

ODISHA ELECTRICITY REGULATORY COMMISSION
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Case No.72 of 2014
Dt. .01.2015

To,
The Managing Director,
SOUTHCO
Courtpeta, Berhampur
Dist : Ganjam

Sub: Revenue Requirement and Tariff Application for the year 2015-16.

Sir,

On scrutiny of the above application, it has been noted that information and analysis with regard to a number of items which are extremely relevant for the purpose of scrutiny of Revenue Requirement and Tariff for the FY 2015-16 have not been furnished. A list indicating items on which information/clarification to be furnished is enclosed.

You are hereby directed to furnish the information on the queries raised in Annexure by **12.01.2015**.

The queries raised in this letter along with the replies shall be supplied to all the persons who might have purchased the ARR and Tariff application of your DISCOM.

Yours faithfully,

Encl : As above.

SECRETARY

Query on the SOUTHCO's ARR Filing, 2015-16

TECHNICAL

1. **OERC (Terms and Conditions of Determination of Wheeling Tariff and Retail Supply Tariff) 2014 has been notified in Odisha Gazette on dt.20.12.2014. The licensee should submit amended ARR and Tariff application as per the said Regulation. The copies of amended application must also be served on the objectors. The proof of the same should also be submitted to the Commission.**
2. Status of energy audit and action plan for reducing AT & C loss should be submitted.
3. Methodology for calculation of distribution loss and segregation of technical and commercial loss may be submitted.
4. The Commission has allowed Rs.48 crores towards implementation of smart grid vide para 214 of RST order for FY 2014-15 for implementation of pilot project of Smart Grid. The status of the same may please be submitted.
5. Status of metering of feeder transformers and consumers should be submitted upto September, 2014.
6. The BPL data submitted by DISCOMs were analyzed and presented in the table below :

QUERIES ON BPL CONSUMPTION					
	Row No	CESU	NESCO	WESCO	SOUTHCO
No of Consumers Actual as on 01.04.2013	1	164864	169264	210608	263345
No of Consumers Projection during Tariff Filling for FY 2014-15 as on 01.04.2014	2	222566	483239	521284	543177
Actual No of Consumers as per Tariff Filling for FY 2015-16 as on 01.04.2014	3	152862	215528	253206	307803
Consumption on MU as Projected during Tariff Filling for FY 2014-15	4	218.59	173.97	261.00	249.18
Consumption in MU actual during FY 2014-15 as per Tariff Filling for FY 2015-16	5	86.39	123.87	100.00	173.23
No of Consumers Projected as on 01.04.2015	6	252222	377082	648240	461492
Growth of Consumers during FY 2014-15	7=3-2	-12002	46264	42598	44458
Growth of Consumers proposed during FY 2015-16	8=6-3	99360	161554	395034	153689
Avg. Consumption for FY 2015-16 as projected	9	40.53	32.52	30.72	42.18

From the analysis of the above table the following queries were found which may be clarified by the DISCOMs.

- A. The actual number of consumers during the current FY as shown in Row(3) found out to be about half of the projection made by the licensees as shown in Row (2) at the time of the tariff filing for FY 2014-15.
- B. Similarly, the number of BPL consumers as projected now for FY 2015-16 as shown in Row (6) is quite high over a margin of more than one lakh for each DISCOM which seems to be unrealistic.
- C. The BPL consumer growth during the current FY as shown in Row (8) is more than two to three times than the growth in the current year as shown in Row (7) for each DISCOM which may be clarified.

- D. The per capita BPL consumption considered by SOUTHCO may be limited to 30 units per month and requirement may be reassessed accordingly.
7. The status of clearance by OPTCL on the issues like connectivity of the consumers mentioned in format T-9 may be submitted.
8. (a) A detailed note on the Capex for effective analysis and information of the Commission in the following format may also be furnished.

