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**STANDING COMMITTEE ON ENERGY**

**(2014-15)**

**SIXTEENTH LOK SABHA**

**MINISTRY OF POWER**

**ELECTRICITY (AMENDMENT) BILL, 2014**

**FOURTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

***May, 2015/Vaisakha, 1937 (Saka)***

**FOURTH REPORT  
STANDING COMMITTEE ON ENERGY  
(2014-15)**

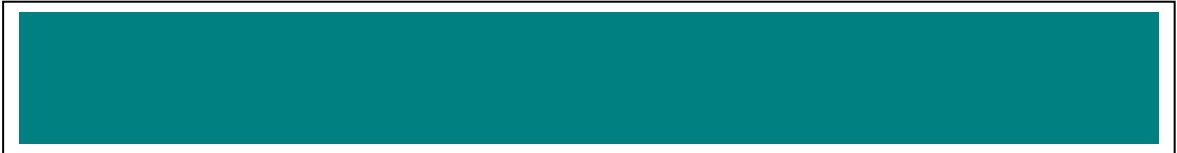
**(SIXTEENTH LOK SABHA)**

**MINISTRY OF POWER**

**ELECTRICITY (AMENDMENT) BILL, 2014**

*Presented to Lok Sabha on 7.05.2015*

*Laid in Rajya Sabha on 7.05.2015*



**LOK SABHA SECRETARIAT  
NEW DELHI**

***May, 2015/Vaisakha, 1937 (Saka)***

## CONTENTS

|   |                             |
|---|-----------------------------|
| <b>Composition of the Committee (2014-15)</b> | <b>Page</b><br><b>(iii)</b> |
| <b>Introduction</b>                           | <b>(iv)</b>                 |

### REPORT

|                     |  |                                      |
|---------------------|--|--------------------------------------|
| <b>Chapter - I</b>  | <b>Introductory</b>  | <b>1-51</b>                          |
| <b>Chapter – II</b> |  |                                      |
| <b>1.</b>           | <b>Segregation of Carriage and Content</b>   | <b>52-62</b>                         |
| <b>2.</b>           | <b>Grid Security</b>   | <b>63-69</b>                         |
| <b>3.</b>           | <b>Open Access</b>   | <b>70-78</b>                         |
| <b>4.</b>           | <b>Promotion of Renewable Energy</b>   | <b>79-84</b>                         |
| <b>5.</b>           | <b>Provisions relating to Regulatory Commissions &amp; Forum of Regulators</b>   | <b>85-95</b>                         |
| <b>6.</b>           | <b>Electricity Authority of India</b>  | <b>96-98</b>                         |
| <b>7.</b>           | <b>Rationalization of Tariff Determination</b>   | <b>99-104</b>                        |
| <b>8.</b>           | <b>Granting Deemed Licensee Status</b>   | <b>105-109</b>                       |
| <b>9.</b>           | <b>Recommendations</b>   | <b>110-126</b>                       |
|                     | <b>Appendix</b>  |                                      |
| <b>1.</b>           | <b>The corrections/improvements in the Electricity (Amendment) Bill, 2014 accepted by the Ministry of Power based on deliberations/discussions during the committee meetings</b> | <b>127-135</b>                       |
| <b>2.</b>           | <b>Notes of Dissent submitted by some Members</b>  | <b>*will be appended shortly</b>     |
|                     | <b>ANNEXURES</b>   |                                      |
| <b>1.</b>           | <b>List of Organizations/Experts/ Individuals who submitted written Memoranda</b>  | <b>148-151</b>                       |
| <b>2.</b>           | <b>Copy of the Bill as introduced in Lok Sabha</b>   | <b>#Available at loksabha.nic.in</b> |
| <b>3.</b>           | <b>Minutes of the sitting of the Committee held on 22.01.2015</b>  |                                      |
| <b>4.</b>           | <b>Minutes of the sitting of the Committee held on 06.02.2015</b>  |                                      |

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|-----|---|--|
| 5.  | <b>Minutes of the sitting of the Committee held on 18.02.2015</b> |  |
| 6.  | <b>Minutes of the sitting of the Committee held on 11.03.2015</b> |  |
| 7.  | <b>Minutes of the sitting of the Committee held on 27.03.2015</b> |  |
| 8.  | <b>Minutes of the sitting of the Committee held on 17.04.2015</b> |  |
| 9.  | <b>Minutes of the sitting of the Committee held on 28.04.2015</b> |  |
| 10. | <b>Minutes of the sitting of the Committee held on 5.05.2015</b>  |  |

**COMPOSITION OF THE STANDING COMMITTEE ON ENERGY**  
**(2014-15)**

**LOK SABHA**

**Dr. Kirit Somaiya - Chairperson**

2. Shri Om Birla
3. Shri M. Chandrakasi
4. Shri Ashwini Kumar Choubey
5. Shri Harish Chandra alias Harish Dwivedi
6. Shri Deepender Singh Hooda
7. Shri Saumitra Khan
8. Shri Bhagat Singh Koshyari
9. Kunwar Sarvesh Kumar
10. Dr. Arun Kumar
11. Shri R.P. Marutharajaa
12. Shri Jagdambika Pal
13. Shri Ravindra Kumar Pandey
14. Shrimati Krishna Raj
15. Shri M.B. Rajesh
16. Shri Vinayak Bhaurao Raut
17. Shri Gutha Sukender Reddy
18. Shri Purno Agitok Sangma
19. Shri Devendra Singh alias Bhole Singh
20. Shri Malyadri Sriram
21. Shri Bhanu Pratap Singh Verma

**RAJYA SABHA**

22. Shri V.P. Singh Badnore
23. Shri Oscar Fernandes
24. Shri Ram Jethmalani
25. Shri Pyarimohan Mohapatra
26. Shri S.Muthukaruppan
27. Shri Javed Ali Khan

28. Dr. K.P. Ramalingam
29. Shri Ananda Bhaskar Rapolu
30. Dr. Anil Kumar Sahani
31. Shrimati Viplove Thakur

#### **SECRETARIAT**

- |    |                         |                            |
|----|-------------------------|----------------------------|
| 1. | Shri Devender Singh     | Additional Secretary       |
| 2. | Shri N.K. Pandey        | Director                   |
| 3. | Shri Arun K. Kaushik    | Additional Director        |
| 4. | Shri Surender Chaudhary | Senior Committee Assistant |



## INTRODUCTION

**I, the Chairman, Standing Committee on Energy having been authorized by the Committee to present the Report on their behalf, do present this Report on the Electricity (Amendment) Bill, 2014. The Electricity (Amendment) Bill, 2014 was introduced in the Lok Sabha on 19<sup>th</sup> December, 2014 and referred on 22<sup>nd</sup> December, 2014 to the Standing Committee on Energy for Examination.**

2. The Committee had extensive consultation with various Stakeholders viz. Ministry of Urban Development, Delhi Metro, Ministry of Railways (Railway Board), Consumer Forums (PRAYAS), Industry Forums (CII, ASSOCHAM, IPPAI, APP, FICCI), CPUs of the Ministry of Power, Electricity Regulators, State Governments besides study visit to Mumbai, Bhuj and Bhubaneswar.

3. After the series of discussion and consultation, the Power Ministry has accepted that few improvements/corrections are necessary in the draft Amendment Bill submitted to the Lok Sabha which was referred to the Committee. The observations/recommendations, suggested by the Committee are given in following chapters.

4. The Committee feels that the above corrections (in the Amendment Bill) is necessary. The Ministry is suggested to move the corrected amended bill/amendments to the Bill in the Lok Sabha.

5. Undoubtedly, there is an imperative need that the third generation reforms/improvements in the electricity/energy sector be initiated. The correction/reforms in power generation, transmission, separation of transmission and distribution, the regulatory system are in place.

6. It is felt that now concentration is required to be given on:

- i) Separation of commercial losses i.e. theft, correction/leakages.



- ii) More transparency, affectivity and accountability in the regulatory system.
- iii) Separation of carriage and content in phases.
- iv) Energy efficiency.
- v) Clean and green power.
- vi) Choice to customer to select the supplier.
- vii) Healthy tariff policy.

7. The Committee feel while moving forward towards the improvement/reforms, the need to include the flexibility clauses in the legislation proposed is important.

8. As electricity is a concurrent subject, the Committee has suggested that the views and suggestions of the States be given equal weightage and consideration.

9. I am happy that most of the suggestions which have come up during the discussions have been wholeheartedly accepted by the Ministry of Power.

10. The Committee feel that all the stakeholders including State Governments, Government of India, and regulators have to take serious note of the commercial losses/leakages. Though good improvements are reflected to bring down the AT&C losses to near about 20 per cent, we have to go one step further to bring it down to 10 per cent.

11. A point is debated about the functioning and accountability about the regulators, "Regulators are accountable to whom". Now we have more than 10 years experience of regulatory system in energy sector. There is a need for evaluation. The Parliament and the Government has to think about the same.

12. The Report was considered and adopted by the Committee at their sitting held on **5<sup>th</sup> May, 2015**.

13. The Committee wishes to express their thanks to the officers of the Ministry of Power for valuable assistance.

**NEW DELHI**  
**5<sup>th</sup> May, 2015**  
**Vaisakha 3, 1937 (Saka)**

**KIRIT SOMAIYA**  
**Chairperson**  
**Standing Committee on Energy**

**REPORT**  
**Narration Analysis**  
**The Electricity (Amendment) Bill, 2014**

**CHAPTER: 1**

**INTRODUCTORY**

The Electricity Act, 2003 was enacted by the Parliament to consolidate the earlier Electricity Laws, namely, the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998. Besides, consolidating the previous Electricity Laws, the Electricity Act, 2003 made some significant departure from the earlier dispensation.

2. The Committee after examining the challenges in the Power Sector which emerged during the past 8-10 years, had recommended to the Government through its Reports on more than one occasion, to amend the Electricity Act, 2003 to further strengthen some of the concepts and also make changes to enable smoother implementation of the Act. The Government while accepting the recommendations took prompt action in the matter. Accordingly, the Planning Commission formed a Working Group on Power for the formulation of 12<sup>th</sup> Five year Plan which also suggested certain changes in the Act. The Government after following the established procedure, introduced this Bill in Lok Sabha on 19 December, 2014.

4. The Bill was referred to this Committee by the Hon'ble Speaker, Lok Sabha on 22 December, 2014 for detailed examination and Report thereon. A copy of the Bill, as introduced in Lok Sabha, is placed at Annexure-B. The Committee started its examination immediately and all the relevant documents/papers were sought from the Ministry of Power. A press communiqué inviting suggestions of the public including experts on the Bill was issued on 2 February, 2015. In response to the press communiqué, a large number of memoranda comprising of thousands of suggestions were received. The suggestions received were compiled, tabulated and forwarded to the Ministry of Power for their comments. A list of Organizations/Institutions/ experts/ other individuals who submitted written memoranda to the Committee is placed at Annexure-A. A comprehensive

questionnaire comprising both general issues and clause wise points was also sent to the Ministry for their response.

5. During the course of examination of the Bill, the Committee held a number of sittings which included briefing/oral evidence of the representatives of Ministry of Power, oral hearing of the representatives of different stake holders like Central Public Sector undertakings, Industry Associations, Power producers, private electric appliances manufacturers and power departments of all State Governments. The Committee also heard the views of the representatives of central electricity regulatory commission along with all the State Regulatory Commissions. The Committee also visited Solar plants and Wind farms at Bhuj and held discussions with various stake holders at Mumbai, Bhuj and Bhubaneshwar during their study visit from 6 January to 9 January, 2015. Subsequently, the Committee concluded their examination of the Bill after taking clause-by- clause oral evidence of the Ministry of Power.

6. The proposed amendments seek to usher in changes inter-alia relating to Grid Security, promotion of Renewable Energy, open access, Rationalization of Tariff determination process, Strengthening of Regulatory Commissions, Separation of Carriage and Content in the distribution sector, enabling provisions for self certification of Electrical Installations and definitions. In this regard, the Government has stated in the 'statement of objects and reasons as under:

- "The amendments to the said Act have been proposed to segregate the carriage (distribution sector/network) from the content (electricity supply business) in the power sector by introducing multiple supply licensees in the content based on market principles and continuing with the carriage (distribution network) as a regulated activity. The proposed amendments also provide for recovery of revenue by licensees without any revenue gap, timely filing of tariff petitions by utilities and disposal of the same by the Appropriate Commission within a specified time period and empowering the Appropriate Commissions for initiating suo-motu proceedings for determination of tariff in case the utility or generating companies do not file their petitions in time.
- Moreover, it is felt necessary to improve accountability and transparency in the working of the Appropriate Commissions without affecting their functional autonomy and to bring clarity in the provisions pertaining to the Central Electricity Authority.

Further, granting deemed licensee status to companies notified by the Central Government, the provision of composite electricity bills, installation of smart meters beyond a consumption level to be prescribed by the Central Government, dedicated transmission lines and certain modifications in the composition of the Selection Committees at Central and State level for selection of the Chairperson and Members of the regulatory Commissions are some of the other amendments proposed in the said Act."

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- 4. The clause wise details of the proposed amendments along with the reasons and explanation are as under:

| Sl. No. | Number of clauses / sub clauses in the Principal Act | Details of amendment in the clause including addition, deletion and insertion   | Reasons for such amendments along with the explanation  |
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| 1.      | <b>Section 2</b><br><b>Sub-section (1) to (77)</b>   | 2. In section 2 of the Electricity Act, 2003 (hereinafter referred as the principal Act)—<br><br>(i) after clause (1), the following clause shall be inserted, namely:—<br><br>'(1A) "ancillary services", in relation to power system or grid operation, means the services necessary to support the power system or grid operation for maintaining power quality, reliability and security of the grid;'; | Clause 2.— This clause seeks to amend section 2 of the principal Act to amend certain definitions and to insert the new definitions relating to "ancillary services", "area of distribution", "decentralised distributed generation", "Electricity Distribution Code", "incumbent-supply licensee", "intermediary company", "obligated entity", "renewable energy sources", "renewable energy service company", "smart grid" and "provider of last resort". |
|         |  | (ii) after clause (2), the following clause shall be inserted, namely:—<br><br>'(2A) "area of distribution" means the area within which a distribution licensee is authorised by his licence to distribute electricity;';   |   |
|         |  | (iii) in clause (3), for the words "distribution licensee", the words "supply licensee" shall be substituted;   |   |
|         |  | (iv) in clause (8), after the words "or association" occurring at the end, the words "in terms and conditions as may be prescribed by the Central Government  |   |

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|  |  | from time to time;” shall be inserted;   |
|  |  | (v) in clause (12), after the words and brackets “useful energy (including electricity)” occurring at the end, the words “as specified by the Authority” shall be inserted;  |
|  |  | (vi) after clause (15), the following clause shall be inserted, namely:—<br><br>‘(15A) “decentralised distributed generation” means electricity generation from wind, small hydro, solar, biomass, biogas, bio-fuel, generation from any kind of waste including municipal and solid waste, geothermal, hybrid power system or such other sources as may be notified by the Central Government for end-use at or near the place of generation;’;   |
|  |  | (vii) for clause (16), the following clause shall be substituted, namely:—<br><br>‘(16) “dedicated transmission lines” means any radial electric supply-line for point to point transmission which is required for the purpose of connecting a captive generating plant or generating station to any transmission line or substation or switching station or generating station, or the load centre, as the case may be, subject to the condition that such line shall not form a loop with the grid and shall not be shared except with the prior approval of the Appropriate Commission;’; |
|  |  | (ix) after clause (17), the following clause shall be inserted, namely:—<br><br>‘(17A) “distribution” means the conveyance of electricity by use of distribution system;’;   |
|  |  | (x) in clause (23), in sub-clause (a), for the word “supplied”, the words “distributed, supplied” shall be substituted;  |
|  |  | (xi) after clause (23), the following clause   |

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|  |  | shall be inserted, namely:—<br><br>'(23A) "Electricity Distribution Code" means the Electricity Distribution Code specified in section 50;';  |  |
|  |  | (xii) in clause (24), for the figures "50" occurring at the end, the figures and letter "51G" shall be substituted;   |  |
|  |  | (xiii) in clause (25), after sub-clause (b), the following sub-clause shall be inserted, namely:—<br><br>"(ba) distribution system; or";  |  |
|  |  | (xiv) in clause (31), for the words and figures "section 617 of the Companies Act, 1956", the words, brackets and figures "sub-section (45) of section 2 of the Companies Act, 2013" shall be substituted;  |  |
|  |  | (xv) in clause (35), for the words "high voltage line", the words "high voltage line or high pressure cables" shall be substituted;   |  |
|  |  | (xvi) after clause (35), the following clauses shall be inserted, namely:—<br><br>'(35A) "incumbent supply licensee" means the entity to which the supply functions and undertakings, other than those vested in the intermediary company, is vested under sub-section (4A) of section 131;<br><br>(35B) "intermediary company" means the entity succeeding to the existing power purchase agreements and procurement arrangements of the relevant distribution licensees on reorganisation as per sub-section (4A) of section 131;'; |  |
|  |  | (xvii) for clause (41), the following clause shall be substituted, namely:—<br><br>'(41) "local authority" means any urban local body or rural local body or body of port commissioners or other authority  |  |

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|  |  | entrusted by the Union or any State Government with the control or management of any area or local fund;’;   |  |
|  |  | (xviii) after clause (46), the following clause shall be inserted, namely:—<br><br>‘(46A) “obligated entity” means the distribution licensee or the consumer owning the captive power plant or the open access consumer, as the case maybe, which is mandated under section 86 of the Act in order to procure electricity from or any market instrument representing the renewable energy sources;’;   |  |
|  |  | (xix) after clause (57), the following clause shall be inserted, namely:—<br><br>‘(57A) “renewable energy sources” for the purposes of this Act, means the small hydro, wind, solar, bio-mass, bio-fuel, bio-gas, co-generation from these sources, waste including municipal and solid waste, geothermal, tidal, forms of oceanic energy and such other sources as may be notified by the Central Government from time to time.<br><br>Explanation.—For the purposes of this clause, the expression “small hydro” means hydro generating stations of capacity not exceeding the capacity notified by the Central Government for this purpose;<br><br>(57B) “Renewable Energy Service Company” means an energy service company which provides renewable energy to the consumers in the form of electricity for the purposes of this Act;’; |  |
|  |  | (xx) after clause (61), the following clause shall be inserted, namely:—<br><br>‘(61A) “Smart Grid” means an electricity network that uses information and communication technology to gather information and act intelligently in   |  |



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|    |   | automated fashion to improve the efficiency, reliability, economics, and sustainability of generation, transmission and distribution of electricity and such other information as may be specified by the Authority;’;   |   |
|    |   | (xxi) after clause (70), the following clauses shall be inserted, namely:—<br><br>‘(70A) “supply licensee” means a person authorised under section 14 to supply electricity to consumers and shall include, incumbent supply licensee;<br><br>(70B) “provider of last resort” means the supply licensee who, from time to time, is designated so by the Appropriate Commission;’;  |   |
|    |   | (xxii) in clause (71), the following proviso shall be inserted, namely:—<br><br>“Provided that sharing and use of power system for telecommunication shall not be construed as trading for the purpose of this Act;”;<br><br>(xxiii) in clause (72), after the words “from a generating station”, the words “or a sub-station” shall be inserted.  |   |
| 2. | <b>Section 3</b><br><b>Sub (1) to (5)</b> | 3. For section 3 of the principal Act, the following section shall be substituted, namely:—<br><br>“3.(1) The Central Government shall, from time to time, prepare, review and notify the National Electricity Policy, Tariff Policy and National Renewable Energy Policy, in consultation with the State Governments and the Authority for development of the power system based on optimal utilisation of resources such as coal, natural gas, nuclear substances or materials, hydro and renewable sources of energy and for separation of distribution and supply functions and measures to promote Smart Grid, ancillary services and decentralised | Clause 3.— This clause seeks to amend section 3 of the principal Act to provide for a separate National Renewable Energy Policy for the promotion of renewable sources of energy and for measures to promote smart grid, ancillary services and decentralised distribution generation, etc. , |

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|    |                  | <p>distributed generation, etc.</p> <p>(2) The Authority shall prepare a National Electricity Plan in accordance with the National Electricity Policy and notify such plan once in five years:</p> <p>Provided that the Authority while preparing the National Electricity Plan shall publish the draft National Electricity Plan and invite suggestions and objections there on from licensees, generating companies and the public within such time as may be prescribed:</p> <p>Provided further that the Authority shall—</p> <p>(a) notify the plan after obtaining the approval of the Central Government;</p> <p>(b) revise the plan incorporating therein the directions, if any, given by the Central Government while granting approval under clause (a).</p> <p>(3) The Authority may review or revise the National Electricity Plan in accordance with the National Electricity Policy.</p> <p>(4) The Central Government may, after such consultation with the State Governments as may be considered necessary, notify policies and adopt measures for promotion of Renewable Energy Generation including through tax rebates, generation linked incentive, creation of national renewable energy fund, development of renewable industry and for effective implementation and enforcement of such measures.</p> |  |
| 3. | <b>Section 4</b> | 4. In section 4 of the principal Act, for the words “notify a national policy permitting stand alone systems”, the words “notify a national policy for harnessing solar power and other forms of renewable energy to ensure electricity to un-electrified rural households and permitting stand alone systems” shall be substituted.   | Clause 4.— This clause seeks to amend section 4 of the principal Act to provide for harnessing solar power and renewable sources included as a part of the National Policy in the context of the stand alone system. |

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|    |                  | 5. In section 6 of the principal Act, for the word “areas” the words “parts of the country” shall be substituted.   |  |
| 4. | <b>Section 6</b> | 5. In section 6 of the principal Act, for the word “areas” the words “parts of the country” shall be substituted.   | Clause 5.— This clause seeks to amend section 6 of the principal Act so as to substitute the expression "area" with the expression "parts of the Country".   |
| 6. | <b>Section 7</b> | <p>6. For section 7 of the principal Act, the following section shall be substituted, namely:—</p> <p>“7. (1) Any generating company may establish, operate and maintain a generating station without obtaining a licence under this Act, if it complies with the technical standards relating to connectivity with the grid referred to in clause (b) of section 73:</p> <p>Provided that any generating company establishing may be required by the system operator to build and maintain a spinning reserve of such capacity as may be notified by the Central Government from time to time:</p> <p>Provided further that any generating company before establishing or expanding the capacity of a generating station shall submit a detailed project report and duly inform about the same to the Authority.</p> <p>Explanation.—For the purposes of sub-section (1), the expression “spinning reserve” means the backup capacity of a generating station which shall be made available on the directions of the system operator, within a time limit as may be notified by the Central Government, to maintain grid safety and security.</p> <p>(2) Notwithstanding anything contained in sub-section (1), any generating company establishing a coal and lignite based thermal generating station after a date</p> | <p>Clause 6.— This clause seeks to substitute section 7 of the principal Act to provide for maintenance of spinning reserve of certain capacity by the generating company and further provide that any generating company establishing a coal and lignite based thermal generating station after a date and in a manner to be notified shall be required to establish a Renewable Energy Generation capacity as prescribed by the Central Government from time to time which shall not be less than ten per cent. of the thermal power installed capacity.</p> |

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|    |                   | <p>and in a manner to be notified shall be required to establish a Renewable Energy Generation capacity as prescribed by the Central Government from time to time which shall not be less than ten per cent. of the thermal power installed capacity.</p> <p>(3) In case any existing coal and lignite based thermal power generating station, with the concurrence of power procurers under the existing Power Purchase Agreements, chooses for setting up additional renewable energy generating capacity, the energy produced from there shall be allowed to be bundled and pass through shall be allowed in such cases by the Appropriate Commission and the Obligated Entities who finally buy such power shall account the same towards their renewable purchase obligations.”.</p> |   |
| 7. | <b>Section 8</b>  | <p>7. In section 8 of the principal Act,—</p> <p>(a) in sub-section (1), after the words “hydro generating station”, the words “including multipurpose hydro facilities with power generation” shall be inserted;</p> <p>(b) in sub-section (2), after clause (b), the following clause shall be inserted, namely:—</p> <p>“(c) project should maintain minimum ecological flow in the river;”.</p>   | <p>Clause 7.— This clause seeks to amend section 8 of the principal Act to provide that the multipurpose hydro power with power generation shall be included as a part of hydroelectric generation. Further, it is provided that the Central Electricity Authority while giving concurrence to the hydro stations should take into account the maintenance of minimum ecological flow in the river.</p> |
| 8. | <b>Section 12</b> | <p>8. For section 12 of the principal Act, the following shall be substituted, namely:—</p> <p>“12. (1) No person shall—</p> <p>(a) transmit electricity; or</p> <p>(b) distribute electricity; or</p> <p>(c) undertake trading in electricity; or</p> <p>(d) supply of electricity to consumer,</p> <p>unless he is authorised to do so by a</p>   | <p>Clause 8.— This clause seeks to amend section 12 of the principal Act so as to introduce the provision of a supply licensee and also to make other consequential changes due to the segregation of carriage and content.</p>   |

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|    |                   | <p>licence issued under section 14, or is exempt under section 13:</p> <p>Provided that no licence shall be required by a generating company, a captive generating plant and a trading licensee for supply of electricity to open access consumer in any place:</p> <p>Provided further that no licence shall be required for the activities assigned to the intermediary company under the Act.</p> <p>(2) The Appropriate Commission shall not grant licence to more than one distribution licensee in any area of distribution:</p> <p>Provided that where two or more distribution licensees within the same area of distribution are existing on the date of the commencement of the Electricity (Amendment) Act, 2014, they shall continue their operation till such period as specified in their licence.</p> <p>(3) Without prejudice to sub-section (2), the Central Government in consultation with the Appropriate Commission may, in public interest, permit more than one distribution licensee to operate in any area, if it is considered necessary. ”.</p> |  |
| 9. | <b>Section 14</b> | <p>9. For section 14 of the principal Act, the following shall be substituted, namely:—</p> <p>“14. The Appropriate Commission may, on an application made to it under section15, grant a licence to any person—</p> <p>(a) to transmit electricity as a transmission licensee; or</p> <p>(b) to distribute electricity as a distribution licensee:</p> <p>Provided that the Developer of a Special Economic Zone notified under sub-section (1) of section 4 of the Special Economic Zones Act,2005, shall be</p>   |  |

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|  |  | <p>deemed to be a licensee for the purpose of this clause, with effect from the date of notification of such Special Economic Zone:</p> <p>Provided further that the decentralised distributed generation networks not connected to the distribution system may continue to operate without getting connected to the distribution system, even in case of grant of licence for operation of the distribution system in that area; or</p> <p>(c) to undertake trading in electricity as an electricity trader, or</p> <p>(d) to supply electricity as a supply licensee, in any area as may be specified in the licence:</p> <p>Provided that any person engaged in the business of transmission or supply of electricity under the provisions of the repealed laws or any Act specified in the Schedule on or before the appointed date shall be deemed to be a licensee under this Act for such period as may be stipulated in the licence, clearance or approval granted to him under the repealed laws or such Act specified in the Schedule, and the provisions of the repealed laws or such Act specified in the Schedule in respect of such licence shall apply for a period of one year from the date of the commencement of this Act or such earlier period as may be specified, at the request of the licensee, by the Appropriate Commission and thereafter the provisions of this Act shall apply to such business:</p> <p>Provided further that any person engaged in the business of distribution of electricity on or before the commencement of the Electricity (Amendment) Act, 2014 shall be deemed to have authorisation to undertake distribution of the electricity as a distribution licensee and also to supply</p> |  |
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|  |  | <p>electricity as a supply licensee till the transfer scheme under clauses (a) and (b) of sub-section (4A) of section 131 is effective in accordance with the provisions of this Act, where upon the distribution business and the supply business shall be undertaken in the manner as stipulated in the said transfer scheme:</p> <p>Provided also that the Central Transmission Utility or the State Transmission Utility shall be deemed to be a transmission licensee under this Act:</p> <p>Provided also that in case an Appropriate Government transmits electricity or distributes or supplies electricity or undertakes trading in electricity, whether before or after the commencement of this Act, such Government shall be deemed to be a licensee under this Act, but shall not be required to obtain a licence under this Act:</p> <p>Provided also that the Railways as defined under the Indian Railways Act, 1989 and the Metro Rail Corporation established under the Metro Railways (Operation and Maintenance) Act, 2002 be deemed to be a licensee under this Act, and shall not be required to obtain a licence under this Act:</p> <p>Provided also that the Damodar Valley Corporation, established under sub-section (1) of section 3 of the Damodar Valley Corporation Act, 1948, shall be deemed to be a licensee under this Act but shall not be required to obtain a licence under this Act and the provisions of the Damodar Valley Corporation Act, 1948, in so far as they are not inconsistent with the provisions of this Act, shall continue to apply to that Corporation:</p> <p>Provided also that the Government company or the company referred to in</p> |  |
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|  |  | <p>sub-section (2) or sub-section (4) or sub-section (4A) of section 131 of this Act and the company or companies created in pursuance of the Acts specified in the Schedule or any company or companies as may be notified by the Central Government, shall be deemed to be a licensee under this Act:</p> <p>Provided also that the Appropriate Commission may grant a licence to two or more persons for supply of electricity within the same area of supply, subject to the conditions that the applicant for grant of supply licence within the same area shall, without prejudice to the other conditions or requirements under this Act, comply with the additional requirements (relating to the capital adequacy, Credit worthiness or code of conduct) as may be prescribed by the Central Government, and no such applicant, who complies with all the requirements for grant of licence, shall be refused grant of licence on the ground that there already exists a licensee in the same area for the same purpose:</p> <p>Provided also that at least one of the supply licensee shall be a Government company or Government Controlled Company:</p> <p>Provided also that where a person intends to generate, distribute and supply electricity in a rural area to be notified by the State Government, such person shall not require any licence for such generation, distribution and supply of electricity, but he shall comply with the measures which may be specified by the Authority under section 53:</p> <p>Provided also that where a person intends to generate and supply electricity from renewable energy sources, such person shall not require any licence for such generation and supply of electricity, but he shall comply with the measures</p> |  |
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|     |                   | <p>which maybe specified by the Authority under sections 53 and 73:</p> <p>Provided also that a supply licensee shall not require a licence to undertake trading in electricity:</p> <p>Provided also that a distribution licensee, after effective date of transfer under sub-section (4A) of section 13, shall not engage in trading or supply of electricity:</p> <p>Provided also that in a case where a distribution licensee was undertaking the distribution of electricity, prior to the commencement of the Electricity (Amendment) Act, 2014, for a specified area within his area of distribution through a franchisee such franchisee shall not be required to obtain any separate licence from the State Commission concerned and such distribution licensee shall remain responsible for distribution and supply of electricity in that area of distribution till the expiry of the existing agreement with the distribution and supply licensee of that area.”.</p> |  |
| 10. | <b>Section 15</b> | <p>10. In section 15 of the principal Act, for sub-section (8), the following sub-section shall be substituted, namely:—</p> <p>“(8) A licence shall continue to be in force for a period of twenty-five years or more as may be specified in the licence, unless such licence is revoked or renewed.”.</p>  | <p>Clause 10.— This clause seeks to amend section 15 of the principal Act so as to clarify that the period of license shall be specified by the Appropriate Commission.</p>                                  |
| 11. | <b>Section 20</b> | <p>11. In section 20 of the principal Act,—</p> <p>(a) in sub-section (1),—</p> <p>(i) in opening portion, after the words “licence of any licensee”, the words “or when the duration of any licence expires” shall be inserted;</p> <p>(ii) in clause (a), after the words “licence has been revoked”, the words and brackets “or expires (hereinafter referred to as the outgoing licensee)” shall be</p>  | <p>Clause 11.— This clause seeks to amend section 20 of the principal Act to bring clarity in respect of provisions pertaining to expiry, revocation of licence and regarding purchase price of utility.</p> |

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|     |                   | <p>inserted;</p> <p>(iii) in clause (c), after the words “revocation of licence”, the words “or expiry of the period of the licence or” shall be inserted;</p> <p>(b) for sub-section (2), the following sub-section shall be substituted, namely:—</p> <p>“(2) Where a utility is sold under sub-section (1), the purchaser shall pay to the licensee the purchase price of the utility in such manner as may be agreed upon between the parties.”;</p> <p>(c) in sub-section (3), for the words “the licence” wherever they occur, the words “outgoing licence” shall be substituted.</p>  |  |
| 12. | <b>Section 24</b> | <p>12. For section 24 of the principal Act, the following section shall be substituted, namely:—</p> <p>“24. (1) If at any time the Appropriate Commission is of the opinion that a distribution licensee or a supply licensee—</p> <p>(a) has persistently failed to maintain uninterrupted distribution or supply of electricity conforming to standards regarding quality of electricity to the consumers; or</p> <p>(b) is unable to discharge the functions or perform the duties imposed on it by or under the provisions of this Act; or</p> <p>(c) has persistently defaulted in complying with any direction given by the Appropriate Commission under this Act; or</p> <p>(d) has broken the terms and conditions of licence, and circumstances exist which render it necessary for it in public interest so to do, the Appropriate Commission may, for reasons to be recorded in writing, suspend, for a period not</p> | <p>Clause 12.— This clause seeks to substitute section 24 of the principal Act so as to enable the Appropriate Commission to suspend the licence of the distribution licensee or a supply licensee and appoint an administrator to discharge the functions of the distribution licensee or a supply licensee in accordance with the terms and conditions of the licence.</p> |

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|  |  | <p>exceeding one year, the licence of the distribution licensee or a supply licensee and appoint an Administrator to discharge the functions of the distribution licensee or a supply licensee in accordance with the terms and conditions of the licence:</p> <p>Provided that before suspending a licence under this section, the Appropriate Commission shall give a reasonable opportunity to the distribution licensee or a supply licensee to make representations against the proposed suspension of licence and shall consider the representations, if any, of the distribution licensee or a supply licensee.</p> <p>(2) Upon suspension of licence under sub-section (1), the utilities of the distribution licensee or a supply licensee shall vest in the Administrator for a period not exceeding one year or up to the date on which such utility is sold in accordance with the provisions contained in section 20, whichever is later.</p> <p>(3) The Appropriate Commission shall, within one year of appointment of the Administrator under sub-section (1), either revoke the licence in accordance with the provisions contained in section 19 or revoke suspension of the licence and restore the utility to the distribution licensee or a supply licensee whose licence had been suspended, as the case may be.</p> <p>(4) In a case where the Appropriate Commission revokes the licence under sub-section (3), the utility of the distribution licensee or a supply licensee shall be sold within a period of one year from the date of revocation of the licence in accordance with the provisions of section 20 and the price after deducting the administrative and other expenses on sale of utilities and such other amounts as may be due from the licensee shall be</p> |  |
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|     |                   | remitted to the distribution licensee or a supply licensee.”.   |   |
| 13. | <b>Section 29</b> | <p>13. In section 29 of the principal Act, for sub-section (6), the following sub-section shall be substituted, namely:—</p> <p>“(6) If any licensee fails to comply with the directions issued under sub-section (2) or sub-section (3), he shall be liable to a penalty not exceeding ten crore rupees:</p> <p>Provided that in case of non-compliance of the directions issued under subsection(2) or sub-section (3), by a generating company for generating renewable energy, such generating company for generating renewable energy shall be liable to a penalty not exceeding one crore rupees.”.</p> | <p>Clause 13.— This clause seeks to amend section 29 of the principal Act to increase</p> <p>the quantum of penalty for violation of directions by the Regional Load Despatch Centres.</p>  |
| 14. | <b>Section 33</b> | <p>14. In section 33 of the principal Act, for sub-section (5), the following sub-section shall be substituted, namely:—</p> <p>“(5) If any licensee fails to comply with the directions issued under sub-section (1), he shall be liable to a penalty not exceeding one crore rupees:</p> <p>Provided that in case of non-compliance of the directions issued under subsection(1), by a generating company for generating renewable energy, such generating company for generating renewable energy shall be liable to a penalty not exceeding ten lakh rupees.”.</p>  | <p>Clause 14.— This clause seeks to amend section 33 of the principal Act to increase</p> <p>the quantum of penalty for violation of directions by the State Load Despatch Centres.</p>   |
| 15. | <b>Section 34</b> | <p>15. For section 34 of the principal Act, the following section shall be substituted, namely:—</p> <p>“34. Every licensee or generating company, person owning and maintaining dedicated transmission lines and any other person whose system is connected to the grid shall comply with such technical standards of operation and maintenance of transmission lines, in accordance with the Grid Standards, as</p>   | <p>Clause 15.— This clause seeks to substitute section 34 of the principal Act to provide for compliance of Grid Standards as specified by the Central Electricity Authority by any licensee or a generating company or any person maintaining a dedicated transmission line</p> <p>or any other person whose</p> |

