

**UNIVERSITY OF PETROLEUM & ENERGY STUDIES  
DEHRADUN**

**End Semester Examination – May 2019**

**Name of the Program: - MBA Power Mgt.**

**Semester – II**

**Subject Name: Regulatory Framework for Power Sector**

**Course code – PIPM 7006**

**Max. Marks : 100**

**Duration: 3 Hrs**

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**SECTION – A**

**- 30 Marks**

**Attempt all questions. Each question carries three marks.**

1. Explain proposed bifurcation of Distribution into content and carriage business.  
(CO3 & CO5)
2. Explain FSA, PPA & RfQ. (CO1)
3. Differentiate between Energy charge and Capacity charge. (CO2)
4. Explain and critically evaluate cross-subsidy in Indian Power Sector. (CO3)
5. What is current generating capacity, unit generated in 2018-19, transmission capacity including inter-regional level in India? (CO3, CO4 & CO5)
6. What do you mean by IPDS & DDUGJY? Explain. (CO2)
7. Name power secretary Govt. of India and state of Uttrakhand. Also name chairman of CERC. (CO1)
8. What is ABT, DSM & UI? (CO1)
9. Explain and evaluate open access implementation in India. (CO1 & CO5)
10. What is regulatory asset? Explain. (CO1 & CO2)

**SECTION – B**

**- 40 Marks**

**Attempt any two questions. 40 marks = 2X20 marks)**

1. Explain force-majeure in PPA. Critically evaluate CGPL (UMPP in Gujarat) case taking care all decisions i.e. CERC, APTEL & Hon'ble SCI judgements/orders. (CO3 & CO5)
2. What are key features of new Tariff Regulation 2019-24 just notified by CERC. Explain and evaluate its impact on Indian power sector. (CO2, CO4 & CO5)
3. "Indian power sector may not survive without distribution reforms" – explain the problems in power distribution sector and steps taken by union Govt. in recent years. Critically evaluate policies, programs and initiatives taken by different agencies in this regards with your own suggestions for proper and adequate improvement. (CO3 & CO5)

**B K Chaturvedi committee for reforms in distribution sector**

The Planning Commission has set up a committee headed by B K Chaturvedi to help restore the financial health of the utilities. The real aim of the committee headed by BK Chaturvedi is to facilitate private investments in power distribution. Former cabinet secretary BK Chaturvedi is notoriously known for many recommendations against public interest, mostly favouring corporates. Chaturvedi recently headed a government panel, which, in early August 2008, suggested ways to reduce the government's oil subsidy bill that included upward monthly revisions of fuel prices. The recommendations have not found favour either with the oil ministry or public in general. The Committee also comprises representatives from the Ministry of Finance, the Reserve Bank of India and officials from the state governments. "The committee would suggest measures to improve the financial health of power distribution utilities," Chaturvedi said. It would prepare a report in the next 6 months, before the start of the 12th Five Year Plan Period (2012-17), so that the suggestions can be incorporated in it. "We will ensure that there are no defaults on payments... before the start of the 12th plan, we would put the mechanism in place," Chaturvedi said.

Finance Minister Pranab Mukherjee, at the National Development Council meeting, had asked the states to raise electricity charges to improve the financial health of power distribution companies. They are facing difficulty in raising fund from banks on account of poor balance sheets. Some of the distribution firms have not raised tariffs for 10 years and their total losses are estimated to be Rs 70,000 crores. Meanwhile, the Ministry of Power has proposed that the state governments would consider converting loans due from them to the distribution utilities as state government equity to ensure capital infusion and improvement in net worth of the utility.

Earlier, a Task force also headed by Planning Commission member BK Chaturvedi on operationalizing open access has invited opposition from various corners. In its report, the task force has suggested amendment to Electricity Act 2003 to make it explicit that power supply by a generating company to a distribution licensee includes supply through an electricity trader. It has also suggested pricing cap and trading margins for inter-state trading of electricity.

The task force has also suggested maximum trading margin to be allowed to a single trader. In yet another contentious recommendation, the task force has suggested that the government should allow release of Accelerated Power Development and Reforms Programme (APDRP) assistance to states that enable consumers to exercise their right to open access. The power ministry has opposed this as the revised APDRP has already been approved by the Cabinet.

