

Workshop on Role of Consumer Representatives to Further Power Sector Reforms

Lucknow, Uttar Pradesh November 27, 2017

Background

CUTS International with support from Shakti Sustainable Energy Foundation (SSEF) organised a workshop on Role of Consumer Representatives to Further Power Sector Reforms in Lucknow, Uttar Pradesh on November 27, 2017. The purpose of the event was to bring together various stakeholders on a common platform and provide them a space for interaction and discussion, and building a strategy for advocacy interventions in the state. The workshop was organised as part of an ongoing CUTS project on 'Working Towards Effective Regulatory Decision Making in Uttar Pradesh Power Sector', supported by SSEF.

The event witnessed participation from Chairman, Uttar Pradesh Electricity Regulatory Commission (UPERC); Secretary UPERC; other officials from UPERC and Madhyanchal Vidyut Vitaran Nigam Ltd. (MVVNL); Prayas, Pune and Citizen consumer and civic Action Group (CAG), Tamil Nadu, and most importantly from 15 consumer groups in Uttar Pradesh working on issues in various sectors including electricity. Also, experiences were shared by consumer representatives from other states (Maharashtra, Rajasthan and Tamil Nadu) regarding advocacy interventions undertaken in such states and ways through which stakeholders in Uttar Pradesh could learn from such experiences were also discussed.

Proceedings

Session I

Electrifying Uttar Pradesh: Beyond Political Will and Technical Solutions-- Focus on Consumer Participation and Engagement

The purpose of the session was to understand broad issues concerning interests of consumers in Uttar Pradesh power sector, emerging from findings of CUTS work in the state and gauging regulator's perspective on the key solutions for addressing concerns.

Udai S Mehta, Deputy Executive Director, CUTS International introduced CUTS intervention in the state, which is supported by SSEF to participants. He also shared the experience of engagement with various stakeholders in the state's power sector. Further to this, Disha Agarwal, Programme Associate, SSEF briefly discussed the role of SSEF in furthering power sector reforms in India. Ashwini Swain, Consultant, CUTS International, shared key findings from CUTS work in the state. Lastly, the key note address for the event was delivered by S K Agarwal, Chairman, UPERC, who emphasised upon the role that each stakeholder (mainly UPERC, discom and consumers) needs to assume in order to effectively facilitate power sector reforms in the state. The key highlights from his address have been elaborated below:

- **First ever dialogue focussing upon consumers' concerns:** Agarwal, Chairman, UPERC congratulated CUTS for taking the initiative to bring together representatives from various consumer groups, discoms and UPERC on a common platform and facilitating discussions on consumers' concerns and taking measures to address the same.
- **Role of consumers' participation:** Consumers' effective participation is a key imperative to effective policy and regulatory decision making. The regulatory and policy decision making should be in congruence with the idea of democracy and accessible to its lowest level. In line with the same, the government is thinking about introducing amendments in the Electricity Act 2003 (the Act) and allowing greater indulgence for consumer representation in the regulatory and policy decision making in power sector. The Act currently allows consumer participation in regulatory decision making through Central and state advisory committees. However, the current status of representation from consumers' end in advisory committees is poor.
- **Trust deficit between consumers and utility:** In the current power sector scenario in Uttar Pradesh, there is sheer lack of trust between the consumer and the utility. Consumers are not satisfied with the quality of service offered by the utility and therefore not comfortable in reaching out to the utility for any of their concerns. They would rather resort to mediators for getting their concerns addressed. Similarly, due to lower sense of responsibility amongst consumers in terms of valuing the infrastructure service, the utility is troubled by power thefts and poor collection efficiency.

It was thus emphasised that for the utility to be able to achieve its loss reduction targets, the trust gap will have to be abridged through collaboration between consumers and the utility, and closer engagement by consumer representatives with the utility staff.

- **Challenges at Department's end:** Owing to huge population size and consumer base in the state of Uttar Pradesh, the department also faces several challenges in terms of dealing with consumers. Given the limited strength of department's staff, tasks such as those of metering, meter reading and billing appear to be herculean in nature. Further with the introduction of schemes, such as that of *Power for All* and *Saubhagya*, the consumer base will increase all the more. There is thus a need for effective planning in the state's power sector to understand as to how the utility will undertake tasks of metering, meter reading and billing for consumers, given its limited capacities. Therefore, the support from consumer representatives would be essential in this regard.
- **Need for effective consumers' representation:** There are very few consumer representatives in the state having a strong hold on power sector issues. These representatives too are currently working on a stand-alone basis and dependent on their own resources for operating in the sector. Little or no support has been provided from the government's end in this regard. Further, in order to address consumers' concerns, it is primarily essential to build capacities of consumer representatives to be able to effectively participate in various proceedings associated to regulatory decision making in the sector.

