlooking the spirit of the issues raised by the Petitioner as a whole, which will be in the interest of the Board itself in the long run. Based on the deliberations during the hearing and also in line with the various orders [tariff order 5th May 2000, FOCA Order 31st July 2001 and Tariff Order dated 10th January 2002] passed by the Commission in relation to the efficiency improvement, the Commission observed that the Board has been lackadaisical in its approach - it has even failed to prepare a pilot scheme for the implementation of Cost Audit and Accounting in its generation area due to its adherence to "Cost Plus Approach".

4. The Legal Counsel for the Respondent (MSEB) referred to certain comments in para 8 and 15(c) of the affidavit made by the Petitioner and requested the Commission to record its objection in the matter. The Petitioner admitted the lapse and agreed to withdraw and submit a written confirmation to this effect. The Petitioner requested the Commission to issue an interim order in the matter.

5. The Commission observed that the MSEB's pursuit of the philosophy of "Cost Plus" approach is not in consonance with Section 18 of the Electricity (Supply) Act 1948 and Section 29 of the ERC Act, 1998, and it is high time that it abandons its old path and accept the philosophy of 'Cost Consciousness' to effectively conduct its operations in a business like manner. The Commission added that though it will not like to interfere in the executive functions of the MSEB it cannot continue to take a lenient view of the Board's tendency to pass the burden of additional cost to consumers without justifying the prudence of such increase.

6. The Commission, therefore, gave following directions:

- (i) The Petition dated 13th March 2002 of M/s Pune Chapter of Cost Accountants will be treated as a Public Interest matter.
- (ii) The Petitioner shall withdraw its comments made in its affidavit as pointed out by the MSEB's Counsel - referred at para 4 above.
- (iii) The Respondent (MSEB) shall submit a scheme, depicting the methodology and approach, for the implementation of Cost Accounting and Management Audit in its various Generating Stations and Distribution Circles taking into consideration the valuable suggestions made by the Petitioner and shall submit it to the Commission by 7th June 2002 for appraisal.
- (iv) A copy of the said pilot scheme should also be made available to the (a) Petitioner (ii) Institute of Cost & Works Accountants of India (Western India Region) (iii) umbrella organisation of ICWA, (iv) consumer representatives u/s 26 of the ERC Act, 1998 and (v) any other professional institutions for inviting their comments/opinion so that further notice can be issued for a hearing and finalising the matter.
- (v) The MSEB shall also publish the same on its website to invite comments from interested quarters.

7. The Commission shall address the issues with regard to other prayers of the Petitioner at a later suitable date after compliance of the above directives by both the contesting parties.

Sd/-
(Jayant Deo)
Member

Sd/-
(Dr Pramod Deo)
Member

Sd/-
(P. Subrahmanyam)
Chairman, MERC

(Sanjay Kumar)
Secretary, MERC