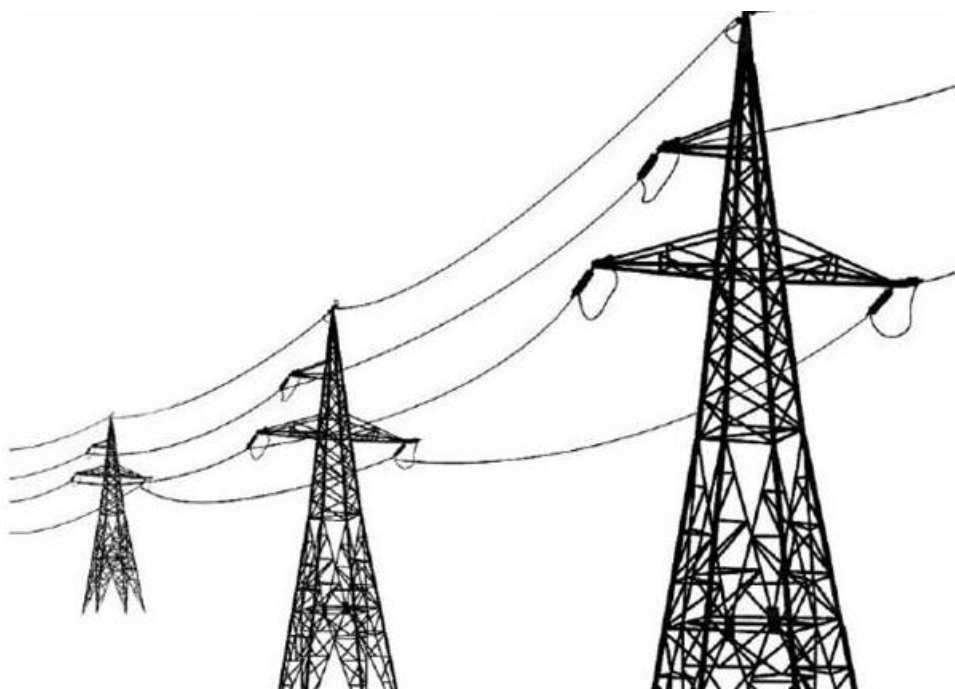


**DRAFT RERC
(ELECTRICITY SUPPLY CODE AND
CONNECTED MATTERS)
REGULATIONS, 2019**



Comments Submitted by

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INTRODUCTION

As enshrined in the Electricity Act, public interest and consumer welfare should be ensured by different authorities in the power sector. In case of a distribution licensee-consumer interaction, the terms and condition of service are outlined by a supply code. A more effective and mutually beneficial engagement between licensees & consumers would require continuous deliberations amongst stakeholders, grassroots research, bottom-up regulations, effective implementation & means to ensure monitoring and feedback mechanisms.

With the notion that innovation in regulation holds the key for smart governance in any sector, these comments aim to highlight some of these aspects with regards to the draft RERC (Electricity Supply Code and Connected Matters) Regulations 2019.

The comments are divided into two sections, first one highlighting some innovative means to enhance the design of supply code regulations & the next one on a few comments on specific sections.

How to design supply code regulations better?

Bottom-up approach to policy making: The first step in designing effective regulations is to understand the grassroots situation, for which the regulations are envisaged. In case of supply code, a detailed, exploratory, independent evaluation of the concerns regarding common issues including billing, metering, release of new connections, disconnecting supply, among others could be done. Thus, a bottom up evidence based approach is the right way forward.

Suggestion 1: Holistic evaluation of common consumer concerns regarding contents of supply code should be undertaken at the decentralised level, block-level and/or more. This can be done by the involvement and engagement of third party research organisations with the reach to the grassroots consumers. A provision for having such research activities should be added to supply code & other regulations of RERC which could involve consumers as one of the main stakeholders for the purpose of feedback and evidence gathering to be able to inform policy and regulatory changes. This can be done under the State Advisory Committee or directly by the RERC.