- **UPERC's plan for addressing consumer concerns:** Concerns were raised regarding the poor frequency of State Advisory Committee (SAC) meetings in the state, in response to which the Chairman, UPERC stated that such meetings will now be held once in every three months. UPERC is soon planning to launch an e-forum for consumers to register their grievances and raise queries. Also, the regulator will be closely engaging with the potential consumer advocates in the state and also the consumer advocacy organisations working in other states (especially CUTS and Prayas) to design strategies for interventions in Uttar Pradesh and bridging the gap amongst the regulator, discom and consumers.

Session II

Experience Sharing on Consumer Advocacy Strategies: Insights for Power Sector in Uttar Pradesh

The purpose of the session was to understand the existing scenario in Uttar Pradesh pertaining to consumer engagement in power sector. Additionally, experiences on operational models, required capacities and support systems amongst others, adopted by consumer advocacy groups from different states (Maharashtra, Rajasthan and Tamil Nadu) to initiate and sustain consumer advocacy interventions will be shared in the form of case studies. The experience was shared along with insights on the potential to replicate or rather contextualise models with respect to the state of Uttar Pradesh.

The session entailed presentations/addresses from Avadhesh Kumar Verma, Chairman, UP *Rajya Vidyut Upbhokta Parishad*; Ashwini Chitnis, Fellow, Prayas, Energy Group; George Cheriyan, Director, CUTS International and K Vishnu Mohan Rao, Senior Researcher, Citizen consumer and civic Action Group. The session was chaired by Sanjay Srivastava, Secretary, UPERC. He welcomed speakers/presenters by delivering a brief address. The key highlights from addresses/presentations of speakers/presenters have been elaborated below:

Case of Uttar Pradesh

Avadhesh Kumar Verma, presented the case of consumer advocacy in Uttar Pradesh power sector. He shared the experiences of consumer advocacy interventions in Uttar Pradesh and mentioned that UPERC had planned to launch a consumer advocacy cell in 2006, jointly run by members from various consumer organisations. The intervention however proved to be unsuccessful due to issues concerning the leadership interests. Further to this, the initiative by CUTS of bringing together various consumer representatives from across the state of Uttar Pradesh and also from other states was appreciated and the need to re-formulate the consumer advocacy cell with the help of CUTS and organisations representing other states was emphasised.

To this end, it was mentioned that every year UPERC obtains fee from licencees which adds to create a huge sum. In the FY 2016-17, the Commission obtained a sum of Rs 80 crores, which could have potentially been used for consumer advocacy interventions. Additionally, issues concerning consumer interests were also highlighted. A primary concern is related to non-transparency in tariff formulation and limited involvement of consumer representatives in tariff proceedings. Further, the SAC meetings are not held

on a regular basis and there is limited representation from grassroots-level consumer organisations in the Committee.

Case of Maharashtra

Ashwini Chitnis shared the experience of consumer advocacy interventions in Maharashtra. The interventions by Prayas Energy Group (PEG) in the state's electricity distribution sector were planned amidst increasing inefficiencies in planning and operation in the power sector, leading to significant losses, which were impacting consumers or tax payers. The idea was to use and expand the available policy and regulatory spaces to demand greater transparency and accountability of the sector actors, channelise civil society capacity to effectively use such spaces and democratise the functioning in the sector.

Some of the issues taken up by consumer representatives and CSOs in Maharashtra, including Prayas since 1999 include: Tariff – financial and operational performance and planning related issues; agriculture sales estimation and distribution losses; metering, billing, collection efficiency, arrears, etc.; tariff determination, fuel surcharges, regulatory asset recovery etc.; capacity addition planning and PPA related issues; load shedding and issues concerning supply and service quality; regulatory process and governance related issues; open access and markets; renewable energy related issues; parallel licence arrangement, franchisees etc. amongst others.

