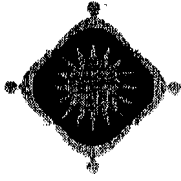


## INDEX

Page No.

1. Chapter 1 - Mission Statement
2. Chapter 2 - Overview
3. Chapters - Electricity Act, 2003
4. Chapter 4 - Profile of the Chairperson and Members
5. Chapter 5 - Activities of the Divisions
  - (i) Law
  - (ii) Secretariat
  - (iii) Tariff
  - (iv) Engineering
  - (v) Administration
6. Chapter 6 - Commission Advisory Committee
7. Chapter 7 - Annual Accounts of the Commission
8. Annexures :-
  - (i) Organization Chart
  - (ii) List of Officers and Staff
  - (iii) Minutes of the CAC Meeting
  - (iv) Training attended



*Together, let us light up our lives.*

*Chapter I...*

## MISSION STATEMENT

The Orissa Electricity Regulatory Commission is committed to fulfill its mandate of creating an efficient and economically viable electricity industry in the State. It balances the interests of all stakeholders while fulfilling its primary responsibility to ensure safe and reliable supply of power at reasonable rates. It is guided by the principles of good governance, namely, transparency, accountability, predictability, equitability and participation in the discharge of Its functions. It safeguards the interests of the state and gives a fair deal to consumers.

## **OVERVIEW**

### **A new era In Utility Regulation.**

Orissa has been a pioneer among Indian States in embarking on a comprehensive reform of its electricity industry. The objective of reform is to address the fundamental issues underlying poor performance of the Orissa State Electricity Board, to restructure the power sector, to make power supply more efficient, meet the needs of a growing economy and develop an economically viable power industry, which will enable Orissa to attract private capital while safeguarding the interests of the consumers.

The reform programme was announced by the then Chief Minister of Orissa in November, 1993, formally approved by the Council of Ministers in April, 1994 and was endorsed by the State Government in March, 1995. On April 20, 1995. the government issued a formal statement of its power policy.

The Orissa Electricity Reform Act, 1995 (Orissa Act 2 of 1996) was enacted for the purpose of restructuring the electricity industry, for taking measures conducive to rationalization of generation, transmission and supply system, for opening avenues for participation of private sector entrepreneurs and for establishment of a Regulatory Commission independent of the state government and power utilities.

Advance clearance of the legislation by the central government was issued by the Ministry of Home Affairs in early November 1995. The legislation was approved by the State Assembly on 28<sup>th</sup> November, 1995. The President gave his assent to the bill in January 1996 and the Act became effective in April 1996. The restructuring of the industry became effective from the same date. The first member of the Commission joined on 1.7.1996. The Regulatory Commission became fully operational on 01.08.1996 with joining of the other Member & Chairman.

### **HIGHLIGHTS OF THE ACT**

The reform legislation contains several fundamental building blocks.

1. Restructuring - The former OSEB has been corporatised and is designed to be managed on commercial principles in its new form as GRIDCO. While GRIDCO was initially put in charge of transmission and distribution, the hydro power- generating stations owned by the government have been taken over by the Orissa Hydro Power Corporation (OHPC).
2. Unbundling - The reform structure has incorporated principles of functional unbundling with regard to generation, transmission and distribution to be managed by separate corporations/companies.

3. Privatisation - The OER Act, 1995 aims at fostering private sector participation in generation and gradual privatisation of transmission and distribution. As a sequel to the passing of the Act, the distribution of power was privatized in Orissa. The management of the three subsidiary companies in charge of distribution in the Northern, Southern and Western zones of Orissa, namely, NESCO, SOUTHCO & WESCO has been entrusted with the Bombay Suburban Electric services (BSES). The CESCO has been taken over by the US based Power Company, AES. The management of OPGC also has been passed into the hands of AES, which currently owns 49% of the shares. .

4. Regulatory Commission - An important component of power sector reforms is establishment of the Orissa Electricity Regulatory Commission for achievement of objectives enshrined in the Orissa Electricity Reform Act, 1995.

5. Licensing - Government ownership and direct control has given way to a licensing system in respect of transmission and distribution activities.

6. Tariff - The law provides for determination of tariff, which would ensure commercial rate of return for investment in the electricity industry while protecting rights of all categories of consumers with respect to cost, efficiency and quality of service.

7. The new regulatory supervision is designed to be qualitatively and structurally different from the command and control exercised by the government so far as the electricity industry is concerned. The Orissa government's objective is to withdraw from the power sector as an operator of utilities and give way to privately managed utilities operating in a competitive and appropriately regulated power market. The Commission is designed to be an autonomous authority responsible for regulation of the power sector while policy-making power continues to be retained by the State Government. The Commission is a three-member body with the necessary supporting staff.

### **REGULATORY MECHANISM**

The new regulatory regime is designed to insulate the electricity industry from short-term political decisions and rigid bureaucratic control. It aims at ensuring operation of the industry on commercial lines so that the scarce resources of the state are utilised for development in other social sectors. It has been the common place experience that the state owned industry is geared up towards achieving social and political ends, such as, creating avenues for employment, and giving subsidy to certain categories of consumers. This results in non-availability of resources for maintenance and expansion, lack of accountability in performance, poor quality of service, financial sickness of the industry and unwillingness of private sector to invest in any significant manner.

The new regulatory regime was designed to promote an environment of greater transparency by adopting open public hearing process in decision making on matters concerning generation, transmission and distribution of electricity in the state. Clear cut ground rules and procedure ensure that the Regulatory Commission monitors and controls the essential power utility industries effectively while balancing and protecting the interests of all those who participate in 'and are served by it. Predictability in decision making allays apprehensions of political and personal considerations creating an uncertain climate in the state while accountability through transparent functioning guards against regulatory highhandedness.

The OERC as an independent regulator performs the following functions:

**FUNCTIONS OF THE OERC**

- to aid and advise, in matters concerning generation, transmission, distribution and supply of electricity in the State;
- to regulate the working of licensees and to promote their working in an efficient, economical and equitable manner;
- to issue licenses in accordance with the provisions of the Reform Act and determine the conditions to be included in the licenses;
- to promote efficiency, economy and safety in the transmission, distribution and use of electricity in the State including and in particular with regard to quality, continuity and reliability of service so as to enable all reasonable demands for electricity to be met;
- to regulate the purchase, distribution, supply and utilization of electricity, the quality of service, the tariff and charges payable keeping in view both the interest of the consumer as well as the consideration that the supply and distribution cannot be maintained unless the charges for the electricity supplied are reasonably levied and duly collected;
- to promote competitiveness and progressively involve the participation of the private sector, while ensuring a fair deal for the customers;
- to collect data and forecast on the demand for and use of electricity and to require the licensees to collect such data and make such forecasts;
- to require licensees to formulate perspective plans and schemes in coordination with others for the promotion of generation, transmission, distribution and supply of electricity; and to undertake all incidental or ancillary things.

The Orissa Electricity Regulatory Commission has played its role earnestly in the aforesaid historical and legal perspective. The Commission's task was all the more difficult because there was no precedent of an independent regulatory Commission in electricity industry in any of the developing countries in Asia. The Commission has formulated its rules, regulation and procedure in a tailor-made manner to suit the economic and industrial development in general,

and need of electricity sector in particular, in the state of Orissa while safeguarding the interests of all categories of consumers.

In the pre independence era, the Electricity Act, 1887 and later on, the Electricity Act, 1903 laid the foundation for the mother of electricity legislation in the country, i.e, the Electricity Act, 1910. In the post independent period, the Electricity (Supply) Act, 1948 established the State Electricity Boards and focussed on rural electrification. By the end of the last century, the reform process in power sector had taken its roots in a number of states with a good beginning in Orissa. The Electricity Regulatory Commission Act, 1998 was a product of this great national movement, initiated by Orissa. The enactment of Electricity Act, 2003 is a milestone in the century old history of electricity legislation in India.

The Electricity Act, 2003 focuses on creating competition in the industry, protecting consumer interests, ensuring supply of electricity to all areas, rationalising tariffs, lowering cross-subsidization levels and encouraging autonomous regulation. Given these various changes, the industry structure is expected to be transformed from the current single buyer model to multi-buyer model. There would be several players operating at the different stages of the power industry - generation, transmission and distribution.

#### **SALIENT FEATURES OF THE NEW ACT**

- Repealing of the Electricity Act, 1910, the Electricity (Supply) Act, 1948, the Electricity Regulatory Commission Act, 1998.
- Saving of eight State Reform Acts not inconsistent with the provisions of Act, 2003.
- The Institutions of CERC, SERCs, CEA, Electrical Inspector, Generating Company, CTU, STUs continue under the new Act.
- Preparation of National Electricity Policy & plan.
- Re-organisation of S.E.Bs.
- No license for generation, CPPs and Rural Supply.
- Provision of subsidy in advance by the State Governments.
- Implementation of non-discriminatory open access in phases.
- Competition in distribution with multiple licensees.
- Development of electricity market.
- Recognition of trading as a distinct activity.
- Compulsory metering within two years.
- Setting up of SERCs-made mandatory. ^
- Cost reflective tariff
- Elimination of cross-subsidies in a phased manner.
- Introduction of multi-year tariff.
- Setting up of appellate Tribunal for Electricity to hear appeals against orders of SERCs.

- Establishment of Grievance Redressal Forum & Ombudsman, for handling consumer complaints,
- Formation of State Advisory Committee, Co-ordination Forum & District Committee.
- Establishment of Special Courts and separate police stations to check power theft.

The Electricity Act, 2003 is expected to give a bigger impetus to power sector reform in the country by attracting private investment, by encouraging competition and ensuring consumer protection.



**Dhruba Charan Sahoo. Chairperson**

Mr D.C.Sahoo, formerly of the Indian Audit & Accounts Service, joined the Orissa Electricity Regulatory Commission as Chairman (Redesignated as Chairperson in the Electricity Act, 2003) on 1st November 2001 after taking voluntary retirement as Principal Accountant General, Kerala. Born on 5th November 1944 in the district of Balasore (now Bhadrak), he graduated from Ravenshaw College, Cuttack in 1965. After completing his Masters in Political Science from Utkal University in 1967, he joined the Indian Audit & Accounts Service in 1969.

During his illustrious career, he has served in different capacities in the Indian Audit & Accounts Department. He attended Works Audit Workshop in Tokyo (Japan) in 1984 and was promoted as Accountant General in 1986.

He was the Member (Finance & Commercial) in Haryana State Electricity Board from 1989 to 1992 and served as Accountant General (Audit) West Bengal from April 1992 to October 1996.

He conducted audit of OPBAA Organisation of U.N. Headquarters at New York for a period of six weeks in 1997. In the same year in August, he was promoted as Principal Accountant General.

Apart from holding official positions in different capacities, he is a good bridge player and has participated in various tournaments and won a number of prizes.

