

MAHARASHTRA WATER RESOURCES REGULATORY AUTHORITY

Approach Paper (April 2024)

Approach on Determination of Bulk Water Tariff for Control Period (2025-28)

1. Background :

The Authority, as mandated in Subsection (d) of Section 11 of the Maharashtra Water Resources Regulatory Authority Act, 2005 ("Act" for short) shall carry out the process of determination of Bulk Water Tariff system after ascertaining the views of the beneficiary public, based on the principle that the water charges shall reflect the full recovery of the cost of the irrigation management, administration, operation and maintenance of water resources projects.

The Authority is further guided by follow principles of water pricing under State Water Policy, 2019 which states as: -

“The recurring expenses shall include operating and maintenance charges including electricity charges, spares, consumables, establishment and administrative charges, overheads and also the cost of special repairs (restoration and retrofitting of structures) including replacement cost of any component of the infrastructure (viz. control gates etc.), required to ensure sustainability of the system, water use efficiency, user access to avail water rights and equitable water distributions.”

The Authority shall establish water tariff system at sub-basin, river basin, State level by following procedure stipulated in ‘Maharashtra Water Resources Regulatory Authority (Fixing Criteria for and Issuance of Tariff Order for Bulk Water) Guidelines, 2019’.

The procedure in brief is as under: -

- (1) Bulk Water Supply Entity shall submit the Bulk Water Tariff Proposal with the supporting data, at least one year before the expiry of prevailing control period. In the event of failure to submit the tariff proposal in the prescribe time the Authority may suo-moto initiate the Tariff review process.
- (2) Prepare Approach Paper and display the same on website of the Authority for information and perusal of all stakeholders.
- (3) The Authority may carry out any study as may deem it necessary for finalization of Water Tariff System.

- (4) Prepare draft Criteria for Bulk Water Tariff (CBWT).
- (5) Focus Group Consultation: - Draft CBWT shall be shared with the Focus Group for inviting their views and comments within 21 days from the date of Authority's letter.
- (6) The Authority may revise draft CBWT after considering comments received from Focus Group on its merit.
- (7) Prepare draft Tariff Proposal based on revised CBWT.
- (8) Upload revised draft CBWT & draft Tariff proposal both in Marathi & English language on the Authority's website, for inviting comments from beneficiary public.
- (9) The Tariff Proposal shall be hosted for a period for 30 days on the Authority's website for inviting concerns/ Suggestion from the beneficiary public with due intimation through State Level Newspapers in both Marathi & English.
- (10) The Authority may consider the comments received on its merit and shall finalize the Tariff Order and display the same on Authority's website in both Marathi & English.

2. Consultation Method:

Consultation Method has been chosen considering the objectives of the consultation, spectrum of stakeholders, complex nature of the subject and technical, social as well as economic aspects involved in the subject matter.

The consultation process shall be carried out in two phase. In the first phase Consultation with the identified Focus Group. Thereafter, in the second phase consultation with the General Public.

Consultation documents comprising of formal proposal i.e. draft CBWT, background and other relevant information will be made available to the Focus Group for inviting comments within 21 days from the date of Authority's letter. Inputs from the Focus Group in the form of their suggestions and concerns will be tapped by direct interactions, letters, E-mails. Focus Group shall have persons having expertise or technical knowledge, to propose strategies and solutions on the subject and also the representatives of the implementing agencies.

In the second phase, the consultation document comprising of revised Criteria for Bulk Water Tariff, draft Tariff Proposal and summary report of the consultation with the Focus Group will be made available for the beneficiary public through the website of the Authority, inviting their views and concerns by giving a time of 30 days from the date of display on Authority's website.

Authority will conduct consultation meetings as per the requirement before finalizing CBWT and Tariff Proposal after taking cognizance of inputs received through consultations process. As the regulator is expected to protect the interests of all stakeholders optimally, the decisions of the Authority, as regards to acceptance or

rejection of any of the suggestion received in consultation process, shall be on merit and shall be final and conclusive.

3. Procedure For Issuance of Tariff Order :

Authority shall adopt following procedure for establishing water tariff system.

- 3.1 Finalization of 'Admitted Operation & Maintenance (O & M) Cost'
- 3.2 Reviewing the user categories.
- 3.3 Forecasting category wise water use.
- 3.4 Determination of incentives and disincentives across user categories keeping in view the objects of the Act.
- 3.5 Apportionment of 'Admitted O & M Cost' across user categories based on Certain Criteria.
- 3.6 Finalization of Criteria for Bulk Water Tariff.
- 3.7 Determination of tariff across user categories.