- **Maintaining raw data:** Another characteristic of an effective regulation is its rational basis & quantification of scope of influence. While assessing the problems in implementation of supply code, these issues should be maintained in the form of raw data, be in public domain to allow researchers to analyse the same and arrive at innovative solutions.

Suggestion 2: A rich database of raw data regarding consumer concerns and licensee concerns while implementing the supply code could be created. A nodal officer could be appointed by the Commission to curate such a database and add such new datasets given to them (upon verification) by consumers, consumer advocates, think tanks & other such bodies as the commission may deem fit.

Also, data of issues should be kept as raw as possible, without suppressing the details for ease of maintaining records. For instance, Urja portal highlights the number of pendent complaints, grievance redressal agencies have details of different types of grievances but the need is to have such raw information stored for further research without qualifying/dismissing them at initial stages and only presenting them as numbers or percentages.

- **Active research & analysis:** Once the database is functional, the commission shall undertake informed regulatory decisions after having the issues analysed. This would include cost-benefit analysis of prospective regulations, grassroots' challenges of any new provision, social impact assessment and other impact assessments of any such regulation envisaged.

Suggestion 3: Such research-related activities shall be included under a section under supply code (and other related regulations), thus giving it the due importance.

- **Running pilots/regulatory sandboxing:** On the lines of RBI, electricity regulator can also look for provisioning controlled pilots of innovative technologies & regulations in limited jurisdictions. Such ideas will depend on how strong the research back-end is & how receptive are the state authorities.

Suggestion 4: Including a provision, on the lines of regulatory sandbox to ask licensees & consumers to participate in pilot testing of new ideas/regulations.

Suggestion 5: It was revealed by a Forum of Regulator's study that the supply code of many states lack some of the sub-parameters that a model supply code must have. They identified 84 such parameters which should be covered by supply code, distribution code or other such regulations. The same can be referred to while designing the supply code and other codes.¹

Although such analysis could provide insights on the missing provisions in the given supply code, but the more critical issue at hand is the implementation, consumer-welfare, monitoring & regulatory aspects of the supply code. For instance, the design of supply code can be easily drafted by looking at the model supply code provided by FoR.² But, it's the specificity of problems of that state which will be critical in creating not only a good draft of supply code, but also an effective, feasible and informed one.

¹ http://www.forumofregulators.gov.in/Data/APTEL_Reports/Analysis-of-supply-code-10-states.pdf

² <http://www.forumofregulators.gov.in/Data/Reports/Code.pdf>

Comments on Specific Sections of the Regulations

Section 1.2/1.3/1.4 (ESCRC - Electricity Supply Code Review Committee)

- Although the review committee is a step in the right direction to make the code more flexible, the mandate of the committee should be enhanced to add specifics of how will the committee ensure that public concerns are well-addressed. The aforementioned research specifics shall be incorporated as the powers of ESCRC, which can ask different organisations to perform research work for them.
- Accountability is the backbone of a healthy regulatory regime and it should be the duty of all stakeholders, including RERC, to follow suit. In that context, the recommendations put forwarded by ESCRC, if rejected, shall be justified for the same by RERC.
- Technical experts previously retired from the state distribution companies are not best-suited as consumer representatives. Instead, consumer advocates, or other civil society members who regularly engage with consumer rights, particularly in the electricity sector, may be the appropriate members.
- Quorum of seven of the ESCRC should include at least one consumer representative.

Section 4.1 (Classification of Supply – Applicable Supply Voltage)

In the draft rules there was no separate provision for load intensive consumers such as arc/induction furnaces, rolling mills, rerolling mills and mini steel plants, etc. As these consumers are more prone to disrupt the smooth flow of supply, it is recommended that load for energy intensive consumers shall be released only through an independent feeder wherever feasible and all necessary charges shall be paid by the consumer. Also, the supply can be given at independent feeder in other cases at the request of the consumer if they are willing to bear all applicable charges.

Section 6.2 (Priority)

An additional provision is suggested: 'The list would also be made available to consumer on demand and displayed in public at local electricity offices,' This would encourage transparency and consumer trust in provision of electricity connections, particularly for agricultural connections, which are key to the livelihoods of Rajasthan farmers and where long pendency is the norm.