PROGRESS OF CAPEX							
Sl. No.	Name of the Item	Work Executed during (Nos.)		Amount Spend during FY 2012-13 in Rs. Lakhs		Amount Spend during FY 2013-14 in Rs. Lakhs	
		FY 2012-13	FY 2013-14	From Govt. Funding	From Own Resources	From Govt. funding	From Own Resources
1	Nos. of new Primary Sub Station						
2	Nos. of Upgradation of existing Primary Sub Station						
3	Breakers						
	(i) 33 kV						
	(ii) 11 kV						
4	Nos. of Distribution transformer						
5	Reconductoring of OH line conductor						
	(i) 33 kV						
	(ii) 11 kV						
6	New OH line						
	(i) 33 kV						
	(ii) 11 kV						
7	Energy Accounting						
	(i) Consumer Metering						
	(ii) System Metering						
8	A.B. Cable and HVDS						
9	IT Implementation						
10	Special R&M of S/S						
11	System Quality, Reliability & Safety						

(b) System up-gradation completed in other schemes/funding be furnished.

9. DISCOMs have shown following proposed assets addition for FY 2015-16 under CAPEX, GoO programme in the following manner:-
1. WESCO – 9.94
 2. NESCO – 126.30
 3. SOUTHCO – 192.82
 4. CESU – 216.32

Details of CAPEX programme, including funds received during 2013-14 and 2014-15 and actual addition of Capex assets during the relevant year upto November, 2014 may be furnished.

FINANCE

1. Note on Employees Cost;

- a) The details of component wise actual expenses on Employees cost including Pay, GP, Arrear salary, HR, pension, gratuity, leave and transfer to provident and other funds on monthly basis for FY 2013-14 shall be furnished. Similar details shall also be furnished for actual payment made for the current year upto the month of November, 2014.
 - b) Expenses on TA, Legal expenses & fees (with details), expenses on board members consumer awareness, customer relations & care may be furnished.
 - c) A & G expenses details including energy audit and metering schemes may be furnished.
2. An amount of Rs.124.01 crore has been projected towards R & M expenses where as on analysis of the audited accounts for FY 2013-14 it is revealed that only Rs.15.02 cr. has been spent towards R & M. This seems to be a quantum jump projection from the actual expenses incurred for the earlier years. Month-wise expenses towards R & M for the current year upto November, 2014 shall be furnished along with the details of action taken..
 3. The amount of capital expenditure and addition to the fixed asset excluding the assets adding under RGGVY and BGJY during FY 2014-15 amounts to Rs.328.98 crore and Rs.438.48 crore respectively (F-2). Scheme wise details are given as under:-

FY 2014-15 (Estimated)

(Rs. In Crore)

SI No.	SOUTHCO	Capital Expenditure	Addition to Gross Fixed Asset
1.	Land, Building, Furniture, Fixture etc.	2.76	2.76
2.	RE/LI and all types of deposit work(details with break up to be furnished)	9.75	7.41
3.	Govt. of Odisha CAPEX Programme	257.09	192.82
4.	DESI	2.00	1.00
5.	System Improvement	-	-
6.	S.I. funded(details with break up to be furnished)	-	3.68
7.	PMU & APDRP		4.36
8.	RLTAP	16.91	23.38
9.	Others	43.23	203.07
10.	Total	331.74	438.48

SOUTHCO is required to furnish the actual expenditure as on date (till end of November 2014) in respect of Capital Expenditure and addition to Gross Fixed Asset during the FY 2014-15.

4. In Form F-3, the opening balance of loan under the head short term loan – as on 01.4.2014 and addition of loan during the FY 2014-15 is shown at Rs.252.60 crore and Rs.47.40 crore respectively. The utilization of such loan and actual amount of loan received upto November 2014 may be indicated.
5. The consumer security deposit as on 31.3.2014 (Ref: Balance Sheet at Form F-21) is shown at Rs.133.30 Cr The physical form of investment of such deposit since 1999-00 (year wise) in different financial instrument may be furnished.
6. An amount of Rs.19.50 crore has been shown for the ensuing year 2015-16 under contractual and outsource obligation (F-12). Details of such calculation indicating the number of such employees, compensation per employee etc. along with actual expenses month-wise for the current till Nov, 2014 may be furnished.

7. In the last RST order for FY 2014-15, the Commission approved Rs.18.15 as A & G expenses. However, it is now projected to spend Rs.55.28 cr. for FY 2015-16. The actual expenditure incurred during the current financial year on A & G expenses with details with break up upto November, 2014 may be furnished.