**Bijoy Chandra Jena. Member**

Mr.Bijoy Chandra Jena, formerly Chairman-cum-Managing Director of Grid Corporation of Orissa Ltd., joined the Orissa Electricity Regulatory Commission as Member on 20th August 2001. Born on 10th October 1942, Mr Jena got his education at Ravenshaw College, Cuttack and obtained a Degree in Electrical Engineering from the University College of Engineering, Burla in the year 1963.

He joined the Electricity Department of the Govt. of Orissa in 1963 where he served with distinction in various capacities. In December 1991, Mr Jena was posted as General Manager at the Ib Thermal Power Station and was in charge of construction of 2 X 210 MW thermal units at Banaharpalli. The successful commissioning of the units in December '94 and June '96 marked the end of power cuts in Orissa. He was promoted to the rank of Chief Engineer in 1994, was appointed as Director (Projects) in the Orissa Power Generation Corporation and subsequently took over as Managing Director in 1996.

In 1995, Mr Jena was selected to the Indian Administrative Service.

He joined as Chairman-cum-managing Director of GRIDCO on 31.10.1997. He was responsible for reform and restructuring of the power sector in Orissa and helped achieve privatisation of distribution functions 21 months ahead of schedule. He was also responsible for execution of works relating to World Bank funded OECF and REC, Projects, and in rectifying the erratic power supply in Bhubaneswar.

Mr Jena is a Fellow of the Institution of Engineers India and has been declared as a Chartered Engineer.

The Indian Council of Management Executives, Mumbai, awarded him Order of Merit SAMAJRSI for excellence in management in the year 1996.

The American Biographical Institute Inc. also honoured Mr Jena by including his name in the Institute's Governing Body of Equitors for exemplary performance. He was recognised as a Professional Engineer (PE) by the Institute of Engineers, India.

### **Shital Kumar Jena. Member**

Shri Sital Kumar Jena, who was in charge Engineer-in-Chief(Electricity)-cum-Principal Chief Electrical Inspector, Orissa prior to this assignment, joined the Orissa Electricity Regulatory Commission as Member on 3<sup>rd</sup> December, 2003. Born on 13 April 1946, Shri Jena completed his B.Sc Engineering (Electrical) in 1967 and joined the Orissa State Service of Electrical Engineers in 1968 and served in the Orissa State Electricity Board (OSEB) and OERC.

Between 1967-87, he worked in various capacities in generation, transmission & distribution utilities of the power sector. He served with distinction in the Commercial and Rural Electrification wings of Gridco between 1987-1995. As a member, Metering Working Group and Legal & Regulatory Working Group, Shri Jena played a vital role in the State Power Sector Reform Project.

On 1<sup>st</sup> August 1996, Shri Jena joined the OERC as Dy. Director in charge of Engineering & Tariff where he helped frame various regulations, tariff guidelines and engineering standards. In September 1997, he joined ^ Director (Tariff) and continued to work upto November, 2002. During this period, he also obtained a Post-Graduate Diploma in Financial Management from the prestigious Indira Gandhi National Open University.

As the first Director (Tariff) in India, he set the pricing policy for power generators, & transmission and distribution companies, giving direction to the

Power Sector in Orissa in a techno-commercial-legal environment. Among other duties, he also served as the Chairman of the Commission's Grievance Redressal Forum.

Between November 2002 and December 2003, Shri Jena served as the Engineer-in-Chief-cum-Principal Chief Electrical Inspector under the Department of Energy, Govt. of Orissa. He was in charge of planning & monitoring of Rural Electrification, and in overall charge of the Electrical Inspectorate, collection of Electrical Duty, survey and investigation of micro, mini & small Hydro-Electric Projects in the entire state. He also chaired the State Technical Committee with power to grant techno-economic clearance for such projects.

**Chapters...            ACTIVITIES OF THE DIVISIONS**

**ACTIVITIES OF THE LAW DIVISION DURING FY 2003-04**

The Law Division deals with all legal matters pertaining to the functions of the Commission. Scrutinization of applications/replies/objections, rendering necessary legal advice on various matters, representing the Commission in various Courts, Forums and Tribunals, liasoning with legal counsel, drafting and vetting of regulations, practice directions, notifications; maintaining relevant legal information, participating in Commission's proceedings and. attending to consumer complaints are the prime functions of this Division.

1. Case matters

**a) Before the High Court**

During the year 2003 (January to December), the Commission received notice in 17 cases from the Hon'ble High Court of Orissa (Writ Petitions 14 + F.A.O.- 2 + Misc Appeal - 1). Out of these, the Commission decided to appear and contest in 10 cases.

**b) Before the Supreme Court.**

The Commission filed a SLP (C No. 8481 - 8486/2003) before the Supreme Court of India against the order of the Hon'ble High Court of Orissa passed in case no. OJC 6751/2001. In this case, the Hon'ble Supreme Court stayed the contempt proceeding against the Commission initiated by the Hon'ble High Court of Orissa in case no. OJC-6751/2001. The Commission also received notice from the Hon'ble Supreme Court in case no. SLP(C) No. 8142-8145/2003 and appeared in this case as a Respondent.

**c) Before other Courts**

During the year, the Commission also received notices from the Court of the Civil Judge (Sr. Division), Bhubaneswar in some cases and it was decided not to appear in these cases as the Commission had no stake in the matter.

**2. Scrutiny of applications filed before the Commission**

The Division examined and scrutinised petitions/replies/objections referred to it for initiation of proceedings before the Commission. It advised and rendered legal opinion on matters referred to it by the Engineering, Tariff, Secretarial and Administrative Divisions.

### **3. Oath Commissioner**

The Joint Director (Law) administered oath & affirmation of the deponents for the purpose of affidavits used in proceedings before the Commission.

### **4. Drafting and legal vetting**

In the year, the following draft Regulations were framed by the Commission in accordance with the provisions of the Electricity Act, 2003:

- (i) OERC (Grievances Redressal Forum and Ombudsman) Regulations, 2004.
- (ii) OERC (Procedure for filing appeal before the Appellate Authority) Regulations, 2004.
- (iii) OERC (State Advisory Committee) Regulations, 2004.
- (iv) OERC Distribution (Conditions of Supply) Code, 2004.
- (v) OERC (Licensees' Standards of Performance) Regulations, 2004.
- (vi) OERC (Terms and Conditions for Determination of Tariff) Regulations, 2004.
- (vii) OERC (Conduct of Business) Regulations, 2004.

The Division also drafted and vetted public notices, show cause notices, circulars etc.

### **5. Legal Information**

The Division subscribed to law journals/reports for up-to-date information on latest judicial precedents. It gathered relevant information on Acts, Rules, Regulations and Orders on legal and regulatory matters relating to electricity.

### **6. Human Resource**

- (i) The post of Asst. Legal Advisor remained vacant
- (ii) The Director (Law) and Jt. Director (Law) attended the training programme at Xavier Institute of Management, Bhubaneswar on Organisational Effectiveness.
- (iii) Jt. Director (Law) attended the Workshop-Cum-Seminar on Alternative Dispute Resolution at Bhubaneswar conducted by Madhusudan Nyaya Pratisthan.
  
- (iv) Jt. Director (Law) attended the training programme (Electricity Regulation in India) conducted by Central Institute of Rural Electrification, Hyderabad as External Course Co-ordinator.
  
- (v) The Director (Law), Jt. Director (Law) and PAO attended the Workshop on Impact of Electricity Act, 2003 on the Orissa Power Sector, organised by the Commission.

(vi) The Division conducted an in-house workshop with other officers of the Commission on the "Salient Features of Electricity Act, 2003" to acquaint other officers of the Commission with the provisions of Electricity Act, 2003.

(vii) The Division made a presentation on the OERC (Grievances Redressal Forum & Ombudsman), Regulations, 2004 to the Members of State Advisory Committee.

## **6. Consumer Complaints**

The Information Officer who reports to the Director (Law) heads the Grievance Cell of the Commission and monitors disposal of consumer complaints. As on 31<sup>st</sup> March, 2003, 18 complaints were pending with the cell, 116 more complaints were registered during the period from April, 2003 to March, 2004. Of 134 complaints, 113 were disposed of. The Monthly Nodal Officers meetings were held regularly between OERC and the Distcos to expedite disposal of consumer complaints. The monthly progress reports of the same were put up to the Commission for perusal.

## **7. Library**

As many as 79 books were purchased, catalogued and stored in the library during this period. Five journals, four magazines and seven news dailies were subscribed to during the year.

## **8. Press clipping service**

In order to keep the Commission abreast of developments in the power sector within and outside the State, a daily press clipping service was maintained by the Information Officer. Articles and news items published in the media were scanned and put up to the Commission for perusal and suitable action.

## **9. Publication**

The Commission's biennial newsletter was compiled, designed and edited by the Information Officer. Copies of the same were printed and distributed to Members and all Divisions of OERC and posted on the website. The Annual Reports for 2001-02 and 2002-03 were also compiled and edited and forwarded to Energy Department for placing before the State Legislative Assembly as per stipulation in the OER Act, 1995.

## **10. Publicity**

The Information Officer coordinated all public relation activities of the Commission during 2003-04. These included press briefings during the annual tariff hearings/seminar on Electricity Act, 2003 on Commission's Foundation Day, issue of press releases and preparation of promotional materials.

## **ACTIVITIES OF SECRETARIAT DIVISION DURING FY 2003-2004**

The Secretariat is the pivot of the Commission's activities and the post of Secretary is statutory. Under the provisions of section 91(1), the Secretary is required to assist the Commission to carry out its functions. The OERC (Conduct of Business) Regulations, 2004 also defines the role of Secretary as the spokesman & representative of the Commission in all matters pertaining to its proceedings/hearings. The Secretary is the repository of the Commission's orders and records and carries out all correspondences of the Commission, He issues true copies/certified copies of orders, documents, notification for and on behalf of the Commission. He prepares the briefs and summaries of all cases presented before the Commission. He is the custodian of the seal of the Commission. The Secretary also conducts important meetings of the Commission, such as, the State Advisory Committee meeting, Directors level meeting between OERC and licensees and other internal meetings. The Secretary acts as the ex-officio Secretary of the State Advisory Committee.

During the year 2003-04, 168 number of cases were registered with the Commission and 70 number of cases were disposed of. Of these, the major cases related to filing of Annual Revenue Requirement and Bulk Supply Tariff for FY 2004-05 by GRIDCO (Case No.175/03), Annual Revenue Requirement and Retail Supply Tariff for the FY 2004-05 by the four distribution companies, namely, CESCO (Case No.176/03), SOUTHCO (Case No.177/03), NESCO (Case No.178/03) and WESCO (Case No.179/03). Other important cases registered including applications by State Govt. for review of tariff orders for FY 2003-04 of GRIDCO, SOUTHCO, NESCO, WESCO and CESCO registered as Case Nos. 167/03, 168/03, 169/03, 170/03 & 171/03 respectively. The Commission vide their order dt.27.12.2003 had stayed the rise of BST & RST for the FY 2003-04 till the Revenue Requirement Applications of GRIDCO and four Distcos for the FY 2004-05 had been heard and disposed of.

