

RECORD OF PROCEEDING

DATE OF HEARING : June 12, 2007 at 16.10 hrs
CASE No. : 9 of 2007
COMPLAINANT : Thane Belapur Industries Association

MATTER : Petition filed by Thane Belapur Industries Association seeking directions upon MSEDCL not to subject industrial consumers located in the MIDC areas of Navi Mumbai to load shedding and further, not to implement the second staggering day ruling, and for approval of a model to export power on round-the-clock basis for such industrial consumers (phase-1) and thereafter residential and commercial areas in Vashi, Nerul and Panvel Division (phase-2)

Thane Belapur Industries Association (“TBIA”) filed a petition on April 20, 2007 seeking directions upon MSEDCL not to subject industrial consumers located in the MIDC areas of Navi Mumbai to load shedding and further not to implement the second staggering day ruling, and for approval of a model to export power on round-the-clock basis, which has been submitted as part of their petition. MSEDCL filed their affidavit-in-reply on May 7, 2007. The Commission scheduled the preliminary hearing before admission on June 12, 2007 in the presence of consumer representatives authorised on a standing basis under the Electricity Act 2003 (“EA 2003”). Notices were issued accordingly.

2. At the admissibility hearing held in the matter on June 12, 2007, Shri. S.L. Patil, Secretary General of TBIA, voiced his opposition to the 2nd staggering day / load shedding for Industrial areas in Navi Mumbai area of supply by MSEDCL. He referred to the proposal submitted under TBIA’s petition for supplying power equivalent to the Industrial Sheddable Load in the said area through captive and other sources. He submitted that the said proposal has been devised in line with the captive power model implemented in Pune, where zero load shedding is enjoyed by industrial consumers. He submitted that there are industries that are willing to either supply the power or run their standby units, thus not drawing power from MSEDCL, which is considered as deemed export. Shri. Patil submitted that as per the MSEDCL Vashi Circle Load Data, the industrial sheddable load of 173 MW for Navi Mumbai requires is subjected to load shedding for 16 hours in that area, four times a week (i.e. 692

MW on weekly basis). The proposal put forward by TBIA would ensure supply of 24.24 MW on round-the-clock continuous basis per day for the industrial consumers located at MIDC, Navi Mumbai. Referring to the supply schedule submitted under paragraph 4 to their petition, it was submitted that the present proposal to export power would be feasible since it guarantees the supply of 16.41 MUs against the requirement of 11.07 MUs for the industrial consumers of MSEDCL located in the MIDC areas of Navi Mumbai. The total amount of energy that would be exported from entities like Reliance Industries Limited, Mukand Limited, SI Group Limited, BASF India Limited and Zydus Limited (“the suppliers”), amount to 146 MUs per month. These entities are agreeable to supply power using different fuels such as Naptha, FO, Diesel and HSD. The cost for this exported supply is Rs. 0.47/- per unit of consumption, which the targeted industrial consumers are willing to bear. Shri Patil submitted that the only aspect of the proposal that is at variance with the captive generation model implemented in Pune is that, under the present proposal (i) the role of MSEDCL is that of a facilitator with respect to billing and recovery; (ii) MSEDCL has been requested to provide an unconditional Letter of Credit for an amount equivalent to 45 days of electrical energy supplied to MSEDCL; (iii) the suppliers are desirous that payments should be on a monthly basis and not as per actual realisation. Shri. Patil submitted that the proposal of TBIA has been devised in consultation with MSEDCL. The first phase of the proposal is expected to be implemented for the benefit of industrial consumers located in the MIDC areas of Navi Mumbai. Thereafter, the second phase may be implemented for residential and commercial consumers of Vashi, Nerul and Panvel Division. While the search for more independent power supply associations and international energy suppliers are on, one Dubai-based power supplier has agreed to install on lease basis, mobile DG units that are capable of generating 30 MW.

