

Minutes of Review Meeting on Performance of OPTCL

Date of Review	:	29.05.2009
Period of Review	:	FY 2008-09
Representative of OPTCL Present	:	Shri C.J. Venugopal, IAS, CMD Shri U.K.Panda, Dir(Fin) Shri K.K.Nath, Dir(Eng) Shri A.C.Mallick, Dir(Com), Gridco and other officials of Gridco & OPTCL

The Performance of OPTCL for FY 2008-09 was reviewed by the Commission on 29/05/2009. During the review the status of ongoing projects, projects completed and projects to be taken up during 11th plan as well as financial performance of OPTCL were discussed. During the presentation by the licensee, it was observed that several projects had been delayed for years together (the list of the projects along with the scheduled/revised date of completion with reasons of delay which is given at Annexure-I). In view of extensive HT/LT network augmentation in the RGGVY & BGJY programme the load in the present OPTCL network has been increasing resulting in voltage drops in various places of the state.

2. The Commission also noted with concern the cost overrun in many instances due to delay in completion of the projects. The Commission expressed dissatisfaction over handing over the works to other agencies like PGCIL at higher cost as departmental charges basis. The Commission observed that the cost overruns cannot be allowed to burden the consumers for the inefficiency of OPTCL. OPTCL clarified that the management had to take decision to handover the projects on turn-key basis due to paucity of skilled manpower in the department and the problems of right of the way.
3. While reviewing the status of projects under execution by OPTCL, it was observed that seven nos. of projects were completed from own resources and one project was completed under Revised Long-term Action Plan (RLTAP) under KBK grant during the financial year 2008-09. Further, it was observed that in case of 220 KV D/C line from Duburi to Paradeep & 220/132 KV, 2x100 MVA S/S at Paradeep, the updated expenditure had exceeded the revised sanction cost from Rs.70.214 crore to Rs.81.28 crore without any formal revision in cost estimate of the project. OPTCL stated that the delay in charging of 220/132 kV S/S (on 06.05.09) at Paradeep was mainly due to ROW problem and court cases. The Commission expressed its displeasure on account of cost overrun & time overrun in all most all the projects of OPTCL. OPTCL admitted that there were some hard cases but OPTCL was monitoring all the projects regularly and expects that ROW problem in some of the transmission lines would be solved very soon. The Commission observed the delay in

completion of the project and additional cost incurred are mainly due to unplanned management of the existing manpower and diverting officers from the project execution without proper coordination with the officers entrusted with the job.

4. OPTCL submitted that in a special meeting of ERPC held on 30.12.08, transmission schemes such as 2x315 MVA, 400/220 kV S/S at Bolangir, Keonjhar & Sundargarh and 400kV LILO of Baripada-Mendhasal feeder had been approved for execution by PGCIL under Regional Scheme with cost sharing among Eastern Region constituents. OPTCL further stated that transformation capacity of 52 nos. of 132/33 kV S/Ss would be augmented to meet the expected demand growth and priority for these works would be fixed after discussion with the DISCOMs.
5. OPTCL has taken up some O&M and IT initiatives with reference to Condition Monitoring and Diagnostic Testing of 220/132 kV Auto Transformers in 24 grid S/Ss and S/S automation including GIS & digitization of S/S drawings and ERP implementation. With regard to the recommendation of the enquiry committee set up by the Commission, OPTCL stated that the action on most of the short-term recommendations have been taken and activities on some long-term recommendations are underway. The Commission felt that seriousness is not being attached to timely compliance which is not expected from a Govt. company.
6. The Commission advised for timely completion of ongoing projects to reduce interest burden and time overrun. The key milestones of new projects should be strictly mentioned to avoid cost and time overrun. The official responsible for any delay should be properly accounted for and reasonable incentive scheme to bring the project ahead of schedule should be drawn up and implemented. The Commission directed the OPTCL authorities to take expeditious steps for augmentation of the power evacuation system to avoid transmission constraint due to load growth as a result of rapid industrialization and implementation of RGGVY & BGJY in the state.
7. The CEO, CESU submitted that Grid substations like Angul & Dhenkanal were already overloaded for which CESU was unable to handle industrial loads and incurring heavy loss on account of industrial revenue. OPTCL in its reply stated that PRDC had been assigned to take up the Load Flow study to cater to the industrialization process as well as RGGVY and BGJY schemes. In the course of review meeting, the Commission raised concern on the low voltage situation in Kalahandi, Nuapada, Boudh & Bhanjanagar area. OPTCL representative submitted that existing 12.5 MVA transformer in Bhanjanagar grid sub-station would be replaced with one 40 MVA transformer so that it could meet the existing load and also the demand growth expected in the next 3 to 4 years around that area. With the proposed addition of 40 MVA