The major orders of the Commission in 2003-04 pertained to Long-Term Tariff Strategy (Case No.8/2003), Escrow mechanism of SOUTHCO, NESCO and WESCO (Case Nos. 54/2002, 55/2002 and 56/2002), Annual Revenue Requirement and Transmission and Bulk Supply Tariff of GRIDCO and Revenue Requirement and Retail Supply Tariff of Distcos for the FY 2003-04.

## **ACTIVITIES OF THE TARIFF DIVISION FOR THE FY 2003-04**

Determination of tariff and monitoring the performance of the licensees are the two main tasks of the Commission apart from resolution of disputes between the licensees and disposing of the petitions filed with the Commission. Orissa Electricity Regulatory Commission(OERC) is vested with the responsibility of determination of tariff for (a) supply of electricity by a generating company to a distribution licensee, (b) transmission of electricity, (c) wheeling of electricity and (d) retail sale of electricity by virtue of the provisions of Section 62 of the Electricity Act, 2003.

The year 2003-04 has been an eventful year for the Commission. The Commission has pronounced several orders and regulations in regard to tariff, related matters and on various commercial issues affecting the business of the power sector in the State. The important orders passed by the Commission are as under :-

- i) Final Tariff Order on Transmission and Bulk Supply and Retail Supply Tariff for FY 2002-03,
- ii) Long Term Tariff Strategy,
- iii) Transmission and Bulk Supply Tariff Order for FY 2003-04 and
- iv) Distribution and Retail Supply Tariff Order for FY 2003-04. The above orders of the Commission are briefly summarised as follows:-

### **i) Final Tariff Order on Transmission and Bulk Supply and Retail Supply Tariff for FY 2002-03**

OERC passed orders on 19.4.2002 with regard to Transmission and Bulk Supply Tariff (BST) and Distribution and Retail Supply Tariff (RST) for FY 2001-02 and 2002-03 based on the revenue requirements filed through petitions by the licensees, namely, GRIDCO, CESCO, WESCO, NESCO and SOUTHCO and objections and suggestions received from various stakeholders in the public hearing.

The aforesaid orders were to be implemented subject to orders of the Hon'ble High Court, Orissa. The Hon'ble High Court by orders dtd. 03.02.2003 and 14.03.2003 directed the Commission for recalculation of tariff taking into account various financial parameters as accepted by the Government of-Orissa in the notification No. R&R-I-2/2002/1068 dtd.29.01.03. This was basflss) on the recommendations of the Committee of independent experts headed by Mr. S. Kanungo and the correctives suggested by the Commission. The Commission recalculated revenue requirements of the licensees as per the order of Hon'ble High Court and passed the final order on BST and RST on 23.06.2003. In the aforesaid order, the Commission recognised an amount of Rs.78.52 crore as Regulatory Assets which has been allowed as a pass through under special appropriation . As a result, the Revenue Requirements of the licensees due to



recalculation remained unaltered without any impact on tariff. Thus, the BST & RST approved in the tariff orders of 2000-01 are still in force as on today.

**ii) Order on Long Term Tariff Strategy**

The Commission in its tariff order for FY 2002-03 dtd. 19.04,2002 noted the need for having a multi-year tariff strategy so that the rules of the game could be known to the various stakeholders and particularly to investors. The Commission subsequently issued an order on long term tariff strategy on 12.11.2003 applicable from FY 2003-04. The various operational norms have been fixed for the control period consisting of 4 years from FY 03-04 to FY 06-07. FY 03-04 has been considered as the base year and various operational and financial norms like reduction of distribution loss, attaining certain level of billing and collection efficiency, setting a target for investment and avoiding time and cost overrun in execution of the projects, attaining certain prescribed standards of quality of services, etc. The costs pertaining to the control period have been broadly classified into two parts viz. controllable and uncontrollable. While uncontrollable costs are allowed to be passed on to tariff every year, the controllable costs shall have to/be absorbed by the licensees.

The Commission shall undertake detailed periodic review of licensees' performance during the control period to address issues, concerns or unexpected outcomes that may arise and in general to assess the efficacy of the LTTS.

**iii) Transmission and Bulk Supply Tariff Order for FY 2003-04:**

An application for Revenue Requirement for the financial year 2003-04 was filed in complete shape by GRIDCO in accordance with Section 26 of the OER Act, 1995. The Commission followed the procedure laid down in appropriate Regulation in consultation with the stakeholders namely, the applicant licensee, the general public and after consultation with the Commission Advisory Committee determined the Revenue Requirement and BST for GRIDCO. An important development for determination of revenue requirement was to take into consideration the report of the Deepak Parekh Committee set up by the Government of India for settlement of dues of the State Electricity Boards which inter-a-lia provided the following;

The Expert committee constituted by Govt. of India under the Chairmanship of Shri Deepak S. Parekh in their report recommended that the State Govt. as the sole owner of the SEBs and as the primary driver of the reform process, should consolidate these liabilities, take them over and transfer them to a Power Sector Reform Fund (PSRF). The next step would be for the State to write off its own loans to the SEBs. The committee considered that these steps are not only necessary in order to enhance the credibility of the restructuring process but would also enhance the sale value at the time of privatisation.

In order to enhance the credibility and mitigate the risk of policy reversals, the committee recommended that the State Govt. should ring-fence both the

liabilities and the inflows earmarked for the sector restructuring into a PSRF. All existing liabilities of the sector should be transferred to the PSRF and, concomitantly, existing receivables, privatisation proceeds, grants from the Government of India and other donor agencies and a portion of the surplus from future operations (say, in the form of a PSRF surcharge) should be transferred to the PSRF to defray these liabilities.

In the line of the recommendations of the Deepak S, Parekh Committee, the Commission advised Govt. of Orissa u/s 11 (a) of the OER Act, 1995 for taking over the loans and liabilities of GRIDCO upto 31<sup>st</sup> March 1999 i.e. prior to privatisation of distribution business vide D.O. No.CHM/2003/378 dated 21.02.2003. The Commission was of the opinion that once the "amount of old outstanding loans are transferred to PSRF, its realisation can be addressed as per the methods mentioned in para 5.3.1.2 of the committee report.

The Commission decided that the matters of financial restructuring as recommended by the said committee should mutatis mutantdis be applicable to Orissa as the state has already implemented the reform in power sector in 1996-97 and could not be debarred from the benefits of the recommendations even though the Board in the state has already been divisionalised, corporatised and privatised.

The Commission advised the Government of Orissa as per Section 11 (A) of the OER Act, 1995 for taking other liabilities and loan of GRIDCO upto 31.03.99 to the extent of 3249 crores i.e. prior to privatisation of distribution business. The Commission also suggested that GRIDCO may be liable to service the World Bank loan and the loan bond issued to NTPC, OHPC, OPGC and NALCO at 8.8% interest rate against securatisation of power procurement dues after 01.04.99 onwards. Taking this fact into consideration, the revenue requirements for the financial year 2003-04 were worked out with two alternatives.

1. If recommendations of the committee are accepted.

2. If recommendations of the committee are not accepted. The Commission has approved GRIDCO's revenue requirement for 2003-04 at Rs.2045.00 crore (applying correctives) and Rs.2139.10 crore (without correctives) as against GRIDCO's proposal of Rs. 3226.75 crore, which GRIDCO is allowed to recover at the approved tariff in accordance with Deptt. of Energy, Govt. of Orissa notification No.1068/E dtd. 29.01.03 and Parekh Committee recommendations duly accepted by Govt, of India. The aforesaid order also clarified that in case the Govt. of Orissa did not accept the Parekh Committee recommendations, as advised by the Commission, the revenue requirement of GRIDCO for FY 2003-04 would increase by Rs.94.10 crore and thereby BST would rise by 7.81 p/u over a period of 12 months, with consequential RST rise w.e.fOI.11.2003.

**Iv) Distribution and Retail Supply Tariff Order for FY 2003-04;**

The Commission pronounced orders on Distribution and Retail Supply Tariff based on the Annual Revenue Requirement applications made by the distribution companies viz. CESCO, WESCO, NESCO and SOUTHCO as well as the objections and suggestions made by various stake-holders. It was envisaged, inter alia, in the above order that the existing retail tariffs prevailing since FY 2000-01 throughout the State would remain unaltered provided the recommendations of the Deepak Parekh Committee as duly endorsed by the Commission are accepted by the Govt. of Orissa. The tariff setting principles as mentioned in the LTTS Order for the control period would not undergo any change. Aggregate Technical and Commercial (AT&C) loss was prescribed as the performance parameter which combines distribution loss and commercial efficiency. This concept has been introduced for the first time in Orissa as it acts as a true measuring rod for computing technical and commercial loss in all respects.

The revenue requirements for FY 2003-04 proposed by the Distcos and approved by the Commission are given as under:

**(Rs. in Crore)**

	<b>CESCO</b>	<b>WESCO</b>	<b>NESCO</b>	<b>SOUTHCO</b>
<b>Proposed by the Licensee</b>	<b>2071.09</b>	<b>749.22</b>	<b>638.53</b>	<b>484.17</b>
<b>Approved by the Commission (with DPCR*)</b>	<b>740.40</b>	<b>640.97</b>	<b>466.45</b>	<b>322.22</b>
<b>Approved by the Commission (without DPCR*)</b>	<b>772.26</b>	<b>668.51</b>	<b>488.23</b>	<b>334.86</b>

**\*DPCR denotes Deepak Parekh Committee Recommendations**

The State Govt. filed a petition on 19.12.2003 with the Commission praying for review of the above tariff order dated 28.06.2003 and for grant of stay on operation of the said order. On scrutiny of the said petition, the Commission had granted stay of the said tariff orders on BST & RST as well as the consequential order dated 12.11.2003 with regard to rise of BST & RST (effective from 01.01.2004). They were stayed till hearing and disposal of the Annual Revenue Requirement applications of Gridco and Distcos for the financial year 2004-05.