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|     |                   | may be specified by the Authority.”.   | system is connected to the Grid.   |
| 16. | <b>Section 37</b> | 16. In section 37 of the principal Act, after the words “necessary for”, the words “grid security and safety and for” shall be inserted.   | Clause 16.— This clause seeks to amend section 37 of the principal Act to empower the Appropriate Government to issue directions for Grid security and safety.   |
| 17. | <b>Section 38</b> | 17. In section 38 of the principal Act, in sub-section (2), in clause (d), for sub-clause<br><br>(ii), the following sub-clause shall be substituted, namely:—<br><br>“(ii) any consumer as and when such open access is provided by the State Commission under sub-section (2) of section 42, on payment of the transmission charges, as may be specified by the Central Commission and surcharge if any determined by the Appropriate Commission of the State in which the premises of the consumer is located:”.        | Clause 17.— This clause seeks to amend section 38 of the principal Act to provide<br><br>that a consumer getting electricity through open access shall be subject to payment of surcharge in addition to the transmission charges. Further, it has been clarified that the<br><br>surcharge shall be as specified by the Appropriate State Commission instead of the Central Commission as it is the State Commission which deals with the cross subsidy and not the Central Commission. |
| 18. | <b>Section 39</b> | 18. In section 39 of the principal Act, in sub-section (2), in clause (d), in sub-clause(ii),—<br><br>(a) for the words “as may be specified by the State Commission”, the words “if any determined by the Appropriate Commission of the State” shall be substituted;<br><br>(b) in the second proviso, for the words “State Commission”, the words “Appropriate Commission” shall be substituted;<br><br>(c) in third proviso, for the words “State Commission”, the words “Appropriate Commission” shall be substituted. | Clause 18.— This clause seeks to amend section 39 of the principal Act to provide<br><br>that a consumer getting electricity through open access shall be subject to payment of surcharge in addition to the transmission charges.   |
| 19. | <b>Section 40</b> | 19. In section 40 of the principal Act, in clause (c), in sub-clause (ii), for the words “as may be specified by the State   | Clause 19.— This clause seeks to amend section 40 of the principal Act to clarify that the   |

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|     |                   | Commission”, the words “as may be specified by the Appropriate Commission of the State in which the premises of the consumer is located” shall be substituted.  | quantum of surcharge to be paid as specified by the Appropriate Commission of the State where the end- use premise of the consumer is located   |
| 20. | <b>Section 42</b> | <p>20. For section 42 of the principal Act, the following section shall be substituted, namely:—</p> <p>“42. (1) It shall be the duty of a distribution licensee to—</p> <p>(a) develop and maintain an efficient, coordinated and economical distribution system in his area of distribution and to enable supply electricity in accordance with the provisions contained in this Act;</p> <p>(b) provide non-discriminatory open access to its distribution system as specified by the Appropriate Commission;</p> <p>(c) perform such other functions, not inconsistent with the Act as may be specified by the Appropriate Commission.</p> <p>(2) The State Commission shall introduce open access for use of distribution system in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints.</p> <p>(3) The open access shall be allowed on payment of a surcharge which shall be in addition to the wheeling and other charges payable to the distribution licensee, as compensatory charges determined by the State Commission to meet the requirement of cross subsidy in</p> | <p>Clauses 20.— This clause seeks to substitute section 42 of the principal Act so as to specify the duties of distribution licensee and also provide certain provisions relating to open access.</p> |

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|    |                   | <p>the area of supply:</p> <p>Provided that the surcharge and cross subsidies referred to sub-section (2) and sub-section (3) shall be progressively reduced in the manner as may be specified by the State Commission:</p> <p>Provided further that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.</p> <p>(4) The open access consumers procuring electricity from renewable energy sources shall not be required to pay the surcharge for open access for such period as may be prescribed by the Central Government.</p> <p>(5) Notwithstanding anything contained in this section, the open access consumer shall not switch over to any other supplier except by giving the notice of minimum time period as may be specified by the Appropriate Commission.”.</p> |  |
| 21 | <b>Section 43</b> | <p>21. For section 43 of the principal Act, the following section shall be substituted, namely:—</p> <p>“43. (1) Save as otherwise provided in this Act, every distribution licensee, shall, on an application by the owner or occupier of any premises in the area of distribution, give connection to such premises to enable supply of electricity, within fifteen days after receipt of the application requiring such supply:</p> <p>Provided that where such connectivity to the premises requires extension of distribution mains, or commissioning of new sub-stations, the distribution licensee shall give connection to enable supply of electricity to such premises immediately after such extension or commissioning or within such period as</p>  | <p>Clause 21.— This clause seeks to substitute section 43 of the principal Act so as to provide that every distribution licensee, shall, on an application by the owner or occupier of any premises in the area of distribution, give connection to such premises to enable supply of electricity, within fifteen days after receipt of the application requiring such supply.</p> |

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|     |                   | <p>may be specified by the Appropriate Commission:</p> <p>Provided further that in case of a village or hamlet or area wherein no provision for supply of electricity exists, the Appropriate Commission may extend the said period as it may consider necessary for electrification of such village or hamlet or area.</p> <p>Explanation.—For the purposes of this sub-section, the expression “application” means the application complete in all respects in the appropriate form, as required by the distribution licensee, along with documents showing payment of necessary charges and other compliances.</p> <p>(2) It shall be the duty of every distribution licensee to provide, if required, electric plant or electric line for connectivity and enabling electric supply to the premises specified in sub-section (1).</p> <p>(3) If a distribution licensee fails to give connection to the premises in the area of distribution within a period specified in sub-section (1), he shall be liable to a penalty which may extend to one thousand rupees for each day of default.’.</p> |   |
| 22. | <b>Section 44</b> | 22. In section 44 of the principal Act, for the words “licensee to give supply”, the words “licensee to distribute electricity” shall be substituted.   | Clauses 22.— This clause seeks to amend section 44 of the principal Act so as to substitute the words "licence to give supply" with the words "licence to distribute electricity."  |
| 23. | <b>Section 45</b> | 23. For section 45 of the principal Act, the following section shall be substituted, namely:—<br><br>“45. (1) Subject to the provisions of this section, the prices to be charged by a distribution licensee for the distribution of electricity by him in pursuance of section 43 shall be in accordance with  | Clauses 23.— This clause seeks to substitute section 45 of the principal Act so as to provide that the prices to be charged by a distribution licensee for the distribution of electricity by him in pursuance of section 43 shall be in accordance with such tariffs |



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|     |  | <p>such tariffs determined by the Appropriate Commission and such charges authorised by the Appropriate Commission or otherwise fixed from time-to-time and conditions of his licence.</p> <p>(2) Subject to the provisions of section 62, in determining charges under this section a distribution licensee shall not show undue preference to any person or class of persons or discrimination against any person or class of persons.”.</p> | <p>determined by the Appropriate Commission and such charges authorised by the Appropriate Commission or otherwise fixed from time-to-time as per conditions of his licence.</p>  |
| 24. | <b>Section 45A</b><br><b>New Section</b> | <p>24. After section 45 of the principle Act, the following section shall be inserted, namely:—</p> <p>“45A. The Appropriate Government may, in consultation with the Appropriate Commission and the concerned authorities, prescribe the manner of collection and realisation of any dues under the relevant laws for the time being in force in the State along with the electricity dues.”.</p>   | <p>Clause 24.— This clause seeks to insert a new section 45A in the principal Act so as to provide that the Appropriate Government may, in consultation with the Appropriate Commission and the concerned authorities, prescribe the manner of collection and realisation of any dues under the relevant laws for the time being in force in that State, along with the electricity dues.</p> |
| 25. | <b>Section 46</b>                        | <p>25. In section 46 of the principal Act,—</p> <p>(i) for the words “requiring a supply of electricity”, the words “requiring connectivity to the distribution system” shall be substituted;</p> <p>(ii) for the words “giving and supply”, the words “giving and maintaining the connection for enabling supply of electricity” shall be substituted.</p>  | <p>Clause 25.— This clause seeks to amend section 46 of the principal Act so as to substitute the words "requiring a supply of electricity", with the words "requiring connectivity to the distribution system" and the words "giving and supply", with the words "giving and maintaining the connection for enabling supply of electricity".</p>   |
| 26. | <b>Section 47</b>                        | <p>26. In section 47 of the principal Act,—</p> <p>(i) for sub-section (1), the following sub-section shall be substituted, namely:—</p> <p>“(1) Subject to the provisions of this section, a distribution licensee in the area</p>  | <p>Clause 26.— This clause seeks to amend section 47 of the principal Act so as to provide that a distribution licensee in the area of distribution may require any person, who requires connectivity to the</p>  |

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|     |                   | <p>of distribution may require any person, who requires connectivity to the distribution system in pursuance of section 51A, to give him reasonable security, as may be determined by regulations, for the payment to him of all monies which may become due to him—</p> <p>(a) in respect of the electricity distributed to such person; or</p> <p>(b) where any electric line or electrical plant or electric meter is to be provided for distributing electricity to such person, in respect of the provision of such line or plant or meter, and if that person fails to give such security, the distribution licensee may, if he thinks fit, refuse to distribute electricity or to provide the line or plant or meter for the period during which the failure continues.”;</p> <p>(ii) in sub-section (2), for the words “supply of electricity”, the words “distribution of electricity” shall be substituted;</p> <p>(iii) in sub-section (3), for the words “supply of electricity”, the words “distribution of electricity” shall be substituted.</p> | <p>distribution system in pursuance of section 51A, to give him reasonable security, for the payment to him of all monies which may become due to him in</p> <p>respect of the electricity distributed to such person or where any electric line or electrical plant or electric meter is to be provided for distributing electricity to such person, in respect of the provision of such line or plant or meter, and if that person fails to give such security, the distribution licensee may, if he thinks fit, refuse to distribute electricity or to provide the line or plant or meter for the period during which the failure continues.</p> |
| 27. | <b>Section 48</b> | <p>27. In section 48 of the principal Act,—</p> <p>(i) in the opening portion, for the words “supply of electricity”, the words “distribution of electricity” shall be substituted;</p> <p>(ii) in clause (b), for the word “supplied” occurring at the end, the word “distributed” shall be substituted.”.</p>   | <p>Clause 27.— This clause seeks to amend section 48 of the principal Act so as to substitute the words "supply of electricity", with the words "distribution of electricity" and the word "supplied" with the word "distributed".</p>  |
| 28. | <b>Section 49</b> | <p>28. For section 49 of the principal Act, the following section shall be substituted, namely:—</p> <p>“49. (1) With effect from the commencement of the Electricity (Amendment ) Act,2014, all consumers having a connected load of 1 Mega Watt</p>   | <p>Clause 28.— This clause seeks to substitute section 49 of the principal Act so as provide that with effect from the commencement of the Electricity (Amendment) Act, 2014, all consumers having a</p>  |

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|     |   | <p>and above with the power system, may procure at their option electricity through open access under bilateral arrangement from any generating company, trading licensee, or from any other source.</p> <p>(2) Notwithstanding anything contained in clause (d) of sub-section (1) of section 62, the consumers mentioned in sub-section (1), may enter into an agreement with any person for supply or purchase of electricity on such terms and conditions (including tariff) as may be agreed upon by them.”.</p>  | <p>connected load of 1 Mega Watt and above may enter into an agreement with any person for supply or purchase of electricity on such terms and conditions (including tariff) as may be agreed upon by them.</p>  |
| 29. | <b>Section 50</b>   | <p>29. For section 50 of the principal Act, the following section shall be substituted, namely:—</p> <p>“50. The State Commission shall specify an Electricity Distribution Code to provide for recovery of electricity charges, intervals for billing of electricity charges, disconnection of connectivity of electricity for non-payment thereof, restoration of supply of electricity, measures for preventing tampering, distress or damage to electrical plant or electrical line or meter, entry of distribution licensee or any person acting on his behalf for disconnecting connection and removing the meter, entry for replacing, altering or maintaining electric lines or electrical plants or meter and such other matters.”.</p> | <p>Clause 29.— This clause seeks to substitute section 50 of the principal Act so as to provide that the State Commission shall specify an electricity distribution code to provide for recovery of electricity charges, intervals for billing of electricity charges, disconnection of connectivity of electricity for non-payment thereof, restoration of supply of electricity, measures for preventing tampering, distress or damage to electrical plant or electrical line or meter, entry of distribution licensee or any person acting on his behalf for disconnecting connection and removing the meter, entry for replacing, altering or maintaining electric lines or electrical plants or meter and such other matters.</p> |
| 30  | <p><b>PART VI-A</b></p> <p><b>Section 51A to 51G</b></p> <p><b>(New Part)</b></p> | <p>30. After Part VI of the principal Act, the following Part and sections shall be inserted, namely:—</p> <p>‘PART VI A</p> <p>SUPPLY OF ELECTRICITY</p> <p>51A. (1) It shall be the duty of the supply licensees to supply electricity in the concerned area of supply in accordance</p>   | <p>Clause 30.— This clause seeks to insert a new Part VIA in the principal Act containing sections 51A to 51 G to deal with the supply of electricity as distinct from the distribution of electricity.</p>  |

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|  |  | <p>with the provisions of the Act:</p> <p>Provided that till the transfer of the obligation to supply to the incumbent supply licensee, the existing distribution licensee shall have the obligations to continue to supply electricity in the area of supply in accordance with the provisions of the Act with the same rights, privileges and duties of the supply licensee.</p> <p>(2) The Appropriate State Government shall, within a period of one year from the commencement of the Electricity (Amendment) Act, 2014 or within such period as the Appropriate State Government may decide in consultation with the Central Government, provide for separation of distribution and supply of electricity and for such purpose issue appropriate transfer scheme and vest the supply functions in the incumbent supply licensee and the existing power purchase agreements and procurement arrangement in the intermediary company respectively as per the provision of section 131.</p> <p>51B. (1) The supply licensee as selected by the Consumer shall, on an application of the owner or occupier of any premises within fifteen days of the connection being given to the premises by the distribution licensee in terms of section 43 commence supply of electricity as required by the person:</p> <p>Provided that a supply licensee other than the incumbent supply licensee shall have the duty to supply electricity progressively based on the load factor of the consumers as specified by the Central Government.</p> <p>(2) Save as otherwise provided in this Act, any consumer in the area of supply shall, in such manner as may be prescribed by the Central Government;</p> |  |
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|  |  | <p>have the option to choose any of the supply licensees for supply of electricity to the premises owned or occupied by him.</p> <p>Explanation.—For the purposes of this sub-section, “application” means the application complete in all respects in the appropriate form, as required by the supply licensee, along with documents showing payment of necessary charges and other compliances:</p> <p>Provided that the provider of last resort shall have the obligation to supply electricity to the consumers in the area of supply in case the supply licensee chosen by the consumer ceases to be a supply licensee or otherwise his supply licence is suspended for any reason whatsoever.</p> <p>(3) It shall be the duty of every supply licensee to arrange for the purchase of electricity including by procurement of electricity from the intermediary company with the objective of providing reliable and uninterrupted electricity supply.</p> <p>(4) If a supply licensee fails to give supply of electricity within a period as mentioned in sub-section (1), he shall be liable to a penalty which may extend to one thousand rupees for each day of default.</p> <p>51C. Nothing contained in section 51B, shall be taken as requiring a supply licensee to give supply of electricity to any premises in its area of supply, if he is prevented from so doing by cyclone, floods, storms or other occurrences beyond his control.</p> <p>51D. (1) Subject to the provisions of this section, the prices to be charged by a supply licensee for the supply of electricity by him in pursuance of section 51B shall be in accordance with such tariffs fixed from time-to-time and</p> |  |
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|  |  | <p>conditions of his licence.</p> <p>(2) The charges for electricity supplied by a supply licensee in the area of supply shall be—</p> <p>(a) fixed in accordance with the methods and the principles as may be specified by the concerned State Commission;</p> <p>(b) published in such manner so as to give adequate publicity for such charges and prices.</p> <p>(3) The charges for electricity supplied by a supply licensee in the area of supply may include a fixed charge in addition to the charge for the actual electricity supplied.</p> <p>(4) Subject to the provisions of section 62, in fixing charges under this section a supply licensee shall not show undue preference to any person or class of persons or discrimination against any person or class of persons.</p> <p>(5) The charges fixed by a supply licensee shall be market determined:</p> <p>Provided that the Appropriate Commission shall determine a ceiling charge based on the normative costs and standards of performance, subject to sub-section (3) and sub-section (4) of section 62:</p> <p>Provided further that the supply licensee shall not charge any amount higher than the ceiling charge as applicable to all consumers in a category.</p> <p>(6) Notwithstanding anything contained in this Act the supply licensee may, with the prior approval of the Appropriate Commission, charge any amount higher than the ceiling charge as may be mutually agreed with any consumer.</p> <p>51E. (1) Subject to the provisions of this section, a supply licensee may require</p> |  |
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|  |  | <p>any person, who requires a supply of electricity in pursuance of section 51B, to give him reasonable security, as may be determined by regulations, for the payment to him of all monies which may become due to him in respect of the electricity supplied to such person; and if that person fails to give such security, the supply licensee in the area of supply may, if he thinks fit, refuse to give the supply of electricity for the period during which the failure continues.</p> <p>(2) Where any person has not given such security as is mentioned in sub-section (1) or the security given by any person has become invalid or insufficient, the supply licensee may, by notice, require that person, within thirty days after the service of the notice, to give him reasonable security for the payment of all monies which may become due to him in respect of the supply of electricity.</p> <p>(3) If the person referred to in sub-section (2) fails to give such security, the supply licensee may, if he thinks fit, discontinue the supply of electricity for the period during which the failure continues.</p> <p>(4) The supply licensee shall pay interest with reference to the bank rate, as maybe specified by the State Commission, on the security referred to in sub-section (1), and refund such security on the request of the person who gave such security.</p> <p>(5) A supply licensee shall not be entitled to require security in pursuance of clause (a) of sub-section (1) if the person requiring the supply is prepared to take the supply through a pre-payment meter.</p> <p>51F. A supply licensee may require any person who requires a supply of electricity in pursuance of section 51B to accept—</p> <p>(a) any restrictions which may be imposed for the purpose of enabling the</p> |  |
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|     |   | <p>supply licensee to comply with the regulations made under section 53;</p> <p>(b) any terms restricting any liability of the supply licensee for economic loss resulting from negligence of the person to whom the electricity is supplied.</p> <p>51G. The State Commission shall specify an Electricity Supply Code to provide for recovery of electricity charges, intervals for billing of electricity charges, disconnection of supply of electricity for non-payment thereof, assessment for unauthorised use and theft of electricity, restoration of supply of electricity and such other matters.’.</p>  |   |
| 31. | <p><b>PART VI-B</b><br/><b>Section 51H</b><br/><br/><b>(New Part)</b></p> | <p>31. After Part VIA of the principal Act, as so inserted, the following Part and section shall be inserted, namely:—</p> <p>“PART VIB</p> <p>OTHER PROVISIONS RELATING TO DISTRIBUTION AND SUPPLY OF ELECTRICITY</p> <p>51H. (1) Every distribution licensee or supply licensee, as the case may be having the obligation to supply in the area of supply, shall, within six months from the appointed date or date of grant of licence, whichever is earlier, establish a forum for redressal of grievances of the consumers in accordance with the guidelines as may be specified by the State Commission.</p> <p>(2) Any consumer, who is aggrieved by non-redressal of his grievances under sub-section (1), may make a representation for the redressal of his grievance to an authority to be known as Ombudsman to be appointed or designated by the State Commission.</p> <p>(3) The Ombudsman shall settle the grievance of the consumer within such time and in such manner as may be</p> | <p>Clause 31.— This clause seeks to insert a new Part VIB in the principal Act containing section 51H to deal with the common provisions applicable to both the distribution and supply function.</p> |



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|     |  | <p>specified by the State Commission.</p> <p>(4) The provisions of sub-sections (1), (2) and (3) shall be without prejudice to right which the consumer may have apart from the rights conferred upon him by the those sub-sections.”.</p>   |   |
| 32. | <b>Section 54</b>                        | <p>32. In section 54 of the principal Act, in sub-section (1), in the proviso, after the words and figures “the Railways Act, 1989”, the words, brackets and figures “or metro railway under the Metro Railways (Operation and Maintenance) Act, 2002” shall be inserted.</p>  | <p>Clause 32.— This clause seeks to amend section 54 of the principal Act whereby the metro railway under the Metro Railways (Operation maintenance) Act, 2002 has been added in addition to Railways in view of the necessity to treat both alike.</p> |
| 33. | <b>Section 55</b>                        | <p>33. In section 55 of the principal Act, in sub-section (2), the following proviso shall be inserted, namely:—</p> <p>“Provided that smart meters, as specified by the Authority, shall be installed at each stage for proper accounting and measurement for the purpose of metering and consumption from the point of generation up to such consumers who consume more than the quantity of electricity in a month as prescribed by the Central Government.”.</p> | <p>Clause 33.—This clause seeks to amend section 55 of the principal Act whereby additions have been made for proper energy accounting at various stages through an appropriate meter.</p>  |
| 34. | <b>Section 56</b>                        | <p>34. In section 56 of the principal Act, after sub-section (1), the following sub-section shall be inserted, namely:—</p> <p>“(1A) Nothing contained in this section shall require the supply licensee to disconnect electricity in case of prepayment meter in excess of the quantum of electricity pre-paid by the consumer.”.</p>   | <p>Clause 34.— This clause seeks to amend section 56 of the principal Act and a provision has been made in regard to pre-paid meters, wherein the concept of notice for disconnection shall not be required.</p>  |
| 35. | <b>Section 59A</b><br><b>New Section</b> | <p>35. After section 59 of the principal Act, the following section shall be inserted, namely:—</p> <p>“59A. In case any complaint is filed before the Appropriate Government and if the Appropriate Government is satisfied</p>   | <p>Clause 35.— This clause seeks to insert a new section 59A in the principal Act to enable the Appropriate Government to recommend for revocation of licence due to noncompliance of standard of performance by</p>                                    |

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|     |                   | that any licensee has not discharged any of the functions assigned to him by the Act, including the standards of performance specified by the Appropriate Commission, the Appropriate Government may recommend for the revocation of licence of the said licensee.”.  | the licensee.  |
| 36. | <b>Section 61</b> | <p>36. Section 61 of the principal Act shall be numbered as sub-section (1) thereof and,—</p> <p>(a) in sub-section (1) as so numbered—</p> <p>(i) for clause (d), the following clause shall be substituted, namely:—</p> <p>“(d) safeguarding of consumers’ interest and at the same time, recovery of the cost of electricity by the licensees without any revenue deficit in the context of the tariff determined under section 62:</p> <p>Provided that the revenue deficit, if any, prior to the commencement of the Electricity (Amendment) Act, 2014, shall be recovered in such manner as may be prescribed by the Appropriate Government.”;</p> <p>(ii) for clause (h), the following clause shall be substituted, namely:—</p> <p>“(h) the promotion of co-generation and generation of electricity from renewable sources of energy and hydro power.”;</p> <p>(iii) in clause (i), the words “and tariff policy” shall be omitted.</p> <p>(b) after sub-section (1) as so numbered the following sub-section shall be inserted, namely:—</p> <p>“(2) Notwithstanding anything contained in this Act, the provisions of Tariff Policy shall be followed by the Appropriate Commission for the purpose of Tariff determination.”.</p> | <p>Clause 36.— This clause seeks to amend section 61 of the principal Act whereby certain additional guidelines have been added in regard to tariff determination. It has been specifically provided that the provisions of the Tariff Policy shall be followed by the Appropriate Commission in the tariff determination.</p> |

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| 37. | <b>Section 62</b> | <p>37. For section 62 of the principal Act, the following section shall be substituted, namely:—</p> <p>“62. (1) The Appropriate Commission shall determine the tariff in accordance with the provisions of this Act for—</p> <p>(a) supply of electricity by a generating company to a supply licensee including supply of electricity under a back to back arrangement involving an intermediary company, electricity trader or any other licensee:</p> <p>Provided that the Appropriate Commission may, in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a generating company and a licensee or between licensees, for a period not exceeding one year to ensure reasonable prices of electricity:</p> <p>Provided further that there shall be no such determination of tariff by the Appropriate Commission under this clause (a) to the extent the Central Government specifies that the procurement of electricity from the sources identified for the purpose by the supply licensee shall be done only by competitive bidding as per section 63;</p> <p>(b) purchase of electricity by the supply licensee from the intermediary company;</p> <p>(c) transmission of electricity;</p> <p>(d) wheeling of electricity;</p> <p>(e) retail sale of electricity:</p> <p>Provided that the tariff determined for retail sale of electricity shall be the ceiling tariff for the respective categories of consumers, the supply licensee shall be entitled to charge any consumer category at an amount lesser than the ceiling tariff,</p> | <p>Clause 37.— This clause seeks to substitute section 62 of the principal Act so as to provide the determination of tariff by the Appropriate Commission for the reasons mentioned in the sub-section (1) of the said section. It is further provided that the tariff determined by the Appropriate Commission for a licensee shall provide for recovery of all prudent costs of the licensee approved by the Appropriate Commission in the monthly bills during the tariff period through an appropriate price adjustment formula including wherever applicable the fuel, power purchase and procurement price surcharge formula as may be specified in the Tariff Policy. It is also provided that the Appropriate Commission may require a licensee or a generating company to furnish separate details, as may be specified in respect of generation, transmission, distribution and supply for determination of tariff.</p> |
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|  |  | <p>subject to sub-section (3) and also, without in any way affecting the obligation of a supply licensee to pay the intermediary company, the transmission licensee, the distribution licensee and generating company, as the case may be.</p> <p>(2) The tariff determined by the Appropriate Commission for a licensee shall provide for recovery of all prudent costs of the licensee approved by the Appropriate Commission in the monthly bills during the tariff period through an appropriate price adjustment formula including wherever applicable the fuel, power purchase and procurement price surcharge formula as may be specified in the Tariff Policy.</p> <p>(3) The Appropriate Commission may require a licensee or a generating company to furnish separate details, as may be specified in respect of generation, transmission, distribution and supply for determination of tariff.</p> <p>(4) The Appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.</p> <p>(5) No tariff or part of any tariff may ordinarily be amended, more frequently than once in any financial year, except in respect of fuel and power purchase price adjustment which shall be permitted under the terms of the fuel and power purchase price adjustment formula as may be specified by the Appropriate</p> |  |
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|     |                   | <p>Commission.</p> <p>(6) The Commission may require a licensee or a generating company to comply with such procedure as may be specified for calculating the expected revenues from the tariff and charges which he or it is permitted to recover.</p> <p>(7) If any licensee or a generating company recovers a price or charge exceeding the tariff determined under this section, the excess amount shall be recoverable by the person who has paid such price or charge along with interest equivalent to the bank rate without prejudice to any other liability incurred by the licensee.”.</p>  |  |
| 38. | <b>Section 64</b> | <p>38. In section 64 of the principal Act,—</p> <p>(i) after sub-section (1), the following sub-sections shall be inserted, namely:—</p> <p>“(1A) If the application is not filed in time the Appropriate Commission shall, not later than thirty days of the last date specified for such filing, on its own initiate proceedings for determination of tariff and call for such information, details and document as the Appropriate Commission may require for such determination.</p> <p>(1B) The Appropriate Commission may draw adverse inference against the generating company or licensee for the failure to provide any information, details and document required to be filed before the Appropriate Commission.”.</p> <p>(ii) in sub-section (3), in the opening portion, for the words “one hundred and twenty days from receipt of an application”, the words “ninety days from receipt of application or initiation of proceedings, as the case may be,” shall be substituted.</p> | <p>Clause 38.— This clause seeks to amend section 64 of the principal Act so as to provide the consequences of tariff petition not being filed in time by the Utilities and enables the Appropriate Commission to proceed ahead in view of the importance of timely tariff revision for viability of the power sector.</p> |
| 39. | <b>Section 66</b> | <p>39. For section 66 of the principal Act, the</p>  | <p>Clause 39.— This clause seeks</p>   |

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|     |  | <p>following section shall be substituted, namely:—</p> <p>“66. The Appropriate Commission shall endeavour to promote the development of a market (including trading and forward and futures contract) in power and a market for encouraging energy efficiency in power in such manner as may be specified and shall be guided by the National Electricity Policy, referred to in section 3, and other directions issued by the Central Government in the public interest from time to time.”.</p>   | <p>to substitute section 66 of the principal Act so as to provide that the Appropriate Commission shall endeavour to promote the development of a market (including trading and forward and futures contract) in power and a market for encouraging energy efficiency in power in such manner as may be specified and shall be guided by the National Electricity Policy, referred to in section 3, and other directions issued by the Central Government in the public interest from time to time.</p> |
| 40. | <b>Section 67</b>                        | <p>40. In section 67 of the principal Act, in sub-section (1), for the words “supply or transmission”, the words “distribution or transmission” shall be substituted.</p>  | <p>Clause 40.— This clause seeks to amend section 67 of the principal Act so as to make certain consequential amendments on account of the segregation of distribution and supply functions.</p>  |
| 41. | <b>Section 68</b>                        | <p>41. In section 68 of the principal Act,—</p> <p>(i) in sub-section (1), after the word, brackets and figure “sub-section (2)”, the words and figures “of section 67” shall be inserted;</p> <p>(ii) in sub-section (5), after the words “application of the licensee”, the words “or the generating company” shall be substituted;</p> <p>(iii) in sub-section (6), and before the Explanation, after the words “from the licensee”, the words “or the generating company” shall be inserted.</p> | <p>Clause 41.— This clause seeks to amend section 68 of the principal Act so as to make certain amendments in the said section which are consequential in nature.</p>   |
| 42. | <b>Section 69A</b><br><b>New Section</b> | <p>42. After section 69 of the principal Act, the following section shall be inserted, namely:—</p> <p>“69A. Whenever any person is carrying out any activity within the area of any transmission or distribution licensee or</p>  | <p>Clause 42.— This clause seeks to insert a new section 69A in the principal Act for taking prior consent of the existing licensee while carrying on any activity in the area of licensee. This is to protect the interest of the</p>  |

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|     |                   | <p>within the area of any other person operating and maintaining any system for conveyance of electricity and such activity is likely to have any implication on the transmission system or distributions system of such licensee or of such other person, such person shall obtain the prior consent of such licensee or such other person, as the case may be, in such manner as may be specified by the Appropriate Commission.”.</p>  | <p>existing licensee and to avoid interruptions in the power system.</p>   |
| 43. | <b>Section 70</b> | <p>43. For section 70 of the principal Act, the following section shall be substituted, namely:—</p> <p>“70. (1) There shall be a body constituted by the Central Government to be called the Central Electricity Authority to exercise such functions and perform such duties as are assigned to it under this Act.</p> <p>(2) The Central Electricity Authority, established under section 3 of the Electricity(Supply) Act, 1948 and functioning as such immediately before the date of commencement of the Electricity (Amendment) Act, 2014, shall be deemed to be the Central Electricity Authority for the purposes of this Act and the Chairperson, Members, Secretary and other officers and employees thereof shall be deemed to have been appointed under this Act and they shall continue to hold office on the same terms and conditions on which they were appointed under the Electricity (Supply) Act, 1948.</p> <p>(3) The Authority shall consist of not more than fourteen Members (including its Chairperson) of whom not more than eight shall be full-time Members to be appointed by the Central Government.</p> <p>(4) (a) The Central Government may appoint the Chairperson and Members of the Authority from amongst persons of ability, integrity and standing who have</p> | <p>Clause 43.— This clause seeks to amend section 70 of the principal Act so as to bring clarity in the provisions relating the Central Electricity Authority.</p> |

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|  |  | <p>knowledge of, and adequate experience and capacity in, dealing with problems relating to engineering, finance, commerce, economics or industrial matters, and at least one Member shall be appointed from each of the following categories, namely:—</p> <p>(i) engineering with specialisation in design, construction, operation and maintenance of generating stations;</p> <p>(ii) engineering with specialisation in transmission and supply of electricity;</p> <p>(iii) applied research in the field of electricity;</p> <p>(iv) applied economics, accounting, commerce or finance;</p> <p>(b) The terms and conditions, including the eligibility and experience of the Chairperson and Members to be appointed by the Central Government shall be such as may be prescribed.</p> <p>(5) The Chairperson shall be the Chief Executive of the Authority.</p> <p>(6) The headquarters of the Authority shall be at Delhi.</p> <p>(7) The Authority shall meet at the head office or any other place at such time as the Chairperson may direct, and shall observe such rules of procedure in regard to the transaction of business at its meetings (including the quorum at its meetings) as it may specify.</p> <p>(8) The Chairperson, or if he is unable to attend a meeting of the Authority, any other Member nominated by the Chairperson in this behalf and in the absence of such nomination or where there is no Chairperson, any Member chosen by the Members present from among themselves shall preside at the meeting.</p> |  |
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|     |                   | <p>(9) All questions which come up before any meeting of the Authority shall be decided by a majority of votes of the Members present and voting, and in the event of an equality of votes, the Chairperson or the person presiding shall have the right to exercise a second or casting vote.</p> <p>(10) All orders and decisions of the Authority shall be authenticated by the Secretary or any other officer of the Authority duly authorised by the Chairperson in this behalf.</p> <p>(11) No act or proceeding of the Authority shall be questioned or shall be invalidated merely on the ground of existence of any vacancy in, or any defect in, the constitution of, the Authority.</p> <p>(12) The Chairperson of the Authority and other full-time Members shall receive such salary and allowances as may be determined by the Central Government and other Members shall receive such allowances and fees for attending the meetings of the Authority, as may be prescribed by the Central Government.”.</p> |  |
| 44. | <b>Section 78</b> | <p>44. In section 78 of the principal Act,—</p> <p>(a) for sub-section (1), the following sub-section shall be substituted, namely:—</p> <p>“(1) The Central Government shall, for the purposes of selecting the Members of the Appellate Tribunal and the Chairperson and Members of the Central Commission, constitute a Selection Committee consisting of—</p> <p>(a) Chairperson of the Public Enterprises Selection Board.....Chairperson, ex officio;</p> <p>(b) Secretary-in-charge of the Ministry of the Central Government dealing with the Department of Consumer Affairs</p>  | <p>Clause 44.— This clause seeks to amend section 78 of the principal Act so as to make certain amendments in the provisions of the Selection Committee to select Members of the Central Commission.</p> |

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|     |                   | <p>.....Member, ex officio;</p> <p>(c) Secretary-in-charge of the Ministry of the Central Government dealing with the Department of Legal Affairs—Member, ex officio;</p> <p>(d) a person to be nominated by the Central Government in accordance with sub-section (2)..... Member, ex officio;</p> <p>(e) a person to be nominated by the Central Government in accordance with sub-section (3)..... Member;</p> <p>(f) Secretary-in-charge of the Ministry of the Central Government dealing with Power.....Member, ex officio;</p> <p>(b) in sub-section (2), for the words and figures “the Companies Act, 1956”, the words and figures “the Companies Act, 2013” shall be substituted.</p> |  |
| 45. | <b>Section 79</b> | <p>45. In section 79 of the principal Act, in sub-section (1), for clause (c), the following clause shall be substituted, namely:—</p> <p>“(c) to regulate the inter-State transmission of electricity including promotion and development of Smart Grid , ancillary services and decentralised distributed generation;”.</p>   | <p>Clause 45.— This clause seeks to amend section 79 of the principal Act so as to include a new clause in sub-section (1) of the said section relating to functions of the Central Commission.</p>    |
| 46. | <b>Section 85</b> | <p>46. In section 85 of the principal Act,—</p> <p>(a) for sub-section (1), the following sub-section shall be substituted, namely:—</p> <p>“(1) The State Government shall, for the purposes of selecting the Members of the State Commission, constitute a Selection Committee consisting of—</p> <p>(a) a person who has been a Judge of the High Court.....Chairperson;</p> <p>(b) the Chief Secretary of the concerned</p>   | <p>Clause 46.— This clause seeks to amend section 85 of the principal Act so as to make certain amendments in the provisions of the Selection Committee to select Members of the State Commission.</p> |

