# ORISSA ELECTRICITY REGULATORY COMMISSION

**BIDYUT NIYAMAK BHAWAN,**
**UNIT – VIII, BHUBANESWAR – 751 012**
*** *** ***

**Present** : Shri B. K. Das, Chairperson
Shri S. K. Jena, Member
Shri K. C. Badu, Member

**CASE NOS.64, 65, 66 & 67 of 2007**

**DATE OF HEARING : 01.02.2008, 02.02.2008, 04.02.2008 & 05.02.2008**

**DATE OF ORDER : 20.03.2008**

**IN THE MATTER OF** : Applications for approval of Annual Revenue Requirement and Retail Supply Tariff under Section 62 & 64 and other applied provisions of the Electricity Act, 2003 read with relevant provisions of OERC (Terms and Conditions for determination of Tariff) Regulations, 2004 and OERC (Conduct of Business) Regulations, 2004 and other Tariff related matters, for the FY 2008-09.

## ORDER

The Distribution Licensees in Orissa namely, CESU, NESCO, SOUTHCO and WESCO are carrying out the business of distribution and retail supply of electricity in their licensed areas as detailed below:

**Table – 1**

| Sl. No. | Name of DISTCO | Licensed Areas (Districts) |
|---|---|---|
| 1. | CESU | Puri, Khurda, Nayagarh, Cuttack, Denkanal, Jagatsinghpur, Angul, Kendrapara. |
| 2. | NESCO | Mayurbhanj, Keonjhar, Bhadrak, Balasore and major part of Jajpur. |
| 3. | SOUTHCO | Ganjam, Gajapati, Kandhamal, Boudh, Rayagada, Koraput, Nawarangpur and Malkangiri. |
| 4. | WESCO | Sambalpur, Sundargarh, Bolangir, Bargarh, Deogarh, Nuapara, Kalahandi, Sonepur and Jharsuguda. |

The Commission initiated proceedings on the filing of Annual Revenue Requirement (ARR) and Retail Supply Tariff Applications (RST) of these Distribution Licensees under provision of the Electricity Act, 2003. By this common order, the Commission disposes of the aforesaid ARR and RST applications of the above mentioned Distribution Licensees.

## PROCEDURAL HISTORY (Para 1 to 10)

1. As per OERC (Conduct of Business) Regulations, 2004 and OERC (Terms & Conditions for Determination of Tariff) Regulations, 2004, the Licensees are required to file their Annual Revenue Requirement (ARR) and Retail Supply Tariff Application (RST) on or before 30th November in the prescribed format for the ensuing financial year. Accordingly, all the distribution licensees (CESU, WESCO, NESCO & SOUTHCO) filed their Annual Revenue Requirement (ARR) and revision of Retail Supply Tariff (RST) Applications for FY 2008-09 on 30.11.2007.

2. The said ARR & RST applications were duly scrutinized, admitted and registered as Case Nos.64/2007 (CESU), 65/2007 (WESCO), 66/2007 (NESCO) and 67/2007 (SOUTHCO).

3. The Commission directed the applicants to publish the ARR & Tariff Applications in the prescribed format in the leading and widely circulated Oriya and English newspapers in order to invite objections/suggestions from the general public. The said public notices were also posted in the Commission's website. The Commission had also directed the applicants to file their respective rejoinder to the objections filed by the objectors.

4. In response to the said public notices, the Commission received objections/ suggestions from the following persons/ associations/ institutions/ organisations:

**On CESU's application: -**

5. Orissa Consumers' Association, & FOCO, Biswanath Lane, Cuttack, (2) Mr. Gadadhar Nanda, (State Private ITI Association) 71, Industrial Estate, Po/Ps:Jagatpur, Dist : Cuttack (3) East Coast Railway, O/o the Chief Electrical Engineer, B-2, Rail Vihar, Chandrasekharpur, Bhubaneswar, (4) Mr. Nilakantha Jena, Orissa Consumer Welfare Foundation (OCWF) 698, Saheed Nagar, Bhubaneswar (5) Mr. Ramesh Ch. Satpathy, Secretary, National Institute of Indian Labour, 302(B), Beherasahi, Nayapalli, Bhubaneswar (6) Mr. Ratan Kumar Gilra, CMD, M/s. Cosboard Industries Ltd., New Industrial Estate, Phase-II, Jagatpur, Cuttack, (7) Mr. Ananta Bihari Routray, Secretary, Orissa Electrical Consumers Association, Sibasakti Medicine Complex, Bajrakabati Road, Cuttack, (8) Mr. Mangu Srinivas, AGM(Tech.), Rawmet Ferros Industries Pvt. Ltd., 2B, Fortune Towers, Chandrasekharpur, Bhubaneswar, (9) Utkal Chamber of Commerce & Industry, N/6, IRC Village, Nayapalli, Bhubaneswar, (10) Mr. Jogendra Behera, Fellow Scholar, XIMB, Utility Regulation Research Centre, Xavier Institute of Management, Bhubaneswar, (11) Mr. R.P. Mohapatra, 775,

Jayadev Vihar, Bhubaneswar, (12) Mr. K.C. Mohapatra, Chairman, PDC, F/6, BJB Nagar, Bhubaneswar, (13) Mr. T.C. Padhy, M/s.Berhampur Cold Storage, Konisi, BED-1, Berhampur.

**On WESCO's application: -**

6. Orissa Consumers' Association, & FOCO, Biswanath Lane, Cuttack, (2) Mr. Suryakanta Pati, Manager (Elec), OCL India Ltd. At : 1/12, OCL New Colony Po/Ps : Rajgangpur, Dist-Sundargarh, Orissa, (3) Mr. A.P. Mishra, VP, Larsen & Toubro Ltd., Kansbahal Works Po : Kansbahal, Dist : Sundargarh, Orissa, (4) Mr. Arjun Kumar, CEDE, South Eastern Railway, Garden Reach, Kolkata, (5) Mr. Ramesh Mehta, President, M/s. Rourkela Chamber of Commerce & Industry, Chamber Bhawan, Rourkela, (6) Mr. Ramesh Ch. Satpathy, Secretary, National Institute of Indian Labour, 302(B), Beherasahi, Nayapalli, Bhubaneswar, (7) Mr. Shyam Bihari Prasad, M/s. Top Tech Steels Pvt. Ltd., F-4/31, Civil Township, Rourkela, Dist : Sundargarh, (8) Mr. Sudarshan Goel, M/s. Subh Ispat Ltd., Jiabahal, Kalunga Road, Rourkela, Dist : Sundargarh, (9) Mr. Sunil Agarwal, M/s. Sri Jagannath Alloys Pvt. Ltd., Basanti Colony Road, Udit Nagar, Rourkela, Dist : Sundargarh, (10) Mr. Amit Agrawal, M/s.Bajrangbali ReRollers Pvt. Ltd., Lal Building Kacheri Road, Rourkela, Dist : Sundargarh, (11) Mr. Suvendu Kumar Das, M/s. Scan Steel Ltd. Main Road, Rajgangpur, Dist : Sundargarh, (12) Mr. Sitaram Agarwal, M/s. Attitude Alloys Pvt. Ltd., Ghurudu Khamar, Vill : Bijaynagar, Po : Barkot, Dist : Deogarh, (13) Mr. Sunil Choudhury, MD, M/s.Omkar Steels Pvt. Ltd., F-9, Civil Township, Rourkela, (14) Mr. Satya Sundar Kar, M/s. Shree Metaliks Ltd., Gurudwara Road, Barbil, Dist : Keonjhar, (15) Mr. Gobardhan Pujari, General Secy., Sundargarh District Employer's Association, AL-1, Basanti Nagar, Rourkela, (16) Mr. Surendra Dash, General Secy., Nagarika Samiti, Rourkela, (17) Mr. Susanta Ku. Pradhan, General Secy., Resident Association, Civil Township, Rourkela, (18) Mr. Chittaranjan Mohanty, Basanti Forum, Basanti Nagar, Rourkela, (19) Mr. Nrusingha Charan Panda, M/s. Grihasthi Udyog, Cheend Basti, Rourkela, (20) Mr. Samir Kumar Mishra, Advocate, Belpahar, Dist : Jharsuguda, (21) Mr. Sanjay Gadodia, M/s. Scan Steel Ltd., Q-1, Civil Township, Rourkela, (22) Mr. Balmukund Kadamwala, M/s. Lingaraj Feeds Ltd., Kachery Road, Rourkela, Dist : Sundargarh, (23) Mr. Prabhakar Dora, Advocate, 3rd Line Vidya Nagar (Co-operative Colony), Po/Dist : Rayagada, (24) Utkal Chamber of Commerce and Industry Ltd., N/6, I.R.C. Village, Nayapalli, Bhubaneswar, (25) Shri R.P. Mahapatra, Plot No. 775(P), Lane-3, Jayadev Vihar, Bhubaneswar, (26) Mr. G.N. Agrawal, General Secy., Sambalpur District Consumers Federation, Balaji Mandir Bhawan, Khetrajpur, Sambalpur, (27) Mr. Jogendra Behera, Fellow Scholar, XIMB, Utility Regulation Research Centre, Xavier Institute of Management, Bhubaneswar, (28) Mr. T.C. Padhy, M/s.Berhampur Cold Storage, Konisi, BED-1, Berhampur.

**On NESCO's application: -**

7. Orissa Consumer's Association & FOCO, Biswanath Lane, Cuttack, (2) Mr. Devashish Mahanti, President, M/s. North Orissa Chamber of Commerce & Industry, Ganeswarpur Industrial Estate, Balasore, (3) Mr. C.P. Bhartia, MD, M/s.

Jagdamba Gases Pvt. Ltd., 25, Ganeswarpur Industrial Estate, Balasore, (4) Mr. Ramesh Ch. Satpathy, Secretary, National Institute of Indian Labour, 302(B), Beherasahi, Nayapalli, Bhubaneswar, (5) East Coast Railway, B-2, Rail Vihar,Chandrasekharpur, Bhubaneswar, (6) Chief Electrical Engineer, S.E. Railway, Garden Reach, Kolkata, (7) Ferro Alloys Corpn. Ltd., GD-2/10, Chandrasekharpur, Bhubaneswar, (8) Balasore Alloys Limited , Balgopalpur, Balasore, Orissa, (9) Shri R.P. Mahapatra, Plot No. 775 (P), Lane-3, Jayadev Vihar, Bhubaneswar, (10) Prabhakar Dora, 3rd line, Cooperative Colony (Vidya Nagar), Rayagada, (11) Mr. P.K. Dey, CEO, M/s. MSP Steels Ltd., Haladiaguna, Keonjhar, (12) Mr. Sanjay Pattnaik, Chief Resident Executive, Tata Steel Ltd., 273, Bhoumanagar, Unit-IV, Bhubaneswar, (13) Jindal Stainless Limited, 50-HIG, BDA, Jaydev Vihar, Bhubaneswar, (14) The Utkal Chamber of Commerce & Industry, N/6, IRC Village, Nayapalli, Bhubaneswar, (15) Mr. Ashok Kumar Mishra, MD, M/s. IDCOL Ferro Chrome and Alloys Ltd., Po : Ferro Chrome Project, Jajpur Road, Dist : Jajpur, (16) Mr. Jogendra Behera, Fellow Scholar, XIMB, Utility Regulation Research Centre, Xavier Institute of Management, Bhubaneswar, (17) Mr. T.C. Padhy, M/s.Berhampur Cold Storage, Konisi, BED-1, Berhampur, (18) Mr. Satya Sundar Kar, M/s. Shree Metaliks Ltd., Gurudwara Road, Barbil, Dist : Keonjhar.

**On SOUTHCO's application: -**

8. Orissa Consumers' Association, & FOCO, Biswanath Lane, Cuttack, (2) M/s Jayashree Chemicals Ltd., Po : Jayshree, Dist : Ganjam, (3) Grahak Panchayat, Friends Colony, Parlakhemundi, (4) Mr. Ramesh Ch. Satpathy, Secretary, National Institute of Indian Labour, 302(B), Beherasahi, Nayapalli, Bhubaneswar, (5) East Coast Railway, O/o the Chief Electrical Engineer, B-2, Rail Vihar, Chandrasekharpur, Bhubaneswar, (6) Mr. T.C. Padhy, M/s.Berhampur Cold Storage, Konisi, BED-1, Berhampur, (7) Prabhakar Dora, 3rd line, Cooperative Colony (Vidya Nagar), Rayagada, (8) Shri R.P. Mahapatra, Plot No. 775(P), Lane-3, Jayadev Vihar, Bhubaneswar, (9) Utkal Chamber of Commerce & Industry, N/6, IRC Village, Nayapalli, Bhubaneswar, (10) Mr. Jogendra Behera, Fellow Scholar, XIMB, Utility Regulation Research Centre, Xavier Institute of Management, Bhubaneswar, (11) Mr. K.C. Mohapatra, Chairman, PDC, F/6, BJB Nagar, Bhubaneswar.

(i) The dates for hearing were fixed and it was duly notified in the leading English and Oriya daily newspapers mentioning the list of objectors. The Commission issued notice to the Govt. of Orissa represented by the Department of Energy to send their authorised representative to take part in the ensuing tariff proceedings.

(ii) In exercise of the power vested u/s.94(3) of the Electricity Act, 2003, in order to protect the interests of the consumers, the Commission appointed Nabakrushna Choudhury Centre for Development Studies, Chandrasekharpur, Bhubaneswar the premier Govt. of Orissa's Institute, as Consumer Counsel for objective analysis of the licensee's Annual

Revenue Requirement and tariff proposal. The report submitted by Nabakrishna Choudhury Centre for Development Studies and also the views put forth by its representative at the time of hearing are taken into record. For the first time, the Commission also appointed the following nine persons/organisations as consumer counsel to represent the interest of consumers from the areas of the Distribution Licensees: -

**Table – 2**

| Sl No. | Name of the Organisations/persons with address | Name of the DISTCOs' from where the Consumer Counsel represented |
|---|---|---|
| 1 | Grahak Panchayat, Friends Colony, Parlakhemundi, Dist : Gajapati | SOUTHCO |
| 2 | Mr. Prabhakar Dora, 3rd Line Cooperative Colony, Vidya Nagar, Rayagada | SOUTHCO |
| 3 | Life Line Club, Soro, Balasore | NESCO |
| 4 | Orissa Consumers' Association, Balasore Chapter, Balasore | NESCO |
| 5 | Sambalpur District Consumers' Federation, Balaji Mandir Bhavan, Khetrajpur, Sambalpur | WESCO |
| 6 | Sundargarh District Employee Association, AL-1, Basanti Nagar, Rourkela | WESCO |
| 7 | State Public Interest Protection Council, Tala Telenga Bazar, Cuttack | CESU |
| 8 | Federation of Consumers' Organisation, (FOCO), Biswanath Lane, Cuttack | CESU |
| 9 | Orissa Electrical Consumers' Association, Sibashakti Medicine Complex, Bazrakabati Road, Cuttack-01 | CESU |

Except Life Line Club, Soro, Balasore and State Public Interest Protection Council, Tala Telenga Bazar, Cuttack, all the above named consumer counsels have submitted their objections/suggestions to the Commission. The Commission duly perused the said filings and allowed the consumer representatives to present their views during hearing.

9. In its consultative process, the Commission conducted a public hearing at its premises on 01.02.2008 for CESU, 02.02.2008 for SOUTHCO, 04.02.2008 for NESCO & 05.02.2008 for WESCO. The Commission heard the applicants, objectors, consumer counsel and the representative of the Government. The

objections/suggestions of the objectors who remained absent during the hearing have also been taken into record and considered by the Commission.

10. The Commission convened the State Advisory Committee (SAC) meeting on 12.02.2008 to discuss the ARR applications and tariff proposals of licensees. The members of SAC presented their valuable suggestions and views on the matter and the Commission considered the same.

## ARR & RETAIL SUPPLY TARIFF PROPOSAL FOR 2008-09 (Para 11 to 73)

11. A statement of Energy Sale, Purchase and Overall Distribution loss from FYs 2005-06 to 2008-09 as submitted by DISTCOs is given below in a tabular form:

**Table - 3**
**Distribution Loss**

| | | 2005-06 (Actual) | 2006-07 (Actual) | 2007-08 (Estt.) | 2008-09 (Estt) |
|---|---|---|---|---|---|
| CESU | Energy Sale (MU) | 2391.59 | 2611.55 | 3155.12 | 3544.63 |
| | Energy Purchased (MU) | 4184.51 | 4623.664 | 5216.259 | 5742.68 |
| | Overall Distribution Loss % | 42.8 | 44 | 41 | 38 |
| NESCO | Energy Sale (MU) | 2144.21 | 2670.177 | 3156.369 | 3374.03 |
| | Energy Purchased (MU) | 3407.57 | 3998.686 | 4508.197 | 4659.49 |
| | Overall Distribution Loss % | 37.1 | 33.22 | 29.986 | 27.58 |
| SOUTHCO | Energy Sale (MU) | 1003.16 | 1034.245 | 1110.70 | 1201.69 |
| | Energy Purchased (MU) | 1702.17 | 1832.22 | 1900 | 1980.00 |
| | Overall Distribution Loss % | 41.10 | 43.55 | 41.54 | 39.31 |
| WESCO | Energy Sale (MU) | 2605.27 | 2972.42 | 3520 | 3963 |
| | Energy Purchased(MU) | 4188.25 | 4670.62 | 5310.00 | 5786 |
| | Overall Distribution Loss % | 37.80 | 36.36 | 33.71 | 31.51 |

**AT&C Loss**

12. The System Loss, Collection Efficiency and target fixed by OERC in reference to AT&C Loss for the four DISTCOs since FY 2006-07 and onwards are given as under :-

**Table - 4**
**AT&C Loss**

| | | 2006-07 (Actual) | 2007-08 (Estimated) | 2008-09 (Estimated) |
|---|---|---|---|---|
| **CESU** | Dist. Loss (%) | 44 | 41 | 38 |
| | Collection Efficiency (%) | 93.64 | 95 | 95 |
| | AT&C Loss (%) | 47.11 | 44.35 | 41.36 |
| | OERC Target (AT&C Loss %) | 40.37 | 35.60 | |
| **NESCO** | Dist. Loss (%) | 33.22 | 29.98 | 27.58 |
| | Collection Efficiency (%) | 92 | 94 | 95 |
| | AT&C Loss (%) | 40.91 | 34.19 | 31.21 |
| | OERC Target (AT&C Loss %) | 36.08 | 33.26 | |
| **SOUTHCO** | Dist. Loss (%) | 43.55 | 41.54 | 39.31 |
| | Collection Efficiency (%) | 92.65 | 93 | 94 |
| | AT&C Loss (%) | 47.70 | 45.63 | 42.95 |
| | OERC Target | 37.69 | 34.20 | |
| **WESCO** | Dist. Loss (%) | 36.36 | 33.71 | 31.51 |
| | Collection Efficiency (%) | 94.50 | 95.98 | 96.56 |
| | AT&C Loss (%) | 39.86 | 36.37 | 33.87 |
| | OERC Target | 32.32 | 28 | |

13. Non-fulfilment of the target has been attributed by the DISTCOs to slow progress in investment due to delay in receipt of APDRP and World Bank funds, natural calamities, massive rural electrification programme, non-establishment of special courts and special police stations, non-availability of requisite funds owing to Escrow mechanism, non-payment of dues by govt. departments and public sector undertakings.

**Metering**

14. CESU submitted that they have provided meters to all un-metered consumers. CESU is catering to all the consumers through metered supply and defective meters are being replaced in phases. As regards Feeder metering all the 33KV & 11KV Feeder metering has been completed. Distribution transformer metering of the major cities like Bhubaneswar, Cuttak, Puri and other important towns have been completed. Work is in progress for the metering of balance distribution transformers.

15. The three Reliance Managed licensees stated that they inherited a system with large unmetered or consumers having defective meters. The billing data bases were defective. They have intimated that they had initiated various measures, such as, installation of meters, formation of meter checking squads to detect tampered meters. An effort to sanitise the billing data base has also led to the discovery of fresh cases of non-functioning meters. They have also claimed 100%

feeder metering. NESCO has completed 90% in consumer metering at the end of the quarter September, 2007 whereas SOUTHCO and WESCO have completed 99% of consumer metering during the same period. They have also lamented that inspite of direction of Hon'ble Commission Bidyut Police Stations have not been established in all districts and the existing ones established at Khurda, Cuttack, Balasore, Sambalpur and Berhampur are not functioning effectively as these police stations have not been fully operationalised as yet.

**Detection and Regularisation of unauthorised consumers**

16. CESU submitted that they have deployed ex-military personnel for de-hooking unauthorised connections and disconnection of non-paying consumers as a result of which a large number of unauthorised consumers are coming forward for regular connection. Prompt action is being taken in all cases for regularisation.

17. MRT squads have been deployed for vigilance activities, like, review of loads, checking of by-passing and tampering of meters, obtaining check meter reading and raising penal bills. CESU submitted that twenty numbers of MRT squad each headed by an Engineer are operating in the divisional level to take care of anti theft measures.

18. Teams have been deployed for verification of meter readings in case of doubtful cases.

**Spot Billing Roll Out Plan**

19. NESCO & SOUTHCO have submitted that they have carried out spot billing in 10 divisions, 9 divisions respectively whereas WESCO has covered all divisions under the umbrella of spot billing in its areas of operation at the time of submission of application. NESCO, SOUTHCO and WESCO propose to cover 100% of its consumer under spot billing fold during FY 2008-09. CESU have submitted that bills are being generated through spot billing machines in the entire CESU area since last four years.

**APDRP Scheme**

20. All the distribution companies have submitted unequivocally that they had undertaken up-gradation and modernization programme under Govt. of India sponsored APDRP scheme. The total expenditure incurred under APDRP till FY 2006-07 is around Rs.27.12 crore, Rs.11.42 crore, Rs.30.13 crore for NESCO, SOUTHCO&WESCO respectively. Further, they have proposed an expenditure under this head for FY 2008-09 to be Rs.53.00 crore, Rs70.31crore and Rs.70 crore, in that order. All the DISTCOs have submitted that the capital outlay envisages metering, the new lines, substations, conductoring, renovation and modernisation of the existing substations. CESU has planned to avail Rs.60.00 crore under APDRP scheme from PFC for the year 2007-08 and Rs.100.00 crore for the year 2008-09 for renovation and modernisation of existing and new 33/11 substations, 11/.4 KV substations.

**Energy Audit**

21. CESU has submitted that energy audit has been started in some area which will be extended to entire CESU area in due course.

22. NESCO, SOUTHCO & WESCO have categorically stated that they have initiated suitable measures for conducting energy audit. NESCO has completed the metering of 382 nos. of 11 KV feeders and 55 nos. of 33 KV feeders.

23. Similar to their last year submission SOUTHCO has stated that they have completed the metering of 584 feeders and 8993 distribution transformers. Currently energy audit is being carried out on monthly basis of 33 KV feeders (116 nos.).

24. NESCO, SOUTHCO & WESCO have intimated that energy audit in the 2nd phase would be conducted on 11 KV and LT level by including pre-dominantly domestic feeders and transformers. They have also proposed consumer indexing, consumer and network survey, painting of electrical address on poles, DTR at consumer premises. To determine and assess the AT&C loss, they have proposed for monthly energy accounting for 11 kV downwards.

25. NESCO, SOUTHCO & WESCO have given the estimated cost for conducting energy audit as under:-

**Table – 5**
**Cost Estimate of Energy Audit**

| **Details** | **Rate (Rs.)** | **NESCO** | | **SOUTHCO** | | **WESCO** | |
|---|---|---|---|---|---|---|---|
| | | Numbers | Estimated cost (Rs. Lac) | Numbers | Estimated cost (Rs. Lac) | Numbers | Estimated cost (Rs. Lac) |
| Total no. of consumers | 45/Cons. | 395970 | 178.19 | 291671 | 131.25 | 177665 | 79.95 |
| Total no. of poles | 15/Pole | 155768 | 23.37 | 204364 | 30.65 | 227406 | 34.11 |
| Total no. of DTRs | 200/DTR/ Month | 15251 | 366.02 | 6098 | 12.20 | 3425 | 82.20 |
| Total | | | 567.58 | | 174.10 | | 196.26 |

**Special Police Stations & Special Courts**

26. NESCO and SOUTHCO have submitted that one police station each in their area have already started functioning at Balasore and Berhampur respectively and another four special police stations likely to start functioning very shortly. NESCO and SOUTHCO have estimated an amount of Rs.1.29 crore, Rs.1.03 crore respectively towards expenses of special police stations under A&G head. At present special police station has started functioning at Sambalpur/Burla in WESCO area. The licensee has estimated an amount of Rs.1.03 crore towards this under the head of A&G expenses.

**Data Sources**

27. NESCO, SOUTHCO and WESCO have scrupulously complied with the information requested by the Commission for submitting the ARR and tariff for the year 2008-09. The accounts upto September, 2006 has been duly audited as per Companies Act whereas accounts upto March, 2007 has been audited as per Income Tax rules. Copies of both the audited accounts have already been furnished to OERC. As such, the licensees submit that the data furnished by them in the application are authentic and reliable.

**Revenue Requirement**

**Sales Forecast**

28. The four distribution utilities have forecasted their sales figures for the year 2008-09 as detailed below with reasons for sales growth.

**Table – 6**

| Licensee/ Utility | LT Cons (MU) 2008-09 (Estt.) | % Rise above FY 07-08 | Remarks | HT Cons (MU) 2008-09 (Estt.) | % Rise above FY 07-08 | Remarks | EHT Cons (MU) 2008-09 (Estt.) | % Rise above FY 07-08 | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| **CESU** | 1955.42 | 21 | Actual cons. during FY 2005-06 & 3 years CAGR | 711.85 | 3 | Past trend & load growth expected | 877.35 | 17% | Load growth from existing & new consumers |
| **NESCO** | 1078.426 | 21 | Impact of RE programme & growth from existing & new consumers | 678.104 | -0.17 | Trend of 2006-07 & growth from existing & new consumers including conversion of special tariff | 1617.507 | 2 | Growth from existing & conversion of special category, reduction of large industries |
| **SOUTHCO** | 744.209 | 11.55 | Impact of RE programme & growth from existing & new consumers | 249.825 | 5.02 | Trend of 2006-07 & growth from existing & new consumers (>1MVA) | 207.663 | 0.97 | |
| **WESCO** | 1066 | 26.30 | Impact of RE programme & growth from existing & new consumers, metering of all irrigation consumer. | 1475 | 2.01 | Trend of 2006-07 & growth from existing & new consumers | 1422 | 15.61 | Trend of FY 2006-07 & growth from existing & new consumers |

**Inputs in Revenue Requirement**

**Power Purchase Expenses**

29. It has been derived basing on consumption estimate and distribution energy loss level. While estimating Power purchase expenses the three Reliance Managed Distribution Companies have considered the BSP of 2005-06 and also BSP of 2007-08. Citing the reason for considering the BSP of 2005-06 they have claimed that GRIDCO has a huge carry forward surplus which should be passed on to the consumers of the State by the reduction of BSP. The average SMD for WESCO, NESCO and SOUTHCO for FY 2008-09 have been projected as 920 MVA, 724 MVA and 350 MVA respectively. The DISTCOs have prayed to the Commission to suitably adjust the revenue requirement in the event of revision of BSP other than that prayed for. CESU has estimated energy input of 5742.69MU for the year 2008-09 based on the estimated consumption of 3544.63 MU and distribution loss of 38.28%. The power purchase expenses have been estimated basing on the current bulk supply tariff of 121.70 paisa per KWH and transmission charges of 22.00 paisa per KWH. AT this price the total power purchase cost is arrived at Rs.825.22 cr.

**Employees' Expenses**

30. The employees' charges have been evaluated by the DISTCOs as a percentage rise (different for individual distribution company) over and above the previous year. This includes normal annual increment of the employees, anticipated enhancement on dearness allowance. The impact of emoluments for fresh recruits and key personnel in technical and commercial activities and contribution to different terminal benefit funds have also been considered. NESCO, SOUTHCO & WESCO have projected the cost of terminal benefits based upon the actuarial valuation study. CESU for the year 2008-09 estimated the employee cost considering an overall increase of 15% over the estimated expenditure of 2007-08. While estimating the employee cost 50% merger of DA with basic pay and 3% half yearly increase of DA have been taken into account excluding VI wage board revision and pay fixation, if any during the year.

**Administrative & General Expenses**

31. CESU has projected A&G Expenses of Rs.39.91 cr and has proposed 14% hike compared to the expenses envisaged during previous year. NESCO, SOUTHCO & WESCO have proposed enhancement of A&G expenses to the extent of 7% over and above the approved A&G expenses for the FY 2007-08 mainly on account of inflation. In addition, NESCO, SOUTHCO and WESCO have projected extra A&G expenses under different heads for the FY 2008-09 as tabulated below :-

**Table – 7**
**Additional A&G Cost**

**(Rs. in crore)**

| Sl.No. | Description | NESCO | SOUTHCO | WESCO |
|---|---|---|---|---|
| 1 | Energy Audit | 5.67 | 1.74 | 1.96 |
| 2 | Spot Billing in all Divisions | 3.81 | 3.40 | 2.37 |
| 3 | Fringe Benefit Tax for 2008-09 | 0.40 | 0.37 | 0.80 |
| 4 | Expense of customer care/Mini Call Centre | 0.60 | 1.05 | 1.33 |
| 5. | Mobile Customer Care Van | | 0.58 | 0.04 |
| 5 | Energy police station | 1.28 | 1.02 | 1.02 |
| 6 | Manpower assessment study | 0.09 | 0.09 | 0.09 |
| 7 | Input Based Franchisee | 3.16 | 2.75 | 0.25 |
| | Automation expenses – IT | 0.12 | | |
| | Customer Satisfaction Survey | 0.10 | 0.10 | 0.10 |
| | Arrear Collection Incentive | 1.50 | 1.59 | 1.90 |
| | **Total** | **16.75** | **12.72** | **9.87** |

**Repair & Maintenance (R&M) Expenses**

32. All four DISTCOs have estimated Repair and Maintenance Expenses @ 5.4% of Gross Fixed Assets (GFA) at the beginning of the year.

33. NESCO, SOUTHCO and WESCO have requested the Commission to direct GRIDCO to release Rs.32.70 crore, Rs.30.72 crore and Rs.33 crore respectively for the FY 2008-09 from the escrow account for meeting R&M expenses.

34. CESU has projected an expenditure of Rs.58.54 cr for the year FY 2008-09. CESU has further submitted to allow Re 1 cr towards R&M maintenance of the assets created under RGGVY scheme for the year 2008-09. The assets created under RGGVY are to be used by the CESU and owned by the State Government.

**Provision for Bad & Doubtful Debts**

35. CESU has made provision towards provisions for bad and doubtful debts to the tune of Rs.8.14 crore @15% on the incremental debtor.

36. NESCO, SOUTHCO and WESCO submitted that due to past losses and huge liability, it would be difficult for them to arrange working capital and the situation would worsen if the Commission does not recognise the short fall in collection efficiency. In order to make good the loss of short fall in collection efficiency, the licensees have considered the amount equivalent to the collection inefficiency as bad and doubtful debts while estimating the ARR for FY 2008-09. Considering the proposed collection efficiency of 95% for NESCO, 94% for SOUTHCO and 96.56% for WESCO for FY 2008-09, they have considered for bad and doubtful debts to the extent of 5%, 6% and 3.5% respectively as part of ARR for FY 2008-09.

**Depreciation**

37. All the four DISTCOs have adopted straight-line method for computation of depreciation at pre-92 rate. No depreciation has been provided for the asset created during the year.

**Loans and Outstanding Dues**

38. NESCO, WESCO and SOUTHCO have submitted that the Commission had passed an order approving their business plan on 28th February, 2005 in Case no.115 of 2004. Subsequently, a clarificatory order on the same subject was also issued on 20th July, 2006. With the gap in ARR of three Reliance Managed Company, there is more likelihood of default by them in repayment of instalment as envisaged in the in the order mentioned above. There is no incentive for them for retention of fund after payment of BSP, monthly instalment towards securitised amount and other OERC approved expenditure. Hence, they have urged the Commission to follow the procedure as laid out in the transaction documents for the sale of Central Zone Electricity Distribution and Retail Supply Utility.

**Loan from GRIDCO**

39. CESU have submitted that during loan reconciliation with GRIDCO, the interest payable has been finalized @ 13.87% for FY 1999-00 to 2002-03 and @ 8.5% for FY 2003-04 and no interest will be charged from the year 2004-05 onwards. No interest has been calculated on Rs. 174.00 Cr. provided by GRIDCO towards cash support.

**Power Bond**

40. WESCO, NESCO & SOUTHCO issued bonds worth Rs.400 crore in favour of GRIDCO to be assigned to NTPC w.e.f 1st October, 2000 @ 12.5% interest. The Commission in its last tariff order has allowed interest @ 8.5% (tax free) on those bonds as per the recommendation of Alhuwalia Committee. The Commission in its order advised the Govt. to pass on the benefits to the end users of electricity on account of the reliefs that would be available if securitisation shall be effected in line with the one time settlement scheme approved by the Govt. of India to be made effective on 01.10.2001. But, GOO has not yet communicated its decision. The licensee requests the Commission to allow the differential interest between 12.5% p.a. and 8.5% p.a. on this bond amount from 1st October, 2000 to March, 2007 in the ARR for FY 2008-09. WESCO, NESCO and SOUTHCO have estimated Rs.22.40 crore, Rs.32.80 crore and Rs.30.68 crore respectively towards the differential interest. The GRIDCO has already settled the outstanding dues of power bonds with NTPC through one time settlement with waiver of interest on such bonds by Rs.91.5 crore for all the DISTCOs upto 31st March, 2007. The DISTCOs need to service it as current liability to GRIDCO with DPS as decided by the Commission. They have defaulted on interest payment towards NTPC bonds and requested the Commission to allow it through amortisation of regulatory assets.

**GRIDCO BST Outstanding Dues**

41. The Commission in its order dtd. 28th February, 2005 while approving the business plan of NESCO, SOUTHCO & WESCO had mentioned that the securitisation of BST outstanding dues to GRIDCO payable by DISTCO would be at 0% interest rate and the amount to be securitised for each DISTCO will be the date preceding when each company would start paying 100% BST bills of GRIDCO. Accordingly, NESCO, SOUTHCO & WESCO have not considered any interest on BST outstanding dues in the ARR for FY 2008-09. Further, the Commission in the said order opined that State Government and Govt. undertaking's dues to the DISTCOs shall be adjusted before securitising the outstanding BST dues of GRIDCO. Subsequently, OERC in its supplementary order (Case No.115/2004) dtd.20.07.2006 directed for payment of securitised BST and loan outstanding in equal monthly instalments for a period of ten years.

**APDRP Assistance**

42. The CESU has submitted that the Power Finance Corporation Ltd, New Delhi has sanctioned a loan amount of Rs.148.37 crore out of which, CESU have drawn Rs.35.52 crore up to FY 2006-07. In the current year 2007-08 it proposes to draw Rs. 60 cr and for the ensuing year 2008-09 it proposes to draw Rs 100.00cr from the Power Finance Corporation Limited, New Delhi under APDRP Scheme under APDRP Scheme.

43. In the ensuing year, NESCO, SOUTHCO & WESCO have estimated Rs.53 crore, Rs.68.38 crore and Rs.70 crore, respectively to be received under APDRP Scheme. As per the scheme, out of 50% of the amount received from the State Government, 50% is to be treated as grant and balance 50% as loan @ 12% interest per annum and the balance 50% of the sanctioned amount is to be treated as counterpart funding to be availed from REC @ 13% per annum.

**Capital Expenditure Programme**

44. WESCO, NESCO and SOUTHCO propose capital expenditure plan and capex related expenses on the different programme like RGGVY, APDRP, Biju Gramya Yojana, System Improvement, etc. The expenditure proposed under this head for these licensees are Rs.225 crore, Rs.362.88 crore and Rs.541.29 crore respectively.

**Payment of Past Statutory Dues & Pressing Creditors**

45. NESCO, SOUTHCO & WESCO have submitted that the outstanding statutory dues as on 31st March, 2007 worked out to be Rs.64.90 crore (NESCO), Rs.55.23 crore (SOUTHCO) and Rs.96.73 crore (WESCO) to be considered for the year 2008-09. In addition, payment to the previous creditors had been estimated as Rs.5.98 crore (NESCO), Rs.8.5 crore (SOUTHCO) and Rs.7.95 crore (WESCO). They have requested to amortize these amounts as regulatory asset.

**Interest Capitalized**

46. NESCO, SOUTHCO & WESCO have shown the interest on loan outstanding at the beginning of the year as revenue expenses as a part of ARR. The interest on

loan to be drawn during the ensuing year for capital works has been capitalized. The total interest estimated for financial year 2008-09 for WESCO, NESCO and SOUTHCO are Rs.50.23 crore, Rs.60.61 crore and Rs.45.47 crore respectively.

**Escrow Mechanism to facilitate the cash flow**

47. NESCO, SOUTHCO & WESCO have alleged that despite the directives from the Commission, GRIDCO is not allowing them to make payment from the escrow account in the order priorities fixed by the Commission. They have reiterated that GRIDCO has started adjusting the surplus amount lying in the escrow account against the past outstanding BST dues and not allowing them to make payment to other lenders including NTPC. In view of above, the three licensees pray to be the Commission for issuance of necessary directives to GRIDCO in this regard.

**Interest on Security Deposit**

48. NESCO, SOUTHCO & WESCO have submitted that the interest on security deposits @ 6 percent per annum (Bank rate) for FY 2008-09 have been worked out to be Rs.9.38 crore (NESCO), Rs.3.51 crore (SOUTHCO) & Rs.12.08 crore (WESCO).

**Non-Tariff Income**

49. NESCO, SOUTHCO & WESCO have proposed non-tariff income for FY 2008-09 to the tune of Rs.4.50 crore, Rs.3.89 crore and Rs.14.62 crore respectively. However, they have proposed to abolish meter rent for all categories and hence not considered any income from meter rent.

**Past Losses and Regulatory Assets**

50. The licensees have proposed to amortise the Regulatory assets in FY 2008-09 as given below:

**Table – 8**
**Amortisation of Regulatory Assets in FY 2008-09**

**(Rs in Crore)**

| Sl.No. | Description | NESCO | SOUTHCO | WESCO |
|---|---|---|---|---|
| 1. | Statutory dues towards trusts | | | 96.73 |
| 2. | Repayment of NTPC bonds | 24.48 | 80.04 | - |
| | Outstanding interest on NTPC bond/World Bank & APDRP loan | 50.05 | 39.01 | - |
| 3. | Past Statutory Dues and Pressing Creditors | 70.89 | 8.50 | 7.95 |
| | **Total** | **145.42** | **127.55** | **104.68** |

**Truing up of Revenue Gap for FY 2007-08**

51. Considering the variation between estimated revenue and actual expenditure during FY 2007-08 due to reasons beyond the control of the DISTCOs, NESCO, SOUTHCO & WESCO have requested the Commission to allow truing up of

uncovered gap of Rs.56.78 crore (NESCO), Rs.97.26 crore (SOUTHCO) and Rs.222.47 crore (WESCO) to be considered with the revenue gap of the FY 2008-09 in the ARR for FY 2008-09.

**Return on Equity**

52. CESU, NESCO, SOUTHCO & WESCO have claimed ROE @16% on equity capital the amount being Rs.11.63 crore (CESU), Rs.10.55 crore (NESCO), Rs.6.03 crore (SOUTHCO) and Rs.2.29 crore (WESCO), respectively.

