

**Performance Review of NESCO held on 29.07.2008 at OERC for the period
April – June, 2008**

Representative of NESCO present during the review:

- (i) Mr. S K Singh, CEO, NESCO
- (ii) Mr V K Sood, Managing Director, NESCO and WESCO
- (iii) Mr K K Nath, Director (Engg.), OPTCL

1. Mr S K Singh, CEO, NESCO made a presentation before the Commission about the performance of NESCO for the period 2007-08 and April–June, 2008.

NESCO										
Billing Vrs Collection										
	Billing (Rs. Cr.)				Collection (Rs. Cr.)					
	EHT	HT	LT	Total	EHT	HT	LT	Total	Collection out of arrear (Rs. Cr.)	Total Collection (Rs. Cr.)
2007-08	469.54	235.17	188.11	892.82	465.01	231.38	136.38	832.77	24.49	857.26
2008-09 (Upto – June, 08)	116.30	61.02	50.51	227.83	119.48	60.86	32.52	212.86	2.09	214.95
2006-07 (April- June 2007)	106.55	57.16	48.89	212.60	110.39	55.81	32.06	198.26		

2. It was revealed during the review that for purchase of 1129.473 MU during the above period NESCO had paid Rs. 164.90 crore to GRIDCO towards its full energy bill. It was found that NESCO had remitted Rs. 53.62 crore to GRIDCO towards energy bill in the month of June, 2008 against the revenue collection of Rs. 70.23 crore. NESCO submitted that GRIDCO had adjusted the BSP bill due for that month and rest amount was left in the escrow account to be adjusted for escrow relaxation towards R&M and salary requirement of NESCO.

3. It came to the notice of the Commission that NESCO had collected Rs. 32.62 crore against a bill of Rs. 50.51 crore in case of LT consumers during the review period i.e. April–June 2008. The consumers in General Purpose, Agriculture and Public Lighting are main defaulters in paying the electricity bills. The Commission wanted to know the reasons behind such low level of collection efficiency pertaining to above categories of consumers although their numbers were very low compared to domestic consumers. The NESCO CEO attributed the low level of collection efficiency during the review period to the flood that hit the Northern Orissa in the same period. During the above review period NESCO had collected Rs. 2.09 crore towards arrear revenue. But it is not clearly known the period of arrear for which it has been collected. NESCO has a accumulated arrear of Rs. 535. 04 crore as on 31.06.2008 out of which dues of State Govt. and PSUs only have a share of Rs. 73.10 crore.

4. The Commission underscored the need for serving disconnection notices to the non-paying consumers as per Regulation. The Commission further advised NESCO to use prepaid meters in case of Govt. consumers to obviate the revenue collection difficulties in their case. The Commission also directed NESCO to collect Rs. 6 crore extra per month for the coming 3 months so that short fall in LT collection in the review period could be made up. The Commission again reminded NESCO of its earlier direction to achieve 20% increase over the collection of corresponding month of the financial year 2007-08 or the collection during March 2008 whichever is higher. NESCO stated that it had issued disconnection notices to those defaulting Govt. consumers. Commission directed NESCO not to discriminate between Govt. and other consumers as far as arrear collection and disconnection were concerned. The Commission further directed that massive disconnections should be carried out in case of defaulting consumers, be it Govt. or private, defaulter is a defaulter and all defaulters should be meted out similar treatment.

5. The Commission while expressing their anguish over the poor collection in LT, underscored the need for monitoring collection from all the three phase LT consumers and desired that Accounts Officers attached to the division level should be entrusted with the responsibility of revenue collection and JEs/SDOs should be free for maintenance of lines and substations.

6. In the last tariff order for 2008-09 the Commission in Para 488 had directed WESCO, NESCO and SOUTHCO to procure at least 2000 transformers during 2008-09, preferably during the first quarter so that quick replacement of transformers could prevent their failure during the summer months and maintain continuity of power supply for irrigation and agricultural purposes. CEO, NESCO submitted that orders had already been placed for procurement of 449 (out of 760) nos. of distribution transformers in the first lot as per the direction of the Commission in the last tariff orders. NESCO had identified 449 nos. of locations for installation of additional and upgradation of distribution transformers. Till now they had received 66 numbers of transformers. CEO, NESCO further submitted that they had constituted a separate wing headed by GM (Operation) for better maintenance. Five nos. of maintenance groups headed by an AGM had also been formed. The total receipt of transformers and other materials is expected to be completed by October, 2008, out of which major items are expected by end of August, 2008. Commission emphasized on the need for installation of all new transformers before Durgapuja.