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|     |                   | <p>State..... Member;</p> <p>(c) the Chairperson of the Authority..... Member;</p> <p>(d) the Chairperson of the Central Commission or a Member of the Central Commission to be nominated by the Chairperson..... Member;</p> <p>(e) a person to be nominated by the State Government in accordance with sub-section (2A)..... Member;</p> <p>(b) after sub-section (2), the following sub-section shall be inserted, namely:—</p> <p>“(2A) For the purposes of clause (e) of sub-section (1), the State Government shall nominate from amongst persons holding the post of Chairperson or managing director, by whatever name call, of any public financial institution specified in the Companies Act, 2013.”;</p> <p>(c) after sub-section (5), the following sub-section shall be inserted, namely:—</p> <p>“(5A) In case of delay in the constitution of the selection committee for more than two months or in appointment of the Chairperson or Members of the State Commission for more than five months, the Central Government shall be entitled to nominate one officer from the Central Electricity Authority not below the rank of Chief Engineer as ex-officio member of that Commission and to discharge the functions of the member till such time the member is appointed in terms of this section and the member assumes the charge.”.</p> |   |
| 47. | <b>Section 86</b> | <p>47. In section 86 of the principal Act, for sub-section (1), the following sub-section shall be substituted, namely:—</p> <p>“(1) The State Commission shall</p>  | <p>Clause 47.— This clause seeks to amend section 86 of the principal Act so as to provide additional functions being discharged by the State</p> |

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|  | <p>discharge the following functions, namely:—</p> <p>(a) determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State:</p> <p>Provided that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;</p> <p>(b) regulate electricity purchase and procurement process of supply licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for supply within the State;</p> <p>(c) facilitate intra-State transmission and wheeling of electricity and promote Smart Grid, net metering, ancillary services and decentralised distributed generation;</p> <p>(d) issue licenses to persons seeking to act as transmission licensees, distribution licensees, supply licensees and electricity traders with respect to their operations within the State;</p> <p>(e) promote cogeneration from renewable sources of energy and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a supply licensee;</p> <p>(f) promote cogeneration from sources other than renewable sources and hydropower generation by providing</p> | <p>Commission.</p> |
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|     |                   | <p>suitable measures for connectivity with the grid and sale of electricity to the licensee having the obligation to supply to consumers in the area of supply;</p> <p>(g) adjudicate upon the disputes amongst the licensees, generating companies, intermediary company or between any of them, as the case may be, and to refer any dispute for arbitration;</p> <p>(h) levy fee for the purposes of this Act;</p> <p>(i) specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of section 79;</p> <p>(j) specify or enforce standards with respect to quality, continuity and reliability of service by licensees;</p> <p>(k) fix the trading margin in the intra-State trading of electricity, irrespective of final destination of the electricity;</p> <p>(l) to require creation of distribution system including metering and related infrastructure by the distribution licensee in a time bound manner;</p> <p>(m) to specify time bound reduction of cross – subsidies in tariff;</p> <p>(n) discharge such other functions as may be assigned to it under this Act.”.</p> |  |
| 48. | <b>Section 89</b> | <p>48. For section 89 of the principal Act, the following section shall be substituted, namely:—</p> <p>“89. The Chairperson or other Member shall hold office for a term of three years from the date he enters upon his office:</p> <p>Provided that the Chairperson or other Member in the Central Commission or the State Commission shall be eligible for one more term through re-appointment in the same capacity as the Chairperson or a Member in that Commission in which</p>  | <p>Clause 48.— This clause seeks to amend section 89 of the principal Act so as to provide the duration of the period of Chairman and Members of the State and Central Commission to be reduced from five years to three years and with a provision of reappointment for one more term of three years.</p> |

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|     |   | <p>he had earlier held office as such:</p> <p>Provided further that no Chairperson or Member shall hold office as such after he has attained the age of sixty-five years.”.</p>  |  |
| 49. | <b>Section 90</b>                             | <p>49. In section 90 of the principal Act, after clause (f), the following clause shall be inserted, namely:—</p> <p>“(g) on the basis of non-performance as adjudged by the Committee constituted under section 109A.”.</p>   | <p>Clause 49.— This clause seeks to amend section 90 of the principal Act so as to provide the conditions under which a Member of the Commission can be removed on the basis of non-performance as adjudged by a Committee to be constituted by the Forum of Regulators.</p> |
| 50. | <b>Section 92</b>                             | <p>50. In section 92 of the principal Act, after sub-section (5), the following sub-section shall be inserted, namely:—</p> <p>“(6) Every proceedings before the Appropriate Commission shall be decided expeditiously and with the endeavour to dispose the proceedings within one hundred and twenty days and in the event of delay, the Appropriate Commission shall record the reasons for delay beyond one hundred twenty days.”.</p> | <p>Clause 50.— This clause seeks to amend section 92 of the principal Act to provide that the Appropriate Commission shall decide the matters expeditiously and in case of delay, the reasons shall be recorded by the Commission.</p>                                       |
| 51. | <b>Section 94</b>                             | <p>51. In section 94 of the principal Act, in sub-section (3), for the word “shall”, the word “may” shall be substituted.</p>  | <p>Clause 51.— This clause seeks to amend section 94 of the principal Act to provide</p> <p>that the Appropriate Commission shall appoint a person to represent the interest of the consumers.</p>   |
| 52. | <b>Section 109A</b><br><br><b>New Section</b> | <p>52. After section 109 of the principal Act, the following section shall be inserted, namely:—</p> <p>“109A. (1) The Forum of Regulators shall, from time to time, constitute an independent Committee consisting of not less than three persons of eminence to review the performance of any Appropriate Commissions and submit a report with recommendations of such</p>   | <p>Clause 52.— This clause seeks to insert a new section 109A in regard to the appointment of a Committee by Forum for Regulators to review the performance of the Appropriate Commission.</p>   |

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|     |                              | <p>Committee to the Central Government.</p> <p>(2) The Committee appointed under sub-section (1) shall be entitled to take the assistance of experts and consultants to be engaged with the approval of the Forum of Regulators.</p> <p>(3) The functions and the terms of reference, including the time period for submission of the report, by the Committee shall be such as may be prescribed by the Central Government.”.</p>   |  |
| 53. | <b>Section 127</b>           | 53. In section 127 of the principal Act, in sub-section (1), for the words “an appellate authority as may be prescribed”, the words, brackets and figures “the Ombudsman of the concerned area appointed in terms of sub-section (6) of section 42 and the Ombudsman shall be the appellate authority under this section” shall be substituted.  | Clause 53.— This clause seeks to amend section 127 of the principal Act to provide that the Ombudsman to be appointed under sub-section (6) of section 42 shall be the Appellate Authority.                                    |
| 54  | <b>Part XIII<br/>Heading</b> | 54. For the marginal heading “Part XIII-Reorganisation of Board”, the marginal heading “Part XIII-Reorganisation of Board and Distribution Licensee” shall be substituted.   | Clause 54.— This clause seeks to amend the marginal heading of "Part XIII — Reorganisation of Board", as "Part XIII — Reorganisation of Board and Distribution Licensee" where the amendment is consequential in nature.       |
| 55. | <b>Section 131</b>           | <p>55. In section 131 of the principal Act—</p> <p>(i) for the marginal heading “Vesting of property of Board in State Government”, the marginal heading “Vesting of property of Board and Distribution Licensee in the State Government” shall be substituted;</p> <p>(ii) after sub-section (4), the following sub-section shall be inserted, namely:—</p> <p>“(4A) (a) The State Government shall within the period specified under section 51A draw up a transfer scheme for transfer of such of the functions, the property, interest in property, rights and</p> | Clause 55.— This clause seeks to amend section 131 of the principal Act to provide for re-organisations provisions to implement the segregation of the distribution functions and supply functions through a statutory scheme. |

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|     |                    | <p>liabilities of the distribution licensees relating to supply of electricity to a company who shall be the incumbent supply licensee for the concerned area of supply and so far as the existing power purchase Agreements and procurement arrangements, to which the distribution licensee is the beneficiary in the intermediary company and publish such scheme as statutory transfer scheme under the Act.</p> <p>(b) The distribution licensee shall cease to be charged with and shall not perform the functions and duties under this Act to the extent of the transfers made under sub clause (a) on and after the effective date of such transfer.</p> <p>(c) The functions of the intermediary company shall be such as may be prescribed by the Central Government.”.</p>   |  |
| 56. | <b>Section 142</b> | <p>56. For section 142 of the principal Act, the following section shall be substituted, namely:—</p> <p>“142. In case any complaint is filed before the Appropriate Commission by any person or if that Commission is satisfied that any generating company or licensee has contravened any of the provisions of this Act or the rules or regulations made there under, or any direction issued by the Commission or has not complied with the renewable purchase obligation or renewable generation obligation as specified, the Appropriate Commission may after giving such generating company or licensee an opportunity of being heard in the matter, by order in writing, direct that, without prejudice to any other penalty to which the generating company or licensee may be liable under this Act, such generating company or licensee shall pay, by way of penalty, which shall not exceed one crore rupees for each contravention and in case of continuing failure with an additional</p> | <p>Clause 56.— This clause seeks to substitute section 142 of the principal Act to provide punishment for non-compliance of directions by the Appropriate Commission. The said section provide that for non-compliance of directions, the generating company or licensee shall pay, by way of penalty, which shall not exceed one crore rupees for each contravention and in case of continuing failure with an additional penalty which may extend to one lakh rupees for every day during which the failure continues.</p> |



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|     |                    | <p>penalty which may extend to one lakh rupees for every day during which the failure continues after contravention of the first such direction:</p> <p>Provided that in case of non-compliance of by a generating company generating Renewable Energy, such generating company shall be liable to a penalty not exceeding rupees ten lakhs contravention and in case of continuing failure with an additional penalty which may extend to ten thousand rupees for every day during which the failure continues after contravention of the first such direction.”.</p>  |  |
| 57. | <b>Section 146</b> | <p>57. For section 146 of the principal Act, the following section shall be substituted, namely:—</p> <p>“146. Whoever, fails to comply with any order or direction given under this Act, within such time as may be specified in the said order or direction or contravenes or attempts or abets the contravention of any of the provisions of this Act or any rules or regulations made there under, shall be punishable with imprisonment for a term which may extend to three months or with fine which may extend to one crore rupees, or with both in respect of each offence and in the case of a continuing failure, with an additional fine which may extend to one lakh rupees for every day during which the failure continues after conviction of the first such offence:</p> <p>Provided that nothing contained in this section shall apply to the orders, instructions or directions issued under section 121:</p> <p>Provided further that in case of non-compliance of by a generating company generating Renewable Energy, any person in charge of such generating company shall be liable for imprisonment for a term which may extend to three</p> | <p>Clause 57.— This clause seeks to amend section 146 of the principal Act to provide punishment for non-compliance of orders or directions given under the Act with an imprisonment for a term which may extend to three months or with fine which may extend to one crore rupees, or with both in respect of each offence and in case of continuing failure with an additional penalty which may extend to one lakh rupees for every day during which the failure continues.</p> |

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|     |                    | months or such generating company shall be liable to pay fine which may extend to ten lakh rupees, or with both in respect of each offence and in the case of a continuing failure, with an additional fine which may extend to ten thousand rupees for every day during which the failure continues after conviction of the first such offence.”.  |   |
| 58. | <b>Section 149</b> | 58. Section 149 of the principal Act shall be omitted.  | Clause 58.— This clause provides for omission of section 149 of the principal Act as substantive provisions of the Act cover matters relating to offences by the company.   |
| 59. | <b>Section 162</b> | 59. In section 162 of the principal Act, after sub-section (1), the following sub-section shall be inserted, namely:—<br><br>“(1A) The Appropriate Government may prescribe—<br><br>(a) the qualification, training, powers and functions of the Chief Electrical Inspector and Electrical Inspectors;<br><br>(b) the fees and charges payable for undertaking the testing, inspection and services by the Chief Electrical Inspector and Electrical Inspectors; and<br><br>(c) the manner of inspection to be performed by the Chief Electrical Inspector and the Electrical Inspectors. | Clause 59.— This clause seeks to amend section 162 of the principal Act so as to empower the Appropriate Government to make the rules relating to qualification, training, powers and functions of the Chief Electrical Inspectors, Electrical Inspectors and levy of fees. |
| 60. | <b>Section 166</b> | 60. In section 166 of the principal Act,—<br><br>(i) for the marginal heading “Coordination forum”, the marginal heading “Coordination Forum, Forum of Regulations and District Committee” shall be substituted;<br><br>(ii) in sub-section (2), for the words “State Commissions”, the words “which shall perform such functions as may be prescribed by the Central Government” shall be inserted;  | Clause 60.— This clause seeks to amend section 166 of the principal Act so as to make certain amendments in the said section which are consequential in nature.   |

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|     |                    | <p>(iii) in sub-section (4), for the words “and distribution licensees engaged in generation, transmission and distribution of electricity” the words “distribution licensees and supply licensee engaged in generation, transmission distribution and supply of electricity” shall be substituted;</p> <p>(iv) after sub-section (5), the following sub-sections shall be inserted, namely:—</p> <p>“(6) The decisions of the co-ordination committee constituted under sub-section (5) shall be placed before the appropriate commission within a period not exceeding seven days.</p> <p>(7) The Central Government shall constitute a Forum of Electrical Inspectors consisting of the Chief Electrical Inspectors and the Electrical Inspectors of the Central Government and the State Governments and specify its functions.”.</p> |   |
| 61. | <b>Section 176</b> | <p>61. In section 176 of the principal Act, in sub-section (2)—</p> <p>(i) after clause (d), the following clause shall be inserted, namely:—</p> <p>(da) the option of the consumer to choose the supply of licensee under subsection(2) of section 51B;</p> <p>(db) the consumption of the electricity, more than the quantity of electricity in a month, by such consumers under the proviso to sub-section (2) section 55;”;</p> <p>(ii) in clause (g), for the words, brackets and figures “sub-section (14)”, the words, brackets and figure “sub-section (2)” shall be substituted;</p> <p>(iii) in clause (h), for the words, brackets and figures “sub-section (15)”, the words, brackets and figure “sub-section (4)” shall be substituted;</p> <p>(iv) after clause (i), the following clause</p>                              | <p>Clause 61.— This clause seeks to amend section 176 of the principal Act so as to empower the Central Government to frame rules on certain matters which have been inserted by the proposed amendments.</p> |

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|     |                    | <p>shall be inserted, namely:—</p> <p>“(ia) the composition of the selection Committee for appointment of Chairperson and Members of Regional Commission, the qualifications, terms and conditions of services of the Chairperson, Members of the Regional Commission, etc., under section 83A;”;</p> <p>(v) after clause (p), the following clause shall be inserted, namely:—</p> <p>“(pa) the composition, functions and terms of reference of the Committee under sub-section (3) of section 109A;”;</p> <p>(vi) after clause (u), the following clause shall be inserted, namely:—</p> <p>“(ua) the functions of the intermediary under clause (c) of sub-section (4A) of section 131;”.</p> |  |
| 62. | <b>Section 177</b> | <p>62. In section 177 of the principal Act, in sub-section (2), in clause (a), after the words and figures “under section 34”, the words “and also measures for smart grid and ancillary services” shall be inserted.</p>   | <p>Clause 62.— This clause seeks to amend section 177 of the principal Act so as to empower the Central Electricity Authority to frame regulations on certain matters which have been inserted by the proposed amendments.</p> |
| 63. | <b>Section 180</b> | <p>63. In section 180 of the principal Act, in sub-section (2),</p> <p>(i) after clause (a), the following clause shall be inserted, namely:—</p> <p>“(aa) the manner of collection and realisation of other dues along with electricity dues under section 45A;”;</p> <p>(ii) after clause (m), the following clause shall be inserted, namely:—</p> <p>(ma) the powers to be exercised and the functions to be performed and the manner of inspection by the Chief Electrical Inspectors and the inspectors under sub-section (1A) of section 162;”.</p>  | <p>Clause 63.— This clause seeks to amend section 180 of the principal Act to empower the State Government to frame rules on certain matters which have been inserted by the proposed amendments.</p>                          |

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| 64. | <p><b>Section 186</b></p> <p><b>New Section</b></p> | <p>64. After section 185 of the principal Act, the following section shall be inserted, namely:—</p> <p>“186. (1) If any difficulty arises in giving effect to the provisions of the Electricity(Amendment) Act, 2014, the Central Government may, by order published, make such provisions not inconsistent with the provisions of this Act, as may appear to be necessary for removing the difficulty:</p> <p>Provided that no order shall be made under this section after the expiry of five years from the date of commencement of this Act.</p> <p>(2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.”.</p> | <p>Clause 64.— This clause seeks to insert a new section 186 to empower the Central Government to issue orders for removal of difficulty while during implementation of the Electricity (Amendment) Act, 2014.</p> |
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7. The Committee appreciates the Government for bringing this Bill which will amend the Electricity (Amendment) Bill, 2003 and will further strengthen the sector. In this Report, the Committee have commented up on all those clauses of the Electricity Act where there is need for further improvement. The broad areas of intervention in the Act can be categorized as follows:

- Segregation of carriage and contents
- Grid security
- Promotion of renewable energy
- Rationalisation of tariff determination
- Strengthening of Regulatory Commissions
- Recovery of revenue by licensee
- Timely filing of tariff petitions
- Timely disposal of tariff petitions by the appropriate commissions
- Initiation of Suo Motu proceedings by the commissions for determination of tariffs
- Accountability and transparency in the functioning of commissions
- Toning up of Central Electricity Authority
- Granting deemed licensee status to companies
- Provision of performance review Committees at Centre and State levels for the Regulatory Commissions.

## **CHAPTER: 2**

### **Segregation of Carriage and Contents:**

The Bill introduces the concept of separation of carriage and contents. This means the distribution network will be separated from the work of supply of electricity. Hitherto, this is performed by single entity, i.e., State Discoms. It proposes multiple supply licensees for the supply business along with the mandatory provisions of one Government company. However, the distribution work will remain with the State Government.

#### **Statement of the Government:**

2. After more than a decade of initiation of power sector reforms, power distribution is still the weakest link in the Indian power sector. In distribution sector, competition was envisaged through the concepts of Open Access and Multiple licensees in the same area of supply. There has been very limited progress in introducing competition through either of these routes. While open access at inter-State level is operational, there are issues around implementation of open access at distribution level. In order to usher in more competition and to give choice to the end consumer, it is proposed to segregate carriage and content businesses. In other words, the entity which will own, operate and maintain the distribution system right up to the consumers' premises should be separated from the entity or entities which will be supplying electricity to the consumers. As in the case of a transmission licensee, the distribution licensee will only operate and maintain the distribution system (wire business) and will not be concerned with the commercial supply of electricity. This is considered necessary to bring in competition and efficiency in the supply of electricity with more than one supply licensees offering supply of electricity to consumers in the same area, this will be in addition to consumer being able to source electricity directly from generating companies including captive power plants and trading licensees. The distribution licensee having supply functions will be reorganized its supply function shall be vested in a separate entity which will be a supply licensee termed incumbent supply licensee and having universal supply obligations to serve all consumers in the area. Any other person interested in undertaking supply of electricity in the same area can apply for and obtain the supply licence. However, atleast one company supplying electricity in an area shall a Government Company. Each such supply licenses will also have the universal service obligation to supply electricity to all the consumers in the area except that such obligations on subsequent supply licensees may be progressively imposed with reference to connected load of the consumers.

The consumer choice to take electricity from any of the supply licensees including incumbent supply licensees shall be however subject to the condition that once the choice of a supply licensee is exercised, the consumer exercising the choice shall continue with the distribution licensee for a minimum period as specified.

3. To achieve the above objective, the amendments are proposed in the definitions, namely- Area of Distribution, Distribution, Supply Licensee, Incumbent Supply Licensee, Supply Licensee of Last Resort and providing supply of electricity to be a licensed activity. In addition to the above, changes are also made in the

existing Part VI dealing with distribution and retail supply together as a function of the distribution licensee. It is proposed to introduce Part VIA dealing with the supply and retaining existing Part VI with the distribution. In addition to the above, Part VIB is being introduced to deal with the consumer redressal and ombudsman in respect of distribution and supply separately. The State Governments are vested with powers to frame and notify the scheme for the separation of carriage and content in a time period as may be decided by the State Government.

**( Clause No. 2, 8, 9, 11, 12, 17, 18, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30 (insertion of new Part No. VIA) , 31 (insertion of new Part No. VIB), 37, 47, 54 and 55).**

4. The clause wise insertions and deletions are mentioned as under:-

**Clause 2:** This clause seeks to amend section 2 of the principal Act to amend certain definitions and to insert the new definitions relating to “ancillary services”, “area of distribution”, “decentralised distributed generation”, “Electricity Distribution Code”, “incumbent supply licensee”, “intermediary company”, “obligated entity”, “renewable energy sources”, “renewable energy service company”, “smart grid” and “provider of last resort”.

**Clause 8:** This clause seeks to amend section 12 of the principal Act so as to introduce the provision of a supply licensee and also make other consequential changes due to the segregation of carriage and content.

**Clause 9:** This clause seeks to substitute section 14 of the principal Act empowering the Appropriate Commission to grant licence to any person to transmit electricity as a transmission licensee or to distribute electricity as a distribution licensee.

**Clause 11:** This clause seeks to amend section 20 of the principal Act to bring clarity in respect of provisions pertaining to expiry, revocation of licence and regarding purchase price of utility.

**Clause 12:** This clause seeks to substitute section 24 of the principal Act so as to enable the Appropriate Commission to suspend the licence of the distribution licensee or a supply licensee and appoint an administrator to discharge the functions of the distribution licensee or a supply licensee in accordance with the terms and conditions of the licence.

**Clause 17:** This clause seeks to amend section 38 of the principal Act to provide that a consumer getting electricity through Open Access shall be subject to payment of surcharge in addition to the transmission charges. Further, it has been clarified that the surcharge shall be as specified by the Appropriate State Commission instead of the Central Commission as it is the State

Commission which deals with the Cross Subsidy and not the Central Commission.

**Clause 18:** This clause seeks to amend section 39 of the principal Act to provide that a consumer getting electricity through Open Access shall be subject to payment of surcharge in addition to the transmission charges.

**Clauses 20:** This clause seeks to substitute section 42 of the principal Act so as to specify the duties of distribution licensee and also provide certain provisions relating to Open Access.

**Clause 21:** This clause seeks to substitute section 43 of the principal Act so as to provide that every distribution licensee, shall, on an application by the owner or occupier of any premises in the area of distribution, give connection to such premises to enable supply of electricity, within fifteen days after receipt of the application requiring such supply.

**Clauses 22:** This clause seeks to amend section 44 of the principal Act so as to substitute the words “licence to give supply” with the words “licence to distribute electricity”.

**Clauses 23:** This clause seeks to substitute section 45 of the principal Act so as to provide that the prices to be charged by a distribution licensee for the distribution of electricity by him in pursuance of section 43 shall be in accordance with such tariffs determined by the Appropriate Commission and such charges authorised by the Appropriate Commission or otherwise fixed from time-to-time as per conditions of his licence.

**Clause 24:** This clause seeks to insert a new section 45A in the principal Act so as to provide that the Appropriate Government may, in consultation with the Appropriate Commission and the concerned authorities, prescribe the manner of collection and realisation of any dues under the relevant laws for the time being in force in that State, along with the electricity dues.”

**Clause 25:** This clause seeks to amend section 46 of the principal Act so as to substitute the words “requiring a supply of electricity”, with the words “requiring connectivity to the distribution system” and the words “giving and supply”, with the words “giving and maintaining the connection for enabling supply of electricity.”

**Clause 26:** This clause seeks to amend section 47 of the principal Act so as to provide that a distribution licensee in the area of distribution may require any person, who requires connectivity to the distribution system in pursuance of section 51A, to give him reasonable security, for the payment to him of all monies which may become due to him in respect of the electricity distributed to such person or where any electric line or electrical plant or electric meter



is to be provided for distributing electricity to such person, in respect of the provision of such line or plant or meter, and if that person fails to give such security, the distribution licensee may, if he thinks fit, refuse to distribute electricity or to provide the line or plant or meter for the period during which the failure continues.

**Clause 27:** This clause seeks to amend section 48 of the principal Act so as to substitute the words “supply of electricity”, with the words “distribution of electricity” the word “supplied” with the word “distributed”.

**Clause 28:** This clause seeks to substitute section 49 of the principal Act so as provide that with effect from the commencement of the Electricity (Amendment) Act, 2014, all consumers having a connected load of 1 Mega Watt and above may enter into an agreement with any person for supply or purchase of electricity on such terms and conditions (including tariff) as may be agreed upon by them”.

**Clause 29:** This clause seeks to substitute section 50 of the principal Act so as to provide that the State Commission shall specify an electricity distribution code to provide for recovery of electricity charges, intervals for billing of electricity charges, disconnection of connectivity of electricity for non-payment thereof, restoration of supply of electricity, measures for preventing tampering, distress or damage to electrical plant or electrical line or meter, entry of distribution licensee or any person acting on his behalf for disconnecting connection and removing the meter, entry for replacing, altering or maintaining electric lines or electrical plants or meter and such other matters”.

**Clause 30:** This clause seeks to insert a new Part VIA in the principal Act containing sections 51A to 51 G to deal with the supply of electricity as distinct from the distribution of electricity.

**Clause 31:** This clause seeks to insert a new Part VIB in the principal Act containing section 51H to deal with the common provisions applicable to both the distribution and supply function.

**Clause 37:** This clause seeks to substitute section 62 of the principal Act so as to provide the determination of tariff by the Appropriate Commission for the reasons mentioned in the sub-section (1) of the said section. It is further provided that the tariff determined by the Appropriate Commission for a licensee shall provide for recovery of all prudent costs of the licensee approved by the Appropriate Commission in the monthly bills during the tariff period through an appropriate price adjustment formula including wherever applicable the fuel, power purchase and procurement price surcharge formula as may be specified in the Tariff Policy. Also Appropriate Commission may require a licensee or a generating company to furnish separate details, as may be

specified in respect of generation, transmission, distribution and supply for determination of tariff.

**Clause 47:** This clause seeks to amend section 86 of the principal Act so as to provide the functions being discharged by the State Commission.

**Clause 54:** This clause seeks to amend the marginal heading of “Part XIII – Re-organisation of Board”, as “Part XIII – Re-organisation of Board and Distribution Licensee” for better clarity.

**Clause 55:** This clause seeks to amend section 131 of the principal Act to provide for re-organisations provisions to implement the segregation of the distribution functions and supply functions through a statutory scheme.

5. The Committee observed that the concept of separation of carriage and content involving the 'wire' and the 'electricity' is the most debatable amendment proposed by the Government in the Bill. This issue was therefore, discussed in detail with all the stake holders.

6. The Committee heard the views of the representatives of the power departments of State Governments on the issue. The states deposed before the Committee as under:-

| Sl. no. | State | views on Segregation of Carriage and Contents (As reproduced from the verbatim record of proceedings)  |
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| 1       | Bihar | The first concern is segregation of carriage and content. It is the most vital proposal of the Electricity (Amendment) Bill and whether this is workable. In our view, it is not workable ... See, it is stated in the Bill that carriage and content are to be separated. when these are separated then you are proposing two separate licences for wire licensee, you are saying that there can be parallel and multiple distribution licensee in an area. But so far as the wire licensee is concerned, it says that there will be single licensee and particularly the Government licensee in almost all the States except a few. The danger lies here when you have surplus power and multiple licensees are available, then, the problem is of using the system. If there is single wire licensee then the first inherent danger will be of monopoly and then there will be chances of discrimination. The fair play will not be there... If there are going to be parallel multiple distribution licensee, then there could be multiple parallel wire licensee. |

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| 2 | Karnataka        | <p>The main thrust in this amendment is the separation of carriage and content. From Karnataka side, we welcome it. But is that the thing which is of immediate interest for us in this sector is something which we have to see. The carriage and content is good in principle which is futuristic. In this situation where we have shortages in supply and when the infrastructure development is not full, and we are still not in a position to supply 24X7 power in all the areas, it may not be prudent to have this now... The choice to the consumer should be available. But there should not be a choice to the supply company. He shall take whosoever applies for it. If this is so, then, it could take care of the problems.</p>   |
| 3 | Gujarat          | <p>Regarding the first point of segregation carriage and content, this is definitely a forward looking measure. Unless a level playing field is provided to all the suppliers, the challenge of actual implementation on the ground is very difficult. Then, it is going to be a collapse of system. In the process it is the common consumer who will suffer. It is only the industrial, commercial and high end consumers who will benefit but everybody else will suffer. Therefore, before implementation we have to prepare a proper ground work in which all the consumers can benefit from out of this. This is what is required... My next point is regarding multiple distribution licensees. Of course, as per the new Act, it is one distribution licensee who will take care of the carriage component, the wire component. That is fine. It can be only one. But, in the existing law there is a provision for more than one distribution licensees in specified areas. In Gujarat we have one in Special Economic Zone where a State distribution company and a private SEZ developer has the distribution licence. So, we are competing there. Ultimately, it is the consumer who gets benefit out of that.</p> <p>Another thing, which will be very critical in terms of segregation of carriage and content is the Universal Supply Obligation. Supply itself should not be allowed to pick and choose. That means that cherry picking will happen. Any new supplier can offer it to an industrial or a commercial consumer at a significantly lower tariff than what is currently charged by the existing distribution licensees. There is a valid reason behind that.</p> |
| 4 | Assam            | <p>we are more or less in agreement with what the representative of Karnataka said. We welcome the segregation of carriage and content.</p>  |
| 5 | Himachal Pradesh | <p>We have some reservations so far as our State is concerned. In a hilly State like Himachal Pradesh, the load density is very low. We consume about 8,000 million units of power. The geographical area is very sparse. For the present, the unbundling that has happened between distribution and generation, in our opinion, has not matured. Further unbundling of distribution sector into supply and distribution segments will, first of all, have an impact on the cost. Ultimately, the cost is to be borne by the consumer because of the multiplicity of units... we are worried about the additional cost of this further unbundling to the consumer will be more. On that account, we are saying that it should not be straightaway made mandatory for us. If at all the ultimate objective of this is required, then it should be left to the State Governments. Yes, the provision should be there. Finally, this being a Concurrent subject, it should not be must that it has to be unbundled. If the State Government desires then it should be separated, Otherwise, it should not be binding on us.</p>   |

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| <b>6</b> | <b>Kerala</b>    | The opinion of the State Government of Kerala with regard to segregation of content and carriage is that it should not be made mandatory. There are two or four important reasons for it. One, it can never give a level playing ground especially looking from the perspective of the incumbent operator. The reason being, in Kerala, we have achieved 100 per cent electrification and 80 percentage of our consumers' base is domestic consumers. They are consuming 50 percentage of the power, giving us 30 percentage of the revenue. There are 4,000 SC/ST consumers who are giving us 30 percentage of the revenue. This is one area where cherry-picking can be done immediately... Regarding the concept of "supplying licensee", what is the role of a "supplying licensee"? It is not very clear from this. As I understand, a supplying licensee's role is to provide supply of electricity, that is, he should have some PPAs (Power Purchase Agreements) with him, and he should bring the consumers. He has two important functions – having PPAs with him, and bringing the consumers. Now, if there is a problem with regard to the quality of supply, who is to be blamed? Is it the 'supplying licensee' or the 'distribution licensee'? To whom should we go? Is it the 'supplying licensee' or the 'distribution licensee'? It will create a problem between the 'supplying licensee' and the 'distribution licensee'. The 'supplying licensee' will say that the quality problem is because of the 'distribution licensee' and it will create a lot of litigations...While going for a tariff proposal, the tariff will be determined based upon the incumbent licensee's cost of operation. When the incumbent licensee's cost of operation itself is on the higher side, the new supplier who is coming in will be able to get power which is already contracted by the 'distribution licensee' at lower rates and supply it to the high end consumers. It means that the incumbent licensee will bleed. |
| <b>7</b> | <b>Goa</b>       | Goa is a small State having electricity Department under the Government body. Because of that, we have not bifurcated till the transmission and distribution. But in the meantime, this process is going on and we are in the process of finalising this type of thing which will be coming soon... In regard to carriage and content, whatever Karnataka and Kerala have mentioned, those are also our concern.   |
| <b>8</b> | <b>Jharkhand</b> | we are of the view that the segregation should not be done although in our State the segregation of carriage has taken place. There are five licencees existing in the State of Jharkhand out of which DVC and JUSCO are affecting very adversely the State of Jharkhand and Jharkhand State Electricity Board ... Accordingly the hon. Commission has given the licence for one District of Seraikala Kharsawan existing in Jharkhand State to JUSCO. JUSCO has to roll out its infrastructure throughout the Districts. In place they are restricted to the industrial area only leaving behind the far-flung and remote areas. Cherry picking is taking place. As result they are only picking up the HT consumers. And the JSEB (now the Jharkhand Urja Vikas Nigam Limited) has to take care of entire rural consumers throughout the State. So, this is a proposition which is completely adverse.   |
| <b>9</b> | <b>Delhi</b>     | ... the distribution entities are also the supply entities as of now. So, if there is a segregation of carriage and contract, one would see that the distribution companies would be reduced to only earning the wheeling charges. So, in terms of responsibilities, what is the distribution companies' responsibility in terms of carriage and what is the responsibility of the supply companies needs to be delineated properly. Whether it is going to be a profitable thing for distribution companies to stay in the business of wheeling when they cannot be supply entities, this point needs to be taken into consideration. What would be the liabilities that they would carry if they are already in Power Purchase Agreements for 25 years?  |

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|    |                | Are we going to revisit those Power Purchase Agreements? Are the supply companies going to enter into new Power Purchase Agreements? In that case what will happen to the liabilities of the old distribution company who are also the supply company? So, those things need to be factored in.  |
| 10 | Maharashtra    | ... the essential part in the Act is basically segregation of carriage and content. In this case, in Maharashtra, we believe that this is a welcome step. This is something which would further enhance our efficiency and give a lot of choices to our consumers. Having said this, there are certain riders and those are something which we need to acknowledge...One is responsibility of the supply agency to pick up universal service obligation. It should not be cherry picking some customers and not taking the rest of them. Even if it is a zone which is allotted to a particular supply company, within the zone, there is disparity. There could be one zone which is very good and therefore, we need to ensure that USO is supported. While we do that, it is also important that we bring parity in terms of the cost of servicing, essentially the cross subsidy which is currently operating and that needs to be sorted out and some kind of a surcharge needs to be put on the supply company which is going to be present. |
| 11 | Tamilnadu      | ... Basically we are saying that with the separation of carriage and content this Bill in one stroke will make all the State utilities unviable. The view of the State is that we are against this amendment of separation of carriage and content. The reason is, we are giving unbridled access to private players to cherry-picked consumers who are high-paying and who can be supplied power directly. He is not going to make any investment into distribution network. Without making investment into distribution network, he is getting best paying consumers for supplying electricity and that too without loss. Further, he will cherry-pick the consumers; he pick up consumers in urban areas or high value consumes in rural areas... we are against it in toto.  |
| 12 | Madhya Pradesh | As regards Madhya Pradesh, as a matter of principle, content and carriage is a very forward looking step and we welcome this step. There will be some implementation issues which we would like to highlight and request for consideration on those issues so that we move in a coordinated and better manner.<br><br>Loss apportionment will be an issue. Then PPA assignment is also an issue. We have PPAs ranging from Rs. 2 to Rs. 5. How to apportion those PPAs? The Act proposes that one of the Government companies should be in each DISCOM area. That is very fine but we should have a system where consumer has a choice in choosing the supplier than the supplier choosing the consumer.<br><br>... Our suggestion is that the point of last resort should be the State Government and let the State Government instruct or direct that company to fulfil that obligation so that the DISCOM or the incumbent licensee gets compensated for serving that area and that class.  |
| 13 | Odisha         | The essence of this Bill is separation of content and carriage. Today, our view is slightly different from the view which we had taken during the visit of the Committee. We now feel that there is a good case for separation of content and carriage. This is slightly different from the view which we had presented earlier. It  |

|    |             |   |
|----|-------------|---|
|    |             | <p>was more of a knee-jerk reaction, immediate reaction on that day... One suggestion is that implementation should be in a phased manner ... We can give the States slightly more time than what is proposed in the Bill as one year or based on the discretion between the Central and the State Governments. It can be slightly extended. A phased implementation on a zero generation as well as voltage class basis would enable the State Governments to come to terms to set up infrastructure which is required for separation of content and carriage... Then, separation of content and carriage, as a concept, is very good but it would call for massive infrastructure upgradation in metering. So, we will have to define at some stage the interface between the distribution licensee and a supply licensee. In the Bill it is proposed that it should be in the consumer's premises. So, the consumer meter is the point of separation between the distribution licensee and the supply licensee. We feel this will be extremely difficult. This would lead to a lot of litigations and a lot of disputes will come which will be overwhelming. The disputes will be so overwhelming that most of the State Governments will then be forced to abandon this thing even in the initial stages. So, we are suggesting that, to begin with, the distribution transformer may be at 33/11 kv level or even below 11/LT level. If that becomes the segregation point between the distribution licensee and the supply licensee, things will be very easy.</p> |
| 14 | Rajasthan   | <p>... Insofar as segregation of carriage and content is concerned, the State is broadly of the view that it is a welcome step. Firstly, Sir, obviously there is a lot of problem in the distribution sector. I think, almost all the distribution companies in the country are facing a problem whether it is regarding the quality of power or it is regarding the quality of service or whether it is regarding the connections. The connections are not given in time. So, there is certainly a case for private sector participation and competition. So, we welcome this. Again, there is this question, of course, of how we avoid the discoms, the State entities which will be having the obligation of the last resort to not be overburdened because of the cherry-picking.</p>  |
| 15 | Telangana   | <p>...As far as this issue of carriage and content is concerned, we welcome separation. This will enable us in bringing in full retail competition. But we want this to be taken up in a phased manner as suggested by Odisha Government. In the first phase, we want the present distribution company to be segregated into the distribution and retail and let this model work for four or five years and depending on the experience that we gain out of this separation, maybe after four years, in second phase, we can allow private players to come into the retail. This is our suggestion.</p>   |
| 16 | Uttarakhand | <p>As far as segregation of carriage and content is concerned, our view is that when a distribution license is split, a number of coordination activities that were internationalised for the utilities, that will create more problems. Our view is that before considering this, there are vital points which should be clearly specified regarding cross subsidy and cherry picking, as it has already been discussed, PPA segregation and then appointment and apportionment of distribution losses. There will be problems to the consumers also. They will have to approach two places for getting a connection. The mechanism of grievance redressal should be standardised.</p>   |
| 17 | Puducherry  | <p>...Puducherry, as you know, is a small UT with four different enclaves separated by several kilometres in three different States and the consumer population is only below four lakhs. So, considering that, the Government of Puducherry has taken a decision not to unbundle it at the initial stage itself. So, segregation of carriage and</p>   |

|    |                |   |
|----|----------------|---|
|    |                | content also may not be a possible solution for the Government of Puducherry. At present, the electricity department itself is working as the service provider and 24x7 hour power supply is ensured at a very reasonable rate to all the consumers. If private players come into that, the segregation and competition would not be good for the consumers because there will cherry picking and these kinds of things can be expected.                          |
| 18 | Andhra Pradesh | The major concern, the carriage and content separation is going to be a difficult task. so a very cautious approach is required as has been told by our technical people.   |
| 19 | Chandigarh     | What is perhaps correct in Europe or America today, it may not be so applicable today to us. I do not think most of the States have yet done the segregation. The generation, transmission and distribution have taken deep roots. It may be premature at this stage. Maybe, one or two States have sufficiently settled the things. They can embark on the next step. But for the rest, I think, the common sentiment is there. We will also adhere to the same. |

7. In addition to the above, some of the State Governments furnished their views in writing. On this particular issue of Segregation of Carriage and Contents, the State Government of Meghalaya stated as under:

" Segregation of Carriage and Content is a workable proposition and will also provide opportunity for open access to ordinary consumers. Scope for improvement can be assessed only after implementation of the same. Segregation of Carriage and Content is expected to bring about competitiveness in the content business."

