

# Current Electricity Regulatory Reforms in India

S.C. Anand  
Dy. Chief (Engg.)  
Central Electricity Regulatory  
Commission, India

# Regulatory Frame Work : 1998 Act

- CERC established in July 1998 under the provisions of ERC Act 1998, regulatory uncertainty removed
- Important orders issued by CERC
  - Availability Based Tariff
  - Terms and conditions of Tariff setting
  - Open competitive bidding
  - Indian Electricity Grid Code – Power Regulation
- State Electricity Regulatory Commissions in 20 states

# Electricity Act, 2003

- The Central Government enacted the new legislation called Electricity Act, 2003 which came into force from 10th June, 2003
- Section 76 of the Act provides that CERC established under the ERC Act, 1998 and functioning as such immediately before the appointed date shall be deemed to be the Central Commission for the purpose of the Act

# Electricity Act, 2003

- **Main features**
  - Generation free from licensing
  - Captive generation free from control
  - No Techno economic clearance required
  - Re-structuring of SEBs
  - Mandatory establishment of Regulatory Commissions
  - Open access in transmission

# **Electricity Act, 2003**

- Open access in distribution to be allowed by State Regulators in phased manner
- Recognition of electricity trading as a distinct activity
- Stringent provisions for violation of grid discipline and theft of power
- Setting up of an Appellate Tribunal
- Specific provisions for supply in rural areas

## Electricity Act, 2003

- **Functions of the Central Commission**
  - a) to regulate tariff of generating companies owned or controlled by the Central Government
  - b) to regulate tariff of generating companies other than those owned or controlled by the Central Govt., if such companies have a composite scheme for generation and sale of electricity in more than one state

## **Electricity Act, 2003**

- c) to regulate inter-State transmission of electricity
- d) to determine tariff for inter-State transmission of electricity
- e) to issue licences to persons to function as transmission licensee and electricity trader with respect to inter-State operation
- f) to levy fees for the purpose of this Act

# Electricity Act, 2003

- g) to specify Grid Code having regard to Grid standards
- h) to specify and enforce the standards with respect to quality, continuity and reliability of service by licensees
- i) to adjudicate upon disputes involving generating companies or transmission licensees in regard to matters relating to generation and transmission of electricity

## **Electricity Act, 2003**

### **2. The Central Commission shall advise the Central Govt. on matters namely:-**

- i) formulation of National Electricity Policy and Tariff policy
- ii) promotion of competition, efficiency and economy in activities of electricity industry
- iii) promotion of investment in the electricity industry

## **Electricity Act, 2003**

3. The Central Commission shall ensure transparency while exercising its powers and discharging its functions
4. In discharge of its functions, the Central Commission shall be guided by the National Electricity Policy, National Electricity Plan and tariff policy

# Electricity Act, 2003

- **Tariff Regulations**

Appropriate Commission shall specify the terms & conditions for the determination of tariff, and in doing so, shall be guided by -

- a) the principles and methodology specified by the Central Commission for determination of tariff applicable to the generating companies and transmission licensees
- b) the generation, transmission and supply of electricity are conducted on commercial basis

# Electricity Act, 2003

- c) the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments
- d) safeguarding consumers' interest and at the same time recovery of the cost of electricity in a reasonable manner
- e) the principles rewarding efficiency in performance
- f) National electricity and Tariff Policy
- g) reduction in cross-subsides within a period to be specified by the Commissions

# Developing new standards

- Under the provisions of new Electricity Act, Commission is mandated to lay down regulations governing terms and conditions of tariff within one year of the appointed date.
- The current tariff period of three years due to expire on 31st March, 2004.
- CERC process of establishing new norms/ standards is through a transparent procedure of giving consideration to input from all the stakeholders.

## Developing new standards

- Commission has already floated the **Discussion Paper**, aimed at soliciting the views of stakeholders, experts and members of the public
- This would become a basis for holding formal hearings, with the intention of laying down the principles on which the Commission will approach tariff determination for the next tariff period commencing 1st April, 2004
- **'Discussion Paper'** available on CERC website [www.cercind.org](http://www.cercind.org)

## Role and responsibility of Commission staff

- Commission staff assist the Members in the following manner:-
  - Scrutiny/ analysis of various petitions, rejoinders and respondents replies and preparation of briefings
  - Participation in the hearings and preparing briefs of hearings
  - Assistance in the technical, legal and financial issues pertaining to petitions

## Role and responsibility of Commission staff

- Checking the calculations of tariff components for determination of tariff of various petitions
- Assistance to the Commission on adjudication and arbitration matters
- Assistance in preparation of draft orders
- **Thus the role of staff is purely advisory**

# Role of the Government

## **Degree of Independence of Commission**

- Section 3 of the Electricity Act, 2003 mandates Central Government to prepare the National Electricity Policy and Tariff Policy, in consultation with the State Govts. and the Authority for development of power system based on optimal utilisation of resources such as coal, natural gas, hydro and renewable sources of energy

# Role of the Government

- The Act also mandates that the Central Commission shall advise the Govt. on the formulation of Electricity Policy as well as Tariff Policy
- Various judicial pronouncements have upheld that the concerned Commission is the sole authority for framing regulations for terms and conditions of tariff and to determine tariff

# Role of the Government

- In terms of the Act, CERC is the only authority recognised by law which is vested with the statutory responsibility to advise the Central Govt. on Tariff Policy.
- GOI has recently come out with a policy document entitled “Preliminary Discussion paper on Tariff Policy”
- No formal advise sought from the Commission before floating this tariff policy document

# Role of the Government

- Commission has rendered its advise to the Government in August, 2003 (available on our website)
- Commission has advocated -
  - a) Broad based tariff policy- should not be an instrument for micro -management of tariff setting procedure
  - b) Aimed at optimum utilization of alternative resources
  - c) Upheld the independence and authority of the regulatory Commissions

# Experience of Regulation

- Transparent tariff making process provided an opportunity to all stakeholders to be involved in the tariff formulation process
- The Commissions in their orders have attempted to minimize retrospective element in tariff
- Regulation is new, teething troubles persisted
  - **Implementation of orders/Appeals by utilities**
  - **Delegation of necessary powers to regulators**
  - **Lack of experience-both of regulators and stakeholders**
  - **Asymmetry of information/data for effective benchmarking**

THANK  
YOU