

Executive Summary on review of performance of SOUTHCO

Date of review: 30.04.2007
Period of review: April, 2006 to March, 2007
Persons present: Shri V. Gandhi Bahu, CEO
Shri T.P. Sahoo, G.M.(Com.)

Commission's observations on licensee's performance

1. PURCHASE OF POWER FROM GRIDCO AND PAYMENT OF BST BILLS

Name of DISTCOs	OERC's Estimate for 2006-07	Actual for 2006-07			
	Energy input (MU)	Energy input (MU)	BST bill of GRIDCO (Cr.)	Payment made to GRIDCO (Cr.)	% Payment of BST bill
CESU	4,164.00	4,623.63	653.33	625.36	95.7%
NESCO (including drawal from TSIL)	4,169.00	3,991.77	520.93	580.76	111%
WESCO	4,600.00	4670.561	693.21	739.37	107.00%
SOUTHCO	1,750.00	1832.24	229.30	229.30	100.00%
ALL ORISSA	14,683.00	15118.2	2096.8	2174.8	103.70%

The Commission observed that SOUTHCO has purchased 82.2 MU extra over target fixed by the Commission for the FY 2006-07.

2. SALE TO CONSUMERS (MU)

Name of DISTCOs	Voltage	OERC's Estimate for 2006-07	Actual for 2006-07	Target for 2007-08
CESU	EHT	395.9	494.87	636
	HT	589.8	636.51	723
	LT	1,804.20	1480.01	2064.1
	TOTAL	2,789.90	2611.39	3423.1
NESCO	EHT	1,320.00	1330.09	1752
	HT	568	580.11	666
	LT	967.5	759.51	909.3
	TOTAL	2,855.50	2669.71	3327.3
WESCO	EHT	1,000.00	950.21	1690
	HT	1,286.00	1234.37	1446
	LT	761.7	784.32	986.2
	TOTAL	3,047.70	2968.90	4122.2
SOUTHCO	EHT	192.7	191.76	185
	HT	247	226.35	229
	LT	732.8	616.13	850.9
	TOTAL	1,172.50	1034.25	1264.9
ALL ORISSA	EHT	2,908.60	2966.90	4263
	HT	2,690.80	2677.30	3064
	LT	4,266.20	3640.00	4810.5
	TOTAL	9,865.60	9284.20	12137.5

As far as SOUTHCO is concerned, the targeted sale of HT, HT and LT have not been achieved. Failure to reach the targeted sale at LT is very glaring. There has been increase in input to SOUTHCO and decrease in sale to EHT, HT and LT consumers. With increase in 82.24 MU in energy input the sale has decreased by 138.3 MU with reference to OERC target. Lower sale, particularly at LT implies increase in distribution loss which SOUTHCO has failed to arrest.

3. Billing and Collection

Name of DISTCOs	Voltage	Shortfall between Billing and Collection (Cr.)	Billing (Cr.)	Collection (Cr.)	Shortfall (Cr.)	Billing (Cr.)	Collection (Cr.)	Shortfall (Cr.)
		2004-05	2005-06			2006-07 (Actual)		
CESU	LT	92.56	395.38	325.52	69.86	384.36	341.33	43.00
	Overall	112.92	713.06	631.78	81.28	782.59	732.84	49.75
NESCO	LT	33.78	152.78	119.81	32.97	177.06	121.51	49.60
	Overall	42.07	590.22	525.65	64.57	743.37	680.62	62.75
WESCO	LT	46.91	176.84	130.19	46.65	182.96	140.71	42.30
	Overall	58.53	795.62	748.79	46.83	913.52	866.78	46.70
SOUTHCO	LT	21.25	151.64	130.4	21.24	155.50	135.36	20.14
	Overall	26.07	301.18	274.6	26.58	304.43	282.09	22.34

4. Collection Efficiency:

Name of Distcos	Voltage	Collection Efficiency (%)		Target for 2007-08 (%)
		OERC's Estimate for 2006-07	Actual for 2006-07	
CESU	LT	89.0	89.00	
	Overall	89.0	93.6	92.0
NESCO	LT	94.0	69.00	
	Overall	94.0	92.00	94.0
WESCO	LT	94.0	77.00	
	Overall	94.0	95.00	96.0
SOUTHCO	LT	93.0	87.00	
	Overall	93.0	93.00	94.0

The Commission expressed their displeasure over non-collection of even the current revenue. Against a monthly billing of Rs.12.95 crore for LT consumers the shortfall in collection is Rs.1.67 crore or nearly 13% of the amount billed for LT is not being collected. Thus, arrears have been accumulating month after month. SOUTHCO instead of taking effective steps for collection seems to be asking for escrow relaxation to carry out their operation and maintenance works. This kind of inefficiency is seriously affecting the financial viability of the utility.