7. While reviewing quality of power supply OERC directed NESCO for proper maintenance of distribution system considering safety norms in mind. There were around 400 electrical accidents in the State in the last three years due to non-adherence to the safety rules. Commission emphasized the need for segregation of construction and maintenance work for better scrutiny of material and quality of work. It was opined that restringing of LT/HT lines and cutting of branches touching power lines would reduce the electrical accidents considerably.

8. Regarding distribution Loss, NESCO had submitted the relevant figures which indicates an alarming picture. LT distribution loss and overall distribution loss had shown no sign of relenting.

NESCO

Distribution Loss

Period	Power Purchase (MU)	Energy Sold (MU)				Overall Loss (%)	OERC Target (%)	% LT Loss (Considering HT Loss @ 8%)	OERC Target (%)
		EHT	HT	LT	Total				
2007-08	4654.587	1683.384	687.955	832.439	3203.778	31	29	63	51.1
2008-09 (Apr – June)	1129.473	385.321	165.330	223.546	774.197	31	25.5	60	44.5
2007-08 (April-June,2007)	1094.11	392.28	170.17	214.40	776.85	29	26	54.9	51.1

9. NESCO submitted that it was thinking of extending franchisee system to the theft-prone areas for which necessary advertisements had been made. NESCO further stated that Enzen Global Solutions had been entrusted the distribution franchisee activities in Jajpur Town & Dharmashala on input based assured revenue basis. Performance of Enzen Global could not be reviewed properly as the billing and collection figure were not based on uniform criteria. The Commission directed that a performance indicator & benchmark should be developed for the franchisee and NESCO should monitor it regularly. NESCO submitted that they have been planning to extend input based franchisee along with operation and maintenance work for two other subdivisions namely Tihidi and Khaira.

10. Regarding energy audit, NESCO submitted that 11625 nos. of distribution transformers were metered out of 17572. NESCO stated that after complete mechanism of energy audit was in place it would be able to identify the theft prone areas. Commission directed that pillar box metering should immediately be started in urban areas. Govt. consumers such as Urban Local Bodies, Rural Local Bodies, Corporations and PSUs should now be supplied power with prepaid meters only.

11. NESCO further submitted that energy police stations were not working properly due to inadequate staffing position. The Commission directed that CEO/MD, NESCO should bring this to the notice of local SP, DG, Police, Energy Department and Home Department.

12. CEO, NESCO alleged that there were load restrictions in certain areas from OPTCL side for the last couple of days. Director (Engineering), OPTCL present in the review meeting attributed this restriction to the low reservoir levels in different hydel power stations of the State and submitted that this load restriction was already lifted due to subsequent improvement in the reservoir levels. Commission directed that there should not be any load shedding without the permission of the Commission and GRIDCO should supply power if needed out of purchases through UI mechanism and CGP power. Director (Engg.) OPTCL submitted that by 31st August, 2008 the commissioning of Bhadrak Grid Substation would be completed. OPTCL is going to

take up construction of 220/33 KV gird substation at Keonjhar. Land for proposed Anandapur Grid substation had already been acquired by OPTCL and work for the same would start soon.

13. The review of performance of NESCO for 2007-08 and the first quarter of 2008-09 reveals that NESCO has utterly failed to achieve any of the prescribed performance standard, rather the performance has been deteriorating as indicated below:

Performance of NESCO

Performance	FY 2007-08				FY 2008-09	
	Actual for 2006-07 (%)	Actual for 2007-08 (%)	Annual Target fixed by OERC (%)	Actual performance for April-June, 2007	Target fixed by OERC for the whole year	Performance for April-June, 2008 (%)
1. Distribution Loss						
LT	59.5	59.3	51.1	54.9	44.5	56.9
Overall	33.2	31.2	26.0	29.0	25.5	31.4
2. Collection Efficiency						
LT	69	73		66		65
HT	97	99		98		94
EHT	100	104		104		104
Total	92	96	94	93	95	93
3. AT &C loss	38.9	33.9	30.4	33.8	29.2	36.3

14. Regarding collection of DPS from Govt. consumers, Commission clarified that the issue of securitization and levy of DPS was pending before it. In the meantime, Govt. consumers and the Urban Local Bodies should continue to pay the outstanding energy charges excluding the outstanding DPS.

