

Minutes of the 21st State Advisory Committee Meeting

Held on 10.03.2023 at 14.30 hrs

As per provisions contained in Section 87 of the Electricity Act, 2003, the Delhi Electricity Regulatory Commission had re-constituted the “State Advisory Committee” and notified the same vide Gazette Notification No.F.7(37)/DERC/DS/2016-19/C.F.No. 5624/253 dated 23rd July 2020.

A Meeting of 21st State Advisory Committee (SAC) was held (virtually) on 10/03/2023 at 14:30 Hrs. witnessing participation of the following;

Commission

Dr. A.K. Ambasht - Chairperson

Other Members of SAC (incl. their nominees):

1. Sh. Naveen Mendiratta, Asst. Commissioner, Dept of Food Supplies & Consumer Affairs, GoNCTD
2. Sh. Rajeev Sharma, Sc. F & DDG (Standardization-I), BIS
3. Sh. Sundeep Kumar Sharma, Chief Engineer, MCD
4. Dr. Chandan Banerjee, Deputy Director General, National Institute of Solar Energy
5. Dr. G. C. Datta Roy, Ex- Advisor, Development Enviroenergy Services Ltd. (DESL)
6. Sh. Pardeep Jindal, Chief Engineer, Regulatory Affairs, CEA
7. Ms. Mallika Gope, Director, NABL
8. Sh. Jogendra Behera, Vice President Market Design & Eco, IEX
9. Sh. K. Ramanathan, Distinguished Fellow, TERI
10. Dr. Bhaskar Natarajan, Senior Policy Advisor, AEEE
11. Dr. Pradeep Kumar, Chairman, Examining Body, for Para Medical Training for Bhatatiya Chikitsa, Department of Health & Family Welfare, GoNCTD.
12. Dr. Anoop Singh, Coordinator, Center for Energy Regulation (CER), IIT-Kanpur.
13. Sh. Jogender Singh Lather, Labour Department, GoNCTD.

Officers of the Commission

1. Sh. Rajesh Dangi, Secretary
2. Sh. A. K. Singhal, Principal Advisor (Tariff)
3. Ms. Divya Tandon, Executive Director (Law)
4. Sh. Anil Jain, Executive Director (Eng)
5. Sh. V. B. Nagappan, Advisor (Finance)
6. Sh. Himanshu Chawla, Joint Director (Tariff - Engg)
7. Sh. S. Kalyana Venkatesan, Joint Director (Tariff - Finance)
8. Sh. Neeraj Singh Gautam, Joint Director (Engg)
9. Sh. Chandra Kant Roy, Joint Secretary
10. Sh. Rohit Gururani, Deputy Director (Tariff - Eco)
11. Sh. Himanshu Bhardwaj, Deputy Director (Tariff - Engg)
12. Sh. Mrinal Aggarwal, Deputy Director (Tariff - Engg)
13. Sh. Sanjay Kumar Singh, Executive Assistant

The Chairperson welcomed all Members of State Advisory Committee, suggestion / observations of the members of the committee on the issues discussed during the meeting are given below :-

Item No. 1:- Approval of Minutes of 18th SAC Meeting held on 29/06/2022.

The Committee considered and approved the minutes of the State Advisory Committee Meeting held on 29/06/2022 at 11:30 Hrs.

Item No. 2:- Review of “Action Taken Report (ATR)” on issues discussed in the previous meetings.

The Committee was informed that the Tariff Orders for True-up of FY 2020-21 and ARR for 2022-2023 for Delhi Power Utilities i.e., IPGCL, PPCL, DTL, NDMC, BRPL, BYPL and TPDDL have not been issued on account of constraints in implementation of issues in various cases pending before Higher Courts.

Item No. 3:- Comments / Suggestions on Draft DERC (Business Plan) Regulations, 2023; Draft DERC (Terms and Conditions for Determination of Tariff) (First Amendment) Regulations, 2023 and Draft DERC (Renewable Purchase Obligation and Renewable Energy Certificate Framework Implementation) (First Amendment) Regulations, 2023.

