

Executive Summary on review of performance of WESCO

Date of review: 17.05.2007
Period of review: April, 2006 to March, 2007
Persons present: Major Gen. (Retd) S C Dutta
Mr. P K Pradhan, SE (Commerce)

Commission's observations on licensee's performance

1. PURCHASE OF POWER FROM GRIDCO AND PAYMENT OF BSP BILLS

Name of DISTCOs	OERC's Estimate for 2006-07	Actual for 2006-07			
	Energy input (MU)	Energy input (MU)	BSP bill of GRIDCO (Cr.)	Payment made to GRIDCO (Cr.)	% Payment of BSP bill
CESU	4,164.00	4,623.63	653.33	625.36	95.7%
NESCO (including drawl from TSIL)	4,169.00	3,991.77	520.93	580.76	111%
WESCO	4,600.00	4670.561	693.21	739.37	107.00%
SOUTHCO	1,750.00	1832.24	229.30	229.30	100.00%
ALL ORISSA	14,683.00	15118.2	2096.8	2174.8	103.70%

The Commission observed that WESCO has purchased 70.561 MU more than the target fixed by the Commission for the FY 2006-07.

2. SALE TO CONSUMERS (MU)

Name of DISTCOs	Voltage	OERC's Estimate for 2006-07	Actual for 2006-07	Target for 2007-08
CESU	EHT	395.9	494.87	636
	HT	589.8	636.51	723
	LT	1,804.20	1480.01	2064.1
	TOTAL	2,789.90	2611.39	3423.1
NESCO	EHT	1,320.00	1330.09	1752
	HT	568	580.11	666
	LT	967.5	759.51	909.3
	TOTAL	2,855.50	2669.71	3327.3
WESCO	EHT	1,000.00	950.21	1690
	HT	1,286.00	1234.37	1446
	LT	761.7	787.84	986.2
	TOTAL	3,047.5	2972.42	4122.2
SOUTHCO	EHT	192.7	191.76	185
	HT	247	226.35	229
	LT	732.8	616.13	850.9
	TOTAL	1,172.50	1034.25	1264.9
ALL ORISSA	EHT	2,908.60	2966.90	4263
	HT	2,690.80	2677.30	3064
	LT	4,266.20	3640.00	4810.5
	TOTAL	9,865.60	9287.77	12137.5

As far as WESCO is concerned, the targeted sale at HT and EHT have not been achieved. Power purchase has gone up by 70.561 MU but at same time HT and EHT sale have gone down by 52 MU and 50 MU respectively. Obviously balance power has gone to LT. But LT sale has increased only by 26 MU with reference to OERC target. Proportionately lower sale, particularly at LT implies increase in distribution loss which WESCO has failed to arrest. The Commission observed that in spite of increase in nos. of LT consumers the sale has not increased commensurately. CEO submitted that OPTCL is not taking steps for meeting enhanced load of M/s Bhusan Ltd. in EHT category.

3. Billing and Collection

Name of DISTCOs	Voltage	Shortfall between Billing and Collection (Cr.)	Billing (Cr.)	Collection (Cr.)	Shortfall (Cr.)	Billing (Cr.)	Collection (Cr.)	Shortfall (Cr.)
		2004-05	2005-06			2006-07 (Actual)		
CESU	LT	92.56	395.38	325.52	69.86	384.36	341.33	43.00
	Overall	112.92	713.06	631.78	81.28	782.59	732.84	49.75
NESCO	LT	33.78	152.78	119.81	32.97	177.06	121.51	49.60
	Overall	42.07	590.22	525.65	64.57	743.37	680.62	62.75
WESCO	LT	46.91	176.84	130.19	46.65	183.96	140.71	43.07
	Overall	58.53	795.62	748.79	46.83	914.54	866.78	47.76
SOUTHCO	LT	21.25	151.64	130.4	21.24	155.50	135.36	20.14
	Overall	26.07	301.18	274.6	26.58	304.43	282.09	22.34

4. Collection Efficiency:

Name of Distcos	Voltage	Collection Efficiency (%)		Target for 2007-08 (%)
		OERC's Estimate for 2006-07	Actual for 2006-07	
CESU	LT	89.0	89.00	
	Overall	89.0	93.6	92.0
NESCO	LT	94.0	69.00	
	Overall	94.0	92.00	94.0
WESCO	LT	94.0	77.00	
	Overall	94.0	95.00	96.0
SOUTHCO	LT	93.0	87.00	
	Overall	93.0	93.00	94.0

The Commission expressed their displeasure over non-collection of even the current revenue. Against a monthly billing of Rs.15.24 crore for LT consumers the monthly shortfall in collection is Rs.3.52 crore or nearly 23% of the amount billed for LT is not being collected. Thus, arrears have been accumulating month after month. LT performance in NED Nuapada, SED Sundargarh, BED Bargarh, TED Titilagarh, BED Bolangiri etc. are matter of great concern. This kind of inefficiency is seriously affecting the financial viability of the utility. The Commission also directed that a copy of the HT/EHT bills should be posted in the website of the licensee at the end of every month.