**Summary of ARR and Revenue Gap**

53. The proposed revenue requirement for four DISTCOs have been projected in tabular form below:

**Table – 9**
**Proposed Revenue Requirement of DISTCOS For 2008-09**

**(Rs. in crore)**

| **A.** | **Expenditure** | **CESU** | **NESCO** | **SOUTHCO** | **WESCO** | **TOTAL** |
|---|---|---|---|---|---|---|
| | Cost of Power Purchase | 825.22 | 688.67 | 194.63 | 1143.72 | 2852.24 |
| | Employee costs | 167.59 | 139.79 | 145.66 | 150.08 | 603.12 |
| | Repair & Maintenance | 58.54 | 32.70 | 30.72 | 33.01 | 154.97 |
| | Administrative and General Expenses | 30.27 | 27.25 | 28.78 | 27.86 | 114.16 |
| | Provision for Bad & Doubtful Debts | 8.14 | 46.21 | 19.57 | 39.97 | 113.90 |
| | Other expenses | | | 0.23 | | 0.23 |
| | Depreciation | 83.39 | 21.73 | 20.55 | 21.79 | 147.46 |
| | Interest Chargeable to Revenue | 73.98 | 60.61 | 45.47 | 50.25 | 230.31 |
| | Carrying cost on Regulatory asset | 0.00 | | | | |
| | Sub-Total | 1247.13 | 1019.23 | 485.81 | 1468.97 | 4221.14 |
| | Less: Expenses capitalised | 0.00 | 0.00 | 1.94 | | 1.94 |
| | Contingency Reserve | | 2.27 | 2.14 | 2.29 | 6.70 |
| | **Total expenses** | 1247.13 | 1019.23 | 485.81 | 1468.97 | 4221.14 |
| **B.** | **Special appropriation** | | | | | |
| | Amortization of Regulatory Asset | | 145.42 | 112.09 | 104.68 | 362.19 |
| | Truing up of revenue gap for FY 2007-08 | | 56.78 | 97.26 | 222.47 | 376.51 |
| | Repayment of principal | | | | | |
| | Total | 0.00 | 202.20 | 209.35 | 327.15 | 738.70 |
| **C.** | Return on equity | 11.64 | 10.55 | 6.03 | 7.78 | 35.99 |
| | **TOTAL (A+B+C)** | **1258.77** | **1231.98** | **701.19** | **1803.90** | **3532.45** |
| **D.** | **Less Miscellaneous Receipt** | 11.42 | 4.50 | 3.89 | 14.62 | **34.43** |
| **E.** | **Total Revenue Requirement** | 1247.35 | 1227.48 | 697.30 | 1789.28 | 3498.02 |
| **F.** | **Expected Revenue (Full year)** | 1085.65 | 924.28 | 326.25 | 1161.84 | 3498.02 |
| **G.** | **GAP (+/-)** | **-161.70** | **-303.2** | **-371.05** | **-627.44** | **-1463.38** |

**Tariff Proposal**

54. CESU in its tariff proposal estimated revenue requirement of Rs 1247.13 (including ROE) at the existing tariff rates. The revenue generation from sale of power on proposed tariff will be Rs.1097.07 crore. Accordingly the revenue gap for FY 2008-09 is projected at Rs.161.88 crore excluding past losses. The revenue gap has been projected considering the revenue collection at the existing tariff rates. In such a scenario CESU has proposed that the revenue gap may be bridged either by reduction in BST or through Government subsidy or by allowing part revision of retail tariff or by combination of these suggested measures.

55. Based on estimated revenue requirement at the existing tariff, the revenue gap for FY 2008-09 for NESCO, SOUTHCO and WESCO works out to be Rs.303.20 crore, Rs.371.05 crore and Rs.627.44 crore at tariff approved by the Commission for 2007-08 respectively which includes revenue gap of last year and amortisation of regulatory asset. They have proposed to bridge the revenue gap through combination of Grant/Subsidy from State Government, Reduction in Bulk Supply Tariff and/or Increase in Retail Supply Tariff in an appropriate manner.

**Tariff Rationalisation**

**Reduction in Cross-subsidy**

56. The Commission, while setting tariffs, has adopted the LT, HT and EHT level cost of supply as benchmark for assessment of quantum of subsidies. On the other hand, CESU, NESCO, SOUTHCO & WESCO have submitted that as they have not proposed any substantial tariff increase for any category, they have not attempted to reduce the cross-subsidies in the current tariff application..

**Recovery from Fixed/Demand Charges**

57. NESCO, SOUTHCO & WESCO have proposed similar demand charges for consumers having contract demand of 70 KVA and above availing power supply in HT. They have also asked for fixation of monthly minimum fixed charges/demand charges for LT industrial (S), LT industrial (M) and public water works in terms of KVA instead of KW for arresting the low power factor as well as for compensating for higher drawl in KVA demand.

**Payment of Demand Charges by Captive Power Plants**

58. The same licensees have submitted that in several occasions, there are additional burden on account of payment of Simultaneous Demand Charges (SMD) by the Distribution Licensee to the Transmission Licensee due to drawl of Power by CPPs without any load management on emergency basis during peak hours. To avoid such unforeseen Cost, it is proposed that Hon`ble Commission may kindly consider the demand charges @ 120% of the demand charges applicable to the respective tariff category on the Maximum Demand recorded in the Meter of CPPs consumers along with the applicable Energy Charges for CPPs. However the minimum demand charges concept i.e. 80% of the Contract Demand should not be made applicable to the CPP's. CESU has also asked for demand charges for power supply to CPPs.

**Special Tariff for the EOU**

59. NESCO submits that there are four EOUs under their jurisdiction with whom they have special agreements. This special agreement comes to an end as on 31.03.2008. Again these units have also lost their status as 100% EOUs in the meantime. Hence, NESCO prays for applicability of normal tariff to these units w.e.f. 01.04.2008.

**Change in Tariff Structure**

**Tariff for medium industrial consumers**

60. WESCO, SOUTHCO & NESCO proposed that the tariffs for Medium Industries may be considered at par with general purpose consumers so that it will indirectly incentivise them to take connection at HT to avail the benefit of tariff.

**Monthly Minimum Fixed Charge for consumers with contract demand <110 KVA**

61. WESCO, SOUTHCO and NESCO proposed that the Monthly Minimum Fixed Charges for such consumers shall be levied at Contract Demand or Maximum Demand whichever is higher instead of recorded demand rounded to nearest 0.5KW requiring no verification irrespective of agreement.

**Demand Charges and Monthly Minimum Fixed Charges**

62. All the above three licensee claim the revenue recovery on account of demand charges is less than the fixed distribution cost. Hence they request the Commission to allow to recover full fixed distribution cost by suitably revising the demand charges and monthly minimum fixed charges as applicable to the respective category during the ensuing year.

**KVAH Billing for LT Industrial Consumers**

63. All the Reliance Managed Licensee proposed for inclusion of KVAH based tariff for 2008-09 with the same rate presently applicable for per/KWH consumption.

**Applicability of Power Factor Incentive**

64. WESCO, NESCO and SOUTHCO claim that they forego more revenue in power factor incentive than what is being recovered from the penalty. Hence, they propose to consider power factor incentive for the PF more than 97% in place of 95% and the power factor penalty may be chargeable of the consumer if the power factor is less than 95%. They have also proposed to include some additional consumers in both LT and HT category under the PF penalty/incentive scheme.

**Connection Charges**

65. WESCO, SOUTHCO and NESCO have proposed to revise the connection charges from Rs.500 to Rs.1000 for single phase domestic/general purpose consumers considering the escalation in cost of materials over the years and actual labour component into account.

**Reconnection charges**

66. WESCO, NESCO and SOUTHCO have asked for increase in reconnection charges so that it will act as a deterrent to non-paying consumers.

**Withdrawl of recovery of Meter rent**

67. WESO, NESCO and SOUTHCO propose for withdrawl of recovery of meter rent from the consumers. The meter procured and provided to the consumers are to be considered as part of the distribution assets and accordingly to be treated in the ARR of the Licensees.

**Government Consumer Dues**

68. The above three licensee requests the Commission to issue directives in the tariff order which shall facilitate the reconciliation and realisation of the revenue from the Govt. consumers in time.

**Special Tariff for JCL under SOUTHCO**

69. SOUTHCO proposes the special tariff rate 257 p/kwh to M/s JCL with mutual consent for the FY 2008-09 which will be submitted to the Commission for approval.

**Table – 10**
**Proposed Re-Connection charges for FY 2008-09**

**(In Rupees)**

| Connection Type | WESCO | NESCO | SOUTHCO |
|---|---|---|---|
| Single Phase Domestic Consumer | 75 | 75 | 75 |
| Single Phase Other Consumer | 150 | 150 | 150 |
| 3 Phase LT Consumer | 300 | 300 | 300 |
| HT & EHT Consumer | 1500 | 1500 | 1500 |

**Delayed Payment Surcharge for consumers**

70. WESCO, NESCO&SOUTHCO submitted that DPS should be made applicable to all categories of consumers without any discrimination

**Rebate on prompt payment**

71. WESCO, NESCO and SOUTHCO have prayed for approval of rebate of 2% to the licensee for prompt payment of BST bill within three working days from the date of presentation of the BST bill.

**Table – 11**
**PROPOSED TARIFF SCHEDULE OF WESCO, NESCO and SOUTHCO for FY-2008-09**

| Sl. No. | Category of Consumers | Voltage of Supply | Demand Charge (Rs./KW/ Month)/ (Rs./KVA/ Month) | Energy Charge (P/kWh) | Customer Service Charge (Rs./ Month) | Monthly Minimum Fixed Charge for first KW or part (Rs.) | Monthly Fixed Charge for any additional KW or part (Rs.) | Rebate (P/kWh)/ DPS |
|---|---|---|---|---|---|---|---|---|
| | **LT Category** | | | | | | | |
| 1 | Domestic | | | | | | | |
| 1.a | Kutir Jyoti < 30U/month | LT | FIXED MONTHLY CHARGE ----> | | | 30 | | |
| 1.b | Others | | | | | | | DPS/ 10 |
| | (Consumption <= 100 units/month) | LT | | 140 | | 20 | 10 | |
| | (Consumption >100, <=200 units/month) | LT | | 230 | | 20 | 10 | |
| | (Consumption >200 units/month) | LT | | 310 | | 20 | 10 | |
| 2 | General Purpose < 110 KVA | | | | | | | DPS/ 10 |
| | (Consumption <=100 units/month) | LT | | 320 | | 30 | 20 | |
| | (Consumption >100, <=300 units/month) | LT | | 410 | | 30 | 20 | |
| | (Consumption >300 units/month) | LT | | 450 | | 30 | 20 | |
| 3 | Irrigation Pumping and Agriculture | LT | | 110 | | 20 | 10 | DPS/ 10 |
| 4 | Public Lighting | LT | | 320 | | 20 | 10 | DPS/Rebate |
| 5 | L.T.Industrial (S) Supply | LT | | 320 | | 40 | 30 | DPS/ 10 |
| 6 | L.T.Industrial (M) Supply | LT | | 320 | | 80 | 50 | DPS/Rebate |
| 7 | Specified Public Purpose | LT | | 320 | | 50 | 50 | DPS/Rebate |
| 8 | Public Water Works and Swerage Pumping<110 KVA | LT | | 320 | | 50 | 50 | DPS/ 10 |
| 9 | Public Water Works and Swerage Pumping >=110 KVA | LT | 200 | 320 | 30 | | | DPS/ 10 |
| 10 | General Purpose >= 110 KVA | LT | 200 | 320 | 30 | | | DPS/Rebate |
| 11 | Large Industry | LT | 200 | 320 | 30 | | | DPS/Rebate |
| | **HT Category** | | | | | | | |
| 12 | Bulk Supply - Domestic | HT | 10 | 230 | 250 | | | DPS/ 10 |
| 13 | Irrigation | HT | 30 | 100 | 250 | | | DPS/ 10 |
| 14 | Specified Public Purpose | HT | 50 | 300 | 250 | | | DPS/Rebate |
| 15 | General Purpose < 110 KVA | HT | 50 | 300 | 250 | | | 10 |
| 16 | H.T.Industrial (M) Supply | HT | 50 | 300 | 250 | | | DPS/Rebate |
| 17 | General Purpose >= 110 KVA | HT | 200 | 300 | 250 | | | DPS/Rebate |
| 18 | Public Water Works and Swerage Pumping | HT | 200 | 300 | 250 | | | DPS/ 10 |
| 19 | Large Industry | HT | 200 | 300 | 250 | | | DPS/Rebate |

| Sl. No. | Category of Consumers | Voltage of Supply | Demand Charge (Rs./KW/ Month)/ (Rs./KVA/ Month) | Energy Charge (P/kWh) | Customer Service Charge (Rs./ Month) | Monthly Minimum Fixed Charge for first KW or part (Rs.) | Monthly Fixed Charge for any additional KW or part (Rs.) | Rebate (P/kWh)/ DPS |
|---|---|---|---|---|---|---|---|---|
| 20 | Power Intensive Industry | HT | 200 | 300 | 250 | | | DPS/Rebate |
| 21 | Ministeel Plant | HT | 200 | 300 | 250 | | | DPS/Rebate |
| 22 | Emergency Supply to CPP | HT | 0 | 400 | 250 | | | DPS/Rebate |
| 23 | Railway Traction | HT | 200 | 300 | 250 | | | DPS/Rebate |
| 24 | Colony Consumption | HT | 0 | 230 | 0 | | | DPS/Rebate |
| | **EHT Category** | | | | | | | |
| 25 | General Purpose | EHT | 200 | 290 | 700 | | | DPS/Rebate |
| 26 | Large Industry | EHT | 200 | 290 | 700 | | | DPS/Rebate |
| 27 | Railway Traction | EHT | 200 | 290 | 700 | | | DPS/Rebate |
| 28 | Heavy Industry | EHT | 200 | 290 | 700 | | | DPS/Rebate |
| 29 | Power Intensive Industry | EHT | 200 | 290 | 700 | | | DPS/Rebate |
| 30 | Ministeel Plant | EHT | 200 | 290 | 700 | | | DPS/Rebate |
| 31 | Emergency Supply to CPP | EHT | 0 | 380 | 700 | | | DPS/Rebate |
| 32 | Colony Consumption | EHT | 0 | 230 | 0 | | | DPS/Rebate |
| | **D.C. Services** | | RATE FOR D.C. SUPPLY | | | | | |
| 34 | **Domestic** | LT | SAME AS RATE AT SL. 1 | | | | | DPS/ 10 |
| 35 | General Purpose < 110 KVA | LT | SAME AS RATE AT SL. 2 | | | | | DPS/ 10 |
| 36 | L.T. Industrial (S) Supply | LT | SAME AS RATE AT SL. 5 | | | | | DPS/ 10 |

**Note:**

| | |
|---|---|
| (i) | Load Factor (LF) in excess of 50% and up to 60% by EHT and HT consumers shall be payable @202 paise/kwh & 200 paise/kwh respectively and LF above 60% by EHT & HT consumers shall be payable @ 202 paise/kwh & 170 paise/kwh respectively.<br>In case of SOUTHCO Load Factor (LF) in excess of 50% and up to 60% by EHT and HT consumers shall be payable @180 paise/kwh & 200 paise/kwh respectively and LF above 60% by EHT & HT consumers shall be payable @ 150 paise/kwh & 170 paise/kwh respectively. |
| (ii) | TOD Tariff allowed to 3 phase consumers with Static meter excluding those covered under any discounted Tariff and Public lighting will remain un-changed. |
| (iii) | Special Tariff for Industries with Contract Demand of 100 MVA and above @ 200 p/u remains unchanged. |
| (iv) | Charges other than and in addition to the charges of Tariff leviable towards Meter rent and Reconnection charges remain unchanged. No meter rent will be payble after full cost of meter is recovered. |
| (v) | Prompt payment rebate @ 10 paise per unit will be allowed to consumers under public water works and sewerage pumping category for payment within the due date . |
| (vi) | Power factor incentive for HT & EHT consumers will be applicable above power factor of 97% in place of 95%. |
| (vii) | Consumers having contract Demand of 70kVA and above under Industrial (Medium) industry and General purpose tariff, demand charges of Rs.200/- per kVA may be applicabe instead of Rs.50/- per kW. |

72. WESCO, NESCO and SOUTHCO have not proposed any revised tariff schedule for FY 2008-09.

**Loss reduction action plan for FY 2008-09**

73. WESCO, NESCO and SOUTHCO have submitted that they have initiated various measures like continuous monitoring of meter readings, de-hooking of unauthorised consumers, bringing new consumers to the billing fold, curbing theft in HT Category through strict and round the clock vigilance and installation of cubicles and check meters, and launching special drives. CESU has submitted the following action plan for achieving target distribution loss.

- Focus on implementation of commercial procedures.
- CESU has proposed for installation/replacement of 33 and 11 KV breakers for maintaining quality of supply.
- Providing meters to all unmetered consumers and consumers having defective meters and proper installation quality.
- Frequent checking of meters through MRT squads.
- Emphasize on rural areas by formation of village committees and thus involving the general consumers.
- Introduction of meter reading cards with check meter reading at the division level.
- Technological upgradation of sub-stations and SCADA for distribution. Engagement of a Consultant for this purpose is under process.

**Prayer**:

WESCO, NESCO and SOUTHCO have the following prayers to the Commission.

- Take the accompanying ARR and Tariff Petition on record.
- Approve the Annual Revenue Requirement for FY 2008-09 including amortisation of regulatory assets and truing up of uncovered gap for FY 2007-08.
- Bridge the Revenue Gap through combination of reduction in BSP, grant/ subsidy from the State Government of Orissa and/or increase in Retail Supply Tariff.
- SOUTHCO's consumption mix is skewed towards LT consumption; the SOUTHCO is incurring huge loss as compared to other DISCOMs. Even if Distribution losses are reduced hypothetically by 20 %, still SOUTHCO

will end up in incurring losses. Therefore there is an urgent need for substantial reduction in BST for SOUTHCO.

- Any other relief, order or direction which the Commission deems fit be also issued.

## OBJECTIONS AND QUERRIES RAISED DURING THE HEARING PROCESS (Para 74 to 110)

74. At the outset of the hearing licensees were allowed to give a power point presentation regarding their ARR and tariff application for the FY 2008-09. Next, representative of Nabakrushna Choudhury Centre for Development Studies, Bhubaneswar who has been appointed as consumer counsel presented the gist of the submission by the licensee, queries and rejoinder pertaining to the submission and also put up their own queries and objection regarding ARR and tariff filing. Followed by him the objectors made many comments regarding the submission of the licensees. Subsequently, Director (Tariff) raised certain queries and observation regarding the same application. The Commission has considered all the issues raised by the participants in their written as well as oral submissions during the public hearing. Some of the objections were found to be of general nature whereas others were specific to the proposed Revenue Requirement and Tariff filing for the financial year 2008-09. Based on their nature and type, these objections have been categorised broadly as indicated below:

**Nabakrushna Choudhury Centre for Development Studies**

75. In accordance with section 94(3) of Electricity Act, 2003 which stipulates that the appropriate Commission may authorize any person as it deems fit to represent the interest of consumers in the proceedings before it. The Commission for the second time in succession has engaged Nabakrushna Choudhury Centre for Development Studies as consumer counsel for receiving quality inputs/feed back on the tariff matters in the interest of different sections of consumer for the FY 2008-09. Dr. Sibalal Meher of the Centre presented an analysis of the applications in the light of Kanungo Committee Report out of which some of the important observations are as follows:

a) Past losses should not be allowed to pass through as revenue gap in all the four DISTCOs.

b) The projected demand for LT consumers by all the DISTCOs seems to be unrealistic as by projecting high LT demand it can show high distribution loss.

c) Licensees should concentrate on reducing the distribution loss on the supply of existing consumers and there should not be any distribution loss on the new demand. No licensee has adhered to the recommendation of Kanungo Committee for distribution loss reduction at an average rate of

5% per year. The CESU, NESCO and SOUTHCO should reach at a collection efficiency of 97% and WESCO at level of 98% by the year 2008-09.

d) The projected A&G cost and R&M cost for all DISTCOs are on the higher side. None of the DISTCOs has remained within the approved figure of expenditure allowed to them on this account during FY 2007-08.

e) No return on equity should be given to DISTCOs as such a practice would violate the very basic principles of finance, i.e. the capital increases/decreases due to the profit/losses of the business. Ignoring the loss (accumulated loss) and allowing return on the equity would have negative effect on the sector in general and consumers in particular. When the licensee gets return on the equity there is an incentive for more equity financing.

f) DISTCOs are making little effort to collect the outstanding arrears. If these arrears could be collected then the deficit would be reduced drastically and there would not be any need to raise tariff. The DISTCOs instead of taking effective steps for reduction of distribution loss and improvement of collection efficiency seems to be asking for escrow relaxation to carry out their operation and maintenance works.

**Legality of the ARR and tariff application**

76. One objector stated that the application for determination of ARR as well as fixation of tariff as filed by the DISTCOs is illegal. That, the law contemplate that the Commission has to determine licensee's revenue for the purpose of fixing the tariff first, but not on composite application which is confusing and would be in contravention of law. The objector further stated that for fixing the RST, the BST to be determined first and then the RST should be fixed. Again the licensee has filed this application in question to confuse the consumer public without disclosing the purpose for such filing. He again reiterated that the licensees have failed to provide details as required under the regulation of the Commission for consideration his application as such the application may be rejected. He further submitted that object and purpose of the law is that the licensee shall carry on the operation in a most efficient and economical manner and not on loss basis and that the licensee has breached the said mandate and conditions of the license, as such the application in question may be rejected. The licensee has not produced the audited accounts for FY 2005-06 and FY 2006-07, hence their application for ARR may not be allowed.

**Procedural simplicity and inexpensiveness**

77. One objector stated that the procedure/method adopted by the Commission be made simple and inexpensive. Regulation to that effect be suitably framed to enable the public to file the purposeful objection and effectively participate in the

disposal of the application by the licensee as he has suggested in the earlier objection to tariff application of licensees.

**Review of operations of the year 2006-07 & 2007-08 (Estt) and Performance Estimates in FY 2008-09**

78. The objectors in general stated that the distribution licensees had not improved there efficiency and standard of service, performance and had not reduced T&D losses etc. as directed from time to time for which the Commission should not penalise consumer to make good of losses of licensees for its maladministration, inefficiency, corruption, mismanagement, unnecessary expenses, etc. They highlighted that the rural Orissa is deprived of getting uninterrupted power supply. The supply in rural areas is at low voltage. Under such circumstances, the tariff should not be raised. The objector demanded the supply at low voltage should be treated as no power. One objector pointed out that the Commission should ask the licensee regarding the nexus between power purchase and power sold and margin of earning derived out of such a deal. The revenue shortfall should be bridged by improving the performance and not by way of enhancement in tariff. The objectors also alleged that the accounts of the DISTCOs have not been audited for the period from FY 2006-07 onwards. As such, the filing is based on imaginary and manipulated statements.

79. The objectors requested the Commission to examine/scrutinize:

i) Whether the DISTCOs have complied with the direction of the Commission issued in the earlier orders and regulations?

ii) Whether they are following least cost power purchase as directed by the Hon'ble High Court by its order dated 03.02.2003?

iii) Whether distribution loss has been brought down as per the direction of the Commission?

iv) Whether consumption of energy by all consumers are measured by meter or by defect free meter to assess the accurate consumption.

v) Whether employees have been made accountable to their gross negligence in attending to consumer complaints and the licensee has made efforts to break the nexus between the employees and consumers?

vi) Whether distribution/energy loss at each division and sub-divisional level is taken into account by licensee and who is responsible/accountable for the same.

vii) Whether the licensees have followed power purchase agreement faithfully?

viii) Whether they follow the complaint handling procedure in true spirit?

80. Some objectors stated that the quality of service provided by the licensee is very poor. The licensee's local office is reluctant to render any assistance or to provide any information to the consumers as and when asked for.

81. One objector stated that all the DISTCOs are engaged in undertaking organised power cuts, low voltage supplies and erratic services. There exists absolutely no justification in enhancing the tariff rates so long as such unscrupulous acts are not redressed properly.

82. Coordinated efforts are necessarily to be made for regular check up with people's participation to control and check theft of conductors, poles, towers and loss of animal lives including elephants.

83. The same objector stated that direct involvement of local administration Gram Panchayat, Panchayat Samitee, Zilla Parishad is a must. Licensees should interact regularly with all concerned.

84. Some objectors stated that there is frequent power interruption in WESCO's area, as a result, the industries are adversely affected.

**Distribution Loss**

85. The objectors stated that the target for distribution loss as recommended by the Kanungo Committee, duly accepted by the Commission and Govt. of Orissa has not been achieved by the DISTCOs. Even their own commitment in the business plan duly approved by the Commission has not been adhered to. Huge investment made through PMU and APDRP project in the past year has not resulted in reduction of distribution loss. Every year, they merely come forward with enhanced loss figures as compared to the benchmark fixed by the Commission. In this context, the objectors pointed out that the true performance of DISTCOs relating to distribution loss is camouflaged by adding the zero loss energy sold at EHT. EHT consumers having zero loss should not be included for computation of overall loss. The performance parameters should be only on HT & LT loss. The declared loss by the licensee is unrealistic as a large chunk of consumers are still unmetered and having defective meters. It is a common practice of the licensee to raise bogus bills at the year-end to show lower distribution loss. He urged the Commission that if additional power beyond the Commission's approved figure is purchased at a higher rate, the consumers should not be burdened with such high cost power. Different bench marks for distribution losses given for different DISTCOs are technically absurd. Since the system of distribution are almost similar in all DISTCOs, DISTCOs having higher percentage of EHT sale should be less distribution loss as distribution loss in EHT is zero. While taking full advantage of cost plus tariff determination the distribution licensees is projecting ever increasing cost without any improvement in its performance. The declared loss by the licensee is unrealistic as a large chunk of consumers are still unmetered and having defective meters.

**Collection Efficiency**

86. Some objector stated that the collection efficiency is far below the commercial and prudential norms. The consolidated age wise analysis of debtors is shocking. The Petitioner companies have not been able to disconnect the electric lines of the defaulting consumers. Adjustment of dues of the Govt. Depts. & Govt. Undertakings against the Power Bonds are not permissible as it is not the responsibility of the GRIDCO to address the liability towards the arrear dues. Licensee should exhibit the collection separately for current and arrears.

**AT&C Loss**

87. The objectors pointed out unanimously that the DISTCOs have failed squarely to boost up their collection efficiency. One objector stated that amounts not collected cannot be treated as bad debt and AT&C concept should not be implemented as it hides the inefficiency of the licensee. The licensee should exhibit the collection separately for current and arrears. The licensees must disconnect power supply to Govt. installation due to non-payment of bills. He further stated that the benchmark fixed by OERC with regard to AT&C loss should be strictly followed. The base line data should be checked in line with the National Tariff Policy. The licensees is hiding intentionally the arrear collection prior to 01.04.1999 as 50% of the amount is to be paid to GRIDCO/State Govt.

**Metering**

88. Some objectors alleged that 100% metering of consumers as claimed by the licensee is false. In this context, they informed the commission that the licensees are still going on with unmetered/defective metered supply. Meter rent is still being collected after complete recovery of the cost of the same. One consumer suggested the Govt. consumers should be supplied electricity through pre-paid meters. One consumer stated that as per Section-55 of the Electricity Act, 2003, the Security Deposit paid by the consumer is also applicable for the meter. Hence, no meter rent should be collected. In case the meter rent is withdrawn on the ground that no sales tax is applicable to the consumer, resulting in no change of ownership, the licensee will have no obligation to replace the meter in time which leads to incorrect readings of the energy consumption by the use of old meters.

**Energy Audit**

89. The objectors reiterated that the licensees are flouting the Commission's order by adopting dilly-dallying tactic in installation of meters inspite of Commission's clear-cut direction for completion of metering and commencement of energy audit -distribution transformer-wise. The objectors alleged that the DISTCOs were reluctant to comply with the Commission's directive on the apprehension that the actual loss in distribution would be revealed. The Commission may think of carrying out energy audit through appointment of an independent body. Although

common notion is that losses are primarily due to LT side losses, there is possibility that the higher losses are actually occurring on HT & EHT side.

**Administrative & General Expenses**

90. The objectors stated that the consumers should not be required to bear any cost incurred by the licensees for verification of consumer ledger. The entire cost should be to the account of the DISTCOs. They further alleged that DISTCOs incurring huge expenditure on A&G cost, rents, legal expenses and auditor's fees etc. One objector pointed out that it is evident from ARR application that a lot of energy and time is spent on managing the litigation between the distribution companies and the Commission which reflects badly the seriousness of the consumers about conducting business in the state.

**Provision for Bad & Doubtful Debts**

91. The objectors pointed out that the Reliance Energy Limited Controlled DISTCOs, namely, NESCO, SOUTHCO and WESCO should have maintained records with regard to write-off of bad debt as on 01.04.1996 and 01.04.1999 and 50% of the arrear amount collected should be passed on to GRIDCO. Truing up for bad & doubtful debts should be made to take into account only such dues which are not collectable and have been written off from the books of licensee, based on audited accounts.

**Security Deposit**

92. Railways demanded that security deposit should be waived for railways as it has never defaulted for payment of energy bill. One objector advised that Security Deposit for the energy charges should be invested in Govt. bonds. Licensee should be asked to supply details of the deposit towards Security Deposit. Since, the consumer fund in shape of Security is more than three times of share capital incase of WESCO it upset debt equity ratio of the said company. In case the carry-forward losses are appropriated the net worth of the company becomes negative. Hence, WESCO should infuse more share capital to make the net worth positive. Customer Security Deposit should carry interest at the same rate, what Licensee is demanding for the period of delay in payment of security money. It may be permitted to furnish bank guarantee or to open revolving letter of credit in favour of Licensee in lieu of Security Deposit.

**Rural Electrification under APDRP & RGGVY**

93. The distribution companies have not taken any step to utilize APDRP funds for the up-gradation of the lines and sub-stations. SOUTHCO in particular has lagged behind in implementing APDRP scheme. The objector also wants to know what steps distribution companies are taking towards ensuring revenue sustainability after RGGVY, BGJ implementation.

**Single part BSP**

94. Some Objectors demanded that the Hon'ble Commission may revert to the system of two-part tariff while approving the Bulk Supply purchase by different Distribution Licensees. The Licensee should submit to the Bulk Supplier the monthly demand and energy requirement. Penalty should be imposed for over drawl. The minimum demand charges should be based on 80% projected demand by the Licensee in a particular month.

**Pass through of Past Losses**

95. The truing up should not be allowed for inability to meet the distribution loss and collection efficiency targets. Amortization of regulatory assets may be disallowed since it is a reflection of inefficient management of the licensee.

**Tariff Rationalisation**

**Reduction in Cross-subsidy**

96. The objectors stated that the orders of the Hon'ble Commission determining the incentive tariff for HT & EHT consumers has resulted in increase the Cross Subsidy, which is contrary to the principle annunciated in the OERC (Terms & Conditions of Determination of Tariff) Regulations, 2004 and the National Tariff Policy. The objectors stated that if the cross-subsidy is reduced then only the tariff could be rationalised. In this context, they stated that the subsidising categories of consumers are supposed to know the quantum of cross subsidy they are paying.

**Recovery from Fixed/Demand Charges**

97. The demand charges may be calculated prorata if the total interruption and intimated shutdown exceeds 60 hours in a month. There should be no imposition of time limit for reduction of contract demand. Some objectors of NESCO submitted that it would be prudent to encourage medium industries to graduate to large industries by retaining the present demand charges.

**Change in Tariff Structure**

98. There is no justification to accept the prayers of the licensee regarding demand charges @200/KVA for consumers having CD more than 70 KVA through HT supply. There should not be fixed charges for LT Industrial and Public Water Works consumers. Most of the objectors demanded that increase in reconnection charges, MMFC for consumers with CD less than 110 KVA and KVAH billing for LT industrial consumers should not be allowed. ]

**Category wise Tariff**

99. Some objectors requested the Commission to modify/add certain stipulations in the tariff order of 2007-08 as below:

i) A lower load factor upto 50% may be prescribed for the period of annual maintenance which will be jointly decided the licensee and consumers. Load factor may be computed for peak and off-peak hours separately. The over all load factor may be computed by integrating the above data.

ii) The guaranteed load factor of 80% should be determined on an annual basis.

iii) Lowering of load factor for plastic industries and similar continuous process industries from 50% to 35% to be eligible for discounted tariff.

iv) Load Factor calculation should be based on power on hours.

v) Colony consumption excess of 10% of the total consumption is charged at industrial rate. This provision should be scraped rather colony consumption in full should be charged at domestic rate. Energy consumed in industrial colony limiting to maximum should be included in the first slab of 50% for incentive calculation.

vi) Special tariff for any one drawing 40 MVA and above in stead of 100 MVA.

vii) For availing incentive the condition of non-reduction of contract demand for three years should be scraped for EHT / HT consumer.

viii) WESCO may be directed allow incentive if the power factor is maintained at a level of 90% or higher instead of 95% as is in the past. Penalty of 1% for each 1% reduction in PF below 95% should be allowed.

ix) TOD rebate should be 50% of the normal rate. One objector demanded to increase TOD discount from 10 paise per unit to 20 paise per unit.

x) Special tariff @ 50% of existing tariff should be applicable for foundry.

xi) There should not be any penalty upto a limit of 20% of CD for excess drawl during peak hours.

xii) It is requested to allow 1% rebate if the bill amount to be paid within 15 days of the receipt of the same for HT consumer.

xiii) While fixing tariff the electricity tariff in the neighbouring states may be taken into account.

xiv) The Licensee should submit to the Bulk Supplier the monthly demand and energy requirement. Penalty should be imposed for over drawl. The minimum demand charges should be based on 80% projected demand by the Licensee in a particular month.

xv) To impose Demand Charges on the CPPs/ Generating Stations for emergency drawl without any back up data leads to unknown increase in SMD. CGP should have no demand charge. It can be reimbursed when SMD goes up.

xvi) Higher power factor results in definite financial advantage to the DISTCOs in the form of lower demand charges, reduced losses and increase in the system capacity to supply power. Hence, no further benefit should be allowed.

xvii) Incentive tariff should not be for a fixed period.

xviii) Every interruption should be considered as an interruption for a period of 30 minutes and all such periods be deleted from the total hours in a month

**DPS & Rebate**

100. Many objectors requested the Commission that the present practice of DPS and rebate should continue. Additional levy of DPS on LT consumers is not justified as they are loosing rebate. One objector stated that for Rebate and DPS it should be in accordance with CERC guidelines and BSP Tariff Order of the Commission.

**Remunerative Norms**

101. One objector requested the Commission to check whether the DISTCOs had instructed all the divisions in their respective areas to follow the remunerative norms while preparing the estimate for extension of the electrical installations for power supply.

**S.E. Railways & E.Co. Railways**

102. Very forceful objections were presented by the both the Railways during hearing. East Coast Railways in particular cited different cases where they were penalised for no faults from their side. They pointed out that the DISTCOs work ceases with meter readings and billing only for supplying power to railways at EHT. The power comes from the bulk supplier, GRIDCO, through OPTCL transmission system and finally delivered to Railways. As such, they should be allowed to take power at the prevailing BSP rate in addition to transmission charges thereon. They categorically indicated that the nature of Railway load is such that it cannot exceed load factor of 50% even in the busiest track. Their load is distributive in nature drawing power from different load points. Keeping the above factor in view, they appealed to the Commission for allowing simultaneous maximum demand or SMD in each licensee area. They pleaded that the Commission may pass order for ignoring the rise in maximum demand during feed extension from one TSS to another in case of emergency. OERC should adopt single part tariff for railway traction and energy charge thereon should be reasonably fixed keeping in view the cost of supply. Power factor penalty should be leviable if it falls below 85% instead of 90% like neighbouring SEB. Power factor incentive should start from 90% and above to justify the installation of costly equipment like capacitor

bank. Railway should be allowed 2% rebate for early payment as GRIDCO allows to DISTCOs. TOD tariff benefit is not being given by any DISTCOs to railways. East-Coast Railway submitted that railways continuously face low voltage problem at traction substation in NESCO area. They pointed out that the compensation amount as provided in OERC Regulation is very low in comparison to the loss they are incurring if licensees fail to meet the guaranteed standard of performance.

**Private ITI Association**

103. Private ITI Association submitted that ITI or ITCs are imparting craftsmen training to students of Orissa to enhance their employability. Again students passing out from those institutions can get lateral admission into Diploma stream of Engineering .They tried to prove that they are like any other Educational institution offering particular course of studies. Hence, they are neither doing any production nor making any business. For that reason they should be rightfully under the tariff of public institutions instead of commercial tariff which is being presently levied on them.

**Berhampur Cold Storage, Berhampur**

104. Berhampur Cold Storage submitted that in cold storage load factor of consumption is less than 30% and the maximum demand is about to 50 to 60% of the contract demand. In cold storage there must be two compressors out of which one runs continuously and other remains on standby. Having no scope for optimum utilization they are categorized under large industries. As cold stores are required for preservation of agricultural product, the cold storage charges can't be enhanced for viability of agricultural product market. They prayed to fix a tariff at par with agricultural tariff for cold storage.

**General Issues**

105. Some of the general issues raised by the objectors during hearing are as follows:

- The licensee is required to notify the consumers 24 hours before the scheduled power cut by print, electronic media and public address system.

- There should be exit clause in the agreement of EHT consumers / large industries / power intensive industries.

- It is requested to operate Camp Courts of Ombudsman at Balasore at least 6 times in a year to lessen the burden of the consumers.

- It is neither possible nor desirable that the consumers be made to finance the licensee to meet its obligations. The Hon'ble Commission may direct the licensee to infuse additional funds as may be required to turn around the sector.

- The company is not paying automatic compensation for non-compliance of the guaranteed standard of performance.

- WESCO is asking for system augmentation charges from all the new consumers without making any capital expenditure. Hence, minimum commitment period of agreement should be reduced to 1 year in place of existing 5 year.

- There should be provision for replacement of the normal agreement by emergency power agreement in case the consumer comes with provision of Captive Power Plant. There should be provision for banking of energy and back-up power supply tariff so that a Captive Power Plant can go for normal production during planned outage.

- The tariff should not be allowed to rise to fill up the revenue gap mainly due to amortization of regulatory asset.

- The Commission should clarify whether the consumer will refund the incentives availed till the date due to reduction of the Contract Demand and whether he is entitled for incentive based on reduced Contract Demand

- Some objectors stated that there is acute shortage of manpower in DISTCOs. They are banking upon contractual employees more for which system performance has been going down day by day.

- If the company is not following the instruction of OERC, the ARR may be disallowed

**Issues raised during Hearing by OERC Staff**

106. During hearing Director (Tariff) raised certain issues relating to ARR and Tariff filing for each DISTCOs. Some of the important issues raised during the hearing can be summarised as follows:

107. **CESU:**

- The audited accounts for the FY 2006-07 should be submitted.

- It is observed from the balance sheet of 2005-06 that there is a reduction in gross fixed asset to the tune of Rs.95.95 crore over previous year. The reason for such reduction in asset is not found in notes to accounts. The

same may be explained. Further, in the soft copy of ARR filing submitted by CESU it is observed that Fixed Asset sheet in OERC tariff format F-35 has not been revised on the basis of the figure mentioned in audited accounts for 2005-06. This needs to be revised.

- The expenditure shown in OERC format F-23 under the head of A&G expenses is in variation with the revenue requirement filed in OERC format F-13. This needs to be explained.

- The Commission had directed CESU to pay Rs.43.23 crore to GRIDCO towards arrear BSP during the FY 2007-08. The exact amount of remittance may be furnished.

- Action plan for energy audit for the ensuing year may be submitted. CESU may clarify as to when the process of energy audit shall be completed?

- How does CESU propose to bridge the revenue gap of Rs.161.70 crore in the ensuing year? CESU had suggested to bridge this gap (In reply to Commission's query) through reduction in transmission tariff and BSP which are not in its purview.

- The status of special police stations in CESU zone may be intimated to the Commission? Also the number of FIRs which have been lodged to check theft may be submitted.

- The progress in respect of spot billing and consumer indexing may be furnished?

- Since the load growth given in the ARR does not tally with those given in the Reply to queries (by CESU) raised by the Commission and every time CESU is coming up with different load projections, the licensee may confirm the anticipated load growth for 2008-09 as reconciled with OPTCL. CESU has already furnished the reconciled statement of additional Load Growth at EHT to be 96.64 MU and at HT to be 11.169 MU. This needs to be further confirmed.

- The status of pillar box metering as undertaken by CESU may be communicated.

108. **NESCO:**

- The Commission had directed NESCO to pay Rs.41.36 crore to GRIDCO towards arrear BSP during the FY 2007-08. The exact amount of remittance may be furnished.