Section 6.3 (Application for single-point supply)

Effective implementation, awareness and grievance redressal mechanisms should be activated in cases of many PG (Paying Guest) facilities being run in various cities. It is often the case that such house-turned rental facilities charge a higher amount than what

is allowed by regulations & residents (mostly outsiders/ students) are not concerned to report the same. An inspection of such localities and their resident's bills should be undertaken by respective authorities. Also, the names of the defaulters can be put out in public domain for using the naming & shaming tool of regulation.

Section 7.11 (Maintenance of service line)

It is well-known that while initial costs of underground service line is higher, there are several advantages to underground service lines including increased safety, reduced theft, and not being affected by weather thus reducing maintenance requirements. Moreover, the licensee has the capacity to maintain the line adequately. Therefore, as the licensee is already bound to maintain all other service lines and they are allowed to utilise such underground service lines, it is preferable that they are responsible for such maintenance.

Section 9.1 (Meters – Supply through correct meters)

As most of the meters are digital and we are moving towards smart metering system, therefore, it is imperative that safety methods should be in place to safeguard meters from malfunctioning. Given the above, CUTS recommends that rules could also include safety measure for meters such for Low Tension loads Miniature Circuit Breakers (MCBs) and for High Tension/ Extra High-Tension Loads Circuit Breakers (CBs) of appropriate rating and specifications shall be installed along with the meter.

Section 9.4 (Duty of Consumers)

- To ensure efficient use of electricity and minimize wastage of supply to the extent possible, it is recommended that the rules should emphasize on Demand Side Management (DSM) measure. Therefore, it is recommended that as a duty of every consumer to contribute in efficient use of electricity and to extend necessary cooperation to the distribution utilities in implementing DSM programs.
- As most of the industrial consumers are being charged on based on Power Factor Correction (PFC) rather than real power. Therefore, it is recommended that rules should emphasize on PFC devices for consumers having load more than 20KW, to ensure effective use of electricity.

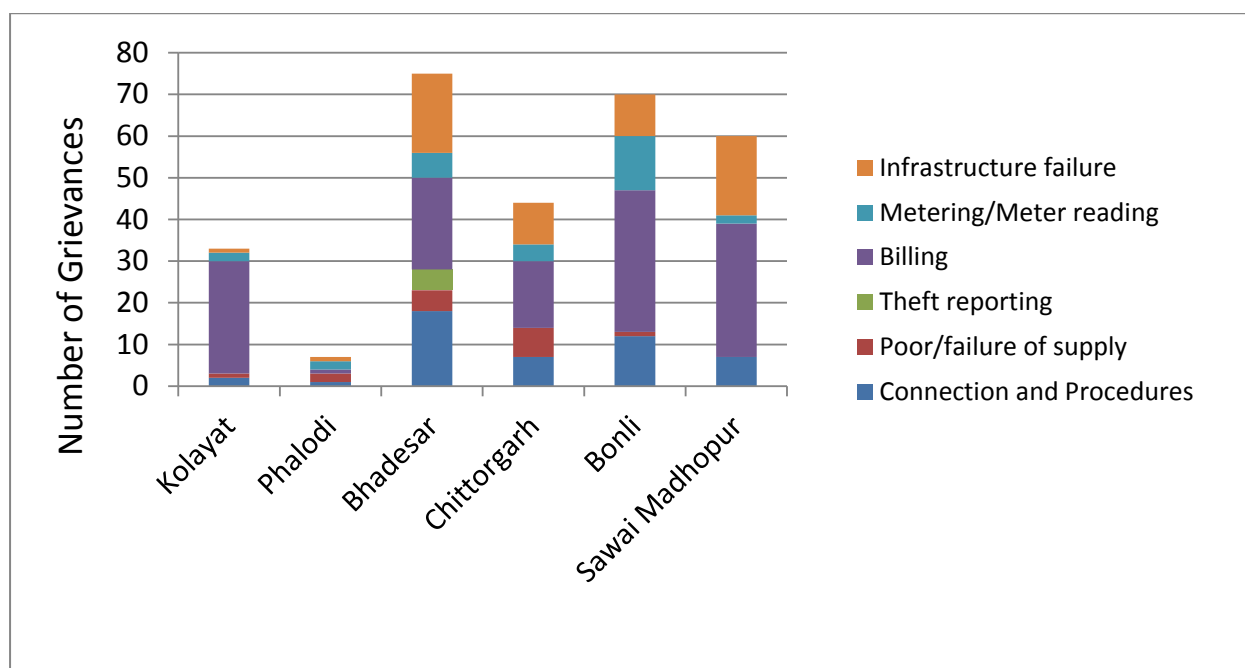
Section 9.8 (Reading of Meter)

