

MINUTES OF THE SECOND MEETING OF THE COMMISSION ADVISORY COMMITTEE HELD ON FRIDAY THE 23RD FEBRUARY, 2001.

The names of Committee Members who were present at the meeting are at Annexe I.

At the outset the Chairman of the committee members who were present. He mentioned that there was no provision for Act or in Regulations relating to Advisory Committee Meetings for nominee , the Committee Members to attend in their place. However, since some Committee Members have made such a request, the Chairman said that the possibility of providing for attendance by the representatives of Committee Members, where circumstances it necessary, would be examined. Chairman conveyed the view that at any rate the representation, if any permitted, should be senior enough to represent the views of the group interest he represents.

2.1: Confirmation of the Minutes of the previous Meeting:
The minutes of the First meeting of the Commission Advisory Committee held on 24th November, 2000 and as circulated to the Members vide Commission Letter No.J 01 0 1412 dated: 13.12.2000 were confirmed.

2.2: Discussion on Draft Policy Papers issued by KERC on Tariff Policy and on Practice Directions on Captive Generation consents:

(1) The Committee first took up the discussion of the Practice Directions relating to Captive Power Plants (CPPs).

(a) Shri Chandrasekhar, MD Bhoruka Power Corporation (BPC) asked a question about the quantum of energy supply to the grid by CPPs. CMD KPTCL clarified that not much is being drawn of late. He further mentioned that KPTCL would be willing to draw power at the rate at which KPTCL is purchasing energy from Jindal. He added that though there is need for power, the issue of affordability had to be looked into since the average realization is only around Rs.230 per unit while the delivered cost of CPP power would be around Rs.4 per unit. CMD KPTCL further added that voltage and quality problems were felt only in rural areas and not for industrial areas. Therefore, KPTCL was, of the view that there may not be any great need for sanctioning CPPs for industrial units.

(b) The Chairman explained the background to the present practice directions on CPPs. He explained that the earlier guidelines framed by the Government were done in a shortage era and therefore the Government had given blanket permission with only to need for the party installing CPPs to inform KPTCL.

(c) Member Shri H.R.Gopal raised the issue of the need to enforce proper Safety Standards while sanctioning CPPs and pointed out that lot of avoidable accidents are occurring in the absence of such safety standards and practices. Maj.Gen. Vombatkere and Mr. Muni Gowda. Committee Members felt that Safety and other related standards should be strictly followed.

(d) Shri V. Narayana Gowda, Committee Member, felt that a completely open policy for CPPs may lead to KPTCL not being able to find customers for all the power contracted through large PPAs, as was happening in Pakistan. CMD KPTCL felt that permission may be given if KPTCL is not in a position to supply power. To a question from the Chairman about whether the KPTCL could give such an undertaking about supplying power based on which CPP permission could be refused. CMD KPTCL said that applicants can be told that they should use captive generation only as a back up. At this point Member Shri Gopal mentioned that the problems faced by applicants for CPPs is also largely due to quality of power supply. Shri Crasta, of KASSIA. was of the opinion that the CPPs should be allowed freely as the present power supply is not satisfactory at all especially the voltage causing heavy damages to the plant and machinery of the SSIs. He also said that group

(i) Mr.K.C. Naikwadi, Committee Member, mentioned that the draft Practice Directions had taken all relevant aspects into account and that, therefore, the same could be implemented.

(j) Mr.Muni Gowda made a suggestion that KPTCL could persuade the farmers to set up group CPPs.

(2) The Commission then took up the discussion of the tariff philosophy paper.

(a) The Chairman suggested that in case the Committee Members needed some more time to study the paper in detail the matter could be adjourned to the next meeting.

(b) Member, Shri Gopal, drew Shri Muni Gowda's attention to his opinion expressed at the First Meeting of the Commission Advisory Committee that he would give a specific proposal for categorizing the farmers on the basis of their capacity to pay so that subsidies could be properly targeted. Shri Muni Gowda agreed and said that he and Shri Shankarikoppa would sit together and prepare a paper for this purpose.

