



ORISSA ELECTRICITY REGULATORY COMMISSION

Together, let us light up our lives.

MISSION STATEMENT

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

OVERVIEW

2. The Orissa Electricity Reform Act, 1995 (Orissa Act 2 of 1996) was enacted for the purpose of restructuring the electricity industry, for rationalization of Generation, Transmission, Distribution and Supply of Electricity, for opening avenues for participation of private sector entrepreneurs and for establishment of a Regulatory Commission for the State independent of the state government.
3. An important component of power sector reform is establishment of an independent autonomous Regulator, the Orissa Electricity Regulatory Commission for achievement of objectives enshrined in the OER Act, 1995. It became functional on 01.8.96 with the joining of its three members.
4. The property, interest in property, rights and liabilities belonging to the erstwhile OSEB (Orissa State Electricity Board) were vested in the State Government as on 1.4.96. All loans, subventions and obligation of the Board towards the State stood extinguished. The State Government classified the assets, liabilities and proceedings acquired by the State as well as the assets, liabilities and proceedings relating to the undertakings owned by the State Government to (a) Generation Undertaking (b) Transmission Undertaking and those not classified within (a) & (b) to residual assets. The State Government was empowered to vest the Undertakings in GRIDCO & OHPC which the State did but only after upvaluation of assets on the same day and restructured the Balance Sheet of GRIDCO and OHPC.
5. The Grid Corporation of Orissa Limited (GRIDCO) was incorporated under Companies Act, 1956 on 20.4.95. All Transmission and Distribution Undertakings were transferred to GRIDCO on 01.4.96 with

upvalued cost with a restructured Balance Sheet. It was to engage in the business of procurement, transmission & bulk supply of electric energy apart from planning, co-ordination & load forecast.

6. The Orissa Hydro Power Corporation Limited (OHPC) was incorporated under the Companies Act, 1956 on 21.4.95. All the generating assets of Government as well as OSEB have been transferred to OHPC on 01.4.96. This Corporation takes care of all the operating and ongoing Hydro Power Stations. 49% of the share of the Orissa Power Generation Corporation (OPGC) were disinvested to the US based AES company in January, 1999.

7. As a sequel to the passing of the Act, the distribution of power was privatized in Orissa and the management of the four subsidiary companies in charge of distribution in the Central Northern, Southern and Western zones of Orissa, namely CESCO, NESCO, SOUTHCO and WESCO was entrusted to private company which took over 51% of the shares.

GRIDCO became a deemed trading licensee from 10.6.05. The Orissa Power Transmission Corporation Ltd. (OPTCL) took over intra-state transmission & functions of the state load despatch centre on the same date.

8. In the year 2003, the Electricity Act, 2003 was enacted by Govt. of India and this came into force w.e.f 10.06.2003. The Electricity Act, 2003 has been modelled mostly on the basis of the various provisions of the erstwhile Orissa Electricity Reform Act, 1995. The Electricity Act, 2003 which came into force on 10th June, 2003, aims to promote competition, protect interest of consumers while supplying electricity to all areas, rationalize electricity tariff, ensure transparent policies regarding subsidies, and provide an enabling regulatory environment. Besides allowing for private investments in all the segments of the electricity supply chain, the Act provides various measures to introduce competition in the electricity industry. Now, the Chairperson and Members of OERC are appointed under section 82(5) of the Electricity Act, 2003 (No 36 of 2003) which is a Central Act.

9. The OERC completed 14th year of its operation on 01.08.2010. The Commission is operating on a rented building at Bidyut Niyamak Bhavan, Unit- VIII, Bhubaneswar – 751012.

FUNCTIONS OF THE STATE COMMISSION:

10. Section 86 of the Electricity Act, 2003 deals with the functions of the state Commission. As per section 86(1), the State Commission shall discharge the following functions, namely:-

- (a) Determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the state.
- (b) regulate electricity purchase and procurement process of distribution licenses including the price at which electricity shall be procured from the generating companies or licensees or from

other sources through agreements for purchase of power for distribution and supply within the State;

- (c) facilitate intra-State transmission and wheeling of electricity;
 - (d) Issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
 - (e) 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, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;
 - (f) adjudicate upon the disputes between the licensees and generating companies and to refer any dispute for arbitration;
 - (g) levy fee for the purpose of this Act;
 - (h) Specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of Section 79 of the Electricity Act, 2003.
 - (i) specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
 - (j) fix the trading margin in the intra-state trading of electricity; if considered, necessary; and
 - (k) Discharge such other functions as may be assigned to it under the Electricity Act, 2003.
11. As per Section 86(2) of the Electricity Act, 2003, the State Commission shall advise the State Government on all or any of the following matters, namely:-
- (i) Promotion of competition, efficiency and economy in activities of the electricity industry;
 - (ii) Promotion of investment in electricity industry;
 - (iii) Reorganization and restructuring of electricity industry in the State;
 - (iv) Matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by that Government.
12. As per Section 86(3) The State Commission shall ensure transparency while exercising its powers and discharging its functions.
13. As per the Section 86(4) in discharge of its functions, the State Commission shall be guided by the National Electricity Policy, 2005, National Electricity Plan and Tariff Policy, 2006 published under sub-section (2) of section 3 of the Electricity Act, 2003.
14. Besides, the other provisions of the Electricity Act, 2003 which have a direct bearing on the functioning of the Commission are extracted below for reference

Section 11 – Directions to generating companies

(1) The Appropriate Government may specify that a generating company shall, in extraordinary circumstances operate and maintain any generating station in accordance with the directions of that Government.

Explanation - For the purposes of this section, the expression “extraordinary circumstances” means circumstances arising out of threat to security of the State, public order or a natural calamity or such other circumstances arising in the public interest.

(2) The Appropriate Commission may offset the adverse financial impact of the directions referred to in sub-section (1) on any generating company in such manner as it considers appropriate.

Section 23 - Directions to Licensees

“If the Appropriate Commission is of the opinion that it is necessary or expedient so to do for maintaining the efficient supply, securing the equitable distribution of electricity and promoting competition, it may, by order, provide for regulating supply, distribution, consumption or use thereof”

Section 37 – Directions by Appropriate Government

The Appropriate Government may issue directions to the Regional Load Despatch Centres or State Load Despatch Centres, as the case may be, to take such measures as may be necessary for maintaining smooth and stable transmission and supply of electricity to any region or State.

Section 108 – Directions by State Government

(1) In the discharge of its functions, the State Commission shall be guided by such directions in matters of policy involving public interest as the State Government may give to it in writing.

(2) If any question arises as to whether any such direction relates to a matter of policy involving public interest, the decision of the State Government thereon shall be final.

THE MESSAGE

15. This Annual Report is prepared under Section 105 of the Electricity Act, 2003 which states as follows:
- (a) *The State Commission shall prepare once every year in such form and at such time as may be prescribed, an annual report giving a summary of its activities during the previous year and copies of the report shall be forwarded to the State Government.*
 - (b) *A copy of the report received under Sub-Section (1) shall be laid, as soon as may be after it is received, before the State Legislature.*

The Annual Report 2008-09 was laid before the State Legislative Assembly on 01.12.09. The present Annual Report 2009-10 presents an overview of the Commission's activities for the period from 1st April, 2009 to 31st March, 2010. As stated earlier this commission started functioning from 1st of August, 1996. During these years, the Commission has carried forward its vision of moving forward to an

efficient and economic operation for the power system in the state and constantly endeavoring for improvement of quality of supply and services to the consumer at a reasonable and affordable price. This is despite the fact that while other State Governments continue to provide budgetary assistance to the power sector, Govt. of Orissa has stopped such supports altogether w.e.f. 01.04.1996.

Some of the important items of activities undertaken by the Commission in the FY during 2009-10 are given below.

(a) **Need for Capacity Addition.**

Capacity addition has been an area of concern for the Commission for which the govt. has been advised to take appropriate action. The power purchase agreement submitted by GRIDCO in terms of MOUs signed by 13 developers with the govt. of Orissa for setting up of more than 16190 MW of thermal capacity was in the process of hearing during the FY 2008-09. The estimated state share according to the MOU would be 4047 MW (i.e.25%) of the proposed installed capacity. The Commission directed that all the future IPPs intending to sign MOUs with the Govt. as well as the existing ones including CPSUs like NTPC, NLC etc. should be advised to set up thermal power plants of unit size 660 MW and above utilizing super critical technology with ultra zero emission as well as clean coal technology. Likewise PPAs between the GRIDCO and 7 private power developers for development of hydro power from mini hydro plants with an estimated installed capacity of 77 MW had been approved by the Commission during the year under report.

(b) **System Demand**

The installed capacity of the state as on 31st March, 2010 comprises of 2084.5 MW of hydro, 420 MW of thermal capacity owned by OPGC and 460 MW from the Talcher thermal power station of NTPC fully dedicated to the state. In addition to the above, the state has a share of 189 MW of hydro and 870 MW of thermal power from the central sector. Thus the existing installed capacity as on 31.03.2010 is 4080.5 MW as indicated below:

Power Station	MW
OHPC	2084.5
OPGC	420
TTPS	460
Central Sector Thermal	870
Central Sector Hydro	189
Small Hydro	57
Total	4080.5

The reported total sale by GRIDCO during 2009-10 was 19480.88 MU out of which 0.9 MU was meant for trading, 308.87 MU meant for UI and 301.86 MU for sales to CPPs leaving the balance of 18869.25 MU for meeting the demand within the state against 18931 MU approved by the Commission. The highest recorded peak demand was 3491 MW during the year 2009-10 in the month of July, 2009, while the average demand met was 3242 MW.

(c) **Consumer Tariff**

The Commission has been approving the annual revenue requirement and tariff for the various utilities of the state keeping in view the provisions of Electricity Act, 2003, the National Electricity Policy and Tariff Policy. The Commission has introduced and allowed tariff for two new categories such as Allied Agricultural Activities and Allied Agro-Industrial Activities. The Commission has raised the overall tariff for FY 2010-11 by 22.20% over that of FY 2009-10. However, the tariff for the BPL consumers, domestic consumer upto 1st 100 units and agricultural consumers has remained unchanged. While fixing tariff the Commission has tried to rationalize tariff on voltage basis and reducing cross-subsidy.

Securitisation of NTPC Bond

- (d) The three DISCOMs, namely, WESCO, NESCO and SOUTHCO issued secured non convertible and redeemable bonds of Rs.400 crores (WESCO – Rs.103 crore, NESCO – Rs.167 crore, SOUTHCO- Rs.130 crore) in favour of GRIDCO, to securitise the BST and loan installments payable by them to GRIDCO. These debentures were issued pursuant to the Subscription Agreement dt.25.9.2001 and Debenture Trust Deed dated 26.9.2001. The redemption of bond as provided in the Bond Subscription Agreement is secured in the following security clause:

“Fully secured by First Charge on the receivables of the Company ranking pari-passu with the charges created in favour of GRIDCO and First Charge on the unencumbered assets of the company by way of hypothecation / pledge / mortgage.”

Thus bonds are secured by:-

- (i) Mortgage of immovable property
- (ii) Hypothecation of immovable assets
- (iii) Pari-passu first charge on the receivables of issuer companies.

The above bond carries interest @ 12.5% per annum payable half yearly in March and September and are to be redeemed in three annual installments due on 01.10.2005 (30%),

01.10.2006 (30%) and 01.10.2007 (40%). The bonds were assigned by GRIDCO in favour of NTPC by way of security for the amount due from GRIDCO to NTPC for the power purchases made by GRIDCO to supply to the three distribution companies. NESCO, WESCO and SOUTHCO defaulted in servicing the bond both in regard to payment of interest and also in regard to payment of principals as per the installment indicated above.

Since there was default on the part of WESCO, NESCO and SOUTHCO in redemption of 400 crore NTPC bond GRIDCO has settled the bond with NTPC. Now it is the DISCOMs who are to pay to the GRIDCO. In the meantime GRIDCO has approached the company Court to settle the issue. The Company Law Board is yet to fix a date for hearing of GRIDCO's application.

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."

(d) **Improvement of quality of supply and service**

The Commission has set a target and gave the direction on the following works:

- Reduction of aggregate, commercial and technical loss
- Improvement in collection efficiency
- Realization of arrears of receivables from consumers
- Adherence to standard of performance
- Proper spending on R&M works
- Intervention of IT at all levels
- Development of call centers for improvement of consumer service
- Upgradation/new installation of distribution transformer, stringing of AB cables in theft prone areas, installation of VCB in 11 KV and 33 KV feeders, phase balancing, earthing of installation
- Provision of boundary walls in substations
- Pillar box metering
- Replacing Bare Conductor by AB Cable and fixing of AB Cable new area

➤ Franchisee in distribution system

The following achievements have been made by DISCOMs in procurement of distribution transformer and its installation.

Achievement of DISCOMs upto 31.03.2010

	Task	CESU		NESCO		WESCO		SOUTHCO	
		Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
1	Upgradation of Transformers	1000	913	1002	527	700	298	614	185
2	Installation of 33 kV breakers	347	19	92	9	50	2	52	3
3	Installation of 11 kV breakers	584	23	103	15	100	11	106	6
4	Installation of Pillar boxes in Urban areas	3000	1802	5410	0	6000	63	66	6
5	Provision of boundary wall around 33/11 kV sub-station	100	86	850	334	700	260	263	57

AB Cable:

CESU and SOUTHCO have installed AB cables of 34.05 Kms. and 31.6 Kms. respectively by the end of financial year 2009-10.

(e) **Performance of OPTCL**

Continuous up-gradation and regular repairs and maintenance are required to keep the considerably ageing network in a safe & operational condition. Direction has been given to the OPTCL for proper upkeep and maintenance of transmission lines and Grid-sub-stations followed by regular monitoring at Commission's level. OPTCL has been insisted upon for spending the allotted R&M amounts for maintenance of adequate spares to prevent break down of transmission lines and equipments which in turn leads to interruption of power supply to large areas. O&M expenditure approved for 2009-10 was Rs.47 crore whereas OPTCL has spent Rs.54.03 crore.

(f) **Technical Audit for improvement of supply**

For carrying out in-depth study on the maintenance of the Transmission & Distribution system and keeping in view the need for quality supply to the consumers, the Commission has engaged a team of professionals comprising of retired senior electrical engineers for auditing maintenance work, quality of supply at various grid sub-stations of transmission licensees as

well as 33/11 kV s/s, 11 kV lines through out the state under the distribution licensees. Directions have been given to the licensees to take necessary measure in a time bound manner. The Commission is monitoring it regularly and during performance review for the FY 2009-10, the licensees were directed to furnish the actions taken on long term recommendations of the enquiry committees. The results of the improvement of the system have just started and have brought about an improvement to the quality of supply to some extent. But much remains to be done at a greater speed and urgency.

(g) **Consumer awareness**

The OERC constituted a five member Sub-Committee on consumer education from its SAC to provide inputs for public education. An awareness campaign based on their suggestions covering national & local news dailies & All India Radio which was launched in April, 09 and continued upto March, 2010. Various messages covering topics such as new connection, disconnection, metering, billing, grievance redressal, energy conservation & power theft were broadcast in leading news papers. Several consumer interface programmes were held at Bhubaneswar, Cuttack, Jagatsinghpur, Balasore, Burla, Sambalpur, Dhenkanal etc. respectively. The short films on SOP & GRF/Ombudsmen were displayed in the State Consumer Fair, Rathayatra & CII Industrial Fair respectively. Phone in programme on energy conservation & consequences of power theft were also broadcast on All India Radio.

(h) **Grievance Redressal**

With the Electricity Act, 2003 came into force w.e.f. June 2003; a statutory provision was made for disposal of consumer complaints by a two tier mechanism consisting of Grievance Redressal Fora and Ombudsmen.

Implementation of orders of Ombudsman (2009-10) by Licensees as submitted by Ombudsman

Name of Licensee	Name of Ombudsman	Year	Opening balance of cases	No. of cases registered	No. of cases disposed	No. of orders passed in favour of consumers	No. of orders implemented by the licensees	No. of orders pending for implementation
CESU	Ombudsman	09-10	13	46	56	43	22	21
SOUTHCO	Ombudsman	09-10	0	6	5	4	2	2
NESCO	Ombudsman	09-10	3	28	27	26	3	23
WESCO	Ombudsman	09-10	2	29	27	16	6	10

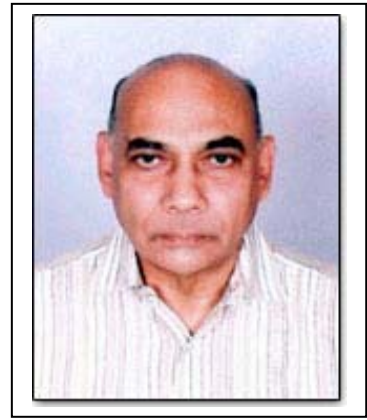
Implementation of orders of GRF (2009-10) by Licensees as submitted by GRF

Name of Licensee	Name of GRF	Year	Opening balance of cases	No. of cases registered	No. of cases disposed	No. of orders passed in favour of consumers	No. of orders implemented by the licensees	No. of orders pending for implementation
NESCO	Balasore	09-10	10	293	293	262	-	-
	Jajpur	09-10	6	357	356	322	204	118
SOUTHCO	Berhampur	09-10	0	183	619	609	353	256
	Jeypore	09-10	7	81	82	71	57	14
WESCO	Burla	09-10	14	201	210	201	140	61
	Rourkela	09-10	38	932	812	739	581	158
	Bolangir	09-10	16	482	424	399	63	336
CESU	Bhubaneswar	09-10	7	213	218	198	191	7
	Khurda	09-10	15	123	119	109	103	6
	Cuttack	09-10	41	109	136	122	119	3
	Dhenkanal	09-10	26	96	78	75	67	8
	Paradeep	09-10	89	72	116	101	55	46

16. To review the implementation of the orders of GRF and Ombudsman, an interactive meeting was taken up by the Commission on 07.09.2009 with Presidents of GRFs and Ombudsman and Senior Officers of the Distribution companies where it was revealed that there has been substantial improvement in compliance which is evident from the monthly reports submitted to the Commission.
17. This Annual Report is prepared under Section 105 of the Electricity Act, 2003 which states as follows:
- (a) *The State Commission shall prepare once every year in such form and at such time as may be prescribed, an annual report giving a summary of its activities during the previous year and copies of the report shall be forwarded to the State Government.*
- (b) *A copy of the report received under Sub-Section (1) shall be laid, as soon as may be after it is received, before the State Legislature.*

PROFILES OF THE CHAIRPERSON AND MEMBERS

18. **Bijoy Kumar Das, Chairperson** - Shri B.K. Das, formerly of the Indian Administrative Service, joined the Orissa Electricity Regulatory Commission as Chairperson on 20th November, 2006 after retiring as the Chief Secretary to the Government of Karnataka. Born on 24th September 1946, Shri Das graduated from Loyola College, Chennai and completed his Masters in Economic History of Modern India from Utkal University in 1967. He joined the Indian Administrative Service in 1969 in the Karnataka cadre. Shri Das took over as the Chief Secretary to the Government of Karnataka on 30th July, 2005, a post which he held till 30th September, 2006 before he joined as Chairman, OERC.



19. **Krushna Chandra Badu, Commissioner** - Shir K. C. Badu, IAS (retired voluntarily on 31.3.2007) formerly Special Secretary to Government, Finance Department, Orissa, joined the Orissa Electricity Regulatory Commission on 4th April, 2007. Born on 18th July, 1947, Shri Badu has done Masters Degree in Chemistry. He joined the Orissa Finance Service (Senior Branch) in 1974 and worked in different capacities before getting selected to I.A.S. in 1994. He was posted as Collector and District Magistrate, Boudh



from 8.5.1995 to 7.8.1996 and Director, Fisheries from August to December 1996. He became Member Secretary, Orissa State Finance Commission on 01.01.1997. In October 1997, he became Additional Secretary, Department of Finance and on 01.09.2004, he assumed the Office of Commissioner-cum-Special Secretary, Department of Finance, and Government of Orissa on promotion to supertime scale of pay in IAS. He was also kept in overall charge of finance department w.e.f. 1.4.2006 to 30.6.2006. During his tenure in the Finance Department in different capacities, he was deeply associated with power sector and fiscal reform in the State. He made a substantial contribution for converting Orissa from a Revenue Deficit to Revenue Surplus State.

20. **B.K. MISRA, Commissioner**

Shri B.K. Misra, born on 1st October, 1949 in Puri, Orissa, graduated in Electrical Engineering in 1st class HONOURS in 1971 from REC, Rourkela (now NIT Rourkela). He has joined Central Electricity Authority (CPES Cadre) through Indian Engineering Service Examination (IES-1971) and after serving about 37 years in Govt. of



India and Bhutan took technical resignation in April'09 to join as Member OERC, Bhubaneswar.

He has over 38 years professional experience in Power Sector Development and worked in various organizations viz Paradip Port Trust, EREB, Kolkata, NREB, New Delhi, Chukha Project Authority, Bhutan, Ministry of Power as OSD (Tariff)/Director, and CEA, HQ as Director/Chief Engineer, Secretary, CEA, Director (Technical) in Tala HEP (1020 MW) and Punatsangchhu HEP (1200 MW) in Bhutan.

Shri B.K. Misra has been nominated as Senate Member of NIT – Rourkela in 2003 - 2008. He has been appointed as Director on the Board of Haryana Vidyut Prasaran Nigam Ltd. (HVPNL) and Member of Audit Committee of HVPNL, Haryana. He is also selected as external guide for Doctorate in Business Management Programme of AMU, Aligarh. He is recipient of 'RAJIV GANDHI SADHBHAVNA AWARD – BEST ENGINEER OF THE YEAR 2007' received at the Prestigious award ceremony conducted by Rajiv Gandhi Forum on the occasion to observe 16th Death Anniversary of Bharat Ratna Late Rajiv Gandhi.

He has authored a number of technical papers and attended National and International Seminars and presented Keynote address on the subjects on Bulk Power Tariff, PPA, Tariff Issues and Concerns, Integrated Operation in Power Sector and Regulation in Power Sector etc. He has been nominated as India representative and read a paper on Indian Electric Power Market and Opportunity Available for the foreign Investors in the conference at New Orleans - USA. The paper was published in Electrical World, Mc Grow Hill, New York. In 2005, he presented paper on "Regulations in Electricity Sector" in the All India Symposium on Electricity Laws conducted by Bar Council of Orissa, High Court, Cuttack. He has undertaken specialized training in Load Despatching and Communication in the works of M/s Siemens AG, West Germany and visited all European Countries and USA to deliver lecture/keynote address in various seminar/conference. In February'09, he was invited by Technical University Vienna, Austria to give keynote address on key issues of Underground Power House and Tunneling in an International Seminar on Hydro Power Development.

ACTIVITIES OF THE COMMISSION DURING 2009-10

TARIFF DIVISION

21. The Commission under Section 86 of Electricity Act, 2003 determines the Tariff for Generation, Supply, Transmission and wheeling of electricity, wholesale, Bulk or Retail, as the case may be within the State of Orissa. Keeping this in view the Commission obtains and analyses the Annual Revenue Requirements of the licensees and determines charges to be levied on various categories of consumers including those seeking open access to the intra-state transmission and distribution systems. It also undertakes scrutiny of power purchase agreements, approval of cost data and business plans etc.
22. Further, In the light of the provisions of Section 62 of Electricity Act, 2003, the Commission has to determine the Retail tariff for DISCOMs. In this connection, it is relevant to point out here that while determining the Retail Tariff for the distribution companies, the Commission has been guided by the paramount importance of protecting the interest of the consumers as envisaged under Section 61 (d) of the Electricity Act, 2003 read with relevant provisions of National Electricity Policy, 2005 and Tariff Policy 2006. There was overall tariff increase of 28.58% during 1993-94, 15.73% in 1994-95, 17.47% in 1995-96 before the reform, the average tariff has increased by 17.00% in 1996-97, 10.33% in 1997-98, 9.30% in 1998-99, 4.50% in 1999-00 and 10.23% in 2000-01. There has been no increase in the average tariff from 2001-02 to 2009-10 despite rise in Wholesale Price Index during these years. It may be seen that the effective real rise in tariff has been of the order of (-) 30.64% when compared with rise in Wholesale Price Index. This means the tariff rise as approved by the Commission is much less as compared to the price rise which is evident from the table given below.

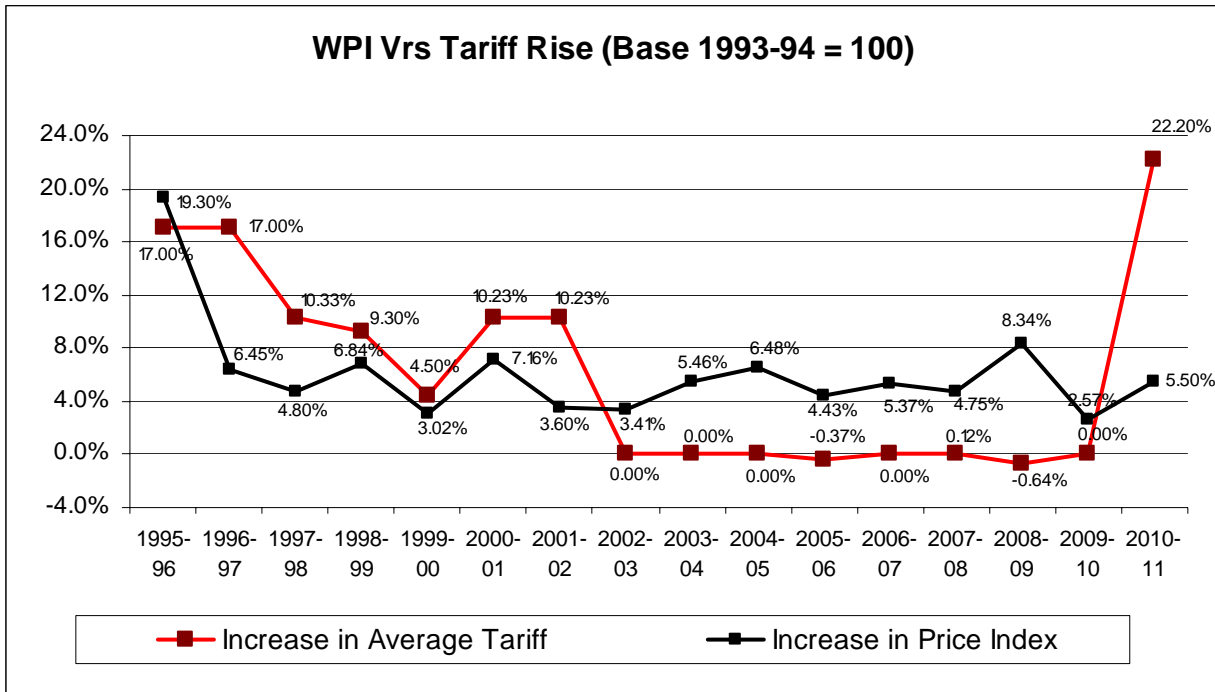
Tariff Rise vis-a-vis Inflation (Wholesale Price Index)

1993-94 – 28.58% (State Govt.)

1994-95 – 15.73% (State Govt.)

Year	Increase in Average Tariff	Increase in WPI
1995-96	17.47% (State Govt.)	19.30%
1996-97	17.00% (State Govt.)	6.45%
1997-98	10.33%	4.80%
1998-99	9.30%	6.84%
1999-00	4.50%	3.02%
2000-01	10.23%	7.16%
2001-02	0.00%	3.60%
2002-03	0.00%	3.41%
2003-04	0.00%	5.46%
2004-05	0.00%	6.48%
2005-06	-0.37%	4.43%
2006-07	0.00%	5.37%

Year	Increase in Average Tariff	Increase in WPI
2007-08	0.12%	4.75%
2008-09	-0.64%	8.34%
2009-10	0.00%	2.57%
2010-11	22.20%	5.50% (assumed)



23. Time of Day (TOD) Tariff

- 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 while approving ARR & Retail tariff of DISCOMs for FY 2010-11 decides that off-peak hours for the purpose of tariff shall be treated from 12 Midnight to 6.00 AM of the next day. Three-phase Consumers having static meters, recording hourly consumption with a memory of 31 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

As per the Direction of the Commission all the four DISTCOs are allowing TOD benefit to the three-phase consumers having static meters with printout facilities.

24. The important orders passed by the Commission during 2009-10 relating to Tariff matters are as follows:
- i. Finalization of Annual Revenue Requirement & Bulk Supply Price of GRIDCO for FY 2010-11 (Case No. 144 of 2009);
 - ii. Annual Revenue Requirement & Transmission Tariff of OPTCL for the FY 2010-11 (Case No. 145 of 2009);
 - iii. Finalization of Annual Revenue Requirement & Generation Tariff of OHPC for FY 2010-11 (Case No. 147 of 2009);
 - iv. Order on ARR and Fees and charges of State Load Despatch Centre for the FY 2010-11 (Case No. 146 of 2009);
 - v. Finalization of Annual Revenue Requirement & Retail Supply Tariff of four DISTCOs for the FY 2010-11 (Case Nos. 140,141,142 and 143 of 2009);
25. The Retail tariff for all categories of consumers has been notified vide the Commission's Retail Supply Tariff Order dtd.20.03.2010 for the FY 2010-11. The electricity tariff in Orissa in general has remained unchanged from 01.02.2001 to 31.03.2010. There has been overall 22.20% rise in Retail Supply Tariff for FY 2010-11 over Retail Supply Tariff of FY 2009-10. (Refer the detail in Annexure-B of Retail Supply Tariff Order.)
26. Further, the Commission directed each DISCOM to take up repair and renovation specially in respect of following items of work in order to improve the quality of supply giving priority to rural areas.
- (a) Upgrade or install 1000 new distribution transformers
 - (b) Complete the energy audit of each distribution transformer by the end of 2010-11.
 - (c) Load balancing in 3-phases of DTR - 2000 nos.
 - (d) Conversion of single phase to 3-phase line - 150 KMs.
 - (e) Provision of 11 KV Crt. Breaker – 20% of substations
 - (f) Provision of boundary wall and gate around distribution sub-stations – 20% of substations.
 - (g) Provision of stringing AB cables – 300 KMs.
27. The Other Activities Undertaken Relating to Tariff Matters during the Year under Review are given hereunder:
- a. **Pricing of CGP power including Co-generation**

The Commission, in Order to tide over the difficult situation of deficit power scenario by fully utilizing the bottled up capacity of CGPs and recession in the economy has come up with an incentive CGP pricing including Co-generation in the following manner w.e.f. 01.03.2009.

The GRIDCO can buy the CGP power at the rate of :-

- i. Rs.3.00/KWh of firm power from CGP meant for consumption by Consumers in State
- ii. Rs.3.10/KWh for power generated by Co-generation
- iii. Rs.3.50/Kwh for procuring surplus power meant for trading.

Further the Commission in its Interim Order dated 28.10.2009 in Case Nos. 06/09 to 20/09 have revised CGP price w.e.f. 1st November, 2009. The price of CGPs power from 1st November, 2009 are given below.