- GRIDCO in its filing on ARR & Tariff application for 2008-09 has stated that an amount of Rs.59.81 crore for the period of April–December of the

current year 2007-08 has been allowed towards Escrow Relaxation. NESCO may furnish month-wise O&M expenditure incurred till date as against escrow relaxation.

- The Appellate Tribunal in its Order dtd. 5th December 2007 has allowed ESCROW relaxation of an amount of Rs.3.97 crore per month over and above the amount towards salary till the judgement of Hon'ble Supreme Court or till 31.3.2008 whichever is earlier. The licensee is required to furnish the details of the ESCROW amount availed over and above the salary and its utilization thereof for the current financial year 2007-08.

- NESCO has only expended Rs.8.45 crore towards R&M upto November, 2007 of the current year as against approved figure of Rs.24.43 crore for 2007-08 which is less than 35% of the approved figure. The licensee may justify the proposed amount of R&M expenses of the order of Rs.32.70 crore for 2008-09.

- In its Objection, M/s Jindal has proposed 10.656 MU of drawl with peak demand of 30 MVA for FY 2008-09 whereas NESCO has proposed drawl of 46.656 MU with 15 MVA CD for Jindal. This discrepancy may be explained.

- NESCO may explain whether abnormal rise in SMD could be attributed to CGP over-drawl only?

- Since the load growth given in the ARR does not tally with those given in the reply to queries (by NESCO) raised by the Commission and every time NESCO is coming up with different load projections, the licensee may confirm the anticipated load growth for 2008-09 as reconciled with OPTCL. NESCO has already furnished the reconciled statement of load reduction at EHT to be 62.524 MU and additional load growth in HT to be of the order of 24.04 MU. NESCO may confirm whether M/s. Rohit Ferro-Tech, M/s. Balasore Alloys, M/s. Stork Ferro & Mineral in EHT category have got clearance from OPTCL.

- NESCO may submit as to how much of funds have been utilized towards revenue expenditure out of the consumer security deposit received by the licensee in the current year 2007-08. The licensee may further indicate the total security deposit of NESCO on hand which is invested in fixed deposit.

109. **SOUTHCO**

- The Commission had directed SOUTHCO to pay Rs.31.91 crore to GRIDCO towards arrear BSP during the FY 2007-08. The exact amount of remittance may be furnished.

- GRIDCO in its filing on ARR & Tariff application for 2008-09 has stated that an amount of Rs.51.94 crore for the period of April–December of the current year 2007-08 has been allowed towards Escrow Relaxation. SOUTHCO may furnish month-wise O&M expenditure incurred till date as against escrow relaxation.

- SOUTHCO has only spent Rs.2.64 crore towards R&M upto November, 2007 of the current year as against approved figure of Rs.18.38 crore for 2007-08 which is less than 20% of the approved figure. SOUTHCO may justify the proposed amount of O&M expenses of the order of Rs.30.72 crore for 2008-09.

- SOUTHCO may submit the number of consumers having CD of <110 KVA under medium industry which have crossed CD of 110 KVA due to low power factor and which in turn is affecting the SMD of the licensee.

- Fixed cost of power procurement is recovered through demand charges. SOUTHCO's claim for enhancing demand charges for recovering fixed cost of distribution is unjustified.

- Since the load growth given in the ARR does not tally with those given in the Reply to Queries (by SOUTHCO) raised by the Commission and every time SOUTHCO is coming up with different load projections, the licensee may confirm the anticipated load growth for 2008-09 as reconciled with OPTCL. SOUTHCO has already furnished the reconciled statement of additional Load Growth at EHT to be 1 MU and at HT to be 2.02 MU. This needs to be further confirmed.

110. **WESCO:**

- There exists a glaring difference between EHT/HT consumption of WESCO and SOUTHCO. It is observed from the filing of WESCO and SOUTHCO for the FY 2008-09 that EHT+HT consumption taken together, the difference between WESCO and SOUTHCO is of the order of Rs.787.59 crore in terms of revenue earning. WESCO is expected to earn an additional sum of Rs.400.58 crore compared to SOUTHCO only from EHT consumers without any extra contribution. WESCO may explain as to why there should not be a difference between WESCO and SOUTHCO as far as BSP is concerned.

- The Commission had directed WESCO to pay Rs.36.83 crore to GRIDCO towards arrear BSP dues during FY 2007-08. The exact amount of remittance may be furnished.

- GRIDCO in its filing on ARR & Tariff Application for 2008-09 has stated that an amount of Rs.69.39 crore for the period of April – December of the current year 2007-08 has been allowed towards Escrow relaxation.

WESCO may furnish a month wise O&M expenditure and employee cost as against Escrow relaxation.

- The Appellate Tribunal in its Order dtd. 5th December 2007 has allowed ESCROW relaxation of an amount of Rs. 3.11 crore per month over and above the amount towards salary till the judgement of Hon'ble Supreme Court or till 31.03.2008 which ever is earlier. The licensee is required to furnish the details of the ESCROW amount availed over and above the salary and its utilization thereof for the current financial year.

- WESCO has only expended Rs.6.50 crore towards R&M upto November, 2007 of the current year as against approved figure of Rs.23.82 crore for 2007-08 which is less than 30% of the approved figure. The licensee may justify the proposed amount of R&M expenses of the order of Rs.33.01 crore for 2008-09.

- Analysis indicates that HT/EHT billing in case of WESCO has been much higher over the years than the rise in the BSP bill, whereas the growth in LT billing has been in the lower side indicating incremental distribution loss and poor collection efficiency at LT. WESCO may take necessary corrective measures.

- WESCO has submitted that additional load growth in EHT would be 111 MU for FY 2008-09. This may be confirmed.

- WESCO may submit as to how much of funds have been utilized towards revenue expenditure out of the consumer security deposit received by the licensee in the current year 2007-08. The licensee may further indicate the total security deposit of WESCO on hand which is invested in fixed deposit.

There are certain queries which are common to all four DISTCOs. This may be summarized as follows:

- Up-to-date status of audit of receivables need to be furnished.

- The three Reliance Managed Companies have proposed KVAH billing for LT/HT industrial consumers without having sufficient data for determination of their power factor. The licensee may explain the basis of proposing the same tariff rate for KWH and KVAH consumption.

- Mis-match between GRIDCO's and licensees projections of SMD for 2008-09 other than NESCO may please be explained.

- The Reliance Managed Companies may explain whether abnormal rise in SMD could be attributed to CGP over-drawl only?

- WESCO may indicate whether remunerative norm has been implemented, if yes how many cases have been finalized.

- The licensee may indicate how it is planning to reduce cross-subsidy in line with National Electricity Policy.

- Whether there should be single part tariff or two part tariff as far as BSP is concerned.

- The monthly cash flow statement for the year 2007-08 (i.e. upto January, 2008) indicating the revenue items only may be furnished in the attached format. (Format attached).

- **Open Access**: The licensee may indicate the steps taken to encourage open access following the Electricity Act, 2003. The financial impact of migration of EHT/HT consumers on the licensee on account of open access may also be furnished. Further, it may also be stated how the licensee proposes to accommodate loss or gain on account of such open access.

- Consumer commercial information i.e. category-wise sale (MU), billing and average revenue including power purchase from April to December, 2007 in T-6 format may be submitted.

- The licensees have given a status paper on APDRP scheme in which it was indicated that the licensee had incurred expenditure during 10$^{th}$ Plan period. Year-wise details of such expenditure as on date along with the year-wise source of funding may be provided. This must include receipts of funds from sources like GOO grants and loan, counterpart funding etc. and total expenditure thereof incurred in the scheme from 2004-05 till date.

Apart from the above queries the Director (Tariff) also wanted to know from all the four DISTCOs regarding their compliance of the following direction issued by the Commission in the last RST tariff order for FY 2007-08.

- The distribution licensees were directed to carry out energy audit including the distribution transformer, consumer indexing and pole scheduling to localise the loss level at every distribution transformer area and pin point the person or person responsible for such losses. Compliance to this direction may be furnished by the licensees. In this connection, action plan for energy audit for the ensuing year may be submitted. The licensee may clarify as to when the process of energy audit shall be completed?

- Steps taken by the licensees to adopt spot collection through account payee cheques to improve their collection efficiency may be furnished.

- The licensee should indicate the steps taken to avoid burning of transformer due to overloading / unbalance loading and for other reasons.

- The licensee should inform about the direction of the Commission regarding development of a Comprehensive Action Plan for IT intervention at all levels.

- The licensee should submit the peak and off peak drawl of each of the HT consumers to the Commission.

- The licensee should also submit a status report of availability of static meters with ToD facilities for low voltage consumers.

- The licensee should also furnish the status of Consumer-Feeder-Transformer metering.

- The licensee may inform us about the status of development of a Comprehensive Action Plan for IT intervention at all levels.

- The distribution licensee is required to submit each individual bill of HT & EHT consumers for FY 2007-08 (upto December, 2007) and compute the average rate thereof to enable the Commission to verify the average rate per unit as approved in the tariff order 2007-08.

- The licensee should submit the peak and off peak drawl of each of the HT consumers.

## REPLIES MADE BY THE LICENSEES (Para 111 to 217)

111. Some of the objections raised by the objectors on certain issues, were general in nature. Apart from that certain specific objections were also raised by some of them in respect of the licensees against their submission of ARR and tariff application to the Commission for the FY 2008-09. The Commission during hearing also solicited some clarifications on the queries raised by the objectors. The CEOs of SOUTHCO, NESCO, CESU and WESCO responded to the queries made by the objectors and the Commission as under:-

**Legality of the ARR and Tariff Application**

112. In reply to the objections raised by some objector regarding the modalities for filing the tariff application, the CEOs stated that licensee has submitted their application for approval of Annual Revenue Requirement and Retail Supply Tariff for the Financial year 2008-09, under Section 62 and other applicable provisions of the Electricity Act 2003 and in conformity with the provisions of OERC (Terms and conditions for determination of Tariff) Regulations,2004 and OERC (Conduct of Business)Regulations 2004. The Licensees have every right to

appeal before appropriate authority for the grievances aroused while managing the day to day business of power distribution.

**Audited accounts**

113. All the Reliance Managed DISTCOs submitted that the Audited Accounts as per Companies Act upto September 2006 and Tax Audit Accounts upto March 2007 have been submitted. But, CESU has completed special audit upto March, 2006

**Review of operations of the year 2006-07 & 2007-08 (Estt) and Performance Estimates in FY 2008-09**

114. In response to the allegation of the objectors regarding improvement in performance, CEO's stated that they have ensured improvement of quality of power supply with less interruption and better voltage by installing a large number of 33/11 KV sub-stations, distribution transformers, LT line with AB conductors.

115. In reply to Complain of L&T with regard to frequent power failure and voltage fluctuation, WESCO replied that 4th Auto Transformer has been installed in Tarkera Grid during January 2007 after which the power interruption rate has substantially reduced.

116. Regarding allowances towards interruption of power supply – NESCO submitted that due to OPTCL network constraints, sometimes they are forced to give power within the restricted supply. They further submitted that there is a standard of performance as well as compensation guidelines for DISTCOS, therefore DISTCO is to pay for the faults attributable to it as well as OPTCL also. With all their adversities and compulsions they are trying to stabilize the system network, so that the quality of power supply could be improved. It will be appreciable if they would invest the available resources in upgrading the system network in stead of investing the same in meeting the increased compensation – which will just make the scenario worst.

117. WESCO submitted that regarding power supply to Bargarh it is from Burla end. Incase of emergency power is availed from Kesinga and which is very occasional there is low voltage in Bargarh, Agalpur, Melchamunda, Ghensh area for which a new 132/33 Kv Grid sub station at Barpali is under construction by OPTCL. After completion of the sub station the low voltage problem will be over.

118. CESU submitted that, the consumer base of CESU (earlier CESCO) has increased from Rs.6.27 lakh to Rs.9.98 lakh till Dec-07. This has put tremendous pressure on the system of supply where very little capacity addition was made during the past period. This has further aggravated by decrease of regular employees base from 8435 to 6391 during the above period. Despite all these constraints, the supply system has improved with decrease in no of interruption and stable supply. It may also be mentioned here that, CESU has taken steps to improve services to the consumers in respect of prompt redressal of consumer complaints, lowering

the average time taken for extending new service connections, improving voltage level in many low voltage pockets, covering 100% consumers with spot billing facility etc. No power cuts has been made in CESU area and some times shut down has been taken for preventive maintenance and they are intimating public through mike announcement. During the year 2006-07, 1060 nos. of DTs have been replaced against burnt of 1283nos. within 48hrs in rural areas.

**Distribution Loss, Collection Efficiency and AT&C Loss**

119. WESCO, NESCO & SOUTHCO stated that they are taking various steps for reduction of distribution loss such as installation of Audit Metering for industrial consumers, Energy Audit, Feeder Metering, System Improvement Work, regularization of unauthorized consumers through consumer camps, vigilance checking, introduction of monthly spot billing in urban areas, putting parallel meters, giving HT supply through metering cubicles and XLPE cables for HT consumers. SOUTHCO submitted that losses have been computed taking EHT as no loss zone in ARR even though there is energy loss in EHT at traction point. The concept of AT&C loss depicts the overall performance of licensees cumulatively in the areas of billing and collection with respect to the input. The licensee has taken the difference of 100% collection efficiency to actual collection efficiency as provision for bad debt considering certain uncontrollable factors. The disconnection in certain cases like PHD, H&FW and street light etc. is very difficult due to adverse effect on mass public.

120. CESU submitted that over the years their operational efficiency is increasing. The AT&C loss has deceased from 49.31% in the year 2005-06 to 47.11% in 2006-07. Again, till December'2007 AT&C loss of CESU was 46%. This clearly shows the AT&C loss which is one of the measures of operational efficiency is increasing year by year. However, CESU is not complacent with this kind of achievement. CESU is taking up various measure and seek Govt. cooperation to control the power theft.

**Metering**

121. CESU submitted that Steps are being taken for gradual conversion of consumer meters with two-wattmeter principle of energy measurement to three wattmeter principle prioritizing HT & EHT categories. This will result in improvement of energy billing approximately up to 3%. During April-November'07, almost 10, 000 single phase consumers in urban areas are covered with pillar box metering and the improvement in billing is quite noticeable.

122. SOUTHCO has completed 100% metering in 159 Nos of 33 KV feeders and 425 Nos. of 11 KV feeders. So far 8993 DTRs have been metered. Priority is being given to make DTR wise consumer indexing and energy auditing in a phased manner and to ensure remedial measures for reducing the losses. They further submitted that the collection of rent on meters is accounted separately under the Account head (23.341).The Licensee is following the Regulation and Tariff from

time to time. The recovery of meter rent of about 12,500 nos of consumers has been stopped. However, there is no bar on the consumer to procure meters as per standards fixed by CEA and install the same. The meters are procured as per the APDRP guidelines. Regarding prepaid meters SOUTHCO appreciates the point raised by objector & has no objection if the consumer installs meter on his own cost. However implementation of such Proposal needs time as technology needs to be upgraded to work in such type of Smart Card based environment. Regarding withdrawl of meter rent SOUTHCO submitted that as the cost of the meter will be included in the asset of the company and will be considered of the ARR it will be the obligation of the Licensees to replace the meter for recording actual consumption of energy.

**Spot Billing Roll Out Plan**

123. CEO, WESCO, NESCO and SOUTHCO stated that spot billing in Rural and Urban areas has helped the consumers to get their bills in time. They will cover most of their geographical area by spot billing in the coming years.

**Energy Audit**

124. The licensees submit that the energy audit is being done on a continuous basis and that the same is being submitted during performance reviews. Any such suggestion regarding the energy Audit through third party shall be unnecessarily burden the consumer with extra cost.

**APDRP Scheme**

125. Regarding APDRP, during hearing NESCO has submitted that they have initiated Distribution System up-gradation and modernisation program under APDRP Scheme of Ministry of Power, Govt. of India from FY 2004-05. The program involves a capital outlay of around Rs. 101.81 Crore, which includes metering, new lines and sub-stations, reconductoring, renovation and modernisation of existing sub-stations, etc. The total expenditure incurred under APDRP works till FY 2006-07 is around Rs.27.12 Crore and estimated expenditure during FY 2007-08 is Rs 16.24 Crore. For the year 2008-09, the expenditure under this head is estimated to be Rs. 53.00 Crore. CESU was unable to arrange the matching funds for utilization of APDRP fund for which it is lagging behind in use of the APDRP funds. CESU has taken adequate steps for implementation of APDRP scheme as per availability of resources.

126. The licensee SOUTHCO has already incurred an amount of Rs 11.42 Crore till FY 2006-07 under APDRP and estimated expenditure of Rs10.41 Crore during the FY 2007-08.

**Administrative & General Expenses/R&M Expenses/Bad & Doubtful Debt**

127. SOUTHCO, NESCO and WESCO submit that the A&G Expenses as submitted as essential to improve customer service. They further submitted that the MMFC is

charged to the consumers having CD less than 110 KVA supplied power at LT. This is intended to meet a component of the fixed cost incurred in the system for meeting the consumers load and also to recover the expenses on maintenance of the meter, meter reading, preparation of bills, delivery of bills, collection of revenue and maintenance of customer accounts. The MMFC does not cover the component of energy audit. Further, the cost of the monthly spot billing of a consumer is very high in comparison to the traditional bimonthly billing and the MMFC is totally inadequate to cover all these expenses.

128. CESU submitted that the expenditure towards R& M has been projected @5.4% of the Gross Fixed Asset, as approved by the Hon'ble Commission in their previous Tariff Order. The estimated employee cost shown in the ARR applications are within reasonable limit.

129. Replying to the basis of provision for bad and doubtful debt WESCO replied that Provision for bad and doubtful debt is considered as per AT & C concept, hence the difference between billing made and the amount of collection is shown as provision for Bad debt. In addition to this it has already proved from the revenue audit report submitted by auditor that the % of recoverability is around 30% of the outstanding amount. Revenue collected out of outstanding of Govt. consumers as on 1-4-1999 has already been remitted to GRIDCO. As per practice CESU is providing provisions @15% on the incremental debtor for doubtful debt. The Receivable Audit is under progress to ascertain the actual doubtful debt.

**Interest on Security Deposit**

130. WESCO submitted that the Bank guarantee against security deposit should not be allowed to the consumers as it will be very difficult to monitor the expiry date of the Bank Guarantee and its renewal. Further the Hon'ble Commission has already permitted payment of annual interest on Security Deposit to consumers through Regulation. Regarding installation of pre-paid meter, till date, the same is not available in the market.

131. NESCO submitted that Security Deposit is calculated at the time of new connection as per Regulation 19 of the OERC Distribution (Conditions of Supply) Code, 2004 keeping in view the respective load factor under that category. Additional Security Deposit is reviewed by the Licensee as per Regulation 20 of OERC Distribution (Conditions of Supply) Code, 2004. The Licensee is reviewing the additional SD of the consumers taking into account the consumption pattern of the previous years and Regulation in Vogue. The licensee is already recalculated Security as per regulation and refunded the Security Deposit to the high value of consumers which has significant impact.

**South Eastern Railways and East Coast Railways**

132. Regarding high cross-subsidy paid by the Railways NESCO submitted that cross-subsidy needs to be progressively reduced. . It is not out of place to mention here

that after privatization, Govt. of Orissa is not subsidizing any category of consumers. The tariff approved by the Hon'ble Commission during previous years have initiated the process of reduction of cross-subsidy. The power purchase rate of NESCO is 147 paise per unit including transmission charges. If the AP tariff is the benchmark of Railways, Traction tariff under NESCO zone is much lower.

133. Regarding ignoring the Maximum demand during feed extension, NESCO stated that depending on the sale forecast, supply cost of power and wheeling, the cost of power varies from zone to zone which is the case with the four DISTCOs of Orissa. During feed extension the two TSS may not be under the same DISTCO. WESCO submitted to the same objection that the existing provisions regarding overdrawal penalty for maximum demand is required to be maintained to guard against the understatement of contract demand by consumers. Overdrawal attracts additional burden for system stability and reliability thereby affecting all other consumers apart from disturbing power procurement planning. Thus overdrawal charge is essential to discourage consumers from overdrawal especially when the ABT system is in vogue. Exemption has already been given by OERC for consideration of overdrawal up to the extent of 120% during off peak hours. In the present BST tariff, in case WESCO exceeds its overall approved demand in excess of 10%, then in that case there is an overdrawl penalty of Rs. 200/- per KVA.

134. Regarding computation of SMD, NESCO, WESCO replied that Railways have got five and seven traction points respectively situated at various locations and has got individual agreements. Different consumers at difference locations cannot be integrated as one consumers for billing purposes. Railways have got seven traction points situated at various locations and has got individual identity as consumers. Different consumers at different locations cannot be integrated as one consumers for billing purposes. Hence the proposal is not acceptable to the licensees. SOUTHCO stated that the contention of Railways regarding execution of single agreement for a group of T.S.Ss connected under one DISCOM is not acceptable as it is against Regulations framed by the Hon'ble Commission. The assertions of the opposite party regarding inconsistency in their load drawl is impertinent with respect to tariff as the Licensee is bound to cater to the load demand of the consumer at any given point of time as per the contract. The adoption of SMD is not possible for billing purpose as requested by Railways as other consumers having two plants at different locations in same area of DISCOM may also insist for billing on the basis of SMD at par with opposite party. In such a case the distribution Licensee has to remit all its collection to the transmission Licensee in respect of demand charges having left no scope for meeting its expenses in respect of distribution of supply to the other consumers and towards cross subsidy.

135. On the power factor issue of WESCO stated that to maintain good power factor of the system, an industrial consumer should have almost unity power factor and in no case it should be below 90%. In order to achieve unity power factor, the

commission has provided incentive for improvement of power factor above 95% upto 100%. The incentive for improvement of power factor was started from 97% up to 100% in the previous tariff. It may be mentioned here that revenue forgone on account of power factor incentive is more than that penalty received during 1st six month of FY 2007-08. Further relaxation in the power factor for incentive will not only discourage the consumers for reaching higher power factor but also will affect demand and energy consumption. Accordingly, power factor incentive above 90% instead of 95% should not be allowed by the Commission. Since availing power at very high power factor is giving an incentive to the consumer in terms of less demand for the same effective energy and also incentive as high load factor. CESU submitted that the suggestion for reduction of bench mark power factor from 90% to 85% for levy of penalty may not be considered as the system voltage will be adversely affected.

136. With respect to poor quality of supply and compensation incidental thereto, WESCO replied that since Railway is availing power supply at 132 KV from the existing system of network of OPTCL, trippings cannot be totally eliminated. However, the frequency of interruption on 132 KV is very low. An alternate arrangement is immediately made for railway traction from another place during which slight low voltage may be experienced. However, this is temporary in nature. As such objection by the petitioner is not justified & needs to be rejected.

137. NESCO & WESCO submitted that the statement given by SE Railway that DISTCOs are procuring bulk power supply from GRIDCO on single-part tariff is not true.

**Consumers' Classification**

138. Private ITI Association has demanded for their inclusion in specified public purpose category instead of general purpose category. No licensee has made any comment on the above demand of the private ITI association.

**Berhampur Cold Storage**

139. To the written objection of Berhampur Cold Storage, SOUTHCO submitted that they cannot determine the tariff by themselves. The tariff is determined by the Hon'ble Commission as per the Sec-62 of the Electricity Act-2003. Hon'ble Commission has amended the Regulation 80(5) of 2004 on 11th Sept.2007 creating a separate group as Agro Industrial Consumer under Regulation 80(5)(1). So far no tariff is determined by the Hon'ble Commission for Agro Industrial Consumers.

**Special Police Station and Special Courts**

140. SOUTHCO submitted that the establishment of Special Court and Energy Police Stations is as per the Electricity Act, 2003 and is a measure to curb the theft and pilferage of energy by the dishonest consumers and the burden of which is pass through to the genuine/honest consumers. In order to bridge the gap and

cross subsidization, it is required to establish the Police Stations and Special Courts for reduction of T&D loss as well as AT&C loss.

**Category-wise tariff**

**Computation of Load Factor**

141. Regarding confusion of calculation of load factor NESCO stated that load factor or consumption ratio is calculated as per order of Hon'ble Commission The licensee does not agree the proposal of computing load factor as per clause 2 (y) of OERC Distribution (Conditions of Supply) Code, 2004. SOUTHCO submitted that billing is done on monthly basis. Hence LF needs to assets on monthly basis otherwise it would create problem of recovery in case of consumers disconnected during the year.

**Incentive Tariff**

142. NESCO mentioned to the Retail Supply Tariff is fixed by the Commission based on the consumer mix of the licensee through cross subsidization. The revenue earned through cross subsidization from Industrial drawal is not enough to cover up the cost of supply to non-industrial drawal at existing scenario. Large numbers of LT consumers are paying bills at tariff much lower than their cost of supply. The cross subsidy has been targeted to be removed over a period of time. The OERC has initiated a number of measures for the rationalization of tariffs by introducing incentive tariff, extending TOD benefits to industrial consumers. The Commission has attempted to adopt uniform tariff to all categories gradually, thereby eliminating cost of cross subsidy all together in future without giving any tariff shocks to the consumers. Any reduction of tariff (incentive tariff) for the subsidizing categories like Industrial, general purpose etc consumers can only be considered if GoO provides cross subsidy for the domestic consumers.

**Allowance of Load Factor on Annual Maintenance**

143. In response to the proposal made by the objectors about calculation of the load factor NESCO stated that the guarranted load factor shall not be applicable during FY 2008-09 as the Licensee has proposed for withdrawl of special tariff. SOUTHCO replied that it will not be appropriate to consider low LF for annual maintenance as the verification of annual maintenance is not possible by them.

**Power Factor Incentive**

144. WESCO stated that to maintain good power factor of the system, an industrial consumer should have almost unity power factor and in no case it should be below 90%. In order to achieve unity power factor, the commission has provided incentive for improvement of power factor above 95% upto 100% which is quite reasonable. Further, relaxation in the power factor for incentive will not only discourage the consumers for reaching higher power factor but also will affect demand and energy consumption. Accordingly, power factor incentive above 90%

instead of 95% should not be allowed by the commission. Since availing power at very high power factor in giving an incentive to the consumer in terms of less demand for the same effective energy and also incentive as high load factor, the power factor incentive should be 97% in stead of 95% as approved by the Hon'ble Commission earlier.

**Allowance towards Interruption of Power Supply**

145. NESCO submitted that the licensee is abiding by the Standard of Performance as prescribed by the Hon'ble Commission. In case if there is any specific case arises out of the negligence on the part of the licensee the same will be examined. NESCO also submitted that in case interruption occurred due to the transmission constraints the distribution licensee should not be held responsible.

**Monthly Minimum Fixed Charges for Consumers with Contract Demand less than 110 kVA**

146. NESCO clarified that as per the current tariff structure, the Monthly Minimum Fixed Charges are to be levied to consumers with contract demand less than 110 kVA on the recorded demand rounded to nearest 0.5 kw requiring no verification irrespective of the agreement .This adversely affects the Licensee in case of the recorded demand is lower than the contract demand/connected load. The Licensee proposes that the Monthly Minimum Fixed Charges for such consumers shall be levied at Contract Demand or Maximum Demand whichever is higher.

**Delayed Payment Surcharge**

147. SOUTHCO and WESCO submitted that proposed DPS for LT Industrial (Small) consumers if the payment is not made within the due date. DPS is a measure to attract the consumer for making timely payment of the current energy charges A consumer not paying in time has to loose rebate. At the same time for non payment of energy charges DPS is payable as the licensee is paying DPS for non payment of BST bills within due date.

**Concession on TOD Tariff**

148. Submission of WESCO is that the concession given by OERC on TOD tariff to the consumer has already resulted in loss of revenue of Rs.3.77 crores for the 1$^{st}$ six month of the current year 2007-08. Further Concession on TOD will result in more loss on revenue and the tariff on other category of consumers will also be affected. Moreover it is not out of place to mention here that WESCO is not getting any incentive with regard to energy consumption during off peak hours. Therefore the proposal may be rejected.

**KVAH billing for LT industrial consumers**

149. As the power factor of such industries are very low and no power factor penalty is imposed, so KVAH billing may be introduced to these category of consumers.

Reliance managed DISTCOs submit that they are providing meters recording KWH and KVAH reading to consumers. Hence no extra expenditure is required in this regard.

**Industrial Colony Consumption**

150. WESCO stated that at present industries are availing 10% of their consumption towards colony consumption is an incentive by the Hon'ble Commission. Beyond 10% consumption, they are to pay at industrial rate, which is still, less than the prevailing rate of domestic category consumers.

**Demand Charges for C.P.P.**

151. As pointed out by the objector, NESCO contended that consumers having CPP require emergency power for plant overhauling when there is single unit operation, which may be for a period of 20 to 30 days in a year. However, in case of outage of CPP due to system disturbances, they require start up power which will effect the SMD for the entire month even if the drawal of power is half an hour for which distribution licensee will have to pay to GRIDCO without charging the same to the concerned CPP. This may put the DISTCOs in financial burden. To avoid such unforeseen cost, it has been proposed to the Commission for considering the demand charge @ 120% of the demand charges applicable to the respective tariff category on the maximum demand recorded by the meter of the CPP. However, the minimum demand charge concept i.e. 80% of CD should not be applicable to the CPPs.

**Special Tariff for EHT Large Industry above 40 MVA**

152. The contention of WESCO is that at present OERC has allowed special tariff @ Rs2 per unit for the consumers having CD of more than 100 MVA. However if the same will be allowed for the consumers having CD of 40 MVA then the licensee will have heavy loss as EHT consumers are cross subsidizing the Domestic consumers of the state. Keeping the growth of the state's economy and other employment opportunities poor domestic consumers are sacrificing their normal peaceful life by inviting industrialization in the state. So by exploiting the domestic category of consumers where cost of supply is very much high, the suggestion is not acceptable.

**Period of Power Agreement**

153. With respect to above WESCO replied that while making projection on load forecasting and estimate for investment plans, it is considered that an existing load continues for at least five years. If the period of agreement is reduced, there will be frequent termination and execution of agreements. Hence, a situation of chaos will arise.

**Rebate & Penalty**

154. WESCO stated that the existing provisions regarding overdrawal penalty for maximum demand is required to be maintained to guard against the understatement of contract demand by consumers. Overdrawal attracts additional burden for system stability and reliability thereby affecting all other consumers apart from distorting power procurement planning.

**Reply to the Queries by Commission's Staff**

155. In response to the issues raised in the public hearing by the Commission's staff, DISTCOs have furnished their replies. Replies to the some of the important issues are laid down below:

**Audited Accounts for FY 2006-07**

156. CESU has submitted that due to some technical problem there was a slight delay in compilation of the accounts for the FY 2006-07. The audited accounts will be submitted to the Commission after the audit is over.

**Status of Receivable Audit**

157. CESU has submitted that it has identified some agencies that have committed to conduct the Receivable Audit in conformity with the Commission's requirement without taking any other support from CESU within February 2008. The work order has been placed on two firms covering five divisions on pilot basis. After receiving these audit reports other 14 divisions will be completed in a similar manner.

158. NESCO has reported that Audit report of 12 divisions has been submitted to the Commission and the reports of other two divisions are in progress, which are expected to complete by 15$^{th}$ February 2008.

159. SOUTHCO has reported that the Receivable audit reports in respect of Kanisi, Gopalpur, SDO-1 Berhampur, Digapahandi, Chatrapur, Rambha, Khalikote, Sheragada, Bhanjanagar, Buguda,Phulbani, Baliguda, G-Udayagiri, K.S.Nagar, Purusottampur and Polasara Subdivisions have already been submitted. For rest of the subdivisions and 3 phase consumers the exercise is in progress with respective auditors. SOUTHCO will make all out efforts to submit all the reports by 28$^{th}$ Feb.-08.

160. WESCO has already completed the receivable audit of all the LT category of consumers.

**Payment of Arrear BSP to GRIDCO during 2007-08**

161. CESU has not made any arrear payment to GRIDCO during 2007-08.

162. NESCO has submitted that all the revenue receipts of the Licensee are deposited in the NESCO ESCROW A/C – GRIDCO and the Licensee has no authority to withdraw any amount from the same except the escrow relaxation allowed by GRIDCO. However, an amount of Rs 18.63 crore has been transferred by the ESCROW Banker to GRIDCO over and above monthly Bills.

163. SOUTHCO has been paying its monthly current dues of BSP regularly since June 2002. However due to inadequate tariff and higher distribution loss reduction target fixed by the Hon'ble Commission, the real cash flow of SOUTHCO could not permit to pay the arrear BSP dues to GRIDCO up to January-2008 in the current financial year.

164. The Commission has directed WESCO to pay Rs.36.83 crore to GRIDCO towards arrear BSP dues during FY 2007-08. However, due to inadequate of fund on account of higher BSP for the year 2007-08, WESCO has only managed to pay Rs.3.50 crore over and above BSP during Apr-07.

**Repair & Maintenance Expenses**

165. NESCO has submitted that the Repair & Maintenance (R&M) expenses of Rs.32.70 Crore for the FY 2008-09 have been estimated based on OERC's norm of 5.4% of Gross Fixed Assets (GFA) at the beginning of the year. The GFA at beginning of the FY 2008-09 works out to Rs 605.53 Crore. The expenditure on repair and maintenance from April'2007 to November'2007 works out Rs.845.20 lakhs. The Licensee submits that the less expenditure in comparison to the approved amount is mainly attributable to the stringent escrow mechanism and non-relaxation of escrow by GRIDCO. The Licensee further submits that as per Hon'ble ATE order dated 5th December'2007, GRIDCO has started allowing Rs.3.97 Crore per month from December'2007 onwards towards O&M expenses. The Licensee is utilising the above amount mainly for Repair and Maintenance works and it is also anticipated that the actual R& M expenses for FY 2007-08 shall be around Rs.20 Crores. The proposed R& M expenses for FY 2008-09 of Rs.32.70 is justified if ESCROW relaxation is allowed by GRIDCO for the approved amount on monthly basis.

166. SOUTHCO could not be able to incur the required expenditure under R&M due to stringent Escrow mechanism and non-relaxation of Escrow by GRIDCO. The proposed expenditure of Rs 30.72 Crores during the FY 2008-09 is on the basis of 5.4 % on the opening GFA.

167. WESCO has made an expenditure of Rs.6.5 crores up to Nov-07 towards repair and maintenance against approval of Rs.23.82 crores. However with huge financial crunch WESCO has made an expenditure of Rs.6.5 crores out of the rebate amount, service connection charges etc. But now as per order of the ATE WESCO has got an escrow relaxation of Rs.6.22 crores for Dec-07 and Jan-08 from GRIDCO. Another Rs.6.22 crores also expected for Feb-08 and Mar-08. Putting altogether WESCO will be able to made an expenditure of around Rs.20 crores during the current year 2007-08 against the approval of Rs.23.82 crores.

The proposal of Rs.33.01 crore for 2008-09 is based on the Commission's approval of 5.4% on opening Gross block of the asset. Alternatively, GRIDCO may be directed by the Commission to relax monthly escrow for the proposed R&M till the process of securitization is materialized.

**Projection of SMD**

168. CESU has submitted that GRIDCO has projected SMD for CESU, which is 834.69 MVA, based on 5% increase in approved SMD for financial year 2007-08. But CESU has informed GRIDCO and filed SMD in ARR month wise. So, correct figure of SMD for FY 2008-09 may be taken as 912 MVA.

169. NESCO has submitted that the information of drawl by M/S Jindal Stainless Ltd of 10.656 MU for FY 2008-09 was not available with the Licensee neither at the time of filing of ARR and RST Application for FY 2008-09 nor at the time of reply to the queries relating to ARR & RST for FY 2008-09. The Licensee has projected the drawl of 46.656 MU with 15MVA CD as per order of Hon'ble High Court of Orissa and in view of operational power which M/S Jindal Stainless may require. The Licensee requests the Hon'ble Commission to consider the drawl of 10.656 MU during FY 2008-09 as proposed by M/S Jindal Stainless Ltd. The CD may be considered as 15MVA based on the order of Hon'ble High Court of Orissa.

170. NESCO has also submitted that abnormal rise in SMD could be attributed to CGP over-drawl also. During the ABT regime, there will be time slot of 15 minutes interval. As emergency power does not have any fixed time period, this may happen during the evening peak hours also, during which the Maximum demand is usually being recorded. Hence, the SMD may increase abnormally under such circumstances.

171. SOUTHCO has projected SMD of 350 MVA for FY 2008-09 considering the SMD recorded actual up to September 2007 and additional load growth projected during FY 2008-09. The GRIDCO projection of 325 MVA is unrealistic, as the SMD has already recorded about 332 MVA in Sept.2007.

172. The SMD projected by WESCO in its ARR filed with Hon'ble Commission was on 30$^{th}$ Nov-2007. However GRIDCO has projected SMD for WESCO based on the Load Forecast document, which was filed by WESCO with GRIDCO much earlier i.e, during Jan-2007. So, the projection of SMD by WESCO as 920 MVA for the year 2008-09 may please be considered.

173. WESCO has also submitted that the SMD depends on the drawal of load by different consumers at a point of time.

**Power Factor/KVAH billing**

174. NESCO has submitted that in order to have an ideal system, the power factor should be maintained to the best of unity so that the VAR component will be

reduced and the demand also. In order to have high power factor the licensee has to forego Rs. 7-8 crores in a year. In unity power factor, KWh = KVAh. So in case the Licensee proposes the same rate of KVAh and KWH only, the consumers with low power factor has to pay more, which ultimately will encourage them to improve their power factor.

175. SOUTHCO and WESCO submitted due to low PF, the KVA recording is higher and the consumer shall pay more at the same rate of tariff, which shall encourage the consumer to maintain the desired PF resulting stability of the system**.**

176. WESCO has mentioned that the increase of average billing of HT & EHT category of consumers is much less than the increase of BSP, i.e. around 42 paise over previous year. The analysis as carried out seems to be not in proper prospective. In addition to this the power purchase cost for domestic category of consumers is also Rs.1.98 paise whereas average billing for this category is only Rs.1.84 paise (up to Nov-07) where the quantum of input is around 35% of the total LT input. The decrease in average billing is altogether mainly due to inclusion of consumers in the 1$^{st}$ slab because of MNP, PMGY, kutir jyoti etc. Non-mature of EHT load and a part of HT load has also reduced the compensation to be made by industrial consumer to the consumers having low rate of tariff. In this connection it is very difficult to improve unless there is some reduction in BSP.

**Recovering fixed cost through demand charges**

177. SOUTHCO has submitted that the licensee is not able to recover full fixed cost out of the demand charge recovery. SOUTHCO is proposing enhancement in the demand charge from high value Industrial consumers with CD >70 KVA to meet fixed cost.

**Energy Audit**

178. CESU, NESCO, WESCO and SOUTHCO have submitted their plan for energy audit.

**Tariff Rationalization**

179. CESU has intimated that rationalization of tariff by way of reduction in cross-subsidy in line with the principles of NEP is acceptable provided reduction in retail tariff rate of any category may be suitably compensated by enhancement in the subsidized category.

180. NESCO submits that GRIDCO purchases power in bulk at different rates from the generators. Since the domestic, lift irrigation, PWW consumers are non profit making unit, they should get power from the power purchased by GRIDCO at lower tariff and the industries & other category of consumers those who require power for their commercial activities should get power from the power purchased by GRIDCO at higher tariff. As BST is the average rate of all source of purchase and when it is taken as reference, it appears that industrial consumers are

subsidising to a great extent to all other category of consumers. In view of the above, it is suggested that basing on the requirement of energy for LT, HT and EHT category as projected in the ARR, the Commission may fix the BSP for different voltage level category of consumers.

181. SOUTHCO has submitted that it is inappropriate for SOUTHCO to plan for reduction of cross subsidy in view of the GoO views not to increase the RST. In the event of the reduction of cross subsidy some section of the cross-subsidized consumers shall to have increase in their tariff rates. The National Tariff policy and national electricity policy has addressed the issue of reduction of cross subsidy. However, OERC shall take appropriate action for reduction of cross subsidy.