8. The written submission of Union Territory of Andaman and Nicobar Islands states that open access cannot be operationalised there. Also, there are no captive users of power in the Islands and therefore, this issue does not apply in respect of the UT of A&N Islands in the present energy scenario.

9. The Committee also had detailed interaction with the industry Associations/ Power Producers on the Bill. The participants were ASSOCHAM, CII, APP, IPPAI and FICCI. All the participants were unanimously in favour of the proposed amendment to introduce Segregation of Carriage and Content in the sector.

10. The Committee also had discussion on the issue with the Public Sector Undertakings working under the administrative control of the Ministry of Power, namely, NTPC, NHPC, Power Grid Corporation of India, Power Finance Corporation, THDC, REC, NEEPCO, DVC, SJVNL and BBMB. The Committee observed that all the PSUs were also agreed to the concept of Segregation of Carriage and Content.

11. The Committee after having detailed and exhaustive discussion with various stake holders, also sought clarifications on the issue from the Ministry of Power.

12. The Committee, for the sake of clarity asked whether carriage and contents is the correct phraseology, the Ministry explained as under:-

Yes. The “carriage” denotes the network business and the content denotes supply business. However, the proposed amendments use only the terms ‘distribution’ licensee and ‘supply’ licensee.

13. The Committee when enquired about the point of segregation for the purpose of this Act, the Ministry in a written reply stated that the intent is to segregate the entire network business from the supply business. In other words, this will imply segregation at the level of consumer meter. The transfer scheme for each state will be prepared by the state based on the conditions prevailing thereof.

14. When enquired whether segregation of carriage and content is plausible in the wake of the high AT&C losses, the Ministry in a written reply stated that segregation of carriage and content will help identify clearly the technical and commercial losses.

15. When asked how these losses will be adjusted and what will be the point of their adjustment for the purpose of segregation, it was replied that the technical losses are generally accounted to the network business and commercial losses to the supply business. The adjustment of existing technical and commercial losses will be detailed in the model transfer scheme, which is being evolved separately.

16. In response to a question whether the presence of multiple supply licensees not lead to the contrarians with regard to their responsibilities for maintaining transparency and upholding of responsibilities, the Ministry replied **that** the multiple supply licensees will be bound by the conditions of license to be specified by the Appropriate Commission. The Regulators have been mandated to monitor as well as enforce standards of performance of the licensees including the performance in respect of service obligation towards consumers.

17. The Committee observed that the duties of distribution licensees among others will be to develop and maintain distribution system in his area of distribution as has been proposed in Section 42(1) of the Act. When asked whether it is in accordance with the concept of segregation of carriage and contents, the Ministry replied as under:-

Yes. The intent is to entrust on the distribution licensees, the responsibility of developing and maintaining the distribution system (i.e. the responsibility relating to distribution network business). The supply function of the existing distribution company is proposed to be transferred to the incumbent supply licensee as per the amendment proposed in the Bill.



## **CHAPTER: 3**

### **Grid security**

#### **Objective of the Government:**

In the light of the major Grid disturbance occurred in July, 2012 resulting into complete black out in four regions of the country and fast growing development of Power Sector, integration of Regional Grids to form the National Grid, the Government felt the need to strengthen the Grid Security. Also the existing penalties are too insignificant to act as deterrent for the persons required to comply with the provisions of the Act and directions issued therein. The non-compliance of the provisions has led to the grid failure in the recent past. It is of utmost important that absolute discipline is maintained in the grid and there should be no violation on the part of any person dealing with the grid. Accordingly, the penalties provided in the relevant provisions are significantly increased to act as a proper deterrent (**Clause No. 13,14, 56 and 57**). Further, the generating stations shall be required to maintain a specified capacity of spinning reserve for the grid safety and security (**Clause No. 6**). The dedicated transmission lines are also covered under the regulations relevant to transmission lines for compliance and Appropriate Government can issue directions for Grid Security and Safety (**Clause 15 and 16**).

2. The clause wise insertions and deletions are mentioned as under:-

**Clause 6:** This clause seeks to substitute section 7 of the principal Act to provide for maintenance of spinning reserve of certain capacity by the generating company and further provide that any generating company establishing a coal and lignite based thermal generating station after a date and in a manner to be notified shall be required to establish a Renewable Energy Generation capacity as prescribed by the Central Government from time to time which shall not be less than ten per cent of the thermal power installed capacity.

**Clause 13:** This clause seeks to amend section 29 of the principal Act to increase the quantum of penalty for violation of directions by the Regional Load Dispatch Centres.

**Clause 14:** This clause seeks to amend section 33 of the principal Act to increase the quantum of penalty for violation of directions by the State Load Dispatch Centres.

**Clause 15:** This clause seeks to substitute section 34 of the principal Act to provide for compliance of Grid Standards as specified by the Central Electricity Authority, by any licensee or a generating company or any person maintaining a dedicated transmission line or any other person whose system is connected to the Gr

**Clause 16:** This clause seeks to amend section 37 of the principal Act to empower the Appropriate Government to issue directions for Grid security and safety.

**Clause 56:** This clause seeks to substitute section 142 of the principal Act to provide punishment for non-compliance of directions by Appropriate Commission. The said section provide that for non-compliance of directions, the generating company or licensee shall pay, by way of penalty, which shall not exceed one crore rupees for each contravention and incase of continuing failure with an additional penalty which may extend to one lakh rupees for every day during which the failure continues.

**Clause 57:** This clause seeks to amend section 146 of the principal Act to provide punishment for non-compliance of orders or directions given under the Act with an imprisonment for a term which may extend to three months or with fine which may extend to one crore rupees, or with both in respect of each offence and in case of continuing failure with an additional penalty which may extend to one lakh rupees for every day during which the failure continues.

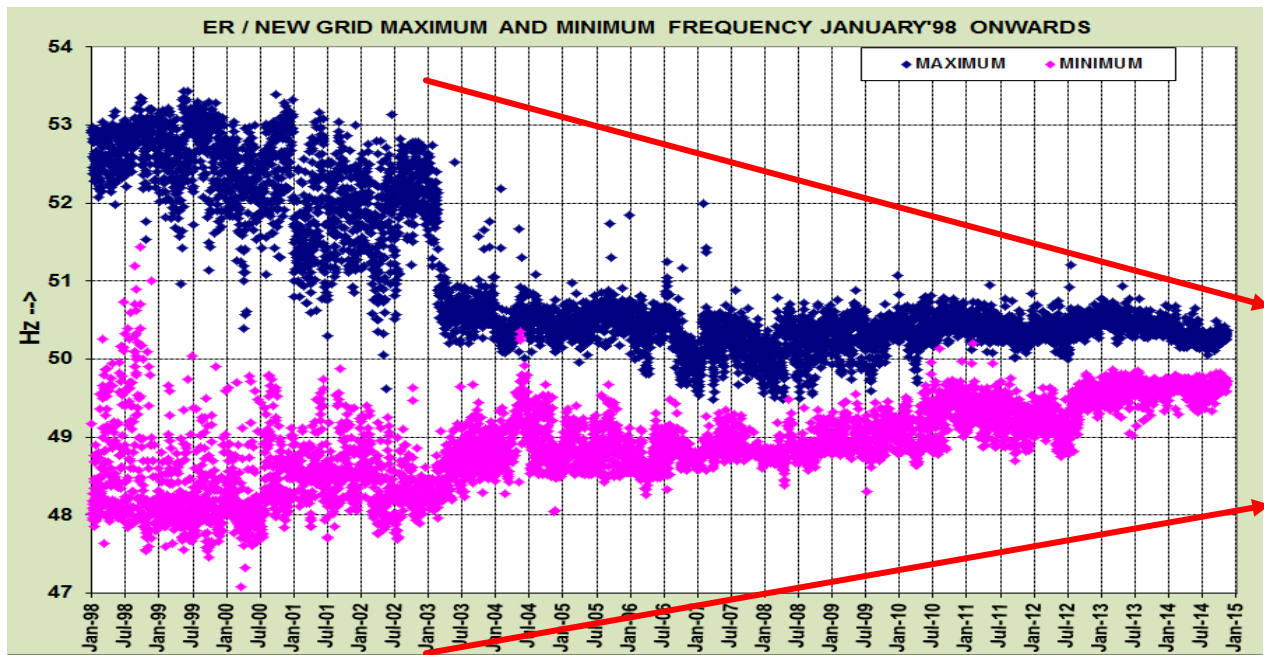
3. The Committee examined the issue of grid Discipline and Security in detail and in this connection enquired about the efforts made thus far by the Government in this regard. It has been informed that CERC is responsible for oversight of the market and grid security. CERC introduced Grid Code and UI mechanism for maintaining grid discipline measure. The Commission's initiatives in regard to Grid Discipline, UI mechanism and Grid Security have resulted in improved reliability of power supply. The frequency norms have been tightened in the following manner:

| Date from        | Operating Band (Hz)   | Variation (Hz) |
|------------------|-----------------------|----------------|
| Before 01.2.2000 | Nominal Value +/- 3 % | 3.0            |
| 01.02.2000       | 49.0-50.5             | 1.5            |
| 01.04.2009       | 49.2-50.3             | 1.1            |
| 3.5.2010         | 49.5-50.2             | 0.7            |
| 17.9.2010        | 49.7-50.2             | 0.5            |

|           |            |      |
|-----------|------------|------|
| 17.2.2014 | 49.9-50.05 | 0.15 |
|-----------|------------|------|

4. It has also been informed that the Central Commission has replaced UI mechanism with Deviation Settlement Mechanism to improve grid security. Grid frequency has been further tightened and strict volume limits have been imposed on over/under drawl.

5. It has further been informed that the grid frequency graph of Northern, Eastern, North-Eastern and Western (NEW) Grid has continually improved over the years as could be seen from the Exhibit placed below:



(Source: NLDC)

6. When asked how the running of frequency at the desired 49.5 Hz to 50.2 Hz is being ensured, the Ministry informed in a written reply as under:

Power frequency reflects the load generation balance in the grid at a particular instant. It is to be maintained within the specified range in which all the electrical equipment is designed to perform safely and efficiently. The permissible frequency band in the Indian Electricity Grid Code has been progressively tightened over the last few years in order to ensure reliable operation of the grid. The nominal frequency of operation in Indian grid is

50.0 Hz. Prior to 1<sup>st</sup> April, 2009, the permissible frequency band was 49.0 Hz – 50.5 Hz which has been revised from time to time. From 17<sup>th</sup> February, 2014 onwards, the permissible frequency band is tightened to 49.90 Hz – 50.05 Hz. During the last year (April 2014 – December 2014), the frequency profile is given in the table below:-

| Frequency Profile  |                              |                          |                   |                      |            |            |
|--|------------------------------|--------------------------|-------------------|----------------------|------------|------------|
| April, 2014 to March, 2015                                     |                              |                          |                   |                      |            |            |
| Northern / Western / Eastern / North-Eastern/ Southern Regions |                              |                          |                   |                      |            |            |
| Month  | % of Time when Frequency was |                          |                   |                      |            |            |
|  | Below<br>49.9 Hz             | Between<br>49.9-50.05 Hz | Above<br>50.05 Hz | Average<br>Frequency | Max. Freq. | Min. Freq. |
| April, 2014  | 36.04                        | 50.50                    | 13.46             | 49.94                | 50.53      | 49.49      |
| May, 2014  | 26.88                        | 51.54                    | 21.58             | 49.97                | 50.56      | 49.41      |
| June, 2014   | 40.66                        | 43.94                    | 15.40             | 49.92                | 50.65      | 49.32      |
| July, 2014   | 38.11                        | 49.02                    | 12.87             | 49.93                | 50.36      | 49.42      |
| Aug' 2014  | 41.22                        | 47.84                    | 10.94             | 49.92                | 50.34      | 49.36      |
| Sep' 2014  | 31.18                        | 54.59                    | 14.23             | 49.95                | 50.29      | 49.35      |
| Oct' 2014  | 27.19                        | 52.38                    | 20.43             | 49.96                | 50.49      | 49.53      |
| Nov' 2014  | 16.98                        | 54.17                    | 28.85             | 49.99                | 50.42      | 49.58      |
| Dec' 2014  | 25.96                        | 48.23                    | 25.81             | 49.98                | 50.58      | 49.54      |
| Jan' 2015  |                              |                          |                   |                      |            |            |
| Feb' 2015  |                              |                          |                   |                      |            |            |
| Mar' 2015  |                              |                          |                   |                      |            |            |
| Average  | 31.58                        | 50.25                    | 18.17             | 49.95                | 50.47      | 49.44      |

Note: The above frequency profile is based on figures in Southern Region during the period. However, frequency profile of other Regions may be slightly different due to de-synchronisation of SR Grid with NEW Grid for certain period.

Source: [http://cea.nic.in/reports/monthly/gm\\_div\\_rep/frequency\\_profile.pdf](http://cea.nic.in/reports/monthly/gm_div_rep/frequency_profile.pdf)

7. The Ministry further stated that the Primary, secondary and tertiary control of frequency is a basic pre-requisite for reliable and secure operation of any power system. Implementation of free governor operation is being pursued. Frequency Response Characteristics (FRC), which is also indicative of the control area response, is being evaluated as per procedure approved by the CERC. There is need for implementation for Reserves and Ancillary Services to have secure and reliable power system operation with better frequency control.

8. The Committee thereafter, enquired about the efforts made by the Government with regard to reviewing the functioning of National Load Dispatch Center and Regional Load Dispatch Centers to maintain grid security, the Ministry in a written reply informed as under:-

As per the Electricity Act, 2003, the RLDCs are apex bodies to ensure integrated operation of the power system in the concerned region.

Further, Ministry of Power vide National Load Dispatch Centre (NLDC) Rules notified on 2.3.2005, has designated NLDC as the apex body to ensure integrated operation of National Power System.

Power System Operation Corporation Limited ("POSOCO"), was established in March 2009 to oversee the grid management function of the RLDCs and NLDC. Ministry of Power vide its notification dated 27.9.2010 notified that POSOCO shall operate the five Regional Load Dispatch Centres (RLDCs) and the National Load Dispatch Centre (NLDC) w.e.f. 1.10.2010. There are five regional grids, namely North, West, East, North- East and South which have been progressively synchronized since 1991 thereby establishing synchronized National Grid in India in 2013.

The Government of India vide its Cabinet decision dated 10<sup>th</sup> December 2014 has made Power System Operation Corporation (POSOCO) as an Independent Government Company. In the process, the institutional framework for an independent, secure and reliable power system operation entity at the national level has been put in place as mandated under the Electricity Act, 2003.

9. The Committee further asked Whether the functioning of POSOCO has been taken into account while factoring in the concept of grid security, the Ministry stated as under:-

Yes, the functioning of POSOCO has been taken into account while factoring in the concept of grid security. Independent, reliable and efficient functioning of POSOCO, comprising RLDCs and NLDC is important for ensuring grid security, as RLDCs are responsible for carrying out real time operations for grid control and dispatch of electricity within the region through secure and economic operation in accordance with the Grid Standards and the Grid Code notified by the Central Electricity Regulatory Commission (CERC).

10. The Committee observed that the overdrawal of electricity from the grid is the prime reason for grid indiscipline. When asked about the manner in which it is being regulated/monitored, the Ministry informed as under:-

As per Deviation Settlement Mechanism, 2014 Regulations, the over-drawals/under-drawals of electricity by any buyer during a time block shall not exceed 12% of its scheduled drawal or 150 MW, whichever is lower, when grid frequency is "49.70 Hz and above" and "below 50.10 Hz". Also, no over-drawal of electricity by any buyer is permissible when grid frequency is "below 49.70 Hz" and no under-drawal of electricity by any buyer shall be permissible when grid frequency is "50.10 Hz and above". In addition to Charges for Deviation, Additional Charge for Deviation

upto 100 % of Charges for Deviation are applicable for over-drawal as well as under-injection of electricity for each time block in excess of the volume limit specified...

Further, Close monitoring of the system parameters is carried out at the RLDC/NLDC level. RLDCs/NLDC give messages (both verbal & written) in case the system parameters (frequency, voltages, line loadings, over-drawals, over-injection, etc.) deviate from the specified values. In case of persistent violation, the matter is also escalated at appropriate levels by issuing violation messages.

However, in certain cases, feeders identified in consultation with the States are also being opened to restrict overdrawal by the States from the grid to maintain grid security.

As per the provisions under Section 5.5 of the IEGC, RLDCs also submit periodic report the instances of persistent/significant non-compliance of IEGC to the CERC. Further, petitions are also filed with CERC. Based on the petitions filed by RLDCs/NLDC with CERC and also through suo-motu petitions, CERC has issued orders directing the concerned constituents to maintain system parameters and grid security by curbing overdrawals and effective load management. CERC has also imposed penalties for persistent violations.

11. The Committee for the sake of clarity, also asked about the steps being taken to detect and curb gaming in the power trading which is contributing to the grid indiscipline. The Ministry replied in written note that a Market Monitoring Cell (MMC) has been established by CERC for oversight and surveillance of the Indian Electricity Market. The MMC publishes market related reports which are available on the CERC website.

12. It was further informed that Indian Electricity Market so far is a physical delivery based market and all trades are scheduled in accordance with the provisions of the Indian Electricity Grid Code (IEGC) specified by CERC. Any deviations from the schedule are governed by the CERC Deviation Settlement Mechanism Regulations 2014.

13. Further, the Committee also observed that there is requirement for establishing spinning reserve by the generating company under Section 7 of the Act. As per the amendment Bill, the spinning reserve is to be identified by the Central Government. As the State Governments were not in agreement to this provision, the Ministry during the course of evidence, proposed that the word ' Central Government' 'Appropriate Commission' may be inserted.

14. The Ministry also proposed that 'Spinning reserve shall be made available on the directions of the National Load Despatch Centre or Regional Load Despatch Centre or State Load Despatch Centre, as the case may be, in place of System Operator.'

15. Regarding the time limit for establishing Spinning reserve also, the Ministry proposed that it may be notified by the 'Appropriate Commission' in place of the Central Government.

## **Chapter: 4**

### **OPEN ACCESS**

Open Access is defined in the Electricity Act, 2003 as the “Non-Discriminatory provision for the use of transmission lines or distribution system or associated facilities with such lines or system by any licensee or consumer or a person engaged in generation in accordance with the regulations specified by the Appropriate Commission.”

2. The Objective of Open Access as contained in Electricity Act 2003 is to facilitate supply of Electricity from surplus region to deficit region and to tap the source of Electricity such as captive generation and renewable generation. The Committee observed that Section 42 (2) of the Electricity Act, 2003 provides that the State Commission shall introduce open access in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints. The fifth proviso to Section 42 (2) of the 2003, Act provides that the State Commission shall, not later than five years from the date of commencement of the Electricity (Amendment) Act, 2003, by regulations, provide such open access to all consumers who require a supply of electricity where the maximum power to be made available at any time exceeds one megawatt. At present, Most of the State Commissions have issued open access regulations in their states.

3. The Committee found that at distribution level also, most of the SERCs have notified terms and conditions of Open Access Regulations. Though open access has been one of the important drivers of reforms for market development, it has not been implemented in the same spirit as envisaged in the Act. There are issues around implementation of open access at distribution level. Some State Governments have issued statutory orders blocking the flow of electricity beyond their boundaries. There is a conflict of interest due to existence of cross subsidies in the retail tariff structure so that the discoms do not want to lose paying/subsidising consumers. Ring fencing of SLDCs, reasonable open access charges and availability of surplus power are also required for successful implementation of open access.

4. The Committee was informed by the Ministry of Power through a written note that according to the law, generation is delicensed and a generating company has full discretion to sell its electricity to a customer of its choice. As an exception for extreme situations the Act has a provision (Section 11) which gives powers to the Governments to give directions to generating companies in respect of operating and maintenance of generating stations in extraordinary circumstances like natural calamity, war etc. These powers have been invoked by several State Governments (beginning with Karnataka and followed by Tamil Nadu, Odisha and Andhra Pradesh) prohibiting export of power from their State on the ground of power shortages. Several orders of



CERC holding that open access cannot be restricted by such directions of the State Governments were challenged in the High Courts. The **matter is sub-judice in Supreme Court.**

5. In the present Bill, the Government has proposed amendments to the following important clauses relating to 'Open Access':-

**Clause 17:** This clause seeks to amend section 38 of the principal Act to provide that a consumer getting electricity through Open Access shall be subject to payment of surcharge in addition to the transmission charges. Further, it has been clarified that the surcharge shall be as specified by the Appropriate State Commission instead of the Central Commission as it is the State Commission which deals with the Cross Subsidy and not the Central Commission.

**Clause 18:** This clause seeks to amend section 39 of the principal Act to provide that a consumer getting electricity through Open Access shall be subject to payment of surcharge in addition to the transmission charges.

**Clauses 20:** This clause seeks to substitute section 42 of the principal Act so as to specify the duties of distribution licensee and also provide certain provisions relating to Open Access.

6. The Committee observed that Section 42 (2) of the Electricity Act, 2003 inter-alia provides that the State Commission shall introduce Open Access in such phases and subject to such conditions, including the cross subsidies, and other operational constraints as may be specified within one year of the appointed date. Keeping in view the constraints noticed in implementation, the Committee asked about the mechanism in place to ensure that State Commission introduces Open Access as provided under the Act. The Ministry replied that Open Access under the Electricity Act, 2003 aims to facilitate supply of electricity from the surplus region to deficit region and to tap the source of electricity such as captive generation and renewable generation. Central Commission is responsible for facilitating inter-state transmission of electricity. Open access at intra-state level remains the responsibility of SERCs. Open Access at inter-state level is fully operational.

At State level, as per information available with Forum of Regulators (FOR) secretariat, most of the SERCs have notified terms and conditions of Open Access Regulations. Though open access has been one of the important drivers of reforms for market development, it has not been implemented in the same spirit as envisaged in the Act. There are issues regarding implementation of open access at distribution level. Some State Governments have issued statutory orders blocking the flow of electricity beyond their boundaries. Ring-fencing of SLDCs, reasonable open access charges and availability of surplus power are also required for successful implementation of open access.

7. Open access at intra-state level remains the responsibility of SERCs. Most of the State/Joint Electricity Regulatory Commissions have notified the open access regulations

providing inter-alia for open access to consumers whose demand exceeds one Mega Watt. The status of open access regulations, phasing and charges in the States as furnished by Forum of Regulators (FOR) Secretariat, is shown in the table below:

| <b>STATUS OF OPEN ACCESS REGULATIONS, PHASING &amp; CHARGES (11.06.2014)</b> |             |                                       |                                    |  |   |  |
|--|-------------|---------------------------------------|------------------------------------|--|---|--|
| <b>S. No.</b>  | <b>SERC</b> | <b>Notification of OA Regulations</b> | <b>Determinati on of Surcharge</b> | <b>Open Access allowed to consumers with connected load of 1MW and above</b> | <b>Determinati on of Wheeling Charges</b> | <b>Determination of Transmission Charges</b> |
| 1  | APERC       | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 2  | Arunachal   | Yes                                   | No                                 | Yes  | No  | No   |
| 3  | AERC        | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 4  | BERC        | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 5  | CSERC       | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 6  | DERC        | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 7  | GERC        | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 8  | HERC        | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 9  | HPERC       | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 10   | J&KSERC     | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 11   | JSERC       | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 12   | KERC        | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 13   | KSERC       | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |
| 14   | MPERC       | Yes                                   | Yes                                | Yes  | Yes                                       | Yes  |

|              |          |           |           |           |           |           |
|--------------|----------|-----------|-----------|-----------|-----------|-----------|
| 15           | MERC     | Yes       | Yes       | Yes       | Yes       | Yes       |
| 16           | MsERC    | Yes       | Yes       | Yes       | Yes       | Yes       |
| 17           | NERC     | Yes       | No        | Yes       | No        | No        |
| 18           | OERC     | Yes       | Yes       | Yes       | Yes       | Yes       |
| 19           | PSERC    | Yes       | Yes       | Yes       | Yes       | Yes       |
| 20           | RERC     | Yes       | Yes       | Yes       | Yes       | Yes       |
| 21           | Sikkim   | No        | No        | No        | No        | No        |
| 22           | TNERC    | Yes       | Yes       | Yes       | Yes       | Yes       |
| 23           | TERC     | Yes       | No        | Yes       | No        | No        |
| 24           | UPERC    | Yes       | Yes       | Yes       | Yes       | Yes       |
| 25           | UERC     | Yes       | Yes       | Yes       | Yes       | Yes       |
| 26           | WBERC    | Yes       | Yes       | Yes       | Yes       | Yes       |
| 27           | JERC-M&M | Yes       | No        | Yes       | No        | No        |
| 28           | JERC-UTs | Yes       | Yes       | Yes       | Yes       | Yes       |
| <b>TOTAL</b> |          | <b>27</b> | <b>23</b> | <b>27</b> | <b>23</b> | <b>23</b> |

8. As may be seen in the table above, 27 State Electricity Regulatory Commissions (SERC) have issued regulations on Open Access in intra-state transmission and distribution. 27 SERCs have allowed Open Access to consumers with loads of 1MW and above. 23 SERCs have determined Transmission Charges, 23 SERCs have determined Wheeling Charges and 23 SERCs have determined Cross Subsidy Surcharge for Open Access.

9. It was further stated by the Ministry that electricity is a concurrent subject in the Constitution. Ministry of Power has all along facilitated its operationalization through policy directions and creating suitable environment for enabling regulations, consultations and dialogue with various stakeholders/State Governments. The Ministry of Power in consultation with M/o Law & Justice/Ld. Attorney General of India has issued clarification vide letter dated 30.11.2011 that “*all 1MW and above consumers are deemed to be open access consumers and that the regulator has no jurisdiction over fixing the energy charges for them*”. All concerned have been requested to take necessary steps for implementing the provisions relating to open access in the Electricity Act, 2003

in light of the said opinion. However, some of the SERCs have stayed the operationalisation of open access based on the above interpretation.

10. The Committee note that keeping in view the status of the implementation of 'Open Access' since it was introduced in the Electricity Act, 2003, the Government in the proposed amendment Bill have proposed certain amendments in Section 49 that all consumers having a connected load of 1 Mega Watt and above may enter into an agreement with any person for supply or purchase of electricity on such terms and conditions (including tariff) as may be agreed upon by them.

11. Further, the Ministry informed that the Forum of Regulators also evolved a model regulation for Intra-State Open Access. The key features of FOR model regulations are as under:

- Consumers with load of 10 MW and above or Generators having installed capacity of 10 MW and above are eligible to avail open access in intra-State transmission. Generators with capacity below 10 MW are eligible to avail open access in distribution system.
- Open Access shall be granted on payment of transmission, wheeling and other charges.
- Consumers for availing Open Access have to be -
  - Connected to industrial feeder provided that all the consumers on such industrial feeder opt for Open Access.
  - Connected through an independent feeder.
  - Other consumers can avail Open Access subject to rostering restrictions.
- Criteria for granting long term access, medium-term open access or short term open access.
  - LTA with or without system augmentation.
  - MTOA only without system augmentation.

12. The Committee have noted that in order to provide Open Access to the consumers, following amendments have been proposed in Section 42 of the Electricity Act, 2003-

For section 42 of the principal Act, the following section shall be substituted, namely:—

“42. (1) It shall be the duty of a distribution licensee to—

- (a) develop and maintain an efficient, coordinated and economical distribution system in his area of distribution and to enable supply electricity in accordance with the provisions contained in this Act;
- (b) provide non-discriminatory open access to its distribution system as specified by the Appropriate Commission;

- (c) perform such other functions, not inconsistent with the Act as may be specified by the Appropriate Commission.
- (2) The State Commission shall introduce open access for use of distribution system in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints.
- (3) The open access shall be allowed on payment of a surcharge which shall be in addition to the wheeling and other charges payable to the distribution licensee, as compensatory charges determined by the State Commission to meet the requirement of cross subsidy in the area of supply:

Provided that the surcharge and cross subsidies referred to sub-section (2) and sub-section (3) shall be progressively reduced in the manner as may be specified by the State Commission:

Provided further that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.

- (4) The open access consumers procuring electricity from renewable energy sources shall not be required to pay the surcharge for open access for such period as may be prescribed by the Central Government.
- (5) Notwithstanding anything contained in this section, the open access consumer shall not switch over to any other supplier except by giving the notice of minimum time period as may be specified by the Appropriate Commission.”

13. The Committee further asked whether the condition of cross-subsidies in the introduction of Open Access by the State commission was the core condition and the manner in which it has been envisaged for implementation through this amendment Bill. It was also asked whether it has helped successfully in the growth of Open Access in the Sector. The Ministry replied that Section 42 (2) clearly specifies that the State Commission shall introduce open access in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints. In

some of the states, higher cross subsidy surcharge has restricted implementation of open access, whereas, in some states discoms negative cross subsidy surcharge have been determined leading to financial loss to discoms. The cross subsidy surcharge is as high as Rs 3.56/unit (FY 2013-14) in states like Tamil Nadu and Zero in case of Paschimanchal Vidut Vitran Nigam limited, Uttar Pradesh.

The Working Group on Power for 12<sup>th</sup> Plan while considering the formula for calculation of Cross Subsidy Surcharge (CSS) observed that the existing method for calculating cross subsidy surcharge given in the Tariff Policy, which uses the weighted average cost of power purchase of top 5 % as a factor, leads to a negative cross subsidy surcharge in certain cases. Allowing the consumers to migrate to open access under these conditions increases the burden of the distribution utilities and this was not in line with the spirit of the cross – subsidy surcharge as per the Tariff Policy. The Working Group had, therefore, recommended that an alternative method for calculating the cross subsidy surcharge should be worked out to ensure that neither open access is throttled nor does the host Discom unduly suffer due to migration of open access consumers. Based on the recommendations of the Working Group and comments received from various stakeholders, suitable amendments in the Tariff Policy are under consideration.

14. The Committee when asked whether the introduction of Open Access has helped the power consumers in the agricultural/industrial/domestic sectors of the country by access to cheaper power and reliable supply of the same, the Ministry informed in writing that as the introduction of Open Access has not progressed substantially, there is no perceptible impact to the power consumers in the agricultural, industrial, domestic sectors of the country by access to cheaper power and reliable supply of the same. However, as per information made available by CERC, more than 3000 inter-state open access consumers have been buying electricity through Power Exchanges by availing open access.

15. The Committee observed the fact that while Open Access has incentivised the power producers since there are no restrictions on them to sell power outside state but on the other hand, State DISCOMs/Electricity Boards are deprived of electricity produced in their States thereby creating discontentment among them and leading to the invoking of Section 11 of the Act.

16. When asked how the Government propose to solve this problem as otherwise the electricity deficit States will take recourse to this legislative provision, the Ministry stated that as per the provision of the Electricity Act, 2003, generation is delicensed and a generating company has full discretion to sell its electricity to a customer of its choice. However, under 'extraordinary' circumstances arising out of threat to security of the State, public order or a natural calamity or such other circumstances arising in the public interest, the State Government under Section 11 of the Electricity Act, 2003, may issue directions to generating companies in respect of operating and maintenance of generating stations. These powers have been exercised by several State Governments (beginning with Karnataka and followed by Tamil Nadu, Orissa and Andhra Pradesh) prohibiting export of power from their State on the ground of power shortages. Orders of CERC holding that open access cannot be restricted by such directions of the State Governments were challenged in the High Courts. CERC contested these cases. On the basis of the opinion of the Ministry of Law, Ministry of Power had written to the States that Section 11 does not permit prohibiting open access. Karnataka High Court has upheld the order of the State

Govt. Ministry of Power has moved the Supreme Court against the order of the Karnataka High Court. The **matter is sub-judice in Supreme Court.**

17. The Committee observed that Section 11 of the Electricity Act 2003 empowers the State Governments to issue directives to Power Generating Companies in exceptional circumstances. When asked the Ministry to elaborate the term 'exceptional circumstances', they informed that As per the Electricity Act 2003, Section 11 is meant to be invoked only in extraordinary circumstances.(e.g. threat to security of state, public order, natural calamity etc) and is not meant to restrict open access.

18. When asked about the steps taken by the Union Government to discourage the misuse of this Section by the State Governments, the Ministry informed that the Ministry of Power has filed SLP against the Karnataka High Court judgement upholding the Orders issued by the State Government of Karnataka under section 11 of the Act restricting open access. The matter is sub-judice.