- (i) The price of supply of energy upto 3.6 MU/month (~ 5 MW Avg.) would be Rs.3.10/KWH.
- (ii) The price for supply of incremental energy above 3.6 MU/month upto 36 MU/month (~ 50 MW Avg.) would be Rs.3.40 per Kwh.
- (iii) In respect of supply of incremental energy above 36 MU/month upto 72 MU/month (~ 100 MW Avg.), the price would be Rs.3.70 /Kwh.
- (iv) In respect of supply of incremental energy beyond 72 MU/month, the incremental energy would be priced at Rs.4.05/Kwh.
- (v) As regards the pricing of power supply by the co-generating plants Rs.3.20 per unit would be paid up to 3.6 MU/month and for injection beyond 3.6 MU the additional unit will qualify for payment at the same rate as that of (ii), (iii) & (iv) above.

b. **Truing Up** : Truing Up Exercise for WESCO, NESCO, SOUTHCO, OPTCL and GRIDCO upto the year 2008-09 and CESU upto the year 2007-08 has been completed and addressed in the ARR of 2010-11 on the basis of audited actuals.

c. **Harnessing Power from Renewable Energy Sources** :

The Commission awarded the consultancy services to World Institute of Sustainable Energy (WISE), Pune on Development of Renewable Energy Policy in the State of Orissa and Determination of Tariff for Renewable Sources of Energy including co-generation which has already submitted the detailed report to the Commission, which is under study. However, the Commission, in its order dtd.09.09.2009 in case nos.62, 96, 97 & 98 of 2009, has already

fixed the provisional ceiling tariff for solar PV projects which could be established in the State by March, 2010. The tariff fixed in the said order is as follows:

For the 1st to 12th years : Rs.15.00/KWh

For the 13th to 25th years: Rs.7.50/KWh

The above tariff is generic in nature and all incentives/subsidies received by the developers from MNRE/ Gol/ GoO shall be factored into the same. Therefore, GRIDCO shall pay to the developers the net amount after deducting such incentives/subsidies. However, both GRIDCO as well as the developers are free to negotiate for an agreed tariff within the above ceiling rate. The connectivity of these 5 MW solar PV projects shall be at 33 KV voltage level.

The Commission would take expeditious action soon for fixation of tariff for all renewable energy sources, after consulting different stakeholders including OREDA which is the nodal agency for developing renewable sources of energy in the State. However, in the mean time the Commission has framed the draft OERC (Renewable Purchase Obligation and its Compliance) Regulations, 2010 in accordance with Section 61, 66 and 86(1)(e) of the Electricity Act, 2003 and invited suggestions/opinions from the interested persons/institutions/associations on or before

d. Power Deficit Scenario in Orissa

OERC has been advising the State Govt. since 2006 for matching capacity addition to cater to the demand projected in 17th EPS published by CEA for Orissa. Due to mismatch in planning in capacity addition as well as due to the inadequate rainfall in Water Year 2009-10, the State had to undergo Power Regulation from 15th January, 2010 till 10th May, 2010 and the power deficit scenario is anticipated during FY 2010-11 also. In spite of pro-active action undertaken by the Commission for harnessing the surplus power from the State Captive Generating/Co-generation Plants and injection of their surplus power to the tune of 600 MW, the State may have to face the power shortage as the demand is increasing @ 10% to cater to the annual GSDP of about 9% for Orissa as revealed by Economic Survey by Govt. of Orissa. GRIDCO, the bulk supplier had a provisional gap of Rs.1741.28 crore in FY 2009-10 against a gap of Rs.637.09 crore approved by OERC. The Commission had approved a gap of Rs.806.15 crore in ARR of GRIDCO for FY 2010-11 to be bridged through UI and trading but due to power deficit scenario anticipated in FY 2010-11 this gap will be difficult to be bridged.

e. Implementation of Intra-State ABT

A full day "Mock Workshop" was held in the Conference Hall of the OERC on 23.12.2009 for implementation of Intra-State ABT. During the period of "Mock Workshop", an effective inter-

action between each DISCOM and SLDC was made as regards to their command area, points of injections of power to each DISCOM, points of Intra-DISCOM transfer and its energy accounting etc. A consensus emerged in the “Mock workshop” held on 23.12.2009 for effective implementations of intra-State ABT which were as under:

- Intra-State ABT will be implemented in First Phase with DISCOMs vis-à-vis GRIDCO.
- Generators, CGPs & other beneficiaries will join in Second Phase after successful operation of First Phase.
- All the Discoms should fully strengthen their DSOCs for implementation of Intra-State ABT on 24x7 hours for real time operation mode deploying the required manpower and infrastructure.
- All the DSOCs should arrange to display the Schematic Diagram showing from the OPTCL network from the Exchange Metering Points to Distribution network up to 11 KV feeders of the respective DISCOM.
- All the 33 KV Feeders except the feeders supplying to Process Industries, District HQs and State Capital should be grouped under Category 'A', Category 'B' and Category 'C' are to be provided with UFR at graded settings and the same may be intimated to OPTCL by 15.01.2010 for initiating the appropriate action for installation of such UFRs.

f. **SLDC to function as Independent System Operator (ISO)**

Section 31 and 32 of the Electricity Act, 2003 contemplate SLDC as an Independent Apex Body to ensure integrated operation of the power system in the State. The Act also provided for financial independent of SLDC under Section 32 (3) by way of levy and collection of fees and charges from generating companies and the licensees using the Intra-State transmissions network. OERC vide Lr. No. 1313 dtd.04.08.2007 issued a Road Map for implementation of levy of annual fee and operating charges for SLDC functions in Orissa in order to separate SLDC charges from the transmission charges of the State Transmission Utility – OPTCL w.e.f. 01.04.2008 to make SLDC self-reliant. OPTCL filed by a petition dtd. 13.03.2008 prayed before the Commission that it was not in a position to achieve important milestones laid down in the Road Map for separation of SLDC charges from existing transmission charges of OPTCL and had further prayed for differing for one year. The Commission accepted the prayer of the OPTCL and in Tariff Order dtd. 20.03.2008 while approving ARR and transmission tariff of OPTCL allowed to include charges of SLDC functions in the transmission tariff of OPTCL for FY 2008-09 but had directed that Transmission Charges for OPTCL would not include the SLDC charges w.e.f. 01.04.2009. The Commission vide Order dtd. 20.03.2009

approved ARR of Rs.9.66 crore for SLDC for FY 2009-10 and separated the Operating Charges of SLDC @ Rs.2000.00/MW/Month from the Transmission Charges of OPTCL w.e.f. 01.04.2009 so as to enable SLDC to function as an Independent System Operator as recommended by the Gireesh. B. Pradhan Committee in August, 2008 to the MoP, Govt. of India. The Commission vide Order dtd. 20.03.2010 had approved the ARR of SLDC for FY 2010-11 for Rs.7.76 crore and approved the System Operation Charges (SOC) of Rs.621.48 lakh per annum or Rs.51.79 lakh per month from Generating Stations and sellers, DISCOMs and buyers and the Intra-State transmission licensee. The Commission had also approved the Market Operation Charges (MOC) of Rs.155.37 lakh per annum or Rs.12.95 lakh per month from generating stations and sellers & DISCOMs and buyers.

OERC has observed that even after ring-fencing of SLDC since 01.04.2009, SLDC has failed to function as an Independent System Operator (ISO) under the ambit of OPTCL – the STU at present and as per the recommendation of Gireesh. B. Pradhan Committee, the Govt. of Orissa should create a separate Representative Board Structure for governance of SLDC under OPTCL in line with fully owned subsidiary Power System Corporation of India created for independent system operation of RLDCs and NLDC under PGCIL.

g. Open Access in Transmission and Distribution

- ERC has issued OERC (Terms and Conditions for Open Access) Regulations, 2005 effective from 06.06.2005 for introduction of Open Access to the intra-state transmission and distribution system in Orissa.
- OERC has issued OERC (Determination of Open Access Charges) Regulation, 2006 basing on which transmission charge, wheeling charge, cross-subsidy surcharge and other charges for Open Access are being calculated. Tariff policy notified by Govt. of India is also taken into consideration while calculating these charges.
- OERC has already issued three Open Access Charges Orders in FY 2008-09, 2009-10 and 2010-11 determining transmission charge, wheeling charge and cross-subsidy surcharge for the relevant years. The Open Access Charges Order for FY 2010-11 was issued on 24.06.2010.
- The Nodal Agency has already allowed consumers seeking Open Access to the distribution and / or intra-state transmission system to avail supply of more than 1 MW of electricity from a generating company w.e.f. 01.01.2009.
- The Nodal Agency has already allowed consumers seeking Open Access to the distribution and / or intra-state transmission system to avail supply of more than 1 MW of electricity from any licensee other than the Distribution Licensee of the respective area of supply w.e.f. 01.04.2008.

- SLDC is the Nodal Agency for all Short-Term Open Access transaction. OERC has taken several steps to ring-fence SLDC as per Girish Pradhan Committee Report. Accordingly, the Commission has issued two tariff orders for SLDC approving their ARR and Tariff application for FY 2009-10 and 2010-11 respectively.

Present status of Open Access

- All the STOA applications for inter-State Open Access have been processed by SLDC.
- In the year 2009-10, 315 numbers of applications were received for STOA in Inter State Transmission system. Consent had been accorded for 301 numbers of applications. The remaining 14 numbers have been rejected due to non compliance of Provisions of CERC (Open Access in Inter state Transmission) Regulations..
- At present there are two nos of Inter-State Open Access transactions is going on wherein M/s. Nav Bharat Ventures Ltd. & Vedanta Alumina are allowed to send 50 MW & 15 MW respectively of power outside the State.
- No application is pending with SLDC. Generally the status of the applications is conveyed to the applicant within three days by SLDC as per the Regulation.
- Some of the STOA applications have been denied by SLDC for non-compliance of SCADA and other provisions of Indian Electricity Grid Code (IEGC) and Orissa Grid Code (OGC).
- There are two other long term captive consumers such as M/s ICCL and NALCO which have been availing Open Access since OSEB days.
- One intra-State application for STOA (OCL to OISL) has been allowed by SLDC.

Constraints:-

- As per amendment of Open Access regulation on 13.06.2006 by State Legislative assembly, the allotted Transmission/Distribution Capacity of power transfer in MW between the fixed points of injection and points of drawal has been allowed after concurrence of Govt. to a long term customer on the intra-state transmission or distribution system under normal circumstances.
- In procedure, for seeking Open Access the application shall be accompanied by a non-refundable application fee of rupees one lakh per MW for transmission access and rupees fifty thousand per 500MW for distribution access payable to nodal agency.
- High cross subsidy surcharge.

h. Power Regulations

The gap between availability and State's energy requirement had narrowed down from 2003-04 to 2007-08. In the middle of 2007-08, the availability nearly matched the State's demand and whereas in the end of 2008-09 the availability had fallen below the State's requirement. During January, 2010 the State's demand rose to 3100 MW while State was able to meet only 2700 MW. Therefore, the Commission exercising power under Section 23 of the Electricity

Act, 2003 had issued an Order (Protocol) on Power Regulation in the State on 14.01.2010. In the said order the Commission directed load shedding of different duration in morning peak hours and evening peak hours in areas like State Capital, District Headquarters, Urban centres and Rural areas. The Commission also restricted the demand drawal of HT and EHT industries by 25% and 15% respectively under the said Order. The Commission also allowed industries to opt out of the restriction by paying additional charges of 100 paise and 60 paise per KWh on their total drawal of energy in case of HT and EHT respectively. Basing on the feedback from the State Government, DISCOMs, SLDC the Commission put under suspension the Load Regulation Protocol Order w.e.f. 11.05.2010 due to increase in hydro generation following comfortable reservoir level and onset of monsoon. But in certain areas load shading is inevitable in view of capacity constraints of Grid Sub-stations/ Transmission lines.

i. **Amendment to Agro-industrial Consumer Category**

The Commission has amended Regulation 80(5) of Chapter VIII of Supply Code vide Orissa Gazette Notification dtd.26.10.2009 and introduced two new categories in addition to existing Irrigation Pumping and Agriculture.

- **80(5) (i): Irrigation Pumping and Agriculture:** This category relates to supply of power for pumping of water in lift irrigation, flow irrigation and for lifting of water from wells/bore-wells, dug-wells, nallahs, streams, rivulets, rivers, exclusively for agricultural purposes.
- **80(5)(ii): Allied Agricultural Activities:** This category relates to supply of power for Aquaculture (which includes Pisciculture/Prawn culture), Horticulture, Floriculture, Sericulture, Animal Husbandry and Poultry. Activities such as ice factories, chilling plants, cold storages, cattle/poultry/fish feed units and food/agri products processing units are excluded.
- **80(5)(iii): Allied Agro-industrial Activities :** This category relates to supply of power to “Cold Storages (i.e. a temperature controlled storage where flowers, fruits, vegetables, meat and fish can be kept fresh or frozen until it is needed) and includes chilling plant for milk and only the cold storages attached to processing units for meat, fish, prawns, flowers, fruits and vegetables”.
- The Commission has notified for the first time a Tariff for above two newly created consumer categories (Allied Agricultural and Allied Agro-Industrial) from 09.11.2009. Regarding the tariff of those consumers before 09.11.2009 it is clarified that they should pay a tariff as per the classification under the regulations prevailing prior to 09.11.2009.

MONITORING THE ACTIVITIES OF THE LICENSEES

- 28. Performance Review During the FY 2009-10** – The Commission monitors the performance of the utilities under various financial & technical parameters, including distribution loss, AT&C loss, collection efficiency, license conditions and performance standards, respectively. Interruptions in Distribution System are measured in terms of Reliability Indices.
- 29. Monitoring performance under tariff parameters** - Reviews of performance of licensees (GRIDCO, OPTCL, WESCO, NESCO SOUTHCO and CESU) were taken up by the Commission at regular intervals during the year 2009-10. Annual Review for the FY 2008-09 and the first six months of the FY 2009-10 were also taken up during May, 2009 & November,2009 respectively. The performance of DISCOMs for FY 2009-10 are summarized as follows:-

30. Performance of licensees (DISCOMs)

	1999-00	2006-07		2007-08		2008-09		2009-10 (upto Sept,09)		2010-11
	Actual (Aud)	OERC Approval	Actual (Aud)	OERC Approval	Actual (Aud)	OERC Approval	Actual	OERC Approval	Actual	OERC Approval
A. DISTRIBUTION LOSS (%)										
CESU	44.89%	33.00%	43.52%	29.30%	41.48%	29.30%	40.34%	26.30%	39.43%	25.37%
NESCO	43.35%	31.51%	33.22%	26.00%	31.17%	25.50%	34.57%	23.00%	32.52%	18.46%
WESCO	44.17%	33.75%	36.36%	25.00%	36.13%	25.00%	33.55%	22.50%	34.68%	19.93%
SOUTHCO	41.84%	33.00%	43.39%	30.40%	45.49%	30.40%	47.78%	27.92%	48.02%	27.82%
ALL ORISSA	43.91%	32.81%	38.57%	27.10%	37.48%	27.00%	37.50%	24.45%	37.24%	22.22%
B. COLLECTION EFFICIENCY (%)										
CESU	69.72%	89.00%	92.81%	92.00%	94.05%	95.00%	91.80%	98.00%	97.09%	98.00%
NESCO	79.37%	94.00%	88.74%	94.00%	93.16%	95.00%	92.50%	98.00%	95.24%	98.00%
WESCO	83.36%	94.00%	94.29%	96.00%	92.91%	96.60%	93.86%	98.00%	98.38%	98.00%
SOUTHCO	78.75%	93.00%	94.31%	94.00%	94.05%	94.00%	94.21%	98.00%	95.89%	98.00%
ALL ORISSA	77.19%	92.45%	92.37%	94.10%	93.41%	95.40%	92.98%	98.00%	96.96%	98.00%
C. AT & C LOSS (%)										
CESU	61.58%	40.37%	47.58%	34.96%	45.93%	32.84%	45.23%	27.77%	41.20%	26.86%
NESCO	55.04%	35.62%	40.75%	30.44%	35.88%	29.23%	39.48%	24.54%	35.73%	20.09%
WESCO	53.46%	37.73%	39.99%	28.00%	40.65%	27.55%	37.63%	24.05%	35.74%	21.53%
SOUTHCO	54.20%	37.69%	46.61%	34.58%	48.73%	34.58%	50.80%	29.36%	50.16%	29.27%
ALL ORISSA	56.71%	37.88%	43.25%	31.40%	41.60%	30.36%	41.89%	25.96%	39.15%	23.77%
LT PERFORMANCE OF DISCOMs (Based on Performance Review Data)										
	1999-00	2006-07		2007-08		2008-09		2009-10 (upto Sept,09)		2010-11
	Actual (Aud)	OERC Approval	Actual	OERC Approval	Actual	OERC Approval	Actual	OERC Approval	Actual	OERC Approval
A. LT LOSS (%)										
CESU	50.48%	37.30%	53.19%	34.40%	53.18%	36.00%	52.00%	35.04%	50.46%	29.40%
NESCO	62.26%	52.90%	59.54%	51.10%	59.31%	44.50%	59.40%	33.19%	54.57%	29.40%
WESCO	60.64%	62.40%	64.96%	52.00%	65.33%	46.70%	65.65%	35.86%	61.38%	29.40%
SOUTHCO	48.85%	38.20%	52.21%	33.20%	54.44%	33.40%	57.12%	29.50%	55.71%	29.40%
ALL ORISSA	55.11%	47.60%	57.45%	42.30%	57.94%	40.30%	58.06%	34.04%	54.99%	29.40%
B. COLLECTION EFFICIENCY IN LT (%)										
CESU	69.72%	89.00%	88.81%	92.00%	88.35%	95.00%	84.63%	98.00%	95.50%	98.00%
NESCO	79.37%	94.00%	68.63%	94.00%	72.69%	95.00%	72.61%	98.00%	60.47%	98.00%
WESCO	83.36%	94.00%	76.56%	96.00%	77.91%	96.60%	73.42%	98.00%	66.18%	98.00%
SOUTHCO	78.75%	93.00%	87.05%	94.00%	88.21%	94.00%	89.10%	98.00%	83.96%	98.00%
ALL ORISSA	77.19%	92.45%	82.04%	94.10%	83.09%	95.40%	80.63%	98.00%	80.49%	98.00%
C. AT & C LOSS FOR LT (%)										
CESU	65.47%	44.20%	58.43%	39.65%	58.63%	39.20%	59.38%	36.34%	52.69%	30.81%
NESCO	70.05%	55.73%	72.23%	54.03%	70.42%	47.28%	70.52%	34.53%	72.53%	30.81%
WESCO	67.19%	64.66%	73.17%	53.92%	72.99%	48.51%	74.78%	37.14%	74.44%	30.81%
SOUTHCO	59.72%	42.53%	58.40%	37.21%	59.81%	37.40%	61.79%	30.91%	62.81%	30.81%
ALL ORISSA	65.35%	51.56%	65.09%	45.70%	65.05%	43.05%	66.18%	35.36%	63.77%	30.81%
NB : (I) Based on overall collection efficiency, AT & C Loss for LT(OERC approval) has been calculated.										
(II) The Overall collection percentage for 1999-00 has been assumed as LT Collection Efficiency for FY 1999-00 for Calculating AT & C Loss										

31. Commission after the review of the performance of DISCOMs observed that although overall distribution loss has reduced marginally in case of some DISCOMs there has not been proportional reduction in LT distribution loss. There is need to vigorously undertake Distribution transformer metering and metering of LI point. Consumer indexing as a part of energy audit should also be completed early. Commission also reviewed the performance of franchisees in the licensee's area of operation. Commission emphasized fixing up of responsibility and accountability at each level for improvement in collection, timely maintenance and to meet Grievances of the consumers. The focus of the licensees should be on enhancing LT level efficiency.
32. While the tariffs have been a great source of comfort to the consumers, the continued losses in AT&C have had a rather serious impact on the revenues and cash flow of the DISCOMs. There is hardly any cash available for effective repair and maintenance of the distribution network and the general health of the distribution system network.
33. The consequent and resultant state of the quality of supply too is not in a happy state of affairs. Constant interruptions in supply, coupled with low voltage are the order of the day. The AT&C losses, poor repair and maintenance, inability to make investments on system upgradation, tight cash flow have all brought the distribution system network into a state of near collapse. The vicious cycle of losses and poor cash flow needs to be systematically broken by systematic investments in system upgradation and proper maintenance of existing assets. The State Govt. has a 49% equity stake in the DISCOMs and, therefore, needs to take the lead in stepping into the breach and plug the leaks, losses and general deterioration in the system, to ensure efficient and continued stable supply of energy.
34. **Special Efforts and Plan of Action for Collection of Revenue by DISCOMs**
- Revenue collection for the DISCOMs have been estimated based on the normative target of reduction of distribution loss, collection efficiency and AT& C loss as indicated below:

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

	Actual for 08-09 (Audited)	Approved 2009-10		2009-10 (Actual Provisional)	2010-11 (Proj. by licensee)	2010-11 (Approval)
Distribution Loss		Overall	LT			Overall
CESU*	40.34	26.30	35.04	39.43	44.28	25.37
NESCO	34.57	23.00	33.19	32.52	28.30	18.46
WESCO	33.55	22.50	35.86	34.68	28.45	19.93
SOUTHCO	47.78	27.92	29.50	48.02	42.76	27.82
All Orissa	37.50	24.45	34.04	37.24	35.38	22.22

	Actual for 08-09 (Audited)	Approved 2009-10		2009-10 (Actual Provisional)	2010-11 (Proj. by licensee)	2010-11 (Approval)
Distribution Loss		Overall	LT			Overall
Collection Efficiency						
CESU *	91.80	98.00		97.09	95.00	98.00
NESCO	92.50	98.00		95.34	97.00	98.00
WESCO	93.86	98.00		98.38	97.50	98.00
SOUTHCO	94.21	98.00		95.89	97.00	98.00
All Orissa	92.98	98.00		96.56	96.58	98.00
AT&C Loss						
CESU*	45.23	27.78		41.19	47.06	26.86
NESCO	39.48	24.54		35.73	30.45	20.09
WESCO	37.63	24.05		35.74	30.24	21.53
SOUTHCO	50.80	29.36		50.16	44.47	29.27
All Orissa	41.89	25.96		39.15	37.59	23.77

- Thus, in view of the target of reduction of loss, concerted efforts are to be made by the DISCOMs right from the very beginning to ensure 100% of the billing for the power supply and to collect the current revenue to the full extent. Unless 100% current billing is made and the current revenue is realized in full as per the bill raised, it would be difficult for the DISCOMs to meet the establishment expenditure, expenditure on R & M and other essential expenditure after meeting the BST bill and the transmission charges. The arrear payment of salary and wages on account of revised pay for the executives w.e.f. 1.1.2006 and the wages for the workers w.e.f. 1.4.2005 has not been built into the revenue requirement. The DISCOMs are required to meet the arrear liabilities on account of salaries and pension out of the collection to be made from the arrears outstanding as on 01.4.2010. Systematic efforts are to be made for collection of the arrear revenue so that the arrear salary and pension are paid. Added to this, BST for GRIDCO has been approved at average price of Rs.170.25 paise against the estimated purchase price from the generators at 174.58 paise. The purchase cost by GRIDCO may go up depending on the increasing cost of coal, oil and availability of water in the reservoirs to ensure production of hydro power as per the design capacity. The DISCOMs have to step up their efforts to ensure some payment towards the arrear BST of about Rs.3700 crore of GRIDCO upto 31.03.2010 so that the problem of GRIDCO is reduced to some extent enabling GRIDCO to purchase power from different sources and supply to the DISCOMs.
- It has been generally argued by DISCOMs that Govt. departments / Public sector undertakings / Urban Local Bodies / Co-operatives / Autonomous organizations are not paying

electricity dues in time. In this connection, Commission in their letter No.175/02 dated 31.12.2009 has brought to the notice of the Govt. which is quoted below:-

"It has been frequently brought to the notice of the Commission that most of the State govt. departments/institutions and even in certain cases Police Stations are not paying the electricity dues in time. This was earlier brought to the notice of the State govt. Govt. department or organizations or the autonomous organizations under their control should show an example to other private consumers to pay the electricity dues in time. For practical purposes and keeping the sensibility of the issue of disconnection of power to water supply, hospitals, police stations, street light etc., government may think of a suitable mechanism like advance deposit/pre-paid meter system etc. to ensure timely realization of Electricity dues from govt. organizations/Local Bodies/Public Undertakings/Educational Institutions etc. The concrete action taken by the State govt. or proposed to be taken to ensure payment of electricity dues in time by all govt. departments, urban local bodies, rural local bodies, co-operatives, public sector undertakings, and autonomous organizations working under the control of the State govt. may be indicated."

- **In response to the above observation of the Commission, the State Govt. in their letter No.1577 dated 23.2.2010 have stated as under:-**

"It is relevant to mention that the Govt. in the Energy Department have from time to time impressed upon the Departments of Govt. to pay their electricity dues for which budgetary provisions have been made by the Govt. commensurate with the requirement of the respective govt. offices.

The DISCOMs should not take the plea of non-payment of arrears by different Govt. Departments. The so called arrears have not been assessed correctly and this fact has been pointed out to the DISCOMs. The DISCOMs are also lagging behind in reconciliation of arrears to expedite payment by defaulting consumers.

The defaulting consumers of various Departments and other local bodies, corporation are like any other individual consumers. DISCOMs are free to resort to disconnection of power supply. Moreover the outstanding against the Govt. consumers is less than 10% of the total arrears.

The DISCOMs should also resort to other modes of collection available under Section 126 of the Electricity Act, 2003.

- In view of the categorical reply of the State Govt. that Govt. Department and the organization under the State Govt. should be treated as any other consumer for resorting to disconnection of power supply in case of outstanding dues are not paid, DISCOMs, therefore, cannot take plea that Govt. departments are not paying electricity dues. It is the responsibility of the DISCOMs to take action for realization of revenue following the procedure prescribed under Regulation 89 to 101 under Orissa Electricity Regulatory Commission (Conditions of Supply) Code, 2004.
 - DISCOMs are to put in place a special vigilance squad to cross verify the meter readings conducted by the meter reader engaged by various agencies. Since the tariff for 1st 100 units for domestic category at LT level has remained unchanged there may be chance on the part of the unscrupulous consumers to abstract electricity by various means in order to show the consumption of 100 units for availing lower tariff. The special squad should take up proper checking of meters and detect all illegal abstraction of electricity. The DISCOMs should take initiatives to involve the local energy police stations as well as energy police stations for detection of theft and disconnection of power supply. The default in payment of electricity dues and the illegal abstraction of electricity should be specially monitored on daily basis by a senior officer to be earmarked by the DISCOMs. While reviewing the performance of the DISCOMs, the Commission would like to know what concrete action has been taken by the DISCOMs in these connections.
35. The Commission has constituted three working groups consisting of officers from the Commission and DISCOMs on Loss Reduction in the distribution sector. The three groups are
- i. Loss reduction from Theft
 - ii. Technical Loss reduction
 - iii. Commercial Loss Reduction.
- All the three reports of the working groups shall be made available during FY 2010-11 and the Commission would take expeditious action based on these reports, in order to reduce losses effectively in the system.
36. Apart from the above tariff division was involved in following works.
- a) Monitoring of National Tariff policy
 - b) Monitoring of Electricity policy
 - c) Reply to FOR regarding AT&C losses and open access charges

- d) Monitoring the performance of franchisee
- e) Approval of cost data of OPTCL for 2007-08
- f) Interaction with IIT Kanpur on transmission pricing
- g) Preparation of presentation for workshop on tariff setting vis-à-vis sustainable development of power sector in Orissa and issues challenges in protection of consumer interest in power
- h) Preparation of draft OERC (Fees and Charges) Regulations, 2009
- i) OPTCL investment proposal
- j) Tariff setting for small hydro project (Minakshi Power Ltd. and Samal SHP)
- k) Finalisation of order on approval of IPPs

Metering Status

37. Present level of metering in the state; as ascertained from the last Performance Review Meeting held in the month of May, 2010 is as follows :

Metering Position of the DISCOMs as on 31st March, 2010

	CESU	NESCO	WESCO	SOUTHCO	TOTAL
No. of 33 KV feeders	125	60	85	112	382
No. of 33 KV feeder metering	109	57	85	112	363
No. of 11 KV feeders	601	428	466	425	1,920
No. of 11 KV feeder metering	601	93	451	425	1,570
No. of 33 / 11 kv transformers	347	261	261	221	1,090
No. of 33/11 kv transformer metering position	81	Nil	-	33	114
No. of distribution transformers	22,796	22,647	18,565	14,694	78,702
No. of distribution transformer metering position	8,832	372	12,558	9,236	30,998
Total number No. of consumers	1,143,500	607,677	569,147	623,154	2,943,478
Total number of meters	1,107,273	557,832	549,845	616,658	2,831,608
No. of working meters	999,281	399,311	539,311	569,027	2,506,930
Percentage of working meters (%)	90%	72%	98%	92%	89%

As per the provisions of the CEA (Installation and Operation of Meters) Regulations, 2006 the Commission has made suitable provisions /amendment in the OERC distribution (Conditions of Supply) Code, 2004. In the said Code it has been made mandatory to put the static meters in the consumer's premises.

38. Verification of the quality of maintenance & operation by DISCOMs

- The Commission in Para 207 of the ARR and Retail Supply Tariff order for the year 2009-10 of the distribution licensees has stipulated as under:

"The National 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 licensee. 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 and 2008-09. We have received very valuable inputs and it has helped improvement of quality of supply in some parts of the State."

- In line with above observation and in continuation with the earlier technical enquiries conducted in respect of Operation and Maintenance of distribution system, field inspections of distribution systems were carried out through independent experts during the year 2009-10.
- During the year 2009-10, the Commission had engaged a number of teams of independent experts to enquire into the Maintenance and Operation of distribution system in circles namely Dhenkanal under CESU, Jeypore & Bhanjanagar under SOUTHCO, Jajpur Road, Balasore & Bhadrak under NESCO and Burla under WESCO.
- After completing the inspection of the enquiry, the teams submitted their reports and made presentations on their findings in presence of the Commission and concerned officers of the distribution licensees. In general, the directions of the Commission in this regard were as follows:
 - (i) The Licensee should choose one 33/11 kV S/S in each division at a time and make it fully equipped with all necessary equipments so that it meets load without overloading with improved voltage condition to set an example for others to follow. Thereafter, the Licensee should concentrate on another S/S and so on to improve all the S/Ss available in its area of operation.
 - (ii) Proper analysis of transformer burning should be carried out. Regular maintenance either by HT maintenance wing or by section staff should be planned and followed. Each interruption should be analyzed by the concerned SDO/EE and the appropriate action should be taken so as to avoid the re-occurrences. Peak drawl of power

through distribution transformers are to be measured & monitored regularly to decide up-gradation of the overloaded transformers.

- (iii) Bare conductors should be replaced with AB conductors in the theft-prone areas. All the EEs should visit the 33/11 kV S/Ss under their division personally and initiate urgent appropriate measures on the reported observations of the enquiry team. Concerned Executive Engineer should take the overall responsibility of the maintenance of the total system in the division under his control.
- (iv) Uniform interruption register should be maintained by all the Grid substations and 33/11 kV S/S. The format for this purpose should be developed by the DISCOMs in consultation with OPTCL. OPTCL & DISCOMs should cross check the data at the end of each month positively to remove discrepancies/inaccuracies.
- (v) A well defined Maintenance Schedule should be chalked out and followed. The SE at Circle level & E.E. at Division level should monitor/review the quality of power supply at least once in every month.
- (vi) DISCOMs should carry out the preventive maintenance works in a systematic manner instead of only doing breakdown maintenance.
- (vii) DISCOMs should segregate rural feeders from urban, with provision of breakers to reduce interruptions, AB switches at intervals for ease of maintenance. Individual breakers may be provided instead of group control to minimize interruptions. The installation of circuit breakers, upgradation of transformers and other system improvement works should be properly planned.
- (viii) Monthly Co-ordination Meetings should be held between concerned officers of OPTCL and DISCOMs for deciding on the relay settings to be adopted considering the power demand, availability and health and capacity of the equipments in the back drop of changes in the transmission/distribution system. There should be synchronization of the decisions for a reliable & efficient system.
- (ix) Single line diagram of the 33/11 KV S/S showing all equipments which are installed (whether functional, non functional, bypassed) should be prepared and displayed in JE/SDO office and S/S Control/Duty Room.
- (x) Safety in respect of the distribution system should be ensured.