Procedure for water tariff system

3.1 Finalization of 'Admitted O & M Cost':

The cost elements to be considered in annual O & M Cost shall include:

Cost of 'Irrigation Management', 'Cost of Administration' and 'Cost of Maintenance' of Water Resources Project. Provided further that 'Cost of Maintenance' shall include cost of both 'Preventive Maintenance' Operative Maintenance. The requirements of the MMISF Act shall also be taken into consideration for this purpose.

Bulk Water Supply Entity shall submit the projected cost estimates to WRD, GoM & WRD will submit the projected cost estimates to the Authority for the control period under consideration. If cost estimates are not received timely, Authority will formally decide the probable cost reasonably based on past data, present policy of Government in this regard and norms available with the Authority.

Thereafter, consultation with Focus Group and the beneficiary public shall be carried out through the Tariff Proposal.

The Authority after taking cognizance of inputs received through consultation process shall finalize the O & M Cost. The O & M cost finalized by the Authority shall be the '**Admitted Cost**'.

3.2 Reviewing the User Categories:

Authority will review the existing user categories in consultation with the Focus Group and may modify the existing user categories i.e. Agriculture, Domestic including Commercial and Industrial.

3.3 Forecasting category wise Water Use:

Bulk Water Supply Entity shall furnish all relevant information, along with the Application, pertaining to previous period as well as control period under consideration, viz. storage facilities available, irrigation potential created, irrigation potential actually in use, category wise water uses, transmission losses, evaporation and other losses etc. In the event of non-receipt of data or information from the Bulk Water Supply Entity/ WRD, Authority will consider the information as provided in the annual Irrigation Status Reports and latest available data.

The Authority will scrutinize the information regarding category wise water use projected for the control period and use it in draft Tariff Proposal.

3.4 Determination of incentives and disincentives across user categories keeping in view various objects of the Act:

Existing incentives/disincentives/penalties will be reviewed in consultation with the Focused Group and beneficiary public while doing so the inputs of the impact survey available if any will also be considered.

3.5 Apportionment of 'O & M Cost' across user categories:

The Authority, based on the experience gathered so far, will review the existing Criteria for apportionment of "O & M Cost" across user categories as well as principles for the tariff determinations including those adopted in para 3.1 to 3.4 and prepare the Draft Criteria. Thereafter, carry out the consultation processes in two stages as per para 2 above.

3.6 Finalization of Criteria for Bulk Water Tariff:

The principles for the tariff determination in Para. 3.1 to 3.5 above, finalized through consultation process shall be documented as "Criteria for Bulk Water Tariff" and shall be shared with all for information, by displaying the same on the website of the Authority.

3.7 Determination of tariff across user categories:

The Authority, on the basis of category wise apportioned 'Admitted O & M cost', category wise water use and the Criteria evolved through consultation process, shall determine the draft Tariff Proposal including category wise Bulk Water

Tariff. The Authority may vary category wise Bulk Water Tariff, for different source of categories based on nature of source on reasonable logic. The Authority shall carry out the consultation process for beneficiary public as per para 2 above, along with draft CBWT. The Authority, after taking the cognizance of inputs received through consultation process shall finalize the category wise Bulk Water Tariff across user categories. The Tariff Order thus finalized shall be kept in public domain by displaying the same on the website of the Authority. The Tariff Order thus issued by the Authority in this regard shall be final and conclusive.

4 Applicability of Tariff Order:

The Tariff Order shall be applicable for the three consecutive water years, starting from the water year in which the Tariff Order is issued. However, the Authority in consultation with the beneficiary public may provide in-built yearly rise in the tariff order. The Authority, by giving specific reasons may extend the control period of the Tariff Order. The Tariff Order issued by the Authority shall be applicable to all Bulk Water Supply Entities and Bulk Water User Entities in the respective jurisdiction or any Entity connected thereto in the State of Maharashtra.

5. Subsidy and Cross Subsidy:

Cross-subsidy if any between categories of use, are to be totally offset by stable funding, from such cross subsidies or Government payments, for sustainable irrigation management as per Section 11(r) of MWRRA Act, 2005. Such cross subsidies will have to be removed in a gradual manner as per Para 17(g) of State Water Policy, 2019. After consultation process carried out each time before issuing tariff order, it is observed that stable funding from cross – subsidies is practically possible to certain extent.

Revenue Gap, if any, between Admitted O&M cost and estimated tariff realization for tariff levied as per tariff order will have to be treated as State Government Subsidy.

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