19. In response to a question whether the frequent recourse to Section 11 is not in contravention to the spirit of Open Access and in that case how the Government propose to reconcile the two contradictory situation, the Ministry informed that Discoms are resistant to give open access to industrial consumers (bulk consumer category) since industrial tariffs are usually high. This impasse is one of the biggest hurdles for open access implementation. In order to create independent SLDCs, Ministry of Power has asked all States to set up independent SLDCs as they play an important role in implementation of open access. Ring fencing of SLDCs from Utilities and empowerment of Load dispatch centres would remove the hurdles from Open Access implementation.

20. The Committee when enquired about the details of outcome that has accrued as a result of the limited presence of Open access in the Electricity Sector and also the feedback received/concerned expressed by the various stakeholders in power sector with regard to the concept of Open Access in the country and reaction of the Government thereto, the Ministry replied as under:

Open Access at inter-state level is fully operational. The details of open access availed on Inter State Transmission System during last five years are given below:

| <b>TOTAL<br/>(Bilateral + Collective)</b> | <b>NO. OF TRANSACTIONS</b> | <b>APPROVED ENERGY<br/>(Million Units)</b> |
|---|----------------------------|--|
| 2008-09                                   | 15414                      | 30521                                      |
| 2009-10                                   | 18128                      | 39457                                      |
| 2010-11                                   | 19883                      | 55232                                      |
| 2011-12                                   | 24111                      | 66987                                      |
| 2012-13                                   | 32088                      | 73153                                      |

| <b>TOTAL<br/>(Bilateral + Collective)</b> | <b>NO. OF TRANSACTIONS</b> | <b>APPROVED ENERGY<br/>(Million Units)</b> |
|---|----------------------------|--|
| 2013-14                                   | 33917                      | 86973                                      |
| 2014-15 (upto Dec'14)                     | 28231                      | 61701                                      |

(Source: NLDC)

At State level, as per information available with Forum of Regulators secretariat, most of the SERCs have notified terms and conditions of Open Access Regulations.

The Forum of Regulators (FOR) has deliberated on the issues concerning implementation of open access and made a detailed examination with recommendations concerning the following issues: (i) legal and policy provisions and the status of their implementation; (ii) identification of problem areas with the conclusion, inter alia, that the weakest link is the State Load Dispatch Centre (SLDC) which, unless made truly independent, will frustrate all effort at open access; (iii) measures for ring-fencing of SLDC; (iv) structural and financial re-modelling, including technological upgradation; (v) staffing pattern; (vi) incentive and disincentive scheme; and (vii) fees and charges for the SLDCs.

The Forum emphasised the need for: (i) rationalization of various open access charges including surcharge; (ii) uniform standby arrangement for back-up supply to make open access a reality; (iii) monitoring of open access transactions by the State Commission; and (iv) display of illustrative examples of charges for open access to help the potential consumer take an informed decision on the open access option.



## Chapter: 5

### **Promotion of Renewable Energy**

Renewable energy has become an important agenda of India's energy planning process especially since climate change has taken centre stage in the domestic and international policy arena. To demonstrate its commitment to renewable energy, the government has set aggressive targets for renewables and several incentives and policy initiatives at the Central and State levels have been put in place both for grid connected and off-grid renewable energy. It is evident that the development of renewable energy sector hinges on the combination of legislative frameworks, funding mechanisms, institutional arrangements, and co-ordination mechanisms, which work together to support the implementation of RE strategies, policies and programmes. The Committee feel that despite the growing momentum of activity in this sector, there are certain issues which highlight the gaps in the governance of renewable energy in India.

2. Now, the Government has shown its concern for the production of this vital green energy and for the purpose, provisions have been made in the proposed Bill which lay emphasis on mandatory generation of renewable power.

#### **Objective of the Government:**

3. The country has very vast potential of generation of electricity from Renewable Energy Sources. However, the same need to be promoted by bringing changes in the existing laws. Accordingly, various measures are proposed in the Bill to encourage generation of electricity from Renewable Energy Sources. The amendments provides framing and notification of 'National Renewable Energy Policy', development of Renewable Energy Industry, introducing Renewable Power Generation obligation on new conventional coal and lignite based thermal power plant, and option for already commissioned coal and lignite based thermal power plants and bringing exemption of sale of electricity generated from renewable energy sources from cross subsidy and open access.

4. For the purpose of encouraging production of renewable energy in the Country, the Government in the present Bill has proposed amendments in the Clause No. 2, 3, 4, 5, 6, 9, 13, 14, 20 and 56.

5. The details of each of these clauses are as under:-

**Clause 2:** This clause seeks to amend section 2 of the principal Act to amend certain definitions and to insert the new definitions relating to “ancillary services”, “area of distribution”, “decentralised distributed generation”, “Electricity Distribution Code”, “incumbent supply licensee”, “intermediary company”, “obligated entity”, “**renewable energy sources**”, “**renewable energy service company**”, “smart grid” and “provider of last resort”.

**Clause 3:** This clause seeks to amend section 3 of the principal Act to provide for a separate National Renewable Energy Policy for the promotion of renewable sources of energy and for measures to promote smart grid, ancillary services and decentralised distribution generation etc.

**Clause 4:** This clause seeks to amend section 4 of the principal Act to provide for harnessing solar power and renewable sources included as a part of the National Policy in the context of the standalone system.

**Clause 5:** This clause seeks to amend section 6 of the principal Act so as to substitute the expression “area” with the expression “parts of the Country”.

**Clause 6:** This clause seeks to substitute section 7 of the principal Act to provide for maintenance of spinning reserve of certain capacity by the generating company and further provide that any generating company establishing a coal and lignite based thermal generating station after a date and in a manner to be notified shall be required to establish a Renewable Energy Generation capacity as prescribed by the Central Government from time to time which shall not be less than ten per cent of the thermal power installed capacity.

**Clause 9:** This clause seeks to substitute section 14 of the principal Act empowering the Appropriate Commission to grant licence to any person to transmit electricity as a transmission licensee or to distribute electricity as a distribution licensee.

**Clause 13:** This clause seeks to amend section 29 of the principal Act to increase the quantum of penalty for violation of directions by the Regional Load Dispatch Centres.

**Clause 14:** This clause seeks to amend section 33 of the principal Act to increase the quantum of penalty for violation of directions by the State Load Dispatch Centres.

**Clauses 20:** This clause seeks to substitute section 42 of the principal Act so as to specify the duties of distribution licensee and also provide certain provisions relating to Open Access.

**Clause 56:** This clause seeks to substitute section 142 of the principal Act to provide punishment for non-compliance of directions by Appropriate Commission. The said section provide that for non-compliance of directions, the generating company or licensee shall pay, by way of penalty, which shall not exceed one crore rupees for each contravention and incase of continuing failure with an additional penalty which may extend to one lakh rupees for every day during which the failure continues.

6. The Committee is informed by the Government through a written communication that the planning of the power sector is being done in accordance with a low carbon growth strategy which stipulates emphasis on power generation from hydro, nuclear and renewable energy sources to the extent possible. The all India installed power generation capacity as on 31.01.2015 was 2,58,701 MW comprising 1,80,362 MW Thermal, 40,867 MW Hydro, 5,780 MW Nuclear and 31,692 MW Renewable Energy Sources. Respective Regulatory Commission have set RPOs for each state to promote setting up of RPO target.

7. The Committee while welcoming this step of the Government taken to encourage renewable power generation, also apprehend the practical difficulties which are going to hinder the growth of green energy production, mainly due to mixing of its promotion with the conventional energy, proposing a minimum criteria of ten per cent of renewable energy production for every power plant etc.

8. The Committee therefore, discussed the issue of production of renewable energy with all the stake holders including the State Governments and Power producers. The views of the State Governments have been tabulated below:

| Sl. no. | State     | views on Production of renewable energy (As reproduced from the verbatim record of proceedings)  |
|---------|-----------|--|
| 1       | Bihar     | If you read the whole Act, you will find that the amendment is completely silent on the issue of renewable energy. Only a percentage has been fixed and nothing more has been said which promotes the renewable energy. Even the definition of renewable energy certificate is not there. we have to come clearly on these definitions...it should be clearly defined as to what are the obligations which are to be mate and what would be the outcome incase those are not mate in a time bound manner.  |
| 2       | Karnataka | On promotion of renewable energy, I think the provision in the Act is quite alright because in Karnataka we have been in the forefront in renewable energy. More than pushing the generators to start producing renewable energy, the focus should be on purchase obligations on the companies. That is how we are operating and we are meeting more than the supply obligations. But to give a major thrust to renewable energy, the major issue is the Grid. Suppose there is 2,500 MW in the night, in the morning it will be only 700 MW. Unless we have sufficient spinning reserve, we cannot ramp up generation.<br><br>When we get more renewable generation of particularly wind, there is no demand. During the monsoon season we get more wind power generation which we do not require. So we have to back down our long-term requirement. But then, pump storage has to be in forest areas and environmental concerns are there. Therefore, |

|          |                         |   |
|----------|-------------------------|---|
|          |                         | <p>renewable also, though it is good to talk about renewable, but we have to take it with a pinch of salt because we have got the experience of Europe where they had to pay negative charges. The rate came low and they had to pay money. The countries had to pay penalties for generating more. These things are there.</p> <p>Then, solar power comes in the afternoon when actually the demand is less. During the peak load time there is no solar power generation. Otherwise, the provisions are alright. We have no issues on the provisions.</p>   |
| <b>3</b> | <b>Gujarat</b>          | <p>We agree that we need to add more of renewable energy. The growth in energy consumption from fossil fuel needs to be reduced. But at the same time, one of the suggestions that the developers of new conventional based power plants should set up 10 per cent of that capacity of renewable is not a requirement. I fully agree with our colleague from Karnataka. What is required is a proper Renewable Power Purchase Obligation. We suggest that there should be a uniform minimum RPO across the country. That should be fixed at the national level. Then, the individual State regulators in consultation with the State Governments should be authorised to fix the RPO higher than the national minimum so that if some States want to impose more mandate, then let it be at the option of the regulators in consultations with the State Governments concerned. Another problem is that many issues relating to renewable energy have remained unresolved. It is because there is a very poor enforcement of RPO obligation. The law itself should provide that this has to be mandatorily enforced. That minimum has to be enforced. Only then this will pick up...</p> <p>Another thing is that this RPO should be applicable to every consumer including captive consumers or open access consumers. It should be applicable to every consumer of electricity irrespective of what category they belong to... I think, each State should be able to manage within 10 per cent – then that concept of scheduling of even renewable energy should be implemented so that it does not create havoc in the system. What is important is that you should schedule it when it has crossed ten per cent of you total energy input in the system. That will mitigate the problem of variability and additional burden that comes out of the renewable energy. Maybe some years down the line, that concept should be able to be implemented. My suggestion is that our law should have some provision which may not be implemented immediately, but some years down the line when the system is ready. Then, it should be an enabling provision so that this can be implemented.</p> |
| <b>4</b> | <b>Assam</b>            | <p>The representative of Assam was in agreement with the views expressed by the States of Gujarat and Karnataka on the issue.</p>   |
| <b>5</b> | <b>Himachal Pradesh</b> | <p>It is a welcome step, and in hilly States for small hydro up to 25 MW is renewable. The cap of 25 MW put to treat hydro as renewable should be removed in the sense that hydro is a green energy... the entire components of renewable energy should be combined and separate targets for solar and other renewables should not be there. There should be provision for production linked incentive for renewable energy.</p>  |
| <b>6</b> | <b>Kerala</b>           | <p>Renewable energy is good if there is a breakthrough in storage technology. In the case of renewable, solar should be captured, stored and then used in the nights. As long as there is no breakthrough in the storage technology, going for in a large scale might not give us. Especially in the Kerala where domestic consumers reach home only in the night. As I said, eighty per cent of the consumers are consuming fifty per cent of the power and they are consuming this during six in the evening to six in the morning. Under this particular point of time, we cannot depend upon renewable without a good storage facility.</p> <p>This will become profitable only if we subsidise the battery and all those elements. The life of the battery is five years or four years. This is again a unique thing in Kerala's consumer mix which has to be looked into. Further, there should be incentive for energy saving.</p>   |

|            |                       |   |
|------------|-----------------------|---|
| <b>7</b>   | <b>Goa</b>            | On promotion of renewable energy, I will appreciate that the renewable energy should be given proper weightage so that it can be used at various levels. But the financial constraint may be the concern for this region because by virtue of financial costing, our tariff may go up.  |
| <b>8</b>   | <b>Maharashtra</b>    | <p>There is a big role for renewable energy in terms of generation in the Act. RGO is something which is being provided. It is welcome again because sourcing of this energy and levelised price in the basket of energy which is supplied to the consumers, there will be a lot of potential which can be exploited in those States where those resources are available to set up generation plants and then it can be wheeled across to the areas where this can be combined.</p> <p>With this increasing obligations on generation, purchases and supplies, there will be a need to invest and there will be some difficulty which will happen in terms of setting up of green energy corridors. Our rough calculation is that for 10 megawatts, about a crore of rupees is currently required to bring that electricity into the existing grade.</p> <p>So, these kinds of expenses will have to be provided or supported. That is something in terms of financial liability. We have to take that into account either through some support mechanism on short-term through Budget or some other mechanism to reduce to ensure that these commitments are honoured technically.</p> |
| <b>9</b>   | <b>West Bengal</b>    | It is a very important public policy issue. It should be promoted. All I am saying, it should be the State's responsibility: Central Government or State Government... we support that Hydro power of all capacities should be a part of renewable because it is a renewable. We have artificially put a limit of 25 MW and that cap should go.   |
| <b>10</b>  | <b>Madhya Pradesh</b> | Renewable energy is a welcome step but we should stagger it. We should not go to ten per cent in one go. Maybe, it must be two or three per cent and five per cent and ten per cent because it has two implications like financial and technical implications. Balancing of grid will be an issue and DISCOMs are not cash rich. So, in one go it does not pinch them and they will also learn, improve and move from two to three per cent, to five per cent to ten per cent.  |
| <b>11</b>  | <b>Odisha</b>         | ...the present amendment says that only for the additional upcoming generation, the RGO would be applicable. We are suggesting that even with the existing captive generation plants, which is a major share of thermal power generation in the country, there must be an enhanced Renewable Generation Obligation.   |
| <b>12</b>  | <b>Rajasthan</b>      | ...about the renewable energy, it is certainly the need of the hour. I think, going ahead, we have to go in for renewable energy. But we think that the pace has to be a little slower. It needs to be phased out and we need to move a little more slowly especially because of the two reasons that have been mentioned, that is grid stability and that it is going to be a very expensive proposition.  |
| <b>13</b>  | <b>Telangana</b>      | As far as this renewable energy is concerned, we welcome the changes incorporated in this Amendment Bill. But we want one change in this wherein the penalty of non-compliance of these RPOs have to be specified because we have seen that even though the regulators are specifying the RPOs percentages, they are not insisting upon the implementation of these percentages. So some penalties may be laid down in the Act itself. In that way the regulator and distribution utilities can enforce these RPO obligations.  |
| <b>14</b>  | <b>Uttarakhand</b>    | As regards the promotion of renewable is concerned, as everybody has expressed, it should be done in a phased manner. It is a welcome step and we are with this.  |
| <b>15</b>  | <b>Puducherry</b>     | So far as the renewable energy is concerned, the land area in the UT is very limited, we have very limited scope for doing it. But except for solar energy, no other non-solar energy proposals can be feasible there.  |
| <b>16.</b> | <b>Lakshdweep</b>     | As far as renewable source of energy is concerned, our land area is extremely limited, which is just 28 square kilometres. As I have mentioned, we have installed two megawatt capacity so far and 10 per cent of our energy need is met by solar energy.   |

|    |              |  |
|----|--------------|--|
|    |              | We are also exploring other sources, especially the biomass based projects – the coconut based biomass projects. After making a detailed study we went for the open bidding process and through the subsidy component of the MNRE Ministry. We have yet to get experience as bidders in this regard but we are exploring all the options.  |
| 17 | Chandigarh   | ...I do not feel that setting target at 8 per cent of solar energy should be mandatory.  |
| 18 | Chhattisgarh | First is the renewal obligation. That should not be so source specific. It must be uniform. Whatever is available, you must purchase ten per cent or eight per cent or so within the State.  |
| 19 | Sikkim       | Since the new Bill seeks to separate renewable of solar and other biomass, we would like to point out that Sikkim has abundance of Hydro power and Hydro power also should have been kept in the same category. There is so much of potential in micro and small skills. It should be at par. The State like Sikkim should not be forced to buy solar RPO because RPO is going to burden consumers only. |

9. The Committee during their discussion with the representatives of Industry Associations/ Power producers observed that the provision of 10 per cent mandatory renewable energy generation alongwith the thermal capacity was not welcomed by most of them. The issues like; renewable energy not being cost effective as compared to thermal, non-obligatory on the part of the supply licensee to purchase renewable energy, low plant load factor with unpredictable variations in its generation, problem with regard to uniform transmission of renewable energy to the Grid etc. were raised by them.

10. The Committee also sought clarification from the Government on the issue. It was asked whether all the activities regarding promotion of different sources of renewable energy will be brought under one umbrella. The Government replied that the Electricity (Amendment) Bill 2014 does consider renewable energy as a group and as technology agnostic. Therefore it has provided equal level playing field for promotion of different sources of renewable energy.

11. The Committee when asked whether the future expansion plan in solar and wind sources will be clubbed with it or will they go on separately, the Ministry replied that MNRE has suggested amendment in the tariff policy to include a RPO trajectory reaching at minimum 15% of the total electricity mix by March 2019 with solar RPO of minimum 8%. It implies that there is a special category for solar RPO and other renewable energy sources have been clubbed in non-solar category.

12. On the issue of mandatorily generation of ten per cent renewable energy by the upcoming power generating plants, the Committee was informed during the course of evidence by the Ministry that keeping in view the concerns of various stake holders including the state Governments and the power producers, they have decided to remove the ceiling of ten per percent for renewable energy. The Ministry, therefore, proposed that in Section 7, sub-section (1) of the Act, the relevant changes would be made.

13. The Committee, however, came to the conclusion that in order to give a boost to the generation of renewable energy, a minimum criteria for its mandatory generation by the upcoming power plants has to be fixed in the Act itself.

## CHAPTER: 6

### **Provisions relating to Regulatory Commissions & Appellate Tribunals**

#### **Legislative Provisions:**

Section 76(1) of the Act mandates the Central Government to form a Central Commission named as Central Electricity Regulatory Commission (CERC). The CERC was constituted broadly for regulating the tariff of generating companies owned or controlled by the Central Government and generating companies for supplying electricity for more than one state, to regulate and determine tariff for interstate transmission of electricity, to issue the transmission Licensees, specifying grid code having regard to the Grid Standards. The CERC is also mandated to advise the Central Government on National Electricity Policy and Tariff Policy, promotion of competition, efficiency and economy in activities of the electricity industry.

2. Similarly, as per Section 82(1), the State Governments are required to constitute State Electricity Regulatory Commissions within six months of the appointed date. All the State Governments have constituted State Electricity Regulatory Commissions broadly for determination of Tariff for generation, supply, transmission and wheeling of electricity within the state, facilitating intra-state transmission, to regulate electricity purchase and procurement process of distribution licensees. Two Joint Electricity Regulatory Commissions (JERCs) have also been constituted, one for states of Manipur and Mizoram and the other for Union Territories and Goa.

3. Further, Section 110 of the Act provides the Central Government to establish an Appellate Tribunal named as Appellate Tribunal for Electricity (APTEL) to hear appeals against the orders of adjudicating officer or the Appropriate Commission. The Appellate Tribunal of Electricity was established on 7<sup>th</sup> April, 2004 with its headquarter at Delhi. Under the provisions of the Electricity Act, 2003, Chairperson, APTEL has constituted the Principal Bench at Delhi and three circuit benches at Chennai, Mumbai and Kolkata.

4. In order to create a common floor to enable discussion between the CERC and the SERCs, the Forum of Regulators (FOR) was constituted vide Notification dated 16th February, 2005 in pursuance of the provision under section 166(2) of the Electricity Act, 2003. The Forum consists of Chairperson of Central Electricity Regulatory Commission (CERC) and Chairpersons of State Electricity Regulatory Commissions (SERCs). The Chairperson of CERC is the Chairperson of the Forum. The Secretary to the Central Commission is the *ex-officio* Secretary to the Forum. Secretarial assistance to the Forum is provided by the Central Commission. The headquarter of the

Forum is located at New Delhi. The Central Commission may take necessary financial contributions from the State Commissions for carrying out the activities of the Forum. The Central Commission keeps separate accounts for the activities of the Forum.

The Forum discharges the following functions, namely:

- Analysis of the tariff orders and other orders of Central Commission and State Commissions and compilation of data arising out of the said orders, highlighting, especially the efficiency improvements of the utilities;
- Harmonization of regulation in power sector;
- Laying of standards of performance of licensees as required under the Act.
- Sharing of information among the members of the Forum on various issues of common interest and also of common approach.
- Undertaking research work in-house or through outsourcing on issues relevant to power sector regulation;
- Evolving measures for protection of interest of consumers and promotion of efficiency, economy and competition in power sector; and
- Such other functions as the Central Government may assign to it, from time to time.

5. The Forum is expected to meet at least twice in a year .The Forum frames its own rules of business for the conduct of its meetings. The Forum of Regulators prepares every year, an annual report, giving a summary of its activities during the previous financial year and copies of the report are forwarded to the Central Government.

### **Objective of the Government:**

6. There are issues on the State Commission not allowing the tariff to cover the cost and expenses and creating regulatory assets. In this regard, the amendments are proposed in the relevant sections of the Act allowing licensees to recover cost of electricity without any revenue deficit, pass through of the effect of fuel and power purchase cost more than once in a year and incorporating provision for initiating suo-motu proceedings for determination of tariff. Further, the tariff policy framed under Section 3 has also been made mandatory for the determination of Tariff. The non-compliance of Standards of Performance by licensees is also made more stringent by incorporating the provision for recommendation for revocation of license by Government due to non-compliance of Standards.

2. For the purpose, the Government has proposed amendments in the following clauses:-

**Clause 35:** This clause seeks to insert a new section 59A in the principal Act to enable the Appropriate Government to recommend for revocation of licence due to non-compliance of standard of performance by the licensee.

**Clause 36:** This Clause seeks to amend section 61 of the principal Act whereby certain additional guidelines have been added in regard to tariff determination. It has been specifically provided that the provisions of the Tariff Policy shall be followed by the Appropriate Commission in the tariff determination.

**Clause 37:** This clause seeks to substitute section 62 of the principal Act so as to provide the determination of tariff by the Appropriate Commission for the reasons mentioned in the sub-section (1) of the



said section. It is further provided that the tariff determined by the Appropriate Commission for a licensee shall provide for recovery of all prudent costs of the licensee approved by the Appropriate Commission in the monthly bills during the tariff period through an appropriate price adjustment formula including wherever applicable the fuel, power purchase and procurement price surcharge formula as may be specified in the Tariff Policy. Also Appropriate Commission may require a licensee or a generating company to furnish separate details, as may be specified in respect of generation, transmission, distribution and supply for determination of tariff.

**Clause 38:** This clause seeks to amend section 64 of the principal Act so as to provide the consequences of tariff petition not being filed in time by the Utilities and enables the Appropriate Commission to proceed ahead in view of the importance of timely tariff revision for viability of the power sector.

3. The Government further informed that in the course of implementation of the Electricity Act, there have been certain issues on the timely disposal of the tariff petitions and other proceedings by the Appropriate Commission, particularly, the State Regulatory Commission. There are also aspects in the appointment of the Chairman and Members of the State Commission. It is considered necessary to provide for a time limit within which the Appropriate Commission should announce its orders. In order to ensure accountability in the working of the Appropriate Commission, it is also provided that the Forums of Regulator will constitute a Committee periodically to inquire into and decide on the conduct and functioning of the Appropriate Commission and place the report to the Government. Accordingly, changes provides the term of office for the Chairperson or other Member for a term of three years from the date he enters upon his office or 65 years of age whichever is earlier and eligible for second term on re-appointment, expeditious disposal of tariff petitions by the Commission from 120 days to 90 days, review of performance of Regulatory Commissions by a Peer Committee constituted by Forum of Regulators, removal of Member in case of non-performance, interim nomination against vacancies in case of delay of more than 5 months in the appointment of Chairpersons/ Members of the State Commissions.

4. For the purpose, the Government has proposed amendments in the following clauses:-

**Clause 39:** This clause seeks to substitute section 66 of the principal Act so as to provide that the Appropriate Commission shall endeavour to promote the development of a market (including trading and forward and futures contract) in power and a market for encouraging energy efficiency in power in such manner as may be specified and shall be guided by the National Electricity Policy, referred to in section 3, and other directions issued by the Central Government in the public interest from time to time.

**Clause 44:** This clause seeks to amend section 78 of the principal Act so as to make certain amendments in the provisions of the Selection Committee to select Members of the Central Commission.

**Clause 45:** This clause seeks to amend section 79 of the principal Act so as to include a new clause in sub-section (1) of the said section relating to functions of the Central Commission.

**Clause 46:** This clause seeks to amend section 85 of the principal Act so as to make certain amendments in the provisions of the Selection Committee to select Members of the State Commission.

**Clause 47:** This clause seeks to amend section 86 of the principal Act so as to provide the functions being discharged by the State Commission.

**Clause 48:** This clause seeks to amend section 89 of the principal Act so as to provide the duration of the period of Chairman and Members of the State and Central Commission to be reduced from five years to three years and with a provision of re-appointment for one more term of three years.

**Clause 49:** This clause seeks to amend section 90 of the principal Act so as to provide the conditions under which a Member of the Commission can be removed on the basis of non-performance as adjudged by a Committee to be constituted by the Forum of Regulators.

**Clause 50:** This clause seeks to amend section 92 of the principal Act to provide that the Appropriate Commission shall decide the matters expeditiously and in case of delay, the reasons shall be recorded by the Commission.

**Clause 52:** This clause seeks to insert a new section 109A in regard to the appointment of a Committee by Forum for Regulators to review the performance of the Appropriate Commission.

5. The Committee while looking into the relevant amendments proposed in the Bill, asked about the steps taken so far by the CERC for market development. The Ministry replied through a written note as under:-

The Commission played an important role in creation of market structure and market rules. The Commission provided license to electricity traders and facilitated establishment of power exchanges in country. By framing regulations on open access and power market, the Commission provided alternative avenues for power purchase through open access, power exchange and through traders.

The CERC has issued inter alia the following regulations as per Electricity Act, 2003 for development of power market and promote power trading:

- Grant of Connectivity, Long-Term Access and Medium-Term Open Access in Inter-state Transmission on 7th August 2009 separated connectivity from open access.
- Terms and Conditions for Transmission License Regulations, 2009
- Terms and Condition for Trading License Regulations, 2009
- Open Access Regulations, 2008
- Sharing of Inter-State Transmission Charges and Losses Regulations, 2010.
- Power Market Regulations, 2010
- Trading Margin Regulations, 2010

Absence of market access for buyers and sellers of electricity, evacuation infrastructure for seamless flow of electricity, safe and secure operation of the grid were some of the major bottlenecks that were hindering growth of the electricity sector. CERC has taken initiatives to address these and related issues through various Regulations. Open access in transmission has helped make generation more competitive and has provided choice to Discoms as well as open access consumers. This is helping many captive generators and open access consumers to buy and sell electricity in the short-term market. Over 3000 open access consumers are buying power through Power Exchanges.

Short-term open access in transmission has been in place for last many years. CERC has provided for deemed concurrence of SLDCs for open access if their decision is not given within a specified timeframe. CERC has notified regulations for Connectivity, Medium-term Open Access and Long-term access

The Regulations of "Grant of Connectivity, Long-Term Access and Medium-Term Open Access in interstate Transmission" aim at providing transmission products of different varieties, standardization of procedures, defining timelines and ensuring a level-playing field among different categories of market players. This has also abolished the discrimination between the public sector generators and private sector generators in terms of grid connectivity. With Regulations on Medium-term open access, transmission corridors can be availed for a period of three months to three years.

6. When asked about how far these steps have been successful in attracting private players and bringing competition in the sector, the Ministry informed as under:-

The above mentioned regulations have ensured that the market functions in a fair and transparent manner. The market intermediaries like electricity traders and market infrastructure like power exchanges are regulated through these regulations. The market rules, risk management are defined through these regulations. A well functioning market ensures that the confidence of participants in market is built. Short term power trading has helped in resource optimization by facilitating the transfer of surplus power to deficit regions in the country in a large country like India with diverse geography and climatic conditions and full optimisation of generation assets in meeting short-term peak demand. It has also helped bring in captive generation into the market. The price signal in market has helped attract investment in power generation. With the multiple buyers and

sellers model developed, with introduction of markets, generators have multiple alternatives to sell power which has reduced the possibility of getting stranded. The business risk for generators has reduced significantly.

The short term prices have reduced over the last 5 years and the volumes have increased. The average short term power prices and volume trends are shown below.-

| Year    | Electricity Trading    |                            | Power Exchange         |   |
|---------|------------------------|----------------------------|------------------------|---|
|         | Volume (Billion Units) | Avg Traded Price (Rs /kWh) | Volume (Billion Units) | Average Power Exchange Price (Rs / kWh) |
| 2008-09 | 21.42                  | 7.29                       | 2.77                   | 7.49                                    |
| 2009-10 | 26.82                  | 5.26                       | 7.086                  | 4.96                                    |
| 2010-11 | 27.7                   | 4.79                       | 15.52                  | 3.44                                    |
| 2011-12 | 35.84                  | 4.18                       | 15.54                  | 3.57                                    |
| 2012-13 | 36.12                  | 4.33                       | 23.54                  | 3.67                                    |
| 2013-14 | 35.11                  | 4.29                       | 30.67                  | 2.90                                    |

7. It was further informed by the Ministry that the Commission has introduced Point of Connection Tariff to remove regional cascading of transmission charges and provide level playing field for all generators to compete in Competitive bidding.

8. Similarly, the Committee also enquired about the functioning and coordination among the State Regulatory Commissions. The Ministry stated as under:-

The State Commission discharges its mandated functions in accordance with the provisions of the Act, Government Policies and the resources available. Section 86 provides the functions of State Commissions as follows:

**“Section 86. (Functions of State Commission): — (1) The State Commission shall discharge the following functions, namely: -**

(a) determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State:

*Provided that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;*

(b) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;

(c) facilitate intra-State transmission and wheeling of electricity;

(d) issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;

(e) promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;

(f) adjudicate upon the disputes between the licensees, and generating companies and to refer any dispute for arbitration;

(g) levy fee for the purposes of this Act;

(h) specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of section 79;

(i) specify or enforce standards with respect to quality, continuity and reliability of service by licensees;

(j) fix the trading margin in the intra-State trading of electricity, if considered, necessary; and

(k) discharge such other functions as may be assigned to it under this Act.

(2) The State Commission shall advise the State Government on all or any of the following matters, namely :-

(i) promotion of competition, efficiency and economy in activities of the electricity industry;

(ii) promotion of investment in electricity industry;

(iii) reorganization and restructuring of electricity industry in the State;

*matters concerning generation, transmission , distribution and trading of electricity or any other matter referred to the State Commission by that Government.*

(3) *The State Commission shall ensure transparency while exercising its powers and discharging its functions.*

(4) *In discharge of its functions, the State Commission shall be guided by the National Electricity Policy, National Electricity Plan and tariff policy published under section 3.”*

9. The State Commissions independently function in their respective states. The Forum of Regulators (FOR) provides an interactive platform to the member SERCs/JERCs to share their experiences. The intent is to build synergy between various Electricity Regulatory Commissions and to inter-alia bring about harmonisation of regulations in power sector. Issues of importance facing the sector (at inter-state level or intra-state level) are discussed and consensus is evolved in FOR.

10. The Committee when asked about giving the due autonomy the SERCs in discharging their assigned duties impartially, the Ministry replied as under:-

Yes. SERCs have been given due autonomy to discharge their duties impartially. The functions of the State Electricity Regulatory Commissions (SERCs) are specified in Section 86 of the Electricity Act, 2003. The Act also contains provisions facilitating autonomy to the SERCs in their functioning, such as:-

- (i) The State Commission has independent status as provided in Section 82(2) of the Act;
- (ii) A fixed tenure has been specified in section 89(1) of the Act for the Chairperson and Members of the State Commissions;
- (iii) Chairperson and Members of the State Commissions cannot be removed from office except as provided in section 90 of the Act;
- (iv) The State Commissions have power to appoint their officers and staff as per section 91 of the Act;
- (v) The State Commissions are vested with powers of a civil court in respect of matters specified in section 94 of the Act.

11. Further, the Committee asked how far Forum of Regulator (FOR) has proved successful in providing a platform for Central and State Regulators to arrive at a common conclusion bringing uniformity in regard to the regulation of the Electricity Sector in the Country. The Committee also asked about the limitations that prevent FOR from being more effective in the compliance of the Model Regulations on the various topics. The Ministry replied as under:-

The State Commissions independently function in their respective and the Forum of Regulators (FOR) provides an interactive platform to the member SERCs/JERCs to share their experiences. The intent is to build synergy between various Electricity Regulatory Commissions and to inter-alia bring about harmonisation of regulations in power sector. Issues of importance facing the sector (at inter-state level or intra-state level) are discussed and consensus is evolved in FOR. However, the State Commissions are independent to take their own considered view despite the consensus arrived at the Forum of Regulators.

### **Role played by FOR**

In pursuance of the mandate under the Act and the rules, the Forum has taken a number of initiatives. It has been a very active body engaging in meetings at regular intervals for consensus building on issues facing the power sector, conducting studies in house and through outsourcing agencies, on issues of relevance and importance for the power sector in general, and undertaking capacity building programmes for regulators and regulatory staff.

### **Frequency of Meetings of FOR**

The frequency of meeting of the Forum has been increasing continuously. In the last two years the Forum has held meetings on an average every two months. A detailed account of meetings held in the last five years is presented in the table below-

| <b>Financial Year</b> | <b>No. of Meetings</b> |
|-----------------------|------------------------|
| 2008-09               | 5                      |
| 2009-10               | 5                      |
| 2010-11               | 6                      |
| 2011-12               | 6                      |
| 2012-13               | 7                      |
| 2013-14               | 4                      |
| 2014-15               | 7 (upto Feb, 2015)     |

12. Some of the important issues discussed by the Forum during Financial Year 2013-14 are as under:

- Proposed amendments in the Electricity Act, 2003 to facilitate open access, separation of carriage & content, grid security etc.
- CERC's draft regulation on Terms & Conditions of Tariff for the control period 2014-19.
- Grid Operation and Security- Review of Status.
- Renewable Purchase Obligation (RPO) - Status of Compliance and Suggestions for more effective enforcement.

- Adequacy of Power Supply: Issues of Stranded Capacity and Reliability.
- Power procurement planning of distribution companies.

### **FOR Studies**

13. In order to bring about harmonious approach to regulation, the Forum has evolved several Model Regulations. Some of the important Model Regulations are mentioned below:

- Model Regulations for Multi Year Distribution Tariff
- Model Regulations for Protection of Consumer Interest
- Model Terms and Conditions of Intra-State Open Access Regulations
- Model DSM Regulation for SERCs
- Model Regulation for SERCs for Renewable Energy Certificate (REC) Framework
- Model Regulation on Standards of Performance for Distribution Licensees
- Model Supply Code

14. It was also informed that SERCs generally refer to the model Regulations framed by FOR while framing their regulations, and adapt the principles based on the state specific factors.

15. The Government has proposed amendments to various clauses of the Electricity Act, 2003, as mentioned in the para 2 and 4 above, mainly to strengthen the Regulatory Commissions. When asked the objective and the need to strengthen them, the Ministry replied that the Central and State Regulators have been provided with wide range of powers under the Electricity Act, 2003. In order to ensure that the Regulators discharge effectively the functions as mandated under the Electricity Act, 2003 these institutions need to be strengthened. At the same time, a suitable mechanism is required to be put in place to ensure accountability and transparency in their functioning.