5. Distribution Loss:

Name of DISTCOs	Voltage	Distribution Loss (%)		Target for 2007-08 (%)
		OERC's Estimate for 2006-07	Actual for 2006-07	
CESU	LT	37.3%	53.2%	34.4
	Overall	33.0%	43.5%	29.3
NESCO	LT	52.9%	59.4%	51.1
	Overall	31.5%	33.1%	26.0
WESCO	LT	62.4%	64.0%	52.0
	Overall	33.7%	36.4%	25.0
SOUTHCO	LT	38.2%	52%	33.2
	Overall	33.0%	43.6%	30.4

The Commission necessarily must record their extreme displeasure over the high distribution loss at 36.4% during the year 2006-07 as against the target of 33.7% set forth by the Commission. Even LT loss in the same period has shown no sign of relenting. During review, it was noted that compared to 2005-06, WESCO has purchased 482 MU extra during 2006-07. Out of which only 299 MU has been sold to EHT/HT consumers. Balance 183 MU has gone to LT whereas corresponding rise in sales of LT is only 68 MU. It is implied losses are not controlled at LT. This constitutes a major failure on the part of the licensee. In spite of repeated directions of the Commission, they have not taken effective steps for reduction of T&D loss.

6. AT & C Loss:

The Commission can not but express their total and absolute dis-satisfaction over the AT&C loss recorded during 2006-07 at 39.7% as against the target of 37.7% and reminded them they must take positive and serious steps towards achieving the objective of reducing the AT&C losses.

Name of DISTCOs	Voltage	AT & C LOSS (%)		Target for 2007-08 (%)
		OERC's Estimate for 2006-07	Actual for 2006-07	
CESU	LT	44.2%	58.4%	58.4
	Overall	40.4%	47.1%	35.60
NESCO	LT	55.7%	72.0%	72.1
	Overall	35.6%	38.8%	33.26
WESCO	LT	64.7%	72.0%	72.4
	Overall	37.7%	39.7%	28.00
SOUTHCO	LT	42.5%	58%	58.2
	Overall	37.7%	47.7%	34.20

The extremely high AT&C loss of 72% in the LT category against the target of 64.7% for 2006-07 is a matter which unfortunately the licensee fails to appreciate. The Commission observed that only 28% of the input is converted to cash at LT. **To achieve targeted AT&C loss parameters, it is desirable that engineering and commercial functions of the Utility should be separated.** The Commission wanted to know the LT loss reduction action plan of the utility. The Commission also desired to know why analysis has not been made for sustained high LT loss. The Commission observed that APDRP money can partly be used for metering purpose. The Commission further observed that 100% metering is no answer for higher billing because meters are tampered or bypassed. **The Commission directed that the pillar box for metering should immediately be installed through the outsourcing in urban clusters.**

7. Energy Audit

The Commission desired to know the plan and progress of energy audit of WESCO in order to bring down distribution loss. WESCO in their reply stated that as per direction of the Commission during last review meeting, energy auditing has been taken up in a grand way. The Commission observed that 1021 nos. of DTRs have been subjected to energy audit during the review period out of which 152 nos. of DTRs are recording loss of 70% and above.

The Commission also directed WESCO that, energy audit will not be fruitful unless regular periodical monitoring is taken up. It is observed that even after 100% metering of grid s/s, distribution transformers, consumers loss level could not be reduced to the desirable extent. Hence, the solution to the distribution loss reduction lies in energy audit (by regular monitoring). The Commission also directed to fix AB cable in theft prone areas with high concentration of loads like urban slums and bastes where hooking is rampant. CEO submitted that maximum length of AB cable has been fixed in Rourkela city due to higher level of theft of power.

On the whole it is felt that, although, money and materials were available, energy audit could not be conducted successfully mainly because of administrative, technical and commercial failure.

8. ABT Metering:

The Commission reiterated fixation of ABT compliant meter on HT & EHT consumers as ABT regulations is going to come into effect shortly. To this, WESCO replied that ABT compliant meters have been installed in all EHT/HT large industrial consumers. The Commission desired to know the frequency of monitoring of the functioning of the meters at regular intervals.