transformer, the existing capacity of the S/S i.e. 28.5 MVA (16+12.5) would be 56 MVA (16+40). The Commission directed that for the time being the load being 38 to 40 MVA at Aska against capacity of 80 MVA (40x2), one 40 MVA transformer may be supplied to Bhanjanagar by 20.06.2009 to improve the voltage problem in Bhanjanagar without affecting Aska. OPTCL is to take action accordingly. The OPTCL further submitted that the low voltage problem at Kalahandi would be sorted out once the 132/33 KV Sub-Station come up at Bhawanipatna.

8. OPTCL stated that, National Productivity Council (NPC) had submitted the draft report on delegation of power, which was under examination by a committee set up for this purpose. The financial powers vested at different levels of officials in PGCIL and other similar organizations like STU's were under scrutiny by OPTCL.
9. The details of the energy handled, the billed amount and the payment received by OPTCL and also revenue approved by OERC Vis-à-vis actual for the period April'08 to March'09 are presented in Table below.

Revenue Approved for FY 2008-09 vis-à-vis Provisional Status

Source	ESTIMATE BY OERC FOR 2008-09			ACTUAL FOR 2008-09				
	Energy handled (MU)	Rate P/U	Amount Billed (Rs Cr)	Energy (MU)	Rate P/U	Amount Billed (Rs Cr)	Payment Received incl. rebate (Rs. In Cr.)	Balance to be Received (Rs in Cr.)
CESU	5,300.00	21.00	111.30	5679.04	21.00	119.26	119.26	
NESCO	4,660.00	21.00	97.86	4545.07	21.00	95.45	95.45	
WESCO	5,680.00	21.00	119.28	6387.47	21.00	134.14	134.14	
SOUTHCO	1,980.00	21.00	41.58	2178.55	21.00	45.75	45.75	
TOTAL DISTCOs	17,620.00	21.00	370.02	18790.13	21.00	394.60	394.60	0.00
CPPs Wheeling incl. Sale	310.00	21.00	6.51	516.36	21.00	10.84		
Inter State Wheeling			1.00	17.05	17.50	0.30		
SUB TOTAL	310.00		7.51	533.41	20.89	11.14		
GRAND TOTAL	17,930.00		377.53	19323.54	21.00	405.74		

10. The Commission expressed its serious concern over OPTCL not achieving the targeted R&M expenditure during 2008-09. It was seen that only Rs.33.39 crore had been spent in the financial year, 2008-09 on account of R&M as against OERC approval of Rs. 53.88 crore. **The Commission desired that repair and maintenance should be given priority and money allowed should be fully and effectively utilized and so also the project construction activities should be regularly monitored for their timely completion.** During the course of execution of a project the officers responsible for the timely completion should not be diverted without consulting the Sr. GM or CGM in charge of execution.
11. OPTCL reported cash inflow of Rs.586.61 crore and a cash outflow of Rs.495.08 crore during the period April'08 to March'09. The closing balance was reported to be a positive figure at Rs.91.53 crore.
12. As on 31.03.2009, OPTCL reported a loan amount of Rs.1027.14 crore and an interest outstanding of Rs.284.57 crore. These loan components included Govt. loans, institutional loans, OPTCL bonds, security deposit and employee housing loan.
13. Actual interest paid out by OPTCL towards Govt. loans, institutional loan, secured loan and GRIDCO bonds was of the order of Rs.82.17 crore as against approved figure of Rs.79.43 crore for FY 2008-09. This means as per OPTCL the actual interest payments were in the higher side as compared to the approved figures during the period under review. The item-wise break up is as follows: -

Interest payout (Rs. in cr.)

Particulars	Approved for 2008-09	Actual for 2008-09 (unaudited)
Govt. loans	1.01	-
Institutional loans	1.98	20.64
Secured loans	46.28	49.09
GRIDCO Bonds	9.36	8.41
Loans for new projects	41.47	4.03
Finance Charges	20.80	-
Less interest capitalization	41.47	-
Interest chargeable	79.43	82.17

14. As against approval of Rs.74.21 crore towards depreciation and AAD during 2008-09, OPTCL reported a repayment liability of the order of Rs.141.40 crore for FY 2008-09 implying a gap to the tune of Rs.67.19 crore towards loans considered for depreciation and advanced against depreciation for the said period. The broad break up of repayment of Rs.141.40 cr. during 2008-09 is as follows: -

Repayment of Principal (Rs. in cr.)