The Shunglu Committee was headed by Mr. V.K.Shunglu who is the former chairman of CAG (Comptroller Auditor General). The committee prepared reports on other issues including the CWG scam. The Prime Minister has asked the ministers to take action on the finding of the reports. In its draft report on the financial position of Distribution utilities on the following key areas are taken into account:

- Review of accounts of State Electricity Boards(SEBs) and distribution companies
- Review the financial position of State Electricity Boards(SEBs) and distribution companies
- Losses incurred and projected distribution losses
- Review of electricity tariff
- Assess system improvement measures
- Examine geographical and spatial compulsions and determine their operations
- Review organizational and managerial structure
- Recommend plan of action to achieve financial viability

The Distribution sector is the worst performing sector in the Indian Power Sector and is the bane for numerous problems ranging from investments to retail power supply directly or indirectly.

### **Key Recommendations by Shunglu committee -**

Regarding the distribution sector the main observations of the committee are:

- Committee has said that the distribution utilities should be heavily penalized if they fail to submit annual revenue requirement and the tariff revision proposal to the regulator.

- The report has suggested stern measures because several state power regulators have not been carrying out annual tariff revisions, mandated by the Electricity Act. Non performing regulators may be sacked.
- The committee has suggested that if the accounts of utilities have been audited then the regulators should allow the utilities to make up for the tariff gap though raising electricity tariffs adequately e.g. Andhra Pradesh and Maharashtra.
- Penal action recommended against utilities where accounts of discoms are not audited eg. Bihar and Uttar Pradesh.

The committee is worried about the working capital of Rs. one lakh crore that distribution utilities have raised to bridge the widening gap between realization and expenses. The committee has suggested that if this has been audited by statutory auditors, the regulators should allow the utilities to make up for these gaps. Once the Comptroller and Auditor General (CAG) submits its report, the regulators should clear the expenses incurred, it says.

**Question 1. Critically examined reports of Chaturvedi committee. (CO5)**

**Question 2. Evaluate Shunglu committee recommendations for power distribution. (CO5)**

**Question 3. Suggest how Indian power sector may be improved. (CO#, CO4 & CO5)**

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**SECTION – A**

**- 20 Marks**

**Attempt all questions.**

**Question 1:** (Each question carries 2 marks)

1. National Tariff Policy was notified by -----(CO1)
2. The Electricity Act 2003 does not repeal which of the following – (CO1)
  - a) The Electricity Act 1910.
  - b) The Electricity (Supply) Act 1948
  - c) The Electricity Regulatory Commission Act 1998.
  - d) The Energy Conservation Act 2001
3. T&D losses are higher than AT&C loss. (**True or False**) (CO1)
4. The Target level AT &C loss in India is 15%. (**True or False**) (CO1)
5. Explain Load Factor, Availability Factor and Utilization Factor. (CO1)
6. Explain GCV & SHR. (CO3)
7. The Average Revenue Recovery rate of Electricity Per K.W.H. of Distribution Government company is equal to the Average Electricity Purchase Cost in India. (**True or False**) (CO2)
8. Why Electricity is concurrent subject in India? Explain. (CO1)
9. The Electricity Act 2003 is not in vogue in -----(CO1).
10. Transmission utilities are not allowed to do power trading. (True/False) (CO4)

**SECTION – B**

**Total - 20 Marks**

**Attempt any two questions. Each question carries ten marks.**

2. Explain main features of National Tariff Policy 2016. (CO3)
3. Differentiate among PPP, Privatization & Public & Distribution franchisee in Power? (CO2, CO3 & CO4)

4. Explain BST & RST in Power Distribution. Why secondary fuel cost is now part of the capacity charge in place of the energy charge earlier for a TPP as per CERC regulation in 2009? (CO4 & CO5)

**SECTION – C Attempt any two questions. 30 marks = 2X15 marks**

1. Discuss the past, present and future power scenario of India. (CO2)
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2. Describe main initiatives in power sector taken by Union Govt. since 2014. Explain and critically evaluate anyone of them with your suggestion for betterment along with challenges faced. (CO4 & CO5)
3. Explain salient features of Energy Conservation Act 2001. Critically evaluate its implementation till date with suggestions. (CO1, CO3)
4. Explain various load-forecasting methods with its relative merits and demerits in Indian power sector applications.

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**SECTION – D**

**- 30 Marks**

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1. Write title of 18 parts and 185 sections of the Electricity Act 2003. (CO1, CO2, CO3)