182. WESCO has submitted that what the objectors have raised is partially true. GRIDCO purchases power in bulk at different rates from the generators. Normally the rate of energy charges from Hydel Power is less. The power purchases from NTPC-TTPS, OPGC are less compared to the power purchase from NTPC. Since the domestic, lift irrigation, PWWS, Kutir Jyoti consumers are not making any profit out of the energy consumed, they should get power from the low rate tariff. The industries & other category of consumers those who are making commercial activities are liable to avail the power at higher rate. As because the BST rate is an average of all source of purchase & when it is taken as reference the industrial consumers are feeling that they are subsidizing to all other category of consumers. In view of the above it is suggested that, basing on the requirement of energy for LT, HT & EHT category as projected in the ARR, the Commission may fix the BSP rate for different voltage level category of consumers.

**Single-part or two-part tariff**

183. CESU has submitted that the two part BST was done away with effect from 1st April 07. Demand charges levied earlier was converted to energy charges fixing maximum permissible limit for SMD & energy drawl of load by the DISTCOs. During past ten months CESU has drawn 267 MU in excess of the approved energy while the SMD was maintained in the permissible range. This implies, CESU managed its demand in a better way but paid more demand charges due to single part BST. Hence the figure shows that, BST tariff is beneficial for CESU.

184. The NESCO and WESCO are of the opinion that there should be two-part tariff so far as BSP is concerned. As per the tariff order of the Commission for FY 2007-08, the Licensee has to pay the over drawl penalty if the SMD exceeds the limit prescribed by the Commission, whereas the Licensee is not getting any benefit when the SMD is less than the prescribed limit. So far as SMD and energy purchased during April'2007 to January'2008 is concerned, it appears that the Licensee had to incur less amount towards cost of power purchase had there been two part BSP for FY 2007-08 in vogue.

185. SOUTHCO has submitted that the Commission shall decide the tariff for BSP keeping in view of the ARR of the Licensee and projected energy drawl as well as the SMD.

**Open Access**

186. NESCO has submitted that M/s Shree Metaliks Ltd. is interested in taking additional load of 4 MVA through 33KV Tensa Feeder (WESCO).

187. SOUTHCO has submitted that no consumer under EHT/HT category has applied for Open access in SOUTHCO area. The Open Access charges shall be applicable as per the guidelines of the Commission.

188. At present WESCO have not received any application from any consumer who is interested for Open Access.

**Remunerative Norm**

189. NESCO has not yet received any proposal with regard to implementation of remunerative norm. However if any such proposal is received, the Licensee will implement the remunerative norm as per regulation and tariff order of the Commission.

190. Remunerative norms are being implemented by SOUTHCO and WESCO.

**Status of special police stations**

191. CESU has submitted that there are two energy police station operating in CESU area. First Energy Police Station (EPS) started its operation at Khurda from 25.08.2004 and second one at Cuttuck from 17.9.2004. As on 31.12.2007, the total number of cases registered is 76 at Khurda and 45 at Cuttuck. But as on date no suitable action has been taken by such Police Station.

**Progress of Spot Billing and Consumer Indexing**

192. CESU has submitted that the spot billing activities of all the five circles already implemented. Further outsourced will start functioning with effect from 01.04.2008. An energy accounting and consumer indexing work covering 1,50,000 consumers have awarded to M/S PRDC, Bangalore.

193. NESCO has provided cheque drop boxes in division office so also at Customer Care Centre. Moreover the Mobile Collection Van is also collecting cheques.

194. SOUTHCO has taken the steps for spot collection through account payee cheques in Berhampur City Circle and Rayagada Circle through its Spot Billing Agency and incorporated as part of their agreement. Further, the mobile collection vans operated in 9 Divisions at consumers' doorstep also have facilities of accepting the A/c payee cheques.

195. WESCO has implemented Mobile collection van in four towns namely Sambalpur, Rourkela, Rajgangpur and Bargarh. Drop boxes at various locations have already opened, however result up to expectation is not coming. Consumers are not that much of confident to put cheque in the drop boxes.

**Status of Pillar Box Metering**

196. CESU has submitted that from June-07 onwards, different divisions started installing pillar-box units on pilot basis. As on 31.12.2007, CESU has installed 1474 nos. of pillar box-metering unit in all the five circles. During this period the overall billing improvement recorded against the consumers covered under this work is 77 %. CESU has placed a fresh order of 25000 pillar-boxes with facility to house four-meter units and 40,000 meters for this work. CESU engineers are also visiting other Utilities of the country where this activity has given result.

**Status of Consumer-Feeder-Transformer (C-F-T) metering**

197. CESU, NESCO, SOUTHCO and WESCO have submitted the C-F-T metering status to the Commission.

**Bridging the Revenue Gap**

198. CESU has proposed to meet the revenue gap of Rs.161.7crores by three ways. Rs.72crores by restructuring the existing billing slabs for domestic category from 100, 200 & above 200 units per month to 50, 100 & above 100 units per month. The details were submitted vide affidavit dated 31st Dec. 07. Rs. 9 crore by similar restructuring of billing slabs for General Purpose Category in LT to 50, 150 & above 150 units per month. For balance Rs.80.70crores, effort will be taken to be met the same through internal accruals and from past receivables and also by reducing BST to a reasonable extent since this is the major cost for the Distribution Companies.

**Utilisation of Consumer Security Deposit**

199. NESCO has submitted that no funds have been utilised towards revenue expenditure out of the consumer security deposit received by the Licensee in the current year 2007-08. The total Security Deposit invested in Fixed Deposit amounts to Rs.85.26 Crore as on 31st January'2008.

200. WESCO has submitted that the total Security Deposit as on 31st January'2008 amounts to Rs.82.54 Crore, out of which Rs 3.05 has been utilised for R&M expenses. The above utilization is being made for payment of TDS on Interest on Security Deposit of Rs.1.33 crores, against long outstanding PMU bills Rs.1 crores, some amount towards P.F. Trust, partly for L.C. charges. WESCO is regularly requesting GRIDCO for relaxation of Escrow for meeting A&G and R&M expenses. Now after receiving fund of Rs.3.11 crores both in Feb and Mar-08 this amount will be reverted back to Security Deposit account.

**Burning of Transformer due to overloading**

201. In order to avoid burning of transformers during FY 2007-08, CESU has installed 165 additional and new transformers, up graded 71 transformers, made balancing of load by releasing different size of AAA conductor of 57 km. This step has reduced the burning of transformers from 1600 compared to the last year figure of 2500.

202. In order to minimise the burning of transformer due to overloading/unbalance loading, NESCO, WESCO and SOUTHCO have taken various steps such as installation of circuit breakers for power transformers, up gradation of capacities of power transformers etc.

**Difference of BSP between WESCO and SOUTHCO**

203. WESCO has submitted that as per the analysis done by OERC, additional revenue of Rs.400.58 crores against EHT consumer is expected as compared to SOUTHCO, hence the BSP of WESCO should be higher than SOUTHCO. In this connection WESCO's view is that as per principle of determination of BSP, power procurement is being allocated in the merit order. Accordingly Hydel Power is being allocated to LT category of consumers and the high cost power like Thermal is being allocated to HT & EHT Consumer. The source of allocation of power purchase will be in the ascending order of sales mix of EHT, HT & LT of each DISTCO. In addition to this WESCO has mentioned that all the distribution companies are separate entity and have their separate BOD. All are maintaining separate books of account and responsible for filing of annual return with different statutory authorities. Hence there should not be any cross subsidy between the DISTCOs.

**Status of development of a Comprehensive Action Plan for IT intervention**

204. CESU, NESCO and SOUTHCO have submitted that the comprehensive action plan for IT is currently being under finalization. Once it is finalized, the Commission will be communicated.

**Views of Government of Orissa**

205. Department of Energy, Govt. of Orissa vide its letter No.R&R.II.-1/2008(pt)/1194 dated 07.02.2008 and through its representative during hearing stated as follows:

*"Govt. of Orissa is still continuing its policy of subsidy withdrawl. It is the responsibility of the DISTCOs to bring down the distribution loss and AT&C losses as per OERC business plan, failing which the DISTCOs should meet the non-achievable target by means of their own financial arrangements. Besides, the Commission may also consider that there should not be any tariff hike till 2009."*

206. Later through an affidavit on 23.02.2008, the Govt. of Orissa stated that while approving the Business Plan, the Commission had set some target parameters in

respect of T&D loss, collection efficiency and AT&C loss, etc for the DISTCOs which the DISTCOs have not been able to achieve. The DISTCOs, instead of taking effective steps on the above aspects, are asking for subsidy from the State Government, reduction in the BSP and/or increase in RST to bridge the revenue gap. The Government feels that DISTCOs must carry out energy audit including the distribution transformer, consumer indexing and pole scheduling to localize the loss level at every distribution transformer area and pinpoint the person responsible for such losses. The DISTCOs must also take proper steps for customer care.

207. Keeping this in view, the State Government has suggested that DISTCOs must take appropriate action for reduction of T&D loss, AT&C loss and improvement in collection efficiency.

208. Besides the above, the DISTCOs are expected to receive around Rs.3586 crore under RGGVY scheme and Rs.315 crore under Biju Gram Jyoti Scheme. This is meant for upgradation/strengthening of the distribution network of the DISTCOs.

209. The State Government further reiterated its earlier stand that it was continuing its subsidy withdrawl policy since initiation of power sector reform in the State. The Government therefore clarifies that it does not propose to give grant/subsidy to any of the utilities or to any consumer or any class of consumer. It is the responsibility of the DISTCOs to bring down the distribution loss, AT&C loss and improve their collection efficiency to bridge up their revenue gap for the year 2008-09.

210. The State Government also does not propose to grant any subsidy to any utility to maintain the assets transferred to them under the RGGVY and BGJ scheme.

211. The Government also proposes that since Orissa is agriculturally backward and only about 2% of electricity is consumed in the agricultural sector; the Commission may consider reduction/exemption of agricultural tariff without any subsidy support from the Government.

**Observation of the State Advisory Committee (SAC)**

212. The SAC constituted under Section 87 of the Electricity Act, 2003 met for the 4$^{th}$ time on 12$^{th}$ February 2008 to deliberate on the Annual Revenue Requirement and Tariff Applications for the FY 2008-09 of utilities, namely, OHPC, OPTCL, GRIDCO, SLDC, CESU, NESCO, SOUTHCO and WESCO.

213. The Consumer Counsel, Dr. Shibalal Meher gave a brief presentation on the ARR and tariff applications for the FY 2008-09 of the above mentioned utilities. Members in general expressed their concern about the poor performance of the licensees rendering requisite services to the consumers, high distribution loss, non-investment by private entrepreneurs, GRIDCO's proposal for stiff hike in

bulk supply price, proposed rise in R&M expenses by OPTCL despite its failure to spend the approved amount in the previous tariff orders, etc.

214. On OHPC, the Members said that the R&M expenses proposed for Hirakud and UIHEP was very high. There was a general objection that transmission loss claimed at 5% was also in the higher side, it should less than 3%, they maintained. The members opined that the distribution losses projected by various distribution companies were in the higher side. There was no system improvement nor harnessing of renewable sources of energy by DISTCOs. The members observed that the licensees in general did not abide by OERC Regulations. They observed that the Commission's tariff order were pro-licensees. Even after 10 years of reform, quality of supply had not improved upto expectations. The members suggested that the licensees should improve their performance first and then come forward with the tariff application. Interruptions and voltage fluctuations took place in various places including industrial belts. In respect of past losses of licensees, the members observed that the same be considered if the licensees have performed as per OERC's direction. In fact, losses are never parts of costs. The volume of arrears has not reduced and bad debts are still in sizeable amounts. Small scale industries with connected load of below 20 KW were earlier given concessions in the last tariff order which has been withdrawn. This concessional tariff should be restored during 2008-09. Some members opined that tariff should be linked to infusion of funds. They stated that differential Retail Supply Tariff across zones may bring in competitive forces into operation. The inefficiency of generators particularly of hydro stations may be avoided by implementing prudent commercial standards. Some members proposed continuous supply of power to farmers with rebate facility. They recommended higher rate of rebate for paying farmers. DISTCOs should take care of their Consumer Care Centres. GRIDCO should take adequate care of power supply to DISTCOs so that power interruptions may be reduced. OPTCL should upgrade its systems and installations in view of new industries coming up in many belts.

215. The Commission should finalize the CPP power policy soon. The state can ask for free power from new hydro stations.

216. Some members questioned the cost effectiveness of GRF. They stated that maintenance of lines and s/s by DISTCOs was very poor.

217. Some opined that the net fixed assets in case of DISTCOs had reduced which meant no new investment took place. DISTCOs should be advised to take up demand side management instead of they asking for increasing tariff. Bad debt should go down from the present level. The State Govt. should play its vital role as the major stake-holder of the power sector. Franchisees should introduce in order to improve collection so that DISTCO's performance may be improved.

## COMMISSION'S OBSERVATION (Para 218 to 332)

### Introduction to RST order for FY 2008-09

218. The Commission, for the determination and approval of the ARR for the DISTCOs for FY 2008-09 has followed the principles laid down in its terms and conditions of tariff Regulation and continues to be guided by the provisions of the National Tariff Policy as well other statutory notifications and directives, while giving due considerations to the complexities of the Orissa Power Sector.

219. The year 2008-09 shall be the first year of the control period of the next Business Plan period. In the MYT Regime, the first control period five year will elapse on 31.03.2008. The Commission has followed the LTTS principles for the FY 2008-09 as well.

220. The submissions of the DISTCOs have been considered for the estimation of the energy to be procured by GRIDCO for supply to the DISTCOs. The SMD has been computed based on the actual demand for the period from April, 2007 to January, 2008 and keeping in mind the significant additions to HT and EHT load projected by the DISTCOs for FY 2008-09.

221. The National Tariff Policy envisages that the Commission shall also institute a system of independent scrutiny of financial and technical data submitted by the licensee. Objections are being frequently raised by the consumer groups as well as the objectors during the course of public hearing on the poor quality of maintenance being undertaken by the licensees. The Commission will continue to engage a team of professionals for carrying out an in-depth study in this regard as has been done during the financial year 2007-08. We have received very valuable inputs and it has helped improvement of quality of supply in some parts of the State.

222. The Electricity Act aims at a cost reflective tariff. The impact of cost reflective tariff on common consumers can be mitigated by providing subvention to GRIDCO so that the input cost of DISTCOs can be reduced. Such a measure will reduce the revenue requirement of GRIDCO as well as of the distribution licensees to have the benefit of lower BSP. Alternatively, Govt. may offer subsidy to certain deserving categories of consumers for some years to come.

223. The Govt. was requested to intimate the quantum of subsidies or subventions to be provided, as stipulated in section 65 of the Electricity Act, 2003. OERC can factor in the same as input for the tariff design and offset an anticipated tariff shock. In his response the Govt. representative submitted that, "Govt. of Orissa are continuing its subsidy withdrawal policy. It is the responsibility of DISTCOs to bring down the distribution loss and AT&C losses as per OERC Business Plan failing which the DISTCOs should meet the non-achievable target by means of their own financial arrangement".

224. As recognised in the NTP, the tariff setting has to be such as to progressively reflect the efficient and prudent cost of supply of electricity. Consumers below poverty line and consuming below a specified level, say 30 units per month, may receive a special support through cross-subsidy. Tariffs for such designated group

of consumers will be at least 50% of the average cost of supply. This provision may be examined after a period of five years.

225. The weighted average cost of supply estimated for the financial year 2008-09 is 271.50 paise per unit. OERC has prescribed the tariff for Kutir Jyoti consumers consuming upto 30 units per month at a flat rate of Rs.30 per month. Computed with reference to current tariff for a domestic consumer consuming 30 units per month, the total charge exclusive of meter rent payable by him comes to Rs.62.00 per month. This includes Rs.20 towards monthly minimum fixed charge and Rs.42.00 towards EC @ 140 paise per unit.

226. Keeping this in view, the charge payable by Kutir Jyoti has been kept at Rs.30 per month which is 50% of the corresponding class of domestic consumers.

227. The NTP envisages that the tariff shall be within plus or minus of 20% of the average cost of supply by the end of 2010-11. With the price level of 272 paise per unit, the tariff of the subsidising category should not be lower than 217 paise per unit and should not go beyond 327 paise per unit by 2010-11 at the current price level.

228. The Commission has been following the two part tariff featuring separate fixed and variable charges for all consumers with contract demand of 100 KVA or above.

229. Consumers with CD less than 100 KVA and below are essentially covered under single part tariff because of absence of meters of appropriate configuration for recording maximum demand. As such, meters are not cost effective for very small loads. In case of such consumers, MMFC is realised to cover the expenses in connection with metering, billing, meter reading and attending to consumer complaints.

230. The Commission has also accepted the principle of Time of Day tariff since 01.04.2005 providing a rebate @ 10 paise per unit on consumption during the off-peak hours. The Commission has defined the peak hour as between 6 A.M. to 10.A.M. and 6 P.M. to 10 P.M. As such, the TOD tariff shall be applicable from 10 P.M. to 6 A.M. of the next day.

231. As envisaged in the NTP for giving incentive for metered consumption the Commission's earlier order of billing only on the basis of meter reading instead of load factor shall remain in force. Metering and billing in the absence of meter will be regulated in accordance with the provision of OERC Distribution (Conditions of Supply) Code, 2004.

232. According to NTP, pass through of past losses or profits should be allowed to the extent caused by uncontrollable factors. During the transition period, controllable factors should be to the account of the utilities and the consumers as determined under the MYT framework. It further lays down that the facility of regulatory asset to limit tariff impact in a particular year should be done only as an exception.

233. While the Commission accepts the axiom enshrined in the NTP, it has to take into a pragmatic view with respect to recovery of regulatory assets. The high level of

subsisting Transmission and Distribution losses imposes restrictions on raising the consumer tariff. With progressive reduction of T&D loss and efficiency gains, the regulatory assets accumulated till date can be distributed over a number of years to avoid a tariff shock to the consumers in the same breath can provide a comfort to the distribution utilities. In view of the foregoings, the Commission decides to allow a portion of the accumulated regulatory asset of NESCO and CESU determined in the process of truing-up exercise, for recovery through tariff for FY 2008-09. Further, as WESCO, has been carrying a huge cash surplus, they are required to pay off the outstanding dues owed to GRIDCO.

234. The ensuing year's revenue requirements have been determined following the principles enunciated above along with the relevant issues that have been raised by the objectors and the staff of the Commission. Valuable suggestions made by them have been given due consideration. We do not find it appropriate to comment on each one of the objections. The objections and suggestions especially with respect to financial aspects and tariff design have been dealt with by us in the latter part of this order. This, however, does not preclude us to dwell upon subjects unrelated to revenue requirement/tariff.

235. On detailed scrutiny and examination of the Revenue Requirement and the Retail Supply Tariff applications for the financial year 2008-09 along with clarifications submitted by the licensees before the Commission, the written and oral submission of the objectors, the Commission determines the various elements for computation of the revenue requirement as detailed below:

**Determination of Quantum of Energy procured by the Distribution Licensees**

236. For the year 2007-08 the Commission approved the power purchase figure (MU) in respect of DISTCOs at 4497.00, 5496.00, 1818.00 and 4842.00 in respect of NESCO, WESCO, SOUTHCO and CESU totaling to 16653.00 MU for the State of Orissa. The Commission took a review of power purchase by the distribution companies from the April, 2007 to January, 2008 in the respect of the above DISTCOs. It was observed that the quantum of power purchase was 3834.2, 4416.8, 1631.2 and 4302.7 by NESCO, WESCO, SOUTHCO and CESU respectively. Prorating for 12 months the figures works out to be 4601.00 5300.2, 1957.4 and 5163.3 respectively totaling at 17021.9 MU.

237. From the above review it is observed that in case of WESCO the actual power purchased for 2007-08 works out at a lower level than the approved quantum. WESCO could not supply the projected demand of EHT consumers to the tune of 180 MU, whereas the other three DISTCOs have procured higher quantum of power in comparison to the approval.

238. In view of the above observation the quantum of power to be purchased by the DISTCOs for the year 2008-09 has been arrived at following the principle laid down below:

The licensees have projected different power purchase figures for the FY 2008-09. The Commission has assessed the power purchase figure basing on the actual

purchases of licensees in the current year and their expected additional load for the ensuing year after prudent check. Monthly power purchase figures of all the DISTCOs upto January, 2008 are available with the Commission. It is felt that monthly power purchase trend for the last six months i.e. from August, 2007 to January, 2008 will very likely continue in the coming financial year in case of all the DISTCOs. At the same time, it is observed that highest drawl by all the DISTCOs except CESU is coming within this period i.e. from August, 2007 to January, 2008. In case of CESU highest drawl registered is occurring in the month of July, 2007. Hence, average energy drawl of all the DISTCOs have been taken into consideration from August, 2007 to January, 2008 except CESU, whose average energy drawl for the last seven month i.e. from July, 2007 to January, 2008 have been found to be more appropriate for consideration.

Accordingly the quantum of power to be purchased for the year 2008-09 relating to NESCO, WESCO, SOUTHCO and CESU are fixed at 4660 MU, 5680 MU, 1980 MU and 5300 MU respectively totaling to 17620 MU.

**Basic Principles adopted in fixation of Tariff for the year 2008-09**

239. Section 61 of the Electricity Act, 2003 provides that the Regulatory Commissions shall be guided by the principles and methodology specified by the Central Commission for determination of tariff applicable to the generating companies and transmission licensees.

240. The National Tariff Policy notified on 6th January, 2006 among other things stipulates as under:-

(i) Development of the power sector has to meet the challenge of providing access for electricity to all households in next five years.

(ii) It is essential to attract adequate investments in the power sector by providing appropriate return on investment as budgetary resources of the Central and State Government are incapable of providing the requisite funds. It is equally necessary to ensure availability of electricity to different categories of consumers at reasonable rates for achieving the objectives of rapid economic development of the country and improvement in the living standards of the people.

(iii) Balancing the requirement of attracting adequate investments to the sector and that of ensuring reasonability of user charges for the consumers is the critical challenge for the regulatory process. Accelerated development of the power sector and its ability to attract necessary investments calls for, inter alia, consistent regulatory approach across the country of course keeping the State's perspective in view due to regional variation in the nature of production and use of electricity. Consistency in approach becomes all the more necessary considering the large number of States and the diversities involved.

In short the objectives of the Tariff Policy are to:-

(a) Ensure availability of electricity to consumers at reasonable and competitive rates;
(b) Ensure financial viability of the sector and attract investments;
(c) Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks;

241. Promote competition, efficiency in operations and improvement in quality of supply.

242. Introducing competition in different segments of the electricity industry is one of the key features of the Electricity Act, 2003. Competition will lead to significant benefits to consumers through reduction in capital costs and also efficiency of operations. It will also facilitate the price to be determined competitively. The Central Government has already issued detailed guidelines for tariff based bidding process for procurement of electricity by distribution licensees for medium or ling-term period vide gazette notification dated 19th January, 2005.

243. Though the National Tariff Policy envisages fixation of tariff realistically, the interest of the consumers, who are the focal points in the power distribution sector have to be safeguarded and protected. In this context, it is to be noted that during the course of public hearing the representatives of various consumer groups vehemently opposed any increase in present tariff. But on the other hand they argued that the consumers should not be burdened for the inefficient operation of the distribution licensees, rather there is justification for reduction of tariff which should be achieved by effectively reducing the high distribution loss as well as the aggregate technical and commercial loss (AT&C). They pointed out that when the AT&C loss at LT level is around 70% at LT for WESCO means that out of 100 units purchased collection is not being made for about 70 units. No financial improvement will be possible for distribution licensees by merely increasing rate of tariff when they are not able to collect the cost of about 70 units out of 100 units purchased. This would lead to a situation of pouring water to a leaking bucket.

244. There is sufficient force and justifications in the objections raised by the representatives of various consumer groups who have participated in the public hearings. The distribution companies themselves furnished the level of distribution loss to the Sovan Kanungo Committee for the year 2001-02 at 42.21% on the average for the 4 distribution companies in transmission and distribution excluding the loss in EHT transmission system (NESCO – 41.38, WESCO – 38.29, SOUTHCO – 39.14 and CESCO – 43.02). The OERC in their order dated 28th February, 2005 in Case No.115 of 2004 while approving the Business Plan of WESCO, NESCO, SOUTHCO & CESCO (now CESU) treated financial year 2002-03 as the reference year and accepted audited figure with regard to distribution loss, collection efficiency for subsequent use. Accordingly, Commission finally set the trajectory of reduction of distribution loss and AT&C

loss from 2005-06 to 2007-08 for the 4 distribution utilities taking the loss figure for FY 2002-03 as reference year.

245. It is most unfortunate to observe that the Distribution Companies have miserably failed to live upto their own expectation of reduction of the loss level they projected in the year 2001-02 before the Kanungo Committee. It would have to be clearly recognized that power sector will remain unviable until T&D losses are brought down significantly and rapidly. A large number of states have been reporting losses of over 40% in the recent years. In this connection, it would be relevant to indicate the actual achievement vis-a-vis the target of reduction of loss approved in the Business Plan for different distribution companies on account of distribution for LT, HT as a whole and LT separately and AT&C loss as indicated in Table, 1, 2 and 3 respectively.

**Table - 12**
**Distribution Loss Targets and Achievements (%)**

| | **1999-00** | **2000-01** | **2001-02** | **2002-03** | **2003-04** | **2004-05** | **2005-06** | **2006-07** | **2007-08** |
|---|---|---|---|---|---|---|---|---|---|
| **CESU** | | | | | | | | | |
| **Business Plan Approval** | | | | 43.03 | 39.76 | 39.00 | 36.00 | 33.00 | 30.00 |
| **Achievement** | 44.89 | 44.89 | 48.81 | 43.03 | 39.76 | 41.49 | 42.85 | 43.52 | 29.30* |
| **NESCO** | | | | | | | | | |
| **Business Plan Approval** | | | | 41.38 | 43.66 | 38.00 | 35.00 | 32.00 | 29.00 |
| **Achievement** | 43.36 | 44.44 | 51.00 | 41.38 | 43.66 | 39.40 | 37.08 | 33.22 | 26.01* |
| **WESCO** | | | | | | | | | |
| **Business Plan Approval** | | | | 38.29 | 39.02 | 34.00 | 31.00 | 28.00 | 25.00 |
| **Achievement** | 44.17 | 43.20 | 46.44 | 38.30 | 39.02 | 36.38 | 37.80 | 36.36 | 25.00* |
| **SOUTHCO** | | | | | | | | | |
| **Business Plan Approval** | | | | 39.14 | 42.44 | 39.00 | 36.00 | 33.00 | 30.00 |
| **Achievement** | 41.84 | 42.51 | 40.47 | 39.14 | 42.44 | 40.50 | 41.07 | 43.39 | 30.42* |
| **ALL ORISSA** | | | | | | | | | |
| **Achievement** | 43.90 | 44.01 | 47.47 | 40.75 | 40.75 | 39.21 | 39.60 | 38.57 | 27.11* |

**** The figures for 2007-08 relate to Distribution losses as approved in the ARR.***

**Table – 13**
**Distribution Loss at LT Level (%) Performance Review**

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08* |
|---|---|---|---|---|---|---|---|---|
| CESU | 52.4 | 54.9 | 50.2 | 46.4 | 47.4 | 49.7 | 53.2 | 34.4 |
| NESCO | 64.4 | 65.1 | 58.8 | 62.1 | 60.6 | 59.2 | 59.5 | 51.1 |
| WESCO | 59.6 | 63.3 | 58.6 | 63.4 | 65.0 | 65.5 | 65.0 | 52.0 |
| SOUTHCO | 49.2 | 46.7 | 45.9 | 50.2 | 47.8 | 49.6 | 52.2 | 33.2 |
| ALL ORISSA | 56.1 | 57.8 | 53.4 | 54.9 | 54.9 | 55.8 | 57.5 | 42.3 |

**(* Approved figure for 2007-08)**

**Table - 14**
**Collection Efficiency (%)**

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08* |
|---|---|---|---|---|---|---|---|---|
| CESU | 74.5 | 71.2 | 79.9 | 82.1 | 83.5 | 88.9 | 93.6** | 92.0 |
| NESCO | 82.1 | 74.3 | 81.5 | 85.5 | 95.6 | 90.2 | 88.5 | 94.0 |
| WESCO | 79.32 | 79.9 | 85.4 | 88.0 | 91.7 | 93.6 | 94.3 | 96.0 |
| SOUTHCO | 83.3 | 79.3 | 83.4 | 88.2 | 100.5 | 95.3 | 92.9 | 94.0 |
| ALL ORISSA | 78.7 | 75.5 | 82.4 | 85.5 | 91.0 | 91.6 | 92.4** | 94.2 |

**(*) Approved figure for 2007-08**
**(**) Performance Review**

**Table – 15**
**AT&C Losses (%)**

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 ** | 2007-08* |
|---|---|---|---|---|---|---|---|---|
| **CESU** | | | | | | | | |
| **Business Plan Approval** | | | 55.04 | 51.10 | 49.37 | 44.96 | 40.37 | 35.60 |
| **Achievement** | 58.94 | 63.57 | 54.48 | 50.57 | 51.12 | 49.18 | 47.11 | 34.96 |
| **NESCO** | | | | | | | | |
| **Business Plan Approval** | | | 54.25 | 50.36 | 42.96 | 39.55 | 36.08 | 33.26 |
| **Achievement** | 54.38 | 63.57 | 52.25 | 51.85 | 42.09 | 43.24 | 40.93 | 30.45 |
| **WESCO** | | | | | | | | |
| **Business Plan Approval** | | | 47.30 | 46.18 | 40.60 | 36.52 | 32.32 | 28.00 |
| **Achievement** | 54.94 | 57.18 | 47.30 | 46.36 | 41.66 | 41.75 | 39.99 | 28.00 |
| **SOUTHCO** | | | | | | | | |
| **Business Plan Approval** | | | 49.76 | 51.56 | 45.71 | 41.76 | 37.69 | 34.20 |
| **Achievement** | 52.10 | 52.80 | 49.26 | 49.27 | 40.22 | 43.86 | 47.38 | 34.60 |
| **ALL ORISSA** | 55.92 | 60.3 | 51.15 | 49.35 | 44.68 | 44.69 | 43.25 | 31.38 |

***(*) Approved for 2007-08***
***(**) Performance Review***

246. The objectors have made a scathing observation that the Commission cannot be taken as granted to accept whatever loss level the distribution companies achieved in the past or projected for the future. It would amount to act as per dictates of the distribution licensees, they argued.

247. The Commission therefore, should take an independent view of their own and fix loss level on a normative basis so that the benefits of loss reduction is shared by the consumers as well as the licensees and in any case the consumers cannot be burdened for high level of distribution loss incurred or to have been incurred by the distribution licensees because of their utter negligence and lack of sincere efforts on their part to turn around the distribution business. Both the licensees and the consumers shall benefit from the reduction of loss.

248. The Commission has given their anxious and careful consideration to the arguments and anguish expressed by the objectors for high level of loss incurred by the distribution licensees. The Commission is in agreement with the views of the objectors not to accept the level of loss shown by the licensee and accordingly projected loss level for the FY 2008-09 and onwards. Commission has, therefore have decided to adopt a normative level of loss level target for FY 2008-09 as given below, keeping in view the scope for substantial reduction of loss level and urgent need thereof for sustainability of the distribution business and to provide improved standard of service for the consumers at an affordable price. The position has been summarized vis-à-vis the actuals for 2006-07, the approved level of 2007-08 and the estimate made by the licensee for 2007-08 and projection made for 2008-09 along with the loss level approved for 2008-09.

**Table – 16**

**Distribution Loss, Collection Efficiency & AT&C Loss (in %)**

| | **Actual for 06-07** | **Approved 2007-08** | **2007-08 (Estt. By licensee)** | **2008-09 (Proj. by licensee)** | **2008-09 (App.)** | |
|---|---|---|---|---|---|---|
| **Distribution Loss** | | | | | **Overall** | **LT** |
| NESCO | 33.22 | 26.01 | 29.99 | 27.59 | 25.5 | 44.5 |
| WESCO | 36.36 | 25.00 | 33.71 | 31.51 | 25 | 46.7 |
| SOUTHCO | 43.39 | 30.42 | 41.54 | 39.31 | 30.4 | 33.4 |
| CESU | 43.52 (*) | 29.30 | 41.43 | 37.91 | 29.3 | 36.0 |
| All Orissa | 38.57 | 27.11 | 36.0 | 33.4 | 27.0 | 40.3 |
| **Collection Efficiency** | | | | | | |
| NESCO | 88.46 | 94 | 94 | 95 | 95 | |
| WESCO | 94.29 | 96 | 95.98 | 96.56 | 96.56 | |
| SOUTHCO | 92.95 | 94 | 93 | 94 | 94 | |
| CESU | 93.6 | 92 | 95 | 95 | 95 | |
| All Orissa | 92.39 | 94.15 | 94.8 | 95.43 | 95.45 | |
| **AT&C Loss** | | | | | | |
| NESCO | 40.93 | 30.45 | 34.19 | 31.21 | 29 | |
| WESCO | 39.99 | 28.00 | 36.37 | 33.87 | 28 | |
| SOUTHCO | 47.38 | 34.60 | 45.63 | 42.95 | 34.6 | |
| CESU | 47.11 (*) | 34.96 | 44.36 | 41.01 | 32.84 | |
| All Orissa | 43.25 | 31.38 | 39.30 | 36.42 | 30.36 | |
| **(*) Performance Review** | | | | | | |

**SALE BY DISTCOs**

**WESCO**

249. Actual sale figure at EHT and HT month wise from April, 2007 to January, 2008 as submitted by the licensees are available with the Commission. The sale at EHT and HT upto January, 2008 are found to be 969.52 MU and 1145.52 MU respectively in the current financial year. If the January, 2008 level of sale is assumed for the balance two month of this financial year i.e. February, 2008 and March, 2008, then total sales estimated at EHT and HT for FY 2007-08 will be 1169.30 MU and 1383.97 MU respectively. WESCO has projected additional sale at EHT during ensuing year i.e.FY 2008-09 at 231 MU over 2007-08 sale due to existing industry and new industries. Hence, while assessing the sale for 2008-09 it will be prudent to add this sale with the estimated sale for the FY 2007-08 at HT and EHT. So, estimated sale at HT and EHT will be 2553.28 + 231 = 2784.28 MU in FY 2008-09. But, the licensee has projected a higher level of sale at **3017 MU** in HT and EHT which they commit to achieve.

250. Thus, it will be logical to accept the sale as projected by licensee at HT and EHT because it is more realistic. Further, higher sale at HT and EHT will give more breathing space to licensee to reduce their overall loss level.

251. Based on the average purchase of power for all categories of consumers from August'07 to January'08, the estimated power purchase inclusive of additional sale of 231 MU has been arrived at 5680 MU for FY 2008-09. But, WESCO has submitted an estimation for purchase of 5786 MU of power which is on the higher side. In case, there is necessity of higher purchase of power by WESCO this purchase will be utilized for high value HT/EHT consumers.

252. The licensee has made a plan for electrification of lot of villages through implementation of different schemes such as RGGVY and BGJY during the ensuing year. Different central agencies are involved in this ambitious programme. The Commission is hopeful that target electrification of those villages will be achieved. In addition to that due to rapid urbanization and elevation of standard of living and theft control measure lots of sale at LT level is expected. Hence, the Commission approves a sale of 1243.26 MU at LT level in the ensuing year, which has been arrived at by applying the target loss level assigned by the Commission to the licensee for the FY 2008-09.

**NESCO**

253. Actual sale figure at EHT and HT month wise from April, 2007 to January, 2008 as submitted by the licensee are available with the Commission. The sale at EHT and HT upto January, 2008 are found to be 1391.91 MU and 572.26 MU respectively in the current financial year. If the January, 2008 level of sale is assumed for the balance two month of this financial year i.e. February, 2008 and March, 2008, then total sales estimated at EHT and HT for FY 2007-08 will be

1671.37 MU and 691.70 MU respectively. NESCO has projected reduction of sale at EHT during ensuing year at 62.52 MU below 2007-08 sale mainly due to reduction of contract demand of JINDAL Ltd. At the same time, NESCO has projected additional sale of 24.04 MU in HT during ensuing year over the sale of 2007-08. Hence, while assessing the sale for 2008-09 it will be prudent to add net effect of this reduction and addition with the estimated sale for the FY 2007-08 at HT and EHT. So, estimated sale at HT and EHT will be 2363.07 – 38.48 = 2324.59 MU in FY 2008-09. But, the licensee has projected a lower level of sale at **2295.61 MU** in HT and EHT, which they commit to achieve.

254. Therefore, the Commission is now accepting the sale as projected by licensee at HT and EHT because the licensee is hopeful for achieving the same. However, the Commission do take cognizance of the fact that for the year 2007-08 the approval for purchase of energy was 4497 MU, but the actual purchase for the April 2007 to January 2008 is 3834 MU. Taking the monthly average for the period August, 2007 to January, 2008, the estimated purchase for 2007-08 works out to be 4742.1 MU as against 4497 MU approved for 2007-08. Hence, the actual purchase for 2008-09 would more than 4660 MU as approved by the Commission.

255. The higher sale would be mostly due to HT/EHT consumer based in Kalinganagar and Joda areas and hence there would be higher earning compared to what is now has been estimated on a conservative basis.

256. The licensee has made a plan for electrification of lot of villages through implementation of different schemes such as RGGVY and BGJY during the ensuing year. Different central agencies are involved in this ambitious programme. The Commission is hopeful that target electrification of those villages will be achieved. In addition to that due to rapid urbanization and elevation of standard of living and theft control measure lots of sale at LT level is expected. Hence, the Commission approves a sale of 1176.09 MU at LT level in the ensuing year, which has been arrived at by applying the target loss level assigned by the Commission to the licensee for the FY 2008-09.

**SOUTHCO**

257. Actual sale figure at EHT and HT month wise from April, 2007 to January, 2008 as submitted by the licensee are available with the Commission. The sale at EHT and HT upto January, 2008 are found to be 180.33 MU and 186.86 MU respectively in the current financial year. If the January, 2008 level of sale is assumed for the balance two month of this financial year i.e. February, 2008 and March, 2008 then total sales estimated at EHT and HT for FY 2007-08 will be 218.34 MU and 225.99 MU respectively. SOUTHCO has projected additional sale at EHT and HT during ensuing year at 1 MU and 2.02 MU respectively over 2007-08 sale, due to existing industry and new industries. Hence, while assessing the sale for 2008-09 it will be prudent to add this sale with the estimated sale for the FY 2007-08 at HT and EHT. So, the estimated sale at HT and EHT will be

444.33 + 3.02 = 447.35 MU in FY 2008-09. But, the licensee has projected a higher level of sale at **457.49 MU** in HT and EHT which, they commit to achieve.

258. Thus, it will be logical to accept the sale as projected by licensee because it is more realistic and higher sale at HT and EHT will give more breathing space to licensee to reduce their overall loss level.

259. The Commission emphasizes that since the purchase of power projected by SOUTHCO has been accepted, SOUTHCO should be able to earn proportionate revenue by reducing distribution loss indicated by the Commission. It is expected that higher revenue will accrue on account of system improvement and anti-theft measures. In case higher revenue is realized by the licensee compared to the estimation by the Commission, the licensee will be suitably incentivised.

260. The licensee has planned for electrification of lot of villages through implementation of different schemes such as RGGVY and BGJY during the ensuing year. Different central agencies are involved in this ambitious programme. The Commission is hopeful that target electrification of those villages will be achieved. In addition to that due to rapid urbanization and elevation of standard of living and theft control measure lots of sale at LT level is expected. Hence, the Commission approves a sale of 920.14 MU at LT level in the ensuing year, which has been arrived at by applying the target loss level assigned by the Commission to the licensee for the FY 2008-09.