SOUTHCO again submitted that the electronic meters fitted in the consumer's premises is not recording below 170 volts. CEO attributed that might be the one of the reason of low billing. The Commission wanted to know how SOUTHCO is billing for defective meters. To this SOUTHCO replied that they are banking on average reading of three months period. The Commission desired that meter checking squad should concentrate more on LT three phase commercial loads. The Commission also wanted to know the status of working meter out of the total meter installed. At the first instance the SOUTHCO should put extra effort on urban areas like Berhempur, Rayagada, Parlakhemudi, and Jeypore. The Commission further directed that section wise collection target should be fixed.

5. Distribution Loss:

Name of DISTCOs	Voltage	Distribution Loss (%)		Target for 2007-08 (%)
		OERC's Estimate for 2006-07	Actual for 2006-07	
CESU	LT	37.3%	53.2%	34.4
	Overall	33.0%	43.5%	29.3
NESCO	LT	52.9%	59.4%	51.1
	Overall	31.5%	33.1%	26
WESCO	LT	62.4%	64.20%	52.0
	Overall	33.7%	36.4%	25.0
SOUTHCO	LT	38.2%	52%	33.2
	Overall	33.0%	43.6%	30.4

The Commission expressed their displeasure over the high distribution loss at 43.6% during the year 2006-07 as against the target of 33% set forth by the Commission. Even LT loss in the same period has shown no sign of relenting. Against 49.3% LT loss in 2005-06 and OERC target of 38.2%, SOUTHCO has recorded high LT loss of 52%. This constitutes a major failure of the licensee. In spite of repeated directions of the Commission, they have not taken effective steps for reduction of T&D loss.

6. Energy Audit

The Commission desired to know the plan and progress of energy audit of SOUTHCO in order to bring down distribution loss. SOUTHCO in their reply stated that as per direction of the Commission during last review meeting, energy auditing has been taken up under all the five circles. During the review period 51 nos. of 33 KV feeders and 80 nos. of 11 KV feeders have been audited apart from dedicated feeders. The Commission once again advised SOUTHCO to expedite transformer wise and feeder wise energy audit in the divisions where the LT losses are quite high.

The commission also directed SOUTHCO that, energy audit will not be fruitful one unless regular periodical monitoring is taken up. It is observed that even after 100% metering of grid s/s, distribution transformers and consumers loss level could not be reduced to desirable extent. Hence, the solution to the distribution loss reduction lies only energy audit (by regular monitoring). The Commission also directed to fix AB cable in theft prone areas.

The very objective of the ambitious programme of loss reduction has been defeated due to the negligent action on the part of the licensee. The Commission wanted to know why a pilot project of pillar boxes for metering of 10 to 12 consumers as suggested in the last review meeting has not been carried out. The Commission suggested that the service connection can be given to the consumers from the pillar boxes and the consumers can have their own meters but the billing should be done based on the reading of the centralized meter by which provisions of regulation shall also be complied with. CEO committed that they will start this project in Berhampur town at the first instance.

Now it is felt that, although, money and materials were available, energy audit could not be conducted successfully mainly because of administrative, technical and commercial failure.

7. AT & C Loss:

The Commission expressed their dis-satisfaction over the AT&C loss achieved during 2006-07 at 47.7% as against the target of 37.69% and reminded them to stick to their commitment in this regard.

Name of DISTCOs	Voltage	AT & C LOSS (%)		Target for 2007-08 (%)
		OERC's Estimate for 2006-07	Actual for 2006-07	
CESU	LT	44.2%	58.4%	58.4
	Overall	40.4%	47.1%	35.60
NESCO	LT	55.7%	72.0%	72.1
	Overall	35.6%	38.8%	33.26
WESCO	LT	64.7%	72.0%	72.4
	Overall	37.7%	39.7%	28.00
SOUTHCO	LT	42.5%	58%	58.2
	Overall	37.7%	47.7%	34.20

8. ABT Metering:

The Commission reiterated fixation of ABT compliant meter on HT & EHT consumers as ABT regulations is going to be effective shortly. The Commission desired to know the frequency of monitoring of the functioning of the meters at regular intervals.