With regard to some of the successful interventions made by consumer advocates, a few instances were shared. In FY 16, the utility filed application for tariff revision and claimed transmission and distribution loss of the order of 16 percent. Prayas and other consumer representatives filed detailed submissions countering the utility's claims based on data and analysis in the technical validation session of the tariff petition. Maharashtra Electricity Regulatory Commission (MERC) directed the utility to respond to submissions, but the utility did not have adequate data to defend its claims. Thus, MERC accepted consumers' demand that losses estimated by the utility were *prima facie* incorrect and partially revised it. It also directed the utility to undertake independent evaluation of the loss estimation methodology and submit a detailed report based on which the Commission would finalise loss levels. In addition to this, insights from the significant role of Prayas in getting Pune Zero Load Shedding Model were also shared.

Further, Prayas has been strongly advocating for years on some of the aspects. These include: appointing consumer representatives and making them party to all proceedings before the ERC; building capacity of consumer representatives and strengthening consumer participation; technical validation sessions to be conducted in presence of consumer representatives; periodic interactions of CSOs and consumer representatives with Commission and utilities in non-adversarial settings such as SAC meetings, or workshops aimed at improving consumer participation; collaborative efforts by CSOs and consumer groups, state government, regulatory commission, and academic institutions wherever necessary.

Case of Rajasthan

Following this, George Cheriyan presented the case of CUTS consumer advocacy interventions in Rajasthan's power sector. He mentioned that some of the successful interventions of CUTS include: CUTS-FES (Friedrich-Ebert-Stiftung) Project on Involvement of Consumers in Power Sector Reforms in Rajasthan, India (2001 -2007) and a Pilot Project on Capacity Building on Electricity Sector in Bangladesh, Nepal and India (2008-2010) (RESA Project).

The intervention undertaken with support from FES was aimed at achieving the following objectives: sensitising service providers, regulators and consumers; mobilising community participation; enhancing capacities of CSOs and consumers; improving allocation and availability of resources, and achieving better and cogent economic reforms. The strategy for implementing the project mainly involved awareness and capacity building exercise, network formation, obtaining consumers' feedback and raising policy issues at appropriate forums. The advocacy interventions were undertaken both at the Central and state level.

In case of RESA project, the overall objective was to increase the long-term capacity of CSOs to improve consumers' representation as a measure to enhance effectiveness of regulatory regimes. The project was supported by the Norwegian Agency for Development Cooperation (NORAD). The major activities undertaken as part of the project included the following: field research and consumer baseline survey; reference group meetings; territorial trainings of CSOs; grassroots interface meetings; advocacy seminar and regional conference. The project was successful in achieving significant outcomes. Several pro-people changes in the electricity policy and regulation were introduced following project interventions. Also consumer participation in regulatory proceedings had increased substantially and above all, an informal network of CSOs working in the power sector at the national level was created.

In addition, the project was successful in creating an informal Grievance Redressal Mechanism. '*Vidhyut Sudhar Samitis*' were established at village level in project area to act as a 'watchdog', and help villagers redress their grievances *vis-à-vis* power supply. These *Samitis* were also helpful in enabling the introduction of an informal code of standards for power supply.

Case of Tamil Nadu

Vishnu Rao elaborated upon the role of CAG in facilitating better consumer participation and ensuring consumer welfare in Tamil Nadu's electricity sector. With an experience of more than 20 years of working in the state's electricity sector, CAG introduced interventions mainly owing to the need to govern electricity sector properly, ensure affordable and quality electricity for consumers and create responsible consumers who conserve and protect energy resources.

To fulfil these objectives, CAG has adopted the following measures:

- Awareness: undertaking initiatives to spread awareness on electricity laws and regulations
- Information Dissemination: using a combination of IT and non-IT tools to inform consumers and promote citizen science

- Training/Capacity Building: building capacity of communities and citizens on regulatory and legal standards
- Knowledge Sharing: media, CSOs on specific topics of interventions
- Network building: building a network of like-minded CSOs

The organisation has ensured the sustainability of its efforts over the years through following means:

- collaborative interventions involving SAC and Tamil Nadu Electricity Governance Initiative (TEGI) Network
- negotiating interventions with Consumer Grievance Redressal Forum (three years) and dialoguing with regulators and administration
- resistive interventions through a network of stakeholders

Anecdotes from some of the successful interventions undertaken by CAG were also discussed. The organisation's role has been crucial in some of the activities at the state level. These include: setting up of Tamil Nadu Electricity Regulatory Commission; engaging with stakeholders to create better understanding of energy-water nexus through agricultural pumpset installation and in filing of Tamil Nadu Generation and Distribution Corporation (TANGEDCO) solar petition through a network-oriented intervention.