**CESU**

261. Actual sale figure at EHT and HT month wise from April, 2007 to January, 2008 as submitted by the licensee are available with the Commission. The sale at EHT and HT upto January, 2008 are found to be 610.84 MU and 576.21 MU respectively in the current financial year. If the January, 2008 level of sale is assumed for the balance two month of this financial year i.e. February, 2008 and March, 2008 then total sales estimated at EHT and HT for FY 2007-08 will be 757.38 MU and 690.19 MU respectively. CESU has projected additional sale at EHT and HT during ensuing year at 96.64 MU and 11.17 MU respectively over 2007-08 sale due to existing industry and new industries. Hence, while assessing the sale for 2008-09 it will be prudent to add this sale with the estimated sale for the FY 2007-08 at HT and EHT. So, estimated sale at HT and EHT will be 1447.57 + 107.81 = 1555.38 MU in FY 2008-09. But, the licensee has projected a higher level of sale at **1610.50 MU** in HT and EHT which they commit to achieve.

262. Thus, it will be logical to accept the sale as projected by licensee because it is more realistic and higher sale at HT and EHT will give more breathing space to licensee to reduce their overall loss level.

263. Based on the average purchase of power for all categories of consumers from July'07 to January'08, the estimated power purchase inclusive of additional sale

of 108.8 MU has been arrived at 5300 MU for FY 2008-09. But, CESU has submitted an estimation for purchase of 5742.7 MU of power which is on the higher side. In case, there is necessity of higher purchase of power by CESU this purchase will be utilized for high value HT/EHT consumers.

264. The licensee has made a plan for electrification of lot of villages through implementation of different schemes such as RGGVY and BGJY during the ensuing year. Different central agencies are involved in this ambitious programme. The Commission is hopeful that target electrification of those villages will be achieved. In addition to that due to rapid urbanization and elevation of standard of living and theft control measure lots of sale at LT level is expected. Hence, the Commission approves a sale 2136.35 MU at LT level in the ensuing year, which has been arrived at by applying the target loss level assigned by the Commission to the licensee for the FY 2008-09.

**Table – 17**
**Approved Purchase and Sale for FY 2008-09 (MU)**

| Licensee | WESCO | NESCO | SOUTHCO | CESU | Orissa |
|---|---|---|---|---|---|
| Purchase | 5680.00 | 4660.00 | 1980.00 | 5300.00 | **17620.00** |
| **Sale** | | | | | |
| EHT | 1542.00 | 1617.51 | 207.66 | 886.81 | 4253.98 |
| HT | 1475.00 | 678.10 | 249.83 | 723.69 | 3126.62 |
| Total HT & EHT | 3017.00 | 2295.61 | 457.49 | 1610.50 | 7380.60 |
| LT sale | 1243.26 | 1176.09 | 920.14 | 2136.35 | 5475.84 |
| Total Sale | 4260.26 | 3471.70 | 1377.63 | 3746.85 | **12856.44** |

**Computation of Revenue**
**HT & EHT:**

265. Category wise average revenue (paisa/ kwh) on actual basis at HT & EHT for the first nine months of FY 2007-08 in respect of NESCO, SOUTHCO & CESU and for first six months of FY 2007-08 in respect of WESCO was considered and the same was multiplied with category wise sale (MU) at HT & EHT level in respect of the licensees for arriving at the expected revenue of licensees at respective voltage level for FY 2008-09.

266. In case of revenue at LT level, revenue derived in respect of licensees on the basis of actual average revenue voltage wise and computed sale considering overall estimated loss works out at Rs.1316.16 crore against the revenue projected by the licensees i.e. at Rs.1160.88 crore from LT source.

267. Application of actual average revenue per unit at LT will undergo a big change as the rural electrification will add a large no. of Kutir Jyoti and low end domestic consumers.

268. The consumers mix at LT is likely to be skewed in favour of low paying domestic consumers. It is well nigh impossible to gauge exactly the impacted change that will take place during 2008-09 which can only be assessed by the end of the year.

269. Therefore, it is quite logical and rational to consider revenue projected by the licensees which may be realistic one and the licensees will not have any grouse in this regard, as they themselves have projected estimated revenue from LT which they may be able to bill. In case the licensees are able to achieve higher revenue from LT, they will be given an incentive on prorata basis.

**Table – 18**
**Approved Revenue for 2008-09**

**(Rs. in Crore)**

| | WESCO | NESCO | SOUTHCO | CESU | TOTAL |
|---|---|---|---|---|---|
| EHT | 529.24 | 480.74 | 79.21 | 303.93 | 1393.12 |
| HT | 489.94 | 229.32 | 80.10 | 264.47 | 1063.83 |
| LT | 231.90 | 229.88 | 172.45 | 526.65 | 1160.88 |
| TOTAL | 1251.08 | 939.94 | 331.77 | 1095.05 | 3617.83 |

**Metering Status**

270. The Commission has been reviewing the status of metering of 33/11 KV feeders, distribution transformers and consumers at the end of every two months. The progress as reported by the DISTCOs are as under:

**Table – 19**
**Metering position as on September 2007**

| **Items** | **CESU** | **NESCO** | **WESCO** | **SOUTHCO** | **TOTAL** |
|---|---|---|---|---|---|
| **Feeder metering position** | | | | | |
| No of 33kv feeders | 125 | 58 | 87 | 159 | 429 |
| No of 33kv feeder metering | 120 | 56 | 87 | 159 | 422 |
| No of 33 kv feeder metering left | 05 | 02 | 0 | 0 | 07 |
| No of 11kv feeders | 584 | 425 | 417 | 425 | 1851 |
| No of 11kv feeder metering | 584 | 194 | 417 | 425 | 1620 |
| No of 11 kv feeder metering left | 0 | 231 | 0 | 0 | 231 |
| No of 33/11kv transformers | 347 | 246 | 244 | 211 | 1048 |
| No of 33/11kv transformers metering | 81 | 1 | 0 | 30 | 112 |
| No of 33/11 kv transformer metering left | 266 | 245 | 244 | 181 | 936 |
| No of distribution transformers | 17593 | 15303 | 13910 | 10163 | 56969 |
| No of distribution transformers metering | 5118 | 11625 | 12558 | 8993 | 38294 |
| **Consumer metering position** | | | | | |
| Total number of consumers | 981682 | 531820 | 472125 | 514452 | 2500079 |
| Total number of meters | 981682 | 476935 | 469128 | 507665 | 2435410 |
| Total number of working metering | 839045 | 370625 | 458777 | 475437 | 2143884 |
| Percentage of working meters | 85.47 | 78 | 98 | 94 | 88.03 |

271. The Commission is not satisfied with the performance of DISTCOs especifically with respect to energy audit. The huge investment that has gone into the metering of all these installations should not go waste due to the inaction on the part of the licensees to monitor the outputs and take corrective measures, wherever necessary, for effective reduction of technical and commercial losses. The licensees must carry out energy audit including the distribution transformer, consumer indexing and pole scheduling to localise the loss level at every distribution transformer area and pinpoint the person or person responsible for such losses. **Apart from correct metering for reduction of commercial loss, the licensee also shall take remedial steps for reduction of technical losses through relocation of substations, up-gradation of transformer capacity, re-conductoring and other system improvement works.**

**Consumer Classification and Tariff Related Issues**

272. The price of electricity should progressively reflect the cost of supply in accordance with Section 61(g) of the Electricity Act, 2003. The cost of supply can be fairly determined with reference to the investment made, quantum of connected load, timing of supply and voltage at which it is supplied. Hence, electricity price has to be related to these factors. Secondly, the purpose of classification by Industries Department and other departments of Govt. are for different purposes like preferential treatment in financing, taxes, etc. which have no relevance for determining price of electricity. Thirdly, electricity charges are to be non-discriminatory. As such, it may not be possible to synchronize the pricing of electricity with classification decided by the Industries Department.

273. Forceful presentations were made on behalf the Representatives from State Private ITI Association requesting for a tariff under Specified Public Purpose category , as ITI/ITC are imparting training in different trades and neither doing any production nor making any business. They are being classified under general purpose category which is much higher than the Specified Public Purpose category tariff. Under the present provisions of the Supply Code they can not be classified under the Specified Public Purpose category, which stipulates as under:

*"This category relates to supply of power to (a) religious institutions, (b) educational institutions (including their hostels), (c) hospitals, dispensaries and primary health centres owned by government, local bodies and charitable institutions (recognised as such by Income Tax Dept.), (d) electric crematorium and (e) non-commercial sports organisations. The term 'educational institution' does not include vocational training or coaching centres".*

274. The petitioner was directed to produce records to prove that it can be covered under the category of "Educational Institution" and not vocational training institutes. The petitioner submitted that they are imparting craftsmen training and neither doing any production not making any business. Hence, Commercial tariff should not be levied on them.

275. The ITIs are basically training Institutions imparting training in different trades on chargeable basis and also are not charitable institutions. Therefore they can not be

covered under Specified Public Purpose category until the Regulation is amended or the petitioner submits adequate proofs issued by any public authority certifying the ITIs as Educational Institutions.

276. A new category, namely 'Agro-Industrial Consumers' has been introduced vide OERC Distribution (Condition of Supply)(4th Amendment) Code, 2007. As per Regulation 80 (5)(1) of the said Supply Code, this category relates to supply of power for Pisciculture, Horticulture, Floriculture, Sericulture and other allied agricultural activities including animal husbandry, poultry & cold storage (i.e. a temperature controlled storage where flowers, fruits, vegetables, meat, fish and food, etc. can be kept fresh or frozen until it is needed). The Commission has decided to allow tariff equal to the irrigation and pumping categories at LT/HT for rapid development of agro industrial consumption.

**Railway Traction Tariff**

277. The Railways agitated the same issues as they have raised during the tariff proceedings for the previous years. The question of providing a reasonable tariff for Railway Traction raised by the Railways was considered by OERC. The Commission would like to clarify that the railway traction tariff in Orissa is at par with HT or EHT tariff structure depending upon the voltage of supply. Railway traction tariff is much lower in Orissa, as compared to many other states. Therefore, railways should have no grouse on this account.

278. The rationale behind railways claim for a single part tariff need examination. In the year 2008-09, this tariff is applicable for emergency power supply to industries with captive power plants which is intermittent in nature and possibly much more higher. The rate is also higher compared to EHT tariff. All other consumers with contract demand of 110 KVA and above availing power supply at HT/EHT are covered under two part tariff following the principle of economic rationality for recovery of fixed and variable charges separately.

279. Railways pleaded that payment of maximum demand charges for each of traction substation could be replaced by a system of simultaneous maximum demand recording in contiguous substation. It may be mentioned that the railway traction supply is given by different licensees from the EHT network of the OPTCL and billing is done for the supply made against agreements executed between the supply licensees and the consumer. Since separate agreements are executed for individual traction loads, it will not be possible to adopt SMD for billing on the basis of simultaneous maximum demand recorded in contiguous substations. Where contiguous substations are located on the boundary of two adjacent distribution licensees, it will not be possible to adopt billing based on SMD recorded in contiguous substations as billing has to be done by more than one distribution licensee.

280. Railways further pleaded that in order to maintain continuity of supply and keep the trains running, the maximum demand of a traction substation increases when OPTCL avails shutdown on the adjacent traction substation for maintenance purpose. Thus, when the later traction substation over draws, it has to pay over drawl charges for such over drawl on account of no fault on its part but to

facilitate OPTCL for availing shut down. Therefore Railway pleads that over drawl penalty should not be charged on railways in such cases. Railways also submitted that this issue was raised in the previous tariff hearing where the Commission observed that *"As per Regulation 5 of OERC (Licensees' Standards of Performance) Regulation, 2004, the Railways are entitled for compensation from DISTCOs for its failure to meet the guaranteed standard of performance. Hence, the Commission feels if over drawl penalty is ignored then it will incentivise railways twice which is unacceptable."* As per railways, the compensation from DISTCOs for failure to meet the guaranteed standard of performance is of negligible amount compared to the amount of penalty on account of over drawl. The Commission appreciates the argument put-forward by the Railways and Railways should not be penalized for failure of OPTCL requiring feed extension due to power failure to the Railways. It may be on account of maintenance of lines and substations by OPTCL or due to the breakdown. On this account, the consumer should not be burdened with overdrawl penalty. The issue that comes up is method of determination of over drawl.

281. The extent of determination overdrawl due to feed extension should not turn out to be an issue of commercial litigation between Railways, OPTCL and DISTCO. With the availability of advance metering in place and facilities of downloading of the readings over a period of time, the mechanism should be worked out after mutual discussion between the parties to determine the quantum of overdrawl due to feed extension. This extent of overdrawl shall not be considered for the purpose of overdrawl penalty effective from 1.4.2008. OPTCL, the DISTCOs and the Railway shall file with the Commission about the settlement arrived at regarding the manner of determination overdrawl on account of feed extension for Commission's reference.

282. Railways suggested that, they should be allowed to take power supply directly from GRIDCO as DISTCOs do not make any value addition. More over, Section-42 (2) and 42 (3) of the Electricity Act, 2003 allows any person to avail power supply from any generating company or from any licensee. It is clarified that in the regime of open access, railways can have option to purchase power from any agencies other than the licensees in accordance with the relevant Regulation.

283. Railways pleaded that OERC may consider implementation of delayed payment surcharge to be paid by the DISTCOs to railways in case timely refund is not made to the railways, at the same rate and adjust the payback from traction energy bill preferred by DISTCOs. This has to be dealt in accordance with the existing provisions of the OERC Distribution (Conditions of Supply) Code, 2004 and the Payment of Bills procedures.

**Charging of Security Deposit by licensee**

Some of the objectors pleaded that,

284. The licensee should pay interest on security deposit to the consumers at the prime lending rate at which nationalized banks normally lend money to it on Cash Credit Account and similar other facilities during the year. It may be noted that, in

accordance with the OERC regulation, interest have to be paid at bank rate notified by RBI.

285. Bank Guarantee be accepted in lieu of cash Security Deposit to reduce the burden on consumers. In accordance with the provision under OERC Regulation, security deposit shall be paid in cash, bank draft, cheque or by credit card, where specially allowed by the licensee. There is no provision for acceptance of bank guarantee in lieu of cash.

**Demand charge in case of power cut**

286. Some of the objectors pleaded that demand charge should be calculated on pro-rata basis for the actual period of power availability. Alternatively, demand charge may be exempted if there is power interruption for more than 50 hours in a month. In accordance with clause 85 (3) of OERC Distribution (Conditions of Supply) Code, 2004, during statutory power-cuts and power restrictions imposed by the licensee for a period exceeding sixty hours in a month, the monthly demand charges shall be prorated in accordance with the period and quantum of demand restrictions so imposed. In all other cases, the consumer is liable to pay the full demand charges. This also conforms to the provision under Regulation 110 of the OERC Distribution (Condition of Supply) Code, 2004.

**Remunerative Norm for availing power supply**

287. Some of the objectors pleaded that the licensees are not following the remunerative norm for providing new connections. They also submitted that, the licensee should attach the remunerative calculation while furnishing the estimate to the prospective consumer towards extension/augmentation for the purpose of transparency. Remunerative norms as stipulated in the OERC Distribution (Conditions of Supply) Code, 2004 for availing new connection is binding both on the consumers and licensee which has to be strictly followed. The Commission subscribes to the views of the objectors and directs the licensees to enclose a copy of the remunerative calculation while furnishing the estimate to the prospective consumer towards extension/augmentation for the purpose of transparency. Further, some objectors submitted that, the licensees for all HT/EHT extension is demanding the full cost of extension of lines including supervision charges whether or not the scheme is fully or partly remunerative. Affected consumers should approach the appropriate Grievance Handling Forum for enforcement of their rights.

**Meter Rent**

288. WESCO, NESCO and SOUTHCO have proposed for withdrawal of recovery of meter rent from the consumers on the ground that the meters procured and provided to the consumers are to be considered as part of the distribution assets and accordingly to be treated in the ARR of the Licensee. If the meter would be provided by the consumers, the standard cost of the meter shall be treated as advance payment from the consumer and would be adjusted in the next ten months electricity bills. Some of the objectors stated that, in line with the provision of the Electricity Act, 2003, consumer should have the first option to

provide the meter so that, they could have a genuine correct meter. Withdrawal of recovery of meter rent should not be allowed as it will make the licensees complacent towards replacement of defective meters.

289. In accordance with Sec.55 of the Electricity Act, 2003, the licensee may require the consumer to give him security for the price of a meter and enter into an agreement for the hire thereof unless the consumer elects to purchase a meter. In accordance with the OERC Regulation, meter rent is collectable when a licensee supplies a meter to a consumer whereas meter rent is not payable when it is supplied by the consumer.

290. The suggestion of the licensee to treat it as a part of the distribution asset cannot be considered at this stage, as the meter rent has been recovered partially/fully in case of the existing installations. This will create a discriminating situation as the cost of the distribution asset will have to be recovered from all the consumers once the meters are fully capitalized. Hence, the suggestion of the distribution licensee is not acceptable.

291. Objectors have been complaining that the licensees are continuing to charge the meter rent even after recovery of the entire cost of the meter. On this issue, the Commission would like to reiterate its own order passed in Case No.139, 141, 143 and 145 of 2005 dt.22.03.2005 which is as under:

*"8.33.16 56.(1) The licensee shall supply the meter (unless the consumer elects to supply the same), cut-out/ MCB / CB / load limiter to consumers at the time of providing new service connection or at any other time as required.*

*(2) In case of new connection/replacement of meter, the consumer, in accordance with Section 55 and regulations framed under Section 73of the Act, may himself procure the meter either from the vendors certified by the licensee conforming to licensee's technical specifications or requests the licensee to supply the meter and charge meter rent as per the tariff order. The licensee shall calibrate such meter at consumer's cost and seal the meter. The consumer shall have the option to get the meter calibrated in any standard testing laboratory of the Electrical Inspector.*

*Alternatively, consumer may choose to pay the full cost of the meter provided by the licensee. No meter rent shall be chargeable in such cases."*

292. Therefore, meter rent and the cost of metering / lease should be maintained separately from the general revenue and expenses of the licensee. If the consumer intends to take the meter on hire, the licensee can charge meter rent.

293. In some cases licensee is demanding cost of cubicle metering from its consumers. Small and medium industries can ill afford such cost. It was pleaded that it should be made optional for consumers to bear the cost of the entire cubicle metering. In accordance with Central Electricity Authority (Installation and Operation of

Meters) Regulations, 2006, Regulation *2(p) – "Meter" means a device suitable for measuring, indicating and recording consumption of electricity or any other quantity related with electrical system and shall include, wherever applicable, other equipment such as Current Transformer (CT), Voltage Transformer (VT) or Capacitor Voltage Transformer (CVT) necessary for such purpose.* According to OERC Distribution (Conditions of Supply) Code, 2004, Reg.55 – *The licensee is authorized to review the status of meters already installed in the context of upgraded technologies becoming available.*

294. Hence, the licensee may install metering cubicles for the consumers. However, the cost may be recovered by the licensee in instalments if such consumers are not in a position to pay the price of such installation in a single instalment.

295. Like previous year, the Commission is concerned about the complaint that absence of records for old meters which creates a problem about last date up to which the meter rent could be recovered. The Commission directs that wherever records are not available collection of meter rent shall be stopped in case the rent has already been collected for the last 40 months which was allowed in last tariff order.

296. The monthly rent only for the meter as per the existing rate shall be charged from the consumers to whom meter has been supplied by the licensee. The scale of meter rent including associated equipment applicable to various classes of consumers is given below:-

| Type of Meter | Rent in Rupees |
|---|---|
| 1. Single phase electro-magnetic Kwh meter | 15/- |
| 2. Three phase electro-magnetic Kwh meter | 30/- |
| 3. Three phase electro-magnetic trivector meter | 800/- |
| 4. Trivector meter for Railway Traction | 800/- |
| 5. Single phase Static Kwh meter | 35/- |
| 6. Three Phase Static Kwh meter | 100/- |
| 7. Three phase Static Trivector meter | 800/- |
| 8. Three phase Static Bivector meter | 800/- |

297. We observe that there are delays for testing of meters leading to delay in extending new connection to the consumers. Besides that CEA Regulation provides for accredition of meter testing laboratories. The licensees should take into consideration the CEA directives in the matter and suitably strengthen their meter testing laboratories so that they can handle repair, replacement of defective meters which will reduce the number of consumer complains on that account.

**Tariff for HT/EHT consumers**

298. A study of the tariff structure at HT/EHT would show that, the tariff structure is generally rationalised. The rates are uniform for consumers with contract demand 110 KVA and above receiving power either at HT/EHT except for the emergency power supply to the captive power plants. It includes consumers like general purpose, public water works and sewerage, pumping, large industry, power

intensive industry, mini steel plant, railway traction and heavy industries. The energy charge is equal for all such category of consumers. If the power factor and load factor remains same at HT or EHT for any category the overall per unit shall be same. This is an indicator of moving towards cost based tariff structure. In fact, all HT/EHT categories can be rolled into one but for the differentiation in electricity duty imposed by the Govt.

299. SOUTHCO and JCL, Ganjam submitted that they have arrived at a mutually agreed tariff of Rs.2.57/kwh for 2008-09 and accordingly SOUTHCO has reflected the impact of the revenue in the ARR pertaining to 2008-09. In this regard, the Commission would like to reiterate that as indicated in its order dt.10.12.2007 in case No.26/2007 that the differential between normal and special tariff as agreed between the parties will not be allowed as a pass through in ARR which has to be met out of the efficiency gain of the licensee and this shall not be considered as a precedent for fixation of tariff for either this consumers or consumers similarly placed which has to be decided following the normal rules of procedure.

**Graded Slab Tariff for HT/EHT Consumers**

300. Until now the Commission has been granting incentives for HT & EHT consumers in order that idle capacity in the electricity sector would be reduced and fuller utilization of capacity would be promoted. However the entitlement to incentive tariff for HT & EHT consumers was hedged in by certain conditionalities, namely, that the consumer shall not reduce its contract demand for a period of three years and that the consumer should be drawing power at 80% load factor, so that there would be a minimum assured guaranteed revenue and capacity utilization.

301. The Commission now decides to simplify and broad-base the scheme for giving incentive to HT and EHT consumers. The number of HT & EHT consumers are now more than 800 and many of them are deprived of the benefit of incentive tariff because of the aforesaid restrictive conditions. It is therefore necessary to do away with the aforesaid conditions and encourage high consumption by prescribing low rates for higher load factor. Another reason for making the incentive scheme more broad-based and simpler is to attempt to secure that the DISTCOs of Orissa should offer a competitive rate even after availability of full open access and harnessing of captive power generation in the State, resulting in opening up of the doors of competition. The incentives hereby granted would promote better competition in the interest of consumers, as per the mandate in Section 61(c) of the Electricity Act, 2003.

302. In para 5.32.4 of the Retail Supply Tariff order for FY 2007-08, the Commission had observed as follows:-
*"At a future date the Commission may dispense with the minimum stipulation period of three years as stipulated for availing benefit of incentive tariff and do away with consumption ratio and accordingly redesign a tariff at slab rate basis,*

*so that consumers who are not getting the benefits of concessional incentive tariff may get that benefit*".

303. Keeping the above factors in view the Commission determines the slab rate for all HT & EHT consumers as follows: -

**Table – 20**

| Load Factor (%) | HT | EHT |
|---|---|---|
| Upto 50% | 300 p/u | 290 p/u |
| > 50% = < 60% | 225 p/u | 202 p/u |
| > 60% | 220 p/u | 202 p/u |

304. This graded slab tariff would have the effect of reducing the tariff for all HT & EHT consumers and thereby reduce cross subsidy. Demand charges and other charges as applicable would be chargeable in addition to the energy charges in the Table above.

**Special Tariff for Power Intensive Industries covered under Special Agreement**

305. There exist 4 Ferro Alloys industries drawing power from NESCO under special agreements namely 1) Balasore Alloys, 2) Charge-Chrome Plant, (TISCO), Bamnipal, 3) FACOR, Bhadrak, 4) Ferro-Chrome Plant, Jajpur. The arrangement has been existing since pre-reform days when OSEB was supplying power; and the agreements were being entered into with the suppliers as and when the occasion arose: when GRIDCO became the supply licensee and thereafter when NESCO became the supply licensee. These Ferro-Alloys industries also came in the category of Power Intensive Industries, vide Regulation 80(13), and were entitled to normal concession rate available under incentive tariff if they satisfied conditions laid down therefore in this order. Over and above, that these industries have been enjoying special tariff under the aforesaid agreements. The rationale of such special agreement-based tariff has been that these were export oriented units and unless a viable tariff was provided they would not be able to compete in international market and they would close down with consequential loss of revenue of NESCO from high-consumption customers. For some years the shortfall of agreement rate from the general tariff rate for Power Intensive Industries was being absorbed by NESCO as a condition for allowing special tariff and nothing of it was being passed onto the consumers of the State. Subsequently at the request of the licensee these industries have been allowed special tariff structure by the Commission. But there has been a serious impact on the general revenue stream of the power sector due to continuance of this type of special agreement. The other condition has been that the special agreement-based tariff would be applicable only for a guaranteed off-take of 80%. The Commission observes that, the said Special Agreement was introduced and subsequently allowed in order to encourage the Ferro Alloy industries on historical ground for guaranteed drawl at higher load factor under the then

prevailing conditions of surplus power in the State. But now the scenario has undergone change and the State is leading towards deficit power situation.

306. Besides the current year's cost of power purchase has increased particularly from the central generating stations. Incidentally it may be mentioned that these industries were allowed power out of unallocated quota of NTPC stations to the States for which in the earlier years they were allowed to avail power under Special Agreement. The cost of power purchase of Farakka Super Thermal Stations for the year 2008-09 is 210.18 paise/unit and that of Kahalgaon Super Thermal Stage-I is 222.51 paise/unit (provisional) with addition of 4.5% as transmission loss and the landed cost of these power works out to 222 and 233 paise/unit, respectively. The cost of transmission is 21 paise/unit for the year 2008-09. As such, the central power from Farakka and Kahalgaon will work out to 241 and 254 paise/unit, respectively. In spite of this the Commission has decided a rate lower than these cost of power purchase both in respect of HT and EHT consuming at a load factor higher than 50%. Keeping in view that overall per unit cost may go down.

307. The licensee NESCO, in their tariff application in para 6.2 had submitted that these industries have ceased to be 100% export oriented unit. The Special Agreements shall come to an end as on 31.3.2008. Besides they have quoted the judgement of Hon'ble Tribunal dtd.12.11.2007 and requested that the special tariff may be withdrawn with effect from 01.4.2008 and the normal tariff applicable to such category of consumers may be made applicable to these units.

308. In the mean time, open access has been allowed, remunerative price has been offered to captive generating plant for maximising generation, even inter-state open access is available, the licensee has not sought continuance of Special Agreement beyond 31.3.2008.

309. Therefore, the Commission does not find any justification to allow Special Agreement with the above Ferro Alloy industries any longer. However, Commission directs that, the licensee willing to enter into special agreement with a rate other than that for a particular category can do so provided the licensee undertakes to absorb the difference between the revenue at the approved rate and the rate at which it proposes to enter into a special agreement with any industry. However, entry into special agreement should be non-discriminatory in nature i.e. consumers falling into same category should be offered similar rates.

**Special Tariff for Industries with Contract Demand of 100 MVA and above**

310. The Commission had introduced a Special Tariff for Industries with Contract Demand of 100 MVA and above since 1999-2000 with a rate of 200 paise/unit for consumption by industries with a contract demand of 100 MVA and above and maintaining a guaranteed monthly off take of 80%. These consumers will not pay monthly Demand Charge and shall pay only a consolidated Energy Charge. They will have to restrict their maximum demand within the contracted capacity. In

case the maximum demand exceeds the contracted capacity, Demand Charge as applicable to the relevant consumer category will be payable only on the maximum demand in excess of the contract demand. The Commission in its tariff for FY 2007-08 after taking into consideration the rise in annual bulk supply price and the annual inflation into consideration fixed this at 215 paise/unit subject to change as may be necessary from year to year. While reviewing the issue, the Commission observes that, this Incentive tariff remained as ornamental one only. There is no such industry in the State who is availing this benefit. Therefore the Commission does not consider it necessary to continue with this Special Tariff any longer and directs the distribution licensees to do away with this Special Tariff for Industries with Contract Demand of 100 MVA and above.

**Over Drawl Penalty Due to Excess Drawl during Off Peak Hours**

311. The Commission has allowed consumers with two part tariff to draw upto 120% of their contract demand during off peak hours. Some consumers may be reaching upto 120% of their contract demand during off peak hours but their recorded maximum demand during the other hours may be lower than that. Such consumers will be put to difficulty if the higher recorded maximum demand during off peak hours is taken into consideration for determination of load factor. The Commission takes into consideration, drawl during off peak hours helps the system for maintenance of better frequency profile it helps utilisation of surplus generation if any during this period.

312. Therefore, we take into consideration that we have allowed drawal by the industries during off peak hours to draw upto 120% of their contract demand without levy of any penalty. In view of that for the purpose of determination of load factor the demands recorded in hours other than off peak hours shall be the basis.

**Period of Agreement**

313. Some objectors brought to the notice of the Commission the following issues:

The validity of agreement for power supply may be reduced from the present duration of 5 years.

The above matters relate to the provisions under OERC Distribution (Conditions of Supply) Code, 2004. The provision in Form 3 under Regulation 15 stipulates that "*the agreement shall commence from the date of its execution and shall continue to be in force until the expiry of five years from the date of supply, and thereafter shall so continue until the same is determined by either party giving to the other, two calendar month's notice, in writing, of its intention to terminate the Agreement.*"

**Reduction of Contract Demand for Industries with Captive Generating Plants (CGPs)**

314. Above codal provisions have been incorporated keeping in view the financial viability of the utility for the investment made. In case the agreement is executed for only one year the recovery cost will be quite high and the tariff will unaffordable if the commercial viability norms are applied. Besides, no utility will be able to prepare perspective plan for growth and development on a long term sustainable basis. In this connection we quote Regulation 81 of OERC Distribution (Condition of Supply) Code, 2004.

*"The licensee may, having regard to the nature of supply and purpose for which supply is required, fix special tariff and conditions of supply for the consumers not covered by the classification enumerated in this Code. For such purpose licensee may enter into special agreements with the approval of the Commission with suitable modifications in the Standard Agreement Form. The tariff in such cases shall be separately approved by the Commission."*

315. With regard to the imposition of time limit for reduction of contract demand with specific reference to industries having CPP, the Commission would like to observe that the reduction of contract demand as discussed in the above para should apply within the framework of OERC Distribution (Conditions of Supply) Code, 2004.

316. Non-adherence of phasing of contract demand beyond the control of the consumer. Some consumers pleaded that the benefit of reduction in contract demand should be allowed to them if they do not adhere to the phasing of contract demand entered with the licensee due to reasons beyond their control without insisting the codal provisions for reduction of contract demand. The licensees on the other hand pleaded that when investments have been made for giving power supply to such industries and if they failed to draw the desired load as agreed it puts the licensee to great financial loss which obviously will have to be allowed to pass through in tariff to be shared by other consumers. It is, therefore, very much appropriate that for the failure of such consumers all other consumers need not be burdened. The Commission very much concurs the view forwarded by the licensee. Before entering into an agreement the consumers should have given due consideration to the investment to be met by a public utility service. We direct that if it could be established that there shall be absolutely no financial liability on account of such re-phasing of contract demand the licensee may give due consideration with mutual agreement. In case of HT and EHT consumers, investment if any made by the OPTCL should also be taken into consideration.

317. The third issue is temporary enhancement of contract demand to meet the short term requirement of an industry. This should essentially be addressed by following wherever possible, the conditions of short term open access regulation to access power from sources other than the licensee's area of supply. In case the same consumer wishes to avail power supply from the licensee where it is

situated, the ideal condition should be to allow the normal tariff with the enhanced contract demand applicable for such classes of consumers.

**Issue of Street Light**

318. The Commission time and again have directed that meters have to be provided for all consumers of electricity. The municipality shall have to enter into an agreement with the licensee for power supply. They should insist for meters. Once metering is completed this problem of 10 hours or 11 hours billing will not arise. Therefore, all the licensees are directed to take up metering for street lighting as such loads are on the increase. Until metering is in place the Commission directs that billing should be done assuming 11 hours burning time taking the average use of summer and winter seasons.

**Exclusion of annual maintenance shutdown period from calculation of Consumption Ratio**

319. Some of the objectors submitted that, annual maintenance shutdown period should be excluded from calculation of Consumption Ratio for the purpose of incentive tariff with guaranteed minimum off take at a load factor of 80%. In this context, the Commission observes that, the provision of incentive tariff has been withdrawn in this tariff order introducing a graded slab tariff for HT and EHT consumers. The Commission observes that, since the concept of consumption ratio has been done away with therefore the issue becomes non-existent.

320. The Commission further directs that non-availability of power supply due to failure on the part of the licensee shall have to be dealt with in accordance with OERC (Licensees' Standard of Performance) Regulation, 2004.

321. It is was submitted that every interruption be considered as an interruption for a period of 30 minutes and all such periods be deleted from the total hours in a month to calculate the guaranteed load factor of 80%. The Commission has done away with the concept of guaranteed load factor of 80%. Besides, treatment of duration less than 30 minutes for any interruption is not supported by the Regulation.

322. Print out of the records in the static meter relating to MD, PF, number and period of interruptions should be attached to the energy bill. If, it is available in the meter reading there should be no difficulty for the licensee to provide. Besides above the licences has to record tamper data if any in any meter recording and inform the consumers besides taking appropriate action.

323. A lower load factor unto 80% may be prescribed for the period of annual maintenance, which will be jointly decided by the licensee and the consumers. Alternatively, the guaranteed load factor of 80% should be determined on an annual basis. As stated earlier the Commission has dispensed with the concept of guaranteed load factor.

**Industrial Colony Consumption**

324. On the issue of energy consumption in Industrial colony limiting to maximum of 10% to be included in the first slab of 50% for incentive calculation and removal

of the ceiling limit of 10% of total consumption for the colony consumption charging at domestic rate it is observed that as per Regulation 80 i.e. 'classification of consumer' in the OERC Distribution (Condition of Supply) Code, 2004, the domestic category does not include residential colonies attached to industrial establishment where power supply is drawn through the meter of the industrial establishment. **The Commission does not approve any change in the existing pattern of billing of colony consumption, as proposed by the objectors.**

325. Some objectors submitted that the service connection charges are high. Consumers may be allowed to procure material by giving supervision charges to the licensee. The Commission clarifies that the service connection charges are to be calculated in accordance with the provision of OERC Distribution (Conditions of Supply) Code, 2004.

326. Some of the objectors pleaded for allowing a discounted tariff at different rates by eliminating cross–subsidy. It may be noted that, the National Tariff policy deals with the subject of Cross-Subsidy in following terms:

"For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap within six months with a target that latest by the end of year 2010-2011 tariffs are within ± 20% of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.

For example if the average cost of service is Rs.3 per unit, at the end of year 2010-2011 the tariff for the cross subsidized categories excluding those referred to in para 1 above should not be lower than Rs 2.40 per unit and that for any of the cross-subsidising categories should not go beyond Rs 3.60 per unit."

327. The present level of cross-subsidy is well within the target of ±20% of the average cost of supply. In other words what is required to be achieved by the end of the year 2010-2011 has been already achieved.

**KVAH Billing**

328. WESCO, NESCO and SOUTHCO have proposed KVAH billing for LT/HT industrial consumers due to their drawl of energy at low power factor but do not pay power factor penalty. But, for switching to KVAH billing mode, use of static meter is essential. The Commission in their earlier order (para 7.13.8 of RST order for FY 2007-08) has directed to submit the availability of static meters for low voltage consumers having connected load of 10 KW and above. But, the licensees have failed to confirm the no. of static meters presently used by the consumers in their respective area. In the absence of availability of static meter it is not possible to measure KVAH for any consumer. Therefore, the Commission directs the licensees to submit the availability of static meter for LT/HT industrial consumer before next tariff hearing.

Changeover from kwh billing to KVAH billing requires intensive analytical figures about KWH consumption and KVAH consumption to assess impact on licensee's revenue and charges to the consumers. Therefore, DISTCOs must

provide a comprehensive proposal with the static at least 1st six month of the FY 2008-09 and that this issue can be deliberated in the tariff filing for 2009-10.

**Tariff Hike**

329. The recurring objection against tariff increase has been the constraint of affordability. The domestic consumers have urged to leave them out of tariff increase because they cannot afford and they cannot pass on the burden which the commercial and industrial consumers can do. On the other hand, commercial and industrial consumers have pleaded that their products cannot be competitive and therefore their tariff should be reduced rather than increased. As such, the industrial consumers pleaded for reduction in cross subsidy. Each category has pleaded that tariff, if increased, should be for other categories. We cannot fully ignore the affordability factor because safeguarding interest of consumers is one of the parameters in tariff fixation. But affordability cannot be the prime consideration Section 61(d) of the Electricity Act, 2003 intends safeguarding of every consumer groups' interest and at the same time, recovery of the cost of electricity in a reasonable manner by a balanced approach. Further, Tariff Policy stipulates that, the Regulatory Commissions need to strike the right balance between the requirements of the commercial viability of distribution licensees and consumer interests.

**Rural Electrification**

330. The Commission is aware of the fact that the State Government has taken up Rural Electrification work in a massive scale in consonance with the national agenda to achieve 100% Rural Electrification and providing electricity to all households by 2012. While extending power facilities to every nook and corner of the State necessary precautionary measures have to be taken to avoid further loss to the power system. In fact, extension of lines would mean additional technical loss apart from commercial loss which can be prevented by taking the following measures as detailed below:-

a) Off grid supply/distributed generation should be encouraged in remote villages situated away from GRID.

b) In case the electrification is done by extending the grid supply then the extension should be on High Voltage Distribution System (HVDS) by extending the HT lines up to the load centre of the village. Then LT distribution can be done by installing small capacity transformers like 10 KVA, 16 KVA, 25 KVA to cater to the needs of the villagers. Service connections can be extended directly from the LV side of the transformers to the consumer's premises. If necessary, Aerial Bunched Conductors (ABC) can be used for extending LT supply to distant points which cannot be reached through normal service connection wires.

c) Village Committee may be set up to look after load development, load management, billing and collection in the village.

d) On the LV side of the transformer, a meter is to be installed which will record the total energy supplied by the transformer. The village committee can be billed based on this meter reading on a suitable consolidated tariff to be approved by OERC depending on the mix of load in the village. Franchisee(s) or village committee(s) shall be entrusted with billing, collection and regularisation of unmetered connection to improve billing and collection efficiency in rural areas and achieving loss reduction in the process giving priority to the village panchayats to be the Franchisee. Even 11 KV feeders can be handed over to the franchisee(s) whose remuneration can be fixed beyond a certain benchmark of performance. Franchisees do not need a distribution licence as provided under the 7$^{th}$ proviso of section 14 of the Electricity Act, 2003.

e) The extension of lines in the village should be done only after firm commitment from the consumers by way of giving advance security deposit/paying for the cost of extension etc.

f) The capital investment required for rural electrification will be fully funded by the State Govt. through various GOI sponsored schemes such as RGGVY, APDRP, PMGY, MPLAD, MLALAD etc. as 90% capital subsidy to DISTCOs.

g) The Commission is of the view that aforesaid precautionary measures will reduce commercial loss substantially. The Commission, therefore, directs DISTCOs to adopt measures mentioned above while taking up rural electrification work.

h) The Commission further would like to quote the relevant provision of the Electricity Act, 2003 with regard to Rural Electrification. *"The concerned State Government and the Central Government shall jointly endeavour to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households."* Further, para 1.22 of the National Rural Electrification Policy is worth referring.

*"The various existing financial assistance schemes of the Government of India aimed at Rural Electrification would be reviewed with a view to re-orient these, if so required, to ensure that all initiatives in the area of Rural Electrification are coordinated and remain complementary in nature. If required, other schemes would also be formulated."*

With the aforesaid legal mandate, it needs to be mentioned that hardly 22% of the rural households in Orissa have access to the electricity. Hundred percent electrification of households would require massive investment a large part of which would naturally come from the Governments. The maintenance of these assets and charges for supply of electricity need to be paid back through the consumer tariff. The problem

gets accentuated as the newly connected consumer groups will be mostly with rural background, low paying capacity for which they need support of the State and the Centre in terms of revenue subsidy if a substantial tariff hike is to be prevented to other classes of consumers, even after reaching an efficient level of transmission and distribution loss. This is all the more important in the regime of Open Access and reduction of cross subsidy mandated by the Electricity Act, 2003. The state and the centre are required to take appropriate policy decisions in the matter and the Commission hopes that there should not be any delay in those matters.

