

Minutes of the Meeting with UPERC

30th November 2016

Uperc Office, Kisan Mandi Bhawan, Lucknow

Role of State Electricity Regulator in UDAY Reforms

Attended By

- Ashwini K. Swain, CUTS International
- Kanika Balani, CUTS International
- Vrinda Sarada, Shakti Foundation

UPERC Team Present

- Shri Desh Deepak Verma, Chairman
- Shri. Arun Kumar Srivastava, Secretary
- Shri Vikas Chandra Agarwal, Director (Distribution)
- Dr. Amit Bhargava, Director (Tariff)

Highlights of the Meeting: The purpose of the meeting was to explore the possibility of defining a role for SERCs in UDAY Scheme. During the course of discussion with the UPERC team, some interesting findings emerged. These have been listed below:

- **Need to Consider Ground Level Issues in Policy Making:** The distribution losses in electricity sector in UP are mainly due to the ageing infrastructure and the socio-political factors. The socio-political factors ultimately contribute to building people's mindset who consider free electricity as their 'birth right'. Despite the huge consumer base, the per capita consumption of electricity in the state is much lower than other states. This further indicates that the people in the state cannot afford higher consumption of electricity, and therefore resort to power theft. In addition, the dominant political parties in the state have allowed the consumers to take the infrastructure service for granted and not pay for it. The ultimate solution therefore is privatization of distribution sector or involvement of third parties for management of a few components of the business.
- **Inability of State Government in Finding Clientele for Subscribing to Bonds:** UP Government has thrice attempted to issue bonds against the 50 % of the debt takeover. However, they haven't been successful in identifying the takers for the same. The rate of interest being offered by the state is 9.5%, which is not a profitable deal for the banks. Also, owing to the inefficient functioning of the discoms, the banks do not want to risk their investments.
- **Limitations of the Target Related to Putting Smart Meters:** According to the UDAY scheme, smart meters are to be put up for consumers with minimum consumption of 200 units/month. But it still won't reduce much of the expenses and workload for the discoms, as for the rest of the connections (consisting of

majority), the discom officials will have to conduct monitoring exercises. Also, smart metering for consumers based in high loss-making areas is equally crucial and should be adopted as a policy reform.

- **Data discrepancy between Centre and State:** The officials agreed that there is discrepancy in the utilities' data presented by the Centre and the State. Therefore, there has to be a single data source and all the data should reach the Centre only through the state regulator.
- **Lack of human resource with the regulator:** As regards the human resource, there is lack of growth prospects for the officials. The limitation exists due to the organizational structure, as per which there are no growth prospects for the directors, which further acts as an impediment to the officials working below them as well. Unless the directors are promoted to some other level, the prospects for others are also limited. The situation renders SERCs as an unattractive place for professionals to work at, who ultimately end up hiring officials on contract basis or from the discoms. Notably, 10-11 positions are lying vacant at UPERC currently. Thus, there is a need to establish a '**regulatory cadre**' in the system, which will provide much more clarity to the officials about their growth prospects and roles.
- **Lack of technical expertise with the regulator:** The chairman specified the need to upgrade the skill sets of the existing regulatory staff as well.
- **Best practices adopted by UPERC**
 - **Regular Performance Monitoring of Utilities by UPERC:** The officials claimed that UPERC has been regularly monitoring the performance of the discoms on various parameters. The regulator has passed suo moto orders on performance indicators, which contain various components such as putting up prepaid meters, loss reduction exercises, etc. Further, the utilities in the state are also working diligently to achieve the UDAY targets.
 - **Direct subsidy transfer for all consumers:** UPERC has been advocating for direct subsidy transfer for all consumers. Also, Dr. Amit Bhargava has developed a paper in this regard, which shall be shared with us soon. The challenge however remains, the inability of the state government in providing timely subsidies every month.
- **Shifting the Focus to determining the regulator's role in helping utilities achieve UDAY targets:** The discussion resulted into approaching the project differently. The officials suggested that the focus of the project should be to determine the role of the regulators in facilitating the process of achieving UDAY targets for the utilities.
