

ODISHA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAVAN
UNIT - VIII, BHUBANESWAR - 751 012
PBX : (0674) 2393097, 2396117
FAX : (0674) 2395781, 2393306
E-mail : orierc@rediffmail.com
Website : www.orierc.org

No.DIR (T)-368/09/13/1138
Dated- 11.09.2015

To

The Chief Executive Officer,
CESU, 2nd Floor, IDCO Tower
Janpath, Bhubaneswar

Sub: **Review of Performance of CESU for the FY 2014-15 held in OERC on 21.8.2015.**

Sir,

In inviting a reference to the subject cited above, I am directed to send herewith the aforesaid report for your information and necessary action.

Yours faithfully,

Encl: As above.

Sd/-

SECRETARY

Copy to:

- i) The Principal Secretary, Department of Energy, Govt. of Odisha along with copy of the enclosure for favour of information.
- ii) The CMD, GRIDCO, Janpath, Bhubaneswar along with copy of the enclosure for favour of information.
- iii) The CMD, OPTCL, Janpath, Bhubaneswar along with copy of the enclosure for favour of information.

Encl: As above.

Sd/-

SECRETARY

Record Note of Performance Review of CESU held on 21.08.2015 at 11.00AM in the Conference Hall of the OERC in presence of the Commission

Date of Review : 21st August, 2015
Period of Review : April-March, 2014-15
Representatives of CESU, GRIDCO and OPTCL: list enclosed as Annexure-I.

The performance of CESU for the FY 2014-15 was reviewed by the Commission on 21st August, 2015 at 11.00 AM in the presence of senior officials of CESU, GRIDCO and OPTCL. Prior to this review, the Commission had prepared a set of queries which was sent to CESU on 30.07.2015 requesting them to prepare their presentation in line with the queries raised in the letter.

The Commission had directed time bound action on various issues including energy audit, receivable audit, SoP audit etc. The DISCOMs have been reminded in this regard. It is observed that the progress in these areas has been quite unsatisfactory as will be evident in the detailed discussion in the following paragraph. The Commission has also sent senior officers to different DISCOMs on various dates to meet and discuss with their senior officers so that energy audit, receivable audit and SoP audit spelt out in the Tariff order are completed by a particular date. It is observed that energy audit and receivable audit work has started and SoP audit is yet to be taken up. No importance is attached by the DISCOMs to complete these works within the stipulated dates. Commission is constrained to hold the CEO of CESU and the Authorized officers of NESCO/WESCO/SOUTHCO Utilities responsible for failing to carry out these instructions.

The Commission has reviewed the collection position of the DISCOMs for the period from April to June, 2015. It is seen that in spite of an increase of average tariff by 20 P/U the RPU has not shown any corresponding improvement.

The details of performance of CESU as indicated in its presentation with regard to the key performance indicators are as follows:-

Table-1

REVENUE PERFORMANCE OF CESU				
	Actual 2013-14	Actual for FY 14-15	Improvement over Previous Year	Approval for 2014-15
Energy input (MU)	7973.19	8297.30	324.11	9040
SALE TO CONSUMERS (MU)				
EHT	1618.28	1581.94	-36.34	1755.96
HT	921.32	926.97	5.65	1238.18
LT	2671.95	2975.34	303.39	3966.66
TOTAL	5211.55	5484.25	272.70	6960.8
LOSS (%)				
LT	45.75%	43.34%	-2.41%	27.39%
OVERALL	34.64%	33.90%	-0.73%	23.00%
BILLING EFFECIENCY (%)				
HT	92.00%	92.00%	0.00%	92.00%
LT	54.25%	56.66%	2.41%	72.61%
OVERALL	65.36%	66.10%	0.73%	77.00%
COLLECTION EFFICIENCY				
EHT	100.99%	102.20%	1.21%	99.00%
HT	97.56%	98.55%	0.99%	99.00%
LT	84.21%	87.10%	2.90%	99.00%
TOTAL	92.65%	94.33%	1.68%	99.00%
AT & C LOSS (%)				
LT	54.32%	50.65%	-3.67%	28.12%
OVERALL	39.44%	37.65%	-1.79%	23.77%