**Agricultural Tariff**

331. In para 8.3 of the National Tariff Policy, sub-para(3) it is clarified that while fixing tariff for agricultural use the condition of ground water table to prevent excessive depletion of ground water need to be taken into consideration apart from keeping in mind the average cost of supply. The Govt. of Orissa have informed that they have been following a policy of "S*ubsidy Withdrawal*" and expect the sector to be self sustainable. The Commission on the other hand is bound by the provisions Sec.65 of the Electricity Act which provides that for any relief to any class of consumer, advance subsidy need to be provided by the State Govt.

In this connection, sub-para(4) of the National Tariff Policy is quoted below:
"*Extent of subsidy for different categories of consumers can be decided by the State Government keeping in view various relevant aspects. But provision of free electricity is not desirable as it encourages wasteful consumption of electricity besides, in most cases, lowering of water table in turn creating avoidable problem of water shortage for irrigation and drinking water for later generations. It is also likely to lead to rapid rise in demand of electricity putting severe strain on the distribution network thus adversely affecting the quality of supply of power. Therefore, it is necessary that reasonable level of user charges are levied. The subsidized rates of electricity should be permitted only up to a pre-identified level of consumption beyond which tariffs reflecting efficient cost of service should be charged from consumers. If the State Government wants to reimburse even part of this cost of electricity to poor category of consumers the amount can be paid in cash or any other suitable way. Use of prepaid meters can also facilitate this transfer of subsidy to such consumers."*

**Energy Conservation & Procurement of Power from Renewable Sources**

332. The Electricity Act, 2003 envisages under section 86(e) that the State Commission shall promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person. In this connection, the Commission by separate other for specify the quantity to energy to be purchased by the licensees from renewable sources of energy for its encouragement. Besides, the Commission has announced the pricing policy for captive generating plants. It is hoped that the licenses in the state shall do their best for harnessing such sources of generation.

## FINANCIAL ISSUES (PARA 333 TO 425)

### Operation & Maintenance Expenses

333. The operation and maintenance expenses for distribution and retail supply may be considered under the following heads:-

(i) Employees Cost

(ii) Administration & General Expenses

(iii) Repair and Maintenance Expenses

334. The Commission had spelt out in para 5.6.2 of the LTTS order dtd.18.06.2003, in Case No.8/2003 the parameters to be adopted for O&M costs, an extract of which is given below:-

*"5.6.2.1 These comprise the Wages and Salaries, Repairs and Maintenance and Administrative and General expenses and prudential norms of provisioning for bad debts. With regard to O&M Costs, the Commission shall determine the Base Year Values for the Control Period and these values shall be based on the audited accounts for FY 2002-03.*

*5.6.2.2 For Wages and Salaries during the Control Period, the base year values of Basic Pay and Dearness Allowance escalated for annual salary increments and inflation based on Govt. notification shall be allowed. Provisioning for terminal liabilities like pension and gratuity liabilities, based on a periodic actuarial valuation in line with the prevailing Accounting Standards issued by ICAI, shall be allowed.*

*5.6.2.3 For Repairs and Maintenance, 5.4% applied on the opening gross asset value shall be allowed.*

*5.6.2.4 For Administrative and General Expenses, the base year value escalated by 7% every year for the control Period.*

5.6.2.5 *No adjustments in the Annual Revenue Requirements shall be made on account of actual values being different from these Performance Targets for the O&M costs during the Control Period."*

335. The aforesaid principles have been followed in determining the various elements of O&M expenses for the year 2007-08 and also for the year 2008-09.

### Employees Cost

336. Major components of Employees Cost proposed by four DISTCOs for the FY 2008-09 as per their latest filing are given in the table below.

**Table - 21**

**(Rs. in crore)**

| **Particulars** | **WESCO** | **NESCO** | **SOUTHCO** | **CESU** |
|---|---|---|---|---|
| Basic Pay + D.P. | 55.73 | 55.98 | 48.85 | 74.01 |
| Dearness Allowance | 29.54 | 19.38 | 25.89 | 34.78 |
| H.R.A. | 8.92 | 6.95 | 8.79 | 14.80 |
| Other | 11.42 | 6.67 | 13.31 | 17.53 |
| Terminal benefit (Pension & Gratuity) | 46.75 | 51.86 | 48.82 | 26.47 |
| Total | 152.36 | 140.84 | 145.66 | 167.59 |
| Less capitalized | 2.30 | 1.05 | - | - |
| Net | 150.06 | 139.79 | 145.66 | 167.59 |

337. The audited data for WESCO, NESCO and SOUTHCO prepared for Income Tax purposes are available up to the year 2006-07. In case of CESU the special audit report is available up to the year 2005-06.

338. The Commission keeping in view the proposal submitted by the licensee in this respect as well as the trend of past expenditure has to be satisfied that the expenditure to be incurred should be reasonable, realistic and prudent. For this purpose, an analysis of the total employees cost approved by the Commission and audited figures of the past years is given in the table below.

**Table – 22**

**(Rs. in Crore)**

| Year | WESCO | | NESCO | | SOUTHCO | | CESU | |
|---|---|---|---|---|---|---|---|---|
| | Approved | Audited | Approved | Audited | Approved | Audited | Approved | Audited |
| 1999-00 | 48.62 | 54.01 | 39.84 | 44.61 | 43.87 | 44.30 | 82.75 | 97.92 |
| 2000-01 | 56.92 | 55.17 | 46.26 | 46.47 | 46.26 | 45.61 | 89.37 | 99.58 |
| 2001-02 | 56.86 | 57.09 | 49.60 | 51.88 | 47.53 | 47.34 | 93.27 | 95.31 |
| 2002-03 | 58.16 | 58.66 | 51.11 | 52.22 | 48.53 | 47.58 | 95.63 | 89.91 |
| 2003-04 | 60.79 | 59.49 | 56.17 | 49.68 | 52.92 | 48.40 | 108.86 | 97.83 |
| 2004-05 | 65.18 | 68.22 | 54.31 | 52.51 | 56.85 | 48.55 | 107.49 | 216.11 |
| 2005-06 | 69.06 | 85.50 | 61.12 | 66.51 | 63.73 | 61.54 | 113.30 | 108.80 |
| 2006-07 | 76.78 | 153.53 | 67.98 | 112.17 | 66.72 | 98.82 | 113.10 | NA |

339. The expenditure for 2006-07 based on the accounts prepared for Tax Audit purposes for WESCO, NESCO and SOUTHCO and the provisional figure for the year 2006-07 as available in the filing in respect of CESU are given in the table below:

**Table - 23**

**(Rs. in crore)**

| **Particulars** | **WESCO 2006-07** | **NESCO 2006-07** | **SOUTHCO 2006-07** | **CESU 2006-07 (Provisional as per filing)** |
|---|---|---|---|---|
| Basic Pay | 53.55 | 53.01 | 45.07 | 66.18 |
| DA | 13.14 | 10.04 | 13.51 | 19.19 |
| HRA | 7.15 | 5.63 | 5.45 | 13.24 |
| Others | 2.84 | 8.17 | 6.96 | 13.09 |
| Terminal benefit | 76.85 | 35.32 | 27.83 | 20.77 |
| Total | 153.53 | 112.17 | 98.82 | 132.47 |
| Less capitalized | 0.49 | 0.83 | Nil | Nil |
| Net | 153.03 | 111.34 | 98.82 | 132.47 |

340. Item wise analysis are done hereafter. In case of CESU, the audited data for FY 2006-07 is not available. As such, the Commission considered the approved figure of 2007-08 as base for determining the basic pay of 2008-09. For WECO, NESCO and SOUTHCO the figure as per the tax audited accounts are considered as base. Regarding no. of employees, WESCO, NESCO, SOUTHCO and CESU spell out the induction and reduction in the no. of employees from year to year. The position upto the year ending 2008-09 is depicted in the table below:

**Table – 24**

| **Particulars** | **WESCO** | **NESCO** | **SOUTHCO** | **CESU** |
|---|---|---|---|---|
| No. of employees as on 31.03.2007 | 4982 | 4123 | 3743 | 6404 |
| Add: Addition during 2007-08 | 112 | 200 | 215 | 533 |
| Less: Retirement/Expired Resignation during 2007-08 | 195 | 233 | 198 | 430 |
| No. of employees as on 31.03.2008 | 4899 | 4090 | 3760 | 6507 |
| Add: Addition during 2008-09 | 680 | 300 | 695 | 000 |
| Less: Retirement/Expired/ Resignation during year | 227 | 214 | 178 | 436 |
| No. of employees as on 31.03.2009 | 5352 | 4176 | 4277 | 6071 |
| Average no. of employees | 5125 | 4133 | 4018 | 6289 |

341. The Commission in accordance with the earlier order allows 3% escalation towards normal annual increment on year to year basic. The basic pay, after factoring in the reduction of arrear pay, average no. of employee mention in above para and taking into consideration the normal annual increment over the base figure, determined for 2008-09 is given below:

**Table – 25**

**(Rs. in crore)**

| Name of DISTCOs | Approved basic pay with DP for 2008-09 |
|---|---|
| WESCO | 40.62 |
| NESCO | 43.42 |
| SOUTHCO | 37.90 |
| CESU | 63.92 |

342. As regards DA, the present rate of dearness allowance by Govt. of Orissa is 35%. However, Govt. of India has announced two doses of DA of 6% each w.e.f. 01.07.2007 and w.e.f. 01.01.2008 enhancing it to the level of 47%. With an anticipated rise in DA @3% w.e.f. 01.07.2008 and 01.01.2009, the annual average rate of DA may reach 50%, as emerges from the figure given in the table below. The Commission calculates D.A. @50% over the Basic pay + Dearness Pay for the FY 2008-09.

**Table – 26**

| **With effect from** | **Notified by GoO DA (%)** | **Notified by GoI DA (%)** | **Remarks** |
|---|---|---|---|
| 01.01.2005 | 17% | 17% | 67% (As per GoO order dtd. 15.09.2006 the DA equivalent to 50% of Basic Pay has been merge with Basic Pay w.e.f 01.04.2006) |
| 01.07.2005 | 21% | 21% | |
| 01.01.2006 | 24% | 24% | |
| 01.07.2006 | 29% | 29% | |
| 01.01.2007 | 35% | 35% | |
| 01.07.2007 | 41%* | 41% | *(*) Anticipated by the Commission* |
| 01.01.2008 | 47%* | 47% | |
| 01.07.2008 | 50%* | | |
| 01.01.2009 | 53%* | | |

343. WESCO and CESU during 2008-09 has claimed Rs.1.49 crore and Rs.5.20 crore respectively as extra cost due to recruitment of new employees. CESU in its reply to the query raised by the Commission furnished the required detail of contractual engagement of person and cost involved thereon. As on 31.03.2007, the no. of contractual employees engaged in CESU and cost involved thereon is 3392 nos. and Rs.3.36 crore respectively. They have shown an addition of no. of contractual employees for 2007-08 and 2008-09 bringing it to the level of 3512 nos. The Commission considered the actual figure upto 2006-07 and cost involved thereon to be included in the revenue requirement for 2008-09.

344. In case of WESCO, the details of extra employees cost of Rs.1.49 crore is not available. As such, the Commission disallows the same.

345. The extra expenses due to induction of additional manpower cause strain on the financial position of licensees. The Commission before allowing such an addition would like to be satisfied about the prudence of the proposal and its effect on reduction of loss and enhancement of collection efficiency.

346. The Commission from time to time have been insisting for induction of additional manpower to carry out energy audit on sustained basis for reduction of commercial losses of the utility. The licensee is also being repeatedly directed to fill up the vacancies due to retirement and attrition so as not to affect the services to the consumer.

347. Medical reimbursement has been allowed @3% of the basic pay. House rent allowance expressed as a percentage of the basic pay as ascertained from the audit report has been applied for determination of HRA for the year 2008-09. Encashment of earned leave as claimed by the DISTCOs is disallowed since the encashment of unutilised leave is included in terminal benefit allowed to the licensees.

**Terminal Benefits**

348. The Commission views that provisioning for terminal liabilities like pension and gratuity based on periodic actuarial valuation should be done in line with prevailing Accounting Standard issued by the ICAI. The same should be done by an independent actuary to be appointed by the Commission from time to time.

349. Provisions of the Clause (ii) para 28 of Accounting Standard 15 issued by ICAI dealt in Annual actuarial valuation are produced below for reference and appreciation:

> *"In case the liability for retirement benefits is funded through creation of a trust, the cost incurred for the year should be determined actuarially. Such actuarial valuation should normally be conducted at least once in every three years. However, where the actuarial valuations are not conducted annually, the actuary's report should specify the contributions to be made by the employer on annual basis during the inter-valuation period. This annual contribution (which is in addition to the contribution that may be required to finance unfunded past service cost) reflects proper accrual of retirement benefit cost for each of the years during the inter-valuation period and should be charged to the statement of profit and loss for each such year. Where the contribution paid during a year is lower than the amount accrued liability as certified by the actuary, the shortfall should be charged to the statement of profit and loss for the year. Where the contribution paid during a year is in excess of the amount required to be contributed during the year to meet the accrued liability as certified by the actuary, the excess should be treated as a pre-payment."*

350. For the year 2008-09, WESCO, NESCO, SOUTHCO and CESU have claimed Rs.46.75, Rs.51.86, Rs.48.82 and Rs.26.46 crore respectively towards terminal benefits.

351. The Commission is of the view that the provision of terminal liabilities like pension, gratuity, and leave salary contribution should be based on periodic actuarial valuation in line with the accounting standard 15 issued by ICAI. As mentioned in the last tariff order, the Commission, vide order No.1761 dt.20.10.2006, awarded the contract of valuation of the terminal liabilities of the employees and pensioners of OPTCL, WESCO, NESCO, SOUTHCO and CESU to an independent actuary. The actuary has sent the final report in February, 2007 in respect of all the companies. The liability on account of unutilized leave for CESU was not valued by the independent actuary due to non-submission of required information by CESU. A table showing the liabilities ascertained by the actuary as on 31.3.2006, 31.03.2007 & 31.03.2008 is furnished below:-

**Table - 27**
**ACTURIAL VALUATION AS ON 31.3.2008**

**(Rs. in crore)**

| | As on | Pension | Gratuity | Leave | Pension Payment | TOTAL |
|---|---|---|---|---|---|---|
| **WESCO** | | | | | | |
| | 31.3.2006 | 155.21 | 31.96 | 27.67 | 78.59 | 293.43 |
| | 2006-07 | 11.25 | 4.68 | 0.05 | 4.11 | 20.09 |
| | 31.3.2007 | 166.46 | 36.64 | 27.72 | 82.7 | 313.52 |
| | 2007-08 | 8.35 | 4.6 | 2.71 | 2.95 | 18.61 |
| | 31.3.2008 | 174.81 | 41.24 | 30.43 | 85.65 | 332.13 |
| **NESCO** | | | | | | |
| | 31.3.2006 | 121.82 | 17.81 | 20.56 | 52.51 | 212.7 |
| | 2006-07 | 16.74 | 2.71 | 2.05 | 4.2 | 25.7 |
| | 31.3.2007 | 138.56 | 20.52 | 22.61 | 56.71 | 238.4 |
| | 2007-08 | 14.61 | 2.72 | 1.82 | 3.67 | 22.82 |
| | 31.3.2008 | 153.17 | 23.24 | 24.43 | 60.38 | 261.22 |
| **SOUTHCO** | | | | | | |
| | 31.3.2006 | 124.66 | 22.82 | 21.6 | 41.88 | 210.96 |
| | 2006-07 | 17.47 | 3.21 | 2.17 | 2.73 | 25.58 |
| | 31.3.2007 | 142.13 | 26.03 | 23.77 | 44.61 | 236.54 |
| | 2007-08 | 15.98 | 3.26 | 1.91 | 2.22 | 23.37 |
| | 31.3.2008 | 158.11 | 29.29 | 25.68 | 46.83 | 259.91 |
| **CESU** | | | | | | |
| | 31.3.2006 | 247.75 | 32.34 | | 96.68 | 376.77 |
| | 2006-07 | 26.87 | 3.84 | 0 | 3.27 | 33.98 |
| | 31.3.2007 | 274.62 | 36.18 | | 99.95 | 410.75 |
| | 2007-08 | 5.12 | 0.91 | 0 | 2.25 | 8.28 |
| | 31.3.2008 | 279.74 | 37.09 | | 102.2 | 419.03 |
| **OPTCL** | | | | | | |
| | 31.3.2006 | 207.65 | 27.15 | 31.51 | 377.23 | 643.54 |
| | 2006-07 | 23.8 | 0.81 | 3.51 | 9.41 | 37.53 |
| | 31.3.2007 | 231.45 | 27.96 | 35.02 | 386.64 | 681.07 |
| | 2007-08 | 10.5 | 3.7 | 3.7 | 3.68 | 21.58 |
| | 31.3.2008 | 241.95 | 31.66 | 38.72 | 390.32 | 702.65 |

352. In the year 1998-99, GRIDCO carried out an actuarial valuation for quantification of the terminal liabilities of employees of its transmission as well as its

distribution business as on 31.3.1999 by an independent actuary as mandated by the transfer notification dt.28.11.1998. Although the valuation was disputed by DISTCOs, the Commission in principle accepted the audited figures of GRIDCO as it was done in accordance with the transfer notification. According to the report of the actuary, the total terminal liabilities as on 31.3.1999 are given as under:-

**Table – 28**

**(Rs. in crore)**

| | | OPTCL | WESCO | NESCO | SOUTHCO | CESU | Total |
|---|---|---|---|---|---|---|---|
| No. of Employees | Existing | 5,974 | 5,562 | 4,599 | 4,674 | 8,608 | 29,417 |
| | Retired | 4,493 | Nil | Nil | Nil | Nil | 4,493 |
| | **Total** | **10,467** | **5,562** | **4,599** | **4,674** | **8,608** | **33,910** |
| Pension of the existing employees | | 74.28 | 44.85 | 42.83 | 42.63 | 83.02 | 287.61 |
| Gratuity | | 23.74 | 16.20 | 15.42 | 14.85 | 29.37 | 99.58 |
| Leave | | 6.01 | 4.10 | 3.90 | 3.76 | 7.43 | 25.20 |
| Pension in Payment | | 80.04 | - | - | - | - | 80.04 |
| **Total** | | **184.07** | **65.15** | **62.15** | **61.24** | **119.82** | **492.43** |

353. The Commission in tariff order 2007-08 agreed with the principles that the provision of terminal liabilities like pension, gratuity and leave salary contribution should be based on periodic actuarial valuation in line with Accounting Standard 15 issued by ICAI and the pension and gratuity liabilities should be made from the earning From Corpus fund in full and Corpus Fund should be created by the company by regular contribution based on actuarial valuation. The Commission in its previous order had allowed terminal benefits to the licensees which the companies were supposed to pass on to the trust and for the trusts to invests the same in securities or fixed deposits as per the guidelines issued by Govt. of India. The following tables show the expected fund availability in corpus of all the companies.

**Table – 29**

**(Rs. in Crore)**

| | **OPTCL** | **WESCO** | **NESCO** | **SOUTHCO** | **CESU** |
|---|---|---|---|---|---|
| OB As on 01.04.99/Fund transfer from GRIDCO to DISTCOs | 184.07 | 70.77 | 68.00 | 67.39 | 138.56 |
| Allowed by the Commission | | | | | |
| 1999-00 | 11.68 | 6.71 | 5.62 | 7.78 | 0.00 |
| 2000-01 | 25.22 | 6.27 | 7.07 | 7.07 | 0.00 |
| 2001-02 | 27.74 | 7.92 | 7.00 | 6.63 | 6.09 |
| 2002-03 | 30.52 | 8.08 | 7.21 | 6.81 | 6.27 |
| 2003-04 | 33.57 | 8.96 | 7.56 | 7.57 | 6.90 |
| 2004-05 | 117.54 | 11.3 | 8.35 | 9.40 | 3.25 |
| 2005-06 | 40.62 | 12.06 | 8.92 | 10.03 | 3.51 |
| 2006-07 | 44.68 | 12.07 | 9.55 | 9.73 | 13.19 |
| 2007-08 | 55.38 | 16.36 | 15.30 | 13.97 | 18.28 |
| Sub-Total | 386.95 | 89.73 | 76.58 | 78.99 | 57.49 |
| **Grand Total** | **571.02** | **160.50** | **144.58** | **146.38** | **196.05** |

354. The corpus valuation as per the actuary for each licensee, the expected corpus availability as on 31.03.2008 and the difference thereof is presented in the following table:

**Table – 30**

**(Rs. in crore)**

| Name of the Company | Valuation as per Actuary | Expected corpus availability | Difference |
|---|---|---|---|
| OPTCL | 702.65 | 571.02 | (-)131.63 |
| WESCO | 332.13 | 160.50 | (-)171.63 |
| NESCO | 261.22 | 144.58 | (-)116.64 |
| SOUTHCO | 259.91 | 146.38 | (-)113.53 |
| CESU | 419.03 | 196.05 | (-)222.98 |

355. As such, the Commission approves to allow the deficit funding of Rs.171.63, Rs.116.64, Rs.113.53 and Rs.222.98 crore to WESCO, NESCO, SOUTHCO and CESU within a span of seven years under the head terminal benefits along with the carrying charges @8.5%. Accordingly, the terminal liability is determined. This will take care of the fund requirement in trust upto 31.03.2008. The incremental fund requirement if any for future years shall be allowed as and when the Commission receives the actuary report from time to time. Any amount to be received from GRIDCO/OPTCL Trust Fund in future by the DISTCOs shall be adjusted accordingly while determining the terminal liability for the future years.

356. The statement of total employees cost proposed by the DISCOMs and approved by the Commission is given below:-

**Table - 31**
**Total Employees Cost (Rs. in crore)**

| Sl. | Particulars | WESCO | | | NESCO | | | SOUTHCO | | | CESU | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Appr. 07-08 | Prop. 08-09 | Appr. 08-09 | Appr. 07-08 | Prop. 08-09 | Appr. 08-09 | Appr. 07-08 | Prop. 08-09 | Appr. 08-09 | Appr. 07-08 | Prop. 08-09 | Appr. 08-09 |
| 1 | Basic Pay + DP | 44.56 | 55.73 | 40.62 | 43.66 | 55.98 | 43.42 | 37.93 | 48.85 | 37.90 | 65.07 | 74.01 | 63.92 |
| 2 | Addl. Emp. Cost | 1.43 | 1.49 | - | 0.71 | - | - | 1.81 | - | - | 7.94 | 5.20 | 3.36 |
| 3 | DA | 15.60 | 29.54 | 20.32 | 15.28 | 19.38 | 21.71 | 13.28 | 25.89 | 18.95 | 22.77 | 34.79 | 31.96 |
| 4 | Other allowance | 1.16 | 1.10 | 1.10 | 1.08 | 1.47 | 1.47 | 0.72 | 3.42 | 0.45 | 0 | 0.80 | 0.80 |
| 5 | Bonus | 0.09 | 0.09 | 0.09 | 0.06 | 0.40 | 0.40 | 0.03 | 0.12 | 0.12 | 0.10 | 0.10 | 0.10 |
| 6 | Total Emoluments (1 to 5) | 62.79 | 87.96 | 62.12 | 60.79 | 77.23 | 67.00 | 53.77 | 78.27 | 57.42 | 95.88 | 114.90 | 100.14 |
| 7 | Reimb. of medical exp. | 1.34 | 2.79 | 2.03 | 1.31 | 1.83 | 2.17 | 1.14 | 1.46 | 1.89 | 1.95 | 3.70 | 3.20 |
| 8 | Leave Travel Concession | 0.96 | 0.96 | 0.96 | - | 0.25 | 0.25 | 0.90 | 0.90 | 0.90 | 0.69 | 0.33 | 0.33 |
| 9 | Reimbursement of HR | 6.77 | 8.92 | 6.50 | 6.79 | 6.95 | 7.10 | 6.19 | 8.79 | 6.20 | 8.53 | 14.80 | 10.23 |
| 10 | Interim relief of Staff | | - | - | | 2.07 | - | | | - | 0.11 | 0.05 | 0.05 |
| 11 | Encashment of Earned Leave | - | 3.55 | - | - | - | - | 0 | 5.25 | 0 | 0 | 6.17 | - |
| 12 | Honorarium | - | - | - | | - | - | | 0.10 | 0.10 | 0.11 | 0.05 | 0.05 |
| 13 | Payment under workmen compensation Act | 0.15 | 0.15 | 0.15 | 0.10 | 0.10 | 0.10 | 0.13 | 0.13 | 0.13 | 0.15 | 0.07 | 0.07 |
| 14 | Ex-gratia | 0.50 | 0.50 | 0.50 | - | - | - | 0.01 | 0.01 | 0.01 | 0.01 | - | - |
| 15 | Other Staff Costs | | - | - | 0.10 | - | - | 0.14 | 0.51 | 0.51 | 0.30 | 0.14 | 0.14 |
| 16 | Total Other Staff Costs (7 to 15) | 9.72 | 16.87 | 10.14 | 8.30 | 11.21 | 9.63 | 8.51 | 17.07 | 9.66 | 11.85 | 25.32 | 14.06 |
| 17 | Staff Welfare Expenses | 0.95 | 0.79 | 0.68 | 0.68 | 0.54 | 0.54 | 1.23 | 1.49 | 1.49 | 0.12 | 0.88 | 0.88 |
| 18 | Terminal Benefits (Pension+Gratuity+Leave) | 16.36 | 46.75 | 37.02 | 15.30 | 51.86 | 25.16 | 13.97 | 48.82 | 24.49 | 18.28 | 26.47 | 48.10 |
| 19 | Total (6+16+17+18) | 89.88 | 152.36 | 109.97 | 85.07 | 140.84 | 102.33 | 77.48 | 145.66 | 93.06 | 126.14 | 167.58 | 163.19 |
| 21 | Less : Empl. cost capitalized | 2.60 | 2.30 | - | 1.70 | 1.05 | - | - | - | - | - | - | - |
| 22 | Net Employees Cost | **87.28** | 150.06 | **109.97** | **83.37** | 139.79 | **102.33** | **77.48** | 145.66 | **93.06** | **126.14** | 167.58 | **163.19** |

**Administration & General Expenses**

357. The A&G expenses include expenses on communication, professional charges, property related expenses, conveyance and travelling, training, other expenses and material related expenses.

358. The Commission in its order on LTTS have set out the principle of calculation of A&G expenses @7% escalation over the base year progressively. For the purpose of determination of normal A&G expenses the latest tax audited figure available i.e. 2006-07, in respect of WESCO, NESCO and SOUTHCO and 2005-06 in respect of CESU is considered as base. The licensee in their audited report have included the provisions towards bad and doubtful debt, contingency reserve, huge provisions towards inspection fees and rebate to consumers. Such amounts are excluded to arrive at the normal A&G expenditure for the base year on which the escalation of 7% on year over year basis has been applied to determine the normal A&G expenses for the year 2008-09. In addition to the normal A&G expenses, the licensee have submitted additional expenses to be incurred by them on account of cost of special police stations and special courts, energy audit, spot billing in all divisions, manpower assessment study, customer care, fringe benefit tax, arrear collection incentive etc. CESU has not proposed any amount towards special expenditure like expenditure in energy audit, consumer indexing and pole scheduling expenses, expenses on spot billing, fringe benefit tax, expenses on customer care, expenditure on manpower assessment study, franchaisee expenses, arrear collection incentives, automation and IT expenses etc.

359. The Commission, after careful study, has allowed the expenses such as the cost of maintenance of special police stations and special courts, expenses on customer care, fringe benefit tax. As regards, arrear collection incentive, the Commission is of the opinion that the same should be made good out of the collection from the arrears. For expenses towards customer care, the DISTCOs in their filing have stated that this expense would be met for opening of customer care centres to enhance customer relationship. The Commission lays emphasis on the customer care which is an important facet of the consumer management. Consumers are mainly concerned if the utilities provide them with high quality and reliable electricity on a continuous basis and good customer service. Efforts should be made by the utilities to provide avenues for consumer participation and care. The Commission therefore directs the utilities to undertake the following activities in this regard.

- Open of commercial call centres to deal with all kinds of bill and meter related complaints.
- Fully network consumer care centres for quick redressal of consumer complaints.

- To provide help lines for resolving all bill and meter related complaints 24 hours of day.
- Facility for interactive voice recording system for reporting theft harassment and safety issues.
- To open consumer relation cell and online consumer complaint cells.

360. The expenses under the head customer care should be prudently used to buy necessary infrastructure such as state of art computers, phone systems and support besides training for the employees. The progress on customer care measures would be monitored by the Commission during quarterly performance reviews. The Commission therefore approves the amount submitted by the licensees in their filing under this head.

361. As regards expenditure on energy audit the Commission observes that expenses on engagement of additional employees has been allowed under the head employees cost. These additional employees should be engaged for conducting energy audit.

362. Additional expenditure for spot billing does not appear to be justified as this is intended to replace the existing system of billing on which expenditure is being incurred from the current A&G head. However, the expenditure under this head will be permitted, as and when the companies come out with the details of such expenditure subsequently.

363. As regards expenditure on franchisee proposed by the licensees, the Commission is of the opinion that the process of employing franchisee has not yet been finalised. As such, it is not prudent to include the same under revenue requirement.

364. The Commission instead of giving item wise estimate under A&G head have worked out the volume of work to be taken up and given consolidated figure of each of the licensees applying prudence check with the objective that the licensees take serious note about the intension of the Commission for improved consumer service, 100% energy audit, installation of pillar box etc. If these objectives are not achieved the Commission will be constrained to deduct infructuous expenditure while truing up and reviews during the year.

365. The A&G expenses for FY 2008-09 as proposed by DISTCOs and approved by the Commission are indicated in the table below:

**Table – 32**

**(Rs. in crore)**

| | WESCO | | NESCO | | SOUTHCO | | CESU | |
|---|---|---|---|---|---|---|---|---|
| | Prop. 08-09 | Appr. 08-09 | Prop. 08-09 | Appr. 08-09 | Prop. 08-09 | Appr. 08-09 | Prop. 08-09 | Appr. 08-09 |
| Normal A&G expenditure | 18.00 | 18.11 | 10.50 | 12.10 | 16.28 | 10.42 | 30.09 | 26.11 |
| **Additional expenditure on:** | | | | | | | | |
| Energy audit, consumer indexing and pole scheduling | 1.96 | - | 5.68 | - | 1.74 | - | | |
| Spot Billing in all division | 2.37 | - | 3.81 | - | 3.40 | - | | |
| Fringe benefit tax | 0.80 | 0.80 | 0.40 | 0.40 | 0.38 | 0.38 | | |
| Expenses of customer care | 0.97 | 0.97 | 0.61 | 0.61 | 1.05 | 1.05 | | |
| Special Police Stations | 1.03 | 1.03 | 1.29 | 1.29 | 1.03 | 1.03 | 0.18 | 0.18 |
| Manpower assessment study | 0.09 | - | 0.09 | | 0.09 | - | | |
| Franchise | 0.25 | - | 3.16 | | 2.75 | - | | |
| Mini Call Centre | 0.36 | - | - | | | - | | |
| Customer satisfaction survey | 0.10 | - | 0.10 | | 0.10 | - | | |
| Arrear collection incentive | 1.90 | - | 1.50 | | 1.59 | - | | |
| Automation expenses/ IT | | | 0.12 | 0.12 | - | - | | |
| Mobile customer van | 0.04 | - | - | | 0.59 | - | | |
| Total | 27.88 | **20.91** | 27.25 | **14.52** | 29.01 | **12.88** | 30.27 | **26.29** |

**Repair & Maintenance (R&M)**

366. The Commission in its order on LTTS have set forth the principle of calculation of Repair & Maintenance Expenses @ 5.4% on the value of opening gross fixed asset which the four DISTCOs followed suit.

367. The permitted and actual expenditure of the various companies over the years is given in the table below:

**Table - 33**

**(Rs. in crore)**

| Years | WESCO | | NESCO | | SOUTHCO | | CESU | |
|---|---|---|---|---|---|---|---|---|
| | Apprvd. | Audited | Apprvd. | Audited | Apprvd. | Audited | Apprvd. | Audited |
| 99-00 | 14.43 | 15.90 | 14.22 | 16.19 | 12.63 | 13.39 | 19.05 | 24.01 |
| 00-01 | 14.43 | 10.25 | 14.22 | 11.02 | 12.63 | 7.31 | 19.57 | 19.92 |
| 01-02 | 13.62 | 10.12 | 16.32 | 7.02 | 15.57 | 9.29 | 23.43 | 15.60 |
| 02-03 | 15.33 | 8.04 | 14.62 | 5.65 | 16.82 | 6.43 | 22.11 | 25.04 |
| 03-04 | 16.89 | 16.27 | 17.59 | 8.84 | 16.38 | 9.93 | 24.12 | 21.22 |
| 04-05 | 17.28 | 12.85 | 17.66 | 11.13 | 13.25 | 8.43 | 31.95 | 20.27 |
| 05-06 | 21.30 | 9.61 | 22.63 | 11.21 | 18.55 | 6.07 | 33.67 | 12.26 |
| 06-07 | 24.25 | 12.44 | 24.48 | 12.88 | 17.35 | 5.54 | 41.31 | NA |
| **Total** | **137.53** | **95.48** | **141.74** | **83.94** | **123.18** | **66.39** | **215.21** | **138.32** |

368. As emerged from the above statistical particulars, the licensees reportedly spent Rs.384.13 crore as against Rs.617.66 crore approved by the Commission during 1999-00 to 2006-07. The Commission is concerned about the quality of maintenance and the complaints about quality of supply. However, the veracity of expenditure under the head R & M would be finalised with truing up exercise. The licensees were directed to submit the copies of the purchase order and store document from 1999 to 31.03.2006 (based on statutory audit report) for verification of the expenditure under this head. This has not yet been complied and should be followed up for finalisation of truing up exercise.

369. The gross fixed asset as on 01.4.2008 for determination of R&M of 2008-09 as approved by the Commission are given below:-

**Table - 34**

**(Rs. in crore)**

| **Particulars** | **WESCO** | **NESCO** | **SOUTHCO** | **CESU** |
|---|---|---|---|---|
| Gross Book Value as on 01.04.1996 | 139.867 | 137.89 | 122.41 | 188.697 |
| Addition 1996-97 | 13.74 | 13.54 | 12.02 | 18.53 |
| 1997-98 | 16.84 | 16.60 | 14.74 | 22.72 |
| 1998-99 | 0 | 0 | 0 | 0 |
| 1999-00 | 53.32 | 41.11 | 37.53 | 87.16 |
| 2000-01 | 19.90 | 26.83 | 13.80 | 85.09 |
| 2001-02 | 19.58 | 30.63 | 20.72 | 67.25 |
| 2002-03 | 21.31 | 30.55 | 7.64 | 127.01 |
| 2003-04 | 35.14 | 28.63 | 12.60 | 88.42 |
| 2004-05 | 71.74 | 55.09 | 39.78 | 66.26 |
| 2005-06 | 23.52 | 30.20 | 13.89 | -95.95 |
| 2006-07 | 16.75 | 27.51 | 11.10 | 79.87 |
| Total | 431.71 | 438.58 | 306.23 | 735.06 |

370. For the year 2007-08, WESCO, NESCO, SOUTHCO and CESU have proposed Rs. 99.12 cr., Rs. 95.50 cr., Rs. 190.15 cr., and Rs. 87.37 cr. towards assets addition. On the verification of this figure found that WESCO, NESCO, and SOUTHCO have added the following amounts under RGGVY, Biju Grama Jyoti and SI scheme.

**Table - 35**

**(Rs. in crore)**

| Name of the Company | RGGVY | Biju Grama Jyoti | SI Scheme | Total |
|---|---|---|---|---|
| **WESCO** | 29.40 | 12.25 | 14.04 | 55.69 |
| **NESCO** | 15.00 | 33.50 | 03.93 | 52.43 |
| **SOUTHCO** | 87.31 | 40.42 | 11.06 | 138.79 |

371. Although the Commission is aware that RGGVY and Biju Grama Jyoti are Government Schemes but no asset has been added till date under this head. Further, the three DISTCOs have not arranged any fund towards System Improvement Scheme. As such the Commission decides to exclude the same for the purpose of determination of fixed assets. CESU has shown an addition of Rs. 40.25 crores under APDRP and balance towards deposit works. Commission excludes the estimated asset addition under deposit work. This will be considered after verification of the audited account of CESU for that year. Accordingly, the asset addition during 2007-08 proposed by the DISTCOs and approved by the Commission is given in the table below:

**Table - 36**

**(Rs. in crore)**

| | **WESCO** | | **NESCO** | | **SOUTHCO** | | **CESU** | |
|---|---|---|---|---|---|---|---|---|
| | **Prop.** | **Appr.** | **Prop.** | **Appr.** | **Prop.** | **Appr.** | **Prop.** | **Appr.** |
| Addition of assets during 2007-08 | 99.12 | 43.43 | 95.50 | 40.48 | 190.15 | 47.17 | 87.37 | 40.25 |

**Table – 37**

**(Rs. in crore)**

| **Particulars** | **WESCO** | | **NESCO** | | **SOUTHCO** | | **CESU** | |
|---|---|---|---|---|---|---|---|---|
| | **Prop.** | **App.** | **Prop.** | **App.** | **Prop.** | **App.** | **Prop.** | **App.** |
| Gross fixed asset as on 01.04.2008 | 611.23 | 475.14 | 605.53 | 479.06 | NA | 353.40 | NA | 775.31 |
| % of GFA | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 |
| Repair & Maintenance for 2008-09 | 33.00 | **25.66** | 32.70 | **25.87** | 30.72 | **19.08** | 58.54 | **41.87** |

**Interest on Loan**

372. The source-wise interest on loan proposed by the four DISTCOs is given in the table below:

**Table - 38**

**(Rs. in crore)**

| Source | WESCO | NESCO | SOUTHCO | CESU |
|---|---|---|---|---|
| GRIDCO loan | - | - | - | - |
| World Bank loan | 11.82 | 11.57 | 8.12 | 54.40 |
| NTPC Bond | 22.40 | 32.80 | 30.68 | - |
| Carrying cost (NTPC bond and default in securitization obligations) | - | 3.01 | - | - |
| APDRP Net of 50% grant | 2.06 | 2.04 | 1.57 | 7.06 |
| REC/PFC (Counter Part Funding APDRP) | 5.21 | 5.66 | 4.83 | 14.61 |
| Interest on security deposit | 12.07 | 9.38 | 3.51 | 9.64 |
| Other interest and finance charges | - | - | 2.52 | - |
| Total interest | 53.56 | 64.46 | 51.23 | 85.71 |
| Less Interest Capitalised | 3.33 | 3.85 | 5.76 | 11.74 |
| Total | 50.23 | 60.61 | 45.47 | 73.97 |

**GRIDCO back to back loan (PFC/REC etc.)**

373. The Commission in its order dtd. 22.03.2005 vide Case No.147 of 2004 has stated that the revenue requirement of GRIDCO for the FY 2004-05 will take into consideration the total interest liability on account of assets transferred to the distribution companies relating to PFC and REC. In case of DISTCOs, the interest liability of asset related loans shall not be taken into consideration for the purpose of revenue requirement calculation from 2004-05 onwards.

374. The Commission, in its order, directed the DISTCOs as well as GRIDCO to reconcile their back to back loan amount. Except CESU (erstwhile CESCO), the other three DISTCOs have reconciled the principal amount of loan outstanding as on 31.03.2005.

375. The summary of back to back loan as per DISTCOs and GRIDCO is given below.

**Table - 39**
**Summary of back to back loan including GRIDCO portion of IBRD loan**
**(Position as on 31.03.2005)**

**(Rs. in crore)**

| Source | WESCO | NESCO | SOUTHCO | CESCO | Total |
|---|---|---|---|---|---|
| As per GRIDCO | 138.46 | 94.64 | 134.36 | 307.61 | 675.07 |
| As per DISTCOs | 138.46 | 94.64 | 134.36 | 277.68 | 645.14 |
| Difference | NIL | NIL | NIL | 29.93 | 29.93 |

**Note :**

1. Back to back loan of GRIDCO does not include cash support of Rs.174 crore availed by CESU.
2. CESU and GRIDCO shall complete the reconciliation within a period of two month and report compliance i.e. latest by 31.05.2008.