**Other Activities :**

**i) Orders on Escrow relaxation were issued.**

The Commission pronounced a landmark verdict while disposing of the petitions filed by the three BSES managed Distribution companies for escrow relaxation. Distcos have been ordered to submit their viable realistic business plans for the forthcoming period indicating, among other things, the time of their turn around. The Commission also clarified the issues relating to adjustment of monthly payments against current dues of DPS and settlement of arrears. It was ordered to relax escrow for payment of staff salaries/wages after meeting 100% BST bills. Distcos were advised to open LC immediately and take necessary steps to securitise arrears upto 31<sup>st</sup> march 2003. They were also ordered to complete 100% consumer metering, transformer metering and feeder metering within the scheduled time. The Commission has given due weightage to infusion of skilled manpower to strengthen managerial ability of the Distcos,

**ii) Bimonthly review of performance of financial and technical parameters of GRIDCO and DISTCOs:**

In order to improve the performance of transmission and distribution business, the Commission has been reviewing the performance bimonthly on regular basis. The performance and the quality of services of the licensees have improved tangibly due to such review. Three BSES managed companies have been able to pay their 100% BST dues apart from managing their liabilities towards staff payments. They have already opened irrevocable revolving letter of credit in favour of Gridco for smooth payment of BST dues. Skilled manpower at different levels have been infused to strengthen the day-to-day functioning of the licensees, Consumer metering, feeder metering and transformer metering have been done extensively. Efficient internal audit system has been introduced to assess collectable arrears and to augment arrear collection. Serious thrust has been given to timely completion of World Bank projects so that no investment remains infructuous. The annual accounts of the licensees have been updated.

**iii) Pilot Studies for assessment of Distribution Loss in the System:**

The Commission has conducted pilot studies for assessment of Distribution Loss in the System in 21 feeders through its consultant M/S PWC in order to fix responsibility for T&D loss at different level.

**iv) Advice to the State Government:       '''**

The Commission advised State Govt. on various issues in exercise relevant provisions of OER Act-1995. Some of the issues are (a) Deepak Parekh Committee Recommendations, (b) Finalisation of Business Plans of DISTCOs,(c) Rural Electrification (d) Creation of Power Sector Reserve Fund for mitigation of loss due to hydrology failure etc.

**v) Observations and Suggestions on policy documents:**

(a) The Commission submitted its observations and suggestions on the National Tariff Policy circulated by Govt, of India and submitted comments on CERC terms and conditions meant for generation and transmission tariff.

(b) The Commission also made routine appraisal of various tariff orders

passed by the Regulatory Commissions of the neighboring states. This provided some inputs to strengthen the tariff design and structure in the State of Orissa.

**The following facts are discernible from the study: "**

**i)** Majority of states have enhanced LT Tariff and more or less kept HT and EHT tariff constant,

**ii)** The nominal rise in AII-Orissa average tariff has been of the order of 62.52% between 1996-97 and 2003-04. However, the real effective rise in tariff (i.e. inflation adjusted tariff) has been of the order of a meagre 1.41% during the corresponding period.

## **ACTIVITIES OF ENGINEERING DIVISION DURING FY 2003-2004**

The Engineering Division monitors performance of the utilities under various technical parameters, including license conditions and performance standards. It is manned by one Director, one Joint Director and one Deputy Director. The Division provides vital technical input for grant, revocation, amendment, or exemption from license under Section 15 of the OER Act.

U/s 44 of the OER Act, the Engineering Division used to grant permission for installation of Diesel Generating sets and captive and co-generation power plants. Consequent upon operation of Electricity Act, 2003 the CPPs are no longer required to seek permission from the regulatory Commission.

The Division also vets applications for permission/license for sale of surplus power to third party consumers. It monitors quality of power supply and number of outages through Distribution System Interruption Reliability Indices orchestrated as SAIFI, CAIDI and SAIDI. It also keeps track of disposal of consumer complaints through quarterly reports and Bijuli Adalats conducted by DISTCOs.

Other important tasks of the Engineering Division include:

(i) Provision of information to the Commission (major breakdowns & other related information), (ii) Investment approval, (iii) Payment of licence fees, (iv) Approval of GRIDCODE, (v) Load Forecast for the power system in Orissa and Transmission Planning for succeeding ten financial years,

As Generation Tariff/Open Access has come under the ambit of the Commission subsequent to the promulgation of the Electricity Act 2003, the Engineering Division will be required to undertake formulation of procedures, codes and standards relating to the above as well as all monitoring of the same.

The performance of Engineering Division during the FY 2003-04 is given below

1. Grant to consent to DG Sets:

Prior to enactment of the Electricity Act, 2003, the Commission issued consent to 27 nos, of DG Sets as per provision 21(3) of OER Act, 1995 read with Section 44 of the Electricity (Supply) Act, 1948.

## **2. Inspection of field offices of Distcos:**

Doubts were raised during tariff hearings and CAC meetings regarding the veracity and accuracy of the various annual and quarterly data submitted under License Conditions by the Distribution Companies to the Commission. In order to verify the base data available with the Distribution Companies, and to effectively monitor their operating standards and technical parameters of functioning, several Teams were inspected the headquarters and various field offices of the distribution companies. The following areas were covered during 2003-04:

### **1. SOUTHCO-30.07.2003to01.08.2003**

- (i) Jeypore Electrical Circle
- (ii) Jeypore Electrical Division
- (iii) Koraput Electrical Sub-Division
- (iv) Koraput Electrical Section
- (v) Sunabeda Electrical Section
- (vi) 33/11 KV & 11/0.4 KV sub-stations at Koraput.

**and-27.11.2003**

Corporate office, Berhampur.

### **2. CESCO - 21.08.2003 to 23.08.2003**

- (i) Puri Electrical Division
- (ii) Puri Electrical Sub-Division No.III
- (iii) Baliapanda Section & 33/11 KV Baliapanda

Sub-station

- (iv) 33/11 KV Substations at Talabania (v) 11/0.4 KV 500 KVA sub-station behind Nrusinha Temple
- (vi) 11/0.4KV 100 KVA sub-station at Gosala

**and - 03.09.2003**

- (i) Corporate office, Bhubaneswar
- (ii) Bhubaneswar Electrical Circle-1, Bhubaneswar.

**3. WESCO-04.08.2003to05.08.2003**

- (i) Corporate office, Buria
- (ii) Buria Electrical Circle
- (iii) Sambalpur Electrical Division
- (iv) Sambalpur Electrical Sub-Division No.I & II
- (v) Sambalpur Section-III .;.,
- (vi) M.R.T. Laboratory at Buria

**4. NESCO-12.08.2003to14.08.2003**

- (i) Balasore Electrical Circle
- (ii) Central Electrical Division, Balasore
- (iii) Nilagiri Electrical Sub-Division



**EMERGING OUT OF INSPECTIONS:-**

**SOUTHCO**

- (1) Out of 40 Sections under Jeypore Circle, linesmen manned 17 Sections.
- (2) 71 out of 100 disputes had been resolved by Bijuli Adalats in Jeypore Circle. This Circle had disposed of 2523 complaints out of 2738 complaints during 2002-03.
- (3) LT Billing was made centrally at Berhampur on the basis of data submitted by divisions. Regarding complaints on wrong billing, the division sends the corrected information in LTB 3 Format to the Corporate office, Wrong billing is attributable to non-posting of revenue collected in the ledger. It is further observed that the Corporate office was continuing Load Factor billing though the concerned consumer meters had been replaced and correct meter readings were, sent to the Corporate office. The field Engineers reported that due to centralised billing, delay to the extent of 15 days on an average had occurred in serving bills to consumers.
- (4) No work schedule or work register was maintained, nor any asset register kept by the Division office.
- (5) The Division had already submitted the account for April 03 and May 03 to the Corporate office.
- (6) Revenue collected by the Divisions was deposited in SBI through challans. The overall percentage of LT Billing to Input worked out to 55%, whereas percentage of Collection to Billing was 77%. The LT collection, especially in Koraput Sub-Division seemed to be encouraging, collection to billing being 87%. In Laxmipur and Pottangi sections, collection including arrears was more than 100%.
- (7) Field officers were not acquainted with Power Supply Reliability Indices and Annual Overall Performance Standards.
- (8) During a consumer meet organized at Jeypore, at the behest of OERC officers, all participants including SOUTHCO officers (of Koraput Circle) expressed the view that centralised billing gave rise to more complaints from consumers. The complaints of the public in general wise poor maintenance of lines and sub-stations by SOUTHCO.

**CESCO**

- (1) Annual Overall Performance Report of CESCO for the year 2002-03 was found wanting as the data from Nimapada, Athagarh, Angul and Kendrapada Divisions were not submitted to OERC within the prescribed date i.e., 30<sup>th</sup> June, 2003.
- (2) It was observed that the information on Power Supply Reliability Indices was compiled upto the last quarter of 2002, though all

divisions except Balugaon, Khurda, Bhubaneswar, Kendrapada, Jagatsingpur and Athgarh had submitted data till the 2<sup>nd</sup> quarter of 2003, ended in June.

(3) Many field engineers had little measure of knowledge on the following aspects:-

(i) Distribution System Planning and Security

Standards and Operation Standards,

(ii) OERC (Consumers Rights to Information and

Standards of Performance )Regulation, 1998,

(iii) OERC (Fines and Charges) Regulation, 1998

and

(iv) Consumers Right Statement etc"

(4) 7 disputes had been resolved by the Bhubaneswar Circle II since its inception in 16.09.02.

(5) At the divisional level, it was found that the data of interruption on 11 kv and 33 KV had been considered for computing Annual Overall Performance Standards whereas it should have been used for calculation of Power Supply Reliability Indices.

(6) The computerised billing had been fully operational at the divisional level. In Puri Electrical Division, it was observed that average rate of unit billed was Rs. 2.75/kwh during 2001-02 as compared to Rs.2.63/kwh during 2002-03. This average rate was much below the rate approved by the Commission i.e. Rs.3.05/kwh.

(7) Age-wise analysis of outstanding arrears had not been effected.

(8) In Puri Electrical Subdivision II, it was noted that 1508 complaints on billing had been received and disposed of during the period April to July, 2003.

(9) The daily collection sheet of a particular day i.e. 18.08.03 was verified with reference to the cash book. Out of total collection of Rs. 13,35,561.40, Rs. 12,47,000.40 was deposited in the Union Bank Escrow account on 20.08.03 (19.08.03 being a holiday) and Rs. 88,561/- (towards electricity duties and service connection deposits) was deposited in the Syndicate Bank on the same day.

(10) Deficiencies like regular cleaning & painting of structures, replacement of rusted galvanised members and fittings, connection of 11 KV lightening arresters etc. noticed during inspection of 33/11kv s/s at Talabania, 33/11kv s/s at Baliapanda, 11/.04kv 500kva s/s behind Nrusinha Temple and 11/.04kv 100kva s/s at Gosala in Puri were brought to the notice of CESCO authority.

(11) A consumer meet was organised by CESCO at Puri on 23.u8.03 in which the OERC officers were

present. The consumers' complaints by and large focussed on erroneous billing, poor maintenance of lines and sub-stations, irregular meter reading, irregular disposal of bills & low voltage problems.

(12) No work schedule, work register or asset register was maintained by the Division office.

