

OPEN ACCESS USERS ASSOCIATION(OAUA)

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Extract of the meeting dated 18.04.2014 at 3.00 PM

The conference of Open access Users Association began with the spirit from the phrase: “Power Sector of the country has evolved with a motive to provide electricity to all and the present need of the sector requires a development of dynamic market which will allow all players to transact electricity more competitively & efficiently”.

Open Access Users Association has been formed to safeguard the interests of all open access users by providing a platform and acting as an interface between market players and the concerned statutory bodies. OAUA files regular representations, petitions, arranges meetings for addressing various open access related issues before statutory bodies and the Appellate bodies.

All esteemed participants including distinguished dignitaries, speakers, guests and participants, were welcomed for attending the conference organized by Open Access Users Association on 18th April 2014 at Indian Habitat Centre. The theme of today’s conference was ‘Market Development’ focusing on, in-principle implementation of Open Access across the country.

The members of OAUA were then requested to escort the eminent personalities present in the conference to the dais.

As per the Indian tradition, the conference initiated with Lighting of the Lamp. The respected dignitaries came up on the dais for doing the honors in a hope that as light symbolizes knowledge, so as this conference would enlighten the participants with the guidance of the distinguished speakers.

The conference further proceeded with a welcome note of Shri Jayant Deo, President of Open Access Users Association. In his welcome note, he gratified all the eminent guests and participants who were the part of the conference. Also, he emphasized on the fact that, with the introduction of Electricity Act 2003, many changes came up in the power sector. The role of the regulators was to see whether the transmission is smooth. Capacity shortage has been removed which has further removed the burden of power supply from the Government to the societies through competitive power market. Moreover, states are denying that, they don’t want to meet national competition. States like, Gujarat & Karnataka have completely banned Open Access, saying that the former cannot be involved in power imports and the latter cannot be involved in

power exports. He concluded the welcome note by saying that, the time has come to find out, how minimum cost of energy and production can be met and how the competition can arise. Through this conference, one needs to find out, that where the system is going wrong, how the economic tempo can be maintained.

Next, Shri M.N. Ravishankar presented his views from trader's & generator's perspective. According to him, the Electricity Act 2003 has stopped the competition. He presented the true picture of the power sector before the introduction of the EA 2003. The trading of power actually started after 1999, where the power was surplus in eastern region and it was decided to supply that power in the southern region, which was power deficit. After 2003, the entire transaction system started the trading activity and entered Open Access. After that, different states emerged with the different ideas which were contradictory. He also added that none of the SLDCs are capable of handling the OA system regime. The system is transparent; one has to account for the power as physically the power cannot come from a generator to a far-away consumer rather it will be supplied from a local system, but if the local system is weak, then Open access is completely a myth. He raised the question onto the efficiency of the Government. This inefficiency is creating such a mechanism that it is stifling the growth of power sector. There is a policy impasse in the entire country and the system is hypothetical. The solutions he gave in his speech were that, if a consumer wants to avail Open Access power, then the Distribution licensee should segregate the tariff for carriage and content. Also Open Access consumer should be given the freedom to buy power from any source. The commission should set the tariff of the consumers of that particular DISCOM and the network charges also should be defined. Along with the consumers, the generators should also be given the unique identity numbers.

After the trader's and generator's perspective, the conference took a turn to the state specific issues. The first speaker in this session was Mr. G.N Agarwal, from Mawana Group. He presented the insights on the core issues prevailing in Maharashtra, Punjab, Haryana, Rajasthan & Karnataka. He raised the issues like refusal of Open Access to the consumers, by the Government in Maharashtra and Karnataka. Also, he addressed the issues like sudden withholding of tested meters of 15 consumers in Rajasthan by JVVNL and Unscheduled Interchange refund not paid by the Licensees to the OA consumers. Also, he raised his points against submission of Open Access schedule by the OA consumers to the government by 10 AM.

Similarly, Shri R.K Gupta came up to discuss the issues in Gujarat. He raised the issues like curbing of Open Access in the state, imposition of high additional surcharge, warning issued by PGVCL on underdrawal.

Shri Sumit Behl kept forward the Open Access related issues in Haryana like, non-refund of UI charges to the OA consumers, inconvenience caused faced by the consumers in submitting their power schedule before 10 AM. Other problems included levying of peak load exemption charges on Open Access consumers, delay of one month in settling Open Access billing of consumers.

Shri Sridhar Prabhu, eminent lawyer in Power Sector shared his legal perspective related to Market Development in the Power Sector. He discussed the Open Access issues faced by the consumers and generators in Karnataka. The state is going to face the hurdles in the near future as there is a 200% increase in the open access charges proposed by the DISCOMS. Also, there will be a sharp increase in the cross-subsidy surcharge. By giving the reference of section 11 of the Electricity Act 2003, he said that, the Government of Karnataka has taken a policy decision, not to implement Kerala High Court's order. The implications of it have to be seriously examined. Moreover, Karnataka is levying back-up supply charges, according to their intra-state regulations and also the issues of UI settlement.