Commission's Observations:

The key observations are as follows:-

1. The total number of consumers rose to 19.81 lakh as on 31.03.2015 from 18.35 lakh as on 31.03.2014 indicating growth in the order of 7.95%. The energy demand went up to 3844.42 MVA from 3564.78 MVA during the period registering a rise of 7.84%.
2. The total input in MU increased from 7973.19 MU to 8297.30 MU during the period under review registering a rise of 4.06%. EHT sales reduced from 1618.28 MU in 2013-14 to 1581.94 MU in FY 2014-15 indicating a fall of 2.24%, whereas HT sales increased marginally from 921.32 MU to 926.97 MU during the period. LT sales went up significantly by about 303.39 MU from 2671.95 MU to 2975.34 MU in FY 2014-15 indicating a rise of 11.35%.
3. Overall billing efficiency has increased marginally to 66.10% in FY 2014-15 from 65.36% in FY 2013-14. LT billing efficiency increased from 54.25% in FY 2013-14 to 56.66% during FY 2014-15. The LT level billing efficiency is poor in CESU. The billing efficiency is less than 50% in NEDN, CED, AED, SED, KED – II, PDP, DED, and ANED & TED. CESU should focus on improving the LT billing efficiency in these divisions.
4. The overall collection efficiency went up from 92.65% in FY 2013-14 to 94.33% in FY 2014-15. While EHT collection efficiency remained at 100%, HT collection efficiency improved upto 98.55% in FY2014-15 from 97.56% in FY 2013-14. There was some improvement in LT collection efficiency which showed improvement from 84.21% in FY 2013-14 to 87.10% in FY 2014-15.
5. The overall distribution loss came down from 34.64% in FY 2013-14 to 33.90% in FY 2014-15.
6. The overall AT & C loss went down marginally from 39.44% in FY 2013-14 to 37.65% in FY 2014-15. However, division level performance at LT level shows a dismal picture. The AT & C Loss is as high as 78% in NEDN and SED. About 10 Divisions have AT & C loss levels of 50% and more. Concerted efforts should be made to bring it down to at least 50% by next quarter.
7. Regarding franchisee performance, CESU submitted that in divisions like NEDN, CED, AED, SED operated by M/s Shyam, the franchisee could not achieve the RPU target for FY 2014-15. As a result the reported AT&C losses were much higher than the base line targets. The AT&C loss is as high as 78.12% for NEDN and 77.79% for SED. M/s FEDCO operated divisions like KED, BEDB, PED and NED have exhibited improvement in RPU from over and above the targeted levels which has resulted in lower AT&C loss levels than the base line targets. M/s ENZEN has shown mixed performance meaning that in some divisions like ANED, KED-I, KED-II and JED, the franchisee has achieved the RPU target whereas in other divisions it has not been able to perform. This trend in performance in RPU achievement has been well reflected in their AT&C loss levels. Commission expressed its anguish against the dismal performance of franchisees and warned CESU that the franchisees would be held responsible for any loss occurring in their feeders since there has been no energy audit in franchisee operated areas. An exclusive view is to be taken by the Commission separately on this including all issues. Commission opined that energy audit in franchisee operated areas could be done by CESU also. Billing and collection for consumers of 10 KW and above should increase and the same be monitored division-wise & section wise also. Commission also

