

Minutes of Performance Review of SOUTHCO for the year 2007-08 and first quarter of April – June 2008-09 held on 28.07.2008 at OERC

Members present:

- (i) Mr. V K Sood, Managing Director, SOUTHCO, NESCO & WESCO
- (ii) Mr. A K Bhora, CEO, SOUTHCO
- (iii) Mr. A K Nath, Director (Engg.), OPTCL

1. At the outset IT specialist of Reliance Managed Companies made a presentation on various IT initiatives taken/likely to be taken in WESCO, NESCO and SOUTHCO. He also apprised the Commission about the status of implementation of various IT modules such as Meter Management System (MMS), Payment Collection Module (PCM), Consumer Complaint Handling Mechanism (CCHM) etc
2. 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. In this regard CEO, SOUTHCO submitted that he had ordered for transformers of various capacities starting from 100 KVA to 500 KVA. In the meantime SOUTHCO has received 170 numbers of 100 KVA transformers and has been taking steps to upgrade the transformers in the pre-identified sites. He further stated that the licensee had identified 300 places where new transformers would be installed. The Commission wanted to know that in case of burning of transformers how the same would be replaced. To this query of the Commission, CEO, SOUTHCO stated that those were generally replaced by the repaired transformers. He further stated that 25 KVA transformers which would come out of the system due to upgradation would be utilized for new connections of lift irrigation points. He also apprised the Commission about arrival schedule of other associated hardware such as 34, 55, 80, 100 mm² conductors and AB cables of different configurations. It was learnt during the discussion that the last scheduled date of arrival of transformers and associated materials would be October, 2008. Commission emphasized on the need for installation of all new transformers before Durgapuja. Tendering for construction of boundary walls around substations had started and work would start as soon as the same was finalized.

3. CEO, SOUTHCO presented the data pertaining to billing and collection of revenue during the appraisal period.

Billing vs Collection										
Period	Billing (Rs. In Cr.)				Collection (Rs. In Cr.)				Collection out of Arrear	Total Collection (Rs. In Cr)
	EHT	HT	LT	Total	EHT	HT	LT	Total		
2007-08 (Apr-June)	18.99	16.84	42.71	78.53	20.16	16.88	31.89	68.93	NIL	68.93
2008-09 (Apr – June)	20.00	21.03	42.73	83.76	20.15	21.33	34.28	75.76	NIL	75.76

During the review it was found that there was a shortfall of Rs. 8.45 crore (Rs. 42.73 – Rs. 34.28) in LT collection during April-June, 2008. The Commission expressed its concern over such dismal collection efficiency of 80% in LT segment. It was again observed that the collection particularly in LT general purpose category was approximately Rs. 2.05 crores less than the billed amount. Commission wanted to know the reason for poor collection efficiency of this category. The explanation of SOUTHCO was not satisfactory. It was emphasized that SOUTHCO should collect at least Rs. 2.5 crore extra from arrears in the coming quarter to make up the shortfall during the current review period. The Commission reiterated 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. The Commission while observing 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. It was found that arrear dues of State Govt. and PSUs to SOUTHCO is at Rs. 56.73 crore as on 30.06.2008. SOUTHCO stated that it had issued disconnection notices to those defaulting Govt. consumers. Commission directed SOUTHCO 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.

4. Regarding distribution Loss, SOUTHCO had submitted the relevant figures which indicates an alarming picture. Both LT and distribution losses had gone up significantly during April-June, 2008.

Distribution Loss									
Period	Power Purchase (MU)	Energy Sold (MU)				Overall Loss (%)	OERC Target	% LT Loss (Considering HT Loss @ 8%)	OERC Target loss (LT)
		EHT	HT	LT	Total				
2007-08 (Apr-June)	466.30	49.40	52.28	168.78	270.46	42	30.4	49.0	33.2
2008-09 (Apr – June)	528.75	53.82	64.08	170.97	288.87	45.4	30.42	54.1	33.4

Commission expressed its anguish over higher LT loss as compared to the figure of corresponding months of last year (i.e. 2007-08). CEO, SOUTHCO attributed the growing loss to the massive rural electrification undertaken through RGGVY and BGJY. It was appraised to the Commission that extension of supply under RGGVY was being undertaken through LT bare conductors by different central PSUs and under BGJY, in SOUTHCO area in place of AB cables. Commission expressed its desire to appraise this matter to the State Govt. on its own. SOUTHCO submitted that it was thinking of extending franchisee system to the theft-prone areas for which necessary advertisements had been made.

5. Regarding energy audit, SOUTHCO submitted that 9236 nos. of distribution transformers were metered out of 11094 but consumer indexing had not yet started. SOUTHCO 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. EHT loss in traction point is due to anomaly in metering between GRIDCO and SOUTHCO which needs to be resolved. SOUTHCO further submitted that energy police stations were not working properly due to inadequate staffing position. In spite of 22 FIRs lodged with energy police stations only 3 people had been brought to the police custody.

6. CEO, SOUTHCO 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. CEO, SOUTHCO wanted to know the status of power supply from OPTCL side to proposed Titanium plant in SOUTHCO area. Director (Engineering), OPTCL submitted that OPTCL had spare bay at Narendrapur Grid substation from which the said power supply could be extended. OPTCL was directed to give its formal clearance as quickly as possible, preferably before 31.08.2008.
7. The review of performance of SOUTHCO for 2007-08 and the first quarter of 2008-09 reveals that SOUTHCO has utterly failed to achieve any of the prescribed performance standard, rather the performance has been deteriorating as indicated below:

Performance of SOUTHCO

Performance	FY 2007-08			FY 2008-09	
	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	54.4		53	33.4	58
Overall	45.4	30.4	42.0	30.4	45.4
2. Collection Efficiency					
LT	88		75		80
HT	100		100		101
EHT	100		106		101
Total	94	94	88	94	90
3. AT &C loss	48.6	34.6	49.1	34.6	50.6

8. Earlier the Commission had introduced an incentive scheme to boost LT collection. SOUTHCO submitted that this incentive scheme had got into trouble as GRIDCO did not relax an amount of Rs. 51 lakhs which was to be paid as incentive. Commission observed that for the shake of this meager amount of cash needs SOUTHCO had sacrificed LT

collection to the tune of Rs. 8.45 crore during April-June, 2008. The Commission observed that there has been severe negligence not only in billing and collection but in maintaining the standard of performance also.

9. 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 should continue to pay the outstanding energy charges excluding the outstanding DPS.
10. 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 shall be completed within a minimum period of 5 years i.e. at the rate of 20% each year.
11. Finally, Commission wanted explanation from SOUTHCO 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 SOUTHCO. Commission observed that SOUTHCO has forgotten the minimum propriety to respond to the Commission's letters in this regard. SOUTHCO was directed to submit the technical 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.
12. To sum up, the Commission directed SOUTHCO 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.
 - (iv) The replacement and upgradation of transformers including conversion of single phase at least for 476 nos. should be completed 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 shall be completed with 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.
 - (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 reducing consumer complaints at different places in SOUTHCO. 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.