CUTS International along with Bask Research Foundation has been implementing a project 'Capacity Building of Electricity Consumers³' since October, 2018. Under this Consumer Assistance Cells (Cells) have been set up in six blocks of Rajasthan, 2 under each Discom. As reflected in Figure 1, as given below - consumer grievances as logged

³ <https://cuts-ccier.org/capacity-building-of-electricity-consumers-in-rajasthan-cbec/>

through the Cells have shown that billing and metering problems are some of the most common issues faced by consumers and they are interrelated problems. Standards for meter-reading should be designated as well as fines/penalty if the licensee does not maintain them.

Figure 1: Distribution of consumer’s grievances from 20th June to 30th September 2019 at Consumer Assistance Cells



Note: 132 out of a total of 305 complaints are due to billing issues. 29 complaints are due to metering issues.

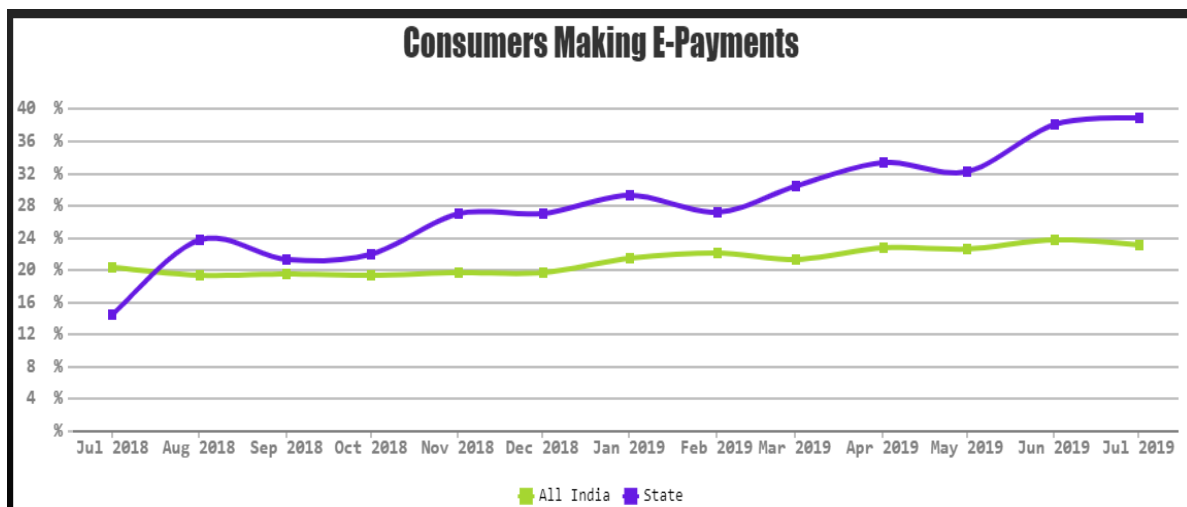
Section 9.11 (Inaccurate meters – Testing of Meters)

- As it is the licensee’s responsibility to satisfy itself regarding the accuracy of the meter before it is installed, and the licensee may test them for this purpose. Therefore, it is recommended that the licensee shall conduct periodical inspection/testing and calibration of the meters as specified by the Central Electricity Authority (Installation & Operation of Meters) Regulations, 2006. The licensee may conduct periodical inspection/testing of the meters as per the following schedule: (1) Single phase meters: Once every five years (2) LT 3-phase meters: Once every 3 years (3) HT meters: Yearly. Also, wherever applicable, CT and PT shall also be tested along with meters.
- Furthermore, third-party testing of defective meter should be mandated in all cases so that a duly disinterested party may judge whether a meter is burnt/defective due to fault of consumer or licensee. Meter should be sealed on-site, with consumer’s signature, and transported to the laboratory if on-site testing is not possible.