**World Bank Loan**

376. In line with the Commission's previous order, the licensees have calculated the interest on World Bank Loan @ 13%, considering 30% of loan as grant and balance 70% as loan.

377. The loan balance (Net of 30% grant) projected by the DISTCOs along with the interest for the FY 2008-09 is depicted in the table below:

**Table - 40**

**(Rs. in crore)**

| | Loan as on 31.3.2008 | Repayment Due in 2008-09 | Loan as on 31.3.2009 | Interest Due in 2008-09 |
|---|---|---|---|---|
| **WESCO** | 90.96 | 9.10 | 81.86 | 11.82 |
| **NESCO** | 91.28 | 9.13 | 82.15 | 11.57 |
| **SOUTHCO** | 65.33 | 7.26 | 58.08 | 8.12 |
| **CESU** | 204.51 | 20.45 | 184.06 | 54.40 |
| **Total** | 452.08 | 45.94 | 406.15 | 85.91 |

378. The interest approved has been calculated after taking into account the opening balance figure, repayment during the year and closing balance at an average rate of 13% rate of interest on 70% loan component. The Commission approves the interest impact in line with the previous order as indicated below:

**Table – 41**

**(Rs. in Crore)**

| WESCO | | NESCO | | SOUTHCO | | CESU | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| Proj. | Appr. | Proj. | Appr. | Proj. | Appr. | Proj. | Appr. | Proj. | Appr. |
| 11.82 | 11.23 | 11.57 | 11.27 | 8.12 | 8.02 | 54.40 | 25.26 | 85.91 | 55.78 |

**Re-securitisation of NTPC Bonds**

379. Extract from the Commissioner's Order dated 23.03.2007 of 2007-08 on Re-securitization of NTPC Bunds amounting to Rs.400 Crores is reproduced below (Case No.57, 58 , 59 & 60 of 2006):

***Re-securitisation of NTPC Bonds***

*WESCO, NESCO & SOUTHCO issued bonds worth Rs. 400 crore in favour of GRIDCO to be assigned to NTPC w.e.f 1st October, 2000 @ 12.5% interest. The Commission in its last tariff order has allowed interest @ 8.5% (tax free) on those bonds as per the recommendation of Alhuwalia Committee. The Commission in its order advised the Govt. to pass on the benefits to the end users of electricity on*

*account of the reliefs that would be available if securitisation shall be effected in line with the one time settlement scheme approved by the Govt. of India to be made effective on 01.10.2001. But, GOO has not yet communicated its decision. As a result, the licensee while proposing their revenue requirement have calculated the interest impact @ 12.5% per annum w.e.f. 1st October, 2000 onwards. The interest liability for the year 2007-08 along with differential interest for the past years i.e. (12.5% - 8.5%), as projected by the three DISTCOs on this account amounts to Rs.36.05 crore, Rs.50.00 crore and Rs28.07 crore for WESCO, NESCO and SOUTHCO respectively. As detailed in the Commission's order for FY-07, the Commission is waiting for the response of the Govt. of Orissa on the proposal to re-securitise the bonds of Rs.400 crores issued to GRIDCO by the DISTCOs, which have been in turn endorsed to NTPC, under the one-time securitization scheme under the Alhuwalia Committee recommendations.*

*The Commission has also pursued this matter with GRIDCO, which is currently negotiating with NTPC on the re-securitisation of these bonds.*

*The Commission has perused the directions of the Hon'ble ATE on this issue. GRIDCO has filed appeal against the order Hon'ble ATE to the Hon'ble Supreme Court. Pending judgement of Hon'ble Supreme Court in this matter the Commission assess the interest @8.5% on the loan amount of Rs.400 crore as applicable for NTPC tax free bonds. Accordingly, the Commission approves the interest @ 8.5% on the aforesaid loan as detailed below:-*

***Table - 41***

***(Rs. in crore)***

| ***Source*** | ***WESCO*** | | ***NESCO*** | | ***SOUTHCO*** | |
|---|---|---|---|---|---|---|
| | *Prop.* | *Appr.* | *Prop.* | *Appr.* | *Prop.* | *Appr.* |
| *NTPC Bond* | *39.91* | *8.76* | *64.71* | *14.20* | *50.35* | *11.05* |

380. WESCO, NESCO and SOUTHCO in their tariff filling for FY 2008-09 request the Commission to allow differential interest on Bonds @ 4% from 1st October 2006 on the Annual Revenue Requirement 2008-09. Stating the reason they clarified that the proposal given by the Commission to restructure and securitize the bond under one time settlement scheme has not been accepted by the Govt. of Orissa. As such the licensees are required to pay the interest at the original rate of 12.5% per annum as against 8.5 % per annum allowed by the Commission. This rate will take effect from 01.10.2000.

381. The three DISTCOs viz WESCO, NESCO and SOUTHCO have further stated that GRIDCO settled the outstanding dues of Power Bonds with NTPC through "One Time Settlement" with waiver of interest of such bonds by Rs. 91.50 crores. This has been exhibited in the annual account of NTPC. Under such circumstances the DISTCO submitted that GRIDCO may be directed to give the detailed of the settlement amount which shall be reimbursed by the DISTCOs to GRIDCO after adjustment of past payment.

382. As regards one time settlement dues payable by GRIDCO to NTPC, covered under the power bond of Rs. 400 crores issued by WESCO, NESCO and

SOUTHCO to GRIDCO, both GRIDCO and NTPC came to a settlement the extract of which is reproduced below:

*The outstanding amount payable by GRIDCO to NTPC towards power purchase included a sum of Rs. 400 crore as on 31st August 2000. Pursuant to the minutes of meetings dated 09.09.2000 and 24.10.2000, the three DISTCOMs (WESCO, NESCO and SOUTHCO) together issued 12.5% Secured Non convertible bonds of Rs. 400 crore to GRIDCO and GRIDCO transferred these bonds to NTPC to liquidate its power purchase liability of Rs. 400 crore as on 31.08.2000. The DISTCOMs were to service the bonds directly to the bondholder. In case the DISTCOMs fail, as a fall back arrangement, NTPC was to have the first charge on pari-passu basis along with other first charge holders on the receivables of GRIDCO.*

*The three DISTCOMs were not regularly servicing the bonds. The interest accrued up to 31st March 2007 on the Bonds of Rs. 400 is Rs. 295 crore. The three DISTCOMs have made payment of interest aggregating to Rs. 110.80 crore only. NTPC adjusted Rs. 276.70 crore which was to be refundable to GRIDCO pursuant to CERC tariff orders, against the default of DISTCOMs which GRIDCO did not accept. NTPC issued notice for regulation of Power to GRIDCO for payment of outstanding dues linked to Rs. 400 crore bonds on 17.01.2007.*

*In order to resolve the settlement of outstanding payments, meetings were held between GRIDCO and NTPC on 26/27.12.06, 09.02.07 (with Govt. of Orissa), 15.03.07, 20./21.03.07 and 24.03.07 (with Govt. of Orissa). After prolonged discussions, in order to reach a onetime settlement of NTPC dues, applicable exclusively between NTPC and GRIDCO, the following has been resolved:-*

1. *GRIDCO will make onetime settlement of the entire power purchase dues payable to NTPC linked to the bonds of Rs. 400 crore and ensure payment to NTPC by 31.03.2007.*
2. *As a full and final settlement GRIDCO shall pay Rs. 216 Crore (Rupees two hundred sixteen crore only) to NTPC by 31.03.2007 towards GRIDCO's Power Purchase liability payable by GRIDCO to NTPC covered under the bonds issued by DISTCOMs to GRIDCO and transferred by GRIDCO to NTPC, after considering adjustment of Rs. 276.70 crore made by NTPC and the amount of Rs. 110.80 crore paid to NTPC by DISTCOMs directly.*
3. *On receipt of full payment of the above settled amount from GRIDCO by NTPC, the entire bonds of Rs. 400 crore issued by DISTCOMs to GRIDCO and transferred to NTPC by GRIDCO shall be re-transferred by NTPC to GRIDCO by 31st March 2007.*

| | |
|---|---|
| *Sd/-* | *Sd/-* |
| *Director (Finance & Corp. Affairs)* | *Director (Commercial)* |
| *GRIDCO* | *NTPC Ltd.* |
| *Dated: 31.03.2007* | *Dated : 31.03.2007.* |
| *Bhubaneswar* | *New Delhi* |

383. It is revealed from the above that GRIDCO has settled the bond with NTPC in the following manner:

**Table – 42**

| | |
|---|---|
| A. Original value of Bond<br>Interest accrued from 01.10.2000 to 31.03.2007 | Rs. 400 crore<br>Rs. 295 crore |
| Total (A) | Rs. 695 crore |
| B. Settlement<br>1) Interest paid by DISTCOMs directly to NTPC<br>2) NTPC adjusted the refund amount the GRIDCO<br>3) Direct Payment by GRIDCO to NTPC | <br>Rs. 110.80 Crore<br>Rs. 276.70 Crore<br>Rs. 216.00 crore |
| **Total (B)** | **Rs. 603.50 crore** |
| C. Interest relief (A-B) | Rs. 91.50 cr. (Rs. 695 cr. – Rs. 603.50 cr) |

384. It is observed from the above table that the interest actually paid to NTPC amounts to Rs.203.50 crore from 01.10.2000 to 31.03.2007 over a bond value of Rs.400 crore. The effective rate of interest as computed is arrived at 7.83% whereas the Commission has been allowing interest @8.5%.

385. On the other hand, GRIDCO in its reply has stated that the three DISTCOs namely, WESCO, NESCO and SOUTHCO issued secured, non-convertible and redeemable debentures of Rs.400 crore (WESCO Rs.103 crore, NESCO Rs.167 crore and SOUTHCO Rs.130 crore) in favour of GRIDCO to securitise the BST and loan instalment dues payable by them to GRIDCO and these debentures (Power Bonds) were issued on 1st October, 2000 with a moratorium of 4 years for payment of principal. The principal was to be paid in 3 instalments @30%, 30% & 40% on 01.10.2005, 01.10.2006 and 01.10.2007 respectively.

386. These bonds, pursuant to minutes of discussion, were transferred to NTPC by GRIDCO on 31st March, 2001, to securitise the power purchase dues payable by GRIDCO to NTPC amounting to Rs.400 crore which was payable till August, 2000. The DISTCOs were to service the bonds directly to NTPC along with interest. The DISTCOs however failed to service the bonds. Consequently NTPC, relying on the agreed fall back arrangement requested GRIDCO to pay the default amount. GRIDCO, however, consistently insisted that NTPC as the Bond holder and pursuant to the subscription agreement and debenture trust deed is entitled to recover the default amount by enforcing the securities subject to which the debentures were issued. NTPC however did not proceed as per the terms of the debentures and issued notice to regulate the power supply to GRIDCO if the default amount is not paid by 31.03.2007. NTPC, before issue of notice for

regulation of power supply, had adjusted a sum of Rs.276.70 crore against the bonds which was payable by NTPC to GRIDCO pursuant to the orders of CERC.

387. On a reference of the matter by GRIDCO to State Govt., State Govt., in order to avoid regulation of power to the State, directed GRIDCO to negotiate with NTPC for one time settlement of the bonds by availing loan from banks and financial institutions vide Govt. of Orissa letter No.1984/En. Dated 08.03.2007. GRIDCO, with the approval of the Commission in their order dated 31.03.2007, availed loan of Rs.100 crore from Union Bank of India and Rs.70 crore from OPTCL to pay the final settlement dues Rs.216 crore and accordingly settled the NTPC dues covered under the bonds on 31st March, 2007. On payment of the settlement amount, NTPC transferred the bonds to GRIDCO on 31st March, 2007. GRIDCO is holding these debentures in Demat form.

388. Pursuant to the direction of the State Govt. GRIDCO called upon to the three DISTCOs to pay the default amount under the bonds. Instead of making any payment, all the DISTCOs unilaterally made adjustment against such bond dues in default in their 2005-06 accounts which were approved by their respective Board on majority of votes. GRIDCO has objected to the unilateral and arbitrary adjustment.

389. In view of the above position, the Board of Directors of GRIDCO decided to take legal action for redemption of the bonds along with interest and accordingly a petition has been filed before the Company Law Board, Eastern Region Bench, Calcutta on 5th February, 2008 under section 117(c)(4) of the Companies Act, 1956 with a prayer to direct the three DISTCOs (WESCO, NESCO & SOUTHCO) to make repayment of the aforesaid Debenture(s) along with interest due thereon in accordance with the Terms & Conditions of the Debentures.

390. The Company Law Board is yet to fix a date for hearing of GRIDCO's application.

391. The Commission is aware that the matter is listed in Supreme Court (Civil Appeal filed by GRIDCO in BSP matter). The Commission therefore will take a final decision in this regard, after pronouncement of the judgement of Hon'ble Supreme Court in the said matter. As such, the Commission for the time being does not consider any interest on Rs.400 crore of bond to be included as a part of revenue requirement of DISTCOs so as not to burden the consumer as GRIDCO is being allowed interest on the loans taken for payment to NTPC.

**Accelerated Power Development Reform Programme (APDRP)**

392. The DISTCOs have proposed to avail the following amount of APDRP loan during 2007-08 and 2008-09.

**Table - 43**

**(Rs. in crore)**

| Year | Availed up to 2006-07 | | For the year 2007-08 | | For the year 2008-09 | | Up to 2008-09 | | Interest | |
|---|---|---|---|---|---|---|---|---|---|---|
| | GoO | REC/ PFC | GoO | REC/ PFC | GoO | REC/ PFC | GoO | REC/ PFC | GoO | REC/ PFC |
| WESCO | 5.48 | 5.27 | 2.98 | 5.43 | 17.50 | 35.00 | 25.96 | 45.70 | 2.06 | 5.21 |
| NESCO | 6.37 | 10.76 | 4.06 | 8.12 | 13.25 | 26.50 | 23.68 | 45.38 | 2.04 | 4.18 |
| SOUTHCO | 6.63 | 4.73 | - | 8.52 | 17.09 | 34.19 | 23.72 | 47.44 | 1.57 | 3.40 |
| CESU | 37.09 | 35.52 | - | 60.00 | - | 100.00 | 37.09 | 195.52 | 7.06 | 14.61 |

393. During the course of hearing the Commission enquired about the actual receipts of loan as on December, 2007 and the capital expenditure undertaken by the licensees. In their reply the licensees furnished details of the source of APDRP loan along with their utilization as per the details given below:-

**Table - 44**

**(Rs. in Crore)**

| **Licensee** | **Receipt** | | | | **Expenditure** |
|---|---|---|---|---|---|
| | Govt. of Orissa | | PFC/REC | Total | |
| | Loan | Grant | | | |
| WESCO | 5.48 | 5.48 | 9.86 | 20.81 | 30.82 |
| NESCO | 6.36 | 6.37 | 11.45 | 24.18 | 27.12 |
| SOUTHCO | 6.63 | 6.62 | 5.13 | 18.38 | 16.02 |
| CESU | 37.09 | - | 35.52 | 72.61 | 72.61 |

394. For computing the interest impact on loans from REC/PFC and GoO, the Commission takes into consideration the actual expenditure of APDRP up to 31.12.2007. The capital expenditure reported to be incurred by the WESCO and NESCO, is more than the source of funding. In case of SOUTHCO the capital expenditure is only Rs.2.36 crore less than the receipt where as in case of CESU it is reported that the entire amount of Rs.72.61 crore has been utilised fully by January, 2008. After taking into account such a pattern of investment during the current year i.e. 2007-08, the Commission considers to allow the interest impact on loans proposed to be availed from GoO as well as from PFC/REC up to 2006-07, in case of WESCO, NESCO and SOUTHCO. The scheme being undertaken shall be put up to the Commission for approval. The Commission observes that the DISTCOs are not proactive enough with regard to utilisation of APDRP funds which are so very urgent for strengthening the assets, reducing losses and improving quality supply and availing the incentive available under the scheme. They are directed to review the APDRP programme and take initiative for utilisation of higher quantum of APDRP funds that what is being approved now. If they do so it will be duly taken care by the Commission while according approval for the scheme.

395. During 2008-09, loans proposed to be drawn against APDRP projects will be utilised to create assets which may become operational by end of the financial year. As such the interest to be accrued on those loans shall be treated as interest during construction. Accordingly, the interest approved by the Commission for FY 2008-09 is given in the table below:

**Table - 45**

**(Rs. in Crore)**

| **Licensee** | **Interest** |
|---|---|
| WESCO | 2.41 |
| NESCO | 2.25 |
| SOUTHCO | 1.32 |
| CESU | 7.96 |

**System Improvement Scheme:**

396. WESCO, NESCO and SOUTHCO estimated to avail long-term loan of Rs. 11.86 crores, Rs. 11.41 crores, Rs. 11.06 crores respectively during 2007-08 @ 13% from REC for funding the improvement scheme and included the interest impact thereon in the revenue requirement. At the time of hearing, replying to the query of the Director (Tariff), the licensees reported that nothing has been received yet from REC. As such the Commission disallows the same to be included in the revenue requirement.

**Interest on Security Deposit**

397. Some of the objectors have asked for a higher rate of interest on Security Deposit than the prevailing rate of 6% per annum. As per Regulation 21 of the OERC Distribution (Conditions of Supply Code) 2004, the rate of interest on security deposit is prescribed at the bank rate notified by the RBI provided that the Commission may direct the higher rate of interest from time to time by notification in official Gazette. The bank rate as notified by the RBI prevailing now is 6%. The rate of interest on security deposit is accordingly fixed at the prevailing rate of 6% per annum. The WESCO, NESCO, SOUTHCO & CESU have made provision towards interest on security deposit for Rs.12.07 crore, Rs.9.38 crore, Rs.3.51 crore & Rs.9.64 crore respectively for the year 2008-09. On the other hand, the Commission holds the view that the interest earned on account of security money available with them shall be taken into account while determining the miscellaneous receipts. Keeping this in view, the Commission at present approves the interest outgo on security deposit as proposed by DISTCOs subject to check on submission of audited annual accounts.

398. The total interest on loan proposed by the DISTCOs and approved by the Commission for the year 2008-09 is summarised below:

**Table - 46**
**Total Annual Interest**

**(Rs. in crore)**

| | WESCO | | | NESCO | | | SOUTHCO | | | CESU | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Appr 07-08** | **Prop. 08-09** | **Appr. 08-09** | **Appr 07-08** | **Prop. 08-09** | **Appr. 08-09** | **Appr 07-08** | **Prop. 08-09** | **Appr. 08-09** | **Appr 07-08** | **Prop. 08-09** | **Appr. 08-09** |
| World Bank loan | 11.23 | 11.82 | 11.23 | 11.27 | 11.57 | 11.27 | 8.97 | 8.12 | 8.02 | 26.59 | 54.40 | 25.26 |
| NTPC Bond – Differential amount | 8.76 | 22.40 | - | 14.20 | 32.80 | - | 11.05 | 30.68 | - | - | - | - |
| Carrying cost (power bond and default in securitization obligations) | - | - | - | - | 3.01 | - | - | - | - | - | - | - |
| APDRP Net of 50% grant | 0.88 | 2.06 | 1.02 | 0.76 | 2.04 | 0.76 | 1.59 | 1.57 | 0.79 | - | 7.06 | 4.45 |
| REC/PFC (Counter Part Funding APDRP)/ REC SI Scheme | 1.58 | 5.21 | 1.39 | 0.90 | 5.66 | 1.49 | 0.24 | 4.83 | 0.52 | 3.37 | 14.61 | 3.51 |
| Interest on security deposit | 10.05 | 12.07 | 12.08 | 7.25 | 9.38 | 9.38 | 3.34 | 3.51 | 3.51 | 6.07 | 9.64 | 9.64 |
| Other interest and finance charges | - | - | - | - | | - | - | 2.52 | - | - | - | - |
| Total interest | 32.50 | 53.56 | 25.72 | 34.38 | 64.46 | 22.91 | 25.19 | 51.23 | 12.84 | 36.03 | 85.71 | 42.86 |
| Less Interest Capitalised | - | 3.33 | - | - | 3.85 | - | - | 5.76 | - | - | 11.74 | - |
| Interest chargeable to revenue | 32.50 | 50.23 | 25.72 | 34.38 | 60.61 | 22.91 | 25.19 | 45.47 | 12.84 | 36.03 | 73.97 | 42.86 |

**Depreciation**

399. For the FY 2008-09, the four DISTCOs have claimed the following amount towards depreciation. WESCO, NESCO & SOUTHCO, CESU have calculated depreciation at Pre-92 rate on the up-valued asset base plus asset addition after 01.04.1996. The depreciation amounts claimed by the four DISTCOs are given as under.

**Table - 47**

**(Rs. in crore)**

| Year | WESCO | NESCO | SOUTHCO | CESU |
|---|---|---|---|---|
| 2008-09 | 21.79 | 21.73 | 20.55 | 83.39 |

400. The Commission have extensively dealt with the matter in the last tariff orders considering the book value of the fixed asset as on 1.04.1996. The extract of the order dated 23.06.2003 regarding the methodology of calculation of depreciation is reproduced below:

*CALCULATION OF DEPRECIATION*

*The depreciation was being calculated at post-94 rate as prescribed by Govt. of India on asset base that was revalued on 01.4.96. The Commission, in order to neutralize the impact of revalued cost on the tariff, had directed in the tariff order dtd.19.4.2002 to calculate depreciation at pre-92 rate which is substantially low as compared to post-94 rate linked to the life of the assets. The intention was to balance the interest of the consumers as well as the licensees. This would avoid front loading of the tariff but at the same time would ensure necessary cash flow for the licensee for loan repayment and funds for asset replacement.*
*The Hon'ble High Court while deciding Misc. Case No. 7410 and 8953 of 2002 directed the Commission to make necessary calculation as per the Govt. Notification and depreciation shall be calculated on the pre-upvalued cost of assets as on 1.04 1996 at pre-92 rate.*

*The assets of OSEB taken over by the Govt. of Orissa were revalued and vested with OHPC and GRIDCO vide SRO No.256/96 and SRO No.257/96 dtd.01.4.96, respectively. The assets have been vested with the aforesaid PSUs at upvalued cost to which subsequent additions of assets have been made at actual cost basis. The Original cost of the assets before upvaluation as reported in Staff Appraisal Report (SAR) prepared by the World Bank and value of the asset transferred to OHPC and GRIDCO as per Transfer Notification No.5210 dtd.01.04.1996 are presented in the table below :*

*Rs. In crore*

| | *Gross Fixed Asset* | *Add : Interest and expenses capitalized* | *Less : Accumulated depreciation* | *Net fixed asset* | *Asset Value as per Transfer Notification* |
|---|---|---|---|---|---|
| *OSEB assets transferred* | *1375.80* | *105.30* | *444.90* | *1036.30* | |
| *GRIDCO* | *1103.20* | *97.50* | *363.00* | *837.80* | *1957.80* |
| *OHPC* | *272.60* | *7.80* | *81.90* | *198.50* | |
| *Add GoO to OHPC* | *199.4* | *0* | *41.30* | *158.10* | |
| *Total OHPC Asset* | *472.00* | *7.80* | *123.20* | *356.60* | *1196.80* |

*The Balance Sheet of OSEB for the Financial Year 1995-96 has been prepared subsequently which shows different values of assets pertaining to Generation, Transmission and Distribution Business as compared to SAR.*

*Asset Position as per Balance Sheet of OSEB for the Year 1995-96*

*. (As reported by GRIDCO/OHPC)*

| | *Gross Fixed Assets* | *Net Fixed Assets* |
|---|---|---|
| *Generation(OHPC)* | *314.00* | *226.87* |
| *Transmission(GRIDCO)* | *546.66* | *416.24* |
| *Distribution(DISTCOs)* | *625.90* | *379.74* |
| *Total* | *1486.56* | *1022.85* |

***Assumptions adopted to comply with the orders of the Hon'ble High Court :***

*Since the Transfer Notification has been made on the basis of the SAR and the value of the assets of OHPC and GRIDCO has not been changed subsequently in accordance with the audited accounts for the year 1995-96 in terms of Section 25(1) and (2) of the OER Act, 1995, the Commission consider it proper to accept the value of the assets mentioned in SAR for the purpose of calculation of depreciation. Moreover, since the upvalued figures were based on costs of the assets as in SAR, it is only but natural to revert to SAR valuation for the pre-upvaluation figures.*

*GRIDCO, again divested its distribution business to four DISTCOs on 26.11.98 and transferred Distribution Assets to them on aforesaid date. The crux of the problem is that neither OSEB nor GRIDCO had the assets registers for segregating assets created on or before 01.4.1996 i.e. before upvaluation and assets created there after. In the absence of asset registers, it is very difficult to ascertain the shares of GRIDCO and DISTCOs with respect to transmission and distribution assets, which had been acquired prior to 01.4.96 and their corresponding pre-upvaluation cost to be considered for the purpose of depreciation calculation as per the directive of the Hon'ble High Court. Therefore, in order to comply with the directive of the Hon'ble High Court, the Commission considers its logical and reasonable to adopt valuation of SAR (prior to 1996).*

*SAR also does not contain any statement of desegregation of assets between transmission and distribution businesses, though figures of pre-upvalued cost of the assets allocated to GRIDCO as a whole including both Transmission and Distribution are available. Under these circumstances, pre-upvalued cost of the assets allocated to GRIDCO as per SAR can be bifurcated between Transmission and Distribution Business on the basis of the proportion of the assets as reported in the Balance Sheet of OSEB on 31.03.1996. Similarly, in the absence of proper asset register, the Commission decided to apportion the Distribution Assets between DISTCOs on the basis of their proportion of assets as notified in the Transfer Scheme Notification No.SRO-750/98 dtd.25.11.98.*

*Apportionment of pre-upvalued cost of the Assets transferred to GRIDCO on 01-04-96, between Transmission and Distribution Business are as below :-*

| | *Gross Fixed Assets As per Balance Sheet (in Crore)* | *Pre-Upvalued Cost of the Gross Fixed Assets as per SAR bifurcated (Cr.)* |
|---|---|---|
| *GRIDCO* | *546.66* | *514.32* |
| *DISTCOs* | *625.90* | *588.88* |
| *Total* | *1172.56* | *1103.20* |

*Apportionment of pre-upvalued cost of the Assets transferred to Distribution Business on 01-04-96, between DISTCOs is as under :-*

| *DISTCOs* | *Gross Fixed Assets transfer to DISTCOs as per Transfer Notification* | *Amount of Gross Fixed Assets apportioned* |
|---|---|---|
| *WESCO* | *267.16* | *139.87* |
| *NESCO* | *263.39* | *137.90* |
| *SOUTHCO* | *233.82* | *122.41* |
| *CESCO* | *360.43* | *188.70* |
| *TOTAL* | *1124.80* | *588.88* |

*Accordingly, transmission and distribution assets as on 01.4.96 before upvaluation have been apportioned amongst GRIDCO and DISTCOs and depreciation has been calculated on the pre-upvalued cost of assets at pre-92 rate as per the order of the Hon'ble High Court. The total depreciation chargeable to Annual Revenue Requirement of GRIDCO and DISTCOs is as follows:-*

*Depreciation for the Year 2002-03*

| *Name of the company* | *Gross Fixed Asset as on 1.4.96* | *Average rate of Depreciation (pre-92) **(%)*** | *Asset added from 1996-1997 to 2002* | *Average rate of Depreciation (pre-92) **(%)*** | *Total deprec-iation FOR THE YEAR 2002-03* | *Depreciation as per order dated 19.4.02* | *Differen ce* |
|---|---|---|---|---|---|---|---|
| *GRIDCO* | *514.32* | *3.13* | *532.35* | *3.13* | *32.76* | *61.80* | *29.04* |
| *WESCO* | *139.87* | *3.76* | *144.02* | *3.76* | *10.67* | *14.48* | *3.81* |
| *NESCO* | *137.90* | *3.76* | *132.93* | *3.76* | *10.18* | *13.72* | *3.54* |
| *SOUTHCO* | *122.41* | *3.76* | *139.72* | *3.76* | *9.86* | *12.74* | *2.88* |
| *CESCO* | *188.70* | *3.76* | *220.71* | *3.76* | *15.39* | *18.12* | *2.73* |
| *TOTAL DISTCOs* | *588.88* | | *637.38* | | *46.11* | *59.06* | *12.95* |
| *GRAND TOTAL* | *1103.20* | | *1169.73* | | *78.87* | *120.86* | *41.99* |

401. The Commission adopts the same principle for determination of depreciation for FY 2008-09.

402. The year-wise asset addition after 01.04.1996 and up to 1998-99 are based on the audited data of GRIDCO. From 1999-2000 to 2005-06, the same is based on the Audited Annual accounts in respect of WESCO, NESCO & SOUTHCO. For the year 2006-07 the figure is based on tax audited accounts. In case of CESU data up to 2005-06 are based on the Special Audit Report and for the year 2006-07 and 2007-08 the figure are based on tariff filing.

403. The gross book value as on 01.04.1996 and year wise asset addition thereafter till FY 2006-07 and during FY 2007-08 are depicted in the earlier tables.

404. The Commission directs the licensees to abide by the license conditions with regard to the submission of capital expenditure programme for each year costing more than Rs.5 crore in time for approval.

405. Since any investment costing more than Rs.5 crore would require the approval of the Commission, this need not be approved again by any other authority.

406. The Commission calculated the depreciation on the approved asset base at Pre–92 rate. The classification of assets has been done proportionately based on the statutory audited accounts, tax audited accounts and tariff filling submitted by DISTCOs. Accordingly, the Commission approves the following amount for the year 2008-09 under the head depreciation.

**Table - 48**

**(Rs. in crore)**

| Year | WESCO | NESCO | SOUTHCO | CESU |
|---|---|---|---|---|
| Asset value as on 01.04.2008 | 475.14 | 479.06 | 353.40 | 775.31 |
| Depreciation for FY 2008-09 | 16.95 | 17.18 | 12.73 | 27.53 |

**Provision for Bad & doubtful debts**

407. WESCO, NESCO & SOUTHCO have estimated @ 5%, 6% & 6% of the billed amount respectively towards provision for Bad & doubtful debt. CESU has calculated the same @ 15% on incremental debtor.

408. WESCO, NESCO & SOUTHCO in their filing, have submitted that the gap between the billing and collection efficiency may be allowed as bad debt, since it is difficult for the licensee to arrange working capital fund.

409. The Commission examined submission of DISTCOs. Further analysis of the audited accounts of three DISTCOs viz. WESCO, NESCO & SOUTHCO reveals that the licensees do not exercise prudence while estimating provision towards bad and doubtful debts.

410. The Commission in their last order dated 22.03.2005 for 2005-06 in Case No.147 of 2004 observed that provision for bad and doubtful was of very tall order on all

counts. A comparative statement of the bad debt provision as per the audited annual accounts vis-à-vis approval is given in the table below:

**Table – 49**

**(Rs. in Crore)**

| | **Annual account (1999-2000 to 2005-06)** | **Approved (1999-2000 to 2005-06)** | **Excess Provision** |
|---|---|---|---|
| WESCO | 464.06 | 110.04 | 354.02 |
| NESCO | 301.24 | 72.74 | 228.50 |
| SOUTHCO | 221.78 | 48.65 | 173.13 |
| CESU | 132.64 | 121.18 | 11.46 |

411. In line with the LTTS principle, the Commission allowed in the past 2.5% of the total sales revenue towards provision for bad and doubtful debts. The Commission now accepts the same principle and approves the following amount towards provision for bad and doubtful debt for the year 2008-09.

**Table – 50**

**(Rs. in Crore)**

| | **Proposed** | **Approved** |
|---|---|---|
| WESCO | 39.97 | 31.29 |
| NESCO | 46.21 | 23.50 |
| SOUTHCO | 19.57 | 8.29 |
| CESU | 8.14 | 27.38 |

**Carrying Cost**

412. In line with our tariff order of 2007-08, the Commission in its Business Plan had approved the concept of carrying charges for financing the gap between the permitted collection efficiency and collectible revenue excluding bad debt on pragmatic consideration. For the FY 2008-09, the Commission has approved the collection efficiency of WESCO, NESCO, SOUTHCO and CESU at 96.56%, 95%, 94% and 95% respectively. Out of 100% revenue requirement 2.5% is excluded towards bad and doubtful debt leaving a margin of 97.50%. The difference between the approved collection efficiency and the revenue excluding bad debt as stated above works out to 0.94%, 2.5%, 3.5% and 2.5% for WESCO, NESCO, SOUTHCO and CESU respectively. The Commission calculates the working capital requirement and allows interest rate of 10% on this working capital towards carrying charges and approves an amount of Rs.1.18 crore, Rs.2.35 crore, Rs.1.16 crore and Rs.2.74 crore for WESCO, NESCO, SOUTHCO and CESU, respectively.

**Past Losses, Regulatory Assets and Truing up mechanism**

413. In para 7.24.5 of the RST order 2007-08, the Commission directed the following:

*We have already stated that the truing up figures of GRIDCO and DISTCOs are provisional subject to finalization after discussion with all the stakeholders.*

*DISTCOs, GRIDCO, OPTCL are directed to file their comments within 15th May 2005 regarding the figures indicated in the order about truing up figures. The Commission will review the submission of the licensees before finally freezing the figures. If required their could be an amendment to the existing tariff structure without any further public hearing after taking into consideration the truing up figures.*

414. In accordance with the Commission order and based on the submission received from DISTCOs and GRIDCO, the Commission heard the matter on 24.07.2007 and directed both DISTCOs and respondent GRIDCO to carry out the following direction:

a. DISTCOs should come up with element wise analysis of figures justifying the claim.

b. Written submission by the DISTCOs to be submitted separately to the Commission narrating the reason for disagreement with the principle set out the Commission in truing up exercise.

c. The Commission directed both DISTCOs and GRIDCO to submit their respective claim for arriving at a mutually acceptable figure on opening balance. The Commission further directed that the written submission of GRIDCO and DISTCOs through affidavit should reach the Commission within two weeks from the date of hearing.

d. On 15.12.2007, the Commission after hearing both GRIDCO and DISTCOs, based on the filing made by them directed the following:

(i) Delayed payment Surcharge on outstanding BST amount calculated in line with the orders of the Commission was to be submitted before 31.12.2007.

(ii) Joint reconciliation statement by GRIDCO and DISTCOs of the arrear on BST dues was to be submitted on or before 31.12.2007.

(iii) Audit of receivables of DISTCOs as directed by the Commission should have been completed before 28.02.2008.

415. The direction given by the Commission has not been complied with by DISTCOs and GRIDCO in toto. Only WESCO and NESCO submitted the receivable audit report in complete shape within the stipulated date to the Commission. SOUTHCO submitted the report on 03.03.2008. CESU has requested for extension of time upto 31.05.2008. The Commission has viewed seriously over the non-compliance of the orders of the Commission by the licensees. Hence, the Commission decides to pass the final order on truing up after both GRIDCO and DISTCOs filed their compliance as per the direction of the Commission.

416. However, the Commission provisionally has allowed Rs. 65.00 crore and Rs. 18.00 crore towards amortisation of Regulatory Assets to NESCO and CESU respectively. The Commission directs that the amounts shall be paid to GRIDCO

towards arrear BSP dues and outstanding loan and interest through escrow mechanism, giving priority to the high cost liabilities.

**Return on Equity**

417. The four DISTCOs have proposed the return on equity to be included in their revenue requirement. In accordance with OERC (Terms and Conditions for Determination of Tariff) Regulation, 2004, the Commission shall provide a reasonable return to the investors to infuse capital. To make it lucrative, the Return on Equity may be linked to the RBI bank rate plus a margin for the investment risk in the power sector. This aspect was examined while approving the tariff order for the FY 03-04 and in the LTTS order passed by the Commission wherein it has been provided that 16% return on equity shall be allowed to the licensees while determining the revenue requirement.

418. The Commission examined the audited annual accounts of WESCO, NESCO and SOUTHCO for FY 2005-06 and the account of 2004-05 in respect of CESU. The position of share capital for each of the companies as taken from the aforesaid accounts are given below:

**Table - 51**

**(Rs. in crore)**

| Name of the Company | Share Capital |
|---|---|
| WESCO | 48.65 |
| SOUTHCO | 37.66 |
| NESCO | 65.91 |
| CESU | 72.72 |

419. After allowing a return of 16% on equity, the proposed and approved figures are given in the table below:

**Table - 52**

**(Rs. in crore)**

| Particulars | WESCO | NESCO | SOUTHCO | CESCO |
|---|---|---|---|---|
| Amount proposed by DISTCOs | 7.78 | 10.55 | 6.03 | 11.64 |
| Amount approved by the Commission | 7.78 | 10.55 | 6.03 | 11.64 |

**Miscellaneous receipts**

420. The miscellaneous receipts proposed by the licensees for the FY 2008-09 are given in the table below:

**Table - 53**

**(Rs. in crore)**

| WESCO | NESCO | SOUTHCO | CESU |
|---|---|---|---|
| 14.63 | 4.50 | 3.89 | 11.42 |

421. On verification from the tax audit report for the FY 2006-07 (latest report available to the Commission), it is revealed that the miscellaneous receipts of WESCO, NESCO and SOUTHCO excluding DPS amounts to Rs.25.65 crore, Rs.26.08 crore and Rs.14.56 crore, respectively. The audited report of CESU for the year 2005-06 is available which indicate an amount of Rs. 18.70 crore excluding DPS and overdrawl penalty.

422. The licensees have not indicated the extent of earning of interest on account of security deposit available with them. The licensee shall indicate such earning and submit to the Commission in subsequent tariff filings. The interest earning will be set off against the interest payment to work out the net impact on the revenue requirement due to payment of interest on security deposit. The Hon'ble ATE in their judgement dtd. 13.12.2006 have pronounced to consider the miscellaneous receipt as proposed by the DISTCOs in their ARR filing. After a careful study in light of the ATE observation, Commission observed that the actual miscellaneous receipt of the DISTCOs are much more than the proposed receipts filed in the ARR. The miscellaneous receipt are towards meter rent, commission for collection of ED, miscellaneous charges, interest on loans and advances, interest on bank deposit, DPS, overdrawl penalty and other miscellaneous receipts. Since the nature of receipts of DPS and over drawl penalty is not certain, the Commission excludes these amounts form miscellaneous receipts while considering the ARR. For this purpose the Commission relied on the latest audit report (i.e. Tax Audit Report for 2006-07) and approves the same. The miscellaneous receipts approved by the Commission for 2008-09 are shown in the table below:

**Table - 54**

**(Rs. in crore)**

| WESCO | NESCO | SOUTHCO | CESU |
|---|---|---|---|
| 25.65 | 26.08 | 14.56 | 18.70 |

**Revenue requirement**

423. In the light of above discussion, the Commission approves the revenue requirement of 2008-09 of four DISTCOs, as shown in Annexure-A. Also the expected cash flow of the four DISTCOs for the FY 2008-09 is attached at Annexure-B.

424. An extract of the revenue requirement, expected revenue at the existing tariff and revenue gap for FY 2008-09 approved by the Commission is given below:

**Table - 55**

**(Rs. in crore)**

| Name of the Company | Revenue Requirement | | Expected Revenue | | GAP | |
|---|---|---|---|---|---|---|
| | **Prop.** | **Appr.** | **Prop.** | **Appr.** | **Prop.** | **Appr.** |
| WESCO | 1789.28 | 1226.25 | 1161.84 | 1251.08 | -627.44 | 24.83 |
| NESCO | 1227.49 | 938.49 | 924.28 | 939.94 | -303.21 | 1.45 |
| SOUTHCO | 697.29 | 331.71 | 326.24 | 331.77 | -371.05 | 0.06 |
| CESU | 1247.35 | 1092.04 | 1085.66 | 1095.05 | -161.69 | 3.01 |
| Total | 4961.41 | 3588.49 | 3498.02 | 3617.84 | -1463.39 | 29.35 |

**Treatment of Surplus Revenue and Revenue Gap**

425. The Commission hereby directs that the surplus revenue in case of DISTCOs shall be maintained by the company in its own fund and shall not be utilised for any other purpose or shall not be transferred to any other account without specific approval of the Commission.