- (xi) All incoming and outgoing feeders and both sides of transformers must be provided with lightning arrestors. Damaged ones must immediately be replaced.
- The licensees are required to comply with the directions of the Commission as well as the long-term and short-term recommendations of the enquiry teams. As reported, the licensees have complied some of the recommendations and also taken up some long term recommendations of the enquiry committees as system improvement measure. Hence, the Commission will continue to engage a team of professionals for carrying out technical audit on status of the compliances to the recommendations/directions with reference to the aforesaid enquiries during the financial year 2010-11.
 - The key challenge faced by the distribution licensees are high distribution loss, in-sufficient and outdated distribution infrastructures, low employee motivation, unsatisfactory customer services, power shortage, theft and weak finances combined with absence of accountability at different level.
 - DISCOMs have been advised in the tariff orders to adopt various measures to improve their performance and reduce loss. Regular theft detection drive, energy audits along with introduction of High Voltage Distribution System (HVDS) should be in place. DISCOMs should initiate steps for Demand Side Management (DSM) and promote the use of energy efficient lighting equipments/electrical gadgets to reduce the demand. As far as practicable, distribution licensees instead of supplying a large number of LT consumers from a single 3-phase distribution transformers of large capacity (100/250 KVA) may like to supply small groups of consumers through requisite numbers of HVDS transformers. The area where there is history of repeated failure of transformers either due to increase in nos. of consumers or due to rampant theft, instead of replacing the 3-phase transformers with higher capacity, the distribution licensees may segregate them into smaller groups of bonafide consumers with numbers of HVDS transformers. In this way the distribution licensees may progressively attempt for LT-less distribution as well as imparting a sense of belonging among the bonafide consumers. The smaller number of bonafide consumers from a single HVDS transformers be educated that the proper upkeep of the transformer and avoiding overdrawal is basically to their advantage for reliability and proper supply voltage. High-end domestic consumers having 10 KW or more contract demand if opt for individual HVDS they should be encouraged.
 - As regards to the improvement to the existing infrastructure, the Commission had directed for installation/up-gradation alongwith replacement of burnt transformers, load balancing,

earthing, installation checking, provision of breakers, boundary walls with gates in all distribution S/Ss, DT metering and energy audit etc. In compliance to the aforesaid directives by the Commission, from the status report as on 31.12.09 submitted by the distribution licensees, the Commission observed that licensees are well behind the target set by the Commission. The Commission again emphasized the need for improvement in the existing infrastructure. Therefore, the licensees have been directed to bring about the development of the distribution infrastructure in the next financial year. Each DISCOM has been directed to take up repair and renovation specially in respect of following items of work in order to improve the quality of supply giving priority to rural areas.

- i. Upgrade or install 1000 new distribution transformers
 - ii. Complete the energy audit of each distribution transformer by the end of FY 2010-11.
 - iii. Load balancing in 3-phases of DTR - 2000 nos.
 - iv. Conversion of single phase to 3-phase line - 150 KMs.
 - v. Provision of 11 KV Crt. Breaker – 20% of substations
 - vi. Provision of boundary wall and gate around distribution sub-stations – 20% of substations.
 - vii. Provision of stringing AB cables – 300 KMs.
- The fund required for such minimum special repair/renovation of distribution network is to be met out of the R&M expenditure approved by the Commission for the year 2010-11 as well as from the collection of arrear outstanding dues as on 01.04.2010. Based on the flow of revenue, GRIDCO will be advised by the Commission to relax the Escrow account in order to enable the Distribution Companies to take up the minimum special repair/ renovation work as indicated above.

ENGINEERING DIVISION

39. This Division provides vital technical input for grant, revocation, amendment or exemption from license. It monitors the performance of the utilities [i.e. Bulk Supply (Trading) Licensee, Transmission Licensee and Distribution Licensees) under various technical parameters, including license conditions and performance standards. Interruptions in Distribution System are measured in term of Interruption Reliability Indices (known as SAIFI, SAIDI and MAIFI), for which the Distribution Licensees submit their monthly, quarterly and annual performance report including the interruption ones in a report every quarter and a consolidated annual report in every financial year. This Division also looks into general complaints of technical nature affecting large areas / industrial consumers/ group of consumers.

40. Based on the various complaints received from the consumers, media reports and field visits, the Commission had wanted to know the status of maintenance of power house, Grid substations, distribution substations, transformers, distribution/transmission lines and the actual state of interruption in various areas of the State. Timely maintenance of equipment can prolong the longevity of the equipments, reduce downtime and provide quality supply. With the aforesaid objective & in accordance with Para 253 of the OPTCL's Transmission Tariff order for the FY 2009-10 & Para 207 of the annual Distribution Tariff order for the FY 2009-10, the Commission, like previous year, entrusted the job of enquiry into the deficiencies of the balance systems of OPTCL, DISTCOs, SLDC & OHPC to various independent expert groups. The Commission has given direction to the utilities to rectify the deficiencies after receiving the reports from the teams. The exercise of technical enquiry by engaging team of professional have been completed after conducting the technical enquiry to some of the pending divisions of OPTCL & DISCOMs during the year 2009-10, The utilities have also completed/started compliance against the deficiencies pointed out.
41. Also the Commission is monitoring the compliances and rectifications made by the licensees. The present unsatisfactory conditions of the power supply have arisen because of lack of fresh investment and/or renovation/modernization of existing network, poor maintenance and lack of monitoring of performance of various elements of system. In the mean time, the Commission has asked to submit the latest status of the compliances to the recommendations/directions of the enquiry teams. The monitoring of the implementation of the recommendations/directions shall also continue in the FY 2010-11. List of divisions inspected in the licensees area of operation and presented by the enquiry teams during the FY 2009-10, in presence of the officials of utilities are stated in the table below:
42. The Commission has directed the distribution licensees to choose one 33/11 kV S/S in each division at a time and make it fully equipped with all necessary equipments so that it meets load without overloading with improved voltage condition to set an example for other to follow. Thereafter, the Licensee should concentrate on another S/S and so on to improve all the S/Ss available in its area of operation. The Commission expects that, with continuous monitoring, the system will revive and continue to give good service to the consumers, if certain vital elements of the system are taken care

of. The Commission may also engage the services of independent expert teams and /or Commission's officials in future to verify the correctness of the compliance reported/to be reported by the licensees.

List of Divisions under OPTCL inspected by the Enquiry teams

SL. No.	Enquiry Conducted for	Status of Enquiry/Date of Completion
1.	Kesinga (O&M) Div.- Junagarh, Kesinga, Khariar, Sainitala, Vedant Alumina. - Therubali (O&M) Div.- Akhusingh, Parlakhemundi, Rayagada, Therubali	22.09.09
2.	Balasore (O&M) Div.- Balasore, Baripada, Bhadrak, Jaleswar, Rairangpur, Soro. Jajpur Road (O&M) Div. – Duburi, Duburi (new)	18.05.09
3.	Joda (O&M) Div. - Arya Iron, Bolani, Joda, Polasponga. – Bhubaneswar (O&M) Div-Mendhalasa,	08.07.09

Inspection of functioning of generating stations under OHPC and proper utilization of the money allowed in ARR for O&M and R&M

1.	Balimela, UKHEP & UIHEP	17.08.09
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List of Divisions under DISTCOs inspected by the Enquiry teams

SL. No.	Enquiry Conducted for	Status of Enquiry/Date of Completion
	CESU	
1.	Dhenkanal Circle – AED, Angul, TED, Chainpal & DED, Dhenkanal.	30.04.2009
	SOUTHCO	
1.	Jeypore Electrical Circle covering JED, Jeypore, NED, Nowarangpur, MED, Malkangiri.	19.09.09
2.	Bhanjanagar Electrical Circle covering BNED, Bhanjanagar, PED, Phulbani, BoED, Boudh.	13.04.09
	NESCO	
1.	Balasore Electrical Circle covering BED, CED, Balasore, BED, Basta, JED, Jaleswar.	16.04.09
2.	Bhadrak Electrical Circle covering BNED, BSED, Bhadrak & SED, Soro.	16.04.09
	WESCO	
1.	Burla Circle - with Spl. Reference to Sambalpur town	20.06.09

43. The Engg. Division took up the following activities during the FY 2009-10:

(a) **Publication of Orissa Grid Code (OGC) Regulations, 2006 and its Amendment**

- i) The Commission has framed the Orissa Grid Code (OGC) Regulation, 2006 (effective from 14.06.06) and has amended the same from time to time based upon the proposals from the stakeholder, recommendations of the Grid Coordination Committee and orders of OERC issued in different cases for its amendment. Some significant change has been made in Grid

connectivity issue, where the connectivity at 33 kV may normally be allowed for any generator including CGP up to 25 MW for dedicated line (tie line) and up to 15 MW in case of non-dedicated (non-tie) line. Further, in case of any of the beneficiaries/ISGS/SGS who are allowed open access are indulging in unfair gaming or collusion, the matter shall be reported by the SLDC to the Member-Secretary Grid Coordination Committee for investigation and take necessary action.

- ii) The 5th Grid Coordination Committee Meeting was held at HINDALCO, HIRAKUD under the aegis of HINDALCO. Officers from the Engg. Division participated in the said meeting as OERC observer. After receipt of the minutes of the meeting, the Commission has directed to discuss the item-wise amendment proposals in the next GCC and submit the same to the Commission for necessary amendment to the OGC.
- iii) The 6th Grid Coordination Committee Meeting held at Talsari near Digha under the convenership of NESCO. Officers from the Engg. Division participated in the said meeting as OERC observer.

(b) Amendment to OERC Distribution (Conditions of Supply) Code,2004.

- i) On the request of some objectors/consumers and distribution companies during the tariff Hearing for FY 2009-10 to issue clarifications on the scope and extent of Agro-industrial consumer category and on the direction of Hon'ble High Court of Orissa in its order dt.26.08.09 in WP(C)6516/2009, the Commission has amended the Regulations 80(5), creating an additional tariff category for agro-industries applicable to non-agriculturist consumers and fixed appropriate tariff.
- ii) The amendment to the Regulations 80(6) has been made considering the prayer of village committees under Swajal Dhara Scheme of Gol set up for water supply schemes called Community Water Works (CWW) and as per the direction in the ARR and RST Order for the FY 2009-10. In the revised Regulations 80(6) CWW is added under the category of PWW.
- iii) The amendment has been made to Regulations 76(3) and 76(4) as the Commission in their order dt.04.08.09 in Case No.60/2009 have decided in case of user/ consumer that connectivity may normally be allowed for a contract demand upto 15 MVA for dedicated line (tie line) connecting to 33 KV bay of 132/33 KV S/S and upto 10 MVA in non-dedicated (non-tie) line.

(c) **Publication of System Performance of OPTCL for the year 2009-10**

The annual system performance of OPTCL for the year 2009-10 was submitted by OPTCL on 19.06.2010 and the revised data on 03.08.2010. The consolidated statement of system performance was examined and approved along with the observations by OERC on _____ for publication.

The summery findings of Transmission and Bulk Supply Performance are as below:

- i) The annual peak demand of OPTCL was 3150 MW during 2009-10 as compared to 3021 MW during 2008-09.
- ii) GRIDCO had drawn 13103.133 MU from the State sector and 7502.256 MU from the Central sector and 18.894 MU as banking power during 2009-10 whereas it had drawn 13110.631 MU & 6700 MU respectively from the State and Central sector during 2008-09.
- iii) During this period, OPTCL made addition of 254 Ckt. km. of 132 KV lines. As on 01.04.2010, OPTCL is having total 446.1 ckt. km of 400 KV lines, 5165.4 ckt. km of 220 KV lines and 5144.3 ckt km of 132 KV lines. There was capacity addition of 1 nos. of 400/220/33 KV S/S, 4 nos of 132/33 KV S/S and 2 nos. of 132 KV LILO switching stations of industries during the said period.
- iv) During 2009-10, 55 hours of load restriction was clamped due to non-availability of generation/failure of generating stations and No restriction was clamped due to non-availability of transmission capacity. Also, there was no rescheduling of generation on account of non-availability of transmission capacity.

(d) **Notification of various Regulations under the Electricity Act, 2003**

The Commission has invited suggestions/opinions on the proposed OERC (Renewable Purchase Obligation and its compliance) regulations, 2010.

(e) **Other important tasks carried out by the Engineering Division during 2009-10 include:**

- (i) Order (Protocol) on Power Regulation in the State under section 23 of the Electricity Act,2003 and review proceeding thereby.
- (ii) Finalisation of the report on " Technical Loss Reduction".
- (iii) Investment approval of the licensees.
- (iv) Approval, review & implementation of Distribution (Planning & Operation) Code.
- (v) Monitoring/ issuing specific guidelines to the Licensees on complaints received from the Consumers/ Consumer Associations/ Industries.

Major Activities of IT section (FY 2009-10)

44. State Load Information Management System (SLIMS)

OERC in association with SLDC (State Load Despatch Centre) has implemented an on-line Management Information System covering various aspects of LOAD scenario in respect of four Discoms and also, the State as a whole. This system, namely, **SLIMS (State Load Information Management System)** has been built over the data captured by the SCADA system at SLDC. The load data (scheduled as well as actual) of the Discoms and their grid sub-stations, feeders etc., captured for every fifteen minute block, is uploaded to OERC's website, www.orierc.org where it is filtered, analyzed and processed on-line and stored in the database (**Oracle 10g**).

Several front-end screens (in .net) with an intuitive design have been provided on the website with a view to catering to the following requirements of the stakeholders in the power sector of Odisha.

a) Helping Load Management

It provides a dashboard displaying discom wise scheduled as well as actual load for all 96 time blocks in a day. The dashboard refreshes automatically and displays the load data at the end of the time block. Moreover, clicking on the actual load for a discom displays a screen containing sub-station and feeder wise load data for the discom and for the corresponding time block. Further, a click on the sub-station or feeder would display its load data for each time block of that day.

These on-line and web-enabled data will not only assist in proper load management by each discom in their area and SLDC in the state; but also, help Gridco in minimizing of loss due to UI charges.

b) Enabling implementation of Intra-State ABT

Though the Intra-State ABT (Availability Based Tariff) Regulation has been in force from 14th February 2008, financial settlement amongst the stakeholders (i.e. Gridco, Discoms and the Generators) on the basis of UI charges is not yet enforced because of the lack of preparedness on the part of the stakeholders. Making the load data (Scheduled and actual) for each 15-minute time block available to all stakeholders in real time on the web has changed the game and really enabled the process of implementation of Intra-State ABT in financial terms. In this regard, a screen has also been provided in SLIMS showing weekly settlement amount for each discom to be paid to / received from Gridco under the Intra-State ABT regime.

c) Providing clues for timely maintenance / upgradation

SLIMS also provides sub-station and feeder wise interruption information as and when it happens. Moreover, it displays the overloading information (time and duration of occurrence) in respect of grid sub-stations and feeders; thus helping the management to take steps for necessary maintenance and/or upgradation. The system will be further enhanced to generate and send emails and SMSes to

the concerned personnel whenever a sub-station / feeder remains overloaded continuously for more than a stipulated time period. This will render the grid to function as a **Smart Grid**.

d) **Analyzing Load Data**

This system, in addition to the on-line interpretation of load data, also provides capability to analyze the historical load data for discoms, grid sub-stations and feeders in an intuitive manner. A user can get the average, maximum or minimum load for a discom or the State; for a grid sub-station or feeder for a selected time period. It also provides average load experienced by a Discom day wise or time block wise. These analyses would help in spotting the trend in load growth and finding seasonal peaks and off-peaks. Moreover, this data over a few years would help in load forecasting for the state.

45. **Procurement of IT Equipments and Services**

- a) In June 2009, M/s Addsoft Technologies (P) Ltd. was selected as service provider for hosting existing portal of OERC (www.orierc.org) along with mission-critical applications on Oracle. The vendor was chosen after proper evaluation of technical and financial bids submitted and the contract was awarded for Rs.1,98.540/- for one year after an agreement was duly signed between OERC and the party.
- b) IT procurement, which was hitherto carried out by the Administration Division, was delegated by the Commission to IT section in October 2009. It was felt that the existing general procedure for procurement was inadequate in dealing with the idiosyncrasies associated with the procurement of IT equipments and services. This resulted in higher down time of equipments and user dissatisfaction. Hence, a new procedure for procurement of IT products and services was prepared, vetted by the Commission and adopted w.e.f. 21st October, 2009. This procedure, while adhering to the basic tenets of procurement process like transparency, fair play, equal opportunity, value for money etc., it has features to deal with emergency situations and just-in-time (JIT) procurement of spares.
- c) In this financial year, a sum of Rs.4.00 lac has been spent towards procurement of IT equipments and services which included among other things two Lenovo Thinkcentre computers, Quick Heal Anti-Virus software (30 Users) etc.

46. **Maintenance of Database, Hardware and Software**

- a) Maintenance of Database entailed the following activities
 - Cesu Billing System data transfer from DBF to text
 - Converting Data to Oracle format
 - Exporting data from Local Server
 - Importing & configuring Data in Web Server
 - Regular backup of

- CBIS (Cesu Billing Information System)
- RIMS (Regulatory Information Management System)
- Savior System (Attendance Recording System)
- CTS (Case Tracking System)

b) Hardware Maintenance involved the following activities

- Solving Computer Booting/Shutdown/Hang problems
- Resolving Network problems
- Fixing of Printer and Monitor related problems
- Maintenance of Oracle Server, Internet Server, Switch, HUB, Modem, Mail Server etc.

c) Software Maintenance entailed the following activities

- Installation of software including Operating System and Application software
- Up gradation of software including anti-virus

CONSUMER INTEREST

47. Under the Orissa Electricity Reform Act, 1995, the Orissa Electricity Regulatory Commission is mandated to safeguard the interests of the state consumers and ensures that all consumers are provided with reliable, safe and uninterrupted power supply at reasonable rates. The Electricity Act 2003 also provides wide ranging provisions to protect the interest of consumers. It gives electricity consumers a statutory right of minimum standards of supply and service. The Commission's approach to consumer protection has been proactive from the inception & in order to fulfill its legal obligation, the OERC has undertaken a number of steps to empower electricity consumers. They are –

- **Issue of regulations, codes, licenses and practice directions**
 - OERC (Conditions of Supply) Code, 28th May, 2004
 - OERC (Licensees Standards of Performance) Regulations, 28th May 2004.
 - OERC (Grievances Redressal Forum and Ombudsman) Regulations, 17th May 2004.
 - OERC (Terms and Conditions for Determination of Tariff) Regulations, 10th Jun 2004.
 - OERC (Procedure for filing appeal before the Appellate Authority) Regulations, 28th May 2004.
 - OERC (State Advisory Committee) Regulations, 28th May 2004.
 - OERC (Conduct of Business) Regulations, 28th May 2004.
 - OERC (Terms and Conditions for Open Access) Regulations, 21st June 2005.
 - OERC (Determination of Open Access Charges) Regulations, 18th July 2006.

- Orissa Grid Code (OGC) Regulations, 14th June 2006.
- OERC(ABT) Regulations,2007
- **Consumer Friendly Tariff**
 - Abolition of Minimum Charge for all classes of consumers since 1997-98
 - Marginal rise in 2010
 - If inflation is considered, overall tariff in 2008-09 is down by 26.38% compared to 1995-96
 - Introduction of Multi Year Tariff(MYT) in 2003
 - Rationalisation of Tariff towards cost base and voltage base
 - Reduction of cross subsidy
 - Quantification of T&D loss and benchmarks in tariff for restricting loss in Business Plan, 2003
 - Introduction of Time of Day (ToD) tariff for all three phase consumers in 2004
 - Introduction of spot billing and meter cards
 - Introduction of Voluntary Disclosure Scheme for unauthorized consumers
 - Appointment of Consumer Counsel in Tariff Proceedings in 2009-10.
 - Tariff for Agro-industrial consumers was reduced, being made equal to that for irrigation pumping sets.
- **Standards of Performance & Grievance Redressal**
- Introduction of guaranteed overall and individual Standards of Performance
 - Performance Standards published annually
 - Vigorous monitoring of licensees performance
 - Proceedings conducted by Commission to penalise the Distribution licensees' for non-compliance of GRF/Ombudsman orders
 - Inspection by independent enquiry teams regarding the maintenance of transmission and distribution system
- Alternate Dispute Resolution forum in OERC in 1998
- Creation of 12 Grievance Redressal Fora and 2 Ombudsman to dispose of consumer complaints
 - Inspection of GRF done by Commission officers
 - State level workshops to sensitize representative PR institutions & ULBs on standards of performance & tariff process.
 - Training & workshops held for Presidents/ Members of GRF/Ombudsman

- SAC representing cross-section of consumers in state constituted - Frequent Meetings are held for constructive advice
- State Co-ordination Forum formed by Govt. of Orissa - Chairperson & Members of OERC are Chairperson and Members of Forum
- District Committees formed
- **Pro active Consumer education**
 - Publication of comprehensive book on Orissa power sector "Orissa Power Sector an Over view"
 - Direct consumer interface programs
 - Print & audio-visual campaign
 - Publication of FAQs, booklets & brochures
 - Translation of regulations into local languages
 - Networking of consumer groups empanelled with OERC
 - Compilation of Regulations published in English and Oriya
- **Training & capacity building**
 - Extensive training for Distcom staff by OERC on regulations/Electricity Act, 2003
 - Gramsat used to sensitize senior government functionaries on state power sector issues
 - Introduction of intra state open access
 - State wide Consumer Satisfaction Survey
 - State level workshop on consumer rights
 - Approval of Consumer Service Documents of Distcos and their license conditions
 - Consumer Rights Statement
 - Complaint Handling Procedure
 - Code of Procedure on Payment of Bills
 - Consumer counsel engaged for analysis and presentation of Tariff applications for FY 2008-09 and FY 2009-10

Consumer Advocacy & Participation:

48. The Commission have given special emphasis in consultation with various stakeholders, particularly the consumers. The Commission had engaged Dr. S. Meher, Nabakrushna Choudhury Centre for Development Studies, Bhubaneswar as consumer counsel for analysis tariff applications of licensees for FY 2010-11. The said consumer counsel submitted its reports & presented its views during the

tariff hearing of the Commission. The Commission has also engaged 9 NGOs/persons as consumer counsel to collect necessary feedback on consumer services from WESCO, NESCO, SOUTHCO & CESU areas and participate in the tariff hearing. Out of which five consumer counsels had submitted their reports and participated in the tariff hearing of the Commission.

49. In order to ensure transparency and participations of stakeholders, all orders of the Commission regarding major issues are passed after conducting open public hearings. This is evident from the increasing numbers of objectors participating in Retail Tariff hearing of the Commission as given in the table below:

Sl. No.	Retail Supply Tariff Order since 2005-06	No. of objectors, who have filed suggestions/ views on ARR & Tariff application of Distribution Licensees
1.	FY 2004-05	72
2.	FY 2005-06	72
3.	FY 2006-07	69
4.	FY 2007-08	59
5.	FY 2008-09	70
6.	FY 2009-10	59
7.	FY 2010-11	225

Consumer Interest

50. As per the clause 15.11 (B) of Conditions of Distribution Code (OERC Regulations, 2004), there is an existing Complaint Handling Procedure for disposal of consumer complaints at their level. Aggrieved consumers can approach the Jr. Manager/SDO/Executive Engineer and there is time bound schedule for disposal of their complaints at different levels up to the CEO. Each Division is required to have a Consumer Cell to deal with consumer complaints.
51. With the Electricity Act, 2003 came into force w.e.f. June 2003; a statutory provision was made for disposal of consumer complaints by a two tier mechanism consisting of Grievance Redressal Fora and Ombudsmen. If the licensee fails to address complaints the consumer can now approach the GRF and the Ombudsman for relief. The OERC framed a regulation called the OERC Grievance Redressal Forum and Ombudsman Regulation, 2004 which was notified in July 2004.

GRF and Ombudsman

52. Ten GRF and four Ombudsmen were set up in the four distribution zones of the state and they became functional in October, 2004. Two additional GRFs were set up in Paradeep and Khurda

respectively in June 2006. In 2008 after the term of the Ombudsman was completed, two Ombudsmen were redesignated for Orissa, ie, Ombudmen-1 for Cesu area and Ombudsmen-II for Nesco, Wesco & Southco area. At present there are 12 GRFs and two Ombudsmen working in the State. Their location and address are given below:

Twelve Grievance Redressal Fora (GRFs) & Two Ombudsmen

- a. The President, GRF, Dhenkanal, CESU, Near Fisheries Office, Kunjakant, Dhenkanal-759001.
- b. The President, GRF, Cuttack, 3R-1, CESCO Colony, Badambadi, PO: Arundeo Nagar, Dist-Cuttack.
- c. The President, GRF, Bhubaneswar, CESU, Plot No. 363, Sahidnagar, Bhubaneswar-7.
- d. The President, GRF, Khurda, CESU, Quarter No.3R/1, T.L.C. Colony, Khurda -752055.
- e. The President, GRF, Paradeep, CESU, AT-Pitambarpur, PO- Bhutmundai, Via-Kujang, Dist-Jagatsinghpur.
- f. The President, GRF, Jajpur, NESCO, T.T.S. Colony, Dhabalagiri, At- Sobra, Jajpur.
- g. The President, GRF, Balasore, NESCO, Near Kali Mandir, Balasore-756001.
- h. The President, GRF, Rourkela, WESCO, Office of the S.E, Rourkela Electrical Circle, Q-2, Rourkela Civil Township, Rourkela.
- i. The President, GRF, Burla, WESCO, Qtr No. D-2, Near Power House Club in Burla Town, P.O.Burla, Dist-Sambalpur-768017.
- j. The President, GRF, Bolangir, WESCO, O/o S.E. (Elect), Bolangir Electrical Circle, At/Po-Bolangir.
- k. The President, GRF, Berhampur, Near De Paul School, Engineering School Road, Berhampur-760010.
- l. The President, GRF, Jeypore, SOUTHCO, Power House Colony, Jeypore, Dist-Koraput.

Two Ombudsmen

1. Ombudsmen-I (CESU Zone), Qrs. No. 3R S/2, GRIDCO Colony, P.O. - Bhoinagar, Bhubaneswar- 751022.
- ii. Ombudsmen-II (NESCO, WESCO & SOUTHCO Zone), Qrs. No. 3R S/2, GRIDCO Colony, P.O. - Bhoinagar, Bhubaneswar- 751022.

53. As per reports of GRFs & Ombudsmen to the OERC, from April 2009 to March 2010, 2987 number of consumer complaints was received and 2951 disposed of by the GRFs. 85 cases came up for appeal before the two Ombudsmen and 78 were disposed of at the end of March, 2010. The position has been indicated below:

**RECEIPT & DISPOSAL OF CONSUMER COMPLAINTS BY OMBUDSMEN
FROM APRIL 2009 TO MARCH 2010**

	Opening Balance	No. of cases received	No. of cases disposed	No. of cases pending
GRF	648	2987	2951	36
Ombudsman-I	10	29	25	4
Ombudsman-II	3	56	53	3

RECEIPT & DISPOSAL OF CONSUMER COMPLAINTS BY GRF FROM APRIL 2009 TO MARCH 2010

SI No	Utility	Name of GRF	Complaints Registered	Complaints Disposed	Complaints Pending
1	CESU	Bhubaneswar	217	217	0
2		Khurda	129	129	0
3		Cuttack	159	136	14
4		Dhenkanal	127	106	21
5		Paradeep	425	336	89
6	NESCO	Balasore	298	278	21
7		Jajpur	212	206	6
8	SOUTHCO	Berhampur	633	619	14
9		Jeypore	88	82	6
10	WESCO	Burla	177	169	8
11		Rourkela	967	809	158
12		Bolangir	496	362	134

54. The Consumer can also approach the Commission directly under Section 142 of the Electricity Act, 2003 if any provisions of the Act or any regulation is violated by the licensee. The Commission has set up its own Grievance Redressal Cell to monitor disposal of consumer complaints by the licensee. The Information Officer who reports to the Secretary is in charge of the Cell. As on March 2010, 655 consumer complaints were registered with the cell. They were forwarded to the concerned GRFs/Distcoms for necessary action.
55. The Commission organized an interactive meeting with members of 12 GRF & two Ombudsmen on 'Effective Functioning of GRFs & Ombudsman & Manner of Disposal of cases in Camp Courts' at the OERC Conference Hall on 7th September 2009. The Chairperson OERC presided over the meeting and a number of problems & issues on the topic were discussed on the occasion. Teams of officers of OERC also visited GRF & Ombudsman offices and inspected their records & functioning as per statutory requirement. They also held consumer interface programmes in all the GRF & Ombudsman Headquarters.

Publicity

56. In order to ensure transparency and participation all orders of the Commission regarding major issues are passed after conducting open public hearings. In 2009-10 the Commission carried out a number of public relation activities including press briefings during the annual tariff hearing, issue of press releases and preparation of promotional materials.
57. The OERC constituted a five member Sub-Committee on consumer education from its SAC to provide inputs for public education. An awareness campaign was mode based on their suggestions covering national & local news dailies & All India Radio which was launched in April, 09 and continued upto March, 2010. Various messages covering topics such as new connection, disconnection, metering, billing, grievance redressal, energy conservation & power theft were broadcast in leading news papers. Several consumer interface programmes were held at Bhubaneswar, Cuttack, Jagatsinghpur, Balasore, Burla, Sambalpur, Dhenkanal etc. respectively. The short films on SOP & GRF/Ombudsmen were broadcast in the State Consumer Fair, Rathayatra & CII Industrial Fair respectively. Phone in programme on energy conservation & consequences of power theft were also broadcast on All India Radio.



Workshop/Seminar

58. A state level workshop on 'Tariff Setting Vis-à-vis Sustainable development of Power Sector in Orissa' which was held on 05.1.2010 was inaugurated by the Hon'ble Finance Minister, Orissa, Shri Prafulla Chandra Ghadei at Hotel Swosti Premium, Bhubaneswar. Nearly 500 persons comprising of representatives of PR Institution & ULBs, SAC Members, Consumer Representatives, SHGs & other stake holders attended the workshop which was highly successful.



59. On the occasion of the workshop, a book on Orissa power sector titled "Orissa Power Sector – at a glance" was published and released by the Chief Guest.

60. The OERC co-hosted a National Workshop on 'Captive Power' which was held on 16.09.2009 and was inaugurated by the Hon'ble Energy Minister, Orissa, Shri Atanu Sabysachi Nayak at Hotel Swosti Premium, Bhubaneswar, with the IPPs , CPPS, Industries & other stake holders attended the workshop which was highly successful.