It is also seen from the filing that additional A & G has been projected towards Energy Audit, implementation of RTI, cess on building construction and electrical installation, Energy Police Station, implementation of intrastate ABT, DSM operation, IT automation, manpower assessment, customer care activities, collection incentives and inspection fees. The actual expenses incurred under said heads for the current financial year 2014-15 may be furnished upto Nov 2014. Commission as per the current MYT order allows additional expenses only on AT&C loss reduction activities and projection shall accordingly be made towards those activities only.

8. The availability of fund in Employees Trust Fund as on 31.3.2014 and its pattern of investment may be submitted. Further, the actual cash outflow towards terminal liability during FY 2013-14 and 2014-15 (actual upto November 2014) may be furnished.
9. Month wise cash flow considering the revenue items only for FY 2012-13 and 2013-14 (actual upto November 2014) may be submitted.
10. Details of investment made out of the available funds towards security deposit, pension trust and gratuity trust as on 31.3.2014 and upto November, 2014.
11. Analysis of the A & G expenses from the available audited accounts upto 31.3.2014 reveal the following:-

A & G Expenses – Audited Accounts upto 31.03.2014

Name of the Licensees	Total A & G expenses	Other Expenses	Bad & Doubtful	B & D written off	Distribution Franchisee sharing of BOT
WESCO	266.88	67.45	122.64	46.55	
NESCO	31.18	16.92	-		
SOUTHCO	35.30	26.06	-		
CESU	80.36				22.58

Detail procedure to be given.

As per the audited report upto 31.3.2014, the total A & G expenses has been shown at Rs.35.30 cr. including other expenses of Rs.26.06 cr. The details of such other expense may be furnished alongwith benefits obtained.

12. The analysis of Bad & Doubtful debt provision in the audited accounts upto 31.3.2014 reveal the following information:-

Bad & Doubtful Debt- Audited Accounts upto 31.03.2014

Name of the Licensees	Bad & Doubtful Debt	B & D Written off	Provision for disputed matter	Due from franchisee
WESCO	122.64	46.54	-	-
NESCO	70.31	-	31.22	
SOUTHCO	1.10	9.54	20.62	13.22
CESU	52.67	-	-	-

The provision for Bad & doubtful debt written off of Rs.9.54 cr., provision for disputed matter of Rs.20.62 cr. and due for franchisee of Rs.13.22 cr. have shown in the audited accounts upto 31.3.2014. The above provision of such expenses may be

explained along with the reason for provision of such huge amount of Rs.13.22 cr. towards due for franchisee. The Bad & Doubtful policy of the company may also be submitted.

13. A detailed note on its effectiveness, revenue realized and expenses incurred on EPS should be given along with the information in the following format. Appropriate suggestion on continuance of EPS be furnished.

FUNCTIONING OF ENERGY POLICE STATION IN -----AREA (LICENSEE NAME)

SI No	Name of EPS	No. of Police Personnel Deployed	Sanctioned Strength	No of Cases Registered during FY 2015-16 up to Nov 2014	Bills claimed by Govt of Odisha against the EPS during FY 2013-14	Bills verified and paid by the Licensee during FY 2013-14	Amount realised under section 135 for FY 2013-14
1							
2							
3							

14. What is the prevalent mandate and scope of Internal Audit mechanism in the company? Whether such audit is of concurrent nature. Copies of the reports of internal audit for last two years may be furnished.
15. Year wise arrear analysis for last five years of consumers having arrear above 1 lakh may be furnished. Action plan and steps taken to collect such arrear may be furnished as directed in the latest business plan order.
16. What is the Revenue Improvement Plan of the company? A short note on action plan shall be furnished.
17. Specific computerization year wise programme with regard to billing, collection, and consumer interface shall be given.
18. What are the ongoing training programmes of the employees at all level in order to enhance their skills to tackle billing, collection and technical difficulties on the ground?
19. It is noticed that the gross debtors in the audited accounts does not match with the data submitted towards performance review. In this context information regarding the status of reconciliation of consumer ledger with the account ledger in respect of all the revenue earning divisions of company may be furnished.
Details of all the bank account no. of DISCOMs where revenue and all other receipts are accounted for may be furnished.
20. Steps taken so far conducting audit of receivable by the licensee may be furnished.
21. Steps taken and plan of action for digitalization of revenue flow starting from the section office of the DISCOMs to the corporate head office.