3. The Commission observed that the proposal forwarded by TBIA is substantially different from the model implemented in Pune. Industrial consumers in Pune are using locally available DG sets and the drawal of power using Grid is not taking place. The proposal of TBIA pre-supposes exporting power through the Grid to the consumers in the area or importing power by consumers in the area. This may result in additional losses; while Pune model being distributed generation model actually resulted in reduction in losses. Secondly, it is not certain whether recovery

mechanisms should be framed as per the priority of MSEDCL or the suppliers. However, while the intent behind the proposal is laudable, TBIA will have to explore different arrangement for this proposal to work. It must enter into an agreement for franchisee operations with MSEDCL, to make the proposal workable. This may result in manifold benefits for both the targeted consumers of MIDC, and also MSEDCL. Initially, it could be only a limited 'franchisee' for billing and collection. For the Thane-Belapur model to work, it is crucial that any deficit in the collection, if at all, should not be spread over to other consumers of MSEDCL but must be borne by the targeted consumers only. The Commission further observed that the amount of imported supply should match with the peaking requirement of Vashi Circle of the MSEDCL – to the extent the same reflects any shortfall of power. In this regard, the Commission noted that while TBIA proposal envisages providing necessary energy, MW support is not available to meet the entire shortage. Further, the second staggering day ruling is implemented in times of shortfall only.

4. The Commission further opined that, in order to aggregate the power supply from diverse entities and thereafter to supply directly to consumers, TBIA would be required to obtain the distribution license which would also mean that they will be subjected to universal service obligation, open access requirements etc. To obviate the need for the same, TBIA may have a function in the form of a distribution franchisee (so far as accounting, billing, metering and collection mechanisms are concerned). Since TBIA as a franchisee would be responsible for these functions, it would also address several concerns revolving around the lack of efforts on the part of MSEDCL to control distribution losses, inefficient functioning, non-implementation of metering programmes, inability to source power, etc. Shri. Patil submitted that at present, TBIA may not be in a position to take requisite initiatives as directed. He further added that MIDC has already initiated appropriate proceedings before the CERC and the Government of Maharashtra to undertake the functions of electricity distribution licensee.

5. Shri. Abhijit Deshpande, C.E. (Commercial)-MSEDCL, submitted that the present proposal of TBIA is a combination of the Pune captive generation model and power purchase arrangement *per se*. He submitted that MSEDCL would maintain a neutral stand as long as its revenue is protected. Distribution losses as well as

collection efficiency shall have to be considered while calculating the amounts to be paid to the suppliers, and the applicable reliability charge. Secondly, since the role of MSEDCL is that of a mere facilitator, unlike the model implemented in Pune, no supply-support guarantee shall be provided by MSEDCL should there be any default in the exported supply arrangements. He further clarified that TBIA model envisages making available energy which is being shed, however, proposal does not envisage provision of real time MW support which is critical from load shedding perspective. The suppliers may ensure the supply of 24.24 MW on round the clock basis, against 173 MW required during peak hours. MSEDCL would have to adjust the load shedding protocol for the area under consideration by giving additional MW support to make up for the shortfall in MW support, such that both the MW and energy requirement are met. Over and above this, MSEDCL may still be required to undertake load shedding if system conditions so require. However, such a situation may be 'one off' event. It was observed by the Commission that the contention of MSEDCL would appear to be logical so far as it relates to emergency situations, as MSEDCL should not impose strict limitations on their obligation to provide balance supply of power. Further, MSEDCL should explore possibilities to provide more power to the targeted consumers than the balance as calculated (i.e. approximately amounting to 150 MW). Shri. Deshpande submitted that MSEDCL is willing to make suitable arrangements with various independent entities for generation of energy for 15 MW to 20 MW. Shri. Dhabade, MSEDCL submitted that the Commission should grant sufficient time for MSEDCL to implement the proposal. The Commission observed that the technical issues in the said proposal shall be decided/ framed at a much later stage. Shri. Patil submitted that technical aspects of the proposal shall be submitted by TBIA shortly, for the Commission's approval. The Commission observed that all such steps may be taken by the MSEDCL on the basis of 'limited franchisee' model.

The hearing in the matter concluded thereafter.

**List of the persons who attended the admissibility hearing held in Case No. 9 of
2007 on June 12, 2007 from 14.10 hrs to 14.40 hrs**

1. Shri. A.D. Khupale, MSEDCL.
2. Shri. S.G. Kharpe, MSEDCL.
3. Shri. D.S. Bodle, MSEDCL.
4. Shri. R.D. Munde, MSEDCL.
5. Shri. Abhijit Deshpande, MSEDCL.
6. Shri. Dhabade, MSEDCL.
7. Shri. Anil. V. Kale, CRISIL.
8. Shri. K. Jayadevan, Thane Belapur Industries Association.
9. Shri. S.L. Patil, Thane Belapur Industries Association.