61. A state level Seminar on 'Issues & Challenges in Protection of Consumer Interest in Power Sector', organized by OERC on 11.12.2009 was inaugurated by the Hon'ble Chairperson of Appellate



Tribunal of Electricity, New Delhi, Shri Justice M Karpaga Vinayagam at Hotel Crown, Bhubaneswar. Nearly 200 representatives of SHGs, utilities & other stake holders attended the workshop which was highly successful.

Publication

62. A compendium of Orders on Annual Revenue Requirement & Bulk Supply & Retail Supply Tariff for FY 2009-10 was published by OERC and distributed among various stakeholders including consumers groups. Oriya translation of the same was posted in the OERC website.

63. Copies of the FAQ (Frequently Asked Questions of Electricity Consumers) in English & Oriya were distributed among various consumer groups, local self government bodies, Self Help Groups and staff of Distcoms for creating greater awareness of rules, regulations and standards in the sector. The Distribution companies have been directed to supply copies of the FAQ to all electricity consumers of the state in a phased manner at nominal cost.

The Power Sector At a Glance, 2009 was also published and released in the Workshop held on 05.01.2010.

Press Clipping Service

64. In order to keep the Commission abreast of up-to-date developments in the power sector within and outside the State, a daily press clipping service is maintained in the Commission. Articles and news items relating to the regional, national and international developments in the power sector published in the media were scanned and put up to the Commission for perusal and suitable action. The Commission took suo motu action on a number of such complaints.

Right to Information

65. The PAO and the Secretary, OERC respectively have been nominated as the PIO and Appellate Officer under the RTI Act. In 2009-10 thirty-three applications were made under the RTI to the Commission and were disposed of.

DISPUTE ADJUDICATION

ACTIVITIES OF THE LAW DIVISION DURING FY 2009-10

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

Case matters before the High Court/Supreme Court/ATE

During the year 2009-10 the Commission has received notices in 20 cases from the Hon'ble High Court of Orissa and one Civil Suit from Sr. Division, Civil Court, Cuttack. The Commission also received notices in 10 appeals from the Appellate Tribunal for Electricity (ATE), New Delhi and 3 notices of Consumer Complaint Cases from different District Consumer Forums.

The Commission had engaged Sri Samareswar Mohanty, Advocate at Orissa High Court, Sri Rutwik Panda, Advocate on Record and Sri P. Ramesh Bhatt at Supreme Court of India/ Appellate Tribunal for Electricity, New Delhi as its Legal Counsels.

Following are some of the important judgments on electricity matter pronounced by the Hon'ble Supreme Court and various High Courts & ATE.

- (i) The State Electricity Regulatory Commission is empowered to fix Retail Supply Tariff every year after hearing the licensees and the objectors. The Commission had withdrawn the tariff incentive for Large Industries subject to any revision. The petitioner company has not filed any objection before the Commission during tariff hearing. Nor preferred any appeal before the Appellate Tribunal for Electricity against the order of the Commission. The agreement entered by the petitioner with licensee stipulated that the tariff conditions of supply shall be subject to any revision. Hon'ble Court considered not to intervene in the matter. The Writ Petition is not maintainable. *M/s Visa Steel Vrs. State of Orissa and others*, **AIR 2009(NOC) 2091 (Orissa)**.
- (ii) The Hon'ble High Court of Orissa vide its order dated 16.03.2010 in W.P (C) Nos. 6624, 6625 & 6626 of 2008 had directed OERC to fix the cost of supply at various voltage i.e., EHT, HT, LT and also to indicate the cost of Tariff for each category, the extent of cross-subsidy existing and plan action to reduce it over a period of time as envisaged in S.61(g) of the Electricity Act, 2003 and Regulation 7(c) (iii) of OERC (Terms and Conditions for Determination of Tariff) Regulations, 2004.
- (iii) Under S.29(1) of the State Financial Corporation Act, 1951 the ownership of the premises was transferred to the new purchaser by auction sale. The electricity arrears can not be recovered from the new purchaser as a condition precedent to supply of electricity. *M/s Firoja Vinimoy Pvt. Ltd. Vrs. WESCO & others*, **AIR 2009 Orissa 63**.
- (iv) When a financial assessment is under process under S. 126 of the Electricity Act, 2003, the petitioner can avail alternative remedy and there is no justification to issue direction for restoration of power supply on deposit of reasonable percentage of amount of the provisional bill- is not maintainable under Writ jurisdiction. *M/s Synergy Pvt. Ltd. Vrs. Jharkhanda State Electricity Board*, **AIR 2009 (NOC) 975(Jharkhanda)**.
- (v) Statutory Forums established under S. 42 of the Electricity Act, 2003, the Competent Authority for redressal of consumer grievances. The consumer is obliged to first approach such Forums. The Board has to accept the order passed by such Forums without any

discretion of the matter. *M/s Bikanear Plosto Flex Pvt. Ltd. Vrs.State of Bihar & others*, AIR 2009(NOC)1559 (Patna).

- (vi) Opportunity should be given for filing of objection and personal hearing must be fulfilled before passing final assessment order under S.126 of the Electricity Act, 2003. Writ petition maintainable for non compliance of the above Statutory Provision. *Radhakrishna R Vrs. G.M, BESCO & others*, AIR 2009 (NOC) 1558(Karnatak).
- (vii) The person who have avail power supply by way of an "Independent Feeder" for getting uninterrupted power supply is to pay special price for the special service as per UP Electricity Supply Code. "Independent Feeder" means a feeder constructed at cost of the consumer at supplying electricity to only that consumer
- (viii) In a leading judgment the Constitution Bench of the Hon'ble Supreme Court on 15.03.2010 has held that the Appellate Tribunal for Electricity has no jurisdiction to examine the validity of Regulations framed by CERC – as these are in the nature of Sub-Ordinate Legislation. The validity of the Regulations may, however, be challenged by seeking judicial review under Article 226 of the Constitution of India.
- (ix) Demand charge relates to a charge on the consumer for keeping reserve the energy to supply him to the extent of contractual demand of energy. A consumer is liable to pay the same if the energy is supplied to the consumer by the license whether he draws or utilizes the same or not as the aforesaid relationship of the consumer with the supply company arises out of a contract entered into between them having mutual obligations. *Indian Rare Earth Vrs. MD, SOUTHCO & Or. 109(2010 CLT-680*.

Regulations Framed under Electricity Act, 2003

67. Amendment of Regulations:

During the period 2009-10 the Commission vide its notification dated 19.10.2009 published in Orissa Gazette No. 1586 dtd. 26.10.2009 has amended OERC Distribution (Conditions of Supply) Code, 2004; and vide its notification dtd. 18.08.2009 published in Orissa Gazette No. 1499 dtd. 07.10.2009 has amended Orissa Grid Code, 2006.

Fees for filing of the petition or applications

68. In exercise of power under S. 86(1)(g) of the Electricity Act , 2003 read with Regulation 10(5) of the OERC (Conduct of Business) Regulations, 2004 the Commission vide its Notification dated 31.08.2009 published in Orissa Gazette No. 1500 dtd. 07.10.2009 has prescribed the Schedule Fees for filing of the petition or applications before the Commission.

Proceedings before the Commission

- 69.** The Division examined and scrutinized petitions/replies/objections filed before the Commission. The Division advised and rendered legal opinion on matters referred to it by the Engineering, Tariff, Secretarial and Administrative Divisions.
- There are 121 no.of Cases which were registered and 106 no.of Cases were disposed of by the Commission during the period from 01.04.2009 to 31.03.2010.

Important Orders passed by the Commission during 1st April, 2009 to 31st March, 2010.

Sl. No.	Case Number	Petitioner	Subject matter	Date of order
1	01/2010	DIRECTOR(ENGG.), OERC,Unit-8,Bhubaneswar-12	Order (Protocol) on power Regulation in the State u/s 23 of the Electricity Act, 2003	14.01.10
2	16/2010	GRIDCO,	Application for Review of Commission's order dtd.14.01.2010 passed in Case No.1/2010 (Power Regulation in the State)	17.04.10
3	31/2008	CMD,OPTCL, Janapath,Bhubaneswar	Investment proposal of OPTCL for the FY 2008-09 for construction of 220/132 KV & 132/33 KV s/s at Karadagadia availing loan assistance from REC/PFC	18.05.09
4	48/2008	CMD,OPTCL, Janapath,Bhubaneswar	Procurement of transformers to be equipped in different Grid s/s as per para (4) and (5) of Regulation 8 of OERC (Conduct of Business) Regulations, 2004	27.06.09
5	74/2008	CMD,OPTCL, Janapath,Bhubaneswar	Investment proposal of OPTCL for (1) construction of 132/33 KV s/s at Kalunga & Barbil & 220/33 KV s/s at Bonai (2) 220 KV Bidanasi-Cuttack DC line (3) Restoration of 220 KV Budhipadar-Burla-Bolangir DC line	27.08.09
6	33/2009	OPTCL,	Investment proposal for implementation of Enterprise Resource Planning (ERP) system on availing loan assistance from PFC Ltd.	31.08.09
7	86/2009	OPTCL,	Investment proposal of OPTCL for construction of 132/33 KV, 220/33 KV & 220/132 KV S/s	15.09.09
8	126/2009	OPTCL,	Investment Proposal - For restoration of 400 KV Ib-Meramundali DC transmission line	13.11.09
9	35/2009	CEO NESCO, Januganj,Balasore	Truing up of the ARR of GRIDCO and redetermination of the BSP for FY 2008-09	18.07.09
10	36/2009	CEO WESCO, AT/PO-Burla,Sambalpur	Truing up of the ARR of GRIDCO and redetermination of the BSP for FY 2008-09	18.07.09
11	37/2009	CEO SOUTHCO, Courtmeta,Berhampur	Truing up of the ARR of GRIDCO and redetermination of the BSP for FY 2008-09	18.07.09
12	23/2009	WESCO	Open Access Charges for the FY2009-10	03.07.09
13	24/2009	SOTHCO	Open Access Charges for the FY2009-10	03.07.09
14	25/2009	CESU,	Open Access Charges for FY 2009-10	03.07.09
15	26/2009	CEO NESCO, Januganj,Balasore	Open Access Charges for FY 2009-10	03.07.09
16	51/2007	CMD,OPTCL, Janapath,Bhubaneswar	For approval of Business Plan for the FY 2008-09 to FY 2012-13	19.07.10
17	17/2007	CEO NESCO, Januganj,Balasore	Management of local distribution in rural areas by panchayat institutions or franchisees	11.08.09
18	18/2007	CEO WESCO, AT/PO-Burla,Sambalpur	Introduction of franchisee in its area of supply	11.08.09

Sl. No.	Case Number	Petitioner	Subject matter	Date of order
19	19/2007	CEO SOUTHCO, Courtmeta,Berhampur	Introduction of franchisee in its area of supply	11.08.09
20	28/2007	C.E.O CESCO, IDCO Tower,Janapath,Bhubaneswar	For engagement of franchisee in rural & semi-urban areas	11.08.09
21	82/2009	CEO WESCO, AT/PO-Burla,Sambalpur	Permission for purchase of surplus power by WESCO from M/s Viraj Steel & Energy Ltd.	14.08.09
22	31/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA	20.08.09
23	34/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s.Tata Power Company Ltd.,	20.08.09
24	35/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s. Zindal Photo Limited	20.08.09
25	36/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s. GMR Energy Limited,	20.08.09
26	37/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s. ESSAR Power Limited	20.08.09
27	38/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s.CESC Limited.	20.08.09
28	39/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s.Visa Power Limited.	20.08.09
29	40/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s.Bhusan Energy (P) Limited.	20.08.09
30	41/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s.Lanco Group Limited	20.08.09
31	42/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s. Mahanadi Aban Power Co. Limited.	20.08.09
32	44/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s. Sterlite Energy Limited.	20.08.09
33	45/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s.Monnet Ispat & Energy Limited	20.08.09
34	46/2006	C.M.D GRIDCO, Janpath,Bhubaneswar	For approval of PPA executed between GRIDCO & M/s. KVK Nilachal Power (P) Limited.	20.08.09
35	62/2009	SOLITAIRE ENERGIES PVT. LTD., 213 B Okhla Industrial Estate, Phase-III, New Delhi-110020	Fixation of tariff for Solar Grid connected PV power in Orissa	09.09.09
36	96/2009	LANCO SOLAR PVT. LTD., #397, Udyog Vihar, Phase-III, Gurgoan, Haryana-122106	Regarding fixation of tariff for Solar Grid connected PV power in Orissa.	09.09.09
37	97/2009	SAHARA INDIA CORP. LTD., 5th Floor, 2 Kapoor Thala Complex, Aliganj, Lucknow	Regarding fixation of tariff for Solar Grid connected PV power in Orissa.	09.09.09

Sl. No.	Case Number	Petitioner	Subject matter	Date of order
38	98/2009	NEW ERA POWER CORP. LTD., At-Bonia Tangi, Dist-Khurda.	Regarding fixation of tariff for Solar Grid connected PV power in Orissa.	09.09.09
39	45/2009	NABA BHARAT VENTURES LTD, (Formerly M/s.Nava Bharat Ferro Alloys Ltd)	For determination of Open Access Charges for Short Term Open Access Customers	30.09.09
40	06/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
41	08/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
42	09/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
43	10/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
44	11/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
45	12/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
46	13/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
47	14/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
48	15/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
49	16/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
50	17/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
51	18/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
52	19/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
53	20/2009	GRIDCO,	Sale of Surplus Power from CGP	30.06.09
54	135/2009	ORISSA HYDRO POWER CORPN., Janapath, Bhubaneswar	Excess auxiliary consumption in Power Sttions of OHPC and segregation of OHPC and Non-OHPC load in the colony of Balimela Power House	04.12.09
55	125/2009	ORISSA HYDRO POWER CORPN., Janapath, Bhubaneswar	Renovation & Modernisation of Unit-I (50 MW) of RHEP	18.01.10
56	127/2009	PASUPATI FEEDS, Tangi, At-Kotha Sahi, PO-Tangi, Dist-Cuttack	Determination of Tariff application to Pasupati Feeds, Tangi, in obedience to order dt.15.9.09 of the Hon'ble H.C. in WP(C) No.9434 of 2009	27.01.10
57	128/2009	EXECUTIVE ENGG., CED, CESU, CUTTACK,	Challenging order/judgment dt.15.09.08 passed by GRF, Cuttack in CC No.74 of 2008 (compliance to order dt.15.09.09 of Hon'ble H.C. in WP(C) No.9434 of 2009)	27.01.10
58	134/2009	ORISSA HYDRO POWER CORPN., Janapath, Bhubaneswar	Energy reconciliation between OHPC & GRIDCO for the FY 2007-08 and FY 2008-09	06.02.10
59	41/2007	CEO NESCO, Januganj,Balasore	Approval of Business Plan for the FY 2008-09 to FY 2012-13	20.03.10

Sl. No.	Case Number	Petitioner	Subject matter	Date of order
60	60/2009	DIRECTOR(ENGG.), OERC,Unit-8,Bhubaneswar-12	Suo-motu proceeding for Amendment of OGC Reg.10.3	04.08.09
61	42/2007	CEO WESCO, AT/PO-Burla,Sambalpur	Approval of Business Plan for the FY 2008-09 to FY 2012-13	20.03.10
62	43/2007	CEO SOUTHCO, Courtpetta,Berhampur	Approval of Business Plan for the FY 2008-09 to FY 2012-13	20.03.10
63	22/2008	C.E.O CESCO, IDCO Tower,Janapath,Bhubaneswar	For approval of Business Plan for the FY 2008-09 to FY 2012-13	20.03.10
64	140/2009	CESU,	ARR & Retail Tariff Application For FY 2010-11	20.03.10
65	141/2009	CEO WESCO, AT/PO-Burla,Sambalpur	ARR & Tariff Application for FY 2010-11	20.03.10
66	142/2009	CEO NESCO, Januganj,Balasore	ARR & Retail Supply Tariff Application for FY 2010-11	20.03.10
67	143/2009	CEO SOUTHCO, Courtpetta,Berhampur	ARR & Retail Supply Tariff Application for FY 2010-11	20.03.10
68	144/2009	GRIDCO,	ARR & BSP Application for FY 2010-11	20.03.10
69	145/2009	OPTCL,	ARR & Transmission Tariff Application for FY 2010-11	20.03.10
70	146/2009	SR GM SLDC, Mancheswar, Bhubaneswar	ARR & Fee and Charges for SLDC for FY 2010-11	20.03.10
71	147/2009	ORISSA HYDRO POWER CORPN., Janapath, Bhubaneswar	ARR & Tariff for FY 2010-11	20.03.10

Consumer Counsel

70. The Commission had engaged Dr. S. Meher, Nabakrushna Choudhury Centre for Development Studies, Bhubaneswar as consumer counsel for analysis of tariff applications of licensees for FY 2010-11. The said consumer counsel submitted its reports & presented its views during the tariff hearing of the Commission. The Commission has also engaged 9 NGOs/persons as consumer counsel to collect necessary feedback on consumer services from WESCO, NESCO, SOUTHCO & CESU areas and participate in the tariff hearing. Out of which five consumer counsels had submitted their reports and participated in the tariff hearing of the Commission

71. Oath Commissioner

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

Drafting and legal vetting

72. The Division drafted, and also made legal vetting of public notices, show cause notices, circulars etc. and assisted the Engineering Division in amendment of OERC (Conditions of Supply) Code, 2004 and also Orissa Grid Code, 2006.

Legal Information

73. The Division subscribed law journals/reports/Collected CDs to update information on latest judicial precedents/legislative developments. It gathered relevant information on Acts, Rules, Regulations and Orders on legal and regulatory matters relating to electricity, relevant Orders of High Courts, Supreme Court, Central Electricity Regulatory Commission (CERC), Appellate Tribunal for Electricity (ATE), Rules and Notifications of Govt. of Orissa/ Govt. of India.

Energy Police Stations

74. The Govt. of Orissa vide it's Home Dept. Notification dated. 09.10.2003 has established 5 Special Police Stations (Energy) as follows:

Sl. No.	Name of the Special Police Station	Head Quarters of the Special Police Station	Territorial Jurisdiction
1	Special Police Station(Energy) Khurda	Khurda.	Revenue District, Khurda
2	Special Police Station(Energy) Cuttack	Cuttack City	Revenue District, Cuttack
3	Special Police Station(Energy) Sambalpur	Sambalpur City	Revenue District, Sambalpur
4	Special Police Station(Energy) Balasore	Balasore City	Revenue District, Balasore
5	Special Police Station(Energy) Berhampur	Berhampur City	Police District, Berhampur.

The Home Dept., Govt. of Orissa vide notification No. 47514 dtd. 23.10.2008 had declared the following 29 places to have special police stations for purpose of registration, investigation, charge sheeting etc. of the offences punishable under the Electricity Act, 2003 and other laws.

Sl No.	Name of the Special Police Station	Headquarters of the Special Police Station	Territorial Jurisdiction
1	Special Police Station (Energy)	Puri	Revenue District, Puri
2	Special Police Station (Energy)	Nayagarh	Revenue District, Nayagarh
3	Special Police Station (Energy)	Panikoilli	Revenue District, Jajpur
4	Special Police Station (Energy)	Jagatsinghpur	Revenue District, Jagatsinghpur
5	Special Police Station (Energy)	Kendrapara	Revenue District, Kendrapara
6	Special Police Station (Energy)	Baragarh	Revenue District, Bararh
7	Special Police Station (Energy)	Jharsuguda	Revenue District, Jharsuguda
8	Special Police Station (Energy)	Bolangir	Revenue District, Bolangir
9	Special Police Station (Energy)	Sonepur	Revenue District, Sonepur
10	Special Police Station (Energy)	Deogarh	Revenue District, Deogarh
11	Special Police Station (Energy)	Angul	Revenue District, Angul
12	Special Police Station (Energy)	Dhenkanal	Revenue District, Dhenkanal
13	Special Police Station (Energy)	Bhadrak	Revenue District, Bhadrak
14	Special Police Station (Energy)	Baripada	Revenue District, Mayurbhanja, except Raingapur and Karanjia Revenue Sub-Dvn.
15	Special Police Station (Energy)	Rairangpur	Revenue Sub-Dvn. of Raingapur and Karanjia
16	Special Police Station (Energy)	Chhatrapur	Police District, Ganjam except Bhanjhanagar Revenue Sub-Dvn.
17	Special Police Station (Energy)	Bhanjanagar	Revenue Sub-Dvn., Bhanjanagar
18	Special Police Station (Energy)	Gajapati	Revenue District, Gajapati
19	Special Police Station (Energy)	Boudh	Revenue District, Boudh
20	Special Police Station (Energy)	Kandhamal	Revenue District, Kandamal
21	Special Police Station (Energy)	Koraput	Revenue District, Koraput
22	Special Police Station (Energy)	Rayagada	Revenue District, Rayagada
23	Special Police Station (Energy)	Malkanagiri	Revenue District, Malanagiri
24	Special Police Station (Energy)	Nabarangapur	Revenue District, Nabarangapur
25	Special Police Station (Energy)	Kalahandi	Revenue District, Kalahandi
26	Special Police Station (Energy)	Nuapada	Revenue District, Nuapada.
27	Special Police Station (Energy)	Sundargarh	Revenue District, Sundargarh (except Rourkela Sub. Dvn.)
28	Special Police Station (Energy)	Rourkela	Revenue Sub-Dvn, Rourkela.
29	Special Police Station (Energy)	Keonjhar	Revenue District, Keonjhar

75. During the year 2009-10, Energy Police Station at Kendrapara, Dhenkanal, Nayagarh in CESU area and Rairangpur, Baripada in NESCO area have been established and started functioning.

76. The Govt. of Orissa, Dept. of Energy, vide its Notification dated. 11.02.2005 has authorized all Police Officers not below the rank of Sub-Inspector of Police in all the Police Stations of the State [other than the Special Police Stations (Energy)] to file complaint in the Special Court for the purpose of cognizance of an offence punishable under the Electricity Act, 2003.

The Energy Police Stations so far established (15 nos.) are yet to be made fully functional. Secondly the line of command and control of the Energy Police Station is currently an integral part of the general Police Administration as a result of which their special role gets diluted, amidst the competing needs of general law and order and crime control. They need to stand apart from the general run of police administration and act on a dedicated basis in tandem with the DISCOMs who are distributing and supplying electricity. In this connection the West Bengal where a very senior police officer at the level of an IG works with the West Bengal State Electricity Distribution Company Ltd. (WBSEDCL) and responsible for theft prevention should be taken as model.

Special Courts

77. Under section 153 of the Electricity Act, 2003 Govt. of Orissa vide its Home Department Notification dated.01.09.2006, has established 5 Special Courts for trial of offences committed U/Ss. 135 to 140&150 of the said Act as below:

Sl. No	Name of the Court	Area of Jurisdiction (Revenue District)
1	Additional District and Sessions Judge, Balasore	Balasore
2	First Additional District and Sessions Judge, Berhampur, Ganjam	Ganjam
3	Additional District Judge-Cum-Additional Special Judge(Vigilance),Bhubaneswar	Khurda
4	First Additional District and Sessions Judge, Cuttack.	Cuttack
5	Additional District and Sessions Judge, Sambalpur	Sambalpur

According to Rule 11 of the Electricity Rules, 2005, formulated by the Central Govt. the jurisdictions of the courts other than the Special Courts shall not be barred under sub-section(1) of section 154 till such time the Special Court is constituted under sub-section(1) of section 153 of the Act. Though 5 special courts have been notified by State Govt. these are yet to be functional. The Commission has from time to time advised the State Govt. to take steps for making these special courts operational.

Abetment

78. Under Section 150 of the Electricity Act, 2003 whoever abets an offence under the said Act shall be punished with the punishment provided for the offence.
If any officer or employees of the licensee or electrical contractor abets the offence he shall be punished with imprisonment for the terms which may be extended to three years, or with fine, or with both.

Bar of civil court

79. According to Section 145 of the Electricity Act, 2003 no Civil Court have jurisdiction to entertain any suit or proceeding to grant injunction in respect of any matter empowered to an Assessing officer, Appellate Authority, Adjudicating officer.

ADMINISTRATION

80. The Secretariat looks after the administration of the Commission. It is the pivot of the Commission's activities and the post of Secretary is statutory. Under the provisions of section 91(1), the Secretary is required to assist the Commission to carry out its functions. The OERC (Conduct of Business) Regulations, 2004 also defines the role of Secretary as the spokesman & representative of the Commission in all matters pertaining to its proceedings/hearings.
81. The Secretary is the repository of the Commission's orders and records and carries out all correspondences of the Commission. He issues true copies/certified copies of orders, documents, and notification for and on behalf of the Commission. He is the custodian of the seal of the Commission. The Secretary acts as the ex-officio Secretary of the State Advisory Committee. The Secretary is the first Appellate Authority under the RTI Act, 2005. Consequent upon the abolition of the post of Director (Administration), the Administration wing has been placed under Secretary.
82. The Administration Section provides vital support to the Commission in various matters such as recruitment, appointment of executives and non-executives, house keeping, procurement of materials, equipment maintenance, organizing functions/seminars/ workshop, printing of Tariff Order & other publications. Audit & Accounts, matters relating to FOR, FOIR, CEA, CBIP, Ministry of Power, SAFIR, CIGRE, Assembly & Parliament, caretaking, security, training, performance appraisal, materials management etc. It is headed by the Secretary and consists of a Deputy Director (Personnel and Administration), an Accounts Officer, an Accountant-cum-Cashier and one Steno-cum-Computer Assistant.

ORGANISATION CHART

83. The organization chart of Orissa Electricity Regulatory Commission (OERC) is shown at **Annexure-B**.

OFFICERS & STAFF

84. The Commission has 18 nos. of officers and 24 nos. of staff of various categories as on 31.03.2010 (**Annexure-A**).
85. **New Entrants**
- (i) Sri Bijoy Kumar Misra has joined on 06.04.2009 as Member, OERC.
 - (ii) Sri Pravakar Swain has joined on 11.05.2009 as Secretary, OERC.

86. **Creation/Up gradation of post**

Not done during the year.

87. **Assets acquisition**

- (i) One new vehicle Mahindra, Xylo has been purchased by replacement of the vehicle OR-02-F-0922.
- (ii) Two new Almirahs have been procured.

- (iii) One new Book Case has been procured.
- (iv) 4 nos. of tyres & Tubes for Ambassador Car No.-OR-02F-923 have been purchased.

Participation in Training/ Seminar/ Workshop/ Conference

Participation in Training/ Seminar/ Workshop/ Conference etc. are integral part of knowledge based organization like OERC. Officers and Staff have attended various training programmes, seminars, workshops & conferences in the year 2009-10 to enhance their professional skills and update their knowledge (Annexure-C).

STATE ADVISORY COMMITTEE MEETING

88. The State Advisory Committee meetings are usually held in every quarter of a year. During the year there were three meetings held at Conference Hall of OERC on 01.06.2009, 30.09.2009 and 18.02.2010 and the minutes of the meeting are at **Annexure-E, F & G**. The term of 3rd SAC was over on 13.03.2010. The Commission's proposal for new SAC was submitted to Govt. for views. Finally after consultation with Govt., the new SAC has been reconstituted vide notification No.3946 dtd.17.05.2010 (Annexure-D).

ANNUAL STATEMENT OF ACCOUNTS

89. After the framing of Orissa Fund Rules, 2006 on 01.04.2006 Accounts of OERC is being maintained on commercial basis and accordingly accounts audit was completed for the FY 2006-07 by A.G. Orissa during the month of May, 2010. We have also received the Audit Certificate for the year 2006-07 from Comptroller & Auditor General of India, New Delhi. A.G. Orissa has also completed the transaction audit for the years 2006-07 and 2007-08 during the month of January, 2009. The income and expenditure statement, receipt and payment statement, the balance sheet for the FY 2009-10 and the Audit Report of the comptroller & Auditor General of India from the FY 2006-07 is placed at Annexure-H, I, J & K (both on accrual and cash basis).

CONCLUSION

90. Odisha has entered a decade and a half of reform. Despite the immense pioneering effort of the Regulatory Commission, success still eludes the State power sector. Performance in power distribution is not satisfactory. Required loss reduction – both technical and commercial - is yet to be achieved. The overall Aggregate Technical and Commercial (AT&C) losses still remain unacceptably high. AT&C loss in 2009-10 was to the tune of 39.15 while distribution loss stood at 37.24%. In order to make the business of distribution of electricity financially viable, the overall AT&C loss is to be reduced to around 15%. This is a major thrust area for all stakeholders.
91. While it is the distribution licensees which have to take initiatives in this front, the State Govt. through Gridco as a 49% share holder have a major facilitating role to effectively assist the distribution companies to combat the menace of theft of electricity in the State. Though 34 Energy Police stations have been notified by the State Govt by 2009-10, only 15 have been set up and become functional. The performance of the existing ones is far from satisfactory. The Govt of Orissa has also established 5 Special Courts for trial of offences committed u/s 135 to 140 & 150 of the Electricity Act 2003. Creation of additional number of courts is essential to meet the growing number of litigations so that natural justice is available at large to a variety of consumer class.
92. Another important problem facing the distribution sector in the State is the poor financial condition of the distribution companies. They themselves have not invested anything and on the other hand their financial viability is being seriously affected due to high AT&C loss and stagnant average tariff since 2000-01. It may be mentioned that there was frequent tariff revision during pre-reform period. But the Commission had not allowed tariff increase since 2001 as Discoms were expected to manage their finances from reduction of losses. But that did not materialize due to various reasons attributable to all stakeholders. The Commission has, therefore, allowed an overall average tariff hike of 22.20% for 2010-11 to tide over the revenue gap of the distribution companies so that tariff partly takes care of the rising cost of supply and ensuring availability of some fund for essential operation and maintenance work.
93. It is vital that Standards of Performance and redressal of consumer grievances which are still not upto the mark must be brought up to the mark. To this effect 12 grievance redressal fora and 2 Ombudsmen have been set up by the Commission in the State. The OERC has taken a pro active approach to these twin issues and has been monitoring the performance of the Distcoms closely. While there is scope for further improvement, there has been some difference in quality of supply and service in the sector as well as in compliance of orders of the CGRFS & Ombudsmen.

94. Since 1996-97 budgetary support to the power sector has been fully withdrawn. Apart from reducing the burden on the State's Consolidated Fund, by the withdrawal of budgetary support, the State has also derived other gains from power sector in the shape of disinvestment of OPGC & the Distcoms as well as dividends, interest payments and electricity duty., etc.
95. The Govt. through GRIDCO has a 49% equity stake in the DISCOMs and, therefore, needs to take the lead in stepping into the breach and plug the leaks, losses and general deterioration in the system, to ensure efficient and continued stable supply of energy. The quality supply of power is a critical input for growth of industry and commerce in the State. Unless quality supply of electricity at an affordable price is ensured there may be flight of capital from the State. This would adversely affect the rate of growth of the State economy.
96. The distribution companies because of their poor financial health and for want of support from their parent company have not been able to bring in the required capital for investing in the distribution network. While the other states still continue to pay large amounts of subsidy, Orissa had not paid any subsidy after reform though it was paying around Rs.250 crore per annum on an average upto 1995-96. It is heartening that this year the State Govt made a commitment to step into the breach and invest a considerable amount for upgradation, renovation and expansion of the existing distribution network. The Odisha Govt. has proposed that Rs 2,400 crore will be invested in the distribution network out of which State Govt. will provide Rs.1200 crore with equal amount as counter funding by the distribution companies during 2010-11 to 2013-14. To start with State Govt. will provide Rs.300 crore during 2010-11.
97. While there is the need for aggressive administrative and financial measures to reduce the present unsustainable levels of AT&C losses there is also the imperative need for Govt. to participate actively in the day to day development of the power sector in the State. The demand and supply gap is increasing in the State daily due to rural electrification and industrialization. Hydro failure for two years and additional load from rural electrification has aggravated the demand – supply gap. This calls for aggressive steps for capacity addition from thermal and renewable sources.
98. To meet all these challenges, the present system of managing or treating the power sector in the State on an 'arms-length' basis needs to be changed to a 'hand-shake' basis. It is a robust power sector which is the key to attracting investments to the State. Therefore, the State Govt. must come forward readily and work alongside the DISCOMs, the STU and the Generators in the day-to-day development of the power sector. OERC is committed to play its regulatory and advisory role in an effective and transparent manner for protecting the interest of all stakeholders in the power sector.