## WESCO

- (1) It was observed that WESCO corporate office has been taking reasonable care for compilation / collection of necessary information on consumer service and power supply quality etc although submission of the report in respect of Annual Overall Performance Standards for the year 2002-03 to OERC was delayed by one month. Reports in respect of Power Supply Reliability Indices and Complaint registration and resolution were submitted on time by WESCO.
- (2) Though WESCO had prepared its Annual Revenue Budget for the year 2003-04, it had not yet been approved by trte management. No budgetary control seems to be in existence at WESCO. OERC officials were informed that financial control is automatically ensured due to strict implementation of escrow mechanism and as such, there was no scope for incurring extravagant expenditure.
- (3) The company had not yet maintained cost accounting records as per the prescribed format required under Cost Accounting Records (Electricity Industry) Rules, 2001.
- (4) The valuation and preparation of Fixed Asset Register work were in progress through a private consultant.
- (5) The company has an in-house internal audit cell. It detects misappropriation of funds, abnormal expenditure, major bill revision cases and other high value commercial revenue leakage cases. It also conducts in depth audit of revenue activities of certain divisions, as and when required by the management.
- (6) It was noticed that drastic action like suspension and dismissal had been initiated against some of the unscrupulous employees indulging in misappropriation of cash.
- (7) It was observed from the billing/collection summary sheet for the period from April to June, 03 that the collection level in respect of LT category was far from satisfactory. The average collection of the company for the 1<sup>st</sup> quarter of FY 03-04 was only 42.56%. Sambalpur Electrical Division which is one of the major urban divisions achieved only 36% for this quarter.
- (8) Remunerative norms approved by OERC were not being followed properly for determination of consumer contribution.
- (9) A check made in a Division office (SED Sambalpur) established that all money collected towards energy charges were deposited in the escrow account
- (10) The inspection team visited one franchisee, namely, M/S Laxhmi Sai Enterprises, who has been entrusted with the revenue collection from the villages, covered by 11 kv Godabhanga Feeder. This franchisee model is called 'Input Based Franchisee' where the franchisee has to ensure that all consumers in the villages are metered by the company. The franchisee is required to coordinate

with WESCO staff to ensure that data such as connected load, pole numbers, meter status, voltage of supply, etc for the villages is reflected in the billing database. It is also required to ensure that the work plan drawn up after data sanitation (metering, regularisation and giving new connection) is implemented by the licensee. The franchisee is required to provide meter reading, bill distribution and bill collection services. It has to deposit the collected amount with WESCO within 48 hours, along with the statement of collection. The inspection team interacted with the key person / staff (Sri Rama Krishna) of the franchisee. He was enthusiastic and optimistic about reaching breakeven point in collection in near future.

(11) A consumer meet was organised by WESCO on 06.08.03 where the inspection team was also present.

(1) The Corporate office was unaware of its statutory obligation to

submit to the Commission Annual Overall Performance Standards (AOPS) as stipulated in the Licence Conditions 9 and 20. In spite of NESCO's commitment to the effect there was no follow up action on the part of the NESCO authorities to instruct field offices to compile and submit relevant data for the period on AOPs, Power Supply System Reliability Indices (SRI), Complaints Registration/Resolution & Bijuli Adalats (CRR). Thus the base records maintained in field offices could not be validated.

(2) Similarly, with regard to maintenance of records for *supply interruption* in NESCO area (i.,e vide SRI like SAIDI/SAIFI/CAIDI), despite the statutory obligations, neither any *quarterly report* nor *annual report* for the year 2002-03 was available at the Corporate office.

(3) Thus, it appears that NESCO's corporate office had not taken due care for compilation/collection/submission of necessary information on consumer service and power supply quality for FY 02-03 to OERC. Hence, NESCO was advised to remedy the situation at the earliest.

(4) Billing and MIS were entrusted to BTL (BSES Telecom Ltd.) which received status of metering reports from the divisions, and tabulated them in consolidated form as per the format prescribed by OERC. NESCO was advised to modify the MIS since the category wise (Voltage wise) sale (MU) and revenue figures for the month of June, 2003 filed in ARR (Annual Revenue Requirement) did not match with the figures submitted for performance review,

(5) No budgetary control appeared to be in existence in NESCO. Answering the queries raised by the OERC inspecting team, NESCO officials stated that financial control was automatically

ensured due to strict implementation of escrow mechanism and there was no scope for unwarranted expenditure.

(6) While NESCO is required to maintain quantitative information regarding allocation and apportion of various costs to ascertain expenditure, revenue and profit for each category of consumers (voltage wise), under the Company Act, 1956, such Cost Accounting Records as per the prescribed format were not being maintained by the company.

(7) As regards physical verification of assets of the company, no basis for valuation of assets had been finalized. As the verification was not yet complete, the Fixed Asset Register had not yet been prepared

(8) The company has a small in-house internal audit cell, which performs its duties on special assignment basis. The NESCO management appointed M/s A.K. Sabat & Co., Chartered Accountants, Bhubaneswar as the internal auditor of the Company for the year 2003-04. The firm had recently started its work,

(9) Remunerative norms for execution of new construction/extension/ upgradation of lines, substations etc. as specified in the Commission's circular (Tariff 2/2001) were not being followed, though during the last visit to NESCO in October 2002 the same defect had been pointed out vide Commission's Show Cause Notice dtd. 05.11.2002.

(10) A test check of electricity bills for HT/EHT consumers revealed that incentive for higher consumption was not being allowed to HT/EHT consumers as per OERC Retail Supply Tariff Order Dt. 19.04.2002 though the same was pointed out in the last inspection report.

(11) With regard to removal of hooking, NESCO was advised to maintain a register for the same so that proper monitoring could be effected.

(12): It was observed that most of the street lights were being billed on the basis of burning hours, contrary to OERC's direction in this regard. NESCO was advised to complete metering of street lights and to bill them on actual meter reading basis,

(13) Escrow mechanism was being implemented by NESCO which automatically ensured transfer of all the revenue collection of the Company into the escrow account with the Union Bank of India, Balasore. The funds so deposited had been transferred to the account of GRIDCO unless the latter made an express relaxation of the same in favour of NESCO. ^

(14) A Consumer Meet was organised by NESCO on 14.08.2003, which was attended by the MD and senior officials, consumers and members of the OERC team. The consumers presented their grievances with regard to quality of supply and quality of services provided by NESCO. The representatives of Small Industries complained about frequent interruptions of power and demanded

28

an exclusive feeder for the Industrial Estate. Representatives of domestic/ commercial consumer groups complained that no one was available at the Fuse Call Centres to attend to complaints and suggested that an effectively monitored Centralised Complaint Centre with 24 hour service be instituted. Some of the consumers raised the problem of frequent tripping due to poor maintenance and suggested formation of Committees at the Division level including representatives of consumers, to monitor maintenance work. They also suggested that regular consumer meets be held to sort out various problems and develop congenial relationship between the consumers and the Licensee. The MD, NESCO, assured the consumers that he would address all these complaints.]

### **3. Review of GRID CODE and Distribution (Planning & Operation) Code:**

The Joint Director (Engg.) attended the 10<sup>th</sup> Grid Code Review Panel and Distribution (Planning and Operation) Code Review meetings held at Berhampur on 11/07.03 as an observer.

On the basis of deliberations in the Grid Code Review Panel meeting, GRIDCO firmed up the proposals for effecting amendments of the 10 Version of the Grid Code. The proposals approved by the Commission on 29.08.03.

### **4. Publication of System Performance of GRIDCO for 2002-03:**

The annual system performance of GRIDCO for the year 2002-03 was published on 05.09.2003. The findings are summarised below :

(i) The annual peak demand of GRIDCO was 2043 MW during 2002-03 as compared to 2028 MW and 1993 MW during 2001-02 and 2000-01, respectively.

GRIDCO had drawn 8156.506 MU from the state sector and 3732.888 MU from the central sector during 2002-03 as compared to 11613.37 MU and 821.773 MU respectively during 2001-02. The shortfall of drawal in the state sector was attributed to hydro failure during 2002-03. The total drawal being 11889.394 MU, Gridco exported 47.364 MU during 2002-03 while the state as a whole consumed 11842.030 MU.

- (i) During this period, GRIDCO made addition of 68.7 CM. Km.of 220 KV line.
- (ii) During 2002-03, load restriction to the extent of 1954.50 hrs. (22.31%) & 387.98 hrs. (4.43%) was clamped due to nonavailability of generation and transmission capacity. However, there was no rescheduling of generation on account of non-availability of transmission capacity. There were 1064 hrs. (12.15%) frequency excursions above 51.5

Hz and 250 hrs (2.85%) frequency excursions below 48.5 Hz.

**5. Annual Overall Performance of DISTCOs:-**

While three DISTCOs submitted their Annual Overall Performance reports -(WESCO on 06.08.2003, CESCO on 18.09,2003 and SOUTHCO on 20.09.2003), NESCO submitted it only on 09.12.2003. However, the said report was published in daily newspapers on 08,06.2004.

**6. Long-term Load Forecast and Transmission Planning:-**

Load Forecast for 2003-2012 received from GRIDCO was examined. GRIDCO and the DISTCOs have not yet submitted load Forecast for 2004-2013 to OERC. The Commission will hold an open hearing on Transmission Planning for 2004-2013 submitted by GRIDCO involving all stakeholders.



## ACTIVITIES OF ADMINISTRATION DIVISION DURING FY 2003-2004

The Administration Division provides vital support to the Commission in recruitment of executive and non-executive staff and overseeing operational needs, such as, fiscal services, budget, Information Technology support, purchase and procurement, maintenance and house-keeping, training and performance appraisal.

1) **Retirement Nil**

2) **Reversion**

No new officer or staff reverted during this year.

3) **New Entrants AC i,**

Shri M. R. Hazra Joined as Commission Secretary on deputation from the Home Department, Govt. of Orissa. Dr. (Mrs) Anupama Dash Dy. Director (T/Eco) was selected as Jt. Director (T/Eco) after following regular recruitment process,

4) **Assets acquisition**

a) To automate and monitor the attendance of the officers and staff an Attendance system was introduced in this year. These system records the attendance time while entering and leaving the office premises through a smart card issued to all authorized employees and ancillary staff. This has also strengthened the security of the office and discouraged trespass by unauthorized persons.

b) DFID through Price Water House Coopers, the Consultants, donated three Ambassador Cars to the OERC thus alleviating the shortage of vehicle requirement.

c) Computerization was further strengthened by acquiring few Desktop computers, peripherals and utility soft wares.