- 1) The Tariff Division delivered a presentation on Draft Regulations i.e., *Draft DERC (Business Plan) Regulations, 2023; Draft DERC (Terms and Conditions for Determination of Tariff) (First Amendment) Regulations, 2023 and Draft DERC (Renewable Purchase Obligation and Renewable Energy Certificate Framework Implementation) (First Amendment) Regulations, 2023.*
- 2) The presentation was delivered by JD (TE) and JD (TF) highlighting existing provisions of *DERC (Business Plan) Regulations, 2019* along with comments submitted by Delhi Power Utilities, i.e. IPGCL, PPCL, DTL, NDMC, BRPL, BYPL, TPDDL and various other Stakeholders.
- 3) It was informed that aforesaid draft Regulations were uploaded on the Commission’s website. The last date for submission of the comments/ suggestions was 14/02/2023 and based on request from various stakeholders, the last date for submission of comments/ suggestions was extended till 28/02/2023 and further extended till 6/03/2023.
- 4) Major changes in the proposed Draft Regulations were informed to members of SAC as follows:
 - a) Base Rate of Return on Equity for GENCOs and TRANSCO is proposed as 10% which was 14% in earlier control period. For Distribution Licensee (Wheeling and Retail Business), the Base Rate of Return on Equity is proposed as 10% which was 16% in earlier control period, based on Capital Asset Pricing Model (CAPM) on Post-Tax basis.
 - b) Carrying Cost is considered to be allowed as 100% Debt funded which was earlier in the ratio of 70:30 :: Debt : Equity.

c) O&M Expenses are de-linked from CAPEX, as follows :-

- Distribution Licensee - Linked with Sales / kWh
- Transmission & GENCOs - Absolute Number
- Inflationary Growth 3.23 % and Efficiency Factor of 2%

d) Targets for Distribution Losses are considered based on Actual Division wise Losses, as follows:

- Reduction of Losses to 18% till FY 2025-26 for High Loss prone Zones
- Reduction of Losses to 9% till FY 2025-26 for Medium Loss prone Zones
- Reduction of 0.09% for other Divisions

e) RPO targets are considered based on the actual achievement of Delhi DISCOMs with minor increments from Previous Years' RPO Targets.

5) The Pointwise comments/ suggestions of SAC members along with DERC response on various provisions of *Draft DERC (Business Plan) Regulations, 2023* are as follows:-

1. DELHI DISCOMs

a) Rate of Return on Equity (RoE)

- Dr. G. C. Datta Roy (DESL)**:- As per the CAPM method, ROE can be reduced with a logical approach. For Power Utilities, RoE in the range of 10 – 11% is a reasonable return.
- Dr. Anoop Singh (CER)**:- CAPM is the standard model which is used for determining the cost of Equity. 500 BSE companies from period 1990 to 2022 were analyzed by CER, IIT Kanpur and results for RoE under CAPM model was highlighted as under :-
 - ROE for Conventional Generation Company – 11 %
 - ROE for Renewable Companies - 12.5 %
 - ROE for Distribution Companies – 12 %

This analysis was shared with CERC & other SERC's. In-principle the method followed by the Commission seems correct. Since Repo rate & G-sec rates are changing hence, the CAPM model may be modified appropriately.

- DERC response**: The input data of CAPM model is based on data up to 31st March 2022. SBI MCLR as on 15/03/2022 was 7% and currently the same has increased to 8.50% in Feb'23. Accordingly, the CAPM Model shall be reviewed suitably by the Commission

b) **Margin for Rate of Interest on Loan:-**

- i) **Dr. G. C. Datta Roy (DESL) :-** In order to bring more competitiveness in the market or bringing more effectiveness in raising loans, the same delta in margin may be considered.

c) **Rate of Carrying Cost :-**

- i) **Dr. G. C. Datta Roy (DESL) :-** RoE and Debt issues are interlinked. If RoE is reduced to 10%, then there will not be significant difference between Equity and Debt.
- ii) **Dr. Anoop Singh (CER) :-** Dr. Anoop Singh remarked that Actual cost of Loan should be considered. Since it is financing of the Revenue Gap, therefore, it should be financed from Debt.
- iii) **DERC response:** In Judgement dated 15/12/2022, Hon'ble Supreme Court has directed DERC not to consider actual Equity portion while funding of Regulatory Assets and rather consider normative Debt:Equity ratio i.e., 70:30. The same is being examined for this Control Period.