ANNEXURES

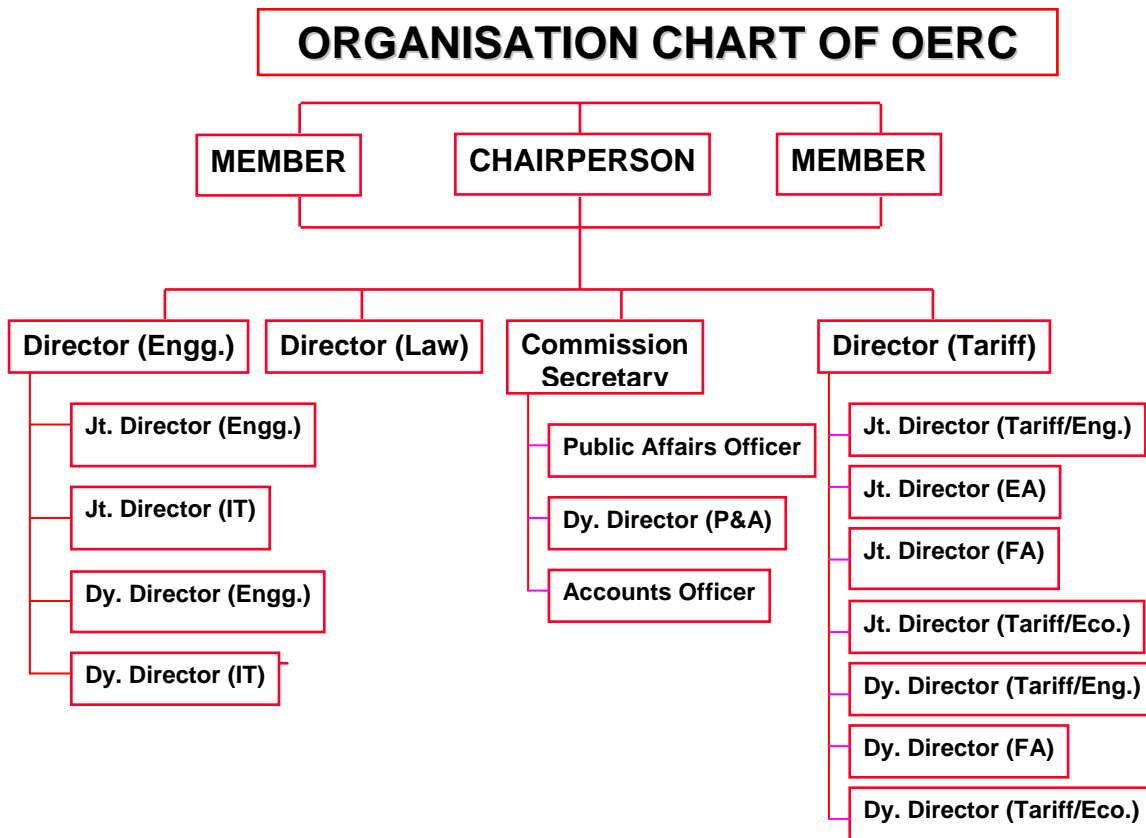
Annexure	Subject	Page No.
Annexure-A	List of Officers and Staff of the Commission	
Annexure-B	Organisation Chart of OERC	
Annexure-C	List of Seminars/Workshops/Training Programmes attended by Officers/ Officials during the FY 2009-10	
Annexure-D	Reconstitution of State Advisory Committee	
Annexure-E, F & G	Minutes of the State Advisory Committee (SAC) Meetings (2009-10)	
Annexure-H	Income and Expenditure Account as on 31st March 2010	
Annexure-I	Receipt of Payment Account for the year ended March 2010	
Annexure-J	Balance Sheet as on 31 st March 2010	
Annexure-K	Audit Report	

LIST OF OFFICERS AND STAFF OF THE COMMISSION

The Commission being the oldest in the country has a committed strength of officers and staff providing a healthy mix of Permanent, Deputation and contractual staff. The persons in position as on 31.03.2010 are detailed in the table below:-

Sl No.	Designation	Persons in position
1	Commission Secretary	Sri P.K. Swain
2	Director (Engg.)	Sri B.K. Sahoo
3	Director (Tariff)	Dr. M.S. Panigrahi
4	Director (Law)	Dr. N.C. Mohapatra
5	Jt. Director (Engg.)	Sri K.L. Panda
6	Sr. Economic Analyst	Sri P. Pattnaik
7	Sr. Financial Analyst	Sri S.M. Patnaik
8	Jt. Director (IT)	Shri J.C. Mohanty
9	Jt. Director (T/Econ)	Dr. (Mrs.) A. Das
10	Joint Director (Tariff-Engg)	Sri A.K. Panda
11	Public Affairs Officer	Ms. Purabi Das
12	Jr. Financial Analyst	Sri Ajoy Sahu
13	Dy. Director (IT)	Sri S.C. Biswal
14	Dy. Director (Engg)	Sri S.P. Mishra
15	Dy. Director (P&A)	Sri K.S. Biswal
16	Dy. Director (T/Engg)	Sri A.K. Jagadev
17	Dy. Director (T/Econ)	Sri A.K. Samantara
18	Accounts Officer	Sri Sanjay Das
19	Steno-cum-Computer Asst.	Sri M. Moharana
20	Steno-cum-Computer Asst.	Sri L.N. Padhi
21	Steno-cum-Computer Asst.	Sri S.K. Sahoo
22	Steno-cum-Computer Asst.	Sri P.K. Sahoo
23	Steno-cum-Computer Asst.	Sri K.C. Tudu
24	Steno-cum-Computer Asst.	Sri S.K. Das

25	Steno-cum-Computer Asst.	Smt. L.B. Patnaik
26	Steno-cum-Computer Asst.	Smt. S. Mishra
27	Receptionist/Caretaker	Smt. Mamatarani Nanda
28	Accountant cum Cashier	Sri Jaypal Das
29	Driver	Sri R.C. Majhi
30	Driver	Sri Jalandhar Khuntia
31	Driver	Sri Jadunath Barik
32	Driver	Sri Ashok Ku. Digol
33	Peon	Sri Pitamber Behera
34	Peon	Sri Umesh Ch. Rout
35	Peon	Sri Sudarsan Behera
36	Peon	Sri P.K. Behera
37	Peon	Sri Bijoy Ku. Majhi
38	Peon	Sri R.C. Sahoo
39	Peon	Sri Abhimanyu Jena
40	Peon	Sri S.K. Mohapatra
41	Peon	Sri Rabindra Ku. Mekup
42	Peon	Sri Pradip Ku. Pradhan



Seminars/Workshops/Training Programmes attended byOfficers/Officials during the FY 2009-10

Sl. No.	Name and Designation	Particulars of Programme	Duration	Venue	Programme Conducted/ Sponsored by
1	Shri A.K. Samantara, Dy. Dir (T-Eco)	"Conference and Exhibition on Power-Gen India & Central Asia, 2009"	2nd to 4 th April, 09	New Delhi	Inter Ads Exhibition (P) Ltd. (India)
2	Shri A.K. Jagadev, Dy. Dir (T-Engg)	- do -	-do-	-do-	-do-
3	Shri S.P. Mishra, Dy. Dir (Engg)	Electrical safety procedures, Accident Prevention & Disaster Management	4 th to 8 th May, 09	New Delhi	CENPEID, NDPL
4	Shri A.K. Samantara, Dy. Dir (T-Eco)	Distribution Automation.	11 th to 15 th May, 09	Bangalore	NPTI
5	Shri A.K. Panda, Jt. Dir (T-Engg)	Regulation, Competition and Consumer Protection.	18 th to 21 st May, 09	Dharmasala (HP)	Institute of Regulation & Competition, New Delhi
6	Shri A.K. Samantara, Dy. Dir (T-Eco)	Demand side Management & Energy Efficiency.	15 th to 18 th June, 09	Faridabad	NPTI, Faridabad/ FOR
7	Shri A.K. Jagadev, Dy. Dir (T-Engg)	- do -	-do-	-do-	-do-
8	Shri K.S. Biswal, Dy. Dir (P&A)	"Training Programme for Officers of Regulatory Commissions".	3 rd to 8 th Aug. 09	Kanpur	IIT/FOR
9	Shri Ajoy Sahu, Dy. Dir (FA)	-do-	-do-	-do-	-do-
10	Shri K.L. Panda, Jt. Dir (Engg)	Workshop on DSM Load Despatch	7 th to 8 th Sep. 09	Faridabad	NPTI/FOR
11	Shri S.P. Mishra, Dy. Dir (Engg)	-do-	-do-	-do-	-do-
12	Shri K.L. Panda, Jt. Dir (Engg)	Workshop on Open Access, Role of LDCs & Power Markets.	4 th to 7 th Nov. 09	-do-	-do-
13	Shri A.K. Samantara, Dy. Dir (T-Eco)	-do-	-do-	-do-	-do-
14	Shri B.K. Sahoo, Director (Engg)	Workshop on Power Training	12 th Nov.09	Kolkata	IEX
15	Shri A.K. Panda, Jt. Dir (T-Engg)	2 nd Energy Efficiency Co-operation Conference.	16 th & 17 th Nov, 09	New Delhi	CII

16	Shri S.P. Mishra, Dy. Dir (Engg)	-do-	-do-	-do-	-do-
17	Shri S.M. Pattnaik, Jt. Dir (FA)	Finance & Economics for Officials of Regulatory Commission	14 th to 18 th Dec.09	Bangalore	IIM/FOR
18	Shri Ajoy Sahu, Dy. Dir (FA)	-do-	-do-	-do-	-do-
19	Shri Sanjay Das, Accounts Officer	-do-	-do-	-do-	-do-
20	Shri S.P. Mishra, Dy. Dir (Engg)	Distribution Loss Reduction – DRUM Programme	8 th to 12 th March, 10	Bangalore	PSTI
21	Sri B.K. Sahoo, Director (Engg.)	Workshop on Renewable Energy Certificate – Implementation Issues	19 th March, 2010	New Delhi	FOR

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHVAN
UNIT – VIII, BHUBANESWAR – 751 012

*** **

NOTIFICATION
Dt.17.05.2010

No.SECY-SAC/CON/2010/3946/ In exercise of the powers u/s. 87(1) of the Electricity Act, 2003 read with Regulation 3 of the Orissa Electricity Regulatory Commission (State Advisory Committee) Regulations, 2004 and after consultation with the Govt. of Orissa, the Orissa Electricity Regulatory Commission hereby reconstitute the State Advisory Committee (SAC) composed of following members. The Chairperson of the Commission shall be the ex-officio Chairperson and two Members of the Commission shall be the ex-officio members of the SAC. The Principal Secretary/Commissioner-cum-Secretary, Food Supplies and Consumer Welfare Department, Govt. of Orissa shall also be the ex-officio member of the SAC.

Sl.No.	Institutions/Name of Individuals	Field of Representation
1	Principal Secretary / Commissioner-cum-Secretary, Govt. of Orissa, Department of Energy.	State Govt.
2	President / Representative of Confederation of Citizen Association, Bhubaneswar	NGO, representing the licensed area of CESU
3	President, Orissa Electrical Consumers' Association, Sibasaki Medicine Complex, B.K. Road, Cuttack-753001	NGO, representing consumer group of the licensed area of CESU
4	Sri Gobardhan Pujari, Representative of Sundargarh Dist. Employers Association, AL-1, Basanti Nagar, Rourkela-12	NGO, representing licensed area of WESCO
5	Sri G. N. Agrawal, General Secretary, Sambalpur District Consumers Federation, Balaji Mandir Bhawan, Po-Khetrajpur, Sambalpur – 768003	NGO, representing consumer group of the licensed area of WESCO
6	President, Kalahandi Citizen Forum, Bhawanipatna	NGO, representing licensed areas of WESCO
7	Sri Prabhakar Dora, Consumer Activist, 3rd Lane, Vidya Nagar (Co-Operative Colony), PO/Dist-Rayagada-765001	Consumer activist representing licensed areas of SOUTHCO
8	Smt. Abanti Behera, W/o Randhir Jena, At-Kakat, PO-Kendrapara, Dist-Kendrapara	Consumer representing women Self-Help Group under licensed area of CESU
9	Smt. Minati Behera, W/o Sudarsan Behera, At-Nayachouk, PO-Madhupatna, Cuttack-10	Consumer representing women Self-Help Group under licensed area of CESU

10	Sri Maheswar Baug, Ex-Minister, At : Mallikaspur, Po : Motiganj, Balasore Town, Dist : Balasore	Agriculture (NESCO)
11	General Secretary, Nikhila Orissa Bidyut Sramik Mahasangha, Diha Sahi, Shankarpur, Cuttack-12	Labour of Electricity Industry
12	Sri Dwiti Krishna Panda, President, OSEB Employees Federation, Gridco Headqrs. Office, PO-Bhoi Nagar, Bhubaneswar-751022	Labour of Electricity Industry
13	Representative of Confederation of Indian Industry, Eastern Region, Orissa, 8, Forest Park, Bhubaneswar-9	Industry
14	President, Orissa Small Scale Industry Association, Ajay Binay Bhawan, Industrial Estate, Cuttack-10	Industry
15	Er. B.K. Mohapatra, Industrialist, Rajabagicha, Cuttack-9	Industry
16	Utkal Chamber of Commerce & Industry, N/6, IRC Village, Nayapalli, Bhubaneswar	Industry
17	Prof. Gyana Chandra Kar, Former Professor & Head, Deptt. Of Economics, Utkal University, Sidheswar Sahi, Cuttack – 753008	Academics
18	Prof. Ashok Kumar Tripathy, Head, Deptt. of Electrical Engineering, Silicon Institute of Technology, Bhubaneswar & Former Director, Central Power Research Institute, Bangalore	Academics & Research Body
19	Ms. Manorama Mohapatra, Educationist & Noted Writer, Gopabandhu Bhawan, Cuttack-1	Academics
20	General Manager, East Coast Railways, Bhubaneswar	Transport
21	Sri R.K. Behera, Chairman, RSB Group of Companies, N-2/40, IRC Village, Bhubaneswar	Commerce

The above Members shall continue for a period of three years from the date of issue of this notification. The terms and conditions of the members of the SAC are governed under the provisions of the Orissa Electricity Regulatory Commission (State Advisory Committee) Regulations, 2004.

The Managing Director, GRIDCO/ OPTCL/ OPGC/ OHPC/ CEO/ Vice-President of the DISTCOs shall be Special Invitees, and shall attend the meetings of the Committee.

The Secretary of the Commission shall be the ex-officio Secretary of the SAC.

By order of the Commission

SECRETARY

Copy to :

1. Commissioner-cum-Secretary, Department of Energy, Govt. of Orissa, Bhubaneswar for information.
2. Commissioner-cum-Secretary to Govt., Food and Consumer Welfare Department, Bhubaneswar for information.
3. All members of the newly constituted SAC along with the extract of the Sections 87 & 88 of the Electricity Act, 2003 for ready reference.
4. The Chairman-cum-Managing Director, GRIDCO, Janpath, Bhubaneswar/ The Chairman-cum-Managing Director, OPTCL, Janpath, Bhubaneswar/ The Managing Director, OPGC, Zone-A, 7th Floor, Fortune Towers, Bhubaneswar/ The Director (Finance), OHPC, OSPH&W Building, Vani Vihar Chowk, Janpath, Bhubaneswar / The CEO, CESU, IDCO Tower, 2nd Floor, Bhubaneswar/ The CEO, NESCO, Januganj, Balasore/ The V.P., SOUTHCO, Courtpetta, Berhmapur/ The V.P., WESCO, Burla, Sambalpur.
5. Notice Board/ Website www.orierc.org.
6. Director (Engg.), Director (Tariff), Director (Law), PAO, Dy. Director (P&A), Accounts Officer, OERC.

Summary of discussions of the 8th SAC Meeting held on 1st June, 2009 at Conference Hall of OERC

The 8th meeting of the State Advisory Committee (SAC) of the Orissa Electricity Regulatory Commission (OERC) was held in the Conference Hall of the Commission at 4.00 P.M. on 1st June, 2009. The following two agenda items were placed for deliberation in the meeting.

I. **Loss reduction strategy, investment proposal involving capital expenditure, measures to improve quality of supply**

II. **Active participation of State Govt. for sustainable development of power sector in Orissa vis-à-vis the Business Plan of the Distcoms for the year 2008-09 to 2012-13.**

Shri P. K. Swain, Secretary, OERC welcomed the SAC members to the meeting & requested Shri K. C. Badu, Member, OERC to preside over the meeting in the absence of Chairperson. Shri Badu introduced the new Member Shri B. K. Misra to the SAC.

Introducing the agenda of the meeting Shri Badu explained that the Business Plan for the year 2003-04 to 2007-08 was approved by the Commission on 28.2.2005. For the purpose of target of loss reduction, the actual loss for the year 2002-03 was taken as the reference year & 2003-04 was taken as the base year. Since the last Plan period is already over, the next Business Plan will cover a period of five years starting from 2008-09 & ending in 2012-13. Keeping in view the results achieved so far & the reasons for failure in achieving the targets of the last Business Plan, Shri Badu requested the SAC to help work out an implementable Business Plan for the period 2008-09 to 2012-13.

He asked Members to briefly outline their suggestions & comments on various issues raised in the background note which was circulated among them. Thereafter Mr. Sood, M.D. of three Reliance Managed Company & Commissioner-cum-Secretary, Department of Energy, Govt. of Orissa would respond to the points raised. Summary of the suggestions & comments received from the Members & response of Distcoms/Govt is indicated below:

Consumer Related Issues

- Some of the Members pointed out that arbitrary bills have been raised, specifically on domestic consumers.
- Consumer complaints are not being attended to in time & there is inordinate delay in giving new connections & in replacement of burnt transformers/old transformers.
- There is no co-ordination between consumers & the employees of DISCOMs which is necessary to reduce loss. Consumer organizations registered with the Food, Supply & Consumer Welfare Department should be roped in by DISCOMs to create awareness among consumers & to build up a rapport between the utility & the consumers to address theft of electricity.
- Various orders issued by the GRF/Ombudsman are not being implemented by the licensee. They should implement these orders on a priority basis except where they have gone to the High Court.

Loss Reduction Strategy

- Distribution loss & AT&C loss reported by the licensee have not been authenticated by any independent third agency or by the Commission. They are mechanically accepted. Hence, the licensees do not have any fear of penalty.
- Without verifying the actual loss in HT & EHT level, the loss is estimated at 0% & 8% loss in HT & EHT respectively. The actual loss at HT & EHT level should be verified before arriving at LT loss.
- Similarly it is claimed that distribution loss is more in the rural areas. It is illogical to claim there is more loss in rural areas than in urban areas when most of the time the rural areas do not get electricity. Feeders should be segregated for urban & rural areas. There should be proper energy audit feeder wise & substation wise to assess the exact quantum of loss with respect to different category of consumers.

Quality of Supply

- In rural areas there is intermittent power supply & whenever the power is supplied, the voltage is extremely low. In urban areas too there is the problem of low voltage.
- While there is need to ensure improvement in the quality supply both in urban & rural areas, DISCOMs should select few areas where they should ensure quality supply & up to date maintenance & collection of revenue. This can be done on a pilot basis & extended to more areas later.
- When there is shortage of power there should not be rationing of power across the industries or the consumers. The OPTCL/GRIDCO should indicate the quantum of power that is available & accordingly the DISCOMs should decide the priority for rational power cut.

Strong, Vibrant & pro-active Regulatory function

While the distribution licensees, transmission utility as well as the State Govt. are responsible for failure of power sector in the State, the Regulatory Commission has an equal role to play. It is necessary for the Regulatory Commission to be strong, vibrant & proactive to ensure turn around of the power sector.

Tariff hike & quality of supply

There is need for a reasonable hike in tariff. But if tariff is to be hiked, a massive drive should simultaneously be launched on theft of electricity. The quality supply of power should also be improved by regular operation & maintenance & infusion of capital for upgradation/expansion of the distribution network.

Administrative support for curbing theft

- There should be rethinking & re-orientation in the approach of the State govt. which holds 49% of share in the Distcoms. The present system of managing or treating the power sector in the State at an arms' length basis needs to be changed to a "hand-shake basis".
- The Energy Police Stations have been opened but these are not functioning effectively. The Govt. should ensure full fledged functioning of these EPS. A senior officer may be posted as Chief Security & Vigilance Officer under the Energy Department who can oversee & monitor the functioning of the EPS.
- At the district level govt. should provide support to the DISCOMs in the matter of detecting theft of electricity & disconnection in case of default in payment of electricity dues.
- The Govt. departments, Urban Local Bodies, Rural Local Bodies, Cooperatives, Public Enterprises, & Autonomous organizations under the control of the State Govt. should pay electricity dues in time & regularly. In case there is default the line should be disconnected. In case of essential service lines like water supply & hospital, pre-paid meters may be provided or advance payment may be made.

➤ Investment

- Since loss level is very high which is currently at about 42%, the distribution licensees are not able to collect the revenue approved by OERC. As a result, sufficient cash is not left to take up repair & renovation work. Consequently the quality of supply is deficient. Govt. of Orissa should examine various steps taken by other State Govts to improve the distribution of electricity in their State & should contribute in equal proportion for capital investment for at least four years starting from 2009-10.
- Instead of direct release of funds to DISCOMs for capital expenditure or upgradation of distribution network, it should be routed through a separate account or be monitored through a Special Purpose Vehicle (SPV).

➤ Dispute Resolution

- A number of Court cases have been filed by the three Reliance Managed Companies against Gridco. OERC should take proactive action to settle these disputes.

Resecuritisaton of NTPC Bonds amounting to Rs.400 crore

Mr. V.K. Sood MD (WESCO, NESCO & SOUTHCO) stated that the above companies were not able to raise loan of Rs.82.00 crore from Rural Electrification Corporation for system improvement. beacuse they had issued secured, non-convertible & redeemable debenture to the tune of Rs.103 crore, Rs.167 crore & Rs.130 crore, respectively with of 12.5% per annum in favour of GRIDCO. However, no financial institution is releasing

loan to the above Discoms, unless the immovable assets hypothecated against the bond as a security are free of charge. Gridco is unwilling to release the assets & is demanding payment against the bonds. The matter is now with the Supreme Court & the Company Law Board.

The Energy Secretary also agreed that the entire issue of securitization of bonds needs a fresh look under the present circumstances. He said that the comments/suggestions of members were excellent & would be taken into consideration while preparing the memorandum that would shortly be submitted by the DoE to the State Govt. While acknowledging the Govt's responsibility, he exhorted all stakeholders to discharge their roles effectively. Member Shri Badu stated that the Commission would examine the issue of securitization of bonds afresh, if the parties approached the Commission through a formal petition.

Concluding the discussion, Shri Badu denied that the Commission has adopted a soft approach while dealing with the performance of the DISCOMs. He pointed out that while approving the annual revenue requirement & fixing the tariff, the Commission has not accepted the loss level reported by DISCOMs but instead has adopted a normative approach based on the recommendations of the Sovan Kanungo Committee. He agreed with the view of the SAC that the Commission should be more proactive & vibrant in enforcing various provisions of the Act & the Regulations. He ended the meeting by thanking all Members & assured them that their inputs would be duly incorporated in the Business Plan for 2008-09 to 2012-13.

Summary of discussions of the 9th SAC Meeting held on 30th September, 2009 at the OERC Conference Hall.

The 9th meeting of the State Advisory Committee (SAC) of the Orissa Electricity Regulatory Commission (OERC) was held in the Conference Hall of the Commission at 3.30 P.M. on 30th September, 2009. Sri B.K.Das, Chairperson presided over the meeting. Sri P.K.Swain, Secretary welcomed all the Members of SAC & placed the following agenda items for deliberation in the meeting.

- I. Action Taken on minutes of SAC meeting dtd. 01.06.2009
- II. Quality of power supply & reliability; methodology to be adopted to verify the authenticity of st&ard of performance.
- III. Franchisee Operation in Distribution.
- IV. Need & Methodology of Power Cut in the State.
- V. Any other with permission of the Chair.

The Chairman also welcomed the Members & threw open the agenda for discussion. The members deliberated on each of the agenda items. Summary of the discussions is indicated below:

Action Taken on minutes of SAC meeting dtd. 01.06.2009

Members wanted the ATR on the recommendations of SAC to be circulated among them before the next SAC meeting is held.

Responding to the ATR, SAC Members said that the ATR did not give proper information regarding investment support by the State Government or the Special Purpose Vehicle mooted in the last meeting.

SAC Members also wanted to know whether section wise energy audit had been carried out by the licensees & whether detailed data on loss was available with the Distcoms. Such data should be available at the finger tips, both of the utility & of the consumers, said Members. Chairperson, Shri. Das said that the SAC should be concerned about investment in system upgradation & should not concern itself with details or the structure of the state support. He also directed that the figures related to the energy audit should be posted by all DISCOMs in their respective websites.

Sri B.K.Mishra, Member, OERC said that each of the DISCOMs had been asked to create an Area of Excellence in respect of reduction of AT&C loss, energy auditing, reliability & quality of supply etc. & wished to know what action had been done in this regard & how best it could be replicated.

Quality of power supply & reliability; methodology to be adopted to verify the authenticity of standard of performance.

The licensees are compiling the information on the guaranteed st&ard of performance & overall standard of performance based on the records maintained by them. At present there is no mechanism in place to crossverify the entries in the register with reference to the ground realities faced by consumers. To begin with, the information compiled & submitted to the Commission on monthly/quarterly reports should be cross verified with the documents & register available with the licensee.

Regarding the actual standard of performance provided by the licensees, it is necessary to conduct random checks in each circle/division/sub-division of the licensee. This can be entrusted to reputed consumer organizations in the area. In order to make the crossverification effective, necessary facilities & support should be provided by the Commission as well as the licensee. They should also be provided with the prescribed pro-forma under the rules.

In order to verify the authenticity of the standard of performance it is to be ensured that all the substations maintain the following registers/records diligently/scrupulously as required under law, i.e. (a) Normal fuse call Register (b) Line break down Register (c) Distribution Transformer failure Register (d) period of Schedule outage (e) Voltage variation Complaint register (f) Meter complain Reg. (g) Requisition / receipt of application of new connection (h) Register recording disconnection & reconnection (i) register/record on transfer of ownership (J) Register of billing dispute (k) Payment of compensation under the provisions (schedule III) of OERC (Licensees standard of performance) Regulation, 2004.

Regarding Restoration of power supply the docketing of each complaint on disruption of power supply/low voltage/voltage variation should be done meticulously. Each division should have a 24 hours manning of call centre equipped with automatic telephonic complaint recording system.

The Commission may also depute their staff for verification of date on SoP by visiting different consumers on a random basis & ascertaining the actual time taken for replacement of burnt transformer, granting new connection, duration of power interruption, replacement of defective meters etc.

The Chairperson said that the SAC should advise the Commission on how to verify the data on Standards of Performance (SoP) furnished by the utilities.

Shri K. C. Badu, Member pointed out that in a situation of demand supply gap there is a need for tariff hike as the licensees have to procure costly power from different sources. He added that defaulting consumers who have arrears should be strictly dealt with as per Regulations. A systematic drive should be launched to disconnect power supply with proper notice to these defaulting consumers. There should be a sustained campaign & drive to bring unauthorized consumers to the fold. The local administration should extend cooperation to the licensee in their efforts for taking deterrent action against unauthorized connections.

Shri. Mishra, Member, said that the data recorded in the feeder meters may be retrieved & furnished for the SoP to the Commission. Static meters data can also be verified at a later date from the dump recording & can be relied on to ascertain the reliability & quality of supply. Similarly, the data can also be cross checked against the data recorded in industrial consumer meters. In reply to a query DISTCOs clarified the presently reporting to the Commission is based on manual record & not on static meter data. DISTCOs agreed to furnish the data on feeder metering data wherever available.

Franchisee Operation in Distribution:

With regard to Franchisee Operation in Distribution, Members expressed their doubts about the benefit of the same to the consumer. It is the primary responsibility of the Licensees to ensure quality of supply of power & adhere to the prescribed standards of performance but in the name of entrusting the work to Franchisee they are trying to disown the responsibility, felt the Members. As a result the existing level of service to the consumers is likely to deteriorate further.

Some Members also pointed out that while the objective of introducing Franchisees is to bring down distribution loss, improve collection efficiency & reduce AT&C loss, from the performance report of the Discoms, it appears that the franchisees have not been able to achieve these objectives.

In responding to the various comments & observations of the Members of SAC the CEOs of SOUTHCO, NESCO, WESCO & CEO & CCO of CESU explained the background & the statutory requirement for introducing the Franchisee Operation in Distribution as under:

Section 14 of the Electricity Act, 2003 & relevant provisions in the Rural Electrification Policy of Govt. of India envisage for deployment of franchisees in power distribution. The RGGVY for rural electrification mandates for franchisee operation in power distribution & if the licensees fail to comply, the entire financial grant released by Govt. of India for implementation of the scheme would be converted to loan.

It is incorrect to say that after entrusting the billing & collection work to the franchisee the licensees are shirking their responsibility for up-keep of the distribution network & maintenance of standards of performance. The licensees have deputed their staff to assist the franchisees & to work with them in full co-ordination.

Regarding the alleged failure of the franchisee to reduce distribution loss & improve collection efficiency it was explained that as per the agreement the franchisee are to reduce distribution loss in a phased manner & they have also to increase the input rate realisation. Even if the franchisee has not been able to improve the existing level of realization per unit of input they have to pay the Distcoms the agreed input rate.

There have been initial difficulties in proper co-ordination & explaining the desirability of franchisee operation. But this is being addressed & it is expected that when the quality of service improves there would be improved per unit input realization & reduction of loss.

Need & Methodology of Power Cut in the State

Members pointed out that both EHT consumers & OPTCL sub-stations maintain records of outages but responsibility for the same is normally shifted by DISCOMs to OPTCL & no relief is provided in billing to

industries suffering from power cuts. Moreover, on the instructions of the State Govt., OPTCL & the SLDC are regulating 50% of the power supplied to industries since June, in violation of the OERC order. Shri Das, Chairperson said that no single class of consumers should bear the brunt of power regulation which should be equitable. In response to a query regarding section 102 & 37 of the Act, under which the the State Govt. can direct the OPTCL on policy matters, he pointed out that power regulation is not a policy matter but a day to day management. Section 23 however empowers OERC to regulate power if necessary, he added.

Shri. Mishra, Member informed that contingency plans for shortages at different level say 100, 300, 500, 700 & 900 MW are being prepared in consultation with the DISCOMs. However he pointed out that the SLDC are not supposed to give direction to OPTCL for h& tripping of HT/EHT consumers without even bothering to inform to the User & DISTCOs. Members suggested that the Commission should take action against the SLDC for arbitrary power regulation.

