

Executive Summary on review of performance of NESCO

Date of review: 28.12.2006
Period of review: August, 2006 to September, 2006
Persons present: Col. S. Mohanty, CEO
Shri M.R. Mohapatra, G.M.(Com.)

Commission's observations on licensee's performance

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

Name of DISTCOs	OERC's Estimate for 2006-07	Prorating OERC Estimate for 4/06 to 9/06	Actual for 4/06 to 9/06			
	Energy input (MU)	Energy input (MU)	Energy input (MU)	BST bill of GRIDCO (Cr.)	Payment made to GRIDCO (Cr.)	% Payment of BST bill
CESU	4,164.00	2,082.00	2,323.91	327.92	306.45	93.45%
NESCO (including drawal from TSIL)	4,169.00	2,084.50	1,890.26	260.7	283.53	108.76%
WESCO	4,600.00	2,300.00	2,263.68	350.55	370.855	105.79%
SOUTHCO	1,750.00	875.00	903.39	118.06	118.06	100.00%
ALL ORISSA	14,683.00	7,341.50	7,381.24	1,057.23	1,078.90	102.05%

The Commission observed that reconciliation of BST bill with GRIDCO is yet to be done. The Commission directed that it should be completed at the earliest without fail.

b. **SALE TO CONSUMERS (MU)**

Name of DISTCOs	Voltage	OERC's Estimate for 2006-07	Prorating OERC Estimate for 4/06 to 9/06	Actual for 4/06 to 9/06
CESU	EHT	395.9	197.95	230.88
	HT	589.8	294.9	320.61
	LT	1,804.20	902.1	781.53
	TOTAL	2,789.90	1394.95	1333.02
NESCO	EHT	1,320.00	660	630.24
	HT	568	284	263.21
	LT	967.5	483.75	380.32
	TOTAL	2,855.50	1427.75	1273.77
WESCO	EHT	1,000.00	500	474.15
	HT	1,286.00	643	583.79
	LT	761.7	380.85	389.3
	TOTAL	3,047.70	1523.85	1447.24
SOUTHCO	EHT	192.7	96.35	87.24
	HT	247	123.5	116.2
	LT	732.8	366.4	308.43
	TOTAL	1,172.50	586.25	511.87
ALL ORISSA	EHT	2,908.60	1454.3	1422.51
	HT	2,690.80	1345.4	1283.81
	LT	4,266.20	2133.1	1859.58
	TOTAL	9,865.60	4932.8	4,565.90

As far as NESCO is concerned, the targeted sale at H T and EHT has not been achieved but the CEO explained that, in the later part of the year there could be proportionately higher sale. Sale at L.T is much less than the estimated figure implying a very level of distribution loss which needs immediate attention.

c. 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 (4/06 to 9/06)		
CESU	LT	92.56	395.38	325.52	69.86	204.21	171.59	32.62
	Overall	112.92	713.06	631.78	81.28	397.72	359.79	37.93
NESCO	LT	33.78	152.78	119.81	32.97	88.51	56.46	32.05
	Overall	42.07	590.22	525.65	64.57	353.31	319.47	33.84
WESCO	LT	46.91	176.84	130.19	46.65	92.29	62.29	30
	Overall	58.53	795.62	748.79	46.83	449.74	418.65	31.09
SOUTHCO	LT	21.25	151.64	130.4	21.24	77.95	62.27	15.68
	Overall	26.07	301.18	274.6	26.58	151.25	135.91	15.34

d. Collection Efficiency:

Name of Distcos	Voltage	Collection Efficiency (%)	
		OERC's Estimate for 2006-07	Actual for 4/06 to 9/06
CESU	LT	89.0%	84.00%
	Overall	89.0%	90.50%
NESCO	LT	94.0%	64.00%
	Overall	94.0%	90.00%
WESCO	LT	94.0%	67.00%
	Overall	94.0%	93.00%
SOUTHCO	LT	93.0%	80.00%
	Overall	93.0%	90.00%

The Commission expressed their displeasure over non-collection of even the current revenue. Against a monthly billing of Rs.14.08 crore for LT consumers the shortfall in collection is Rs.5.30 crore or nearby 1/3rd of the amount billed at LT is not being collected. Further, in case of EHT category, the shortfall in current collection up to November, 2006 amounts to about Rs.10.15 crore. The Commission directed CEO to furnish the details of this shortfall amount in respect of EHT category within a period of one week without fail. Similarly in case of HT category, the current collection up to November, 06 falls short by an amount of Rs. 3.76 crore NESCO has been directed to furnish the reason for shortfall. Thus, arrears have been accumulating from month to

month. NESCO 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.

e. Distribution Loss:

Name of DISTCOs	Voltage	Distribution Loss (%)	
		OERC's Estimate for 2006-07	Actual for 4/06 to 9/06
CESU	LT	37.3%	51.3%
	Overall	33.0%	42.6%
NESCO	LT	52.9%	57.6%
	Overall	31.5%	32.6%
WESCO	LT	62.4%	63.4%
	Overall	33.7%	36.1%
SOUTHCO	LT	38.2%	51.4%
	Overall	33.0%	43.3%

The Commission expressed their displeasure over the high distribution loss at 32.6% during the year 2006-07 as against the target of 31.5% set forth by the Commission in the current year. 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 particularly at L.T where the level of loss is 57.6%.

f. Energy Audit:

The Commission desired to know the plan and progress of energy audit of NESCO in order to bring down distribution loss. CEO NESCO stated that energy audit of 33 KV has already have been continuing since July, 2006 and energy audit of all the 11 KV feeders could not be completed due to non-metering of DTRs. Energy audit of 40 nos of DTRs have been conducted in August and September, 2006. The Commission advised NESCO to expedite transformer wise and feeder wise energy audit in the divisions where the LT losses are exorbitant.

During the last review, it was pointed out by the Commission that, despite several directives for conducting energy audit up to the level of distribution transformer and consumer in a systematic manner, the licensee has failed to do so. The very

objective of the ambitious programme of loss reduction has been defeated due to the negligent action on the part of the licensee.

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.

g. AT & C Loss:

The Commission expressed their dis-satisfaction over the AT&C loss achieved during 2006-07 at 39.1% as against the target of 35.6% and reminded them to stick to their commitment in this regard.

Name of DISTCOs	Voltage	AT & C LOSS (%)	
		OERC's Estimate for 2006-07	Actual for 4/06 to 9/06
CESCO	LT	44.2%	59.1%
	Overall	40.4%	48.1%
NESCO	LT	55.7%	73.0%
	Overall	35.6%	39.1%
WESCO	LT	64.7%	75.0%
	Overall	37.7%	40.5%
SOUTHCO	LT	42.5%	61.0%
	Overall	37.7%	49.1%

h. 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.

i. Spot billing:

The Commission emphasized the introduction of spot billing immediately. To the Commission's query, NESCO submitted that spot billing has already been introduced in Bhadrakh (North) division. The Commission directed NESCO to introduce spot collection of A/c payee cheque as soon as possible.

j. Maintenance of Quality of Supply:

The Commission expressed concern regarding failure of large no. of power transformers. It transpired that the main reason for such failure is due to lack of proper circuit breakers, over loading and unbalanced loading of transformers. 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 the equipment like lightning arrester should be installed to prevent failure of costly transformers.

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

k. 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 alone during the period from 01.04.1999 to 30.09.2006 have accumulated to Rs.333.52 crore. It is further noticed that, the licensee has not put any effort to collect the same. Answering to the question raised by the Commission, the CEO stated that collection from LT consumer is becoming impossible day by day because of the worst law and order situation. The Commission advised the licensee to find out some ways and at least introduce prepaid metering system in some model towns. As regards, arrears from Govt. department, the Commission urged the licensee to interact with the Govt. in this regard. Recently, the Finance Deptt. of Govt. issued circulars to all the departments for payment of current electricity dues in full. At least the Licensee should ensure that there should be 100% collection of the current dues. Regarding arrears of govt. departments, the Commission directed NESCO to sort out the issue with respective departments of the Govt. and come to an agreement in case the bills are disputed. The Commission also directed CEO to furnish the month wise break up of arrear collection for FY 2006-07 (for the period up to Sept, 06) within a period of seven days.

As regards receivable audit, NESCO stated that the audit in six sub-divisions is going on. The Commission directed to give a status report on receivable audit within 15 days.

l. Status of Actuarial Valuation:

As regard to the status of actuarial valuation, NESCO stated that the complete data will be furnished to the actuary Shri Bhudev Chatterjee by 10th of January, 2007.

m. RIMS (Regulatory Information Management System) Implementation.

It was observed that NESCO has not supplied data on billing and collection as promised earlier. Therefore, NESCO is directed to take necessary steps to make

data available to OERC Consultants on billing collection (consumer wise) for the last financial year as well as the current financial year by January 10, 2007. The Commission is all agog to implement RIMS at the earliest. This will not only help the DISTCOs, but also act as a data warehouse for the power sector of Orissa.

- n. At the cost of repetition, the Commission would like to observe that, the survival of the licensee is dependent upon the followings.
- i) Reduction of Distribution Loss.
 - ii) Improvement of collection efficiency.
 - iii) Realization of huge outstanding arrears.

The licensee must concentrate on these items. For this, they have to carry out energy audit, receivable audit and take follow up action for realization of arrears.

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 and management activities seems to have come to a standstill.