d) **Target for Collection Efficiency:-**

- i) **Dr. Anoop Singh (CER) :-** Target on collection considered by the Commission, based on past year's performance of DISCOMs, seems fine.

e) **Target for Distribution Loss:-**

- i) **Dr. Anoop Singh (CER) :-** For those divisions where losses are high, CAPEX may be increased. The apprehension of BRPL and BYPL that smart meters have very high auxiliary consumptions was clarified by stating that, auxiliary consumption of smart meters is up to 1 to 1.5 Watt and maximum up to 5 Watt, if the smart meter is manufactured badly. 0.72% impact on Distribution Loss due to auxiliary consumption of Smart Meters seems to be a higher number.
- ii) **Dr. G. C. Datta Roy (DESL) :-** Though AT&C losses have been significantly reduced, there are still some high-loss islands. DISCOMs may be asked to furnish the outcome and recommendations on the Energy Audit conducted by DERC in pre-Covid period.
- iii) **Ms. Mallika Gope (NABL):-** The impact of auxiliary circuit consumption of smart meters, indicated as approx. 0.72% on technical loss trajectory, seems to be on higher side. A realistic data for the Smart meters may be considered.

- f) **Target for Renewable Purchase Obligations (RPO) :-**
- i) **Sh. Jogendra Behera (IEX) :-** As per CERC Regulation, there is single REC and fully fungible. Considering the fungibility, REC should be able to fulfill the RPO targets across all categories i.e.- Wind, Solar, Large Hydro and Small Hydro.
 - ii) **Dr. Anoop Singh (CER) :-** 100% REC's or Renewable Energy may be allowed to meet Targets of Wind RPO, Hydro RPO & Other RPO.
- g) **Mechanism for Recovery of PPAC :-**
- i) **Dr. Anoop Singh (CER):-** It is proposed to include the Short-Term Power Purchase in PPAC computation / PPAC format of DERC.
- h) **Capital Investment Plan for Distribution Licensees:-**
- No comments.
- i) **Operation and Maintenance Expenses:-**
- ii) **Dr. Anoop Singh (CER):-** O&M should be linked with the performance of the DISCOMs. There should be incentives and penalties too. SERCs are linking the O&M with the part performance for the network itself. Part O&M can be linked with CAPEX on account of R&M Expenses and Part O&M can be linked with Sales.
 - iii) **DERC response:** For the past 6 years our O&M is linked with Network i.e. CAPEX.

2. GENCOs (IPGCL & PPCL) & TRANSCO (DTL):-

- i) **Dr. Anoop Singh (CER) :-** 65 paisa / kWh Incentive for ex-bus scheduled Energy during peak hours and 50 paisa /kWh in off peak hour is not justifiable for GENCOs.

3. General Comments:-

- i) **Dr. Bhaskar Natarajan (AEEE) :-** Ujala LED programme was a success for Delhi. BLDC Fans scheme should also be considered for consumers in Delhi. AEEE will work with the Commission and Utilities to ensure that existing Fans are replaced, within a span 3 to 5 years, similar to the LED programme.
- ii) **Ms. Malika Gope (NABL) :-** Surveillance activities should be increased by the DISCOMs to catch those consumers who indulge in power thefts. NABL accredited laboratories to be utilized for testing activities of DERC. All labs under DISCOMs shall obtain NABL accreditation.
- iii) **DERC response:** DERC already has programme for BLDC fan and approx. 50,000 fans have been replaced under the program. Also, 25,000 old & in-efficient ACs have

been replaced with 5 star rated ACs in an environmental friendly way. Further, DERC has already approved various NABL accredited laboratories for testing.

- 6) The Chairperson thanked members of SAC for giving their suggestions on various aspects of the *Draft DERC (Business Plan) Regulations, 2023*. DERC has tried to be realistic & ensured consumers interest in setting the targets for Control period FY 2023-24 to FY 2025-26. DERC is hopeful of notifying *DERC (Business Plan) Regulations, 2023* as early as possible. The DISCOMs should come up to the expectations of the consumers, although they are already doing so, further there is always scope for improvement.
- 7) SAC members were requested to submit their written comments, if any, by 15/03/2023.

The Meeting ended with vote of thanks.