The Chairperson clarified that power would be shed only on a clear-cut plan of operation which is being prepared & would be circulated to all SAC members Shri K C Badu, Member said that the rate of power would inevitably go up due to power shortage & consumers should be prepared for it.

Govt. Views/Suggestions :

Additional Secretary to Govt. Energy Department, pointed out that govt. is seriously considering tbudgetary support to the Distcoms for upgradation, renovation of distribution network. He stressed that the licensee should ensure that those who applied for new connections are not harassed & that applicants are provided new connection within the prescribed time. The consumers must also play their role in timely payment of electricity dues & in preventing theft in their neighbourhood. Regarding indiscriminate power cuts he clarified that the Govt. had issued instructions under Section 37 of the Electricity Ac, 2003 for proper maintenance keeping in view the safe & secure operation of grid & it is the Commission that has to lay down guidelines for efficient & reliable power supply.

At the end the Chairperson thanked the SAC members for their suggestions & recommendations.

Summary of discussions of the 10th SAC Meeting held on 18th Feb, 2010 at the OERC Conference Hall

The 10th meeting of the State Advisory Committee (SAC) of the Orissa Electricity Regulatory Commission (OERC) was held in the Conference Hall of the Commission at 3:30 P.M. on 18th Feb. 2010. Sri P.K. Swain, Secretary, OERC welcomed all the members of the SAC present & requested the Chairperson, OERC to preside over the meeting> he placed the agenda items for discussion as indicated below:

- I. **Action Taken on minutes of SAC meeting held on 30.09.2009.**
- II. **Tariff proposal for FY 2010-11.**
- III. **Any other matter with the permission of the chair.**

Sri B.K. Das, Chairperson, OERC welcomed the members & requested them to go through the Action Taken Report (ATR) on the decisions of last SAC meeting & give their feedback.

Regarding the tariff proposal for 2010-11, he pointed out that while electricity tariff for consumers should be affordable, the financial viability of the utilities of the power sector is equally important. He then requested Director (Tariff), OERC to make a presentation on the tariff proposals of the licensees for 2010-11.

At the end of the presentation by Director (Tariff), the Chairperson requested the members to give their views/suggestions/comments, if any, on the proposals.

Summary of the suggestions/observations made:

There was tariff increase at regular intervals in the past, both during pre-reform & period just following reform, undertaken w.e.f. 01.04.1996 but from 2001-02, the average tariff has remained more or less the same. The average tariff hike was 28.58% during 1993-94, 15.73% during 1994-95 & 17.07% during 1995-96, before power sector reform. Thereafter, the tariff rise was 17% during 1996-97, 10.33% during 1997-98, 9.30% during 1998-99, 4.50 during 1999-2000, 10.23 during 2000-01 & there has been no rise in average tariff from 2001-02 to 2009-10. If it is compared with the rise in wholesale price index, it is seen that the rise in tariff from 1995-96 has declined by 29.76% compared to the rise for wholesale price index. When there has been price rise for different commodities & services during these years, from 2001-02, there is bound to rise in electricity tariff which is based on cost plus principle, otherwise financial viability of the utilities will be seriously affected. It has already been affected.

Though tariff is bound to increase because of increase in salary & wages, price of coal & other materials, decline in hydro generation as percentage of the total demand of the State from 56.67% in 2004-05 to 30.33% in 2008-09 & to below 30% during 2009-10, the Commission may keep in view the paying capacity of the consumers & the tariff should be at affordable rates for various categories of consumers.

At present, the service provided by DISTCOs is far from satisfactory. There is frequent interruptions for hours together, particularly, in rural areas, there is inordinate delay by the DISTCOs to replace the burnt transformers or to attend to other repair & restoration works. If there is tariff hike, there would be discontentment among the consumers who are not being provided required standards of performance. Hence, with rise in tariff, there should be improvement in quality of service now being provided to the consumers. A part of the tariff hike may be kept in a separate fund with GRIDCO & this would be ploughed back for upgradation of distribution network to improve quality of supply to the consumers.

While increasing the tariff, it must be ensured that the cross-subsidy being provided by the industries to other consumers should be reduced & should be within \pm 20% of the average cost of supply as per the National Tariff Policy.

Steps should be taken for desilting of various hydro reservoirs so that there is generation of low cost hydro power as per the approved design of energy of various hydro power stations.

The greatest problem standing on the way of financial viability & satisfactory service to the consumers is the present high level of AT&C loss which is in the order of 41.3% at the end of 2008-09 & during the current year 2009-10 upto 30.09.2009, the AT&C loss has been worked out at 40.27%. Though AT&C loss has been reduced from 60.9% in 1998-99 & 56.7% in 1999-2000 to 41.3% at the end of 2008-09, the rate of reduction is very slow &, even though, there has been up & down during different years. Reduction of 1% AT&C loss in

monetary term works out roughly Rs. 48 crores per annum. If AT&C loss is reduced to about 30% from the present level of 41.30%, a sum of Rs. 588 crore or say Rs.600 crores would be available to the power sector for upgradation & expansion of distribution network. The DISTCOs should take effective steps for reduction of AT&C loss & Govt. would provide necessary support in their endeavour & commitment in launching a broad attack on theft of electricity through hooking, by-passing of meter or other means. Loss reduction holds the key to meeting Orissa's power needs. The DISTCOMs can be get a tariff with incentive for those who meet loss reduction targets & penalty for those who do not.

DISTCOs should take steps to collect the arrear of revenue outstanding against different consumers as per the Regulation. They should disconnect power supply after giving due notice. In case there is law & order problem, arising out of detection of theft of electricity or disconnection of power supply on account of non-payment, the police administration at local level should give effective support to the DISTCOs. State Govt. may issue appropriate direction in this regard & should also monitor the working of the Energy Police Stations as well as steps taken to prevent the energy crime related offences. Without active Govt. support, there would not be substantial improvement in reduction of theft of electricity & collection of arrears from the defaulting consumers including Govt. departments, urban local bodies, public sector undertakings, autonomous organizations, cooperatives, etc.

The Commission should very carefully scrutinize the revenue requirement projected by the power utilities on different items & should allow the reasonable expenditure to them. The payment of revised salary/wages & the arrears arising out of implementation of recommendations of 6th Pay Commission should be linked to their improvement in performance. Only when they realize a substantial arrear amount outstanding as on 01.04.2010 & improve the quality of service, the arrear revised salary should be paid linking to the quantum of arrear revenue collected.

The Commission should not accept the loss level shown by the DISTCOs for the previous years nor the projection made for 2009-10 & 2010-11. Expenditure should be allowed on power purchase cost & other related expenditure based on the normative level of loss approved by the Commission for DISTCOs but not on the loss level projected by them. Accordingly truing up exercise should be made & regulatory asset should be created strictly on the basis of performance parameter approved by the Commission.

While there is urgent need for strong police action to prevent theft of electricity & to deal with the unscrupulous consumers for not paying the electricity dues in time & creating problems while disconnecting power supply, there is also need for capital investment for system upgradation to improve the quality of supply & reduce the technical loss. The DISTCOs as well as State Govt. should come forward for investment for system upgradation. Any fund that may be released by the Govt. to DISTCOs should be passed through GRIDCO & the expenditure on system improvement should be reviewed by a Committee consisting of Secretary, Energy, EIC (Electricity), CMD, GRIDCO & CEOs of four DISTCOs subject to overall supervision & guidance by OERC from time to time.

Any cost increase in generation & transmission would reflect in the Retail Tariff. It is, therefore, necessary for OHPC & OPTCL & GRIDCO to function efficiently, so that the generation cost & transmission cost are kept at the reasonable level in order to avoid substantial hike in the Retail Tariff.

Up to 2007-08, GRIDCO was supplying power to DISTCOs at a lower rate mostly because of higher quantum of generation by the Hydro generating stations & the loss arising out of the difference between cost of procurement by GRIDCO & supply to the DISTCOs was being met from the profit earned by GRIDCO from sale of surplus power. Since there has been increase in the number of consumers & likely to increase to 68 lakh by 2011-12 & consequently rise in dem&, the ratio of hydro generation to the total dem& is being reduced from 56.67% in 2004-05 to 30.33% in 2008-09 & this ratio would further reduce in the coming years, there would be need for purchase of high cost thermal power from different sources. In order to keep the Retail Supply Tariff at a reasonable level, Govt. should provide financial support to GRIDCO in shape of grant/loan or State Govt. guarantee or the combination thereof.

While working out the tariff hike for 2010-11 & onwards, the paying capacity of the consumers & need for supplying power to hostels of SC & ST students at lower rate may be kept in view by the Commission.

The Commission should take appropriate steps to penalize the DISTCOs in case they fail to provide the prescribed standards of service & to achieve the various performance parameter fixed by the Commission for the respective years.

Responding to some of the observations of the members of the SAC, Member Sri Badu clarified that Commission is not calculating revenue requirement on the cost of power purchase based on distribution loss projected by the utilities but rather on the target fixed by OERC. Truing up exercise is also being carried out as per the normative performance parameter approved by the Commission & not on the AT&C loss shown by DISTCOs. There is no chance of regulatory asset being considered twice in fixation of tariff. Regarding the non-implementation of the orders of GRF & Ombudsman, Sri Badu explained that the Commission had conducted an interactive meeting with President & Members of GRF, Ombudsmen & senior officials of the DISTCOs. Regular report is being called for for implementation of the order of the GRF/Ombudsman. Wherever has been delay, the CEOs of the DISTCOs are being asked to initiate disciplinary action against the defaulting officers. A number of proceedings has been initiated u/s 142 of the Act'03 to ensure implementation of the orders of GRF/Ombudsman. He stated that the Commission has been taking steps to exercise prudent check on various items of expenditure shown by DISTCOs & there is no question of being soft or harsh on the utilities, the Commission would be fair & reasonable in their approach while fixing the tariff as well as in monitoring the performance standards of the utilities.

In his concluding remarks, Shri B.K. Das concurred with Shri Badu & added that the Commission while the interests of the consumers need to be protected by providing service at reasonable & affordable rates, the viability & sustainability of the power utilities is also to be ensured. Without the survival of the power utilities in a financially viable mode, quality of power supply or improvement in service cannot be ensured because a financially crippled power utility cannot be expected to provide quality service. He thanked all the participants for their inputs which would be taken into consideration while fixing tariff, he said.

ORISSA ELECTRICITY REGULATORY COMMISSION

Income and Expenditure Account as on 31st March 2010
(On Accrual Basis)

Expenditure	Figures for the current year (Rs.)	Income	Figures for the current year (Rs.)
1	2	3	4
1 Payment to and provisions towards salaries	4,08,86,266.00	1 Grants-in-aid from the Government of Orissa.	-
2 Office Expenses & Establishment Expenses	1,34,74,438.00	2 Grant from Other Sources.	
3 Depreciation of Assets.	1,37,045.00	3 Receipts of the Commission	5,97,78,574.65
4 Other Expenditure.	5,22,636.00	4 Interest on	-
5 Excess of Income over Expenditure	47,58,189.65	a) Cash at Bank	
		b) Investment	
		5 Excess of Expenditure over Income	
	5,97,78,574.65		5,97,78,574.65

(Yet to be audited by C&AG of India)

ORISSA ELECTRICITY REGULATORY COMMISSION

Receipt and Payment Account for the year ended March 2010
(On Cash Basis)

Receipts	Figures for the current year (Rs.)	Payments	Figures for the current year (Rs.)
1	2	3	8
1 To balance b/d.		1 By Payment to and provisions for employees	4,22,91,292.00
(i) Cash at Bank	2,72,01,227.70	2 By Office and Establishment Expenses	1,02,52,008.00
(ii) Cash in Hand	10,000.00	3 By Purchase of Assets	8,54,826.00
		4 By Advances	
2 To Grants-in-aid from the Government of Orissa		a) Advances to employees	3,62,339.00
		b) Contingent Advances	
3 To Grant from Other Sources		5 Deposits Payments (Particulars of deposits to be indicated)	
		6 Investment	2,85,00,000.00
		7 Other Expenditure	505,956.00
		8 By Balance c/d.	
4 To Receipts of the Commission	6,29,18,924.00	(i) Cash at Bank	92,03,381.35
5 Receipts from Investment	18,49,650.65	(ii) Cash in Hand	10,000.00
	9,19,79,802.35		9,19,79,802.35

(Yet to be audited by C&AG of India)

ORISSA ELECTRICITY REGULATORY COMMISSION, UNIT-VIII, BHUBANESWAR-12

Balance Sheet as on 31st March of the year 2010
(On Accrual Basis)

Liabilities	Figures for the current year(Rs.)	Assets	Figures for the current year (Rs.)
1	2	3	8
1. General Fund Add: (Less) Excess of income over Expenditure (or expenditure over Income) during the year transferred from Income and Expenditure account.	3,04,62,500.39	1. Fixed Assets 37,32,600.04 Less : Depreciation 1,37,045.00	35,95,555.04
2. Loans		2. Investment	2,85,00,000.00
3. Current liabilities and provisions.	4,07,92,293.00	3. Current Assets and Advances.	3,91,59,238.35
		4. Grants-in-aid receivable from Government of Orissa.	
		5. Grants from other sources	
	7,12,54,793.39		7,12,54,793.39

(Yet to be audited by C&AG of India)

Scan

Separate Audit Report

APPENDIX

Appendix	Subject	Page No.
Appendix – I	Highlights of the status of Power Sector in Orissa as on 31.3.2010 – A white paper on Power Sector	
	<ul style="list-style-type: none">(1) Highlights of the status of Power Sector in Orissa as on 31.3.2010 – A white paper on Power Sector(2) Letter No.3857 dt.3.5.2010 addressed to Secretary, Energy, Govt. of Orissa regarding White paper on performance of power sector.	
Appendix – II	Effective Govt. Support for curbing of theft of electricity, regular payment of electricity dues by various Govt. Department, ULBs, etc.	
	<ul style="list-style-type: none">(1) DO letter No.4933 dated 17.9.2010 addressed to the Chief Secretary in connection with meeting with Chief Secretary(2) DO letter dated 06.1.2010 addressed to Chief Secretary regarding allotment of a piece of govt. land in Bhubaneswar for construction of office building of OERC(3) Letter No.4092 dated 05.6.2010 addressed to Chief Secretary regarding effective functioning of the approved Energy Police Stations (EPS)(4) Letter No.3798 dated 26.4.2010 addressed to Secretary, Energy regarding in-effective and poor functioning of the Energy Police Stations (EPS)(5) Letter No.36938 (4)dated 26.8.2010 of Finance Department, Govt. of Orissa regarding reconciliation and payment of outstanding dues of CESU, WESCO, NESCO and SOUTHCO by ULBs, Panchayati Raj Institutions, PSUs etc.(6) Letter No.36933(225) dated 26.8.2010 of Finance Department, Govt. of Orissa regarding reconciliation and payment of outstanding dues of CESU, WESCO, NESCO and SOUTHCO by Govt. offices.(7) Energy department letter No.105073 dt.08.6.2010 addressed to the Principal Secretaries to Govt. regarding payment of electricity dues by different govt. establishments, ULBs, RLBs, etc.(8) DO letter dated 08.7.2010 addressed to Chief Secretary in connection with Regular payment of electricity dues by different govt. establishments, ULBs etc.(9) Letter No.4007 dt.27.5.2010 addressed to Principal Secretary to Govt., Finance Department regarding regular payment of electricity dues by different govt. establishments, ULBs, RLBs, etc.	

Appendix – III Various correspondences on Govt. support for Business Plan for the year 2008-09 to 2012-13

- (1) Energy Department letter No.7991 dt.09.09.2010 in connection with preparation of Investment Plan for Capital Investment in the Distribution sector.
- (2) Energy Department letter No.7314 dt.18.08.2010 in connection with preparation of Investment Plan for Capital Investment in the Distribution sector.
- (3) Letter No.4440 dt.19.07.2010 addressed to Energy Department in connection with Support of the State Govt. for implementation of Business Plan for the year 2008-09 to 2012-13 etc.
- (4) Letter No.3774 dt.22.04.2010 addressed to Energy Department in connection with Implementation of Business Plan for the year 2008-09 to 2012-13 – Proactive steps by State Govt. and initiative by the Distribution Companies.
- (5) Letter No.1070 dt.15.05.2010 addressed to Energy Department in connection with Active participation of State Govt. for sustainable development of power sector in Orissa – vis-à-vis the Business Plan of the Distribution Companies for the year 2008-09 to 2012-13.
- (6) DO letter No.994 dated 06.05.2009 addressed to Chief Secretary in connection with Effective and Pro-Active participation of State Govt. for ensuring sustainable development of power sector in the State.

Appendix-IV Information on improvement of quality of power supply and the Standards of Performance, reduction of Aggregate Technical and Commercial (AT&C) loss etc.

- (1) Office order No.4369 dt.07.07.2010 in connection with Constitution of Monitoring Committee for improvement of quality of power supply and standard of performance.
- (2) Office order No.4368 dt.07.07.2010 in connection with Constitution of Monitoring Committee for Implementation of loss reduction programme by the Distribution Companies..
- (3) Letter No.3801 dt.26.4.2010 addressed to Secretary, Energy Department in connection with approval of loan and its repayment liability for future projects of OPTCL by OERC.
- (4) Energy Department letter No.5557 dt.22.6.2010 in connection with Follow-up action on the decisions taken in the workshop on “Strategy for reduction of loss in the distribution sector” held on 26.5.2010.

Appendix – I

- **Highlights of the status of Power Sector in Orissa as on 31.3.2010**

- (1) Highlights of the status of Power Sector in Orissa as on 31.3.2010
– A white paper on Power Sector
- (2) Letter No.3857 dt.3.5.2010 addressed to Secretary, Energy, Govt. of Orissa regarding White paper on performance of power sector.

Highlights of the status of power sector in Orissa as on 31.03.2010 – A white paper on Power Sector***The Status of Orissa Power Sector before the year of Reform***

1. The Orissa State Electricity Board (OSEB) was established in 1961 under the Electricity (Supply) Act of 1948. On its formation, the transmission assets of the Government of Orissa were transferred to the Board which also took over the distribution systems and small generating plants of the various privately owned Electricity Companies in the state. The Electricity Department of the State Govt. continued to execute major generation projects with associated extra high tension (EHT) transmission lines and substations, which on completion, were being transferred to the Board as asset loans. A State owned Orissa Power Generation Corporation Ltd. (OPGC) was created on 14th November 1984 to take up the construction and operation of a thermal generating station using Ib valley coal. OSEB played a major role in the growth of the State's power sector. However, by the early 1990s it became clear that several things were seriously wrong with the Board. Inadequate investment in the sector, poor management, dismal performance of OSEB's own thermal station, mounting technical and commercial losses, skewed tariff, poor customer care, increasing gap between demand and availability of energy were all symptoms of the deepening malaise in the Electricity Board.
2. A matter for serious concern was the growing transmission and distribution (T&D) losses which had a crippling impact on the finances of the Board. Statistics put out by the Board and even the Central Electricity Authority / Planning Commission reported Orissa's T&D losses in the region of 23% over a number of years. But these figures did not take into account the losses taking place owing to non-billing, non-collection and theft of electricity. The under statement of T&D losses was not unique to Orissa.

The audited accounts of OSEB, however had been pointing out a different set of figures depicted in the following table:

Table -1

Year	Generation/ purchase (MU)	Sales (MU) as per revenue return	T&D Loss %
1990-91	6444.018	3525.103	45.30
1991-92	7331.146	4047.539	44.80
1992-93	7100.414	3904.078	45.01
1993-94	7826.412	4573.428	41.57
1994-95	8493.397	4536.332	46.59
1995-96	9762.238	5178.894	46.94

The Planning Commission in its Power and Energy Division Annual Report of April 2000 on the Working of State Electricity Boards and Electricity Departments, reported that while the T&D losses for the country as a whole varied between 19.8% in 1992-93 and 24.5% in 1996-97, in the case of Orissa, the losses were as under:

Table -2

Year	T&D Loss (%age)
1992-93	23.5
1993-94	23.4
1994-95	23.8
1995-96	46.9
1996-97	49.47

A footnote to the report explains that the sudden jump is due to "the realistic assessment of T&D losses in the power system after restructuring of OSEB. Similar position can be observed in case of Haryana and Andhra Pradesh who also opted for power sector reforms".

3. Another nagging problem was growing power shortages. These started being felt from the mid-1980s and by the early 1990s, the shortages had become acute; the peak shortage shooting up from 24% in 1991-92 to 37% in 1993-94, exceeding the national average. Government of Orissa had to issue statutory notifications regulating the supply, distribution and consumption of electricity by consumer groups. Industries suffered power cuts ranging from 25% to almost 70% of their requirement depending upon vagaries of the monsoon. Rotational area load shedding for consumers was irritatingly common. The worsening situation compelled industries who could access funds, to go in for captive generating plants; those who could not, suffered irreparable production losses. It was only with addition of capacity at Orissa Power Generation Corporation (OPGC) from August 1994 that restrictions ceased to be imposed.
4. The poor performance of OSEB's only thermal power station at Talcher (TTPS) was another distressing feature. The plant suffered from mismanagement. It had a work force far in excess of requirement, high auxiliary consumption and extremely poor plant load factor (PLF).

Table -3
PLF %

Year	India	Orissa
1990-91	53.90	33.90
1991-92	55.30	30.00
1992-93	57.10	34.50
1993-94	61.00	35.50
1994-95	60.00	29.00

5. With generation projects being executed under the Government and growing emphasis on village electrification, by far the major part of the investment in the power sector went into those areas, starving the transmission and sub-transmission segments. A review of investments in the power sector disclosed that as much as 88% of the total investment was being made in the generation and rural electrification segments leaving a meager 12% for transmission and system improvement. Almost all EHT lines and sub-stations were loaded fully without any standby capacity. As a result, supply had to be curtailed or shut down even for routine maintenance. Preventive maintenance had often to be deferred for this reason. Technical losses, particularly in the HT and LT distribution segments grew and reached the unacceptably high level of 23% by 1994-95 as under :

33KV Lines	6.22 %
33/11 kV substations	0.85%
11 kV lines	6.7%
11/0.4 kV substations	1.72 %
LT lines	7.46 %
6. Over the years, the tariff set by OSEB (as indeed practically all other Boards in the country) got progressively skewed, with industries bearing a disproportionately heavy burden of costs. The beneficiaries were the LT group of consumers who met only a significantly lower portion of the cost. Despite the pattern of cross-subsidy which was heavily weighted against industry, the overall tariff did not cover the entire cost. For example, in 1992-93, OSEB tariff covered only 78 % of the cost and in 1993-94, it worsened to 71%.
7. The Cadre of engineers with OSEB was all along held by the Government of Orissa; the only state where the Board did not have its own cadre of engineers. Coupled with the continuing financial strain, there was virtually no effort towards innovation. The use of Aerial Bunched Cables, LT-less distribution, energy audit to identify areas of large T&D losses, streamlining meter-reading, billing and collection procedures were neglected. The expansion of the LT network permitting easy theft of

- electricity, compounded the problem. There was no system of timely writing off of bad debt; "receivables" came to be as high as 190 days' average revenue.
8. A number of steps had been taken by the Government over the years to strengthen OSEB's revenue collection and theft reduction. Theft of line material had assumed alarming proportions and this led to the enactment of the Orissa Electric Supply Line Material (Unlawful Possession) Act in 1988. Amendments were carried out in pre-existing law to provide for electricity dues being recovered under the Orissa Public Demand Recovery Act. A dedicated Magisterial Court was established to expeditiously dispose of electricity theft cases, and a special police organization was set up for this purpose, headed by a very senior Police Officer. None of these steps however produced the desired results.
 9. Under Section 59 of the Electricity (Supply) Act 1948, the Board was required to fix its tariff in such a way that after meeting all expenses properly chargeable to revenues and after taking into account subsidies from Government, it should have a surplus of at least 3% of the value of the net fixed capital of the Board in service at the beginning of the year. Till 1970s, the State Government was able to make the requisite subventions to the Board but things started changing for the worse. The progressively increasing burden of subsidy could not be met by the Government and the unpaid amounts due to OSEB went up to Rs.334 Crores by 1994. Clearly, the Government was unable to meet its statutory obligations under the Electricity (Supply) Act.
 10. It was in this background that the Government decided on a comprehensive reform and restructuring of the power sector which started in the year 1996. In the meantime 14 years since has passed after the initiation of Reform. Let us examine the present status from which we will have a fair idea of the power sector of Orissa today.

Benefits of power sector reform

11. **Reduction in loss level, AT&C loss from 60.90% to 39.15% in 2009-10.**
 Though the Transmission and Distribution (T&D) loss in Orissa during the period of OSEB was being reported in the region of 23% over a number of years these figures did not take into account the losses taking place owing to non-billing, non-collection and theft of electricity. The audited accounts of OSEB, however, pointed out a different set of figure. The T & D loss was increasing from year to year but gradually declined after the distribution was privatized w.e.f 1.4.1999.
 - ❖ The T & D loss which had reached a level of 51.02% in 1998-99 has been decreased to 46.68% in 1999-00 and 40.33% in 2008-09 and 39.93% in 2009-10.
 - ❖ The collection efficiency has increased from 79.92% in 1998-99 to 92.98% in 2008-09 and 96.96% in 2009-10.
 - ❖ From 1999-00 the concept of Distribution loss and Aggregate Technical and Commercial (AT&C) loss has been introduced in place of T & D loss.
 - ❖ The Distribution Loss has declined from 43.91% in 1999-00 to 37.50% in 2008-09 and 37.24% in 2009-10. The AT & C loss was 56.7% in 1996-97, 58.8% in 1997-98 and 60.90% in 1998-99. The AT&C loss has declined from 56.71% in 1999-00 to 41.89% in 2008-09 and 39.15% in 2009-10.
 - ❖ Thus while the T&D loss was increasing during OSEB period, the Distribution loss as well as AT & C loss have declined from 1999-2000, though at a slow speed. Hence, it can be said that loss level has declined in terms of T & D loss, Distribution loss as well as AT&C loss after the distribution of electricity was privatised w.e.f. 1.4.1999. The comparative position may be seen from the Table given below:-

Table - 4

Year	T & D Loss	Distribution Loss	Collection Efficiency	AT & C Loss	All India AT&C Loss
1990-91	45.30%	-	87.48%	52.10%	
1991-92	44.80%	-	92.02%	49.2%	
1992-93	45.01%	-	91.91%	49.5%	
1993-94	41.57%	-	86.15%	49.7%	
1994-95	46.59%	-	84.97%	54.6%	
1995-96	46.94%	-	92.12%	51.1%	
1996-97	49.47%	-	85.72%	56.7%	
1997-98	49.24%	-	81.17%	58.8%	
1998-99	51.02%	-	79.92%	60.90%	
1999-2000	46.68%	43.91%	77.19%	56.71%	
2000-01	46.90%	44.01%	78.72%	55.92%	
2001-02	50.19%	47.47%	75.55%	60.31%	
2002-03	43.78%	40.75%	82.45%	51.15%	32.54%
2003-04	43.21%	40.75%	85.49%	49.35%	34.78%
2004-05	41.59%	39.21%	91.00%	44.68%	34.33%
2005-06	42.37%	39.59%	91.58%	44.68%	34.54%
2006-07	41.67%	38.57%	92.37%	43.25%	32.07%
2007-08	41.13%	37.48%	93.41%	41.60%	29.24%
2008-09	40.33%	37.50%	92.98%	41.89%	NA
2009-10	39.93%	37.24%	96.96%	39.15%	NA
2010-11 (Approved)	-	22.22%	98.00%	23.77%	
2011-12 (Approved Business Plan)	-	21.70%	99.00%	22.48%	
2012-13 (Approved Business Plan)	-	21.20%	99.00%	21.99%	

12. **The Growing Power Shortage arrested and improved-The peak shortage of 24% in 1991-92 has declined to 2.48% in 2008-09 and 7.1% in 2009-10.**

During OSEB period the power shortage was increasing from year to year. Problem of power shortage was felt from the mid 80's and by end of early 90's the shortage had become acute. The peak shortage had shot up from 24% in 1991-92 to 37% in 1993-94, exceeding the national average. This problem has been solved. After 1999-00 there has been no statutory power cut except in May-June due to low water level in the reservoir. Power surplus was continuing till FY 2007-08. Due to decline in rain fall, there was marginal deficit during 2008-09. While the peak demand deficit was 2.48%, the energy deficit was 1.4% during 2008-09 and during 2009-10 the peak demand was 3491 MW and shortage has been contained at 7.1% and energy deficit has been contained at 0.9%. The position is likely to improve with generation by some of the Independent Power Producers (IPPs) as well as the installation and operation of Ultra Mega Power Projects.

13. **The benefit of non-revision of tariff for nine years and lower tariff rate in the sector**

Another important significant achievement of power sector is that tariff has remained constant on an average from 2001-02. There was overall tariff rise of 28.5% during 1993-94, 15.73% during 1994-95, 17.47% during 1995-96, 17% during 1996-97, 10.33% during 1997-98, 9.30% during 1998-99, 4.50% during 1999-2000, 10.23% during 2000-01 and the average tariff has remained constant from 2001-

02 till 2009-10 and during 2010-11 the average tariff increase is 22.20% over the average tariff of 2009-10. When compared, the tariff rise with the increasing Whole Sale Price Index from 1995-96 it will be seen that there is actual decline in tariff by more than 30%. With the rise in cost of coal and oil, equipments, transformers, cables together with rise in salary and pension the cost of generation and procurement cost has increased. Further, the hydro power as a ratio of total State demand has also declined from 56.67% in 2004-05 to around 21.63% in 2009-10. Since there has been no substantial addition of hydro generation and more and more reliance is being placed on high cost thermal power there has to be tariff raise from year to year basis in order to ensure payment of cost of power and to take up minimum repair and renovation work of the distribution network.

Incidentally it may be noted out that the tariff in Orissa is one of the lowest in the country. In 2008-09 for an embedded consumer of 5 MW at 11 KV (33 KV in some cases) while average tariff was 490 paise per Kwh in Karnataka, 390 paise in Maharashtra, 340 paise in Keral, 337 paise in Chhatisgarh, 255-287 paise in Andhra Pradesh, 245-330 paise in West Bengal, tariff in Orissa was 245-290 paise per Kwh..

14. Direct accrual of Revenue to the State exchequer

- ❖ Before power sector reform in Orissa was undertaken from 1.4.1996, the subsidy to power sector on the average was Rs.250 crore per annum and this has been withdrawn from 1.4.1996. If the subsidy would have continued it would have been more than Rs.1000 crore by 2009-10 per annum. This has helped keeping the revenue deficit of Orissa on a declining path.
- ❖ In 2006-07 alone different State Governments have provided the following subsidy to their power sector.