16. In response to a question whether any review has been done with regard to role and responsibilities of Regulatory Commissions, the Ministry informed that the Electricity Act, 2003 envisages preparation of Annual Report by the Appropriate Commission. The Commissions are required to highlight their performance in these reports, which are laid before the Parliament or State Legislature, as the case may be, by the Appropriate Commission. However, the proposed amendment seeks to make specific provisions for institutionalizing performance review of the Regulators through the Forum of Regulators.

17. Regarding the accountability and transparency of the Regulatory Commissions, the Committee observed that The CERC and SERCs are accountable to the Parliament and respective State Legislatures respectively. Besides, the Commissions have to give speaking orders considering the views of all Stakeholders as well as display these Orders transparently on their websites.

18. When asked whether any system of grievance redressal is there in the functioning of the Commissions, the Ministry replied that any person aggrieved by an order made by



CERC or SERCs has the right to appeal against the same before the Appellate Tribunal for Electricity. Further, during the course of evidence, the Ministry informed that a provision for constitution of a joint forum for redressal of grievances of the consumers shall be inserted in the Act saying- 'as may be specified by the state Commission within a period as may be specified or within six months, whichever is earlier.'

19. Further, it has been informed that it has been envisaged, in the Electricity Amendment Bill, to constitute an independent Committee by the Forum of Regulators to review the performance of any Appropriate Commission and submit a report to the Central Government.

20. When asked whether any review has been done about the performance of the Commissions, the Ministry informed that no performance review of the Regulatory Commissions has been done so far. However, on this issue Working Group on Power for 12<sup>th</sup> Plan has recommended that "the performance of the Regulatory Commissions shall be reviewed annually by a multi-disciplinary body on the basis of performance evaluation matrix and report to the Appropriate Government for necessary action".

21. During the course of evidence, the Ministry informed that " The Central Government shall constitute a Committee to review the performance of Central Commission or any State Commission, as and when required. The Committee shall be headed by Member, NITI AYO and include two eminent experts from energy sector to be nominated by the Central Government."

The Committee however, was not in agreement on the constitution of the Committee to review the performance of State Commissions by the Central Government. They concluded that any such Committee may be constituted by the concerned State Governments and not the Central Government.

22. Regarding the modification of Selection Committee for the Members of Central and State level Regulatory Commissions, the Ministry replied that in view of winding up of Planning Commission, composition of the Selection Committee to select Members of the Central Commission is proposed to be changed. Besides, to make selection process more effective and transparent, composition of the Selection Committee to select Members of the State Commission, is also proposed to be changed.

23. When asked about the steps being proposed in this regard, the Ministry responded as under:-

Composition of the Selection Committee to select Members of the Central Commission is proposed to be changed and is proposed to be headed by Chairperson of Public Enterprises Selection Board along with existing Members. Secretary –in-charge of Ministry of Central government dealing with department of Consumer Affairs is included in the proposed composition.

Composition of the Selection Committee to select Members of the State Commission is proposed to be changed. The Selection Committee will be headed by retired Judge of the Hon'ble High Court with five members including the Chairperson.

24. Regarding the justification as how this will make the Regulatory Commission more effective and transparent, the Ministry informed that in the proposed amendment, number of members is going to be increased. This will make selection process more judicious and transparent besides having wider consultation by experts in the Committee.

25. When asked, why the tenure of Members being reduced and they are being eligible to seek re-nomination into the same position, the Ministry replied that the duration of the period of Chairman and Members of the State and Central Commission is proposed to be reduced from 5 years to 3 years in the initial appointment but with a provision of re-appointment for one more term of 3 years. This is being done to review the functioning after 3 years.

### **Central Electricity Authority: 7**

30. The Committee have been informed that the basic role and responsibilities of the CEA are as under:-

Central Electricity Authority (CEA) was established under Section 3 of the Electricity (Supply) Act, 1948 and subsequently, continued functioning under Section 70 of the Electricity Act, 2003. The cadre of the Authority belongs to the Central Power Engineering Services Group "A" with Secretariat staff provided by the Central Secretariat Services. The administration of the Cadre is maintained by Ministry of Power, Government of India. The Chairperson and the Members of the Authority constitute an Authority for performing the various functions under the Act. CEA under the provisions of the Act has been entrusted with various functions which are reproduced as below:

The Authority under section 73 of the Act shall perform such functions and duties as the Central Government may prescribe or direct, and in particular to –

- (a) advise the Central Government on the matters relating to the national electricity policy, formulate short-term and perspective plans for development of the electricity system and co- ordinate the activities of the planning agencies for the optimal utilisation of resources to subserve the interests of the national economy and to provide reliable and affordable electricity for all consumers;
- (b) specify the technical standards for construction of electrical plants, electric lines and connectivity to the grid;
- (c) specify the safety requirements for construction, operation and maintenance of electrical plants and electric lines;

- (d) specify the Grid Standards for operation and maintenance of transmission lines;
- (e) specify the conditions for installation of meters for transmission and supply of electricity;
- (f) promote and assist in the timely completion of schemes and projects for improving and augmenting the electricity system;
- (g) promote measures for advancing the skill of persons engaged in the electricity industry;
- (h) advise the Central Government on any matter on which its advice is sought or make recommendation to that Government on any matter if, in the opinion of the Authority, the recommendation would help in improving the generation, transmission, trading, distribution and utilisation of electricity;
- (i) collect and record the data concerning the generation, transmission, trading, distribution and utilisation of electricity and carry out studies relating to cost, efficiency, competitiveness and such like matters;
- (j) make public from time to time information secured under this Act, and provide for the publication of reports and investigations;
- (k) promote research in matters affecting the generation, transmission, distribution and trading of electricity;
- (l) carry out, or cause to be carried out , any investigation for the purposes of generating or transmitting or distributing electricity;
- (m) advise any State Government, licensees or the generating companies on such matters which shall enable them to operate and maintain the electricity system under their ownership or control in an improved manner and where necessary, in co-ordination with any other Government, licensee or the generating company owning or having the control of another electricity system;
- (n) advise the Appropriate Government and the Appropriate Commission on all technical matters relating to generation, transmission and distribution of electricity; and
- (o) discharge such other functions as may be provided under this Act.”

Further, the Central Government can issue directions to the Authority in the interest of various policies and the Authority shall be guided by these in the discharge of function under Section 75 of the Act.

Section 177 also provides powers to the Authority to make regulations under the Act. These include:

- (1) The Authority may, by notification, make regulations consistent with this Act and the rules generally to carry out the provisions of this Act.

(2) In particular and without prejudice to the generality of the power conferred in sub-section (1), such regulations may provide for all or any of the following matters, namely:-

- (a) the Grid Standards under section 34;
  - (b) suitable measures relating to safety and electric supply under section 53;
  - (c) the installation and operation of meters under section 55;
  - (d) the rules of procedure for transaction of business under sub-section (9) of section 70;
  - (e) the technical standards for construction of electrical plants and electric lines and connectivity to the grid under clause (b) of section 73;
  - (f) the form and manner in which and the time at which the State Government and licensees shall furnish statistics, returns or other information under section 74.
  - (g) any other matter which is to be, or may be, specified;
- (3) All regulations made by the Authority under this Act shall be subject to the conditions of previous publication.

31. The Committee further asked about the specific amendments that have been proposed for CEA. The Ministry stated that the proposed amendments are mainly under Section 70 of the Act wherein the Central Electricity Authority has been designated as a Department to be established by the Central Government under the Act and shall exercise such functions and perform such duties as are assigned under the Electricity Act, 2003. The terms and conditions, including the eligibility and experience of the Chairperson and Members to be appointed by the Central Government shall be prescribed under the Act. It is also proposed that the post of Chairperson and Members be encadred for the CPES Cadre.

32. When asked, how the proposed amendments will ensure more effective functioning of CEA, the Ministry informed that the proposed amendments will clearly specify the status of the Central Electricity Authority as a Department and shall be functioning as a Authority for exercising the functions assigned to it under the Act. This will also lead to more clarity and effective functioning of CEA as all service matter would also be in line with the guidelines notified by Government of India, D/o Personnel and Training. Further, the Cadre shall be established in a proper way and will be maintained smoothly due to encadrement of the posts of Chairperson/ Members.

33. The Committee further asked whether the CEA has performed hitherto as an institution on expected lines, the Ministry stated that the functioning of CEA was affected due to various vacancies available and not filled in the past due to various reasons including court cases. However, carrying out these amendments and framing of rules appropriately under the provisions of the Act shall ensure effective functioning of CEA again.

34. The Committee enquired as to what has prompted to bring amendments relating to CEA. The Ministry replied as under:-

The proposed amendments are made for:

- (i) Clarifying the status of CEA as a Department and not a statutory body.
- (ii) Providing better promotional avenues for the officers of CEA by encadering various posts at the level of Members and Chairperson.

## **CHAPTER:- 8**

### **RATIONALIZATION OF TARIFF DETERMINATION**

1. The Committee while noting the proposed amendments relating to tariff determination, regulation and the recovery asked about the factors and inputs that are taken into account while determining the tariff. The Ministry replied as under:-

The appropriate Commission determines the tariff as per the terms and conditions u/s 62 of the Electricity Act 2003. It is guided by the following criteria:

- The factors which would encourage, good performance and optimum investments;
- Safeguarding of consumers; interest and at the same time, recovery of the cost of electricity in a reasonable manner;
- The principles rewarding efficiency in performance;
- Multi-year tariff principles;
- That the tariff progressively reflects the cost of supply of electricity and also reduce cross-subsidies in the manner specified by the Appropriate Commission;]
- The promotion of co-generation and generation of electricity from renewable sources of energy;
- The National Electricity Policy and Tariff policy:

2. The appropriate Commission follows the following procedure:

The petitions are placed on the website of the CERC/SERC seeking comments from the respondents and all other stakeholders. An open hearing is held, where stakeholders can present their views in person. The CERC/SERC considers all the comments/views and does its own prudence check. The tariff of power from generating stations and charges for transmission and distribution systems are fixed after this process, through a speaking order for the Tariff Period. In case of the tariff of consumer based on cross subsidy fixed by the CERC/SERC for different categories of consumers, in accordance with the State Government policy, the CERC/SERC issues a speaking Tariff Order for the year for different categories of consumers. In both cases, the Order incorporates the comments of stakeholders, giving the reason for the decision of the CERC/SERC in respect of tariff.

Besides, the Tariff Policy issued by Ministry of Power in 2006 as amended from time to time, lays down the following framework for performance based cost of service regulation to fix the tariff for generation, transmission as well as distribution, which is considered by the appropriate Commission:

1. Return on investment
2. Equity norms
3. Depreciation.
4. Cost of debt.
5. Cost of Management of Foreign Exchange Risk
6. Operating Norms.
7. Renovation and Modernization
8. Multi Year Tariff
9. Benefits under CDM

3. The Committee when asked whether some new factors are required to be taken into account for determining the tariff, the Ministry replied in negative.

4. When asked about participation of the Association/Representative's Bodies/Consumers etc. form part of process before arriving at any decision with regard to tariff fixation, the Ministry replied as under:-

Yes, all the stakeholders including the Association/Representatives Bodies/Consumers etc. are allowed to take part in the process before arriving at any decision by the Appropriate Commissions with regard to tariff fixation.

5. The Committee for the sake of clarity, enquired whether as of now the process of tariff fixation is deficient, the Ministry replied as under:-

The process of fixation of tariff followed by Appropriate Commission as of now is not deficient, as it follows transparent process in respect of tariff determined under the cost-plus approach (u/s 62 of the Electricity Act 2003). In respect of tariff determined through competitive bidding, (u/s 63 of the EA 2003) the tariff is adopted by the Appropriate Commission, after ensuring that the proper process of bidding has been followed.

6. The Committee also observed that due to the gaps in tariff policy and its process there has been continuous hike in electricity tariff which has come in for great public criticism. However, the Government is shown its ignorance to this fact in writing.

7. The Committee further asked, about the instances of delays in filing tariff petitions by the licensees and the corrective steps taken by the competent authority. The Ministry replied as under:-

Instances of delays in filing of tariff petitions by the licensees (Discoms) were observed by the Ministry of Power based on the reports of Power Finance Corporation and the Forum of Regulators. Secretary (Power) through the letter dated 21.1.2011, invited the attention of APTEL to the aspect that *tariff revision has not taken place in several States, owing to the delay by the States to file annual tariff revision petitions in time.*

Based on the communication from the Ministry of Power, APTEL initiated a *suo-moto* petition and directed the State Electricity Regulatory Commission inter alia that .... *“It should be the endeavour of every State Commission to ensure that the tariff for the financial year is decided before 1<sup>st</sup> April of the tariff year. ... In the event of delay in filing of the ARR, truing-up and Annual Performance Review, one month beyond the scheduled date of submission of the petition, the State Commission must initiate suo-moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the Tariff Policy.”*

APTEL also directed all the State Commissions to follow the directions scrupulously, and send the periodical reports by 1<sup>st</sup> June of the relevant financial year about the compliance of the directions to the Secretary, Forum of Regulators, who in turn will send the status report to this Tribunal and also place it on its website.

The Forum of Regulators complied with the directions of the APTEL. The APTEL vide their Order dated 3.11.2014 held

*that, there has been some delay in passing the Tariff Orders for FY 2014-15. However, several of the Commissions have explained the delay in passing such orders on the ground of the directions given by the Election Commission of India. Some other State Commissions have also put forth other reasons such as non-submission of data, etc. It is apparent that almost all the State Commissions are cognizant of the necessity of passing timely tariff orders. In the circumstances, no further directions are needed in this regard except to reiterate the timelines mentioned in the main order dated 11.11.2011.*

8. When asked about the corrective action proposed by the Government in the amendment Bill, the Ministry stated that through this amendment it is proposed that if the application for tariff is not filed within thirty days of the last date specified for such filing, the Appropriate Commission would initiate proceedings on its own for determination of tariff. The reasons for this amendment is that a number of State Distribution Companies were not filing Tariff Petitions in time.

9. Regarding the details about the prescribed time limit for disposal of tariff petition by the appropriate Commissions, the Ministry informed as under:-

The Electricity Act, 2003 prescribes the time limit of 120 days for disposal of tariff petitions by the Appropriate Commissions. The number of days for issue of Tariff Orders is also proposed to be reduced from 120 days to 90 days. If the application for tariff is not filed within thirty days of the last date specified for such filing, the Appropriate Commission would initiate proceedings on its own for determination of tariff.

10. When asked about the usual time taken by the appropriate Commissions for disposal of tariff petition, the Ministry replied that the time taken for disposal of the tariff petitions varies from Commission to Commission. However, the time taken by the Commission is from three months to three years.

11. Regarding the broad reasons for the delay in disposal of tariff petition by the appropriate Commissions, the Ministry replied as under:-

(i) The petitions filed were deficient in vital technical and financial information. The generating companies and transmission licensees take usually long time to make up the deficiency in the petition;

(ii) The petitions are taken for hearing after complete in all respect. During the hearing, the parties sometimes seek adjournment for filing of replies and rejoinders or seek additional information;



(iii) The Commission some time asks for additional information on affidavit after hearing the parties and process takes time to get completed;

(iv) The number of tariff petitions filed during the years has been exponentially increasing, while the existing staff strength which remains unaltered since inception of the Commission is unable to cope with the work load of examining the tariff claims in detail in accordance with the provisions of the regulations making the objections of the beneficiaries and calculation of tariff.

12. Regarding the corrective steps being prescribed for disposal of tariff petition by the appropriate Commissions within the prescribed time limit, the Ministry replied that CERC is initiating the process for sanction of more staff to meet the demand of the increasing work load. In the meantime, CERC is taking steps to engage consultants to assist the regular staff in the process of tariff determination.

13. The Committee then asked about the provisions which have been proposed for non-compliance of the time limit by the appropriate Commission. The Ministry stated as under:-

One of reasons for delay in disposal of tariff petitions is the time taken by the generating companies and transmission licensees to remove the deficiency in the petitions at the initial stage and subsequently by all the parties to complete the pleading and submit the required information in time. CERC has initiated the steps to prescribe the time limit for each petitions for compliance with the directions of the Commission failing which the petition will be summarily rejected.

14. The Committee observed that the Ministry has proposed initiation of suo-motu proceedings by the commissions for determination of tariffs in the amendment Bill. When asked about the basis for introducing this provision into the Act, the Ministry replied as under:-

Instances of delays in filing of tariff petitions by the licensees were observed by the Ministry of Power based on the reports of Power Finance Corporation and the Forum of Regulators. Secretary (Power) through the letter dated 21.1.2011, invited the attention of APTEL to the aspect that *tariff revision has not taken place in several States, owing to the delay by the States to file annual tariff revision petitions in time.*

Based on the communication from the Ministry of Power, APTEL initiated a *suo-moto* petition and directed the State Electricity Regulatory Commission inter alia that .... "*It should be the endeavour of every State Commission to ensure that the tariff for the financial year is decided before 1 April of the tariff year. ... In the event of delay in filing of the ARR, truing-up and Annual Performance Review, one month beyond the scheduled date of submission of the petition, the State Commission must initiate suo-moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the Tariff Policy.*"

Hence this provision has been introduced in the amendment to EA 2003, so that the State DISCOMS get tariff order on time and the consumers are also not inconvenienced by making higher lump sum payments.

15. When asked, will this not be construed to be a leverage for supply licensees, the Ministry stated that this will not be construed as a leverage for supply licensees not to file tariff petitions, because in this case also the process of hearing and passing of tariff order will remain the same as prescribed in Section 64 of Electricity Act, 2003.

16. When asked, will suomotu proceedings in this regard not infringe upon the rights of the some of the stake holders, the Ministry replied that this will not infringe upon the rights of the stake holders, since the procedure for tariff order would remain the same as when the Distribution company would file the Petition, i.e. the stakeholders can continue to participate in the proceedings before the tariff order is passed.

17. During the course of evidence the Ministry proposed the following changes in the applicability of tariff policy in Section 61 Sub Section (2):-

"Notwithstanding anything contained in this Act, the appropriate commission shall necessarily be guided by the Tariff Policy for the purpose of Tariff determination."

18. The Committee was further informed by the Ministry during the course of evidence that consequent to the feed back from the stake holders during the discussion with the Committee, they propose following addition to the Section 62:-

"Provided that there shall be no re-determination of tariff by the Appropriate Commission under this section for the tariff determined by competitive bidding as per section 63 except under change in Law or force majeure as specified in the Standard Bidding Documents."

19. The Ministry also proposed to change in the amendments proposed, the following with regard to Section 62 (1) (b):

"Provided also that any penalty imposed under this Act shall not be accounted for determining the tariff under this section and shall not be pass through to the consumers as part of tariff determined."

## CHAPTER: 9

### GRANTING DEEMED LICENSEE STATUS

The Committee observe that the Government, through this amendment to the Electricity Bill, 2003, has proposed to treat Railways and Delhi Metro Rail Corporation, Damodar valley Corporation, SEZs or such other transport entities as deemed Licensee. This provision will enable these entities to engage in the business of transmission or supply of electricity.

2. For the purpose, the Government has proposed following amendment:-

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| <b>Section 14</b> | <p>9. For section 14 of the principal Act, the following shall be substituted, namely:—</p> <p>“14. The Appropriate Commission may, on an application made to it under section 15, grant a licence to any person—</p> <p>(a) to transmit electricity as a transmission licensee; or</p> <p>(b) to distribute electricity as a distribution licensee:</p> <p>Provided that the Developer of a Special Economic Zone notified under sub-section (1) of section 4 of the Special Economic Zones Act, 2005, shall be deemed to be a licensee for the purpose of this clause, with effect from the date of notification of such Special Economic Zone:</p> <p>Provided further that the decentralised distributed generation networks not connected to the distribution system may continue to operate without getting connected to the distribution system, even in case of grant of licence for operation of the distribution system in that area; or</p> <p>(c) to undertake trading in electricity as an electricity trader, or</p> <p>(d) to supply electricity as a supply licensee, in any area as may be specified in the licence:</p> <p>Provided that any person engaged in the business of transmission or supply of electricity under the provisions of the repealed laws or any Act specified in the Schedule on or before the appointed date shall be deemed to be a licensee under this Act for such period as may be stipulated in the licence, clearance or approval granted to him under the repealed laws or such Act specified in the Schedule, and the provisions of the repealed laws or such Act specified in the Schedule in respect of such licence shall apply for a period of one year from the date of the commencement of this Act or such earlier period as may be specified, at the request of the licensee, by the Appropriate Commission and thereafter the provisions of this Act shall apply to</p> ” |
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such business:

Provided further that any person engaged in the business of distribution of electricity on or before the commencement of the Electricity (Amendment) Act, 2014 shall be deemed to have authorisation to undertake distribution of the electricity as a distribution licensee and also to supply electricity as a supply licensee till the transfer scheme under clauses (a) and (b) of sub-section (4A) of section 131 is effective in accordance with the provisions of this Act, where upon the distribution business and the supply business shall be undertaken in the manner as stipulated in the said transfer scheme:

Provided also that the Central Transmission Utility or the State Transmission Utility shall be deemed to be a transmission licensee under this Act:

Provided also that in case an Appropriate Government transmits electricity or distributes or supplies electricity or undertakes trading in electricity, whether before or after the commencement of this Act, such Government shall be deemed to be a licensee under this Act, but shall not be required to obtain a licence under this Act:

Provided also that the Railways as defined under the Indian Railways Act, 1989 and the Metro Rail Corporation established under the Metro Railways (Operation and Maintenance) Act, 2002 be deemed to be a licensee under this Act, and shall not be required to obtain a licence under this Act:

Provided also that the Damodar Valley Corporation, established under sub-section (1) of section 3 of the Damodar Valley Corporation Act, 1948, shall be deemed to be a licensee under this Act but shall not be required to obtain a licence under this Act and the provisions of the Damodar Valley Corporation Act, 1948, in so far as they are not inconsistent with the provisions of this Act, shall continue to apply to that Corporation:

Provided also that the Government company or the company referred to in sub-section (2) or sub-section (4) or sub-section (4A) of section 131 of this Act and the company or companies created in pursuance of the Acts specified in the Schedule or any company or companies as may be notified by the Central Government, shall be deemed to be a licensee under this Act:

Provided also that the Appropriate Commission may grant a licence to two or more persons for supply of electricity within the same area of supply, subject to the conditions that the applicant for grant of supply licence within the same area shall, without prejudice to the other conditions or requirements under this Act, comply with the additional requirements (relating to the capital adequacy, Credit worthiness or code of conduct) as may be prescribed by the Central Government, and no such applicant, who complies with all the requirements for grant of licence, shall be refused grant of licence on the ground that there already exists a licensee in the same area for the same purpose:

Provided also that at least one of the supply licensee shall be a Government company or Government Controlled Company:

Provided also that where a person intends to generate, distribute and supply electricity in a rural area to be notified by the State Government, such person shall not require any licence for such

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|  | <p>generation, distribution and supply of electricity, but he shall comply with the measures which may be specified by the Authority under section 53:</p> <p>Provided also that where a person intends to generate and supply electricity from renewable energy sources, such person shall not require any licence for such generation and supply of electricity, but he shall comply with the measures which maybe specified by the Authority under sections 53 and 73:</p> <p>Provided also that a supply licensee shall not require a licence to undertake trading in electricity:</p> <p>Provided also that a distribution licensee, after effective date of transfer under sub-section (4A) of section 13, shall not engage in trading or supply of electricity:</p> <p>Provided also that in a case where a distribution licensee was undertaking the distribution of electricity, prior to the commencement of the Electricity (Amendment) Act, 2014, for a specified area within his area of distribution through a franchisee such franchisee shall not be required to obtain any separate licence from the State Commission concerned and such distribution licensee shall remain responsible for distribution and supply of electricity in that area of distribution till the expiry of the existing agreement with the distribution and supply licensee of that area.”.</p> |
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3. The government has also proposed amendment to Section 54 as under:

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| <b>Section 54</b> | <p>32. In section 54 of the principal Act, in sub-section (1), in the proviso, after the words and figures “the Railways Act, 1989”, the words, brackets and figures “or metro railway under the Metro Railways (Operation and Maintenance) Act, 2002” shall be inserted.</p> | <p>Clause 32.— This clause seeks to amend section 54 of the principal Act whereby the metro railway under the Metro Railways (Operation maintenance) Act, 2002 has been added in addition to Railways in view of the necessity to treat both alike.</p> |
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4. The Committee also sought inputs from the Ministry of Railways on the proposed amendments. They furnished their views in writing as follows:

Railway is the single largest consumer of electricity in the country catering to the needs of all sections of the society and a vital infrastructure for the development of the country. It not only provides the most efficient and economical mode of public transport but also operates in line with its socio-economic obligations. In view of the importance and strategic nature of the services being provided by Railways, it should be treated separately so that it does not require any license for carrying out activities in its own premises as recognized in

the Act and in doing so will not pay any cross subsidy to the existing distribution licensees and exempted from any obligations other than technical standards applicable to other licensees.

Further, as of now, Railways have to deal with a large number of issues of procedural, regulatory and legal nature with a large number of entities at state/regional/national levels which leads to avoidable wastage of a time and effort. As it provides essential services to the nation they should have priority in terms of grants of transmission corridors/restoration of supply etc. As such, it will be desirable that till the time, Railways do not have their own regulatory body, CERC shall be the Appropriate Commission for all purposes in the Act. In doing so, CERC, APTEL and other statutory bodies may be strengthened through representation from Railways at appropriate level having qualification and experience in the field of Railways Electric Traction to be prescribed by the Central Government.

**Amendments proposed by Railways:-**

(i) Additional Proviso to be added in Section 42(2)

“Provided further that such surcharge shall not be leviable to Railways in discharging their functions.”

(ii) Section 77(1) (d) “A person having qualification and experience in Railway Electric Traction “

(iii) In Section 112(1) The words ‘three’ to be replaced with ‘four’

(iv) In Section 113 (1)(b) Subsection (iv) to be added as “A person having qualification and experience in Railway Electric Traction “

(v) Section 173 A to be inserted as “Notwithstanding anything contained elsewhere in this Act, till the time a regulatory authority is constituted by Railways, CERC should be the Appropriate Commission for all purposes in the Act for Railways in discharge of their functions under the Act and in doing so Railways shall be exempted from any obligations other than technical standards applicable to other licensees and will be treated on priority by the statutory bodies established under the Electricity Act, 2003.”

5. The Committee, initially, sought some clarifications from the Ministry of Power on the use of the phraseology in the Bill. When asked, to spell out the difference of licensee and deemed licensee, the Ministry replied that Licensee is a company seeking to undertake the specific operation for which a license is required from the Appropriate Commission. Deemed licensee, are deemed to be Licensee under the provisions of the Electricity Act, 2003, and has to inform the Appropriate Commission for carrying out the activities and is not required to obtain the license.

6. When asked about the need for introducing the provision of deemed licensee, the Ministry informed that Deemed licensee is conceptualized in wake of continuation of existing licensees and maintaining continuity in the operation.

7. Regarding similarity in the functioning power and jurisdiction of Deemed licensee and existing licensees, the the Ministry further informed that functioning, Power and Jurisdiction is well defined in the license granted by the Appropriate Commission in accordance with the Regulations notified by the Commission.

8. During the course of evidence, for the purpose keeping this clause open for any entity to be included in the term ' Deemed Licensee', the Ministry further proposed that the following shall be inserted in Section 14, proviso 7:-

" ...read with the Metro Railways (Amendment) Act, 2009 and such other transport entities as may be notified by the Central Government, from time to time shall be deemed to be a licensee under this Act, and shall not be required to obtain a license under this Act.

## **Chapter-10**

### **Observations**

Having considered the views of stake holders, experts and the Ministry of Power, the Committee now proceed to make general observations/recommendations on the Electricity (Amendment) Bill, 2014.

#### **Segregation of Carriage and Contents:**

- 1. The Committee notes that the concept of segregation of Carriage and Content is the soul of the Electricity (Amendment) Bill, 2014. This will help in clearly identifying the technical and commercial losses as hitherto the technical losses are usually accounted to the network business while commercial losses to supply business. The intention is to segregate the entire distribution network from the supply business. However, clarity is required as to the level and manner at which it will be put into action. The broad and flexible guidelines in this regard are to be framed giving the States due scope to align these guidelines as per their conditions.**
- 2. The Committee find that the Bill also envisages to introduce multiple supply licensees in the area of supply businesses with one incumbent supply licensee. These licensees will be regulated by the conditions of license to be specified by the appropriate Commission. The Committee feel that this is the most vital function having the potential to make or mar the success of the story and hence, it cannot be left alone to the wisdom of appropriate Commission. Some well defined parameters should be laid down so as to allay the discretionary and arbitrary powers of Commission. This becomes all the more necessary given the nature of the consumer mix of our country. The norms to be laid down should envision the equitable apportionment of consumers for the purpose of supply of electricity taking into consideration the status of consumers, direct and cross-subsidy being**



paid to them and also the losses of technical and commercial nature. This will help in dispelling the apprehension about the cherry picking of the consumers by the supply licensee.

3. The Committee observe that there have been encouraging response from most of the States on the idea of segregation of Carriage and Content. However, some of them have expressed their apprehensions about its sudden and immediate implementation as this is a radical step as far as power sector is concerned. Hence, States may not be well prepared to adopt it in one go as a period of one year was provided after the commencement of the Electricity Amendment Act, 2014 for separation of distribution and supply of electricity. After interaction with the various stakeholders, the Government has now proposed a period of two years or within such period as the appropriate State Government may decide in consultation with the Central Government whichever is later but not exceeding 5 years and in such a manner and phases as prescribed. The Committee welcome the proposal of the Government on the issue of the implementation of segregation of Carriage and Content giving the States option to implement it in a gradual manner. The Committee also feel that some incentives may be provided to the States who take lead in the implementation of segregation of carriage and content.

4. The Committee note that the choice for selecting the area cannot be left entirely to the private supply licensee. Instead, areas in which subsequent supply licensees could be allowed should be progressively notified in consultation with the all concerned. This is important considering the technical prerequisites for hassle free operation of multiple supply licensee in an area, such as, smart metering with real time communication for all points of energy transaction, putting in place proper mechanism for energy accounting among multiple supply licensee, making foolproof system for real time scheduling of power by multiple supply licensees etc.

Such progressive introduction of multiple licensees is in tune with the approach of piloting new systems, learning and extending the system in phases.

5. The provision of last resort supply licensee is a welcome step, but it may lead to the Government supply licensee becoming a last resort supply licensee invariably. If this happens, it may lead to manifold problems and a stage may come wherein this licensee will be in no position to supply the electricity. Hence, this concept should be developed and implemented in such a manner that each of the supply licensees in whichever area they are working, shall shoulder the responsibility of last resort supply licensee irrespective of the area of supply. For the purpose, appropriate norms can be laid down after identifying the category of consumers for whom this kind of last resort supply licensee may really be a last resort for getting the electricity. The universal supply obligation should be mandatory for all supply licensees in his area of license and also in the areas which may be assigned to such licensees from time to time with a view to ensure that all such supply licensees are provided a level playing field.

6. The Committee note that the work of distribution shall remain with the distribution licensee which is going to be a Government company. Presumably this is being done because most of the distribution network is in the Government sector and it cannot be devolved into the private sector as it will involve several complications. However, it has been proposed that supply licensee will make use of these distribution lines for the purpose of supply business. It is true that they cannot do it without taking the services of distribution lines, and hence, if not allowed, this will hamper the objective of the Bill. The Committee while fully endorsing the move feel that the would-be supply licensees should have some accountability towards these distribution lines and other apparatus related to it. Simply, charging a fee would be insufficient as huge amount has been invested into these distribution lines and also on maintaining them. Whether levying a fee for

availing the services would sustain these lines should be considered into all its aspects and thereafter an appropriate decision should be taken whether something extra is required to be levied upon for availing the services of distribution network.

7. The Committee note that the Bill proposes the creation of intermediary company. This means an entity succeeding to the existing power purchase agreements and procurement agreements of the relevant distribution licensees on reorganization. Although, this will succeed the existing arrangements yet creation of intermediary company by unbundling of distribution function is nothing but replication. It may lead to imperfection in bulk supply market by design and will lead to adding in the transaction cost without any value to the consumers. Modalities regarding dynamic allocation of PPAs is yet to be worked out along with its legal implications. This may also lead to the presence of only window for purchase of electricity. Despite the fact that some mechanism is required after the unbundling of the distribution, yet some system will have to be introduced to ensure that intermediary company is working in a fair and transparent manner within the stipulated guidelines. These guidelines may appropriately be framed in consultation with the all concerned.

8. The Committee note that there is no coordination with regard to the needs of the consumers. Although, these issues will arise only after the introduction of the concept of segregation of Carriage and Content, yet they are too vital to be left unattended. Installation of meters, billing, disconnections and grievance redressal relate to all kinds of consumers. Hence, they require clarity right from the beginning. Whether it will be a single meter business for distribution and supply or otherwise needs clarification. Similarly, the issue of disconnection also need to be resolved in the similar vein. The Committee, therefore, feel that consumers related issues need to be resolved at this stage itself in a broad manner paving the way for the States to fine tune them as per their local conditions. Similarly, no mechanism

has been suggested for making available the option to consumer with regard to choice of supply licensee, transfer of system from one to another based on the choice of the consumer and the cost involved in such choice and transfer, the Committee observe that these issues should be addressed satisfactorily.

9. The Committee note that after interaction with the various stakeholder on the Bill a new proviso has been inserted to Section 14 regarding franchisee. The Proviso states that 'in a case where a distribution licensee or a supply licensee proposes to undertake distribution or supply of electricity for a specified area within his area of distribution or supply through a franchisee, that franchisee shall not be required to obtain any separate licence from the Appropriate Commission and such distribution licensee or supply licensee shall be responsible for distribution or supply of electricity in his area of distribution or supply'. The Committee observe that this provision has been inserted with a view to provide more options for the smooth service regarding distribution and supply of electricity. However, it has not taken note about the accountability of such franchisees as they are free from seeking any permission from appropriate bodies. No guidelines shall be applicable to them and they will be acting on their own volition. Since they will be engaged in the service intensive sector affecting myriads of customers hence, they should be made accountable for their services. The Committee, therefore, recommend that such franchisees should be made accountable in some manner to the customers so that they do not flee after complaints of their unsatisfactory and unhealthy practices which they tend to adopt during the course of their franchisee.

## **Grid security**

**10. The Committee note that there a provision wherein any generating company may be required by the system operator to build and maintain a spinning reserve of such capacity as may be notified by the Central Government from time to time as provided under Section 7(1) of the Bill. However, during evidence the Government has proposed amendments substituting the Central Government with the Authority and also introduced changes to the affect " i) Spinning reserve shall be made available on the directions of the National Load Despatch Centre or Regional Load Despatch Centre or State Load Despatch Centre, as the case may be, in place of system operator ii) Time for establishing Spinning reserve may be notified by the Appropriate Commission in place of Central Government". The Committee find that this becomes essential to maintain grid safety and security particularly when renewable energy is proposed to be linked with the grid connectivity. However, it would have been more appropriate had the capital investment likely to be involved for such exercise should also have been estimated on certain parameters. Capacity tie up would also have brought clarity with regard to the maintaining of spinning reserve.**

**11. The Committee note that various measures have been suggested by the Government to maintain grid security which inter-alia include i) increase in the quantum of penalty for violation of directions by Regional Load Dispatch Centres (Section 29) ii) increase in the quantum of penalty for violation of directions by State Load Dispatch Centres (Section33) iii) Compliance of grid standards as specified by the Central Electricity Authority by any licensee, generating company, any person maintaining a dedicated transmission line etc. (Section 34), Directions by appropriate government for grid security and safety (Section 37) punishment for non-compliance of direction by Appropriate Commission (Section 142) and**

punishment for non compliance of order or directions given under the Act (Section 146). The Committee also note that CERC is responsible for specifying measures for grid security. It introduced grid code and UI mechanism (now Deviation Settlement Mechanism) for maintaining grid discipline. Besides, the grid frequency has been fixed at 49.90 hz to 50.05 Hz. POSOCO has also been involved for maintaining grid security as it is responsible for carrying out real time operation for grid control and dispatch of electricity within the region through secure and economic operation in accordance with the grid standards. In addition, National Load Dispatch Centre has been designated as Apex Body to ensure integrated operation of National Power Grid. The Committee find that despite these elaborate arrangements, Grid security cannot be termed as foolproof. The Committee, therefore, recommend that the role of CERC and various LDCs in this regard need to be thoroughly reviewed and wherever it is found not up to the mark, it should be duly strengthened and also accountability should be fixed for any lapses.