## **Chapter 6.. COMMISSION ADVISORY COMMITTEE MEETING (CAC)**

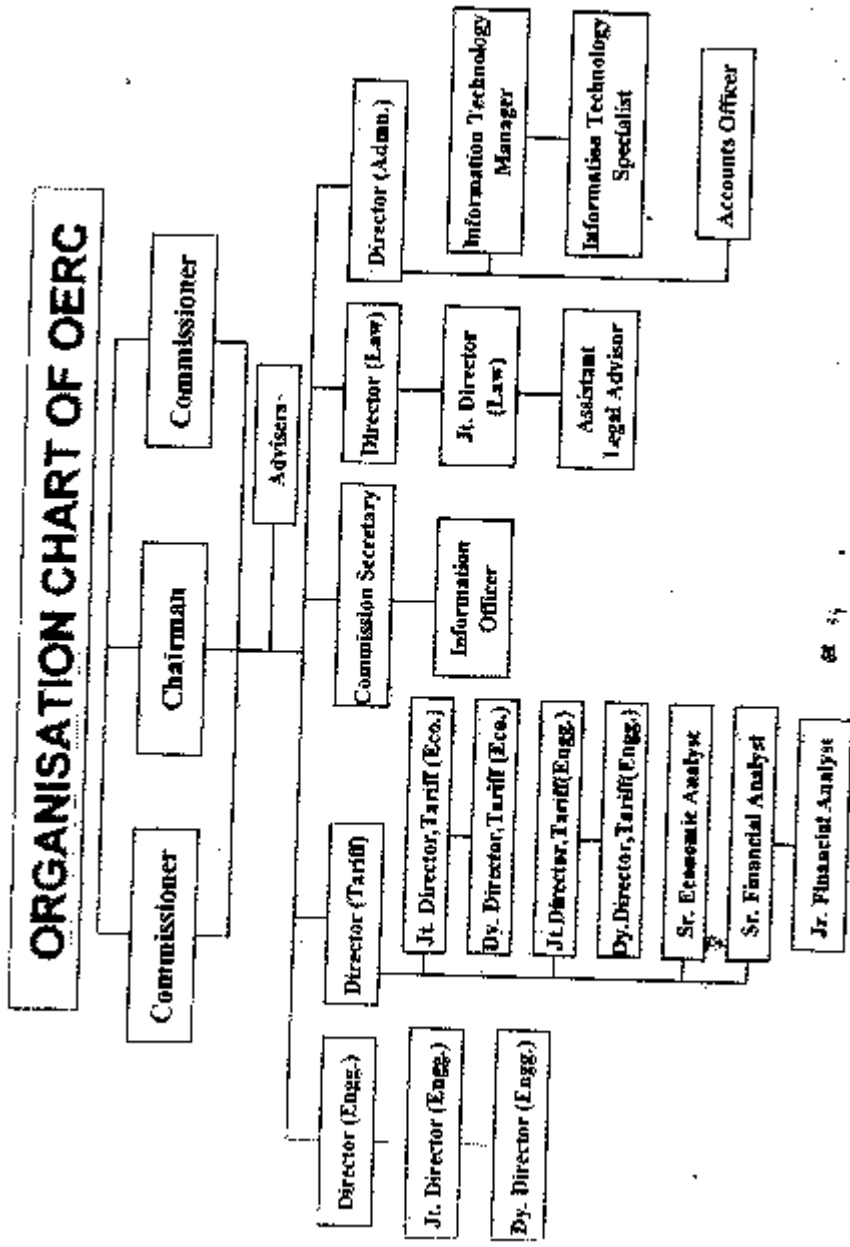
Under the OER Act, the Commission is statutorily required to constitute a committee known as the Commission Advisory Committee consisting of at least 15 representatives of various stake-holders in the energy sector in consultation with the State Govt. The number of Members should not exceed 21 and the Chairman & Members of the Commission are ex-officio Chairman and members of the CAC. The CAC meets once in 3 months to advise the Commission on major policy matters and matters relating to the quality, continuity and extent of services provided by licensees and their compliance with the licence conditions and requirements.

In the year 2003-04, the CAC met on one occasion on 9<sup>th</sup> April, 2003. This was the last meeting of the CAC. The topic of discussion was "Annual Revenue Requirement and Tariff Proposal for the year 2003-04 of Gridco and the Distcos". Subsequently the Electricity Act, 2003 came into force in June, 2003 and as per its provisions, the CAC was dismantled and a State Advisory Committee, constituted. The SAC has twenty one members including the Chairperson and Members of the OERC, the Principal Secretary, Dept. of Energy, Govt. of Orissa (GOO), Principal Secretary, Dept, of Food, Supplies & Consumer Welfare (GOO), CMD (GRIDCO), CMD (OHPC), MD (OPGC), CEO (CESCO), MDs of NESCO, WESCO and SOUTHCO, President of Confederation of CPPs, Representatives of UCCI, CII, SIS, Chief Electrical Engineer (East Cost Railway), Member (Orissa Krushak Mahasangha), Gen. Secretary (Nikhil Orissa Bidyut Shramik Mahasangh), Secretary (Consumer Protection Council, RKL), Gen. Secretary (Federation of Consumer Organisation, BBSR), President (Institute of Women's Welfare, BMP), President (Nagarika Adhikar Surakshya Committee & Durnitinibarana Sangha, BLS), Member (Energy Group, Prayas, Pune) and Professor (XIMB).

**Chapter 7... ANNUAL ACCOUNTS OF THE COMMISSION**

**Finance and Accounts**

- a) Budget: As against a demand of Rs. 2.38 crore to meet various expenditure of the Commission, the Govt. of Orissa approved budget allotment of Rs.1,34 crore for the FY 2003-04,
- b) Expenditure: The total expenditure for the FY 2003-04 was Rs.1.27crore out of which Rs.0.90 crore was towards salaries and the balance amount of Rs.0.37 crore was spent on TA, Electricity Charges, Consultants, Vehicle, purchase" of equipment, training etc.



**Annex ~ II**

**OFFICERS AND STAFF**

The Commission being the oldest in the country has a committed strength of officers and staff drawn from its own and outside sources. As on 31<sup>st</sup> March, 2004, the staff strength is given below:

SJ No.	Name	Designation	Whether Permanent/Deputation/Contract	If on Deputation Details
1	Shri B.K. Sahoo	Director (Engg.)	Permanent *	
2	Shri M.C. Rath	Director (Law)	On Deputation	From Home Dept. Govt. of Orissa.
3	Shri M. R. Hazra	Commission Secretary	On Deputation	From Home Dept. Govt. of Orissa.
4	Shri J.C. Mohanty	Director (Admn) l/c	Permanent	
5	Shri S.N. Ghosh	Jt. Director (T/Engg)	Permanent	
6	Shri D.K. Satapathy	Jt. Director (Engg.)	Permanent	
7	Dr. M.S. Panigrahi	Sr. Economic Analyst	Permanent	
8	Shri Kulamani Biswal	Sr. Financial Analyst	Permanent	
9	Shri N.C. Mahapatra	Jt. Director (Law)	Permanent	
10	Dr.(Mrs.) Anupama Dash	Jt. Director (T/Econ)	Permanent	
11	Ms. Purabi Das	Information Officer	Permanent	
12	Shri S.M. Pattnaik	Jr. Financial Analyst	Permanent	
13	Shri K.L. Panda	Dy. Director (Engg.)	Permanent	
14	Shri A.K. Panda	Dy. Director (T/Engg)	On Deputation	From Gridco
15	Shri S.C. Biswal	Dy. Director (IT)	Permanent	
16	Shri Ajoy Sahu	Accounts Officer	Permanent	
17	Smt, Lilibala Pattnaik	Jr. Supporting Staff	Permanent	
18	Shri Manoranjan Moharana	Jr. Supporting Staff	Permanent	
19	Shri Laxmi Narayan Padhi	Jr. Supporting Staff	Permanent	

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20	Shri Pramod Kumar Sahoo	Jr. Supporting Staff	Permanent	
21	Shri Susanta Kumar Bhoi	Jr. Supporting Staff	Permanent	
22	Shri Kalicharan Tudu	Jr. Supporting Staff	Permanent	
23	Smt. Sanghamitra Mishra	Jr. Supporting Staff	Permanent	
24	Shri Susil Kumar Sahoo	Jr. Supporting Staff	Permanent	

25	Smt. Mamatarani Nanda	Receptionist/ Caretaker	Permanent	
26	Shri Jalandhara Khuntia	Driver	Permanent	
27	Shri Jadunath Barik	Driver	Permanent	
28	Shri Ramesh Chandra Majhi	Driver	Permanent	
29	Shri Ashok Kumar Digal	Driver	Permanent	
30	Shri Pitarnbar Behera	Peon	Permanent	
31	Shri Sudarshana Behera	Peon	Permanent	
32	Shri Umesh Chandra Rout	Peon	Permanent	
33	Shri Ramchandra Hansdah	Peon	Permanent	

**ORISSA ELECTRICITY REGULATORY COMMISSION BIDYUT  
NIYAMAK BHAVAN UNIT-VIII, BHUBANESWAR-751 01?**

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**MINUTES OF THE TWENTY THIRD MEETING OF THE  
COMMISSION ADVISORY COMMITTEE (CAC)**

1. The twenty third meeting of the Commission Advisory Committee (CAC) was held. on 9<sup>th</sup> April, 2003 at 3:30 P.M. in the Conference Hall of the Orissa Electricity Regulatory Commission, Sri D.C. Sahoo, Chairman, OERC presided over the meeting. The list of Members who attended the meeting is annexed.
  
2. The following issues were taken up for discussion as per agenda. •
  - 2.1 Annual Revenue Requirement and tariff proposals for the year 2003-04 of GRIDCO and DISTCOs.
  
  - 2.2 Any other item with permission of the chair.
  
3. The Chairman opened the meeting by offering condolences to the family of late Kulamani Acharya, Member CAC and President Orissa Grahak Maha Sangha who passed away on 15.01.2003. Sri Sahoo lauded late Acharya's contribution to the CAC and the power sector reform in the state. He requested the Commission Secretary to read out a condolence resolution on behalf of the CAC, This was followed by one minute silence observed by the members in memory of late Acharya.
  
4. Initiating the discussion. Chairman Sri Sahoo presented a brief on the filing of revenue requirement and tariff proposals of GRIDCO and the four Distribution Companies as under,

**Tariff 2003-04 (As proposed by Licensees)**

Items	GRIDCO	NESCO	WESCO "		CESCO
Rev. Req. (Rs.Cr.) including Cont, Reserve & RR but excluding past losses	2365	530.64	J80	387 'J	987.95
Anticipated sale (MU)		1515.87	2280.00	1007.12	2535.00
Loss %	4.11	38.49	34.86	36.26	35.98
Expected Rev. from existing tariff (Net)(Rs, Cr.)	1600.19	375.77	656,99	267.79	727.19
Expected Rev. from proposed tariff (Net)(Rs. Cr.)	3226.76	486.81	743.59	390.59	898.54
Existing overall average tariff (Net) (p/u)	128.00	247.89	283.77	266.00	287.00
Proposed overall average tariff (Net) (P/u)	258,00	321.14	326.14	388.00	355.00
Overall rise (%)	101.56 .	29.55	14.93	55.86	23.69

5. The Chairman further Stated about the major issues presented by objectors in the five-day tariff proceedings. The issues were identified under, the following heads. 5.1 Reduction of System Losses
- 5.1.1 Un-satisfactory Consumer Service
- 5.1.2 No visible improvement in collection efficiency.