9. Spot billing:

To the Commission's query, WESCO submitted that spot billing is working successfully in all major towns of WESCO. **Commission directed that spot collection should start in rural areas also to improve collection efficiency by prior announcement and sending collection staff periodically.**

10. Maintenance of Quality of Supply:

The Commission expressed concern regarding failure of a large no. of power transformers. The Commission wanted to know the reason for failure of large number of power transformer which are very costly pieces of equipment. The Commission further directed that there should be regular analysis to find out the reason for failure of such large number of transformer. The Commission directed in the last review that the licensee should have adequate no. of circuit breakers and the existing circuit breakers should be maintained in order that they function smoothly and properly. The Commission also directed that adequate no. of power and distribution transformers should be kept as spares. The licensee should upgrade the capacity of the transformers from time to time according to the rise in contract demand instead of repairing the burnt transformer. To the query of the Commission regarding automatic compensation for failure to meet guaranteed standard of performance. WESCO submitted that no such payment has been made so far. **The Commission directed that, legitimate compensation should be paid to the affected consumer and the same should be publicized for consumer awareness.**

11. Arrear Collection and Auditing of receivables:

The Commission expressed their concern over the mounting of the receivables especially in LT category of consumers. The LT arrears as on 31.03.2007 amounts to Rs.775.16 crore out of which Rs.594.94 crore pertains to the period from 01.04.1999 to 31.03.2007. The dues of State Govt. and PSUs have also reached an amount of Rs.60.05 crore by 31st March, 2007. The Commission wanted to know the genuineness of those arrears and directed to submit a list of such defaulting departments. The Commission directed that Govt. arrears should be reconciled as Govt. is ready to pay. CEO submitted that the NAC and Muncipalties are major defaulter in State Govt. and PSU categories. The commission directed LC should be

opened for them with intimation to H & UD Department. There should also be exemplary disconnection for defaulting urban bodies. **CEO submitted that acute manpower shortage is the major cause of dismal performance and he has no authority to recruit staff without approval of the Board.** The Commission observed that the field staff of the licensee also lack skill to handle day to day problems. The Commission wanted to know the status of receivable audit. WESCO submitted that the receivable audit has been completed in Rourkela circle and it is found that 54% of the arrear is none recoverable. CEO submitted that 80% of receivable audit in WESCO area will be completed by September, 2007.

12. Induction of Franchise in loss prone areas

The Commission observed that the increase in input, reduction in billing and also reduction in collection taken together accounted for the poor performance of WESCO. Therefore, the Commission directed the licensee to gradually introduce franchises and gradually switch over to an appropriate form of the franchises in loss prone rural areas preferably with public participation. Besides franchise system may be tried in semi-urban feeders as well. The Commission further directed that licensee should come up with franchisee proposal by 26th of May, 2007.

13. Grievance Redressal

A large number of complains/allegations are coming out in the print media regarding unsatisfactory service and lack of prompt response to such complains. The Commission observed that these news items should be very carefully examined and each case be promptly attended to and remove the genuine complaints under intimation to OERC. Prompt compliance should also be ensured when report is being called for from the Commission. The list of the cases reviewed on 03.05.2007 (Annexure-II) in the OERC and action suggested thereon is enclosed for immediate compliance on each of the news items and should be submitted to the Commission by 05.06.2007 at the latest.

14. Miscellaneous: The Commission observed that Energy police station has become non-starter in WESCO area. CEO submitted that energy police station should be put under the control of licensee.

15. Action Points

In conclusion, the Commission observed and directed that WESCO should take effective steps in a time bound manner to achieve the following parameters for its very survival (Annexure-I).

- i) Reduction of Distribution Loss for which the target for 2007-08 has been fixed at 25% as overall loss and 52% for distribution loss on LT.
- ii) Improvement of collection efficiency, the target for which has been fixed at 96% for 2007-08.
- iii) Realization of huge outstanding arrears which amounts to Rs.810.44 crore as on 31.03.2007.
- iv) Satisfactory consumer service with specific complains highlighted in the print media as listed in the Annexure-II.
- v) To carry out energy audit, receivable audit and take follow up action for realization of arrears.
- vi) Legitimate compensation should be paid to the affected consumer for not achieving guaranteed standard of performance and the same should be published for consumer awareness.
- vii) The Commission directed that irrespective of accumulation of arrears due to some consumers the licensee should replace the burnt transformer with a new or repaired transformer so that genuine consumers are not harassed.
- viii) WESCO should put the copy of HT/EHT bills in their website.
- ix) WESCO should start spot collection in rural areas to improve collection efficiency.
- x) The pillar box for metering should immediately be installed through the outsourcing method in urban clusters.
- xi) To achieve targeted AT&C loss parameters, it is desirable that engineering and commercial functions of the Utility should be separated.
- xii) WESCO should submit an action plan for recruitment of staff in phased manner.
- xiii) Directions given during periodic review for improvement of licensee's performance is not having any impact as the licensee continues to perform in a lackadaisical manner. The licensee must concentrate on efficiency improvement and deliver.
- xiv) The discussion in the next review meeting will be held with special emphasis such as (1) Introduction of Pillar box (2) Franchise system (3) Energy Audit (4) Arrear Collection and compliance on each of the points mentioned above.