Section 10 (Recovery of Charges)

- To reduce paper usage and focus on digital billing, impetus should be given to develop online payment systems & challenges to digitisation should be assessed and addressed by the discoms. The following figure from Urja Portal highlights the increasing dependence of consumers on online mechanism to pay bills (38% of consumers in Rajasthan). Issues with having other consumers shift to online payments system should be captured and attempts for better digital solutions can be envisaged.

Figure 2: Consumers making e-payments in Rajasthan



Source: Urja Portal

- In the current bills, the code should also mention standards for the font size & other related issues that make a bill less visible. Similarly, it is often found that the entries under bill are not printed in their respective headings but are shifted up or down. This creates confusion and better awareness cannot be aimed at the back of an inefficient information dissemination system.
- Even for consumers paying the bills offline, details other than specified in section 10.4 should be communicated to all consumers. For example, meter readings, different charges and levies, etc should be indicated via SMS as well. Also, e-mail copies of bills should be circulated to all consumers (wherever possible) and not just those exceeding 25 HP capacity.
- Prospects of innovative methods like self-billing (self-regulation in billing), advancement payment of bills, among others can also be explored by using regulatory sandboxing techniques. Similarly, prepaid metering and billing should be focused in targeted areas and factors hindering its uptake should be studied and addressed by relevant authorities.

Section 12 (Unauthorized Use, Theft and Tempering)

- ‘*Tempering*’ to be changed to ‘*tampering*’
- Consumers, particularly domestic or agricultural consumers, are not aware of the steps they should take if a case has been filed against them for unauthorized use or theft, including if they want to challenge the assessment. The Commission may nominate or direct the licensees to provide for helpdesks for consumers in cases of unauthorized use, theft and tampering.

Section 14 (Miscellaneous – Load Shedding)

Provision for load shedding – As schedule of load shedding is not mentioned anywhere in any agreement or undertaking executed by a consumer with licensee, the consumer shall restrict the use of electricity for the load shedding period due to any order made by the State Load Dispatch Centre or the State Government or the licensee to maintain orderly grid operation. Therefore, it is recommended that the licensee shall inform bulk/ HT consumers about such restrictions as early as possible by any convenient communication mode for minimizing inconvenience.

Way Forward

Comprehensive cost-benefit analysis⁴ to ensure regulations meets its intended objectives

To ensure maximum benefits for consumers and optimize the profitable working for distribution license, comprehensive cost- benefit analysis is needed to ensure regulations meet its intended objective. It can be done through an evidence-based research highlighting the grassroots’ challenges regarding the implementation of the electricity supply code.

Consequently, a complete overhaul in regulatory mind-set will be required while dealing with electricity sector. However, regulation comes with a cost and a sub-optimal regulation has the potential to increase the cost to stakeholders significantly.

Therefore, it is imperative to assess the cost and benefits of regulatory proposals on different stakeholders to ensure maximum net benefits to the society at minimum cost. RIA is a highly scientific and systematic process, which involves estimation and comparison of costs and benefits of different regulatory alternatives. It necessitates justification of regulation and consequently aids in avoiding adoption of unnecessary regulations.

⁴ <https://cuts-ccier.org/regulatory-impact-assessment/>

Adoption of regulatory impact assessment (RIA) framework could go a long way in designing optimal regulatory framework for such technologies. Thus, it is recommended that government should adopt RIA in rule making process. In particular, the Government of Rajasthan will benefit from conduct of RIA on the draft rules.