Particulars	Repayment during FY 2008-09
Central Govt.	-
REC term loan	5.35
PFC term loan	12.03
Union Bank of India-II	14.31
HUDCO	28.95
UCO Bank	33.79
Oriental Bank of Commerce	28.89
OSEB open market bond	10.73
Others	7.35
Total	141.40

15. Regarding the status of accounts, OPTCL stated that the annual accounts for the year 2006-07 had been audited and adopted in the AGM held on 15.09.2008. Further the compilation of annual accounts for 2007-08 has been completed along with statutory audit. The supplementary audit u/s 619(4) of the Companies Act,1956 of the said accounts by the C & AG of India is expected to be completed by 30.06.2009 and audited accounts is expected to be adopted in AGM by sept,09. For the year 2008-09, compilation of annual accounts is expected to be completed by 31.07.2009.

16. **CONCLUSION:**

After an in depth discussion, the following major decisions were arrived at:

- (i) The Commission desired that repair and maintenance should be given priority and money allowed should be fully utilized and so also the project construction activities should be regularly monitored for their timely completion. During the course of execution of a project the officers responsible for timely completion should not be diverted without consulting the concerned Sr. GM or CGM in charge of execution.
- (ii) The Commission has stipulated the scheduled date of completion while approving the investment proposal in respect of the individual projects. However, it is seen that there is no urgency and seriousness on the part of OPTCL to execute the projects and complete the same in time. There is criminal delay ranging from 5 to 12 years from the scheduled date of

completion. The additional cost arising out of time overrun shall not be allowed by the Commission to be passed on to consumers and such additional cost will have to be borne by OPTCL. In that case, such additional cost is to be recovered in appropriate proportion from the officers found responsible for such delay in commissioning the projects. OPTCL should have a well structured project management group with identified responsibility. The projects under implementation should be completed within the date line as mentioned in the schedule. OPTCL should give the PERT chart of all the ongoing projects and the projects already awarded for execution to the Commission. The contract conditions should be enforced. OPTCL should strengthen its Project Implementation Cell with recruitment of experienced professionals on Contract Management and Project Management skills. A specialized dedicated unit is to be created with adequate powers for monitoring the progress, fixing accountability of key personnel, release of fund for the project so that transmission system would be ready at the time of generation/availability for evacuation of power.

- (iii) OPTCL should furnish a report mentioning the original schedule vis-à-vis actual date of completion of all the projects clearly indicating the cost & time overrun in case of each project. The exact status of Meramundali-Duburi 400kV line should be furnished to the Commission.
- (iv) In respect of Kalahandi, Nuapada, Boudh, Joda, Chandbali, Bhanjanagar, Aska etc. there is persistent and chronic low voltage problem. Wherever possible pending the construction of the grid substation and drawing of the associated lines, the OPTCL should ensure metering arrangement wherever possible for injection of additional power in 33 KV system such as from M/s.Vedanta Aluminium so that voltage problem in Kalahandi may improve to some extent. This will temporarily solve the problem in Kalahandi. In case of Kalahandi it should be completed by 30.6.09 at the latest. The early commissioning and synchronization of second and third units of CPP of M/s.Vedanta Aluminium at 132 KV system of OPTCL is to be ascertained and full support should be extended. OPTCL should try to complete the work by 30.06.2009. It should intimate PGCIL to give top priority for construction of 132 KV lines from Theruballi and 132/33 KV Grid substation at Bhawanipatna.
- (v) For lapses in completion of the projects as per time schedule, some heads should roll and no mercy should be shown to such officers for their failure in completion of the projects in time. The Secretary, Energy Deptt., Govt. of Orissa may review the progress of each individual project every month and

take appropriate disciplinary action against the officer responsible for not ensuring the progress of work as per the time schedule.

- (vi) OPTCL should delegate the administrative & financial powers to its officers to carry out hassle free maintenance work. For this purpose, OPTCL should learn from the administrative and financial power available to different level of officers of similar organizations or other state transmission utilities.
- (vii) CMD, OPTCL should call a meeting of all the CEOs of DISCOMs at least once in every month to sort out the operation and maintenance issues. The Commission directed the CEO of OPTCL to meet the DISCOM's representative on that day i.e. on 29.05.09 at 4.30 P.M. to sort out the network related problems.
- (viii) The compliance of the directions made on para 6, 7, 10 and 16 (i) to (vii) should reach the Commission by 15.07.2009.