### **Open Access**

12. The Committee note that the objective of Open Access is to facilitate the supply of electricity from surplus region to deficit region and also to promote non-discriminatory use of transmission lines or distribution system or associated facilities with such lines or system by any licensee or consumer or a person engaged in generation. Regulatory Commissions have been given adequate powers to introduce and regulate Open Access in such phases and subject to such conditions which have due regard to all relevant factors including cross subsidies and operational constraints. The concept of Open Access has been important elements of reforms for market development. However, there are constraints also like Section 11 giving extraordinary powers to State Governments prohibiting export of power from their states. The Government proposes to amend Section 38,

39 and 42 of the principal Act making the Open Access more congenial to the emerging market. The Open Access shall be subject to surcharge in addition to transmission charges. Under Open Access, Central Commission is responsible for facilitating inter-state transmission of electricity while SERCs are responsible for intra-state functioning of the concept. Hitherto, Open Access has been available to the customers of 1 MW and above only. Now the Government has proposed that the customers below 1 MW will also be having the access to Open Access. The Committee appreciate the proposal of the Government and recommend that all precautions should be taken including rationalization of various charges to ensure that customer under this category are not exempted from the obligations which they were otherwise shouldering as non-open access customer. Proper monitoring of the Open Access transaction should also be ensured so that Open Access becomes not only a tool for market reforms but also an attractive option to the customer to avail the service.

### **Promotion of Renewable Energy**

13. The Committee note that the Government proposes to promote renewable energy production by making it mandatory for the upcoming power plants based on coal or lignite. section 7 of the Bill says "Notwithstanding anything contained in sub-section (1), any generating company establishing a coal and lignite based thermal generating station after a date and in a manner to be notified shall be required to establish a Renewable Energy Generation capacity as prescribed by the Central Government from time to time which shall not be less than ten per cent of the thermal power installed capacity. The Committee appreciate the resolve of the Government for promotion of the renewable energy in the country. However, during discussion on the issue, several factors regarding its practicability and implementation came up for analysis. Given the intermittent nature of the

production of renewable energy mainly based on climate factors including low plant load factor, grid security and its operation etc making it mandatory to a certain percentage may lead to several other problems. Keeping in view the above factors, the Government agreed to amendments specifying that any generating company shall be required to establish such renewable energy generation capacity or procure and supply renewable energy equivalent to such capacity, as may be prescribed by the Central Government from time to time after due consultation with stakeholders. The Committee welcome the flexibility shown by the Government in this regard. However, the Committee feel that there should be some minimum obligation to promote renewable energy. Hence, the Committee feels that it should be fixed to 5 per cent of the total energy generating capacity of the upcoming plant. Thereafter, it can be increased based on the amenability of all the related factors.

### **Provisions relating to Regulatory Commissions & Appellate Tribunals**

14. The Committee note that the Electricity Amendment Bill 2014 tend to provide extraordinary power to Regulatory Commission to regulate the sector. This inter-alia include power to grant license to supply electricity as supply licensee (Section 14) transmit electricity as transmission licensee (Section 14), period or such license (Section 15), expiry and revocation of license (20), suspension of license of Distribution Licensee or Supply licensee and appoint administrator to discharge their functions (Section 24), specifying surcharge for Open Access customers (38&40), specifying electricity code to provide recovery of electricity charges, intervals for billing of electricity charges, disconnection, restoration of supply etc. (Section 50). Besides, Regulatory Commission will have decisive say in determination of tariff. Section 12 has been proposed for amendments stating that no person shall transmit electricity, distribute electricity, undertake trading in



electricity or supply of electricity to consumers unless he is authorized to do so by a license. It is the Regulatory Commission which is authorized to grant license for these purposes. The Committee are of the view that the electricity sector is undergoing transformation and it is essential to regulate it. However, to bestow such unfettered power to a body may open other avenues for misuse of authority in the changed scenario. Electricity is a sensitive sector and it needs careful supervision so as to promote healthy and transparent competition for benefit of the customers. To achieve this some mechanism should be evolved with laid down norms wherein it is ensured that the Regulatory Commissions are functioning efficiently, transparently and also as per the spirit of the law. The Committee, therefore, recommend that Regulatory Commission should be mandated in such a way that they act in a transparent manner for the purpose of implementing the various provisions of the Electricity Act and they should be made accountable for the functions which they are assigned to do.

15. The Committee note that one of the functions of the Regulatory Commission is the timely disposal of tariff petition and other proceedings before them. The Electricity Act 2003 envisaged preparation of Annual Report by the Appropriate Commission regarding their performance. However, the proposed amendments seeks to make specific provisions for institutionalizing performance review of regulators through Forum of Regulators by constituting an independent Committee consisting of three persons of eminence. After discussion, the Government has now proposed that the Central Government shall constitute a Committee to review the performance of Central Commission or any State Commission, as and when required. The Committee welcome this move as a body of FOR was not the appropriate mechanism to review their own performance because of the subjectivity. The Committee, therefore, endorse the proposed amendments in the bill.

16. The Committee note that one of the proposed amendments suggests initiation of suo motu proceedings for the purpose of tariff determination. This has ostensibly been proposed due to non-filing of petitions by the State DISCOMs. Tariff determination involves a lot of inputs which are taken into account before its filing. Although there should be no excuse for delay in filing of petitions, yet it makes little sense to empower appropriate commission to take self initiative in this regard. Correspondingly it should be provisioned that Regulatory Commission shall decide the tariff petition within the specified time failing which its functioning and performance should be commented upon. Without the cooperation from the relevant quarters, determination of tariff will have little significance and relevance. Although number of days for issue of tariff orders is proposed to be reduced to 90 from 120 yet nothing has been said to ensure the compliance within the specified time. The data submitted to the Committee shows that from 2010-11 till 2013-14 average time taken for disposal of per petition is about 14 months whereas for the year 2013-14, it is 23 months per petition. This delay makes the entire process and its outcome meaningless. Hence, the Committee recommend that in addition to initiation of suo motu proceedings by the Commission, it would also be essential to define a timeline and its adherence for disposal of tariff petition by the Commissions.

17. The Committee note that the nature of function of Regulatory Commissions are quasi judicial in nature. So far, the Commission has the members from the background of engineering, economic, commerce, finance, law and management. The functions involves the primary knowledge of law with judicial interpretation. Hence, the amendments of the Government to induct one persons having qualification and experience in the field of law and judiciary is welcome step (Section 85). The Committee approves the amendment suggested in this regard.

## **Central Electricity Authority**

**18. The Committee observe that Central Electricity Authority is the technical body of the Government dealing with all aspects of the electricity in the country. It also advises the Central Government on matters relating to National Electricity Policy, formulate short term and perspective plan of the development of electricity system and advises on optimum utilization of resources to provide reliable and affordable electricity to all the customers. The Committee are satisfied with the functioning of the Authority. The Government itself has proposed for clarification about the status of CEA as a department and not as a statutory body. For better promotion avenues for officers of CEA encadrement of various posts at the level of members and chairpersons has also been suggested. The Committee welcome the proposal of the Government and recommend that this should be done on urgent basis.**

## **Rationalization of Tariff Determination**

**19. The Committee observe that the tariff policy is the guiding light prescribing various parameters for determination of tariff. The Government proposed amendments in Section 61 sub Section 2 providing that notwithstanding anything contained in this Act, the provision of tariff policy shall be followed by the Appropriate Commission for the purpose of tariff determination. After deliberations on the subject, the Government amended the proposal making that Appropriate Commission shall necessarily be guided by the Tariff Policy. The Government has softened its stand with regard to the mandatory adherence to Tariff Policy keeping in view the federal structure of our country. The Committee also appreciate the need for an Umbrella Policy in this regard as the constituents for determination of tariff are broadly identical throughout the length and breadth of the country. Yet the Committee feel that the Tariff Policy to be adopted should also have an element of the flexibility giving due autonomy to the States to act within the broad framework of the National Tariff Policy. This becomes essential as the ground realities, availabilities of raw material, manpower and other essential inputs may vary state to state. In view of the above, a rigid and uniform approach for determination of tariff may not be as beneficial. The Committee, therefore, recommend that the Tariff Policy should be framed in such a manner that it is in consonance with the provisions of the Electricity Act and also provide due and desired autonomy to the States within its ambit.**

**20. At present two processes of tariff fixation are in vogue. Under Section 62 of the Electricity Act, tariff is determined on cost plus approach. Under this section, determination of tariff is guided primarily by the following criteria:**

- The factors which would encourage, good performance and optimum investments;**

- Safeguarding of consumers; interest and at the same time, recovery of the cost of electricity in a reasonable manner;
- The principles rewarding efficiency in performance;
- Multi-year tariff principles;
- That the tariff progressively reflects the cost of supply of electricity and also reduce cross-subsidies in the manner specified by the Appropriate Commission;
- The promotion of co-generation and generation of electricity from renewable sources of energy;
- The National Electricity Policy and Tariff policy:

Tariff policy of the Government lays down the framework for performance based cost of service regulation to fix the tariff for generation, transmission as well as distribution. It provides 9 parameters for fixation of tariff. On being asked whether the process of tariff fixation is deficient, the Government replied in negative. One of the criteria is multiyear tariff principles which has been found to be satisfactory and it has also been stated that no new factors are proposed to be taken into account for determining the tariff. Amendments have been proposed making tariff revision an yearly exercise. The Committee are not averse to the yearly determination of tariff. However, we would like to impress upon that yearly tariff revision should not be done only for increasing the tariff. The constituents as reflected in the tariff policy for determining the tariff should be evaluated objectively and the benefit of improvements on return of investment, equity norms, depreciation, cost of debt should be passed on to customers. Besides, standards of performance should also be regularly reviewed before revising the tariff upwards. The Committee endorse the amendments proposed by the Government.

21. The Committee note that the Government has proposed amendment in Section 62 (1) providing that the Appropriate Commission shall determine the tariff in accordance with the provisions of this Act for supply of electricity by a generating company to a supply licensee including supply of electricity under a back to back arrangement involving an intermediary company, electricity trader or any other licensee. Provided that the Appropriate Commission may, in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a generating company and a licensee or between licensees, for a period not exceeding one year to ensure reasonable prices of electricity. Provided further that there shall be no such determination of tariff by the Appropriate Commission under this clause (a) to the extent the Central Government specifies that the procurement of electricity from the sources identified for the purpose by the supply licensee shall be done only by competitive bidding as per section 63. Further, during the course of evidence, the Ministry proposed 'Provided that there shall be no re-determination of tariff by the Appropriate Commission under this section for the tariff determined by competitive bidding as per section 63 except under change in law or force majeure as specified in the Standard Bidding Documents. The Committee feel that the proposed exceptions to Section 63 should either be illustratively elaborated so as to dispel any scope of discretion and subjectivity for tariff switching from section 63 to 62.

22. The Committee note that in the process of rationalization of tariff determination, the Government has proposed amendment in Section 61 D providing for recovery of cost of electricity without any revenue deficit in the context of tariff determined under Section 62. The Committee observe that this is a prospective arrangement and a welcome move as well. However, it is also noted that nothing has been said about the outstanding dues of various State DISCOMs

**(Regulatory Asset). Without realization of the outstanding dues, the health of State DISCOMs cannot be improved. Before embarking on the new system, it will be prudent if some concrete suggestions are also given with regard to the liquidation of regulatory assets. The Committee, therefore, recommend that to ensure the better future of DisComs some mechanism should be put in place for realization of their dues by liquidating the regulatory assets.**

**23. During the course of interaction, it was learnt that some States/Distributors/Suppliers levy's commercial rate on educational institutions i.e. schools and colleges. It is observed that in a State like Maharashtra for the past several years Rs.10 to Rs.12 per unit commercial rate are being charged even on Government aided/charitable schools. Such heavy commercial electricity charges are also collected even from schools which are in slums. The Committee feel such type of commercial electricity charges/exploitation be stopped. Further, The Ministry should clarify, either in the tariff policy or in the Act, that "residential electricity rate must be levied on all schools and colleges".**

### **Granting Deemed Licensee Status**

**24. The Committee observe that the amendment proposed in Section 14 of the Electricity Act, 2003 enables Indian Railways, Delhi Metro Rail Corporation, Damodar valley Corporation, SEZs or such other transport entities as deemed Licensees. They will be empowered under the Law to engage in the business of transmission or supply of electricity. The Committee further note that giving the status of 'Deemed Licensee' to the transport entities will not only enable them to setup captive power generation plants for consumption of electricity but they will be facilitated in the way that their projects will not be delayed anymore in want of electricity supply from the transmission licensees. Needless to mention that apart**

from getting prompt supply of electricity, they will also get cost effective power for themselves. This provision will also reduce transport fair for the general public in the view that Railways/ Delhi Metro will be getting cost effective power. The Committee while welcoming this provision by the Government ensuring rapid growth of the Industrial Sector and also the public Railways operating in the Country recommend that all the Metro Railways operating in different States should also be brought under the ambit of 'Deemed Licensee'. The Committee also recommend that till Railways have their own Regulatory Body, CERC may be designated as the Appropriate Commission for all purposes including procedural, regulatory and legal matters. Also, the Railways should be exempted from obligations other than technical standards. The Committee hope that once the Bill is passed by the Parliament, the Government will take prompt action on making the provision a reality.

25. Few members have difference of opinion on certain clauses. Their notes are placed at Exhibit.

26. Clause-wise recommendations are given in the Appendix.

**NEW DELHI**  
**5<sup>th</sup> May, 2015**  
**Vaisakha 3, 1936 (Saka)**

**KIRIT SOMAIYA**  
**Chairperson**  
**Standing Committee on Energy**



### Final Recommendations Clause-wise

Clause-wise amendments discussed during the hearing, accepted by the Ministry and now Recommended by the Committee

**The corrections/improvements in the Electricity (Amendment) Bill, 2014 accepted by the Ministry of Power based on deliberations/discussions during the committee meetings - (vide Para 3 of the Introduction)**

i) In section 2 of the Electricity Act, 2003 (hereinafter referred as the principal Act)—

**(i) in clause (1) , for the words “ Appellate Tribunal for Electricity” , the words “Appellate Tribunal for Energy” shall be substituted;**

ii) (ii) after clause (1), the following clause shall be inserted, namely:—

‘(1A) “ancillary services”, in relation to power system (or grid) operation, means the services necessary to support the power system (or grid) operation for maintaining power quality, reliability and security of the grid **as may be specified by the Appropriate Commission ;**

iii) Section-7:

“7. (1) Any generating company may establish, operate and maintain a generating station without obtaining a licence under this Act, if it complies with the technical standards relating to connectivity with the grid referred to in clause (b) of section 73:

Provided that any generating company establishing a **generating station after a date as notified** may be required to build and maintain a spinning reserve of such capacity as may be **specified** by the **Authority** from time to time:

Section-7:

Provided further that any generating company before establishing or expanding the capacity of a generating station shall submit a detailed project report and duly inform about the same to the Authority.

Explanation.—For the purposes of sub-section (1), the expression “spinning reserve” means the backup capacity of a generating station which shall be made available on the directions of the **National Load Despatch Centre or Regional Load Despatch Centre or State Load Despatch Centre, as the case may be**, within a time limit as may be notified by the **Appropriate Commission in consultation with the Central Government**, to maintain grid safety and security.

iv) **Section-7**

(2) Notwithstanding anything contained in sub-section (1), any generating company, establishing a coal and lignite based thermal generating station after a date **as** notified, shall be required to establish **such** renewable energy generation capacity **or procure and supply renewable energy equivalent to such capacity**, as **may be** prescribed by the Central Government from time to time **after due consultation with stakeholders**.

**Provided that such renewable energy generation capacity shall not be less than five percent of the thermal capacity.**

(3) In case any existing coal and lignite based thermal power generating station, with the concurrence of **all the** power procurers under the existing Power Purchase Agreements, **establishes** additional renewable energy generating capacity **or procure and supply additional renewable energy, such renewable energy** shall be allowed to be **supplied to the procurers on terms and conditions as mutually agreed amongst them including bundling and approved** by the Appropriate Commission, and the Obligated Entities who finally buy such power shall account the same towards their renewable purchase obligations.”

v) **Section 12**

(3) Without prejudice to sub section (2), the Appropriate Government in consultation with the Appropriate Commission may, in public interest, permit more than one distribution licensee to operate in any area, if it is considered necessary.

vi) **Section 14 proviso 7**

Provided also that the Railways as defined under the Indian Railways Act 1989 , the Metro Rail Corporation established under the Metro Railways (Operation and Maintenance) Act, 2002 **read with the Metro Railways(Amendment) Act, 2009, mono rail and such other transport entities as may be notified by the Central Government, from time to time, shall** be deemed to be a licensee under this Act, and shall not be required to obtain a license under this Act;

vii) Section 14 proviso 11  
Provided also that , **in case of multiple supply licences being issued** one of the supply licensees shall be a Government company or Government Controlled Company, **within a time frame as notified by Appropriate Government.**

viii) **Section 14 proviso 17**  
**Provided also that in a case where a distribution licensee or a supply licensee proposes to undertake distribution or supply of electricity for a specified area within his area of distribution or supply through a franchisee , that franchisee shall not be required to obtain any separate licence from the Appropriate Commission and such distribution licensee or supply licensee shall be responsible for distribution or supply of electricity in his area of distribution or supply.**

ix) Section 29 proviso 6  
“(6) If any **generating company or** licensee fails to comply with the directions issued under sub-section (2) or sub-section (3), he shall be liable to a penalty not exceeding ten crore rupees:

Provided that in case of non-compliance of the directions issued under subsection(2) or sub-section (3), by a generating company for generating renewable energy, such generating company for generating renewable energy shall be liable to a penalty not exceeding one crore rupees.”

x) Section 33 proviso 5  
“(5) If any **generating company or** licensee fails to comply with the directions issued under sub-section (1), he shall be liable to a penalty not exceeding one crore rupees:

Provided that in case of non-compliance of the directions issued under subsection(1), by a generating company for generating renewable energy, such generating company for generating renewable energy shall be liable to a penalty not exceeding ten lakh rupees.”.

#### ‘PART VI A - SUPPLY OF ELECTRICITY

xi) 51A. Duties of supply licensee.- (1) It shall be the duty of the supply licensees to supply electricity in the concerned area of supply in accordance with the provisions of the Act:

Provided that till the transfer of the obligation to supply to the incumbent supply licensee, the existing distribution licensee shall have the obligations to continue to supply electricity in the area of supply in accordance with the provisions of the Act with the same rights, privileges and duties of the supply licensee.

(2) The Appropriate State Government shall, within a period of **two** years from the commencement of the Electricity (Amendment) Act, 2014 or within such period as the Appropriate State Government may decide in consultation with the Central Government, **whichever is later but not exceeding five years from the commencement of this Act**, provide for separation of distribution and supply of electricity **in such manner and phases as prescribed** and for such purpose, issue appropriate transfer scheme and vest the supply functions in the incumbent supply licensee and the existing power purchase agreements and procurement arrangement in the intermediary company respectively as per the provision of section 131.

xii) 'PART VI A - SUPPLY OF ELECTRICITY

**51B. Duty to Supply on request.-** (1) The supply licensee as selected by the Customer (Consumer) shall, on an application of the owner or occupier of any premises within fifteen days of the connection being given to the premises by the distribution licensee in terms of section 43 commence supply of electricity as required by the person:

(2) Save as otherwise provided in this Act, any Customer (Consumer) in the area of supply shall, in such manner as may be **specified by Appropriate Commission** have the option to choose any of the supply licensees for supply of electricity to the premises owned or occupied by him.

Explanation.—For the purposes of this sub-section, “application” means the application complete in all respects in the appropriate form, as required by the supply licensee, along with documents showing payment of necessary charges and other compliances:

Provided that the provider of last resort shall have the obligation to supply electricity to the Customer (Consumer) in the area of supply in case the supply licensee chosen by the Customer (Consumer) ceases to be a supply licensee or otherwise **fails to supply or** his supply licence is suspended for any reason whatsoever

xiii) Section 51 D

**51D. Power to recover charges.-** (1) Subject to the provisions of this section, the maximum ceiling of charges to be charged by a supply licensee for the supply of electricity by him to a particular category of consumer in pursuance of Section 51(B) shall be as determined by the Appropriate Commission from time to time.

(2) The maximum ceiling of charges shall be fixed by the **Appropriate State Commission** on the basis of normative costs and standards of performance as laid down by such Commission

(3) Notwithstanding anything contained in this Act the supply licensee may, with the prior approval of the Appropriate Commission, charge any price higher than the ceiling charge as may be mutually agreed with any consumer.

xiv) **Section 51 H**

Consumer grievances redressal - (1) Every distribution licensee or supply licensee shall, as the case may be, having the obligation **to distribute electricity in his area of distribution or** to supply in **his** area of supply within six months from the appointed date or date of grant of licence, whichever is earlier, establish a forum for redressal of grievances of the consumers in accordance with the guidelines as may be specified by the State Commission.

**Provided that in case of multiple supply licensees a joint forum for redressal of grievances of the consumers shall be constituted as may be specified by the State Commission within a period as may be specified or within six months, whichever is earlier.**

xv) Section 61 Sub Section(2)

“(2) Notwithstanding anything contained in this Act, the Appropriate Commission **shall necessarily be guided by the Tariff Policy** for the purpose of Tariff determination.”.

For section 62 of the principal Act, the following section shall be substituted, namely:—

“62. (1) The Appropriate Commission shall determine the tariff in accordance with the provisions of this Act for—

(a) supply of electricity by a generating company to a supply licensee including supply of electricity under a back to back arrangement involving an intermediary company, electricity trader or any other licensee:

Provided that the Appropriate Commission may, in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a generating company and a licensee or between licensees, for a period not exceeding one year to ensure reasonable prices of electricity:

Provided further that there shall be no such determination of tariff by the Appropriate Commission under this clause (a) to the extent the Central Government specifies that the procurement of electricity from the sources

identified for the purpose by the supply licensee shall be done only by competitive bidding as per section 63;

(b) purchase of electricity by the supply licensee from the intermediary company;

(c) transmission of electricity;

(d) wheeling of electricity;

(e) retail sale of electricity:

**Provided that there shall be no re-determination of tariff by the Appropriate Commission under this section for the tariff determined by competitive bidding as per section 63.**

**Note: 'The Committee feel that the price fixed under competitive bidding process cannot be allowed to change through redetermination of tariff by the Appropriate Commission'.**

xvi) **Section 62(1)(b)**

Provided **further** that the tariff determined for retail sale of electricity shall be the ceiling tariff for the respective categories of consumers, the supply licensee shall be entitled to charge any consumer category at an amount lesser than the ceiling tariff, subject to sub-section (3) and also, without in any way affecting the obligation of a supply licensee to pay the intermediary company, the transmission licensee, the distribution licensee and generating company, as the case may be.

**Provided also that any penalty imposed under this Act shall not be accounted for determining the tariff under this section and shall not be pass through to the consumers as part of tariff determined.**

xvii) **Section 66**

“66. The Appropriate Commission shall endeavour to promote the development of a market (including trading) in power and a market for encouraging energy efficiency in power in such manner as may be specified and shall be guided by the National Electricity Policy, referred to in section 3, and other directions issued by the Central Government in the public interest from time to time.”

**Provided that the market for forward and futures contract in electricity shall be developed in a manner and after a date to be notified by the Central Government.**

- xviii) **Section 66, the experience in forward and future contracts/trading in the commodity market/exchanges has a bad experience in India. The National Stock Exchange Limited scam is an example.**

**The Committee feel in this background of shortage and leakages in power sector, it won't be feasible to have forward and future contracts/market at this juncture. More than 95 to 98 per cent distribution of power is with DISCOMs/Government PSUs. Where is the question of forward and future trading. Allowing such forward future trading at this juncture in power sector will result into manipulation/artificial shortages which will push the prices upward causing net loss to the common customer.' It is proved that in the commodity exchanges, non-transparent future and forward trading with the help of circular trading is used to manipulate the prices of the Commodity. "The Committee feel that as Indian power sector is growing, 'no' forward and future transaction/trade should be allowed in power exchanges.**

- xix) **Section 77**

“(1) The Chairperson and the Members of the Central Commission shall be persons having adequate knowledge of, or experience in, or shown capacity in, dealing with problems relating to engineering, law, judiciary ,economics, commerce, finance or, management and shall be appointed in the following manner, namely:-

- (a) one person having qualifications and experience in the field of engineering with specialisation in generation, transmission or distribution of electricity;
- (b) one person having qualifications and experience in the field of law or judiciary;
- (c) two persons having qualifications and experience in the field of economics, commerce, finance or management;

Provided that not more than one Member shall be appointed under the same category under clause (c)

Provided further that the Central Government may appoint any person as the Chairperson from amongst persons who is , or has been, a Judge of the Supreme Court or The Chief Justice of a High Court :

Provided also that no appointment under above proviso shall be made except after consultation with the Chief Justice of India.

xx) **Section 84 – Qualifications for appointment of Chairperson and Members of State Commission:**

“(1) The Chairperson and the Members of the State Commission shall be persons of ability, integrity and standing who have adequate knowledge of, and have shown capacity in dealing with problems relating to engineering, finance, commerce, economics, law, judiciary or management;

(2) One of the members shall be appointed under sub-section (1) having qualification and experience of law or judiciary.

(3) The State Government may appoint any person as the Chairperson from amongst persons who is, or has been, a Judge of the High Court under sub-section (2).

Provided that no appointment under this sub-section shall be made except after consultation with the Chief Justice of that High Court.

xxi) **Section 85**

In section 85 of the principal Act,—

(a) for sub-section (1), the following sub-section shall be substituted, namely:—

“(1) The State Government shall, for the purposes of selecting the Members of the State Commission, constitute a Selection Committee consisting of—

(a) a person who **is** a Judge of the High Court.....Chairperson , **ex officio**;

(b) the Chief Secretary of the concerned State..... Member, **ex officio**;

(c) the Chairperson of the Central Commission.....Member, **ex officio**;

(d) the Chairperson of the Authority..... Member, **ex officio**;

(e) a person to be nominated by the State Government in accordance with sub-section (2A)..... Member;”

xxii) **Section 79**

**(da) regulate electricity purchase and procurement process of licensees as referred to in the seventh and eighth provisos to section 14 including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply through-out the country;**



**(db) to determine the tariff for supply and wheeling of electricity, wholesale, bulk or retail in respect of the licensees as referred to in the seventh and eighth provisos to Section 14;**

(e) To issue licenses to persons to function as transmission licensee and electricity trader with respect to their inter-State operations;

**(ja) to promote energy efficiency and renewable energy.**

xxiii) **109(A)**

**The Central Government shall constitute a Committee to review the performance of Central Commission or any State Commission, as and when required.**

**(2) The Committee shall be headed by a person who is, or has been, a Judge of the Supreme Court or the Chief Justice of a High Court and include two eminent experts from energy sector to be nominated by the Central Government.**

(3) The Committee appointed under sub-section (1) shall be entitled to take the assistance of experts and consultants to be engaged.

(4) The functions and the terms of reference, including the time period for submission of the report, by the Committee shall be such as may be prescribed by the Central Government.”

**INDEX**

Representations/memoranda received on 'Electricity (Amendment) Bill, 2014

| <b>Sl. No.</b> | <b>Head</b>                                | <b>Name of the organizations</b>   |
|----------------|--|--|
| 1.             | <b>State Government</b>                    | <ul style="list-style-type: none"> <li>i. Madhya Pradesh</li> <li>ii. Gujarat</li> <li>iii. Meghalaya</li> <li>iv. Andaman &amp; Nicobar (Admn.)</li> <li>v. Kerala</li> </ul>   |
| 2.             | <b>DISCOMS</b>                             | <ul style="list-style-type: none"> <li>i. Maharashtra</li> </ul>   |
| 3.             | <b>Central/State Regulatory Commission</b> | <ul style="list-style-type: none"> <li>i. Report of Forum of Regulators</li> <li>ii. West Bengal</li> <li>iii. Manipur</li> <li>iv. Maharashtra</li> <li>v. Punjab</li> <li>vi. Bihar</li> <li>vii. Madhya Pradesh</li> <li>viii. Gujarat</li> <li>ix. Nagaland</li> <li>x. Goa</li> <li>xi. Uttarakhand</li> <li>xii. Odisha</li> <li>xiii. Rajasthan</li> <li>xiv. Arunachal Pradesh</li> <li>xv. Kerala</li> <li>xvi. Central Electricity Regulatory Commission</li> <li>xvii. Uttar Pradesh</li> <li>xviii. Assam</li> <li>xix. Haryana</li> </ul> |
| 4              | <b>Industry Association</b>                | <ul style="list-style-type: none"> <li>i. FICCI</li> <li>ii. Climate Parliament</li> <li>iii. Indian Energy Regulatory Services</li> <li>iv. Hindustan Electric Power Ltd.</li> <li>v. Retailers Association of India</li> <li>vi. Indian Energy Exchange</li> <li>vii. Confederation of Indian Industry</li> <li>viii. K. Raheja Group</li> <li>ix. Renew Power</li> <li>x. Bajaj Fin Serve</li> <li>xi. HCL Technologies Ltd.</li> <li>xii. Chamber of Small Industries Associations</li> <li>xiii. The Bengal Chamber</li> <li>xiv. TERI</li> </ul> |

|    |               |   |
|----|---------------|---|
|    |               | <ul style="list-style-type: none"> <li>xv. Hindalco Industries Ltd.</li> <li>xvi. RE Connect Energy</li> <li>xvii. SELCO Foundation</li> <li>xviii. Prayas (Energy Group), Pune</li> <li>xix. Malana Power Company Ltd.</li> <li>xx. IPPAI</li> <li>xxi. PHD Chamber of Commerce &amp; Industry</li> <li>xxii. Faridabad Industries Association</li> <li>xxiii. Tetra Tech.</li> <li>xxiv. Reliance Industries Ltd.</li> <li>xxv. Promotion of Fossil Fuel Based Cogeneration in India</li> <li>xxvi. Samta Power</li> <li>xxvii. Association of Power Producers</li> <li>xxviii. The Associated Chambers of Commerce and Industry of India</li> <li>xxix. National Solar Energy Federation of India</li> <li>xxx. Suryavanshi Spinning Mills Ltd.</li> <li>xxxi. Aananda Lakshmi Spinning Mills Ltd.</li> <li>xxxii. Aananda Lakshmi Spinning Mills Limited</li> <li>xxxiii. Suryavanshi</li> <li>xxxiv. U.P. Sugar Mills Cogen Association</li> </ul>   |
| 5. | <b>Others</b> | <ul style="list-style-type: none"> <li>i. Dr. V.G. Patel, Chairman, Consumer Education and Research Centre</li> <li>ii. Shri Suresh Kumar, General Secretary, KSEB Officers Association, Kerala</li> <li>iii. Shri Ranjit Kumar, General Secretary, Kerala State Electricity Board Engineers Association</li> <li>iv. Shri Sunil Jagtap, General Secretary Subordinate Engineers Association, Pune</li> <br/> <li>v. Shri Shankar Narayanan, General Secretary TNEB Engineers Association, Tamilnadu</li> <li>vi. Shri Sanjoy Kumar Bhunia, Hon. Secretary West Bengal State Electricity Board Engineers Association</li> <li>vii. Shri P.K. Gupta, GM, Indian Energy Regulatory Services</li> <li>viii. Shri M.K. Unnikrishna Panicker, MP Thivruananthapuram</li> <li>ix. Shri P.K. Khare, GM Chhattisgarh Vidyut Mandal Abhiyanta Sangh</li> <li>x. Dr. V.B. Pandey, Member, Consumer Grievance Redressal Forum, Delhi</li> <li>xi. Smt. Tara Murali, Citizen Consumer and Civic Action Group</li> <li>xii. Shri Anil Razdan, Chairman, Utility DSM Forum</li> <li>xiii. Federation of Karnataka Electricity Board Employees Union</li> <li>xiv. Chattisgarh Vidyut Mandal Abhiyanta Sangh</li> <li>xv. Haryana Power Engineers' Association</li> <li>xvi. Mumbai Electric Supply &amp; Transport Undertaking -</li> </ul> |

|    |                 |  |
|----|-----------------|--|
|    |                 | <p>BRIHAN</p> <p>xvii. All India Power Engineers Federation</p> <p>xviii. Akhil Bhartiya Vidyut Majdoor Maha Sangh</p> <p>xix. IFAPA</p> <p>xx. Shopping Centres Association of India</p> <p>xxi. Consumer Grievance Rederessal Forum for TPDDL</p> <p>xxii. Tamil Nadu Electricity Board Employees' Union</p> <p>xxiii. Shri J.D. Seelam, Member of Parliament</p> <p>xxiv. Citizen Consumer &amp; Civic Action Group</p>   |
| 6. | <b>Consumer</b> | <p>i. Shri B.B. Tiwari</p> <p>ii. Shri Anil V. Kale, Mumbai</p> <p>iii. Shri Shanti Prasad, Jaipur</p> <p>iv. Shri Manish Oli, Uttarakhand</p> <p>v. Shri Mahesh Prasad, UP</p> <p>vi. Shri Raksh Pal Abrol, Mumbai</p> <p>vii. Shri D.P. Chirania, Jaipur</p> <p>viii. All Bengal Electricity Consumers Association</p> <p>ix. All India Power Engineers Federation, New Delhi</p> <p>x. Akhil Bhartiya Vidyut Majdoor Mahasangh</p> <p>xi. Shri Vijay Singh Bisht</p> <p>xii. Shri K. Raju Nayyar</p> <p>xiii. Shri S.K. Jain, Delhi</p> <p>xiv. Shri Ram Awtar Sharma, Jaipur</p> <p>xv. Shri Anoop Ganatra, Mumbai</p> <p>xvi. Allahabad Patrika Pvt. Ltd.</p> <p>xvii. Shri Samaiuddin Manoori</p> <p>xviii. Shri Abhay Kumar, New Delhi</p> <p>xix. Md. Eusuph, West Bengal</p> <p>xx. Shri Ashish Kumar Singh</p> <p>xxi. Shri Abhisekh Bajpai, Kanpur</p> <p>xxii. Shri Ajay Kumar, Ranchi</p> <p>xxiii. Shri Subhash Chand</p> <p>xxiv. Shri Sanjeev Kumar Jain, Agra</p> <p>xxv. Shri G.L. Sharma, Jaipur</p> <p>xxvi. Shri Dilip Kumar Aggarwal, Madhya Pradesh</p> <p>xxvii. Shri Om Prakash, UP</p> <p>xxviii. Shri Avdesh Kumar Verma, UP</p> <p>xxix. Shri C. Krishnamurthy, Chennai</p> <p>xxx. Shri Hira Bharti, Mumbai</p> <p>xxxi. Newspaper Article</p> <p>xxxii. Shri Vinod Kumar Gupta, Haryana</p> <p>xxxiii. Shri R. Kumar</p> <p>xxxiv. Shri Samiuddin Mansoori</p> <p>xxxv. Shri Amit Kapoor, J. Sagar Associates, New Delhi</p> <p>xxxvi. Shri Somdutt Sharma, Ahmedabad</p> <p>xxxvii. Shri Prabudh Purwar, Madhya Pradesh</p> <p>xxxviii. Shri Mitilesh Kumar Sharma, Jaipur</p> <p>xxxix. Shri Pankaj Kumar</p> <p>xl. Shri Samiuddin Manoori, Delhi</p> <p>xli. Shri Amit Kapoor, Advocate, Delhi</p> <p>xlii. Shri Somdutt Sharma, Ahmedabad</p> <p>xliii. Shri Prabudh Purwar, Madhya Pradesh</p> |

|    |                         |  |
|----|-------------------------|--|
|    |                         | <ul style="list-style-type: none"> <li>xliv. Shri Mithilesh Kumar Sharma, Jaipur</li> <li>xlv. Shri P. Parameswaran, Kerala</li> <li>xlvi. Shri V.S. Bisht</li> <li>xlvii. Shri N.K. Saxena, Delhi</li> <li>xlviii. Shri G. Rajagopal, Chennai</li> <li>xliv. Shri Aswin Mehta, Delhi</li> <li>1. Shri J.C. Mahanti, Kolkata</li> <li>li. Shri D.R.B. Saxena, Ghaziabad, UP</li> <li>lii. Shri Raju Nayyar</li> <li>liii. Shri S.K. Jain, Delhi</li> <li>liv. Shri Kundan Kishore, Chennai</li> <li>lv. Shri V. Mutthuswami, Chennai</li> <li>lvi. Shri Siraj Salikeen Mulla, Andhra Pradesh</li> <li>lvii. Shri Ashok Kumar Changani, Rajasthan</li> <li>lviii. Shri Bidya Bushan Shasani, Sundargah</li> <li>lix. Shri Raja Rao</li> <li>lx. Shri D. Laxmanan</li> <li>lxi. Shri V.K. Gupta</li> </ul> |
| 7. | <b>Renewable Energy</b> | <ul style="list-style-type: none"> <li>i. Sunshine Energy</li> <li>ii. Numac</li> <li>iii. Selco Foundation</li> <li>iv. Green Infra Ltd., New Delhi</li> <li>v. STATKRAFT, New Delhi</li> <li>vi. Reconnect Energy, Gurgaon (Haryana)</li> <li>vii. Green Energy Association, Mumbai</li> <li>viii. Century Rayon, Thane, Mumbai</li> </ul>   |

## STANDING COMMITTEE ON ENERGY

### MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2014-15) HELD ON 22ND JANUARY, 2015 IN COMMITTEE ROOM 'E', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1100 hrs. to 1315 hrs.