(c) Dr. Anant Huilgol drew attention to his letter to the Commission dt.23.1.01 and wanted to know what exactly are the roles of the KERC and the State Government regarding Tariffs, whether the State Government could overrule the KERC or not, and if the Government could over rule KERC, what is the purpose of the KERC.

(d) Chairman clarified that KERC is a creature of law i.e., the Karnataka Electricity Reforms Act, 1999. He mentioned that the Act provides clear roles for the various institutions in the Electricity Sector and said that the interpretation of the law is an evolutionary process. He added that so far in India, there was not very much experience in implementing such laws and that it was too premature to exaggerate anything. He further said that the important common goal for all the stake holders is the health of the Power Sector and the consumers' interest and it will not be correct at all to think in terms of who can overrule whom and who is superior. Shri Y.G.Murulidharan, Committee Member, added that even in the U.K. where there has been a long experience with regulation, the matter is far from settled.

CPPs should be permitted and the CPP developer should be free to decide what power is cheaper. CMD KPTCL opined that if group CPPs were allowed the KPTCL would loose its customers.

(e) Shri M.S.Shankarikoppa, Committee Member, was of the opinion that the cause for the financial problems of the KPTCL arises out of its inability to recover user charges from farmers. He said that this inability was, in turn, caused by the inability of farmers to pay. He was of the opinion that the Government should go to the root of this problem and improve the economic condition of the farmers instead of resorting to only palliatives like electricity subsidies. He wanted the Commission to take up this specific issue with the Government. He was certain that unless the problems of the farmers and the pricing of agricultural commodities are considered together, the question of subsidies for farmers will remain unsolved.

(f) Shri Chandrasekhar, MD BPC, wanted the entire issue to be examined in a larger perspective. He pointed out that the PLF of CPPs is very low and the total PLF of major plants - CPPs is even lower. Since CPPs reduces PLF. CPPs should not be indiscriminately allowed because this would mean a national waste. At any rate he was of the opinion that there should not be any automatic approval above 1000 KVA capacity. He suggested that a lower rate be charged by KPTCL for the first 3 years to new industrial units and said that this would prevent them from setting up of CPPs.

(g) CMD KPTCL suggested that a multiyear tariff policy as a general rule could also be thought of as it will provide continuity and stability to the interest of the utility and the industries.

(h) Shri Crasta of KASSIA mentioned that obtaining power from KPTCL invariably results in delay - besides if the total cash outflow to KPTCL in the form of various charges, deposits, etc., is taken into consideration, it is more economical to set up CPPs.

(e) The Committee, after these preliminary remarks, adjourned the discussion on the draft tariff philosophy paper to the next meeting, in order to provide the members some more time to study the same.

2.3: Discussion on Regulations to be made relating to Disclosure of information u/s. 35 of the Act:

The Committee then took up the discussion on the Complaint Handling Procedure relating to Distribution and Supply.

(a) Shri Chandrasekhar, MD BPC, wanted to know whether KPTCL has geared itself up to achieve the standards proposed and whether the resources are adequate.

(b) Chairman clarified that the Standards cannot be diluted. However, KPTCL would certainly take time to achieve them and they have to build up their capability in this regard.

(c) Maj.Gen. Vombatkere, mentioned that the Standards relating to Complaint Handling are generally acceptable. However, these would not be achievable immediately. He added that it is to be recognized that the KPTCL has to do a very difficult job.

(d) CMD KPTCL mentioned that the human resources in the organization are inadequate. Government has not approved the recruitment of additional manpower. He said that customer charter standards in urban areas were being met largely. In rural areas, he said that the things are very difficult. He added that the KPTCL will make honest efforts to achieve the standards. He wanted the Committee and Commission to advise the Government to permit the KPTCL to fill up the critical posts to give better service to the public.

(e) Shri K.N.Jayalingappa, Committee Member, suggested the staggering of holidays in order to reduce the load on the system.

(f) Shri Y.G.Muralidharan, wanted to know whether the KPTCL has presented the grievance handling procedure to the Commission for its approval. It was clarified that this approval procedure was being undertaken. He also made a suggestion to include a consumer as defined in the Consumer Protection Act within the scope of the procedure. It was clarified that this could lead to other complications and that the present definition appears to be adequate.