Andhra Pradesh -	Rs.1973 cr.	Rajastan -	Rs.700 cr.
Tamil Nadu -	Rs.1330 cr	(Electricity Duty is also retained)	
Gujurat-	Rs.1767 cr.	Jharkhand -	Rs.392 cr.
Uttar Pradesh -	Rs.3105 cr.	Delhi -	Rs.92 cr.
Punjab -	Rs.1845.81 cr.		
- ❖ In the disinvestment process form OPGC of Rs.603.20 crore was utilized as general resources for State budget. OPGC was operating at PLF 55.14% in 1996-97 which has increased to 90.18% in 2006-07, 82.60% in 2007-08 and 88.7% in 2008-09. It has generated about 2433.29MU in 2009-10 and likely to generate 2853.53 MU in 2010-11 it is now paying dividend of Rs. 75 croes on the average per annum and by now it has paid Rs.611.24 crore to the State Govt.
- ❖ OHPC have invested Rs.377 core from its own internal resources and by borrowing and have completed the then incomplete Upper Indravati Project on 19.4.2001. Its installed capacity is 600 MW. Its generation has increased from 1736 MU in 2000-01 to 2948 MU in 2007-08 and 2221 MU in 2008-09.(1414.75 MU in 2009-10 and 1942.38 MU estimated in 2010-11)
- ❖ The revenue from sale of TTPS to NTPC in 1995 has fetched 356.00 crore to the State. TTPS which was operating at less than 30% PLF is now operating at PLF of 90% and its installed capacity is 460 MW. This power is being totally available for State consumption. Its generation has increased from 1320.82 MU in 1996-97 to 3114.63 MU in 2007-08.(3339.19MU in 2008-09 and 3255.97MU in 2009-10 and 2957.32MU estimated for 2010-11)
- ❖ Revenue from disinvestment from distribution companies of Rs.159.00 crore have been utilized to reduce the liabilities of GRIDCO.
- ❖ The sell proceeds of TTPS of Rs.356 crore has been utilized by GRIDCO to meet its past liabilities
- ❖ Collection of electricity duties has increased from Rs.121.35 crore in 1995-96 to Rs.359.38 crore in 2008-09 and Rs 459.96 cr in 2009-10

- ❖ As a result of withdrawal of budgetary support to the power sector from 1996-97 together with disinvestment and other fiscal measures the State consolidated fund has been enriched and Orissa has been converted from a revenue deficit State to a revenue surplus state.
- ❖ Revenue deficit in 1999-00 was Rs.2574.19 crore (-6% of GSDP) and Orissa has been converted to a revenue surplus of Rs.481.19 crore in 2005-06 and it has increased to Rs.3419.89 crore in 2008-09 (+2.80% of GSDP) and revenue surplus of Rs.1138.62 crore in 2009-10 (+0.75% of GSDP).
- ❖ The fiscal deficit 3836.43 crore in 1999-00 (-8.94% of GSDP) has been reduced to 584.03 crore in 2008-09 (-0.48% of GSDP) and Rs.2265.37 crore in 2009-10 (-1.5% of GSDP).

15. **Electrification**

- ❖ As on 31.03.2010 out of 47525 numbers of villages in the State 29735 nos. have been electrified which constitutes about 62.6% of total villages.
- ❖ About 21% of the households is un-electrified i.e. yet to be electrified.
- ❖ Per capita consumption of electricity per year is 510 KWH against all India average is 704.2 KWH (2007-08 report)

Consumer Profile

16. There has been substantial increase in the number of consumers from year to year basis. The total number of consumers as on 31.03.1999 was 14,24,640. This has increased to 28,19,205 as on 31.03.2009 and estimated to rise to 37,31,555 by 31.03.2010. With implementation of village electrification under RGGVY and BGJY the number of consumers likely to increase to 68,00,000 by 2011-12.

Table – 5
All Orissa Consumer Profile (Nos.)

DISCOMs	31.3.1999	31.3.2008	31.3.2009 (Esst.)	31.3.2010 (Projected)
CESU	554610	1011267	1068520	1377041
NESCO	251703	578241	660624	815577
WESCO	295415	491530	527345	803551
SOUTHCO	322912	529478	562716	735386
Total	1424640	2610516	2819205	3731555

Table – 6
All Orissa Consumer Profile (Nos.) (Voltage-wise)

Voltage Level	31.3.2008	31.3.2009	31.3.2010 (Projected)
LT	2606589	2813687	3724689
HT	3856	5447	6780
EHT	71	71	86
Total	2610516	2819205	3731555

17. **Transmission Lines and Substations**

The State has following categories of transmission lines and EHT sub-stations as on 30.09.2009.

- 400 KV lines (Ckt Km.) - 446.103
- 220 KV lines (Ckt Km.) - 5165.375
- 132 KV lines (Ckt Km.) - 5007.915

The State has 91 nos. of EHT sub-stations and switching stations under OPTCL

18. **Installed capacity in the State(excluding CGP)----4083.50MW**

- State Hydro (including Mini Hydro)-2085 MW
- State Thermal- 880 MW
- Central Allocation-1062 MW (Central Hydro189 MW + Central Thermal 873MW)

- CGP Capacity as on 31.03.2009----3989MW
- Surplus of CGP power (including COGEN) supplied to the State GRID during 2009-10-----2631.50MU

19. **Distribution loss, Collection efficiency and Aggregate Technical and Commercial Loss**

(a) **Distribution Loss**

High distribution loss and Aggregate Technical and Commercial loss are the main challenges faced by the Power Sector in the State. Before privatization of distribution of electricity in the State from 1.4.1999 the distribution loss was 51.02% during 1998-1999 and this has been reduced to 37.50% by end of 2008-09. Against the target of distribution loss of 24.45% approved for 2009-10, the actual distribution loss is of the order of 37.24% during 2009-10. For 2010-11 the distribution loss target has been fixed at 22.22%.

As per the Business Plan the distribution loss target for 2011-12 has been fixed at 21.70% and for 2012-13 at 21.20%.

(b) **Collection Efficiency**

The collection efficiency was 79.12% during the year 1998-99 which has increased to 92.98% during the year 2008-09. The Collection efficiency achieved is 96.96% against the target of 98.00% during the year 2009-10. Similarly, the target for collection efficiency for the year 2010-11 has been fixed at 98%. As per the Business Plan this has been further fixed at 99% for 2011-12 and 2012-13.

(c) **AT & C Loss**

The AT&C loss was 60.9% in 1998-99 which has been reduced to 56.71% in 1999-2000, 41.89% for the year 2008-09 and 39.15% for 2009-10 against the target of 25.96%. The AT&C loss has been targeted at 23.77% during the year 2010-11.

As per the Business Plan the AT&C loss has been fixed at 22.48% for 2011-12 and 21.99% for 2012-13.

(d) **Summary of the distribution loss, collection efficiency and AT&C loss :-**

Table - 7

Year	Distribution Loss	Collection Efficiency	AT& C Loss
1998-99	51.02%	79.22%	60.9%
1999-2000	43.91%	77.19%	56.7%
2007-08	37.48%	93.41%	41.6%
2008-09	37.50%	92.98%	41.89
2009-10 (Approved by OERC)	24.45%	98.00%	25.96%
2009-10	37.24	96.96	39.15
2010-11 (Approved by OERC)	22.22%	98.00%	23.77%
2011-12 (As per the Business Plan)	21.70%	99%	22.48%
2012-13 (As per the Business Plan)	21.20%	99%	21.99%

20. Though there has been reduction in distribution loss as well as AT&C loss and improvement in collection efficiency from the level of 1998-99 when the distribution business was carried out by GRIDCO as a composite function, the present level of distribution loss as well as AT&C loss is a matter of great concern for sustainable development of the power sector in the State. When the distribution loss is 37.50% during the year 2008-09 it means that out of 100 units energy supplied only 62.50 units are being billed. The rests 37.50 units are not being billed due to loss in the system and also due to theft.

- Similarly when AT&C loss is 41.89% it means that out of 100 units supplied, electricity charges for only 58.11 units are being collected and electricity charges for 41.89 units are not being available for distribution companies.

- Out of about 42% of AT&C loss, the loss ascribed to technical loss may be of the order of 15% to 20% and the rest 17% to 22% is due to theft of electricity.
- While investment is needed for system improvement in order to prevent the technical loss, strong administrative support is needed from Govt. to deal with criminals who are indulging in the theft of electricity in various ways. This is basically governance issue which the State has to take initiatives to deal with the unscrupulous consumers which are being aided and abetted by the employees of distribution companies. States like Andhra Pradesh, Maharashtra, West Bengal, Tamilnadu have launched a broad attack on theft of electricity by monitoring the anti-theft drive from the highest level of the govt.
- Mere opening of energy police stations and without making it fully functional and without day to day supervision and monitoring by a senior police officer in the rank of an Additional DG or at least in the rank of IG will not yield any visible result.
- OERC time and again have advised the State govt. and the distribution companies to take action in these directions. It is the strong political will which will successfully deal with the menace of theft of electricity which is the cancer of the power sector as observed by Hon'ble Prime Minister Dr. Manmohan Singh. According to him we must have to come down heavily on theft of electricity as it is seriously affecting the financial viability of the sector as a whole and the effect on our economy may well prove disastrous.

21. ACCOUNTING PROFIT & LOSS OF POWER SECTOR OF ORISSA AS A WHOLE

Table - 8

(Rs. In Crore)

	1996 - 97	1997- 98	1998- 99	1999- 00	2000- 01	2001- 02	2002- 03	2003- 04	2004- 05	2005- 06	2006- 07	2007- 08	2008- 09
OPGC	104.6	66.15	112.8	124.39	109.88	132.22	181.7	136.23	143.39	153.37	161.91	168.69	111.32
OHPC	69.85	77.79	55.21	50.38	-27.44	-3.89	-41.92	6.17	64.08	-22.96	60.98	137.10	20.09*
GRIDCO	294.99	319.11	578.61	13.73	-85.24	74.5	-598.08	417.77	357.38	25.82	236.88	566.05	98.14
OPTCL										-24.95	-9.06	-15.22	-28.53
CESU				-181.5	-85.01	115.15	-63.47	-95.11	178.37	-28.59	-95.33	-85.36	NA
NESCO				-96.66	105.64	167.68	-134.41	-79.91	-96.94	23.17	12.04	22.18	-2.22
WESCO				-61.3	-110.3	129.05	-51.95	-44.77	-29.56	22.94	31.83	-25.95	10.59
SOUTHCO				-83.05	-94.24	-79.98	-80.54	-71.57	-95	-33.54	-79.13	-25.78	-37.66
Total	120.54	175.17	-410.6	234.01	397.99	289.03	-788.67	268.81	164.98	115.26	320.12	608.21	171.73

* Before Tax

Investment for System Improvement

22. Besides strong police action for launching anti theft drive, investment is required for replacement of the ageing distribution network. The Sovan Kanungo Committee had recommended Rs.3240 crores in the year 2001 and at present it would be not less than Rs.5000 crore when inflation is taken into account. In case of Delhi, Govt. had provided Rs.3450 crore as transitional support besides keeping the liabilities with a holding company and transferring assets to the private distribution companies with a cleaned up Balance Sheet. As a result of unqualified govt. support there has been not only financial turn around of the distribution companies in Delhi but there has been substantial improvement in the quality of supply and also AT&C loss has been reduced from 53% to 12%. Keeping this in view Orissa Electricity Regulatory Commission in its order dated 20.3.2010 while approving the Business Plan have advised the State Govt. and Distribution companies to invest at least Rs.5000 crores for system improvement in order to improve the quality of supply and to reduce the Technical loss. While the State Govt. through GRIDCO being 49% of share holder should invest at least Rs.2450 crore, the four distribution companies should invest balance Rs.2550 crore. Unless investment is made by the State

Govt. as well as the distribution companies and unqualified govt. support is provided to deal the menace of crime the present level of theft of electricity, it would not be possible for sustainable development of power sector and to improve the quality of supply to the consumers at an affordable rate.

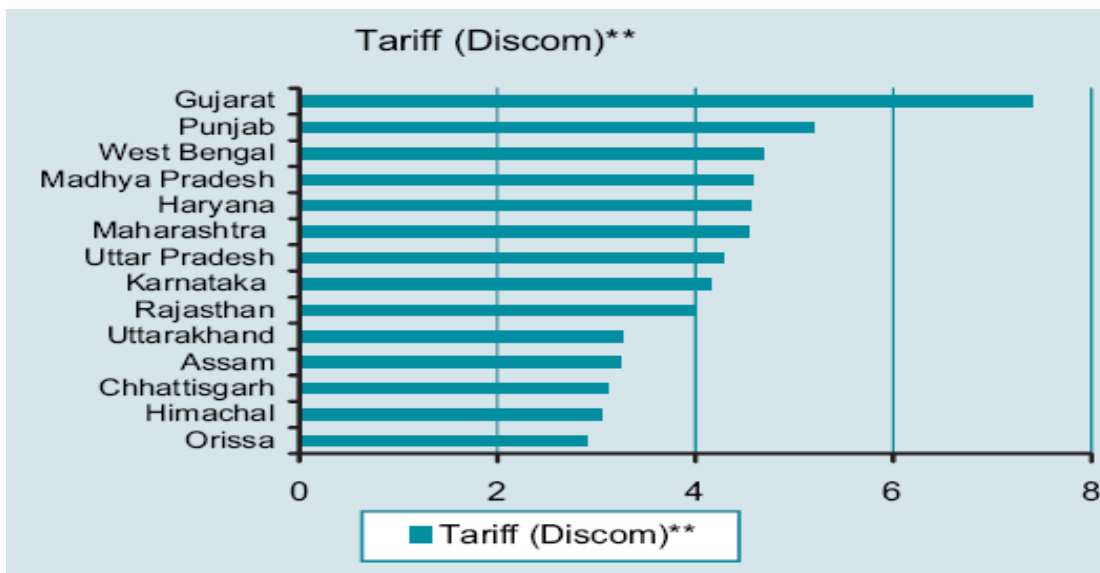
Tariff

23. Further, it may be noted that retail tariff in case of Orissa is one of the lowest as may be seen from Economic Survey, 2008-09 laid in the Parliament. The table and graph below explains the position.

Table-9

Comparative Tariff for a consumer at HT level for 5 MW load in various States

<u>State</u>	<u>Tariff (Paise per Kwh)</u>
Orissa	245-290
Maharashtra	390
Kerala	340
Karnataka	490
Chhattisgarh	337
Andhra Pradesh	255-287
West Bengal	245-330



24. During the period of OSEB – GRIDCO, there was regular revision of tariff on year to year basis. But after 2000-01 there has been no revision of tariff on the average in Orissa. This is a greatest benefit the power sector reform was provided to the State. When the tariff rise was 28.5% during the year 1993-94, 15.73% in 1994-95, 17.47% in 1995-96, 17% in 1996-97, 10.33% in 1997-98, 9.3% in 1998-99, 4.5% in 1999-2000 and 10.23% in 2000-01 there has been no rise in tariff thereafter. Recently the average tariff rise during 2010-11 is 22.20%. If we compare wholesale sale price index (WPI) the tariff rise from 1995-96 to 2009-10 has rather declined by 30.46%.

Table -10

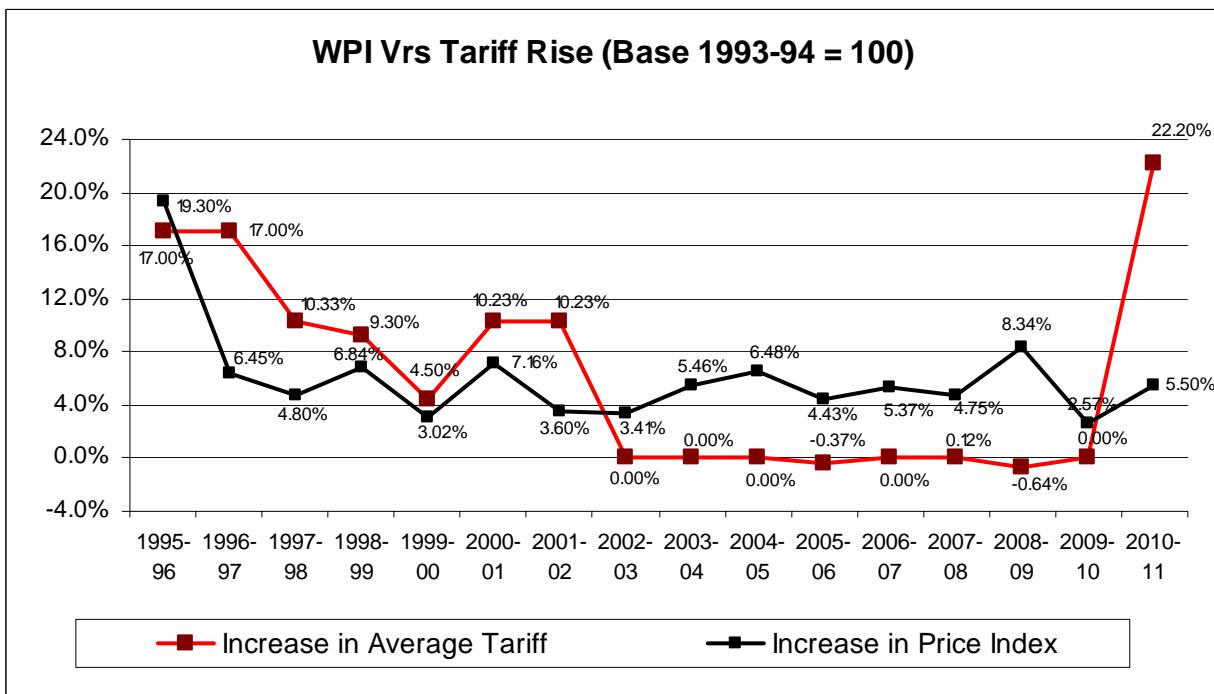
Tariff Rise vis-a-vis Inflation (Wholesale Price Index)

1993-94 – 28.58% (State Govt.)

1994-95 – 15.73% (State Govt.)

Year	Increase in Average Tariff	Increase in WPI
1995-96	17.47% (State Govt.)	19.30%
1996-97	17.00% (State Govt.)	6.45%

Year	Increase in Average Tariff	Increase in WPI
1997-98	10.33%	4.80%
1998-99	9.30%	6.84%
1999-00	4.50%	3.02%
2000-01	10.23%	7.16%
2001-02	0.00%	3.60%
2002-03	0.00%	3.41%
2003-04	0.00%	5.46%
2004-05	0.00%	6.48%
2005-06	-0.37%	4.43%
2006-07	0.00%	5.37%
2007-08	0.12%	4.75%
2008-09	-0.64%	8.34%
2009-10	0.00%	2.57%
2010-11	22.20%	5.50% (assumed)



25. Every year there is increase in receipt and expenditure in the State budget to meet the growing demand of various requirements. Similarly there has been increase in the cost of materials like distribution transformers, conductors, transformer oil etc. besides the increase in salary and pension of the employees. When with the rise in cost of inputs, the sale price of paddy, rice and other essential commodities has been increasing from year to year basis the cost of generation and supply of electricity has also been increasing from year to year basis. Since the tariff fixation is done under regulated regime tariff increase has not been allowed for last 9 years as a result the distribution utilities are facing financial crunch. The OERC has consistently taken a stand not to increase the tariff for last nine years on the ground that effective step should be taken by the licensee to reduce the present high level of distribution and AT&C loss at the first instance. The Commission has not diluted its stands and is fixing the target of reduction of distribution and AT&C loss on a normative basis. In other words Commission has not been guided by distribution loss of 37.50% and AT&C loss of 41.89% for 2008-09 while fixing the distribution loss at 24.4% and AT& C loss at 26.00% for 2009-10 and

accordingly has not allowed tariff rise for 2009-10. For 2010-11 the average tariff rise of 22.20% has been allowed mainly because of increase in the cost of generation, transmission and procurement price of GRIDCO together with increase in salary and pension of the employees. But however, the Commission has not reduced the target of distribution loss nor the Aggregate technical and commercial loss for 2010-11. While the distribution loss for 2009-10 was fixed at 24.45% and the licensee projected it at 35.38% for 2010-11. The Commission has approved the distribution loss at 22.20% for 2010-11. Similarly the AT&C loss approved for 2009-10 was 25.96% and the licensee has projected the AT&C loss of 37.59% for 2010-11. But the Commission has approved the AT&C loss at 27.77%. Based on the distribution loss at 22.20%, AT&C loss at 23.77% approved for 2010-11, the Commission has determined the tariff. If the high distribution and AT&C loss would have been accepted by the Commission, there would have been substantial hike in tariff for 2010-11. In order to avoid the tariff shock the Commission has fix a reduced level of distribution loss and AT&C loss without accepting loss level projected by the distribution licensee. While fixing the tariff Commission has ensured that there is no increase in tariff for domestic consumers consuming up to 100 units per month and BPL family 30 units per month. There is no tariff hike for consumers belonging to category of agriculture, irrigation and allied agricultural activities.

26. The summary of the distribution loss, collection efficiency, AT&C loss from the year 2008-09 to 2012-13 are indicated in the table given below:

Table - 11
Distribution Loss, Collection Efficiency & AT&C Loss (in %)

	Actual for 08-09 (Audited)	Actual for 1999-2000	Approved 09-10	Actual for 2009-10 **	2010-11 (Proj. by licensee)	2010-11 Approval	2011-12 (Approval) Business Plan	2012-13 (Approval) Business Plan
Distribution Loss			Overall		Overall		Overall	
CESU*	40.34	44.89	26.30	39.43	44.28	25.37	24.0	23.00
NESCO	34.57	43.35	23.00	32.52	28.30	18.46	18.40	18.35
WESCO	33.55	44.17	22.50	34.68	28.45	19.93	19.70	19.60
SOUTHCO	47.78	41.84	27.92	48.02	42.76	27.82	26.50	25.50
All Orissa	37.50	43.91	24.45	37.24	35.38	22.22	21.70	21.20
Collection Efficiency								
CESU*	91.80	69.72	98.00	97.09	95.00	98.00	99.00	99.00
NESCO	92.50	79.37	98.00	95.24	97.00	98.00	99.00	99.00
WESCO	93.86	83.36	98.00	98.38	97.50	98.00	99.00	99.00
SOUTHCO	94.21	78.75	98.00	95.90	97.00	98.00	99.00	99.00
All Orissa	92.98	77.19	98.00	96.96	96.58	98.00	99.00	99.00
AT C Loss								
CESU*	45.23	61.58	27.78	41.20	47.06	26.86	24.76	23.77
NESCO	39.48	55.04	24.54	35.73	30.45	20.09	19.22	19.17
WESCO	37.63	53.46	24.05	35.74	30.24	21.53	20.50	20.40
SOUTHCO	50.80	54.20	29.36	50.16	44.47	29.27	27.24	26.25
All Orissa	41.89	56.71	25.96	39.15	37.59	23.77	22.48	21.99

(*In case of CESU the figure for 2008-09 has been taken from Performance Review data)

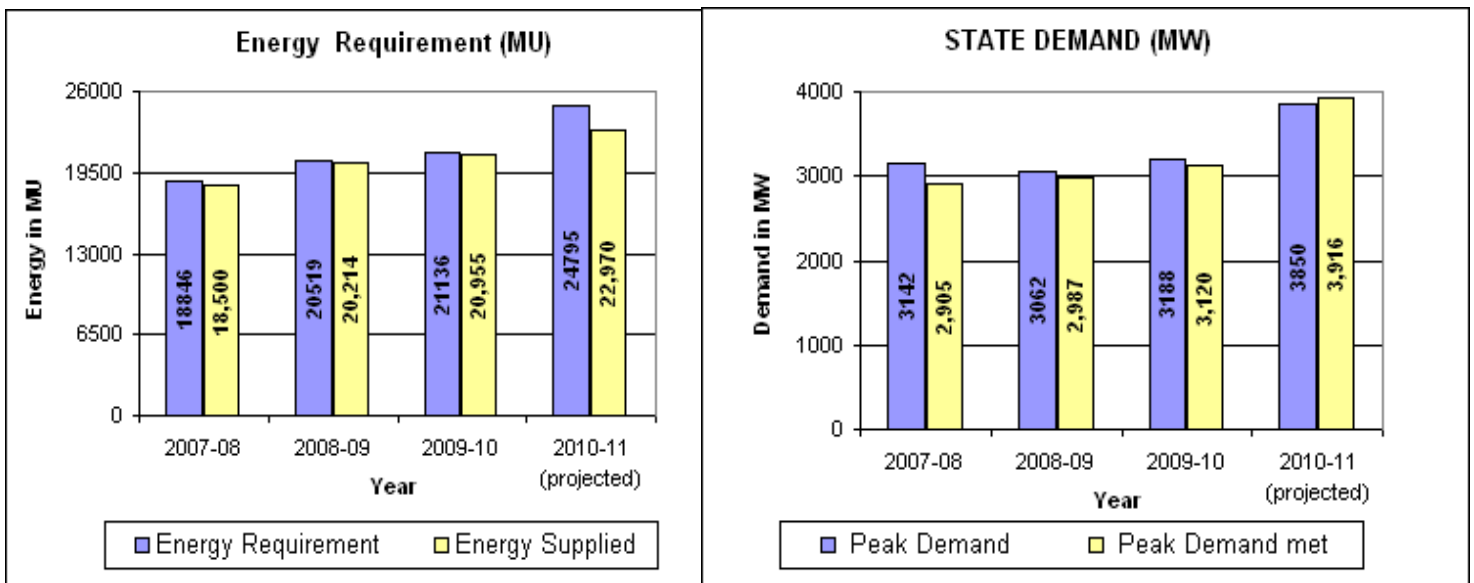
(** The data for FY 2009-10 has been adopted from Performance Review of the licensees)

Power Availability and Power Regulation

27. During 2009-10 against the peak demand of 3100 MW the actual availability of power during January 2010 was 1930 MW only. The shortfall was about 1170 MW. This was being met partly by over

drawing from Eastern grid for about 650 MW and by drawing from CGPs around 450 MW. While the Commission has approved the Bulk Supply price for 2009-10 at 122.15 paise per unit for GRIDCO, GRIDCO has purchased power from different generators at an average cost of 185.02 paise up to September 2009 and that has increased to 202 paise per unit during January 2010. It was incurring loss of 150 crore per month. To tide over the situation, power scheduling has been imposed according to which the HT & EHT industries have been directed to reduce their contract demand by 25% and 15% respectively. Similarly power regulation has been imposed for 1 hour each in morning peak and evening peak in Bhubaneswar and district Headquarters. Similarly power Regulation has been imposed for 3 hours in other urban areas and 4 hours in rural areas. Because of little bit improvement in generation of hydro power, power restriction has been relaxed to some extent. In Maharashtra, Andhra Pradesh, Tamil Nadu and other States power restriction is a regular feature. In Orissa there was no power regulation till 2008-09. With the increase in number of consumers and consumption level and the decline in hydro generation together with increase in the cost of generation of power, the power restriction has become a necessity.

28. With the rise in number of consumers and increase in consumption level by various consumer groups due to rapid industrialization and launching of rural electrification work under RGGVY and BGJY the gap between demand and supply has been increasing. During 2008-09 when the average peak demand of energy was 3062 MW, the availability was 2987 MW, the peak demand deficit being 2.4% and for the year 2009-10 the Peak Demand was 3188MW the availability was 3120 MW, the Peak demand deficit being 2.1%. Similarly, when the energy requirement was 20519 MU energy available during 2008-09 was 20214 MU, the energy deficit being 1.5% and for the year 2009-10 the Energy requirement was 21136MU energy available was 20955MU the deficit being 0.9%(Source CEA). The graph below shows the Gap between energy requirement and availability and Peak demand & met for the period from 2007-08 to 2010-11 (Projected by CEA).



(Source LGBR of CEA)

29. Further, since there has been no addition to hydro generation after Indravati Hydro Station was commissioned on 19.01.2001, more reliance is being placed on comparatively costly thermal power. This is evident from the fact that when state hydro generation was 56.71% of the total state demand in 2004-05, it has reduced to 31.04% in 2008-09 and below 30% in 2009-10. Even if hydro generation was maintained at 2004-05 level, its share in total requirement in 2008-09 would have been 37.73% instead of 31.04% from 56.71% in 2004-05. It shows that there has been no addition of capacity in hydro sector in spite of demand rise of around 50%. (Table 12).

Table – 12

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
State demand in MU	12499.45	13483.75	15119.93	17212.51	18771.82	19480.85
State hydro generation for sale	7087.82	5234.48	7357.58	7885.81	5826.12	4212.86
% of state hydro to total state demand	56.71	38.82	48.66	45.81	31.04	21.63

Standard of Service and Quality of Supply

30. During the period of OSEB and GRIDCO the usual apathy of government structure was being experienced by the consumers. It was hoped that with privatization of distribution of electricity from 1999-2000, the standard of service would improve as well as there would be re-orientation in the outlook and behaviors of the employees of the distribution companies to the consumers. The employees of the erstwhile OSEB/GRIDCO who are continuing in the distribution sector are yet to change their outlook and approach to the consumers.
31. It is seen that the broken poles and lines are not replaced. Transformers are frequently burnt and not replaced in time. There is frequent interruptions and low voltage problem. It is seen that the Executive Engineers are not regularly visiting the field and very often they are not aware of what is happening in the field. They behave in a bureaucratic manner instead of taking pride in keeping their system in a better condition to ensure quality supply of power to the consumers on whose revenue they are thriving.
32. During the past few years, OERC has allowed Escrow relaxation for operation and maintenance of distribution network the details of which is given below. It is not understood why the periodic maintenance of the lines and substations are not being taken up.

Table - 13

(Rs. in crore)

R&M Expenses	2006-07		2007-08		2008-09		2009-10		2010-11
	Appr.	Actual	Appr.	Actual	Appr.	Actual	Appr.	Actual (as per escrow relaxation)	Appr.
WESCO	24.25	12.44	32.82	12.37	25.66	17.90	27.01	22.59	34.77
NESCO	24.48	12.88	24.43	13.00	25.87	20.86	27.88	27.40	37.22
SOUTHCO	17.35	5.54	18.38	5.50	19.08	7.79	20.73	21.39	26.11
CESU	41.31	22.09	43.64	25.11	41.87	32.76 (Escrow)	40.46	39.22	51.19
Total:	107.39	52.95	119.27	55.98	112.48	79.31	116.08	110.60	149.29

The DISCOMs should fully utilize the R&M expenditure approved by the Commission and should take effective steps for timely repair and maintenance of the Distribution network. They must collect enough revenue in order to enable GRIDCO to release fund for R&M expenditure as approved by the Commission.