Session III

Group Work on Strategising Advocacy Interventions to Address Unfinished Reforms Agenda in the Power Sector in Uttar Pradesh

The intent of the Group Work was to bring together various stakeholders (discom representatives, UPERC officials, consumer representatives, academia amongst others) and provide them a space for interaction and discussion specifically dedicated to addressing challenges related to reforms in the power sector in Uttar Pradesh. The participants were divided into two multi-stakeholder groups to deliberate upon imperatives needed to address challenges in the following two key areas: (i) consumer engagement in Uttar Pradesh's power sector; and (ii) access to electricity and quality of supply.

The group work exercise on consumer engagement, moderated by Mehta and Cheriyan involved discussions on range of issues. These included: effectiveness of mechanisms for consumer grievance redress, trust deficit between consumers and utility, promoting metering of connections, creating responsible consumers, reduction in power theft and measures to empower civil society groups to undertake consumer advocacy interventions in the state. The discussion was summarised by Abhishek Srivastava, Chairman, Consumer Guild. He laid emphasis on the need for empowering existing consumer advocacy groups in the state to be able to effectively undertake advocacy interventions in the sector. The financial assistance for the same could be drawn from the licensee fee fund with the regulator. In terms of building technical capacities of these

groups, capacity building initiatives will have to be planned with support from the UPERC and discoms. To address the trust deficit between consumers and the utility, these consumer groups will have to come together and work in tandem with each other at the grassroots.

The group work exercise on access to electricity and quality of supply, involved deliberations on the following issues of significance: metering (100 percent, anti-tampering and standardisation of meters), replacement of old transformers and other distribution infrastructure, measures to curb power theft, legalising illegal consumers and improving collection efficiency amongst others. The discussion was summarised by S C Jha, Director (Commercial), MVVNL. He mentioned that a primary step towards ensuring complete access and supplying quality electricity has to be taken from consumers' end by realising their duties of valuing the infrastructure service. Discoms have already initiated efforts to providing access to BPL consumers through free connection service, wherein consumers are only supposed to pay charges for energy usage. The discom is also making efforts towards ensuring 100 percent metering in the state. However, there is still a long way to go in this direction. From October 2017 onwards, discom officials have been paying visits to villages and putting up awareness camps on obtaining connections, metering and billing procedures.

Further, for ensuring quality of supply, feeders need to be primarily bifurcated and effective monitoring of discom activities needs to be done. The procedures need to be made transparent through digital systems for accounting of data at various levels. In addition, for ensuring quality of supply the department needs to have appropriate data on consumer demand. This could be ensured by allowing consumers to make predictions about their future load usage and submitting declarations about the same. He lastly mentioned that both utility and consumers need to come together to achieve these two objectives effectively.

Session IV

Closing and Conclusion

The closing session entailed addresses by Rama Shanker Awasthi, Managing Director/Owner, Energy Mantra India Pvt. Ltd. and S C Jha, Director (Commercial), MVVNL. The key highlights of the session have been described below:

- The role of discom and consumers is complementary to each other and therefore both need to work hand in hand to ensure consumer welfare as well as sustainability of the power sector
- Transparent mechanisms need to be introduced and responsibilities at each level of governance determined to have appropriate systems of checks and balances
- CSOs at the grassroots need to be involved in decision making procedures and creating awareness amongst consumers
- There is a need to monitor consumer complaint mechanisms, so that these function as feedback to sector's functioning

- Stringent penalties should be introduced to ensure effective compliance at the end of both the consumer and the utility

Kanika Balani, Senior Research Associate, CUTS International concluded the session by stating that the key elements to effective functioning of power sector are transparency, accountability, participation and capacity building/awareness. Therefore, collaborative efforts involving all stakeholders need to be aligned towards these elements. CUTS has been strongly advocating for the same over the years and engaging with stakeholders at all levels in the states of Rajasthan and West Bengal. Over the past one year, following the engagements with stakeholders in Uttar Pradesh, a strong need has been felt for CUTS to introduce advocacy interventions for Uttar Pradesh power sector as well. Steps are being planned in this direction through collaboration with other CSOs in the sector.