- directed CESU to arrange a meeting with franchisees for initiating CAPEX work in their areas of operation.
8. In EHT sales, CESU replied that the sales to M/s Bhusan Steels, M/s OCL & M/s T S Alloys had reduced either due to drawl through open access or due to some other reasons. LT sales increased by about 303 MU due to addition of around 1.46 lakhs consumers during FY 2014-15.
 9. On billing and collection efficiency, CESU stated that these have increased marginally in the year 2014-15. Commission directed CESU to take proactive actions so as to recover input expenditures.
 10. On metering status CESU stated that it has installed meters in 11 Nos. of 33 KV feeders and 34 Nos. of 11 KV feeders during FY 2014-15. By end of March, 2015 CESU installed meters in 144 Nos. 33 KV feeders out of total 147 Nos such feeders. Similarly, CESU installed meters in 548 Nos. 11 KV feeders out of total 750 feeders. In franchisee areas, auditing has not been done by franchisees in most of the feeders and as such there is very little coverage during FY 2014-15. Commission opined that it is the responsibility of CESU to ascertain input energy to franchisees for proper accounting. They should pursue and achieve such objective.
 11. Quarterly comparison of performance in case of CESU shows that the billing efficiency had improved slightly to 66.31% in the 1st quarter of 2015-16 from 64.33% in the corresponding quarter of 2014-15. However, collection efficiency in the 1st quarter of 2015-16 had declined to 86.11% from 88.12% during the corresponding quarter of FY 2014-15. This shows that the bills are generated but not delivered. Distribution loss had reduced from 35.67% in the 1st quarter of FY 2014-15 to 33.69% in the 1st quarter of 2015-16. Similarly AT&C loss exhibited similar trend of reduction to 42.90% in the 1st quarter of 2015-16 from 43.31% in the corresponding quarter of 2014-15. Commission opined that these may be temporary. CESU assured that the trend would improve as special emphasis have been given on arrear realization, disconnection, GRF camp courts etc. Further, Nodal officers have been designated from Headquarter for each division to meticulously pursue revenue realization.
 12. CESU furnished a statement showing continuous addition to arrears from April, 2014 to June, 2015. CESU's accumulated arrears as on 31.3.2015 stood at Rs.1857.70 crore which included Rs.75.75 crore on account of Govt. and PSUs. Commission directed CESU to collect the arrears proactively and adopt liberalized payment policy in genuine cases. If results are not achieved provisions of law may be enforced.
 13. On loss reduction, CESU has furnished a statement which showed reduction in distribution loss both in LT as well as in the entire system. In fact, the overall distribution loss had come down by about 0.73% to 33.90% in 2014-15 from 34.64% in 2013-14. But as observed by Commission, the loss reduction is not appreciable since financial health of CESU is still alarming.
 14. Regarding target on division-wise revenue and the achievement thereof, CESU stated that revenue collected in most of the divisions was much below the targeted revenue during FY 2014-15. Commission observed that collection of revenue below the projection is an administrative laxity. CESU should take strict action on defaulters. Commission directed CESU to regulate power in accordance with revenue realization.
 15. On CAPEX, CESU submitted that progress on turnkey projects has been 50% of the targets. CESU had submitted the bills to the tune of Rs.180.27 cr. as on 01.04.2014 and GRIDCO had released Rs.179.45 cr. As on 01.4.2015, CESU submitted bills for CAPEX

work to the tune of Rs.238.70 crore and GRIDCO had released Rs.235.67 cr as on that date.

16. On Energy Audit, CESU submitted that out of 147 Nos. of 33 KV feeders only 52 Nos. have been audited. The highest average T & D loss percentage is 10.95% in 33 KV Hindol feeder and lowest average is 0.143% in 33 KV BBSR-4 feeders whereas the total average loss is 1.35%. 348 Nos. 11 KV feeders have been audited out of total 750 Nos. The total average T & D loss reported is 40.34%. Urban areas have average T & D loss of 20.39% whereas rural areas average to 49.77%. Out of 56,000 Nos. of DTs, 244 Nos. have been covered under audit. The average T & D loss percentage is less than 10% in 42 DTs and higher in other DTs. Commission directs that EA be taken up in all feeders early.
17. Commission observed that CESU has taken preparatory action on the Energy Audit front in its non-franchisee areas. However, CESU has not been able to persuade the franchisees to do energy audit in their areas. It may be remembered that though the franchisees have been given independent operation in their areas, CESU cannot escape the responsibility of monitoring of energy loss which can only be correctly gauged through repeated energy audit exercise. CESU should take up the matter seriously.
18. CESU submitted a list of firms with whom orders have been placed for receivable audit. Commission directed that it should be completed in time.
19. On SoP audit, CESU stated that some assignments have already been made.
20. Regarding computerization and networking of all field offices, CESU stated that GRIDCO would provide the necessary equipments under Capex Programme. They have submitted requirements to CMD, GRIDCO on 12.5.2015. CESU further reported that complete computerization of MBC planning has been initiated under R-APDRP scheme of the Govt. of India which shall be implemented. Commission observed that the CMD, GRIDCO should release the equipments / funds early. Since the matter has been agreed by CMD, GRIDCO, Commission directs that GRIDCO shall release the required funds observing due formalities at least within three months.
21. CESU also presented the various steps taken for reduction of technical and commercial loss and for improvement of collection to the Commission.
22. CESU further submitted that during the year under review there was a cash deficit of Rs.269.44 crore. CESU stated that during the year total cash inflow was Rs.2527.28 crore and total cash outflow was Rs.2343.33 crore. There were other expenditures to the tune of Rs 453.39 crore. Commission direct that the deficit be met from arrear collections within next three months.
23. The all-Odisha performance indicators with all the four DISCOMs data put together is presented below:

ALL ODISHA DISCOMS' PERFORMANCE						
	FY 2013-14		FY 2014-15		FY 2015-16 (Ist Quarter)	
	OERC Approval	Actual for FY 2013-14.	OERC Approval	Actual for FY 2014-15.	Target FY 2015-16	Actual Performance
DISTRIBUTION LOSS (%)						
CESU	23.00%	34.64%	23.00%	33.90%	23.00%	33.69%
NESCO	18.35%	33.84%	18.35%	31.10%	18.35%	26.42%
WESCO	19.60%	36.57%	19.60%	35.46%	19.60%	32.04%
SOUTHCO	25.50%	40.99%	25.50%	39.00%	25.50%	35.98%
ALL ORISSA	21.29%	35.85%	21.38%	34.46%	21.35%	
COLLECTION EFFICIENCY (%)						
CESU	99.00%	92.65%	99.00%	94.33%	99.00%	86.11%
NESCO	99.00%	96.85%	99.00%	96.96%	99.00%	89.31%
WESCO	99.00%	92.28%	99.00%	93.76%	99.00%	90.25%
SOUTHCO	99.00%	90.85%	99.00%	90.75%	99.00%	82.55%
ALL ORISSA	99.00%	93.30%	99.00%	94.35%	99.00%	
AT & C LOSS (%)						
CESU	23.77%	39.44%	23.77%	37.65%	23.77%	42.90%
NESCO	19.17%	35.93%	19.17%	33.19%	19.17%	34.29%
WESCO	20.40%	41.47%	20.40%	39.49%	20.40%	38.67%
SOUTHCO	26.25%	46.39%	26.25%	44.64%	26.25%	47.15%
ALL ORISSA	22.08%	40.14%	22.17%	38.16%	22.14%	

Directives of the Commission:

1. Commission expressed its displeasure over the dismal performance of franchisees. Energy audit and close monitoring shall be done by CESU in coordination with franchisees to improve the performance.
2. Periodic monthly report on energy audit and feeder metering, consumer indexing with DTR metering from all divisions shall continue to be placed with Commission by 7th of each month.
3. CESU is to closely monitor consumers at 10 KW and above. CESU to take the matter with CMD GRIDCO for early installation of computer in field offices.
4. All decisions of GRF/Ombudsman shall be complied by October, 2015.
5. CESU need to take proactive steps to realize revenues from the consumers. CGM Commerce should monitor and pursue with the field officials to collect current as well as arrear dues and appraise Commission monthly on progress achieved with detailed report. Officer in charge of franchise areas shall monitor revenue from these areas including arrears and he shall be responsible for shortfall in revenue in these areas.
6. Billing and collection efficiency shall be continuously improved division wise so as to recover expenditures incurred in these divisions.
7. Each divisional unit shall strive continuously to bring down energy loss in all consumers segments in their units. Divisional heads shall monitor the revenue parameters weekly with report to Accounts Officer/CGM(Comm.)
8. A copy of the service conditions as directed in ARR duly approved shall be placed with Commission by October, 2015 as a prerequisite for consideration of demands in ARR.
9. CESU shall report plan of action in all the directives by 30.9.2015.