5.1.3 No programme for 100% feeder metering and JLV. Side Transformer metering. has been provided by any of the licensees, except NE SCO.

5.1.4 Associating of consumers in the pilot loss studies being carried out by the Commission. ,

## 5.2 Power Purchase and Sales

5.2.1 Under-utilisation of the hydro generation in FY 2002-03.

5.2.2 Consumers are not to be burdened in case GRIDCQ is unable to utilise the hydrogeneration properly. ,

## 5.3 Audited Accounts vis-a-vis Revenue Requirement of licensees.

5.3.1 Application by the licensees not based on Audited Accounts. Hence, the figures have no authenticity. The Annual Accounts of licensees should be subjected to CAG Audit for greater transparency.

5.3.2 Capital Investments in meters Should be linked to rentals collected by the licensees and maintained in a separate account ..... ""

## 5.4 Tariffs for Special Category

5.4.1 Special Category tariffs for the EOUs and Ferro-Alloy Industries in the state.

5.4.2 5.4.2 Industries to be given concessional tariffs in order to improve economy of the state. !

5.4.3 Cross-Subsidisation - the Supreme Court ruling on cross-subsidisation makes the Special Tariff for EOUs as a subsidised tariff and hence should not be allowed, Average cost of supply to be taken as the Cost to Serve.

5.4.4 5.4.4 Tariffs for Railways - should be based on the SMD arid integrated over a period of 30-min. Railways should also be exempted from paying security deposit. Single part tariff should be considered in their case. 5.5 Miscellaneous Issues

5.5.1 Licensees do not reply satisfactorily to issues raised by objectors and give general replies on broad lines.

5.5.2 Power regulation in the State does not have sanction of the State Govt. or that of

the OERC.

6. After identifying the above, Sri Sahoo opened me forum for discussion. Sri Maheswar Baug, Member, President Nagarika Adhikar Surakhya Committee and

Dumiti Nibarana Sangha. Balasore sought a clarification from the Chairman whether it was legally tenable to discuss the current year's tariff in view of the stay by the Orissa High Court on last year's tariff. He apprehended that the CAC members might be held on contempt of court, as the matter is sub-judice. He also wished to know why discussion on tariff revision was being taken up when the Sovan Kanungo Committee report had suggested a four year freeze on tariff,

Replying to these points, the Chairman said that tariff proceedings were being conducted in accordance with the directions of the Orissa High Court and there should not be any apprehension of CAC members being held for contempt regarding the current proceedings. With reference to the Sovan Kanungo committee's suggestion, that the tariff should be frozen, Sri Sahoo clarified that this recommendation was subject to injunction of Rs.3240 crore other than debt during 4 years from sources like the World Bank and the DFID. Since the financing organisations declined to provide the same, tariff had to be revised. He further stated that as far as the Cabinet's approval is concerned, the correctives suggested by OERC in its previous order had been approved and would be considered while fixing tariff.

Sri B. Vaidyanathan, Secretary, Consumer Protection Council, Rourkela reported that power reform in Orissa is facing adverse criticism everywhere. The DISTCOs have not been able to achieve financial viability even after six years because the state government is indifferent to the sector and there is no political will in dealing with problems faced by the sector. He felt that the regulators were taking on the responsibility of the state government. He also wanted to know whether EOU's should be considered for special or concessional tariff.

Sri Vaidyanathan was critical of the high losses projected by DISTCOs even after six years. He said tariff should be realistic and reasonable and based on the actual cost. LT/HT losses should not be more than 30%. Similarly, Transmission Loss should not be above 3%; The inefficiency of GRIDCO would have a cascading effect. He added that GRIDCO must increase its operational efficiency. He

activities was being carried out and copies of reports of last review meeting would be despatched to members.

10. Sri B.K.Mohapatra, CAC member was of the view that the Commission had already made up its mind to raise tariff. He said, rise in tariff would lead to rise in all input costs. He pointed out that NTPC while negotiating for settlement of their arrear dues with GR1DCO had waived the interest upto Rs.480 crores for one time settlement. This should be taken into consideration while fixing tariff. He was highly critical of the distribution companies' inability to bring down T&D loss. He said that CESCO was always trying to mislead the Commission as well as consumers so that it could get increased tariff without improving service quality. He said that too much leeway had already been given to the DISTCOs. The Commission, which had fixed T&D loss at 35% in 2000-2001 and brought it down to 34% after four years should further reduce it to 32% now. He said that the DISTCOs should learn to function an international standard and compete and survive under the present circumstances,

With regard to collection of meter rent, he said that normally the meter rent should not be charged as, they are installed for billing and collection by the licensee. If at all, it is charged, then the cost of the meter should be recovered within the period of five years in equal installments and after that the meter rent should not be charged till a new meter is again installed. After the consumer pays for the meter, option should be given to him to purchase meters of different make and a particular brand should not be thrust upon him. He said, indigenous meters

should be promoted.

With regard to fixed charges, he said that though minimum charges had been abolished, the same is reintroduced under a different name. He said that as the consumer pays meter rent, interest on investment, depreciation and other expenditures, it is not justifiable to levy additional fixed charges on the consumers. He said that fixed charges may simply be converted to energy charges

and no other charge in any form must be allowed.

11. Sri S.K. Nanda,,C.A.C. Member & Convenor Energy Panel (CI1) wished to know whether the expected revenue projected by the DISTCOs is done on accrual basis or whether it is based on collection efficiency. He said that Orissa being the pioneer to introduce power reform, was rated by the Crisil Rating Agency as the 14<sup>th</sup> State in the .country.

He wished to know whether the CAC was meant for consultation or simply to be heard by (he Commission. He referred to Section 26 (6) of the OER Act, which envisaged that OERC would decide in consultation with the CAC whether the tariff proposal is reasonable and satisfactory. He further inquired whether the Commission had scrutinised .these proposals. He wished to .know the Commission's view. He further added that since Commission has not made up its mind on the matter, it is premature to discuss the tariff proposal for 2003-04, Commission may consider conducting another CAC meeting before notifying the tariff

The Chairman said that present meeting is being conducted to appraise members the details of filing by utilities and invite reactions of the members. The Commission would form its views after detailed scrutiny of the filings and views of members would be taken into account while deciding the tariff

Sri Nanda pointed out that in the last tariff order, the Commission had departed from the views given by the CAC. He said that if there is any departure from the views of the CAC there must be another consultation so that the CAC is not kept in the dark. It is clarified that the function of the CAC has been clearly stated in Sec. 32 (4) of the Orissa Electricity Reform Act, 1995, Therefore, Commission is to go ahead in Tariff fixation on receipt of views and advice of CAC members. Commission need not have to seek opinion of CAC on the details of tariff setting,

He pointed out that the un-audited accounts given by GRIDCO& DISTCOs in

Cr, was added. As a result, the depreciation charge on the above was more and this was thrust on the consumers who are not compensated for the over charging. He wanted to know the basis of valuation of cost of gross fixed assets of Gridco, which kept changing, He said that OERC staff should check these details before putting them in front of the CAC.

With regard to T & D loss, he said that conflicting figures were found (i) in the information memorandum sent by GRIDCO in July 1998 to bidders for privatization by DISTCOs, (ii) before the Sovan K-anungo Committee and (iii) by the DISTCOs in their tariff filing for 2000-01. He said that the loss figures of the DISTCOs do not seem to have any rationale or logic. He suggested that while calculating distribution loss, consumption of EHT consumers should be taken out so as to reflect the real loss to the system.

With regard to GRIDCO's filing of BST, he pointed out that for a sale of around 6000 MU by the transmission entity per year, over the last six years, Rs.1400.80 crore had been spent in upgrading the transmission system. This? amounted to Rs.231 crore in interest and depreciation that was being paid by the consumer. This fund could have been utilised to buy an additional 2180 MU. He felt that wasteful/infructuous expenditure should not be made in <sup>l</sup> infrastructure development without corresponding load growth. The load growth as projected in the staff appraisal report was over ambitious. While peak load today is about 1800 MW, the consumer is paying the expenditure for a load development to me^une of 5000 MW.

As per the CAG report, Rs.47 crore had been spent in constructing the 400 KV line from Meramundali, which was lying idle since power stations have not come up as envisaged. Sri Nanda wished to know who authorised GRIDCO to construct this line. He advised the GRIDCO to conduct load flow studies before investing in

such ventures.

With regard to distribution losses, the Kanungo Committee had never accepted 42% as the current loss figure, he said. The Information Memorandum published by GRIDCO during privatisation had stated a figure based on total units purchased and total units billed. He wished to know why the value of T & D Loss was changed when policy remained the same over the years. Obviously, there were hidden losses built in, he surmised.

12. Sri Baug said that it was a matter of regret that in spite of employing additional security forces to guard against theft and charging the consumer the cost for the same, the DISTCO had still not been able to cut down distribution loss. He said the government had withdrawn from the sector because of huge losses due to its inability to take hard decisions, and the private distribution companies were aware of the situation when they entered into the business, they were unable to change the prevailing culture.

He said that the DISTCOs have no right to seek profits without making any capital investment. He said DISTCO figures were cooked up and establishment costs were lavish and under these circumstances, a maximum of 5% increase in tariff could be allowed. Any increase beyond this percentage would be unreasonable. Load factor billing resorted to by the DISTCOs for indefinite time should be stopped.

12. Sri M.V.Rao, Chairman - Power Committee, UCCI regretted that since the last five years industrial consumption had been steadily decreasing and had come down from 46% to 36% of the state's total consumption. He said that this should be taken into account "while considering tariff fixation. He pointed out that the recent Supreme Court judgement in the case of WBERC had clearly stated that the Commission alone is empowered to fix tariff and the judiciary cannot do so. It can only consider the appeal on points of law. The apex court also said the tariff should be cost based and no particular group should be thrust with the burden of cross subsidy. The Supreme Court had struck down the High Court's earlier order

in the matter. A mechanism to address this issue in Orissa should be evolved, said Sri Rao. He felt that suggestions given by UCCI with regard to power procurement and utilization by GRIDCO and DISTCOs, would reduce power procurement cost by more than Rs.440 crores.