This session was ended by Shri Gaurav Nand's deliberation on the issues in the states of Delhi, Uttarakhand, Himachal Pradesh and Madhya Pradesh. In Delhi, the Open Access related issues which are running at the moment are misinterpretation of regulations i.e. the state is not allowing the OA consumers for partial draw, compulsory obligation to bid for all 24 hrs and high additional surcharge imposed. Similarly, he focussed on the issues prevailing in Uttarakhand like bill settlement in the state is not automated and systemized, applicability of deviation and settlement issues. Likewise in Madhya Pradesh, the issues discussed were, high Initial investment for the consumers connected on dedicated feeders.

After the states, regulators and the legal perspectives were shared, it was now the turn for the Exchange perspective, to present which came on the dais, Mr. Rajesh Mediratta (Director-BD), Indian Energy Exchange. He presented the state-wise status of Open Access consumers in India in terms of drawl in MUs and the clients count. The tools which are the biggest hindrance to Open Access were discussed like legislative impediments, prohibition of Open Access charges by the Government on the OA consumers as well as the operational hurdles. The snapshots of various states of India were given where the Open Access is not allowed, dismal implementation and the few states where the Open Access is allowed and implemented. Moreover, Mr. Mediratta suggested some provisions which must be implemented to enable non-discriminatory access to the network. For instance, duly substantiate the reasons must be given for such refusal based on objective and technically and economically justified criteria. The regulatory authorities shall also ensure, where appropriate and when refusal of access takes place, that the transmission or distribution system operator provides relevant information on measures that would be necessary to reinforce the network.

Finally, it was the time for the guidance and to listen to the solutions for the problems. For doing the honors, the respected dignitaries, Mr. Verma & Mr. Bajaj were invited. Mr. Verma, mainly blamed the information gap i.e. the lack of information in the power sector which the people are having now-a-days. The reason for this disastrous situation is the inefficient system in terms of management, administration and technical capabilities going on. There is lack of understanding in the bureaucratic system of the power sector. The system is not knowledge based. The problem can be solved a bit if the energy exchange and the short-term people should pay for the

transmission system, which would remove the problem of transmission constraint. The economical issues have also arisen in the sector, this is the reason why the expensive power is not sold, neither dispatched nor demanded. For the issues, like higher cross subsidy surcharge and the other such charges, Mr. Verma gave the solution that the legal system must be adopted for this. Also, there is a need to have a higher level discussion on these subjects with a professional participation. The exchange should be organized on a professional basis. Also, there should be people who understand every aspect of the power sector.

Mr. Bajaj stressed on the fact that for addressing various Open Access issues, it is important to consider the root cause of the problems. Consumer's perspective may be different in regard to their specific problems on high wheeling charges, cross subsidy charges etc. but various problem should also be considered, which distribution licensees and other statutory bodies are facing. One should be considerate regarding the financial stability of Distribution Licensee as presently around 80 paisa/KWh is going in loss in terms of total electricity generated in India. Also, peak deficit in India has reduced to 3%, but it is not true as the present industry's demand is very low considering the various applicable charges on them. In reality if the exact demand to be catered among the various categories of the consumers, this peak deficit will be some higher side. To minimize the problem of increasing cross subsidy, first the focus has to be poured on the fashion of subsidizing the other categories. Once this problem is tackled, the issues of increasing cross subsidy would automatically be solved.

After this, Mr. Rahul Banerjee, Senior Advisor, Central Electricity Regulatory Commission discussed his perspective regarding Market Development of power sector. According to him, for the power markets to function well, another institution like the power exchanges should be present in order to take care of the back-end work. There should be an automated system for this purpose. We are still in a regime where the fungibility in the open access system is not there. For instance, if a consumer has bought the power and by some reason that power could not be used then there should be a fall-back mechanism by which that power can be consumed back and the transmission corridor should also be available. To make the system better, the market should be opened and the players should be free to avail power from anywhere.

Mr. Jayant Deo finally responded to the queries of the participants and concluded the session. He gave the suggestion that people who are using electricity for the purpose of doing business or providing services in general competitive market; they should be taken out of the regime of the regulator and should be put in the market. This is major reason where lies the problem. People should question the Forum of Regulators, Ministry of Power and Appellate Tribunal that why the competition is not there? Also there should be the standby arrangements if the consumer has not received the power and the tariff determination should not be done for the consumers of open access, which would reduce the burden on the retail consumers.

Lastly, the mementos were presented all the speakers and dignitaries present in the conference and the vote of thanks was addressed by Shri Amit Ailawadi, Secretary of Open Access Users Association.

Regards

For Open Access users Association