## DETERMINATION OF TARIFF (PARA 426 TO 505)

426. The determination of tariff by the Commission has been done after examination of all details based on the records submitted by the Licensees, written and oral representations of the objectors.

427. The electricity tariff in Orissa has not undergone any change in general from 01.02.2001 to 31.03.2008 due to regulatory control, except for changes to some incentive scheme. This in turn means decline in tariff in real terms as the inflation effect has been absorbed in the efficiency gain achieved by the licensees to the benefit of all groups of consumers. Another landmark development is the abolition of minimum charge for classes of consumers and introduction of a monthly minimum fixed charge for the low voltage group of consumers to recover expenses related to meter reading, billing and consumer service.

428. The tariff structure as it exists for different voltage of supply are summarised below.

**LT supply upto 100 KW/110 KVA**

Kutir Jyoti consumers : Monthly Fixed Charge (Rs./ Month)

Other classes of consumers :

(a) Energy Charge (Paise/unit)
(b) Monthly Minimum Fixed Charge (MMFC) (Rs./KW/ Month)

**LT supply with connected load 110 KVA and above**

(a) Demand Charge (Rs./KVA)
(b) Energy Charge (Paise/unit)
(c) Customer Service Charge (Rs./Month)

**HT Consumers**

(a) Demand Charge (Rs./KVA, Rs./KW)
(b) Energy Charge (Paise/unit)
(c) Customer Service Charge (Rs./Month)

**EHT Consumers**

(a) Demand Charge (Rs./KVA)
(b) Energy Charge (Paise/unit)
(c) Customer Service Charge (Rs./Month)

**DC Services**

Same as LT Supply for consumers with CD less than 100 KW.

429. Consumers covered under two-part tariff are not required to pay the MMFC but are to pay Demand Charge and Customer Service Charge. Consumers covered under single-part tariff and liable to pay MMFC will neither pay the Demand nor the Customer Service Charge.

430. In addition, certain other charges like power factor penalty, incentive, prompt payment rebate, meter rent, delayed payment surcharge, over drawal penalty/incentive, other miscellaneous charges, etc. are payable in cases and circumstances mentioned in the later part of this order.

431. The details of charges applicable to various categories of consumers classified under OERC Distribution (Condition of Supply) Code, 2004 are discussed hereafter.

**Tariff for Consumers Availing Power Supply at LT**

**Monthly Minimum Fixed Charge (MMFC) for consumers with contract demand of less than 110 KVA**

432. The MMFC is payable by the consumers with contract demand less than 110 KVA supplied power at LT. This is intended to meet a component of the fixed cost incurred in the system for meeting the consumer's load and also to recover the expenses on maintenance of meter, meter reading, preparation of bills, delivery of bills, collection of revenue and maintenance of customer accounts.

433. The Commission decides that the existing rate of MMFC should continue without change. Accordingly, the rates applicable to all such customers are given below:

**Table - 56**

| Sl. No | Category of Consumers | Monthly Minimum Fixed Charge for first KW or part(Rs.) | Monthly Fixed Charge for any additional KW or part(Rs.) |
|---|---|---|---|
| | **LT Category** | | |
| 1 | Kutir Jyoti | 30 | |
| 2 | Domestic (other than Kutir Jyoti) | 20 | 10 |
| 3 | General Purpose LT (<110 KVA ) | 30 | 20 |
| 4 | Irrigation/Agro Industrial consumers | 20 | 10 |
| 5 | Public Lighting | 20 | 10 |
| 6 | LT Industrial ( S ) Supply | 40 | 30 |
| 7 | LT Industrial ( M ) Supply | 80 | 50 |
| 8 | Specified Public Purpose | 50 | 50 |
| 9 | Public Water Works | 50 | 50 |

434. Consumers with connected load of less than 110 KVA are provided with simple energy meters which record energy consumption and not the maximum demand. The OERC Distribution (Condition of Supply) code, 2004, provides that "contract demand for loads of 110 KVA and above shall be as stipulated in the agreement and may be different from the connected load. Contract Demand for a connected load below 110 KVA shall be the same as connected load. However, in case of installation with static meter/meter with provision of recording demand, the recorded demand rounded to nearest 0.5 KW shall be considered as the contract demand requiring no verification irrespective of the agreement. Therefore, for the purpose of calculation of Monthly Minimum Fixed Charge (MMFC) for the connected load below 110 KVA, the above shall form the basis.

**Energy Charge**

**Consumers with connected load less than 110 KVA**

435. The estimated overall average cost of supply for FY 2008-09 for the State as a whole is 271.50 paise/unit.

**Domestic**

436. The Commission is conscious of affordability consideration for non-Kutir Jyoti consumers with connected load of 1 KW and below.

Keeping this in view the Energy Charge for supply for domestic consumers availing low tension supply shall be as under :-

| Domestic consumption slab | | Energy charge |
|---|---|---|
| First 100 Units | - | 140 paise per unit |
| Next 100 units | - | 230 paise per unit |
| Balance units of consumption | - | 310 paise per unit |

437. The Kutir Jyoti consumers will only pay the monthly minimum fixed charge @ Rs.30/- per month.

438. In accordance with the provision under the OERC Distribution (Condition of Supply) code, 2004, initial power supply shall not be given without a correct meter. **Load factor billing has been done away with effect from 1st April, 2004, as stipulated in the Commission's RST order for FY 2003-04**.

439. **General Purpose LT (<110KVA):** The Commission reviewed the existing tariff structure and decided to continue the existing rates which are as follows :

| Slab | | Energy charge |
|---|---|---|
| First 100 units | - | 320 paise/unit |
| Next 200 units | - | 410 paise/unit |
| Balance units | - | 450 paise/unit |

440. **Irrigation including Agro Industrial Consumers:** The Commission decides that the Energy Charge for this category will remain unchanged i.e. 110 paise/unit for supply at LT. Consumers in the irrigation category availing power supply at HT will pay 100 paise/unit.

441. However, in the meantime a new category, namely 'Agro-Industrial Consumers' has been introduced vide OERC Distribution (Condition of Supply)(4th Amendment) Code, 2007. As per Regulation 80 (5)(1) of the said Supply Code, this category relates to supply of power for Pisciculture, Horticulture, Floriculture, Sericulture and other allied agricultural activities including animal husbandry, poultry & cold storage (i.e. a temperature controlled storage where flowers, fruits, vegetables, meat, fish and food, etc. can be kept fresh or frozen until it is needed).

442. Earlier Agro based industries were paying Energy charges at the rate of 320 paise per unit for consumption within 100 units, 410 paise per unit or consumption more than 100 units and less than 300 units at LT level. When the consumption was more than 300 units per month, the rate was 450 paise per unit at LT category. Since Agro based Industries were not specially defined, they were charged at above rate as applicable for General Purpose category. Since Agro-industries have been specifically categorized under the Irrigation and development of Agro-Industries is crucial and critical for overall development of agro-economy of Orissa, Commission have decided that energy charges for agro-industrial consumers will be 110 paise per unit at LT and 100 paise per unit at HT level. Thus, the electricity charges for Agro-Industrial consumers for the year 2008-09 stands reduced by 73% to 75% compared to the level approved for the previous year 2007-08.

443. The Commission, in keeping with its objective of rationalisation of tariff structure by progressive introduction of a cost-based tariff, has linked the Energy Charge at

different voltage levels to reflect the cost of supply. While determining Energy Charge, the principle of higher rate for supply at low voltage and gradually reduced rate as the voltage level goes up has been adopted. The following tariff structure as is existing has been adopted for all loads at LT.

| Voltage Of Supply | Energy Charge |
|---|---|
| LT | 320 paise/unit |

**The above rate shall apply to the following categories :**

1) Public lighting
2) LT industrial(S) supply
3) LT industrial(M) supply
4) Specified public purpose
5) Public water works and sewerage pumping < 110 KVA
6) Public water works and sewerage pumping => 110 KVA
7) General purpose => 110 KVA
8) Large Industries

444. The rate of tariff as determined above is reflected in Annex-C.

**Tariff for consumers availing power supply at LT with contract demand 110 KVA and above are given hereafter.**

445. **Customer Service Charge at LT:** The Commission examined the present level of Customer Service Charge being levied on the consumers with connected load of 110 KVA and above and decided to continue with the existing level of Customer Service Charge.

**Table - 57**

| Category | Voltage of Supply | Customer Service Charge (Rs./month) |
|---|---|---|
| Public Water Works (>=110KVA) | LT | 30 |
| General Purpose (>=110KVA) | LT | 30 |
| Large Industry | LT | 30 |

446. **Demand Charges at LT:** The Commission examined the existing level of Demand Charge of Rs.200/KVA/month payable by the consumers with a contract demand of 110 KVA and above. The Commission studied the Demand Charges for similarly placed consumers of other utilities. After examination of the details the Commission has decided not to change the present rate of Demand Charge of Rs.200/KVA/month payable by the consumers with contract demand of 110 KVA and above which shall be payable in addition to the energy charge. The Commission took into consideration the submission of licensees to raise the demand charge for consumers with 70 KVA at HT to Rs.200/KVA. Since most of the consumer with CD 70 KVA to 110 KVA are under the medium industry and pay Rs.50/KW of contract demand raising that to Rs.200/KVA for those availing

at HT would be discriminatory. Besides consumers availing power at HT help reduction of T&D loss.

| Voltage of Supply | Demand charge |
|---|---|
| LT | Rs.200/ KVA/month |

**Tariff for HT & EHT Consumers**

447. **Customer Service Charge for consumers with contract demand of 110 KVA and above at HT & EHT:** The licensee is vested with the obligation of providing service to a consumer once connected to the power system of the licensee and incurs an expenditure for meeting the cost of meter reading, preparation of bills, delivery of bills, collection of revenue and maintenance of customer accounts etc. The licensee is bound to meet these expenses irrespective of the level of consumption of the consumer. The customer service charges as existing hitherto for remains unchanged as per details in the table below:

**Table - 58**

| Category | Voltage of Supply | Customer service charge (Rs./month) |
|---|---|---|
| Bulk Supply (Domestic) | HT | Rs. 250/- for all categories |
| Irrigation/Agro Industries consumers | HT | |
| Specified Public Purpose | HT | |
| General Purpose (HT <110KVA) | HT | |
| HT Industrial (M) Supply | HT | |
| General Purpose ( =>110KVA) | HT | |
| Public Water Works | HT | |
| Large Industry | HT | |
| Power Intensive | HT | |
| Mini Steel Plant | HT | |
| Emergency Supply to CPPs | HT | |
| Railway Traction | HT | |
| General Purpose | EHT | Rs. 700/- for all categories |
| Large Industry | EHT | |
| Railway Traction | EHT | |
| Heavy Industry | EHT | |
| Power Intensive Industry | EHT | |
| Mini Steel Plant | EHT | |
| Emergency Supply to CPPs | EHT | |

**Demand Charge for consumer with contract demand of 110 KVA and above at HT & EHT**

448. The Commission examined the existing level of Demand Charge of Rs.200/KVA/month payable by the consumers with a contract demand of 110

KVA and above. The Commission studied the Demand Charges for similarly placed consumers of other utilities. After thorough examination, the Commission has decided not to change the present rate of Demand Charge of Rs.200/KVA/month payable by the consumers with contract demand of 110 KVA and above. The class of consumers and the voltage of supply to whom this charge shall be applicable are listed below.

**HT Category**

General Purpose ( =>110 KVA )
Public Water Works
Large Industry
Power Intensive Industry
Mini Steel Plant
Railway Traction

**EHT Category**

General Purpose
Large Industry
Railway Traction
Heavy Industry
Power Intensive Industry
Mini Steel Plant

449. Consumers with contract demand 110 KVA and above are billed on two part tariff on the basis of reading of the demand meter and the energy meter. They are also allowed to maintain loads in excess of their contract demand. The Demand Charge reflects the recovery of fixed cost payable by the consumer for the reservation of the capacity made by the licensee for the consumers. To insulate the licensee from the risk of financial uncertainty due to non-utilisation of the contracted capacity by the consumer it is necessary that the consumer pays at least a certain amount of fixed cost to the licensee. To arrive at that cost the Commission studied the pattern of demand recorded by the demand meters of all such consumers of the licensee for the period from April, 2007 to September, 2007. The Commission after taking into consideration this aspect have decided that **the existing method of billing the consumer for the Demand Charge on the basis of the maximum demand recorded or 80% of the contract demand, whichever is higher should continue**. The method of billing of Demand Charge in case of consumers without a meter or with a defective meter shall be in accordance with the procedure prescribed in OERC Distribution (Conditions of Supply) Code, 2004.

450. As per the OERC Distribution (Conditions of Supply) Code, 2004, for contract demand above 70 KVA but below 555 KVA supply shall be at 3-phase, 3-wire, 11 kV. However, these consumers connected prior to 01.10.95 may be allowed to continue to receive power at LT. But there are some consumers in the category of domestic, irrigation, specified public purpose, general purpose (<110KVA) and

HT Industrial (M) Supply who have availed power supply at HT. **For such types of consumers the Commission have decided to allow the existing Demand Charge to continue as indicated below** :-

| **Category** | **(Rs./KW)** |
|---|---|
| Domestic | 10 |
| Irrigation | 30 |
| Specified public purpose | 50 |
| General purpose (<110KVA) | 50 |
| HT Industrial (M) Supply | 50 |

451. However, the billing demand in respect of consumer with Contract Demand of less than 110 KVA having static meters should be the highest demand recorded in the meter during the Financial Year irrespective of the Connected Load, which shall require no verification.

**Energy Charge for consumer with contract demand of 110 KVA and above**

452. The Commission, aiming at rationalisation of tariff structure by progressive introduction of a cost-based tariff, has related the Energy Charge at different voltage levels to reflect the cost of supply. While determining Energy Charge, the principle of higher rate for supply at low voltage and gradually reduced rate as the voltage level goes up has been adopted. The following existing tariff structure has been adopted for all loads of 110 KVA and above.

| VOLTAGE OF SUPPLY | ENERGY CHARGE |
|---|---|
| HT | 300 paise/unit |
| EHT | 290 paise/unit |

453. However, the Commission has made certain exception to the above provision in respect of domestic and irrigation consumers availing power at HT.

454. HT Supply for Domestic (Bulk) and Irrigation and Agro Industrial Consumer: With a view to avoiding steep rise in tariff in respect of domestic (bulk supply) and irrigation category and encouraging Agro Industrial growth availing power at HT, the Energy Charge is fixed at @ 230 paise/unit and @ 100 paise/unit respectively.

455. Industrial Colony Consumption: Since the purpose of incentive scheme is to encourage higher consumption by the EHT & HT consumers, the Commission after reviewing the scheme, directs that, the units consumed for the colony shall be separately metered and the total consumption shall be deducted from the main meter reading and billed @ 230 paise/unit for supply at HT and EHT. For the energy consumed in colony in excess of 10% of the total consumption, the same shall be billed at the rate of Energy Charge applicable to the appropriate class of industry.

**Emergency power supply to CPPs/Generating stations**

456. Industries owning CPP / Generating Stations have to enter into an agreement with the concerned DISTCOs subject to technical feasibility and availability of required quantum of power/energy in the system as per the provision under the OERC Distribution (Condition of Supply) Code, 2004. For them, (i) a flat rate of 420 paise/kwh at EHT and 440 paise/kwh at HT would apply (ii) while for others who draw only 25% of capacity of highest unit would pay @ 380 paise/kwh and 400 paise/kwh at EHT and HT respectively. If on verification it is established that SMD of DISTCOs has increased because of overdrawl by the CGP, Demand Charge @Rs.200/KVA shall be payable over the excess of contract demand for that industry in addition to the energy charges in case of (i) above.

**Peak and off-peak tariff**

457. Section 62(3) of the Electricity Act, 2003 mandates as follows:

*"The Appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required."*

458. Further, in accordance with the provision of para 7(a) (i) of OERC (Terms and Conditions for Determination of Tariff) Regulation, 2004, a differential tariff for peak and off-peak hours is essential to promote demand side management. The Commission would encourage the distribution licensee to move towards separate peak and off-peak tariffs. Accordingly, the Commission decides that Off-peak hours for the purpose of tariff shall be treated from 10.00 PM to 6.00 AM of the next day. Three phase Consumers barring those mentioned below having static meters, recording hourly consumption with a memory of 30 days and having facility for downloading printout drawing power during off-peak hours shall be given a discount at the rate of 10 paise per unit of the energy consumed during this period. This discount, however, will not be available to the following categories of consumers.

i) Public Lighting Consumers.
ii) Emergency supply to captive power plants.

459. The load curve of the Orissa Power system indicates wide variation between peak and off peak hours. One significant finding is the ratio between off peak load and peak load of the Orissa system. Ordinarily, ratio of 1:2 between peak to off peak appears to be ideal indicating very effective utilization of the existing capacity. This ratio is much higher than 1.2 for all the months of the year. Higher demand at peak load means high loss. Tariff structure shall encourage shifting of loads from peak hours to off peak hours. This may be possible either through bonus or penalty mechanism subject to availability of static meter with TOD facilities. In the present tariff structure there is a provision of reduced tariff in the off peak

hour as an incentive. There is no disincentive for drawl at peak hours. In Orissa static meters are supposed to be available with connected load 10 KW and above.

460. Further analysis indicates that the EHT groups of consumers generally are shifting the load from peak hours to off peak hours. That kind of segregation is not available for HT consumers. But, the combined load of HT consumers and area load comprising all low voltage consumers indicates that more or less the peak and off peak load are same. This is precisely because total domestic & large part of commercial loads and other loads at low voltage generally maximize their drawal during peak hour. The total units sale at low voltage is around 40%. Licensees will have to be incentivised for installation of static meters even in case of low voltage loads. Inefficient utilisation of the existing network shall have to be addressed by having distinct peak and off peak tariff for most of the consumers. It will also help demand side management.

461. Therefore the commission directs that the licensees shall maintain and submit the peak and off peak drawl of each of the HT consumers before the next tariff filing. The licensees have failed to submit this data and consequently peak and off peak tariff could not be worked out. They are directed to submit this data within 30th June, 2008 for the preceding year for further action.

462. The licensees shall also submit a report to the Commission indicating the status of availability of static meters with TOD capability for low voltage consumers before 30th June, 2008.

**Incentive for improvement in power factor**

463. Some of the objectors pleaded for restoring incentive for improvement in power factor from 90% and above and penalty at the same rate for low power factor. The Commission examined the desirability of continuing with the present method of incentives permissible to the consumers for improvement in power factors. On examination of financial liabilities and considering similar provisions adopted by other Commissions, the Commission directs that incentive for maintenance of high power factor shall be given as a percentage of the monthly Demand Charge and Energy Charge and shall be applicable to the HT/EHT consumers who are liable to pay power factor penalty. The rate of this incentive will be 0.5% for every 1% rise above **95%** upto and including 100%, on the monthly Demand Charge and Energy Charge.

**Power Factor Penalty**

464. The Commission also orders for continuance of the power factor penalty as a percentage of monthly Demand Charge and Energy Charge on the following categories of consumers:

i) Large Industries
ii) Public Water Works (110 KVA and above)
iii) Railway Traction
iv) Power Intensive Industries

v) Heavy Industries
vi) General Purpose Supply
vii) Specified Public Purpose (110 KVA and above)
viii) Mini Steel Plants
ix) Emergency supply to CPP

**Rate of Power Factor Penalty :-**

i) 0.5% for every 1% fall from 90% upto and including 60% plus
ii) 1% for every 1% fall below 60% upto and including 30% plus
iii) 2% for every 1% fall below 30%

**Other Charges**

The Commission authorises levy of other charges by the licensees as given below:-

465. **Over drawl during off peak hours:** As per the existing tariff provisions, there is no penalty for overdrawal out side the peak hours upto 120% of the contract demand. The Commission has decided that the existing facility now available to the consumers will continue in the interest of a stable frequency regime by providing load during the off-peak hours.

466. **Penalty for overdrawal of power above the contract demand:** The existing rate of penalty, however, will continue for overdrawal during peak hours. When the maximum demand exceeds the contract demand during peak hours, such excess demand is liable for a penalty and payable at the prescribed rate of Demand Charge. For this purpose, the "Peak hours" is defined as 6.00 A.M. to 10.00 A.M. and 6.00 P.M. to 10.00 P.M.

**Metering on LT side of Consumers Transformer**

467. Transformer loss, as computed below has to be added to the consumption as per meter reading.

Energy loss = 730 X KVA rating of the transformer/100.
Loss in demand = 1% of the rating of the transformer (for two part tariff)

**Incentive for prompt payment**

468. Some of the large consumers pointed out that rebate period of 3 days is very short and consumers may not be able to avail the rebate due to paucity of time. NESCO, WESCO, SOUTHCO and CESU in their RST applications for 2007-08 have estimated the rebate on account of prompt payment within 3 days of presentation of bill and rebate of 10 paise/unit for payment within 7 days during the FY 2008-09 as indicated under.

**Table - 59**
**Proposed Rebate (Rs. crore) for the FY 2008-09**
**At Existing Tariff**

| | Prompt Payment Rebate @1% |
|---|---|
| NESCO | 7.08 |
| WESCO | 6.89 |
| SOUTHCO | 1.26 |
| CESU | 3.94 |

469. Hence, it is expected that to avail such heavy amount of rebate, consumers should put in extra efforts and make payment of bills in time.

470. The Commission examined the existing method of incentive and its financial implication. The Commission has decided to grant incentive for early and prompt payment as below.

a) A rebate of 10 paise/unit shall be allowed on energy charges if the payment of the bill (excluding all arrears) is made by the due date indicated in the bill in respect of the following categories of consumers.
LT: Domestic, General purpose < 110 kva, Irrigation, Agro Industrial and LT Industrial (S), Public Water Works and Sewerage Pumping
HT: Bulk supply domestic, General purpose <110 kva and irrigation, Public Water Works and Sewerage Pumping

b) Consumers other than those mentioned at para 'a' above shall be entitled to a rebate of 1% (one percent) of the amount of the monthly bill (excluding all arrears), if payment is made within 3 working days of presentation of the bill.

471. **Delayed Payment Surcharge:** The Commission has examined the present method and rate of DPS and has decided that if payment is not made within the due date, Delayed Payment Surcharge shall be charged for every day of delay at 1.25% per month on the amount remaining unpaid (excluding arrears on account of DPS) in respect of categories of consumers as mentioned below:

i) Large industries
ii) LT/HT Industrial (M) Supply
iii) Public Water Works
iv) Railway Traction
v) Public Lighting
vi) Power intensive industries
vii) Heavy industries
viii) General Purpose Supply >=110 KVA
ix) Specified Public Purpose
x) Mini Steel Plants
xi) Emergency supply to CPP

472. **Customer Charge:** As indicated in **Annex-C** there shall be no change in the existing rate of customer charge.

473. **Re-connection Charge:** The existing rates of reconnection charge as below shall continue:-

| | |
|---|---|
| Single Phase Domestic Consumer | Rs.50/- |
| Single Phase other consumer | Rs.100/- |
| 3 Phase line | Rs.200/- |
| HT & EHT line | Rs.1000/- |

The Commission does not approve of the proposal for enhancement of reconnection charges as proposed by the licensees.

**Rounding off of consumer billed amount to nearest rupee**

474. The Commission directs for rounding off of the electricity bills to the nearest rupee and at the same time directs that the money actually collected should be properly accounted for.

**Charges for Temporary Supply**

475. The tariff for the period of temporary connection shall be at the rate applicable to the relevant consumer category.

476. Connection temporary in nature shall be provided with pre-paid meters to avoid accumulation of arrears in the event of dismantling of the temporary connection etc.

**New Connection Charges for LT**

477. The Commission in its previous tariff orders had directed that prospective small consumers requiring new connections upto and including 3 KW load should pay a flat charge of Rs.500/-. This was intended to do away with the vexatious practice of preparation of estimate in respect of small consumers. However, preparation of estimate for connection above 3 KW load was envisaged in these orders. The Commission therefore reiterates that, the prospective small consumers requiring new connection upto and including 3 KW load shall only pay a flat charge of Rs.500/- towards a new connection excluding security deposit as applicable as well as processing fee of Rs.25/- and in their case preparation of estimate is not required to avoid unnecessary delay.

**Fuel Surcharge Adjustment Formula**

478. The Commission has already prescribed a fuel surcharge adjustment formula for the distribution licensee in the OERC (Conduct of Business) Regulations, 2004, which shall continue to be valid.

**Consumer Services**

**Information to Consumers on Billing and Payment**

479. Umpteen number of complaints have been received from the consumers about erroneous billing and incorrect entry of revenue receipts. To become customer friendly, the onus lies on the licensees to keep the consumers abreast of the conditions of working of the meter, the pattern of consumption, the monthly payments, etc. This assumes significance, as the licensees have to work out the interest on security deposit every year and credit the interest accrued thereon to consumer's account as on 1st of May of every year.

480. Consumer Arrears: The licensees are directed to exhibit separately arrears in respect of each consumer as at the beginning of each financial year.

**Information about Consumer Billing & Collection**

481. Information on billing and collection of vital nature can be shared with the consumers, by way of statement of meter reading, billing and payment by the consumers for a period of last twelve months. Every time one makes payment, a money receipt on the date of payment can be issued. The licensees are advised to develop suitable mechanism to achieve this which will go a big way in achieving a consumer friendly environment.

482. Use of technology for updating information is the order of the day. All the licensees should gear up their machineries to provide networking of collection from the consumers within their license areas as well as provide accessibility to consumers to get themselves appraised of the status of billing and collection at least for a period of past twelve months.

483. The Commission with a view to boost up collection efficiency, directed the DISTCOs to introduce the Spot billing system. Spot billing system introduced by CESU is yielding positive results. It is reported by CESU that the introduction of spot billing has improved billing, helped identification of ghost consumers, improved collection and liquidity position. NESCO, WESCO & SOUTHCO are yet to complete 100% spot billing for all of their consumers. **The Commission directs that all the above three licensees shall fully introduce spot billing early for all their consumers. The Commission also expects the licensees to adopt for spot collection preferably through account payee checks to improve their collection efficiency.**

484. It is most deplorable inasmuch as after eight years of restructuring of the DISTCOs, the licensees are still unable to collect the bills which they are serving to the consumers and are persistently failing to take measures as directed by the Commission for improvement in billing and collection. In this context, it is very much essential that spot billing and spot collection should be introduced as indicated above.

485. The Commission in its previous order has allowed a rebate of 10 p/u for consumers covered under rural water supply category for payment within the due date. The Commission in this order has decided to continue with the same.

486. Frequent theft of conductor cannot be a ground for denial of power supply for the vulnerable sections of the consumers, many of whom are not aware about their own rights. Besides, the Commission have been allowing operation and maintenance expenses which also covers theft of conductors and burning of transformers. The licensees must take adequate steps for removal of the conductors and keep it in safe custody during off season as well as during disconnection of power supply due to non payment. These must be refixed during the working season or after reconnection of power supply due to disconnection. Under no circumstances, the LI points and other consumer supplies shall remain defunct on the ground of theft of conductors or disconnection of power supply. At the same time, collection of revenue from such kind of consumers as well as disconnection must be promptly followed up by the licensees. The licensee shall take up the help of the village committees and consumer associations for prevention of theft.

**Replacement of burnt transformers**

487. The Commission notes with concern about the failure of large number of distribution transformers causing dislocation of power supply and consumer dissatisfaction, loss of revenue to the utility besides the cost of repair and replacement of burnt transformers. This problem is to be addressed by suitably upgrading the capacities of distribution transformers wherever they have reached a level close to their full load capacity. This can also be avoided where long single phase lines are overloading a three phase transformer leading to failure. The 3$^{rd}$ issue is balancing of loads in all 3 phases of distribution transformers. Scheduled maintenance as prescribed cannot be overlooked. If the prescribed maintenance schedule is properly implemented along with the necessary precaution against overloading, there can be no reason as to why a useful life of thirty years for transformers cannot be achieved.

488. The Commission hereby orders that the DISTCOs should procure at least 3000 distribution transformers of suitable capacity of which CESU is allowed 1000 nos. so that during the 1$^{st}$ quarter of 2008-09 some quick replacement of transformers can prevent transformers failure during the summer months and maintain continuity of power supply for irrigation and agricultural purposes. For this purpose, Escrow Relaxation would be given by GRIDCO subject to production of adequate proof by the Distribution utilities. **Funding should not be a problem as there has been a reduction in Bulk Supply Price essentially to meet the maintenance obligation of the licensees.** In addition to the above, the Licensees are directed to regularly carry out phase balancing of transformers, conversion of single phase line to 3 phase line, proper maintenance including earthing of the installations. The Commission would take a serious view if the current level of failure/burning of distribution transformers is not brought down to reasonable

level if not eliminated. This will save a lot of money on account of saving of the repair cost of burnt transformers.

**Improvement to existing infrastructure**

489. The APDRP funding shall be utilized for improving quality of supply in the urban areas at the same time far larger area remains to be serviced beyond the urban limits. In any case, there are certain bare minimum requirement which shall have to be implemented by all the licensees for safety, longevity of the equipments and quality of supply. As has been said in respect of the procurement of distribution transformers, regarding escrow relaxation, the same principle will apply for the following works which the Commission directs that the licensees shall take up on priority basis for the repair and maintenance now approved in the tariff order. These include:

(a) Provision of Switch gear and cables in distribution substations: It is pathetic to see most of the distribution transformers as unsafe to life as one finds open fuse bases with loose live wires and burnt out cables. This practice has to come to an end. The distribution licensees in a phased manner shall complete at least 20% of their substations by suitably having switchgears and cables during 2008-09.

(b) Likewise, the distribution transformers should be well protected with boundary wall and gates with adequate safety measures as required under the I.E. Rules, 1956.

(c) Boundary walls for distribution substations (33/11 KV S/s): All the 33/11 KV S/Ss should be well protected as required under the I.E. Rules, 1956. In this connection, the licensees have to take proactive action for which fund should not be a constraint, as they have got resources under the APDRP and R&M head given by the Commission

(d) Provision of metering of distribution transformers for energy audit: While reportedly there has been good progress in DT metering under Reliance managed companies, a large no. of DTs remain unmetered. The Commission desires that 100% DT metering should be completed during the financial year 2008-09 and energy audit taken up concurrently.

(e) Installation of Pillar Boxes for prevention of theft and reduction of loss: The Commission attaches great importance to the installation of pillar boxes which as stated elsewhere have given encouraging results under CESU. A large percentage of LT input is consumed in the urban and semi-urban areas of the state. There are also large numbers of commercial establishments with conspicuous consumption of electricity which need to be scrupulously monitored. One need not be apprehensive of consumption, if the same is paid for. Centralization of metering arrangement with a display unit in the consumer premises or even a second meter in the consumer premises could be beneficial for all the consumers at large, for

which licensees must make sincere and dedicated effort with suitable mechanism to control at least 100% LT input in all the urban areas of the state.

490. The licensees should give adequate delegations of authority to their field officers for carrying out normal maintenance works like construction of boundary walls, keeping the sub-stations neat and clean so that the quality of supply will improve. In this connection, the licensees have to prepare an action plan and submit it quickly to the Commission by 31.05.2008 for its information and continue to work on these fields and the progress achieved need to be put in the website and well publicized for the general information of the consumers that the licensees are rendering and trying hard for improvement of consumer service. Before release of funds from GRIDCO from the Escrow account, details of work done need to be provided.

**Consumer Satisfaction Survey**

491. As stipulated in the Commission's LTTS order, a Consumer Satisfaction Survey is intended to bring out several aspects of performance and service that are not easy to capture through the first initiative of obtaining information of select quality parameters from the licensee. The Commission is extremely concerned about the quality of supply that should be available to all classes of consumers through out the State for which the Commission would like to elicit the views from the consumers on quality of service and also make them aware of their rights regarding performance standards to be made available to them by the licensee. **The Commission, therefore, has taken the initiative of putting in place a system and procedure to take feed back directly from the retail consumers including industrial consumers and Govt. Departments.**

**Special Court & Special Police Station**

492. According to the Section 153 of the Electricity Act, 2003, the State Government may, for the purposes of providing speedy trial of offences, constitute as many Special Courts as may be necessary for such area or areas, as may be specified in the notification. The distribution companies have projected huge cost on this account for the FY 2008-09 and have proposed to allow the same in the ARR. But no action plan for establishment of Special Police Stations and Special Courts have been devised/submitted by the DISTCOs. It was opined in the SAC Meeting that, the cost for same should be borne by the State Govt. without burdening the electricity consumers as this will improve the financial viability of the power sector. However, the Commission has directed the DISTCOs to reimburse the expenditure on Energy Police Station and Special Courts at actuals. The Commission in the meantime has also requested State Govt. to critically review the effective functioning of the Energy Police Station at regular interval by a very senior police officer not below the rank of I.G. Police. The Commission hopes that Govt. will give its active administrative support in this regard to meet the menace of power theft in the state.

**Loss reduction through People's Participation**

493. It is now reported by the distribution companies that 100% of the consumers have been provided with meters. Out of which 84% are reported to be in working order. The Commission have been insisting for consumer/feeder/transformer (C-F-T) metering for correct assessment of technical losses and billing to the consumers on the basis of correct meters. It was thought that addition of meters in the system would help reduction of Transmission and Distribution Loss which is possibly not happening to the extent anticipated.

494. Our concern is that in spite of reported level of metering in feeders, transformers and at consumer end there has not been perceptible decline in the level of transmission and distribution loss. Unless the transmission and distribution loss is tackled appropriately, balancing of revenue requirement will continue to pose a problem. One of the approaches to loss reduction is the introduction of franchisee operation through Panchayat Raj institution, user association, NGOs, Co-operative Societies and such other organization. The licensees should make a move in this direction. **Licensees must achieve the target of loss reduction as approved in this order. Not achieving the target can lead to penal action and appropriate adjustment in the ARR while deciding the annual tariff and revenue requirement for the FY 2009-10.**

495. The Commission has been insisting on energy audit, spot billing, spot collection, monitoring and fixation of accountability at all levels for reduction of T&D losses. The distribution companies have failed to even collect current bills served on the consumers for which huge uncollectible arrears have accumulated over the years. Instead of a loud chorus for relaxation of escrow mechanism by GRIDCO, they must take concerted action in disconnecting power supply to non-paying consumers who are a burden on the honest and paying consumers. Arrears of receivables of all DISTCOs taken together are around Rs.2793 crore as on the 31st March, 2007. Even this figure needs to be properly audited and validated. A 10% collection of the above arrears would have wiped out the cash flow and liquidity problem faced by the distribution licensees.

496. Intervention of Information Technology at all levels starting from fuse calls to billing, collection, monitoring of consumer complaints, new connection, reconnection, disconnection, spot billing, spot collection, scheduled and un-schedule shut down, complaints relating to meters and internal management of stores and HRD is the only tool in achieving efficiency. It calls for suitable technological up-gradation and design of an IT enabled system so that the quality of service and the financial viability can be improved upon. The licensees are directed to come out with a comprehensive action plan for IT intervention at all levels within a period of two months of the next financial year i.e. by 31.05.2008.

497. Lack of adequate and appropriately trained manpower is at the sources of inefficient consumers' service. The Commission should be appraised about the

HRD plan and it's development by the licensees while they come up with their proposal for IT Development by 31.05.2008.

498. Commercial loss is a matter of great concern. It's reduction can make the sector self sustainable and reduction of theft can be possible only with public participation particularly in rural areas. We are of the firm view that participation of Panchayats as franchisees for distribution licensees for billing, collection and elimination of theft could be put to effective use. For that purpose we may have to give preference to the Gram Panchayats giving them an incentive for reduction of loss and improvement of collection efficiency. The licensees should come forward with an appropriate action plan within the next two months i.e. 31.05.2008 about the engagement of franchisee in their respective areas after due consultation with various authorities.

499. As stated in earlier para, the Commission had already conducted hearing on truing up exercise on 24.07.2007 and 15.12.2007. Compliance from both GRIDCO and DISTCOs is awaited to enable us to issue the final order. The Commission therefore directs both GRIDCO and DISTCOs to comply with the requirement by 30.04.2008.

(i) The Commission is not in agreement with the licensees' computation of revenue requirement and proposals for tariff for FY 2008-09.

(ii) The tariff schedule of the various classes of consumers, as approved by the Commission is at Annex-'C'.

(iii) The financial viability of DISTCOs is dependent upon the following actions:

- Reduction of aggregate technical and commercial losses
- Improvement in collection efficiency
- Realisation of arrears of receivables of consumers
- Adherence to standards of performance which improves consumers willingness to pay
- Effective and timely utilization of APDRP funds
- Proper spending on R&M works
- Intervention of IT at all levels
- Development of call centers for improvement of consumers service.

500. The truing up exercises in respect of figures of GRIDCO and DISTCOs are still incomplete because of non-submission of data called from the licensees. The final truing up may lead to some changes in the parameters on which the tariff orders are based. Moreover, adverse conditions arising out of hydrological changes and changes in market conditions and other economic factors may warrant revisiting the Bulk Supply Price, Transmission Tariff & Retail Supply Tariff.

501. In such circumstances the Commission may reset the tariffs based on the changes in the parameters and may, for this purpose dispense with any fresh public

hearing. The tariff order is being issued with this condition in terms of Section 64(3)(a) of the Electricity Act, 2003.

502. In the case of First Appeal Nos.77, 78 & 79 of 2006, the Appellate Tribunal for electricity by order dated 13.12.2006 in respect of Tariff for FY 2006-07 issued direction to the Commission to the following effect: -

i) Interest on the NTPC bonds should have been allowed on actual basis at the rate of 12.5% till it is rescheduled by agreement between concerned parties and not at the rate of 8.5% allowed by the Commission. Hence the differential interest of 4% should be allowed to pass through for the tariff period as well as the instalments of the principal already accrued during the years 2005-06, 2006-07 and 2007-08.

ii) The revenue gap of the DISCOMs upto FY 2005-06 and that for FY 2006-07 ought not to have been treated as regulatory assets repetitively and cumulatively. These should be taken into account in computation of approved ARRs.

iii) The computation of miscellaneous income of DISCOMs should not have been based on the FY 2003-04 as the base year and should have been based on up-to-date trued up figures.

iv) The benefit of Simultaneous Maximum Demand (SMD) should have been taken into account in calculating the quantum of estimated power purchase of the DISCOMs. This should now be taken into consideration on the basis of truing up exercise.

v) As to distribution loss fixed by the Commission it should take a relook taking practical view of the ground realities instead of proceeding on assumptions and surmises. This is to be done while undertaking the truing up exercise.

vi) The Commission in future years should assess the estimated sales slab-wise and category-wise or at least take the actual figures of the previous tariff year as the base. The Commission should take up truing up exercise at the earliest and complete the same on half- yearly basis.

vii) The Commission is to undertake the truing up exercise for the past three years and, for the tariff period also, undertake such exercise at the appropriate time and give relief to the DISCOMs Moreover truing up should be undertaken on a regular basis.

viii) On the basis of truing up exercise the Commission should find out whether it has ignored legitimate costs and over estimated the revenue while approving the ARRs.

ix) The Commission should redetermine the tariff within six weeks from the date of communication of the judgement, affording opportunity of hearing to all concerned but not necessarily holding a public hearing.

503. The Commission has gone in appeal to the Supreme Court u/s.125 of the Electricity Act, 2003 against the said order of the Appellate Tribunal for Electricity on certain issues vide Civil Appeal No.759 of 2007. The said appeal is now pending in the Supreme Court. However the Commission has tried to carry out some of the directions of the Appellate Tribunal in this order at appropriate places.

504. The tariff order is issued with the condition as specified in para 501 above.

505. The existing Retail Supply Tariff along with the modifications as stipulated in the order shall be effective from 1st April, 2008 and shall be in force until further orders.

The applications of CESU bearing Case No.64/2007, WESCO bearing Case No.65/2007, NESCO bearing Case No.66/2007 and SOUTHCO bearing Case No.67/2007 are disposed off accordingly.

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| **(K.C. BADU)** | **(S.K. JENA)** | **(B.K. DAS)** |
| **MEMBER** | **MEMBER** | **CHAIRPERSON** |