#### PRESENT

##### LOK SABHA

Dr. Kirit Somaiya - Chairman

2. Shri Om Birla
3. Shri Ashwini Kumar Chaubey
4. Shri Saumitra Khan
5. Shri Jagdambika Pal
6. Shri M.B. Rajesh
7. Shri Devendra Singh alias Bhole Singh
8. Shri Bhanu Pratap Singh Verma

##### RAJYA SABHA

9. Shri V.P. Singh Badnore
10. Shri Oscar Fernandes
11. Shri Ram Jethmalani
12. Shri Pyarimohan Mohapatra
13. Shri S. Muthukaruppan
14. Dr. K.P. Ramalingam
15. Shri Ananda Bhaskar Rapolu
16. Dr. Anil Kumar Sahani
17. Smt. Viplove Thakur

##### SECRETARIAT

1. Shri Devender Singh - Additional Secretary
2. Shri N.K.Pandey - Director
3. Shri Arun K Kaushik - Additional Director

## **WITNESSES**

### **MINISTRY OF POWER**

- |                           |                 |
|---------------------------|-----------------|
| 1. Shri P. K. Sinha       | Secretary       |
| 2. Shri R.N. Choubey      | Spl. Secretary  |
| 3. Shri Devendra Chaudhry | Spl. Secretary  |
| 4. Shri B.N. Sharma       | Joint Secretary |
| 5. Smt. Jyoti Arora       | Joint Secretary |

### **CERC**

- |                    |                 |
|--------------------|-----------------|
| 1 Ms. Shubha Sarma | Secretary, CERC |
|--------------------|-----------------|

### **CENTRAL ELECTRICITY AUTHORITY**

- |                     |             |
|---------------------|-------------|
| 1. Shri Major Singh | Chairperson |
|---------------------|-------------|

### **PSU, AUTONOMOUS BODIES, STATUTORY BODIES, ETC.**

- |                           |                |
|---------------------------|----------------|
| 1. Shri R.N. Nayak        | CMD, Powergrid |
| 2. Shri Sunil Kumar Sonee | CEO, POSCO     |

### **MINISTRY OF NEW AND RENEWABLE ENERGY**

- |                   |                       |
|-------------------|-----------------------|
| Smt. Varsha Joshi | Joint Secretary, MNRE |
|-------------------|-----------------------|

2. At the outset, the Chairman welcomed the Members of the Committee and the representatives of the Ministry of Power to the sitting of the Committee and made known to them the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. After introducing themselves to the Committee, the representatives of the Ministry of Power made a power point presentation on 'Proposed Amendments in the Electricity Act 2003'

4. In course of the sitting, the Committee raised the following important points with the representatives of the Ministry of Power:

- i) Issues related to Separation of Carriage and Content in the distribution sector;
- ii) Promotion of Renewable Energy

- iii) Grid Security;
- iv) Rationalization of Tariff and making Tariff fixation process more certain and effective;
- v) Performance Monitoring and strengthening of Regulatory Commissions;
- vi) Provisions for levy of inspection fees by Electrical Inspectors etc; and
- vii) Production of energy and the environmental hazards.

Thereafter, the members sought clarifications on various issues relating to the subject and the representatives of the Ministry responded to the same. The Committee directed the representatives of the Ministry to furnish written replies to the queries which could not be responded to by them.

5. After some deliberations, the Committee decided to call the Power Secretaries of the State Governments to have their views on the subject on 6th February, 2015. The Committee also decided to call the Central/State Regulators, Central and State PSUs, Power Producing Associations, Power Consumer Associations and other stakeholders etc. during the course of examination of the Bill.

6. The Committee also decided to select the subject 'Energy Conservation' for examination during the year 2014-15 in addition to the subjects already selected by the Committee.

7. The verbatim proceedings of the sitting of the Committee were kept on record.

*The Committee then adjourned.*



## STANDING COMMITTEE ON ENERGY

### MINUTES OF THE TENTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2014-15) HELD ON 6<sup>th</sup> FEBRUARY, 2015 IN MAIN COMMITTEE ROOM, PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1000 hrs. to 1310 and 1400 to 1630 hrs.

#### PRESENT

##### LOK SABHA

Dr. Kirit Somaiya - Chairperson

2. Shri Ashwini Kumar Chaubey
3. Shri Saumitra Khan
4. Shri Deepender Singh Hooda
5. Shri Bhagat Singh Koshyari
6. Kunwar Sarvesh Kumar
7. Shri Jagdambika Pal
8. Shri Ravindra Kumar Pandey
9. Smt. Krishna Raj
10. Shri M.B. Rajesh
11. Shri Gutha Sukender Reddy
12. Shri Purno Agitok Sangma
13. Shri Devender Singh alias Bhole Singh
14. Shri Bhanu Pratap Singh Verma

##### RAJYA SABHA

15. Shri Oscar Fernandes
16. Shri S. Muthukaruppan
17. Dr. K.P. Ramalingam
18. Shri Ananda Bhaskar Rapolu
19. Smt. Viplove Thakur

##### SECRETARIAT

1. Shri Devender Singh - Additional Secretary
2. Shri N.K.Pandey - Director
3. Shri Arun K Kaushik - Additional Director
4. Smt. L.N. Haokip - Under Secretary

## **LIST OF WITNESSES**

### **MINISTRY OF POWER**

Smt. Jyoti Arora Joint Secretary

### **CERC**

2 Ms. Shubha Sarma Secretary, CERC

3 Shri Sushanta K Chatterjee Joint Chief, Regulatory Affairs, CERC

### **CENTRAL ELECTRICITY AUTHORITY**

1. Shri Major Singh Chairperson

2. Sandesh Kumar Sharma Chief Engineer

3. K.N. Garg Member

## **LIST OF WITNESSES**

### **STATE POWER DEPARTMENTS**

#### **Karnataka**

- |                             |                            |
|-----------------------------|----------------------------|
| 6. Shri P. Ravi kumar,      | Additional Chief Secretary |
| 7. Shri Pankaj Kumar Pandey | MD, BESCO                  |
| 8. Shri W.M. Shivakumar     | Director                   |

#### **Gujarat**

- |                      |                     |
|----------------------|---------------------|
| 1. Shri L.Chuango    | Principal Secretary |
| 2. Shri S.B.Khyaliya | MD                  |
| 3. Shri K.P. Jangid  | GM                  |

#### **ASSAM**

- |                       |                            |
|-----------------------|----------------------------|
| 1. Shri V.B. Pyarelal | Additional Chief Secretary |
|-----------------------|----------------------------|

#### **MAHARASHTRA**

- |                        |                     |
|------------------------|---------------------|
| 1. Shri Mukesh Khullar | Principal Secretary |
| 2. Shri O.P. Gupta     | CMD                 |
| 3. Shri P.P. Pathak    | Resident Manager    |

#### **PUDUCHERRY**

- |                           |                             |
|---------------------------|-----------------------------|
| 1. Shri T.M. Balakrishnan | Secretary                   |
| 2. Shri D. Ravi           | Superintending Engineer-III |

#### **KERALA**

- |                      |                 |
|----------------------|-----------------|
| 1. Shri s. Venugopal | Director        |
| 2. Smt. P.P. Sajitha | Addl. Secretary |

#### **CHANDIGARH**

- |                       |                         |
|-----------------------|-------------------------|
| 1. Shri Sarvjit Singh | Secretary Engineering   |
| 2. Shri M.P. Singh    | Superintending Engineer |

#### **BIHAR**

- |                   |                |
|-------------------|----------------|
| 1. Ms Palka Sahni | MD             |
| 2. Mr. S.K. Singh | Chief Engineer |

3. Mr. Nadeem Ahmad Executive Engineer
4. Mr Umang Anand Assistant Resident Engineer

#### **HIMACHAL PRADESH**

1. Shri V.B. Pyarelal Additional Chief Secretary

#### **JHARKHAND**

1. Shri S.C.Mishra Chief Engineer (C&R)

#### **DELHI**

1. Smt. Shakuntala D. Gamlin Principal Secretary
2. Shri Indu Shekhar Mishra Addl. Secretary
3. Shri YVVJ Rajashekhar Director
4. Shri J.P.Singh Member
5. Shri Abhishek Moza Deputy Secretary, DERC

#### **MADHYA PRADESH**

1. Shri I.C.P. Keshri Principal Secretary

#### **HARYANA**

1. Shri Ravinder Kumar Batra Secretary Engineer
2. Shri Sanjeev Kumar Chopra Supdt. Engineer

#### **PUNJAB**

1. Shri A. Venu Prasad Secretary Power
2. Shri K.L. Sharma Director

#### **MEGHALAYA**

1. Shri Jopthian Lyngdoh Secretary

#### **RAJASTHAN**

1. Shri Sanjay Malhotra Principal Secretary

#### **ODISHA**

1. Shri Hemant Sharma Chaierman cum MD
2. Shri P.K. Pradhan Chaierman
3. Shri A.K. Bohra CEO (CSO), DISCOMs

#### **TAMILNADU**

1. Shri (Dr.) M.Sai Kumar CMD, Tamilnadu Generations &Distribution co.
2. Shri Rajesh Lakhoni Secretary Energy Deptt.

## **LAKSHADWEEP**

- |                          |   |
|--------------------------|---|
| 1. Shri H. Rajesh Prasad | Administrator                             |
| 2. Shri Asar Pal Singh   | Additional Resident Commissioner          |
| 3. Shri R. Ravichandaran | Executive Engineer, Deptt. of Electricity |

## **TELANGANA**

- |                          |                              |
|--------------------------|------------------------------|
| 1. Shri Arvind Kumar     | Secretary                    |
| 2. Shri C. Srinivash Rao | Director (Finance), TSSSPDCL |

## **UTTARAKHAND**

- |                         |          |
|-------------------------|----------|
| 1. Shri Shri S.S. Yadav | MD, UPCL |
| 2. Shri S.N. Verma      | MD, UJVN |

## **CHHATTISGARH**

- |                        |                      |
|------------------------|----------------------|
| 1. Shri Arun Bhatnagar | Addl. Chief Engineer |
| 2. Shri P.K. Shankar   | Supdt. Engineer      |

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministry of Power, CERC and Power Departments of the States to the sitting of the Committee and made known to them the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Chairperson, then apprised them about the concerns of the Committee with regard to the 'Electricity (Amendment) Bill, 2014 and requested them to give pointed suggestions on the various issues involved. After introducing themselves the representatives of the Power Departments of the States then submitted their views before the Committee on the Bill one by one.

4. The following important points were discussed during the sitting:

- i) Issues related to Separation of Carriage and Content in the distribution sector;
- ii) Promotion of Renewable Energy
- iii) Grid Security;

- iv) Rationalization of Tariff and making Tariff fixation process more certain and effective;
- v) Performance Monitoring and strengthening of Regulatory Commissions;
- vi) Provisions for levy of inspection fees by Electrical Inspectors etc; and
- vii) Production of energy and the environmental hazards.

5. Thereafter, the members sought clarifications on various issues relating to the Bill and the representatives of the State Power Departments responded to the same. The Committee directed them to furnish written replies to the list of points sent to them alongwith the replies to queries which could not be responded to by them during the course of the sitting. The Chairperson also asked them to furnish in writing any other suggestions which may come to their mind relating to the Bill.

6. The verbatim proceedings of the sitting of the Committee were kept on record.

*The Committee then adjourned.*

## **STANDING COMMITTEE ON ENERGY**

### **MINUTES OF THE 12<sup>TH</sup> SITTING OF THE STANDING COMMITTEE ON ENERGY (2014-15) HELD ON 18<sup>TH</sup> FEBRUARY, 2015 IN MAIN COMMITTEE ROOM, PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee met from 1100 hrs. to 1400 and 1400 to 1500 hrs.

#### **PRESENT**

##### **LOK SABHA**

**Dr. Kirit Somaiya** - **Chairperson**

2. Shri Om Birla
3. Shri Ashwini Kumar Chaubey
4. Shri Harish Dwivedi
5. Shri Saumitra Khan
6. Kunwar Sarvesh Kumar
7. Dr. Arun Kumar
8. Shri Jagdambika Pal
9. Smt. Krishna Raj
10. Shri M.B. Rajesh
11. Shri Purno Agitok Sangma
12. Shri Bhanu Pratap Singh Verma

##### **RAJYA SABHA**

13. Shri Oscar Fernandes
14. Shri Pyarimohan Mohapatra
15. Shri S. Muthukaruppan
16. Shri Ananda Bhaskar Rapolu

##### **SECRETARIAT**

1. Shri Devender Singh - Additional Secretary
2. Shri N.K.Pandey - Director
3. Shri Arun K Kaushik - Additional Director
4. Smt. L.N. Haokip - Under Secretary

## LIST OF WITNESSES

### **MINISTRY OF POWER**

1. Smt. Jyoti Arora Joint Secretary

### **CENTRAL ELECTRICITY AUTHORITY**

2. Shri Major Singh Chairperson
3. Shri K.N. Garg Member
4. Shri Pankaj Batra Chief Engineer
5. Sandesh Kumar Sharma Chief Engineer

### **CERC**

6. Gireesh B. Pradhan Chairperson
7. Mr. M. Deena Dayalan Member
8. Mr. A.K. Singhal Member
9. Mr. A.S. Bakshi Member
10. Ms. Shubha Sharma Secretary



## **LIST OF WITNESSES**

### **TAMILNADU**

1. Mr. Akshaya Kumar Chairman

### **UTTARAKHAND**

1. Shri Subhash Kumar Chairman

### **KERALA**

1. Shri T. Manoharan Chairperson

### **ODISHA**

1. Shri S.P. Nanda Chairperson

### **KARNATAKA**

1. Shri M.R. Sreenivasa Murthy Chairperson

### **GUJARAT**

1. Shri Pravinbhai Patel Chairman

### **TRIPURA**

1. Shri Niharendu Chakraborty Chairman
2. Shri Hare Krishna Das Secretary

### **ANDHRA PRADESH**

1. Shri Dr. Pervela Raghu Member

### **UTTAR PRADESH**

1. Shri Des Deepak Verma Chairman

### **MADHYA PRADESH**

1. Dr. Dev Raj Birdi Chairperson

### **PUNJAB**

1. Mrs. Romila Dubey Chairperson
2. Shri Gurinder Jit Singh Secretary

### **MAHARASHTRA**

1. Smt. Chandra Iyengar Chairperson

2. Shri Azeez M. Khan Member

3. Shri Shri Deepak Lad Member

**SIKKIM**

1. Shri T.T. Dorji Chairperson

**HARYANA**

1. Shri M.S. Puri Member

**RAJASTHAN**

1. Shri Vishvanath Hiremath Chairman

**ASSAM**

1. Shri Naba Kumar Das Chairman

**CHHATTISGARH**

1. Shri Narayan Singh Chairperson

**JHARKHAND**

1. (Justice) Shri N.N. Tiwari Chairperson

**JAMMU AND KASHMIR**

1. Shri Basharat Ahmad Dhar Chairperson

**DELHI**

1. Shri J.P. Singh Member

2. Shri B.P. Singh Member

**TELANGANA**

1. Shri Ismail Ali Khan Chairman

**NAGALAND**

1. Donray A. Shishak Chairperson

**BIHAR**

1. U.N. Panjiar Chairperson

**WEST BENGAL**

1. Shri D.P. Mallick Consultant

2. At the outset, the Chairman welcomed the Members of the Committee and the representatives of the Ministry of Power, CERC and Regulatory Commissions of the States to the sitting of the Committee and made known to them the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Chairman, then apprised them about the concerns of the Committee with regard to examining the 'Electricity (Amendment) Bill, 2014 and requested them to give pointed suggestions on the various issues involved. After introducing themselves the representatives of the CERC and Regulatory Commissions of the States then submitted their views on the Bill before the Committee on the Bill one by one.

4. The following important points were discussed during the sitting:

- i) Need to review the functioning of Regulatory commissions and ensure their accountability for smooth and unhindered development of Power Sector.
- ii) Rationalization of Tariff and making Tariff fixation process more certain and effective;
- iii) Issues related to Separation of Carriage and Content in the distribution sector;
- iv) Performance Monitoring and strengthening of Regulatory Commissions including their financial autonomy;
- v) Issues relating to 'Open Access'.
- vi) Promotion of Renewable Energy
- vii) Need to minimize the commercial losses throughout the Country.
- viii) Production of energy and the environmental hazards.

5. Thereafter, the members sought clarifications on various issues relating to the Bill and the representatives of the Regulatory Commissions of States responded to the same. The Committee directed them to furnish written replies to the list of points sent to them alongwith the replies to queries which could not be responded to by them during the course

of the sitting. The Chairman also asked them to furnish in writing any other valuable suggestion which they feel are relevant and appropriate to strengthen the Power Sector through the Bill under reference.

6. The Committee also decided to select the subject 'Deen Dayal Upadhyay Gramin Jyoti Yojna' for examination during the year 2014-15 in addition to the subjects already selected by them.

7. The verbatim proceedings of the sitting of the Committee were kept on record.

*The Committee then adjourned.*

## STANDING COMMITTEE ON ENERGY

### MINUTES OF THE 14<sup>TH</sup> SITTING OF THE STANDING COMMITTEE ON ENERGY (2014-15) HELD ON 11<sup>TH</sup> MARCH, 2015 IN COMMITTEE ROOM 'E', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1600 hrs. to 1815

#### PRESENT

##### LOK SABHA

Dr. Kirit Somaiya - Chairperson

2. Shri M. Chandrakasi
3. Shri Ashwini Kumar Chaubey
4. Shri Harish Dwivedi
5. Shri Deepender Singh Hooda
6. Dr. Arun Kumar
7. Shri R.P. Marutharajaa
8. Shri Jagdambika Pal
9. Shri Ravindra Kumar Pandey
10. Shri Vinayak Bhaurao Raut
11. Shri Gutha Sukender Reddy
12. Shri Purno Agitok Sangma
13. Shri Devender Singh alias Bhole Singh
14. Shri Bhanu Pratap Singh Verma

##### RAJYA SABHA

15. Shri V.P. Singh Badnore
16. Shri Oscar Fernandes
17. Shri Javed Ali Khan
18. Shri Ananda Bhaskar Rapolu
19. Dr. Anil Kumar Sahani
20. Smt. Viplove Thakur

##### SECRETARIAT

- |                        |   |                      |
|------------------------|---|----------------------|
| 1. Shri Devender Singh | - | Additional Secretary |
| 2. Shri N.K.Pandey     | - | Director             |
| 3. Shri Arun K Kaushik | - | Additional Director  |
| 4. Smt. L.N. Haokip    | - | Under Secretary      |

## LIST OF REPRESENTATIVES

### **MINISTRY OF POWER**

- |    |                     |                     |
|----|---------------------|---------------------|
| 1. | Smt. Jyoti Arora    | Joint Secretary     |
| 2. | Shri Gyanesh Bharti | Director            |
| 3. | Shri Sandesh Sharma | Chief Engineer, CEA |
| 4. | Shri Sandeep Naik   | AGM, NTPC           |

### **ASSOCIATED CHAMBERS OF COMMECE AND INDUSTRY OF INDIA**

- |    |                         |                |
|----|-------------------------|----------------|
| 5. | Mr. Rajesh K. Mediratta | Director       |
| 6. | Ms. Shruti Bhatai       | Vice President |

### **INDEPENDENT POWER PRODUCERS ASSOCIATION OF INDIA**

- |     |                   |             |
|-----|-------------------|-------------|
| 7.  | Mr. Harry Dhaul   | DG          |
| 8.  | Ms. Iqbal Kaur    | Sr. Manager |
| 9.  | Mr. Nikhil Rai    |             |
| 10. | Mr. Gaurav Sharma |             |

### **CONFEDERATION OF INDIAN INDUSTRY**

- |     |                     |                              |
|-----|---------------------|------------------------------|
| 11. | Mr. Anil Sardana    | Chairman                     |
| 12. | Mr. Arun Srivastava | Chief Retulatory, Tata Power |
| 13. | Mr. Amit Kapur      | Partner, JSA Associates      |
| 14. | Mr. V.J. Talwar     | Ex. Member, APTEL            |
| 15. | Mr. Athar Shahab    | CEO, Vedanta                 |
| 16. | Ms Soma Banerjee    | Hear – Energy & Infra        |
| 17. | Mr. Sandeep Sarin   | Executive Officer            |
| 18. | Mr Gopal Saxena     | CEO, BSES Rajdhani           |

## **ASSOCIATION OF POWER PRODUCERS**

- |      |                           |  |
|------|---------------------------|--|
| 19.. | Shri Kapil Sharma,        | Senior Vice President, Reliance Infrastructure |
| 20.  | Shri Chetan Bundela       | Torrent Power Ltd.                             |
| 21.  | Shri Ashok Kumar Khurana  | DG, Association of Power Producers             |
| 22.  | Shri Abhishek Chatterjee, | Assistant DG, Association of Power Producers   |
| 23.  | Shri M.R Krishna Rao      | Vice President, Adani Power                    |

## **FICCI**

- |     |                    |  |
|-----|--------------------|--|
| 24. | Mr. Prabir Neogi   | Chairman                                     |
| 25. | Mr. Kandarp Patel  | Co-Chairman                                  |
| 26. | Mr. Suhaan Mukerji | Partner, PLR Chambers- Advocates & Solicitor |
| 27. | Mr. Sameer Ganju   | Head Northern Region, Adani Power            |
| 28. | Mr. Anish De       | Partner, KPMG Advisory Services Pvt. Ltd.    |
| 29. | Mr. Vivek Pandit   | Sr. Director & Head-Energy, FICCI            |
| 30. | Ms. Tavleen Kaur   | Additional Director Energy, FICCI            |
| 31. | Shri Arjun Sinha   | Senior Associate, PLR Chambers               |

2. At the outset, the Chairman welcomed the Members of the Committee and the representatives of the Ministry of Power and the Industry Associations to the sitting of the Committee and made known to them the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Chairman, then apprised them about the concerns of the Committee with regard to the 'Electricity (Amendment) Bill, 2014 and requested them to give pointed suggestions on the various issues involved. After introducing themselves the representatives of the Industry Associations then made power point presentation and submitted their views before the Committee on the Bill one by one.

4. The following important points were discussed during the sitting:
- i) Issues related to Separation of Carriage and Content in the distribution sector;
  - ii) Promotion of Renewable Energy
  - iii) Grid Security;
  - iv) Rationalization of Tariff and making Tariff fixation process more certain and effective;
  - v) Performance Monitoring and strengthening of Regulatory Commissions;
  - vi) Provisions for levy of inspection fees by Electrical Inspectors etc; and
  - vii) Retrospective conditions of Power Purchase Agreements on those plants having Fuel Supply Agreements.
  - viii) Misuse of Section 11 of Electricity Act, 2003 by some State Governments.
  - ix) Attempts by the Government to interfere in the sector through license regulation of supply licensees or permission for capacity expansion, etc.

5. Thereafter, the members sought clarifications on various issues relating to the Bill and the representatives of the Industry Associations responded to the same. The Chairman also asked them to furnish in writing any other suggestions which may come to their mind relating to the Bill.

6. The verbatim proceedings of the sitting of the Committee were kept on record.

*The Committee then adjourned.*



## STANDING COMMITTEE ON ENERGY

### MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2014-15) HELD ON 27<sup>TH</sup> MARCH, 2015 IN COMMITTEE ROOM G-074, PARLIAMENT LIBRARY BUILDING, NEW DELHI

The Committee met from 1100 hrs. to 1400 hrs.

#### PRESENT

##### LOK SABHA

Shri Kirit Somaiya - Chairperson

2. Shri M. Chandrakasi
3. Shri Ashwini Kumar Chaubey
4. Shri Harish Dwivedi
5. Shri Saumitra Khan
6. Shri Bhagat Singh Koshyari
7. Kunwar Sarvesh Kumar
8. Shri Jagdambika Pal
9. Shri Ravindra Kumar Pandey
10. Smt. Krishna Raj
11. Shri Gutha Sukender Reddy
12. Shri Devendra Singh alias Bhole Singh
13. Shri Malyadri Sriram
14. Shri Bhanu Pratap Singh Verma

##### RAJYA SABHA

15. Shri V.P. Singh Badnore
16. Shri Oscar Fernandes
17. Shri Ram Jethmalani
18. Shri Pyarimohan Mohapatra
19. Shri S. Muthukaruppan
20. Shri Javed Ali Khan
21. Dr. K.P. Ramalingam
22. Shri Ananda Bhaskar Rapolu
23. Dr. Anil Kumar Sahani
24. Smt. Viplove Thakur

##### SECRETARIAT

1. Shri Devender Singh - Addl. Secretary
2. Shri N.K.Pandey - Director
3. Shri Arun K Kaushik - Additional Director
4. Smt. L.N. Haokip - Under Secretary

## LIST OF REPRESENTATIVES

### **MINISTRY OF POWER**

1. Smt. Jyoti Arora Joint Secretary
2. Shri Gyanesh Bharti Director
3. Shri Sandesh Sharma Chief Engineer, CEA

### **PSUs**

4. Shri M.K. Goel CMD, PFC
5. Shri Arup Roy Choudhury CMD, NTPC
6. Shri R.S.T. Sai CMD, NHPC
7. Deepak Sarwal Executive Director, THDC
8. Shri R.N. Nayak CMD, PGCIL
9. Shri R.N. Mishra CMD, SJVNL
10. Shri Rajiv Sharma CMD, REC
11. Shri Dinesh Arora ED, (DDUGJY) REC
12. Shri P.C. Pankaj CMD, NEEPCO
13. Shri A.W.K. Langstieh Chairman, DVC
14. Shri A.B. Agrawal Chairman, BBMB

## STATE GOVERNMENTS

### ANDAMAN & NICOBAR

Shri U.K. Paul

Supdt.Engineer

### ANDHRA PRADESH

Shri Rahul Pandey

Addl. Secretary, Energy

### SIKKIM

Shri P.B. Subba,

Secretary, Power

Shri Rodan Thapa

Chief Engineer

### WEST BENGAL

Shri Gopal Krishna

Addl. Chief Secretary

Shri N.S. Nigam

Chairman & Managing Director

Shri R.D.Meena

Resident Commissioner

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministry of Power, PSUs under the administrative control of Ministry of Power and the power departments of State Governments to the sitting of the Committee and made known to them the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Chairman, then apprised them about the concerns of the Committee with regard to the Electricity (Amendment) Bill, 2014 and requested them to give pointed suggestions on various issues involved. After introducing themselves the representatives submitted their suggestions before the Committee on the subject one by one.

4. The following important points were discussed in connection with the examination of the subject:

- i) Issues related to Separation of Carriage and Content in the distribution sector;
- ii) Promotion of Renewable Energy

- iii) Grid Security;
- iv) Open Access
- v) Making power affordable to all.
- vi) Production of Energy and Environmental hazards.
- vii) Hydro Power to be treated as Renewable Power.

5. The Members sought clarifications on various issues relating to the subject and the representatives of the Ministry/ PSUs and State Governments responded to the same. The Committee desired that written replies to the queries which could not be responded to by them may be furnished.

6. The verbatim proceedings of the sitting of the Committee were kept on record.

*The Committee then adjourned.*

## STANDING COMMITTEE ON ENERGY

**MINUTES OF THE 19<sup>TH</sup> SITTING OF THE STANDING COMMITTEE ON ENERGY (2014-15)  
HELD ON 17<sup>TH</sup> APRIL, 2015 IN COMMITTEE ROOM 62, PARLIAMENT HOUSE, NEW  
DELHI**

The Committee met from 1100 hrs. to 1315 hrs.

### PRESENT

#### LOK SABHA

- |     |                            |   |                    |
|-----|----------------------------|---|--------------------|
|     | <b>Shri Kirit Somaiya</b>  | - | <b>Chairperson</b> |
| 2.  | Shri Om Birla              |   |                    |
| 3.  | Shri Ashwini Kumar Chaubey |   |                    |
| 4.  | Shri Harish Dwivedi        |   |                    |
| 5.  | Kunwar Sarvesh Kumar       |   |                    |
| 6.  | Dr. Arun Kumar             |   |                    |
| 7.  | Shri Jagdambika Pal        |   |                    |
| 8.  | Shri Ravindra Kumar Pandey |   |                    |
| 9.  | Smt. Krishna Raj           |   |                    |
| 10. | Shri Vinayak Bhaurao Raut  |   |                    |
| 11. | Shri Gutha Sukender Reddy  |   |                    |

#### RAJYA SABHA

12. Shri V.P. Singh Badnore
13. Shri Oscar Fernandes
14. Shri S. Muthukaruppan
15. Shri Javed Ali Khan
16. Dr. K.P. Ramalingam
17. Shri Ananda Bhaskar Rapolu
18. Dr. Anil Kumar Sahani

#### SECRETARIAT

- |    |                     |   |                     |
|----|---------------------|---|---------------------|
| 1. | Shri Devender Singh | - | Addl. Secretary     |
| 2. | Shri N.K.Pandey     | - | Director            |
| 3. | Shri Arun K Kaushik | - | Additional Director |
| 4. | Smt. L.N. Haokip    | - | Under Secretary     |

## LIST OF REPRESENTATIVES

### **MINISTRY OF POWER**

- |    |                        |                 |
|----|------------------------|-----------------|
| 1. | Shri P.K. Sinha        | Secretary       |
| 2. | Shri Devendra Chaudhry | Spl. Secretary  |
| 3. | Shri B.N. Sharma       | Joint Secretary |
| 4. | Smt. Jyoti Arora       | Joint Secretary |
| 5. | Shri A. K. Singh       | Joint Secretary |

### **CEA**

- |    |                     |             |
|----|---------------------|-------------|
| 6. | Shri Major Singh    | Chairperson |
| 7. | Shri Sandesh Sharma | CE          |

### **CPSUs, Statutory Bodies, Autonomous Bodies, etc.**

- |     |                  |             |
|-----|------------------|-------------|
| 8.  | Shri R.N. Nayak  | CMD, PGCIL  |
| 9.  | Shri S.K. Soonee | CEO, POSOCO |
| 10. | Dr. Ajay Mathur  | DG, BEE     |

### **CERC**

- |     |                             |             |
|-----|-----------------------------|-------------|
| 11. | Ms. Shubha Sarma            | Secretary   |
| 12. | Shri Sushanta K. Chatterjee | Joint Chief |

### **MNRE**

- |     |                  |                 |
|-----|------------------|-----------------|
| 13. | Ms. Varsha Joshi | Joint Secretary |
|-----|------------------|-----------------|

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministry of Power to the sitting of the Committee and made known to them the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Chairperson, witnesses about the status of discussions held by the Committee with regard to the Electricity (Amendment) Bill, 2014 with the various stakeholders and requested them to give their final suggestions on various issues involved. After introducing themselves, the representatives of Ministry of Power made a power point presentation before the Committee and highlighted important clauses of the Bill which they feel require improvement consequent upon the deliberations of the Committee with various stakeholders.
4. The Members discussed the proposals submitted by the Ministry through the PPP, in detail and raised certain queries which were answered to by the representatives of Ministry of Power.
5. The Committee thanked the representatives of the Ministry of Power for rendering the assistance to the Committee in connection with the examination of the Electricity (Amendment) Bill, 2014.
6. The Chairman, then directed the Secretariat to submit a draft report on the Bill.
7. The verbatim proceedings of the sitting of the Committee were kept on record.

*The Committee then adjourned.*

## STANDING COMMITTEE ON ENERGY

MINUTES OF THE 21<sup>ST</sup> SITTING OF THE STANDING COMMITTEE ON ENERGY (2014-15) HELD ON 28<sup>th</sup> APRIL, 2015 COMMITTEE ROOM 'B', PHA PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1030 hrs. to 1100 hrs.

### PRESENT

#### **LOK SABHA**

Dr. Kirit Somaiya - Chairperson

2. Shri Bhagat Singh Koshyari
3. Shri Ravindra Kumar Pandey
4. Shri M.B. Rajesh
5. Shri Vinayak Bhaurao Raut
6. Shri Purno Agitok Sangma
7. Shri Devendra Singh alias Bhole Singh
8. Shri Bhanu Pratap Singh Verma

#### **RAJYA SABHA**

9. Shri V.P. Singh Badnore
10. Shri Oscar Fernandes
11. Shri Pyarimohan Mohapatra
12. Shri S. Muthukaruppan
13. Shri Javed Ali Khan
14. Dr. K.P. Ramalingam
15. Shri Ananda Bhaskar Rapolu
16. Dr. Anil Kumar Sahani

#### **SECRETARIAT**

1. Shri Devender Singh - Addl. Secretary
2. Shri N.K.Pandey - Director
3. Shri Arun K Kaushik - Additional Director

2. At the outset, the Chairperson welcomed the Members of the Committee and apprised them about the important recommendations in the draft Report on Electricity Amendment Bill, 2014. He then requested the members to give their views, if any, on the



draft Report. The members suggested that another meeting may be convened to consider the draft Report as they could not go through the draft Report due to paucity of time.

3. The Chairperson, accepted the suggestion of the members and decided to have next sitting on 5th May, 2015 for detailed/clause-wise consideration of the draft report.

*The Committee then adjourned.*

**MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON ENERGY HELD ON 05.05.2015 AT  
1900 HOURS IN COMMITTEE ROOM NO.62, PH, NEW DELHI**

The Committee sat from 1900 hours to 2035 hours.

**PRESENT**

**Dr. Kirit Somaiya - Chairperson**

**LOK SABHA**

2. Shri Ashwini Kumar Chaubey
3. Shri Harish Dwivedi
4. Shri Saumitra Khan
5. Shri Deependra Singh Hooda
6. Shri Jagdambika Pal
7. Shri Ravindra Kumar Pandey
8. Shri M.B. Rajesh
9. Shri Vinayak Bhaurao Raut
10. Shri Devendra Singh alias Bhole Singh
11. Shri Bhanu Pratap Singh Verma

**RAJYA SABHA**

12. Shri V.P. Singh Badnore
13. Shri Oscar Fernandes
14. Shri S. Muthukaruppan
15. Shri Javed Ali Khan
16. Shri K.P. Ramalingam
17. Shri Ananda Bhaskar Rapolu
18. Dr. Anil Kumar Sahani

**SECRETARIAT**

1. Shri Devender Singh - Additional Secretary
2. Shri N.K. Pandey - Director
3. Shri Arun K. Kaushik - Additional Director
4. Smt. L. Nemjalhing Haokip - Under Secretary

At the outset, the Chairperson welcomed the Members who made it convenient to attend the sitting of the Committee. Thereafter, the Committee considered the draft report on Electricity (Amendment) Bill, 2014 clause by clause.

After detailed deliberations, the Committee adopted the draft report. A few members had difference of opinion on certain clauses. They submitted their notes about their views on the clauses of difference.

The Committee authorized the Chairperson to finalise the Report and present the same to Lok Sabha/ lay in Rajya Sabha.

Thereafter, the Committee adjourned with a vote of thanks to the Chair.