PERFORMANCE OF LICENSEES

	2005-06		2006-07		2007-08
	OERC Approval	Actual	OERC Approval	Actual	OERC Approval
A. OVERALL DISTRIBUTION LOSS (%)					
CESU	36.0%	42.8%	33.0%	43.5%	29.3%
NESCO	35.0%	37.1%	31.5%	33.1%	26.0%
WESCO	31.0%	37.8%	33.7%	36.4%	25.0%
SOUTHCO	36.0%	41.1%	33.0%	43.6%	30.4%
ALL ORISSA	34.2%	39.6%	32.8%	38.6%	27.1%
B. LT LOSS (%)					
CESU	41.3%	49.7%	37.3%	53.2%	34.4%
NESCO	52.5%	60.2%	52.9%	59.4%	51.1%
WESCO	54.1%	64.7%	61.4%	64.2%	52.0%
SOUTHCO	43.3%	49.3%	38.2%	52.0%	33.2%
ALL ORISSA	47.5%	55.8%	47.6%	57.2%	42.3%
C. COLLECTION EFFICIENCY (%)					
CESU	86.0%	88.6%	89.0%	93.6%	92.0%
NESCO	93.0%	89.1%	94.0%	91.6%	94.0%
WESCO	92.0%	94.1%	94.0%	94.9%	96.0%
SOUTHCO	91.0%	91.2%	93.0%	92.7%	94.0%
ALL ORISSA	90.4%	90.9%	92.5%	93.4%	94.1%
D. OVER ALL AT & C LOSS (%)					
CESU	45.0%	49.4%	40.4%	47.1%	35.0%
NESCO	39.6%	44.0%	35.6%	38.8%	30.4%
WESCO	36.5%	41.5%	37.7%	39.7%	28.0%
SOUTHCO	41.8%	46.3%	37.7%	47.7%	34.6%
ALL ORISSA	40.5%	45.1%	37.9%	42.7%	31.4%
E. AT & C LOSS FOR LT (%)					
CESU	49.5%	58.6%	44.2%	58.4%	39.6%

NESCO	55.8%	68.8%	55.7%	72.1%	54.0%
WESCO	57.8%	74.0%	63.7%	72.4%	53.9%
SOUTHCO	48.4%	56.4%	42.5%	58.2%	37.2%
ALL ORISSA	52.6%	64.4%	51.5%	64.8%	45.7%

NB : Based on overall collection efficiency, AT& C Loss for LT(OERC approval) has been calculated .

**MINUTES OF NODAL OFFICERS MEETING OF OERC & DISTCOS HELD ON
03.05.2007 REGARDING CONSUMER GRIEVANCES REPORTED IN
NEWSPAPERS**

As per the Commission's directions a meeting of representatives from four Distcos dealing with consumer complaints was convened in room 305. It was presided over by the Secretary I/c and PAO was Convenor of the meeting. Shri A. Swain, attended the meeting on behalf of Southco, Shri G.C. Mohanty, DGM, (HT-Maintenance) attended the meeting on behalf of Wesco, Shri Lingaraj Padhi, Manager (Comm) for Cesu and Shri S.D. Bhanj, AGM (RAU) attended for Nesco.

The following consumer grievances published in newspapers/forwarded to Distcos were discussed.

WESCO- Two cases were on the agenda

1. Report on electrification of Amadaraha village in Rajpur G.P. reported in TNIE dtd. 10.02.2007. The Wesco representative reported that the transformer in the village could not be charged in 1980 as conductors were stolen. A revised estimate for Rs. 8.4 lac for installing 3x16 kva S/s, 3.5km 11kv line and 0.3km AB cable has been framed and submitted for release from MLALAD funds. Work will be taken up once the money is received.
2. Report on low voltage in Bhuliadihi village of Sambalpur district reported in Sambah dtd.14.03.2007. The Wesco representative reported that this is due to long 11kv line. Wesco has prepared estimate to install 3 nos. of 16kva, 11/0.2kv transformer by drawing 2km 11kv line as system improvement. He stated that the work was held up due to non-available of funds. He was asked to take up the work expeditiously and complete the same within a month.