(g) Member Shri H.R.Gopal made a suggestion about whether KPTCL could outsource some of the jobs that need to be done or off load the

same to village panchayats. He said that this would be a very cost effective way of getting the job done instead of recruiting personnel. Shri Gopal also wanted to know hoe the actual achievements against the various standards are being monitored. CMD KPTCL mentioned that Consumer Grievance Meetings are being held regularly. However, the attendance at these meetings is very low. He mentioned that the number of complaints in Bangalore had come down by 50%. He added that monitoring procedures have been set up.

(h) Shri Y.G.Muralidharan, mentioned that the KPTCL should infuse some faith among consumers in its mechanism and procedures.

(i) Dr. Anant Huligol suggested that consumer organizations should be identified and involved in this process.

(j) Chairman suggested that public audits could be attempted.

(k) Shri Chandrasekhar of BPC wondered whether an ombudsman would help.

(l) Shri M.S.Shankarikoppa, said that the feeling at the ground level is that KPTCL does not respond unless agitational methods are employed.

(m) Shri K.C. Naikwadi said that the standards referred to ideal conditions. He wanted the KERC to advise the Government in exercise of its advisory functions to fill up vacant posts.

(n) Shri V.Narayana Gowda, suggested that standards should be implemented on a trial basis in a small area before extending them to other areas.

(o) Shri Muni Gowda suggested that the meetings of the Commission Advisory Committee should be held in District Headquarters, as this would enable the members to get to know the field problems.

(p) Maj. Gen. Vombatkere suggested that

strengthening of vigilance provisions should find a place in the consumer charter. CMD KPTCL explained that the law, at present, does not provide for minimum punishments. He said that the Government has been moved to provide minimum punishments both by way of fines as well as imprisonment. He said that the back billing by the vigilance department amounts to approximately Rs.15 to 16 crores per annum. He added that the Pudukeshi Pade has back billed Rs.1 crore in one month.

2.4: Tariff Order 2000 dt.18.12.2000 on the application of KPTCL for revision of Power Tariff:

(a) Chairman, at the outset, said that a discussion on the Tariff Order would be taken up only after the cases relating to the same that have been filed before the various authorities are disposed of.

(b) Maj.Gen. Vombatkere said that the KERC's role is to strike a balance between the consumers and the licensee. He said that this is a difficult job to do - whatever order is issued, there would be objections. He said that the Tariff Order 2000 is an honest order. However, there was a need to look at the background of the KPTCL's financial problems. He wanted the KERC to order an independent investigation into this area.

(c) Shri K.N. Jayalingappa, Shri M.S.Shankarikoppa, and Shri Crasta mentioned about Fixed Charges and said this increases the burden on persons who consume less. Chairman said that he would place the Fixed Charges issue for discussion as a policy issue before the next meeting of the Commission.

2.5: Any other subject with the permission of Chair:

(a) Shri Y.G. Muralidharan wanted to know whether the Commission would take up individual grievances. Chairman clarified that this is not an area at which a final bottom has been given. However he noted that KERC also has responsibility to the consumer.

(b) Shri Muni Gowda said that field sales should be identified and deleted from the active connections.

Sd/-

ANNEXE - I

Name of Committee Members, who were present at the Commission Advisory Committee Meeting held on Friday the 23rd February, 2001.

1. Sri Philipose Matthai	Chairman
2. Sri H.R. Gopal	Member
3. Mrs. Nalini M.K.Menon	Member
4. Sri J.Crasta	Committee Member
5. Maj.Gen.S.G. Vombatkere	Committee Member
6. Sri V.Narayana Gowda	Committee Member
7. Sri S.Muni Gowda	Committee Member
8. Sri Y.G.Muralidharan	Committee Member
9. Sri K.N. Jayalingappa	Committee Member
10. Sri K.C. Naikwadi	Committee Member
11. Sri S.Chandrasekhar, MD BPCL	Committee Member
12. Dr. Anant Huligol	Committee Member
13. Sri M.S.Shankarikoppa	Committee Member
14. Sri R. Ramaseshan, FD KPCL (Represented MD KPCL)	
15. Sri V.P.Baligar, CMD KPTCL	Committee Member