9. Spot billing:

The Commission emphasized on the introduction of spot billing faster. To the Commission's query, SOUTHCO submitted that spot billing is working successfully in 10 towns the areas of their operation. To the query of the Commission regarding spot collection of A/c payee cheque, the CEO stated that it has taken initiative for spot collection of A/c payee cheque through spot billing agency where the spot billing is continuing.

10. Maintenance of Quality of Supply:

The Commission expressed concern regarding failure of large no. of power transformers. The Commission wanted to know the reason for failure of large number of power transformer which are very costly pieces of equipment. The Commission further directed that there should be regular analysis to find out the reason for failure of such large number of transformer. The Commission directed in the last review that the licensee should have adequate no. of circuit breakers and the existing circuit breakers should be maintained in order that they function smoothly and properly. The Commission also directed that adequate no. of power and distribution transformers should be kept as spares. Further, the Commission directed that there should be reconductoring of old 33 KV lines and allied system improvement work. The 33 KV lines should not run more than 50 Kms. at a stretch. To minimize the low voltage problem the OLTC of transformers should operate properly. The Commission wanted to know the action plan for SOUTHCO in this quarter. The CEO committed that the same would be submitted by 15th of May, 2007.

During the current financial year no tangible steps have been taken by the licensee for reduction of interruption and improvement of quality of supply.

11. Arrear Collection and Auditing of receivables:

The Commission expressed their concern over the mounting of the receivables especially in LT category of consumers. The LT arrears as on 31.03.2007 amounts to Rs.332.69 crore out of which Rs.222.78 crore pertains to the period from 01.04.1999 to 31.03.2007. The dues of State Govt. and PSUs have also reached an amount of Rs.69.80 by 31st March, 2007. The Commission wanted to know the genuineness of

those arrears and directed to submit a list of such defaulting departments. The Commission directed that Govt. arrears should be reconciled as Govt. is ready to pay. The Commission further directed that after handing over of the RWSS to Panchayat the bills should be served on the Panchayat and before that it should be served on respective department. The Commission wanted to know the status of receivable audit. SOUTHCO submitted that it will take some time to go full steam. Regarding receivable audit, the Commission observed that there is absolutely little or no progress and desired to know the defaulting chartered accountants firms entrusted with the job after which necessary steps will be taken regarding this. The firms taking the responsibilities and not discharging should be listed out and reported to the Institute of Chartered Accountant of India.

12. RIMS (Regulatory Information Management System) Implementation:

It was observed that SOUTHCO has not yet supplied consumer wise data on billing and collection. Therefore, SOUTHCO is directed to furnish the aforesaid data from April 2006 to March 2007 by May 14, 2007. This will not only help the DISTCOs, but also act as a data warehouse for the power sector of Orissa.

13. Induction of Franchise in loss prone areas

The Commission observed that the increase in input, reduction in billing and also reduction in collection taken together accounted for the poor performance of SOUTHCO. Therefore, the Commission directed the licensee to go for the collection based franchise and gradually switch over to for the input base franchise to loss prone rural areas. However, the Commission is of the view that the franchise system may be tried first in rural areas. The CEO submitted that they have developed a model for franchisee system and some organization like Neheru Yubak Kendra have already evinced interest to accept the franchisee job.

14. Grievance Redressal

A large number of complains/allegations are coming out in the print media regarding unsatisfactory service and lack of prompt response to such complains. The Commission observed that these news items should be very carefully examined and each case be promptly attended to remove the genuine complains under intimation to OERC. Prompt compliance should also be ensured when report is being called for from the Commission. The list of the cases reviewed on 03.05.2007 (Annexure-II) in the OERC and action suggested thereon is enclosed for immediate compliance on

each of the news items and should be submitted to the Commission by 31.05.2007 at the latest.

- 15. Miscellaneous:** The CEO stated that it is non-cooperation of the police station which is the major cause of upswing in energy theft. It emerged in the meeting that during last two and half year of establishment of energy police station only 11nos of FIR have been registered. The Commission observed that Energy police station has become non-starter in SOUTHCO area. The Commission directed CEO to highlight the issue in the Govt. level. The Commission enquired about the payment of compensation to the affected consumers under the provision of the OERC Regulation arising out of failure to supply power as per the guaranteed standard which calls for automatic compensation. The CEO submitted that, till date no such compensation has been paid. The Commission directed that, legitimate compensation should be paid to the affected consumer and the same should be publicized for consumer awareness.

16. Action Points

In conclusion, the Commission observed and directed that SOUTHCO should take effective steps in a time bound manner to achieve the following parameters for its very survival (Annexure-II).

