

Minutes of Review Meeting on Performance of GRIDCO

Date of review : 13.12.2010 at 11.00 AM

Period of Review : From April 2010 to September 2010

Persons present : Shri H. Sharma, M.D. GRIDCO
 Shri J.K.. Das, Sr. G.M. (PP)
 Shri. R.C. Mishra, Sr. G.M. (Finance)
 & other officials of GRIDCO.

The MD, GRIDCO at the outset made a presentation on the performance of GRIDCO for the 1st half of FY 2010-11 i.e. April 2010 to Sept, 2010. The details of energy drawl by the DISCOMs are given in the table below.

Energy Drawl by DISCOMs (MU)

Name of DISCOMs	OERC's Estimate for 2010-11	OERC's Estimate for 2010-11 prorating for 6 months	Actual for 2010-11 (From Apr,10 to Sept,10)	% Over drawl by DISCOMs (%)
CESU	6420.00	3210.00	3630.75	13.11
NESCO	5122.00	2561.00	2519.76	-1.61
WESCO	6244.00	3122.00	3143.43	0.69
SOUTHCO	2368.00	1184.00	1260.51	6.46
TOTAL	20154.00	10077.00	10554.45	4.74

2. It is observed that during the 1st half of the FY 2010-11, net over drawl by the DISCOMs (after factoring the under drawl of NESCO) was 477.45 MU (i.e. 4.74%) as compared to OERC estimate prorated for the period under review. The MD, GRIDCO stated that due to poor hydrology GRIDCO had purchased costlier power from different sources for DISCOMs to meet the state demand. The per unit power purchase cost for GRIDCO comes to 208.49 P/U for the period from April 2010 to September 2010 against OERC approval of 174.58 P/U. The increase in purchase price is mainly attributed to purchase of power through UI and Power Exchange and purchase of power from CGPs and small hydro at higher rate etc. The situation is further aggravated due to over drawl by the DISCOMs. The approved average Bulk Supply Price was 170.25 P/U and now the gap between power purchase rate and BSP comes to 38.24 P/U (208.49 – 170.25) against gap of 4.33 P/U approved by the Commission (174.58 – 170.25).
3. MD, GRIDCO submitted that the average cost of power sold to DISCOMs, as approved by the Commission, was less than the cost of power purchased from the Generators. In the event of over drawl by the DISCOMs, GRIDCO is further burdened

with the differential amount between the average cost of sale and purchase. In order to meet the increasing demand of the DISCOMs, GRIDCO was to procure costly power which is causing huge dent on their strained finances.

4. In the reply to the queries of the Commission on the issue of meeting the state demand and bridging the revenue gap, MD, GRIDCO stated that now they have discussed with the state Govt. for release of more water from the hydro reservoirs so that drawal of low cost hydro power will be available to meet the state demand, which will reduce the purchase of high cost power. Further, GRIDCO is trying for sale surplus power during off peak hour through power exchange; the revenue earned from this sale will help reduce the gap to some extent. Bridging of the entire gap left by Commission for the current year may not be possible. However, the DISCOMs should reduce the loss and increase their collection efficiency and make payment of their power purchase dues in time, which will at least arrest the deteriorating financial health of GRIDCO.

5. **Receipt and Payment of BSP dues (Rs. in crore):**

Name of DISCOMs	Total BSP Bill to DISCOMs	Total Receipt (including Rebate)	Less Receipt over BSP
	A	B	C (B-A)
CESU	575.10	571.11	3.99
NESCO	491.39	487.94	3.45
WESCO	610.66	608.51	2.15
SOUTHCO	113.45	112.67	0.78
TOTAL	1790.60	1780.23	10.37

6. MD, GRIDCO stated that due to poor hydrology and also increase in internal demand there was no scope for trading. Due to such situation GRIDCO had to purchase costly power to meet the demand in the State. Consequently the Gap of Rs 806.16 cr, as approved by the Commission in the tariff order for FY 2010-11 will be increased. The figure has reached the level of Rs. 598.87 crore during the 1st six months period ending Sept' 2010. This is reflected in the table below:

(Rs. in Cr.)

