

**PROCEEDINGS OF THE V MEETING OF THE COMMISSION ADVISORY  
COMMITTEE HELD ON 25.1.02.**

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List of members present is at Annex.

**5.1. Confirmation of the Minutes of the previous meeting:**

Minutes of the previous meeting held on 19.10.01, as circulated to the Members were confirmed.

Chairman informed the members that appointments are being sought with either the Hon'ble Chief Minister or the Hon'ble Minister of State for Energy for apprising them about the proceedings of the Workshop on Improving Quality of Power Supply in Rural areas and that the Committee members would be intimated as soon as the appointments are obtained.

**5.2. Draw of lots for retirement of 1/3rd of the members:**

The Chairman informed the Committee that where Committee Members were representatives of organizations such as the KPTCL Engineers' Association and the KPTCL Employees' Association, it would be appropriate that they be re-nominated if they happen to be chosen to retire by draw of lots.

Chairman further informed the Committee that Shri Ravi Uppal, Committee Member, had remained absent for 3 consecutive meetings of the Committee without prior intimation to the Commission and that his membership would cease by absence in terms of Regulation 15(1) of the KERC (Advisory Committee) Regulations 2000.

The Committee was also informed that Shri Y.G.Muralidharan, Committee Member had been appointed by the Commission in terms of Section 8(2) of the KER Act, 1999, as a Senior Officer to represent the common interest of the consumers. Consequently, his membership of the Committee would also cease.

Lots were thereafter drawn for deciding the remaining 3 members who are to retire. The following names were drawn:

1. Shri K C Naikwadi
2. Shri M R Rangaswamayya
3. Shri M K Ramachandra

In line with the principle laid down earlier, it was decided that Shri K C Naikwadi would be re-nominated as a Committee Member. In respect of other two positions, the Commission would take appropriate action as required under the Act.

### **5.3. Discussion on Privatisation Strategy paper and KERC's recommendations thereon to the Government:**

Chairman opened the discussion by explaining what is involved in the concept of Distribution Margin and also the views furnished in this regard by KERC to Government of Karnataka as also by Experts consulted by KERC.

Shri K.C.Naikwadi, highlighted certain features of the proposed Distribution Margin (DM) method that would be inimical to consumer interest such as the guaranteed return of 16% on equity, the freedom proposed to be given to the private operators to alter the supply code, refuse to supply any categories of consumers etc. He also drew attention of the Committee to the vagueness in this concept about the capital investment that had to be undertaken by the Licensees, the reduction in T&D loss etc., and also the fact that in the period up to 2010, only the Bangalore and Mangalore Zones would become viable and that Hubli and Gulbarga Zone would not be viable even at the end of this period. He further mentioned that the concept was not proven anywhere in India that the same should not be implemented until it was found to be acceptable to the Public.

Maj.Gen.(Retd)Vombatkere (Retd) said that several important pre-conditions were required to be complied with for successful privatisation. If these could be achieved, the KPTCL itself would be viable. He expressed the view that it appeared to be premature to talk about privatization until the KPTCL's performance is improved.

Chairman clarified that Privatisation of the Distribution function has already been accepted by the Government as a matter of policy. What is under discussion right now is only the methodology for achieving this objective.

Shri Mune Gowda said that discussion of the proposed methodology at all level is required.

Shri Crasta, said that Privatisation should be agreed to and we should go ahead.

Shri M.K.Ramachandra expressed concern about the possible lack of any safeguards for consumers in the whole process and said that the Private entity should not be in a position to hold the consumers to ransom

Shri M.S.Shankarikoppa expressed the view that the objectives of Privatisation include the enhancement of efficiency, economy and integrity in the KPTCL and said that if the proposed methodology included adequate conditions for achieving these objectives, then the same could be accepted.

Shri Chandrasekhar expressed the view that, at the present situation, the Distribution Margin approach do not appear to be a workable solution since a very high burden would be imposed on Government. He felt that the Distcoms should be set up as Government Companies and function for about 2 to 3 years and show demonstrated improvement in operational efficiency before privatization. He also felt that instead of only 4 large

Distcoms, more smaller Distcoms could be set up and pilot studies undertaken in smaller regions.

It was felt that members needed some more time to study all aspects of these matters in detail. Accordingly, discussion on the subject was adjourned to 11.2.02 at 11 AM. The papers prepared and circulated by Government of Karnataka for the Workshop held on 22.1.02 were to be circulated to members immediately.

**5.4. Any other subjects:**

Secretary placed before the Advisory Committee the II Annual Report of the Commission for 2000-01 and Approved and Audited Accounts of the Commission, along with the Report of C&AG, for the year 2000-01. The same was noted by the Committee.

Sd/-  
(Philipose Matthai)  
Chairman.

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