No.F.2(15)/Power/2005/1182
Government of Tripura
Department of Power
Agartala: Tripura.

Dated; Agartala, the 27th August,2015.

To
The Joint Secretary
Ministry of Power
Government of India,
Shram Shakti Bhawan, Rafi Marg,
New Delhi-110001,
Fax-011-23710199.

Subject:- Comments/ suggestion of TSECL on the "Draft Electricity (Amendment) Bill,2014 [Bill No.191 of 2014]" – on relevant provisions.

Sir,

In inviting a reference to above, I am directed to furnish the Comments/ suggestion of the Government of Tripura on the draft Electricity (Amendment) Bill 191 of 2014 mentioned above in the enclosed statement for taking further necessary action from your end.

Yours faithfully,

Encloː As stated above.

27/08/15
(S.R. Das)
Joint Secretary to the
Government of Tripura.

Comments /Suggestion of TSECL on the "Draft the Electricity (Amendment) Bill, 2014 [Bill No. 191 of 201 4]" – on relevant provisions.

The Electricity (Amendment) Bill, 2014 [Bill No. 191 of 2014] has been introduced in the Lok Sabha for further amending the Electricity Act, 2013. The objective of the bill is to bring last mile reforms in the Electricity Distribution Sector of the country by separating carrier and content.

On passing of the said bill, the area of activities of Distribution Companies in the country will be limited to owning and operation of distribution assets/networks while the Supply Companies (to be newly formed) shall be responsible for procurement, sale and trading of electricity across the country. The amendment of the Electricity Act, 2013 has been initiated to restore the financial health of Distribution Companies in the country. But, certain critical issues/concerns have not been addressed in the proposed bill.

The important issues which causes of poor financial health of distribution companies are:

i) Continuous increase in power purchase cost through long term PPA

ii) Higher Transmission Charge sharing by the distribution companies

iii) Minimum Guaranteed Off-take (MGO) for gas supply without resource optimization.

iv) Higher penalty to DISCOMs by System Operators

v) Too much conservative approach in allowing optimum power flow by System Operators in the name of grid security.

vi) Higher AT&C Losses

vii) Accumulation of huge outstanding dues

The above issues severely affected the financial health of most of the DISCOMs and gradually made financially weak.

Under the proposed amendment, all the financial responsibility is proposed to be shifted to the newly formed Supply Companies. As a part of dealing with procurement, sale and trading of electricity, all the existing long term PPA is to be taken over by the Supply Companies. The continuous increase of power purchase cost under long term agreement including transmission charges, system operation charges, MGO charges, penalties etc. has to be borne by the supply companies. As a result, the cost of power shall keep on increasing and the supply company will be unable to recover the costs.

Proposed Amendment at Sl. No: 8 (Substitution of Section 12 of Act):

Focus Point: "No license shall be required by Generating Company, Captive generating Plant and Trading Licensee for supply of electricity to open access consumers in any place".

Comments/Suggestions:

Under proposed amendment, Private Supply Licensee and other licensee other than incumbent supply licensee will try to capture sizable number of potential consumers taking out from incumbent supply licensee (Government Supply Licensee) leading to further deterioration of the health of incumbent supply licensee.

Contd. P/2.

Proposed Amendment at Sl. No: 30 (Insertion of New Part VIA and Section 51A to 51G):

Focus Points:

i) Incumbent supply licensee will be vested with the liability & responsibility of existing power purchase agreement etc.
ii) Multiple supply licensees other than incumbent licensee can operate in a single distribution company.
iii) Consumer has the option to choose any of the supply licensees for supply of electricity to his premises.

Comment s/Suggestions:

Under long Term PPA with ISGS the burden of costlier power are presently borne by distribution licensee and this will be shifted to the newly formed supply licensee. On the other hand private licensee or other licensee other than incumbent licensee will be doing business with sizable potential consumers with cheaper power through easily permitted open access. This will badly affect the incumbent licensees (government supply licensee) which are not mandated to do electricity business with only potential consumers. To overcome such imbalanced competition, it is proposed that the costlier power of the country (ISGS) should be pooled and transacted through power exchange/or similar mechanism with commercial settlement like PoC (Point of Connection i.e. transmission charge) withdrawing long term capacity allocation for bringing healthy competition among the private licensees, other licensees and incumbent licensees in future and to provide benefit of affordable tariff to the consumers of the state. Further, the private licensees and other licensees should also be made accountable for sharing of long term liabilities of electricity supply business by making compulsory coverage of both rural & urban area consumers like government owned supply licensees.

Proposed Amendment at Sl. No: 13, 14, 56 and 57 (amendment of Section 29, 33, 142 and 146 of Act):

Focus Point:

i) "Penalty for noncompliance of direction by licensees has been proposed to increase from Rs.15 Lakhs to Rs.10 Crores under Section 29 of the Act".
ii) "Penalty for noncompliance of direction by licensees has been proposed to increase from Rs. 5 Lakhs to Rs.1 Crore under Section 33 of the Act".
iii) "Penalty for noncompliance of direction by licensees has been proposed to increase from Rs.1 Lakh to Rs.1 Crore under Section 142 of the Act".
iv) "Penalty for noncompliance of direction by licensees has been proposed to increase from Rs.1 Lakh to Rs.1 Crore under Section 142 of the Act"

Comments/Suggestions:

Proposed provisions of penalty ranging from Rs. 1 Crore to Rs. 10 Crores for non-compliance are excessively high and this should not be applied uniformly without examining the size & volume of activities of utilities of different states. Fixation of such penalty amount should be left with the government. Excessive power and authority of system operator will make power costlier and will also cease the rights of the licensee's to operate the power system in efficient, reliable & economic way. Optimum utilization of transmission capacity will not take place resulting power more costly.

Contd. P/3.

Further, a good number of transmission capacities are created but restriction is imposed on utilization of capacity of line on grid security without taking into consideration optimum utilization of capacity resulting high transmission charges and blockages in flow of power and supply licensees has to bear the cost. Further, contravention of use of transmission capacity due to storm, rain etc. the supply licensees are also to be made liable and huge penalty has to be borne by supply licensees.

MGO (Minimum Guaranteed Off-take) clause is applied for gas purchase agreement restricting at 90% off take. This is causing gas based power plants a must run. But there are several occasion when cheaper power is available in the market due to high hydro in monsoon or less demand in winter during which resource optimization could be done by backing down of gas based power projects but due to MGO clause these plants are operating without commercial gain and resulting higher power purchase cost neglecting resource optimization.

Under DSM (Deviation Settlement Mechanism) regulation notified by CERC capping on income of DISCOMs/supply company during surplus power injection to grid and heavy penalty during over drawal of power from grid is not benefiting to the DISCOMs/Supply Companies rather penalty for such transactions has to be loaded to the consumer's tariff.

Appropriate authority may review the bill in the light of the above aspects so that the amended Act can bring desired result for viable distribution sector.

As mentioned above, the proposed amendment to the Act will adversely affect the poorer section of the society and the public at large. Hence, Government of Tripura opposes the bill.

27/08/15

(S.R. Das)
Joint Secretary to the
Government of Tripura
Power Department.