Descriptions	Commission's approval for FY 2010-11	Prorating the Commission's approval for 6 months	Actual from Apr,10 to Sept,10
Power purchase cost	3666.85	1792.04	2387.26
Other costs including interest & financial charges	209.28	104.66	177.63
Rev. Requirement	3876.13	1896.70	2564.89
Revenue realised from sale of power to DISCOMs	3431.19	1674.60	1790.60
Revenue from Emergency sale to CGPs	5.10	2.55	58.35
Revenue from UI & Trading			253.95
TOTAL REVENUE	3436.29	1677.15	2102.90
Gap	(439.85)	(219.53)	(462.00)
Principal Repayment	366.31	183.16	136.88
TOTAL GAP	(806.16)	(402.69)	(598.87)

7. The details of power purchase and sale for the period under review are shown at **Annexure-A.**
8. As on 30.09.2010, GRIDCO has a liability on account of loan of Rs.3238.05 cr. towards principal and Rs.320.90 cr towards interest totaling to an outstanding amount of Rs.3558.95 cr. This includes govt. loans, institutional loans and GRIDCO Bonds. However, the opening balance was Rs.3123.75cr as on 01. 04.2010. During current financial year GRIDCO has incurred a loan amount of Rs.400.12 Cr towards payment of power purchase dues.
9. GRIDCO reported total receivables of Rs.264.73 cr. from Govt. of Orissa as against a payable of Rs.354.09 cr. The net payable to State Govt. is to the tune of Rs.89.36 cr.
10. In respect of outstanding BST, Loan & Bond dues, GRIDCO reported a provisional figure of Rs.2224.84 cr. against REL managed companies as on 30.09.2010. This includes an amount of Rs.400 cr. of DISTCO Power Bond and interest of Rs.355.56 cr. thereon. In case of CESU, GRIDCO reported a provisional figure of Rs.2107.56 cr. as on 30.09.2010.
11. The Annual Accounts of GRIDCO for 2009-10 has been compiled and the process of the authentication by the Board and adoption of Accounts shall be completed by 10.02.2011.
12. GRIDCO stated that;
 - (a) Revenue deposited by the DISCOMs in escrow account is less than the BST bill raised by GRIDCO including bills on Overdrawal Charges and Fuel surcharge.
 - (b) CESU's employees cost per month is not routed through escrow account. CESU should inform the amount drawn towards employees cost in each month to GRIDCO.

- (c) DISCOMs are not giving month wise details of arrear revenue deposited in escrow account as per the orders of the Commission.
13. The Commission observed that ;
- (a) Because of poor performance by the DISCOMs in billing and collection of revenue, DISCOMs are not able to discharge the liability towards Power Purchase, Fuel Surcharge and overdrawal Charges to GRIDCO in time.
 - (b) On the other hand non-relaxation of escrow towards repair and maintenance hampers the routine maintenance, resulting in poor revenue collection.
14. In view of the above background, the Commission directs the following:
- (i) GRIDCO is directed to relax escrow towards repair and maintenance in each month to DISCOMs proportionately based on the figures approved in ARR for 2010-11, considering the revenue deposited in escrow and the L.C. limit allowed by the banks to DISCOMs taken together.
 - (ii) If the DISCOMs fail to draw the amount earmarked towards repair and maintenance for a quarter at the end of next quarter, the claim of DISCOMs shall automatically lapse and the unutilized amount shall not be carried over to next period.
 - (iii) DISCOMs should put extra effort to collect more revenue in order to pay the current BSP dues along with overdrawal charge and fuel surcharge claimed by GRIDCO in that order..
 - (iv) DISCOMs should furnish the following information to GRIDCO in each month.
 - (a) Amount of revenue Collected
 - (b) Amount deposited in escrow account
 - (c) Amount paid to GRIDCO, OPTCL and SLDC etc.
 - (d) Amount drawn towards employees cost, R & M etc.
 - (e) Amount diverted from SOD account.
 - (f) Details of arrear collection from the amount outstanding at the beginning of the financial year.
15. As regards to bridging of the approved gap for FY 2010-11, the Commission advised GRIDCO to put extra effort for trading of power, so that it will be helpful to bridge the gap.
16. Commission observed that the Fuel Surcharge bill charged by Farraka Thermal Station appears to be in higher side and advised GRIDCO to take-up the issue in appropriate forum.