With regard to application of correctives approved by the government as per OERC's previous order, he said that the same might not have been taken into consideration in the current tariff and should be recalculated as directed by the

High Court. He said that performance of licensees in the ensuing year should be judged judiciously. Tariff increase should be considered only if it is reasonable and as per norms allowed by OERC in the current year. He said that contrary to its own three previous orders, securitization of arrears dues had been allowed by OERC in last year's tariff, thus penalising the consumer who had already paid the cost of purchase of energy in the relevant year. Interest on bonds and securitization should not be collected through tariff, he maintained. He said that both hydro and thermal generators of the state must be projected at normative level and not as per whims of generators. He alleged that in 2001-2002, UIHEP produced around 900 MU more than its design energy and "the benefits of this additional energy should have passed on to consumers. Sri Sahu, Member, intervening at this point clarified that the benefits have already passed on to the consumer through tariff.

Sri Rao said that effect of Availability Based Tariff (ABT) should be accounted for in the tariff calculation and bi-lateral trading must be encouraged. Short-term projection of power requirement of the state with 5 % margin for emergency

should be made and costliest central power stations share should be surrendered. He also felt that every effort should be made to get funds from National Calamity Fund after calculating the additional expenditure due to purchase of costlier central power following monsoon failure. In case funds from CRF is not forthcoming, this expenditure could be recovered from the consumer by way of surcharge over a period so that it does not hurt the consumers.

With regard to calculation of distribution losses, he said that EHT sales and purchases should be deleted from the calculation of distribution loss. He also demanded *there should be re-fixation of distribution loss level for the base year, 2001-2002. There should be proper scrutiny of these losses submitted by the companies.* The inefficiency of DISTCOs should not be passed on to the consumers. He endorsed the view that Ferro Chrome industries might be considered as a special category for tariff in the interest of all.

4. Sri Sarat Chandra Mohanty, CAC Member & General Secretary, Nikhila Orissa BidyutShramik Mahasangha first wished to know if anybody has benefited from

reforms. Tariff should be discussed only after several issues are got clarified, he felt. Sri Mohanty pointed out that the only beneficiaries from power sector reform seemed to be the State government and power thieves. While other states were getting help from the central government, a State like Orissa which pioneered reform was deprived because it had no political clout, he lamented. He said that the demand for corporate guarantee by government was a meaningless one, as it could not be enforced. He pointed out there was no accountability and while big thieves were getting [away with theft, small consumers were being harassed. He said that further tariff increase would lead to chaos. He said that the suggestions of Kanungo Committee should be given due importance and implemented by the state government instead of giving them mere lip service.

15. Sri S.K.Nanda intervened and wanted to know from Govt. representative if Rs.650 crores had been paid from the calamity fund to meet excess burden of power purchase of the states. He said the recommendations of Parekh Committee should be adopted by the government as quickly as possible. With regard to Rural Electrification works, he wished to know whether the government would maintain the same and whether it would provide revenue subsidies for RE losses, which are generally very high. He said that other consumers should not be made to cross-subsidise for rural electrification loss, Kutir Jyoti, LI points, etc,



16. Sri P.N. Ray, Additional Secretary, Department of Energy, Govt.; of Orissa in response to Sri Nanda's query said the State Government had' presented a memorandum before me central team for availability of money from Central' I— Relief Fund, But there was no favourable reply. With regard to the Parekh Committee's recommendations of 31.03.1999, he said that it had been placed

before the government but no decision had been taken as yet. He said rural ,.—.-.... electrification was a policy decision of the government, which would not, however, provide revenue subsidy for the scheme. There are 9000 villages left to be electrified in the state. The new policy on RE had however fixed certain

guidelines for village electrification. With regard to Kutir Jyoti, he said that only Rs.30/- against a single point load be allowed beyond which the consumer should be billed on actual consumption as per meter.

17. The Chairman intervened to mention that the Commission had written to the government to clarify its stand vis-a-vis the Parekh ^Committee's recommendations and also for subsidies to Kutir Jyoti consumers, but no reply has so far been received.

18. Sri P. Pattnaik, CMD, GRIDCO said that lack of subsidies by the government and inherited losses of OSEB which were absorbed by GRIDCO had gone up. Load forecast had not materialised, but projections had been made keeping these figures in view. He added that the III, IV, V, VI units of the IB project had not materialised, otherwise investment by GRIDCO to evacuate power from the same could have been justified. He also said that the high BST was made keeping in mind the expected power purchase cost. With regard to 400 KV line from the Meramundali, he stated that it was necessary to evacuate power from Budhipadar area where there was bottling'of pqwer specially during high Hydro cotfSAition. Moreover, after construction ofRourkela - Raipur 400 KV lines, there was less evacuation of power to Western Grid. Hence this line will evacuate Ib power to coastal area. For this, the 500 Km of Indravati to Chandaka line, earlier going through southern grid at Gajuaka had to be constructed. Such expenditure on

rastructuie was not mtructuous out is necessary lor sysiein smuuuy:ai>u. ne %^i?zV3SSflgm or  
aumre lia: pointed out that because ofupgradation or the system, the voltage wndldan.e have  
become very good,

With regard to PMU work, he said 95% work would be completed by December, 2003. About least cost power procurement, Sri Patnaik clarified that the generation schedule, of OHPC had been considered by GRIDCO in its tariff submission. He said that irrigation needs also had to be taken into account while procuring power from hydro projects. He demanded LC and Bank guarantee for ensuring payment for power by the DISTCOs.

With regard to OPGC, he mentioned that it is nowoperating at 95% PLF, which was earlier operating at 68.4% PLF because of inability of GRIDCO to provide higher amount in LC.'

19. Sri R.S. Bains, M.D., SOUTHCO said that power cuts are not the prerogative of the DISTCOs but the requirement of the system. With regard to Chinese meters, he said that there were no complaints from consumers. Sri Bains felt that the DISTCOs were not being allowed to reduce power costs. He criticised the obsession with pre and post reform performance. He wondered how everybody expected the same system to perform with 100% efficiency in just five years.

20. Sri S. C. Dutta, M.D., WESCO clarified that special tariff of 1.82 per unit had been allowed only to INDAL. WESCO also favours special tariff to power intensive category of consumers if it is provided under tariff schedule ofOERC. With regard to feeder metering, he said-an action plan had already been submitted by WESCO and by August 2003, work would be completed. He said another 10 months would be required for completing metering of distribution transformers due to delay by the contractors. He said that in Rourkela and Rajgsiftgpur, consumers had gone to Court and delayed feeder metering. He demanded to know why the MDs were forced to travel regularly to the capital to get escrow

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relaxation for salaries even after full BST bill had been paid to GRIDCO. He also said that progress on PMU works was very slow and 40% of World Bank fund would be

surrendered. It was taking nearly 10 months for reimbursement contractors' bills and no contractor was willing to work. Rural Electrification would further add to losses unless the anti theft law comes into force. Government arrears were also huge, he pointed out.

Clarifying the point, GRIDCO CMD said that escrow relaxation given to DISTCOs was a favour granted to them and not their birthright. It cannot be allowed in the absence of any business plan by the DISTCOs, he clarified.

21. Sri S.C, Mohapatra, CEO, CESCO said that he had been managing the company for the last one and half years with all the weakness inherited from OSEB days. However, he said that steps are being taken to increase the efficiency of the company. A massive de-hooking drive undertaken in the villages had led to substantial voltage improvement. Replacement of old meters by new meters had increased billing and decreased consumption of power. There has been additional collection of revenue to the extent of Rs.72 crores as compared to last year tariff. CESCO had paid more to GRIDCO towards its BST bill and 100% would be paid in 7 month's time, he assured. The rate of burning of transformers had gone down and many transformers had been upgraded. Due to reduction of energy theft, collection had also gone up and was above the BST bill. Consumer's consumption

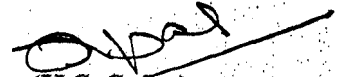
had also become controlled due to installation of accurate meters. While average collection of CESCO had been on ascending, simultaneous maximum demand had gone down and SMP had decreased. He said that new meters were not being thrust upon the consumers, rather defective meters with tested ones were being replaced. He added that Chinese meters had been installed with no complaints. He also stated that CESCO had undertaken a public education drive against load factor billing.

22.

Winding up the discussion, the Chairman thanked the CAC members, for their valuable suggestions, He expressed that the Commission would take into consideration these suggestions while setting tariff for me FY 2003-04.

The meeting ended with thanks to the chair. .

(B.C.Jtena)  
MEMBER  
MEMBER

  
(H.S. Sahu)

(D.C. Salioo)  
CHAIRMAN

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ANNEXUR  
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Sl. No.	Name of participants
1.	Shri D.C. Sahoo, Chairman
2.	Shri H.S. Sahu, Member, OERC. ...— , -
3.	Shri B.C. Jena, Member, OERC.
4.	Shri P.N. Ray, Addl. Secretary, Deptt. of Energy.
5.	Shri P. Patnaik, CMD, GRIDCO
6.	8hriS.C.Mohapatra,CEO,CESCO .
7.	Shri R.S. Barns, M,D.,SOUTHCO
8.	Shri N.C. Dash, M.D., NESCO * :
9.	Shri S.C. Dutta, M,D,, WESCO
10.	Shri A. Srinivas Rao, M.D., OPGC Ltd.
11.	Shri S.K, Nanda, CII
12.	Shri S.C. Mohanty, General Secretary, Nikhila Orissa BidyutShramik Mahasangha.
13.	Shri M. Baug, President, Nagarika Adhikar Surakshya Committee &, Dumiti Nibarana.Sangha, Balasore.
14.	Ms. Rama Subudhi, Advocate
15.	Shri B.K; Mohapatra, Orissa Small Scale Industries Association.
16.	Sri M.V.;Rao, Resident Manager, FACOR
17.	Pranakrishna'Dash, Advocate
18.	B. Vaidyanathan, Secretary, Consumer Protection Council

Annex - IV

Seminar/Workshops/Training Programmes

	on	ing of Forum of Indian Regulators (FOIR) at Casuarina, Habitat World, India Habitat Centre, New Delhi.			(FOIR)
		urse on Infrastructure Regulation & Reforms			
		er the provisions of Electricity Act, 2003 organised by the Ministry of Power under the Chairmanship of Union Power Secretary.			n DVC)
	er	urse on Infrastructure Regulation & Reforms			
		ower Development opportunity challenges.			
		ver Generation Best Practices and future technologies,			
	ngg)	m solving by NPC.			
		lenges and Implementation Issues Post Electricity Act, 2003.			

	(Tariff)	stained reforms in the State Power Sector.			
		opportunities for Power Trading Electricity Act, 2003.			
		Electrification Policies.			
	or(Tariff/Engg)	city metering, billing & collection.			
		f Policy under Electricity Act, 03.			
	(F/A)	based budgeting			
		f Policy under Electricity Act, 03.			