15. On asset maintenance and replacement, the Commission directed that to meet the growing demand there should be at least 10% addition in transformer capacity through upgradation and addition of new substations. Like wise renovation and modernization of the network should be planned and executed during the next 10 years i.e. @ 10% each year. Renovation and modernization of distribution substations should be completed within a minimum period of 5 years i.e. at the rate of 20% each year.

16. Finally, Commission wanted explanation from NESCO regarding some specific consumer grievances which had been brought to the notice of the Commission by the consumers themselves due to callousness and nonchalance on the part of NESCO. Commission observed that NESCO has forgotten the minimum propriety to respond to the Commission's letters in this regard. NESCO was directed to submit full compliance in all the said consumer cases to the Commission. Monthly meetings with consumers at division levels should be conducted on

Sundays/public holidays instead of on working days, so that the consumers who are otherwise busy on working days can attend the meetings.

17. On behalf of REL, a presentation was made on the Information Technology (IT) initiatives taken by the three utilities during the performance review of SOUTHCO to streamline the Meter Management System (MMS), Payment Collection Module (PCM) & Consumer Complaint Handling Mechanism (CCHM). Software had been acquired to monitor and implement all these functions online. The module has already been prepared and the corresponding training and hardware installation is being conducted on a time bound schedule. All sections were expected to be linked through software by December 2008. REL further stated that after implementation of this, a consumer can deposit the bill from any place in Orissa. As this is based on web-based technology, there will be considerable saving in terms of infrastructure cost. The Commission directed that it should be compatible to RIMS and all the data should be available at OERC server.

18. To sum up, the Commission directed WESCO to take action and comply as follows:

- (i) Those who are entrusted with maintenance work should not be entrusted with collection of revenue. The officers and staff of finance wing should be responsible for 100% billing and 100% of collection of revenue. Monthly target should be fixed employee/officer-wise and regularly reviewed. Deterrent action should be initiated against the employee /officers if he/she fails to achieve the prescribed monthly target. This may include stopping of salary for the defaulting employee. The monthly target should not be less than 20% increase over the collection of the corresponding amount of the previous year or the collection of the month of March, 2008 whichever is higher.
- (ii) The Engineering staff including the ITI and diploma holders should be responsible for day to day operation and maintenance of the lines, substations, ensuring standard of performance, maintaining security standard etc.
- (iii) Power supply may be disconnected in case of all types of defaulting consumers including Govt. offices, urban and rural local bodies, PSUs autonomous bodies etc. after giving proper notice for such disconnection. Use of pre-paid meters should be introduced in case of govt. offices, urban local bodies, rural bodies, PSUs and autonomous organizations.
- (iv) The replacement and upgradation of 449 nos. transformers including conversion of single phase should be completed at least on or before 15.10.2008.
- (v) On asset maintenance and replacement, the Commission directs that to meet the growing demand there should be at least 10% addition in transformer capacity through upgradation and addition of new substations. Like wise renovation and modernization of the network should be planned and executed during the next 10 years i.e. @ 10% each year. Renovation and modernization of distribution substations should be completed within a minimum period of 5 years i.e. at the rate of 20% each year.
- (vi) Loss-prone areas should be identified and such areas may be given to suitable franchisee for maintenance and collection of revenue.

- (vii) District Level Standing Committee meeting may be regularly held under the Chairmanship of Collectors and proceeding of such meetings be forwarded to the Commission as is being done in case of Bargarh district. Similarly divisional level consumer interface meeting should be held on Sunday/Public holidays to ensure better participation.
- (viii) The booklet “What should you do?” should be made available to all employees of the DISTCOs and consumer awareness campaign be held at different locations. The GRFs should be provided with logistic support for conducting camp courts and registering consumer complaints at different places in NESCO. Sufficient intimation should be given to the consumers through announcement in mike or drum beating and publishing in the newspaper / TV regarding the holding of consumers awareness meeting and receiving the consumer complaints etc.