- i) Reduction of Distribution Loss for which the target for 2007-08 has been fixed at 30.4% as overall loss and 33.2% for distribution loss on LT.
- ii) Improvement of collection efficiency, the target for which has been fixed at 94% for 2007-08.
- iii) Realization of huge outstanding arrears which amounts to Rs.332.69 crore as on 31.03.2007.
- iv) Satisfactory consumer service with specific complains highlighted in the print media as listed in the Annexure-II.
- v) To carry out energy audit, receivable and take follow up action for realization of arrears.
- vi) Directions given during periodic review for improvement of licensee's performance is not having any impact as the licensee continues to perform in a lackadaisical manner. The licensee must concentrate on efficiency improvement and deliver.
- vii) The discussion in the next review meeting will be held with special emphasis such as (1) Franchise system (2) Energy Audit (3) Arrear Collection and compliance on each of the points mentioned above.

PERFORMANCE OF LICENSEES

	2005-06		2006-07		2007-08
	OERC Approval	Actual	OERC Approval	Actual	OERC Approval
A. OVERALL DISTRIBUTION LOSS (%)					
CESU	36.0%	42.8%	33.0%	43.5%	29.3%
NESCO	35.0%	37.1%	31.5%	33.1%	26.0%
WESCO	31.0%	37.8%	33.7%	36.4%	25.0%
SOUTHCO	36.0%	41.1%	33.0%	43.6%	30.4%
ALL ORISSA	34.2%	39.6%	32.8%	38.6%	27.1%
B. LT LOSS (%)					
CESU	41.3%	49.7%	37.3%	53.2%	34.4%
NESCO	52.5%	60.2%	52.9%	59.4%	51.1%
WESCO	54.1%	64.7%	61.4%	64.2%	52.0%
SOUTHCO	43.3%	49.3%	38.2%	52.0%	33.2%
ALL ORISSA	47.5%	55.8%	47.6%	57.2%	42.3%
C. COLLECTION EFFICIENCY (%)					
CESU	86.0%	88.6%	89.0%	93.6%	92.0%
NESCO	93.0%	89.1%	94.0%	91.6%	94.0%
WESCO	92.0%	94.1%	94.0%	94.9%	96.0%
SOUTHCO	91.0%	91.2%	93.0%	92.7%	94.0%
ALL ORISSA	90.4%	90.9%	92.5%	93.4%	94.1%
D. OVER ALL AT & C LOSS (%)					
CESU	45.0%	49.4%	40.4%	47.1%	35.0%
NESCO	39.6%	44.0%	35.6%	38.8%	30.4%
WESCO	36.5%	41.5%	37.7%	39.7%	28.0%
SOUTHCO	41.8%	46.3%	37.7%	47.7%	34.6%
ALL ORISSA	40.5%	45.1%	37.9%	42.7%	31.4%
E. AT & C LOSS FOR LT (%)					
CESU	49.5%	58.6%	44.2%	58.4%	39.6%

NESCO	55.8%	68.8%	55.7%	72.1%	54.0%
WESCO	57.8%	74.0%	63.7%	72.4%	53.9%
SOUTHCO	48.4%	56.4%	42.5%	58.2%	37.2%
ALL ORISSA	52.6%	64.4%	51.5%	64.8%	45.7%

NB : Based on overall collection efficiency, AT& C Loss for LT(OERC approval) has been calculated .

**MINUTES OF NODAL OFFICERS MEETING OF OERC & DISTCOS HELD ON
03.05.2007 REGARDING CONSUMER GRIEVANCES REPORTED IN
NEWSPAPERS**

As per the Commission's directions a meeting of representatives from four Distcos dealing with consumer complaints was convened in room 305. It was presided over by the Secretary I/c and PAO was Convenor of the meeting. Shri A. Swain, attended the meeting on behalf of Southco, Shri G.C. Mohanty, DGM, (HT-Maintenance) attended the meeting on behalf of Wesco, Shri Lingaraj Padhi, Manager (Comm) for Cesu and Shri S.D. Bhanj, AGM (RAU) attended for Nesco.

The following consumer grievances published in newspapers/forwarded to Distcos were discussed.

SOUTHCO- Only one case was on the agenda

1. Report on regular power cuts in and around Chhatrapur published in Samaj dtd. 7.4.2007. The Southco representative reported that this practice is being followed on the instruction of the District Administration to prevent consumers from operating illegal pumps to draw water from PHD supply in peak hours (8-9am). The practice causes acute water shortage in the area. So load restriction was started from 29th March and will continue upto June 15th. Southco was asked to discontinue the practice.