33. The Commission has also conducted enquiry engaging independent expert teams to ascertain the status of maintenance of lines and S/Ss as well as the Grid S/Ss through out the State. Technical deficiencies noticed, the short-term and long-term measures required and the time limit thereof were

- discussed in the meeting with the DISCOMs as well as the expert teams, who have presented their findings. The DISCOMs were required to take action on short-term measures and long-term measures for timely repair and maintenance of the Distribution network (Annexure-1).
34. The Distribution Utilities must realize that the consumers are central to the growth of their business and without giving them satisfactory service they can not expect any help, co-operation and goodwill from the consumers. While the thieves of power, be it the consumers or the employees, should be treated as thieves, the honest consumers must be properly looked after. They should be treated with respect and all dignity. There should be reorientation in our thinking and approach while dealing with the consumer grievances. We must remember that if you plan good customer care, you will reap a sustained good business for years to come. We should be honest and sincere in taking care of the consumers but not merely propagating to have done this or that for the consumers. In this connection one may recall what Mahatma Gandhi has said –
- “An error does not become truth by reason of multiple propagation nor does truth become error because nobody sees it”.**
35. The Distribution Utilities must have a clear vision for ensuring satisfactory service to the consumers at an affordable and competitive price. One must realize that visions of the future are better than dreams of the past. If power sector to succeed, we must have to take adequate care of the consumers in improving the quality of service. In this connection we may recollect what Mahatma had said about the importance of consumers /customers.
- According to him:
- A customer is the most important visitors in our premises.
 - He is not dependent on us. We are dependent on him.
 - He is not an interruption to our work. He is the purpose of it.
 - He is not an outsider to our business. He is a part of it.
 - We are not doing a favour by serving him.
 - He is doing us a favour by giving us the opportunities to do so.
36. In the words of Mahatma Gandhi, consumer is the kingpin for success or failure of any organization. Hence, if the utilities want to thrive in their business of distribution of electricity they must take proper care of the consumers in their day to day activities because without consumer they do not have any business. It is the quality of service to the consumers on which the distribution utilities will thrive.
37. At present the distribution system in Orissa is plagued by deep-rooted legacy problems of high AT&C losses triggered by rampant theft and technical issues, corruption, dilapidated networks, inadequate metering, poor recovery of dues, lack of consumer orientation and poor operational and financial management. The distribution companies are required to revamp their internal administration and fix accountability at different levels to ensure quality supply of power and to improve the standard of performance. Therefore, the new mantra for the distribution companies should be “Reduce Cost, Be more efficient, Be consumer responsive or Perish”.
- Proactive Steps taken by OERC**
38. Deeply concerned and worried with poor maintenance of the distribution network as well as the transmission network, Commission had constituted independent technical enquiry team to conduct spot visit and report the remedial measures for upgradation and maintenance of the distribution network and transmission network. The committee had visited different circles and found out the various deficiencies in maintenance of distribution substations and grid substations. The short term and long term measures have been recommended and those have also been presented before the officials of OPTCL and distribution companies to take timely action to remove these deficiencies. In the mean time OPTCL and distribution companies have taken steps for replacement of transformers, conductors besides ensuring routine maintenance work of the substations and grid substations.
39. **Transmission System Upgradation**

OERC had engaged the teams of independent experts to enquire in to O&M of OPTCL system. The major findings of the enquiry teams are as follows:-

- Provision of PLCC/SCADA is completely neglected in most of the Grid S/S OPTCL should provide SCADA interface in all 220 KV Grid S/S.
- Very old ABCBs, MOCBs, BOCBs specifically at Rayagada, Kesinga and Theruvali Grids may be replaced immediately.
- As 220kV and 132 kV network & the associated grid S/Ss of the system is the backbone of the transmission system, a regular planned maintenance and timely augmentation of lines and substations with proper protection system in place are required to minimize breakdowns and extend uninterrupted power supply to DISCOMs. Further a system can be so designed that it can meet the contingency maintenance.
- OPTCL should maintain its network in a proper manner and plan out the strategy starting from procurement to timely maintenance. OPTCL has been directed to replace the circuit breakers wherever required in a phased manner and should be completed within next one year.
- Modern way of management and planning is required by OPTCL for a healthy transmission system to extend quality & reliable power to DISCOMs. Hence, for better flexibility of the transmission system, OPTCL should set up a team consisting of professionally experts in each O&M circle to attend any type of problem in the grids under that circle.
- There should be regular review by the GM of EHT (O&M) circle regarding functioning of each O&M Division under his control at least once in each quarter and the review report with all the problems along with the suggestions/remedial measures should be sent to the Corporate office of OPTCL for appropriate action.
- OPTCL should carryout regular patrolling of all the feeders. The weak points identified during regular patrolling should be replaced during the prearranged shutdown to avoid longer interruptions owing to breakdowns/faults. Regular/Periodical patrolling of all lines must be ensured. Review/analysis of each interruption should be made and planning strategy should be developed for proper operation and maintenance of the transmission system
- Alternative source of supply should be made available at all grid substations to avoid total power failure in the region due to fault in the single source of supply. All EHT Grid S/S should operate in a ring arrangement.
- Civil maintenance of control rooms, quarters & buildings etc. are badly neglected causing damage to structures and equipments, hence the Commission directed OPTCL to review the works of Civil Works Divisions and repair and maintenance works should be done immediately to avoid further deterioration.
- Transformers should be off-loaded at erection sites instead at Central Store to avoid time & cost over run. The Commission directed that the civil construction and the dispatch schedule of the equipment should be properly planned for the purpose.

In addition to the above, the present poor condition of transmission system can be ascribed to poor maintenance, long delay in execution of projects and monitoring performances of various elements of system.

40. OPTCL as per clause 10 read with clause 23.1 of Transmission License condition submits its investment proposal above Rs.10 cr. to the Commission for any new project undertaken by them. The Commission during the year 2007-09 had given investment approval for new Grid substation and Transmission lines in 26 nos of cases. The carrying cost and the principal amount of any loan actually availed by OPTCL for the approved project is allowed by the Commission in their ARR of the respective year. Commission always encourages licensees including OPTCL to introduce new technology in their business for better consumer service and smooth business operation. The prudent investment in this regard shall definitely be allowed to them through tariff. It is not prudent to artificially hike the transmission charges on the higher projection of loan. It is always done basing on the actual

loan already availed and likely amount to be availed by making realistic assessment. The Commission has taken expeditious steps to approve the investment proposal of OPTCL as and when it is submitted. But, it is noted that there is inordinate delay in execution of the projects as a result there has been abnormal rise in cost. This is a serious area of concern for the power sector as a whole.

Distribution System Upgradation

41. In the tariff order for the year 2008-09, the Commission had directed installation of at least 3000 distribution transformers of different capacities out of which 1000 was to be installed by CESU and rest 2000 by Reliance managed three distribution companies namely NESCO, WESCO and SOUTHCO. By now (till December, 2009) they have replaced / upgraded 3330 number of transformers as per the report furnished to the Commission. The distribution companies normally complained regarding inadequacy of fund available with them and difficulties in getting fund by way of relaxation of escrow account by which all their revenue receipt are credited. Commission has taken steps to ensure release of fund from escrow account for operation and maintenance work as a result GRIDCO has released Rs.110.60 crore (WESCO-Rs.22.59 cr., NESCO-Rs.27.40 cr., SOUTHCO-Rs.21.39 cr, CESU-Rs.39.22 cr) for operation and maintenance work during the year 2009-10 against approved R&M expenditure of Rs.116.08 crore (WESCO-Rs.27.01 cr., NESCO-Rs.27.88 cr., SOUTHCO-Rs.20.72 cr, CESU-Rs.40.46 cr). During FY 2008-09 GRIDCO had released Rs.106.48 cr., (WESCO-Rs.32.12 cr., NESCO-Rs.27.19 cr., SOUTHCO-Rs.14.41 cr, CESU-Rs.32.76 cr) against Rs.112.48 crore (WESCO-Rs.25.66. cr., NESCO-Rs.25.87 cr., SOUTHCO-Rs.19.08 cr, CESU-Rs.41.87 cr) approved by the Commission for R&M expenditure.
42. Commission in the tariff order for 2010-11 had directed for installation /upgradation along with replacement of burnt transformers, load balancing, earthing, installation checking, provision of breakers, boundary walls with gates in all distribution S/Ss, DT metering and energy audit etc. Each DISCOM is required to take up repair and renovation specially in respect of following items of work during 2010-11 in order to improve the quality of supply giving priority to rural areas.
- (h) Upgrade or install 1000 new distribution transformers
 - (i) Complete the energy audit of each distribution transformer by the end of 2010-11.
 - (j) Load balancing in 3-phases of DTR - 2000 nos.
 - (k) Conversion of single phase to 3-phase line - 150 KMs.
 - (l) Provision of 11 KV Crt. Breaker – 20% of substations
 - (m) Provision of boundary wall and gate around distribution sub-stations – 20% of substations.
 - (n) Provision of stringing AB cables – 300 KMs.
43. The fund required for such minimum special repair/renovation of distribution network is to be met out of the R&M expenditure approved for the year 2010-11 as well as from the collection of arrear outstanding as on 01.04.2010. Based on the flow of revenue, GRIDCO will relax the Escrow account in order to enable the Distribution Company to take up the minimum special repair/ renovation work as indicated above.
44. **Capital Expenditure in the Electricity Network in the State after Reform**

Table - 14
Capital Expenditure of DISCOMs /GRIDCO/OPTCL (Rs. Crore)

Year	CESU	NESCO	WESCO	SOUTHCO	GRIDCO/ OPTCL
1996-97					187.97
1997-98					231.75
1998-99					142.88
1999-00	96.46	43.31	45.56	49.70	263.15
2000-01	92.72	41.51	32.49	24.54	274.85
2001-02	71.08	37.06	16.76	24.84	156.92
2002-03	111.44	39.90	30.52	25.80	168.73
2003-04	50.65	33.72	19.98	17.38	160.57

2004-05	56.44	30.59	39.94	20.58	99.4	
2005-06	-89.37	26.69	27.55	19.71		63.61
2006-07	23.34	23.92	21.37	12.55		108.64
2007-08	57.99	41.39	15.31	6.46		103.91
2008-09	44.98	76.71	54.71	9.30		91.69
Total	515.73	394.80	304.19	210.86	2054.07	

The Capital Expenditure of DISCOMs after the privatization has been Rs.1425.58 cr till date. This expenditure has been incurred from World Bank Fund, consumer contribution etc. The DISCOMs have not invested anything from their own sources as of now. It is to be noted here that GRIDCO had been in charge of distribution business after the reform till 1998-99. The transmission business was separated from GRIDCO and was taken over by OPTCL from FY 2005-06.

Quality supply of power to rural areas in Gujarat

45. For improving quality supply of power to rural areas we should learn from Gujarat from its proactive role in developing infrastructure including electricity. Jyoti Gram Yojana was a unique initiative introduced by Gujarat Government to make available three phase quality power supply for 24 hours to all the 18000 villages and also 9700 suburbs attached to the villages of Gujarat for non-agricultural activities. While ensuring improved quality power supply to agriculture implemented in a record time of just 30 months. Jyoti Gram Yojana has made positive impact on the State's rural economy. All the villages were covered under the scheme with an expenditure of Rs.1291 crore out of which Rs.1110 crore came from Govt. of Gujarat.
46. Electricity being a key infrastructure for overall economic growth and improving the standard of living, State Govt. needs to take proactive action in facilitating development of a robust distribution network and transmission facilities. Timely completion of Grid sub-stations and associated 220/132 KV transmission lines in backward areas like Nuapada, Kalahandi, Kesinga, Boudh, Dabugaon, Deogarh, Kuchinda, Padmapur etc as approved by the Commission will go a long way in solving the chronic low voltage problem in those areas.

Business Plan for 2008-09 to 2012-13

47. Based on the filings by the four distribution companies and after hearing and discussion with GRIDCO, OPTCL and the officials of distribution companies the Commission have approved business plan for the four distribution companies in its order dated 20.3.2010. Commission has emphasized immediate need for reduction of present level of high distribution as well as Aggregate Technical & Commercial Loss. Commission has directed that while the distribution loss was 37.50% at the end of 2008-09 should be reduced to 21.20% by the end of 2012-13. It has also been directed for reduction of AT&C loss from 41.89% to at the end of 2008-09 to 21.99% by end of 2012-13. (Distribution Company-wise target of distribution of loss has been indicated in table-11.
48. The distribution loss reduction target can be achieved only if investment is made for repair and renovation of the aging distribution network and system upgradation. Regarding loss ascribed to theft of electricity it has to be curbed by unqualified govt. support through strong police action to book the culprits who are indulging in the theft of electricity being aided and abetted by some of the disorderly employees of the distribution companies. The Kanungo committee in its report submitted in 2001 had recommended transitional support of Rs.3240 cores for system upgradation to reduce the loss and by now with inflation this would be equivalent to roughly Rs.5000 crore. Accordingly, Commission has directed that distribution companies and State Govt. should jointly invest Rs.5000 crore for system upgradation. While State Govt. being 49% share holder through GRIDCO should contribute Rs.2450 crore and the distribution companies should contribute Rs.2550 crore in proportion to the ratio of their consumers in respective years (CESU – 39%, NESCO – 21%, WESCO – 19.50%, SOUTHCO – 20.50%).

Table-15
Investment by DISCOMs & Government

(Rs in Crores)

Description	Ratio of consumers	Investment by DISCOMs	Investment by Govt.	Total
CESU	39.00%	995	955	1950
WESCO	19.50%	497	478	975
NESCO	21.00%	535	515	1050
SOUTHCO	20.50%	523	502	1025
TOTAL	100.00%	2550	2450	5000

49. GRIDCO should take steps to allow the DISCOMS (WESCO, NESCO and SOUTCHO) to create, first charge over the immovable asset as security to REC/PFC on the assets added after 31.3.2001. This works out to Rs.413.23 crore. Upto 31.3.2008 excluding assets created out of World Bank loan (Rs.532.04 crore – Rs.118.81 crore)
50. Both GRIDCO and DISCOMs shall mutually identify the assets created after 31.3.2001 for Rs.413.23 crore upto 31.3.2008 that are to be hypothecated against the loan to be availed from the financial institutions such as REC & PFC. The assets created during 2008-09 and that may be created thereafter can also be hypothecated.
51. The State govt. may allow DISCOMs to pledge the assets created for Rs.254.83 crore out of World Bank loan, to the financial institutions such as REC, PFC to avail loan for capital works.
52. The Reliance managed DISCOMS have been directed to make provision for the GRIDCO power Bond of Rs.400 crore in their Balance sheet till the matter is decided by Supreme Court.
53. State Government may commit at least Rs.2450 cr. to be infused for capital investment during FY 2010-11 to 2012-13 for system improvement of distribution network of the four distribution companies. These Reliance managed company on their part must bring in at least Rs.1556 crore (Rs.2550 cr. – Rs.994 cr. by CESU) as additional equity/loan from different sources including internal resources towards capital investment during the period 2010-11 to 2012-13 for system improvement works. CESU must also arrange Rs.994 crore from different sources including internal resources for system improvements in proportion to the loan capital/equity investment to be made by State Govt./ GRIDCO during 2010-11 to 2012-13.
54. The budgetary support by the State Govt. should be in such a manner that it should have the least impact on tariff. If capital investment is made in the shape of equity the return on equity would be @ 16% in the annual revenue requirement. If capital investment is provided as a loan carrying the usual rate of interest @ 12%, this would have a direct bearing on the tariff. Govt. therefore should provide a minimum budgetary allocation of Rs.2450 crore during the period 2010-11 to 2012-13 through a subordinate and interest free loan. This would soften the impact on the finances of the DISCOMs as they would not be required to pay the interest. The impact on the consumer would be negligible as the interest-free subordinated loan repayment will come up only after all other senior bank and FI loans have been fully serviced and this will enable the DISCOMs to service them later with ease. The budgetary support of Rs.2450 crore should be allocated to the DISCOMs in proportion to the number of consumer of the DISCOMs as on 01.04.2009 (i.e. CESU 39%, NESCO 21%, WESCO 19.5% and SOUTHCO 20.50%). On the other hand the four DISCOMs must bring in loan capital of Rs.2550 crore towards their 51% share in proportion to the loan capital to be invested by State Government through GRIDCO in the respective DISCOMs.
55. There should not be direct release of fund to DISCOMs for capital expenditure or special repair and renovation of distribution network. This should be routed through a separate account to be opened by GRIDCO and progress of CAPEX Schemes is to be monitored through a committee consisting of Secretary, Energy Department, CMD, GRIDCO, EIC, Electricity, MD/CEO of DISCOMs subject to overall supervision of OERC. The committee should fix the time line for release of fund and completion

of the projects as per the time schedule fixed GRIDCO and DISCOMs should strictly adhere to those time schedule.

56. Capacity Addition

- (1) The State is set to face a shortfall of 1825 million units (MUs) of power in 2010-11 according to the Load Generation Balance Report (LGBR) prepared by the Central Electricity Authority (CEA). As against the overall demand of 24,795 MUs in this fiscal, the power availability will be 22,970 MUs, thereby creating a deficit of 7.4 per cent. However, in terms of peak energy requirement, Orissa will be in a surplus position in the current financial year. The total peak power availability in the State will be 3916 MW compared to the peak demand of 3850 MW, a surplus of 66 MW. If there is failure of monsoon, or if there is no normal rainfall, the projected Peak Demand will be reduced to deficit. It is apprehended.
- (2) In the eastern region, Bihar is the only state apart from Orissa which will grapple with power shortfall during 2010-11. Bihar will face a power deficit to the extent of 15.7 per cent. Other states in the region like West Bengal, Jharkhand and Sikkim will be in a surplus position. The eastern region, as a whole, will have an overall energy requirement of 98,451 MUs and the availability will be 101,707 MUs, a surplus of 3256 MUs in 2010-11. On a pan-India basis, the power deficit has been projected at 10.6 per cent. Out of the total power demand of 876,856 MUs, the power availability will be 784,006 MUs, a deficit of 92,849 MUs. The CEA report has projected a power deficit for all the States except Delhi, West Bengal, Sikkim and Jharkhand. The country, as a whole, is projected to face a peak power deficit of 12.1 per cent in this fiscal. The country is set to witness a capacity addition of 21,441 MW during 2010-11 which consists of 18,755 MW of thermal power, 1466 MW of hydro power and 1220 MW of nuclear power. The assessment of gross energy generation in the country during 2010-11 has been carried out by CEA taking into consideration the past operation performance of the thermal plants, their vintage, maintenance schedule of the generating units, partial and forced outages and availability of fuel.
- (3) With decline in rainfall and increase in the numbers of consumers and consumption of electricity due to industrialization, extension of electrification under RGGVY and BGJY, the State has started facing power deficit, the peak demand deficit and energy deficit during 2008-09 was 2.48% and 1.4% respectively. The peak demand deficit was 7.1% and 0.9% during 2009-10 respectively. However as indicated in Para 38(I) even if there is normal rainfall, the energy deficit will be 7.4%. The Commission during 2009-10 in order to incentivise the generation by the captive power plants has fixed the price of surplus power of captive generators starting from Rs.3.00 to Rs.4.05 per kWh depending on the quantum of injection, the average being increased from 224.76 paise per unit in 2008-09 to 319.42 paise per unit in 2009-10. The price of energy procured from co-generation has increased from the average rate of 230.11 paise per unit during 2008-09 to 312.29 paise per unit in 2009-10. As a result of this CGPs have increased their supply from 1197.22 MU in 2008-09 to 2967.09 MU during 2009-10, thus, greatly contributing to reduce the gap between demand and supply.
- (4) Govt. of Orissa have signed Memoranda of Understanding (MoU) with as many as 27 Independent Power Producers (IPPs) to secure its long-term supply but the State's power deficit position is set to continue at least till the end of the current fiscal. In the 1st stage Orissa Govt. had inked MoUs with 21 Nos. IPPs earlier with total installed capacity of 26300 MW to generate thermal power. Again the State Govt. has signed MoU with 5 nos. of IPPs on 09.04.2010 to generate additional 4800 MW of thermal power. Orissa Government has also entered into MoU with M/s JSL to set up 2 x 660 MW TPP at Luni in Dhankanal district in the first week of May, 2010. Orissa is likely to get around 5636.90 MW out of

total 32420 MW from these 27 IPPs if implemented. OPGC has decided to start 3rd and 4th Unit of 1b thermal plant 1320 (2 x 660) MW capacity out of which State would get 660 MW sometime in January, 2012. OHPC and OMC have formed a joint venture namely Orissa Thermal Power Corporation Ltd. (OTPCL) whose capacity would be 2000 MW out of which Orissa would get 1000 MW likely in the year 2014-15. Govt. of India has given in principle approval to set up an UMPP of 4000 MW in Sundargarh district. The Central Government is also exploring possibilities of setting up of another two Coastal Ultra Mega Power Projects.

57. **Areas of concern-**

i. **High AT & C loss and strong administrative support by the State Govt.**

- Even if there is higher generation or capacity addition, there can not be perceptible improvement in quality of supply or standard of service unless the unsustainable level of AT & C loss which is of the order of 42% now is drastically reduced at a much greater speed than have been hitherto done. According to the Business Plan Order of the Commission target loss reduction can be achieved by Strong administrative and police action to launch a broad attack on theft of electricity for which proactive steps are to be taken by the State Govt. to provide leadership. Anti theft measures have paid rich dividend in States like Maharashtra, Andhra Pradesh, West Bengal, Gujarat etc, where initiatives were taken on theft of electricity by monitoring the antitheft drive from the highest level of the Govt.

ii. **Investment for system upgradation of distribution network**

- In parallel to strong police action on theft of electricity, investment of at least Rs.5000 cr should be made in time both by State Government (Rs.2450 cr) and distribution companies (Rs.2550 cr) to improve the quality of supply and reduce distribution loss as outlined in the Business Plan, 2008-13, the summary of which has been indicated in para 47 to 55 above read with Table-11 & 15.

- iii. In the meantime, Govt. in Energy Deptt. in their letter No.1-06/2010 (pt.)-7991 dtd.09.09.2010 has intimated that initially Rs.2400 crore is proposed to be invested during the period from 2010-11 to 2013-14 as per the break up given below:

(Rs. in crore)

	2010-11	2011-12	2012-13	2013-14	Total
State Govt. (Out of Which)	300.00	400.00	250.00	250.00	1200.00
a. FC Grant	0.00	200.00	150.00	150.00	500.00
b. SS (*) to FC grant	0.00	66.67	50.00	50.00	166.67
c. Loan to GRIDCO for counterpart funding to FC grant	0.00	66.67	50.00	50.00	166.67
d. State's own contribution	300.00	66.66	0.00	0.00	366.66
DISCOMs (Out of Which)	0.00	200.00	400.00	600.00	1200.00
a. Counterpart DISCOM share for FC grant	0.00	66.67	50.00	50.00	166.67
b. DISCOMs contribution	0.00	133.33	350.00	550.00	1033.33
Total CAPEX:	300.00	600.00	650.00	850.00	2400.00

(*) SS – State Share

- Out of Rs.2400 crore envisaged to be spent under CAPEX for upgradation and renovation of the Distribution network over a period of four financial years i.e. 2010-11 to 2013-14, Govt. of Orissa will provide Rs.1200 crore and DISCOMs will invest Rs.1200 crore from their own source or through market borrowing. Rs.1200 crore of budgetary support by the State Govt. would consist of as follows:

- (a) Grant of Rs.500 crore from 13th FC is to be initially passed on as loan with 0% interest

- (b) Rs.166.67 crore of matching State share against 13th FC grant as loan with 0% interest.
- (c) Rs.166.67 crore of Loan to GRIDCO for 1/3rd counterpart funding to FC Grant with 4% interest to be passed on to DISCOMs with same terms and conditions.
- (d) Rs.366.66 crore as budgetary support in shape of soft loan with 4% interest.
- iv. However, besides the upgradation of distribution network, upgradation of power transformers and associated lines of 220/132/33, 132/33 KV Grid sub-stations where overloading is experienced is to be taken up on priority basis on a war footing. Otherwise even if there is no mismatch between demand and supply of power for the state as a whole, the consumers in those areas would continue to suffer from low voltage and rotational load shedding in order to avoid the break down and collapse of transmission lines. The 132/33 kV grid substations of OPTCL which are experiencing over loading are as follows:-:
- Supply received by CESU
- (1) Nuapatna (Dhenkanal district)
 - (2) Balugaon
 - (3) Salepur
 - (4) Jagatsinghpur
 - (5) Ranasinghpur
- Supply received by SOUTHCO
- (1) Sunabeda
 - (2) Tentulikhunti
 - (3) Bhanjanagar
- Supply received by WESCO
- (1) Kesinga
 - (2) Junagada
 - (3) Khariar
 - (4) Sonapur
- Supply received by NESCO
- (1) Soro
 - (2) Bhadrak (including Chandbali)
 - (3) Joda
- v. **Conservation of Energy** : There is urgent need to conserve energy and avoid wastage and unnecessary use of electricity. Higher consumption of energy would call for higher generation which in turn would add to pollution. Hence it is argued that the pricing of electricity supply should take into account not only the cost of supply but also the cost of degradation of environment. If the cost of supply is Rs.4/- per unit the cost of environment degradation arising out of associated problem of rehabilitation, degradation of forest, pollution of water etc. would be Rs.7/- per unit. Hence it is argued that higher pricing of electricity would lead to economic use of energy and prevent wastage or unnecessary use of energy which will ultimately reduce the gap between demand and supply. The research paper published by Indira Gandhi Institute of Development Research, Mumbai (By Sajal Ghosh) on "Electricity consumption and economic growth in India" indicates that higher consumption of electricity has no long-term direct relationship with economic growth. Economic growth leads to higher consumption of electricity but higher consumption of electricity does not necessarily lead to economic growth. Hence, what is needed is economic and efficient use of the available energy which will reduce the demand supply gap, reduce pollution and prevent degradation of environment

- vi. Since electricity duty is levied as a percentage of the electricity charges the State loses electricity duty on 42 MUs of energy out of 100 MUs supplied to the consumers. As per the Annual Revenue Requirement (ARR) estimated for 2010-11, 1% AT&C loss reduction in monetary term will amount to about 50 crore per annum. If the present level of 42% loss is reduced to 15% the power sector ultimately would have the benefit of 1350 crore per annum compared to the present level of revenue being collected by the distribution companies in the State. If electricity duty is assumed on the average at 5% then the State will gain electricity duty for about Rs.67.5 crore or say Rs.68 crore per annum. At present the level of collection of electricity duty is Rs.459 crore (2009-10) compared to more than Rs.2000 crore in many States like Gujarat, Maharashtra, Tamilnadu, Andhra Pradesh. Hence, it is in the interest of the State revenue the State Govt. should take initiative in launching a broad attack on theft of electricity. Like any other crime, theft of electricity is a crime and is a cognizable offence.
- vii. Anti-theft measure to be supervised and monitored by a senior level servicing police officer at the level of I.G.
- Mere investment in the distribution network would not achieve the desired result of loss reduction unless it is accompanied by strong administrative and police action to check theft of electricity by some unscrupulous consumers being aided and abetted by some of the employees of the distribution companies. Unruly behaviour and unpleasant situation are being faced by the employees of the distribution companies while going for disconnection of power supply or collection of revenue in case of default in payment of the electricity. This governance issue should be addressed effectively through strong administrative support by the State Govt. at different levels. Otherwise improvement in supply of power due to investment on system upgradation/renovation would not be accompanied by improvement in collection of revenue unless unlawful behaviour of some of the consumers/unauthorised consumers are severely dealt with. In this connection the Commission has brought to the notice of the State Govt. from time to time regarding the urgent need for making all the notified 34 energy police stations fully operational and effective. The specially designated courts for the trial of all electricity offences also suffer from the inadequate men and materials. This also needs to be addressed on priority basis.
 - The line of command and control of the Energy Police Station is currently an integral part of the general Police Administration as a result of which their special role gets diluted, amidst the competing needs of general law and order and crime control. They need to stand apart from the general run of police administration and act on a dedicated basis in tandem with the DISCOMs who are distributing and supplying electricity.
 - It may further be noted that in West Bengal a very senior police officer at the level of an IG works with the West Bengal State Electricity Distribution Company Ltd. (WBSEDCL) and is responsible for theft prevention, detection prosecution and liaison with the police. West Bengal though has only one DISCOM for the entire State while we have four (4) DISCOMs. GoO, therefore, may consider having one senior officer working with the Dept of Energy and being responsible for theft prevention and detection in all the four (4) DISCOMs. He could supervise and monitor the working of all the Energy Police Stations and ensure their effective functioning. As an officer of the State's police administration, he could liaise easily with the police and act as a bridge between the Electricity Utilities and the Police. If we can reduce the AT&C losses to a reasonable level and prevent theft fully, it would not only mean huge revenue gains for the DISCOMs but also fairly large increases by way of Electricity Duty for the State Govt.
 - Theft is the most important cause for a humungous amount of the commercial losses, more often than not in connivance with the unscrupulous employees of the DISCOMs.

This is a situation of unsustainable burden on the honest and paying consumers, overloading of lines and transformers, break down of supply, load shedding, increases in tariffs, indifferent service standards and huge problems in billing and collection. While the DISCOMs must systematically set about the curbing of losses by system upgradation and proper billing and collection, they need to be aided by the State and the machinery of the police in prevention and detection of theft, with penal action against the thieves. The DISCOMs need to be backed to the hilt by the State administration in curbing such losses. However, it is the primary responsibility of the concerned DISCOMs to take initiative for availing administrative support from the State Govt. No amount of Govt. support would succeed unless the DISCOMs are committed to bring about improvement through internal vigilance and strong administrative action against the unscrupulous employees and dishonest consumers who connive with each other for theft of electricity.

- viii. Government and its organization should be model consumers. They must pay their bills in time and in full. The DISCOMs have informed that the outstanding dues payable by Govt., Govt. aided agencies and various semi-government institutions are around Rs.388.79 crore (CESU – Rs.138.60 cr. + NESCO - Rs.77.61 cr. + SOUTHCO – Rs.71.62 cr. + WESCO – Rs.100.96 cr.) as on 01.4.2010. These arrears are rather huge and reflects poorly on the Govt.

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAVAN
UNIT-VIII, BHUBANESWAR – 751 012
TEL. No. 2396117, 2393097, FAX : 2393306
e-mail : orierc@rediffmail.com
website : www.orierc.org

No.OERC/SECY/3857
Dt. 3.5.2010

From

P.K. Swain
Secretary.

To

The Commissioner-cum-Secretary,
Department of Energy,
Govt. of Orissa, Bhubaneswar.

Sub : White paper on performance of power sector.

Sir,

I am directed to say that during the course of meeting held on 03.05.2010 at government level it was observed that OERC should prepare a White Paper for wide consultation. In this connection I am to say that OERC has already published Orissa Power Sector – An Overview during 2008 and this was released in a seminar held in December, 2008. This volume contains the background of reform, the action so far taken, the success and failure and the Road Ahead. Further, OERC has also published Orissa Power Sector at a Glance 2009 which was released in a Workshop held on 05.01.2010. This publication interalia contains power sector in a nutshell, performance of distribution companies, GRIDCO, OPTCL etc. Besides division wise AT&C loss. In this connection I am to enclose the following extract for your ready reference.

- (i) LT performance for 2009-10 (upto to Sept 2009) (page 27 to 30)
- (ii) LT performance of Distribution Divisions of Orissa for FY 2008-09 (page 78). This contains the selected divisions where AT&C loss is usually high.

While preparing the power sector at glance for the year 2010-11 further details regarding performance of distribution companies would be incorporated.

This is for your information.

Yours faithfully,

Sd/-

Encl: as above

SECRETARY

Appendix – II

- Effective Govt. Support for curbing of theft of electricity, regular payment of electricity dues by various Govt. Department, ULBs, etc.
- (1) DO letter No.4933 dated 17.9.2010 addressed to the Chief Secretary in connection with meeting with Chief Secretary
 - (2) DO letter dated 06.1.2010 addressed to Chief Secretary regarding allotment of a piece of govt. land in Bhubaneswar for construction of office building of OERC
 - (3) Letter No.4092 dated 05.6.2010 addressed to Chief Secretary regarding effective functioning of the approved Energy Police Stations (EPS)
 - (4) Letter No.3798 dated 26.4.2010 addressed to Secretary, Energy regarding in-effective and poor functioning of the Energy Police Stations (EPS)
 - (5) Letter No.36938 (4)dated 26.8.2010 of Finance Department, Govt. of Orissa regarding reconciliation and payment of outstanding dues of CESU, WESCO, NESCO and SOUTHCO by ULBs, Panchayati Raj Institutions, PSUs etc.
 - (6) Letter No.36933(225) dated 26.8.2010 of Finance Department, Govt. of Orissa regarding reconciliation and payment of outstanding dues of CESU, WESCO, NESCO and SOUTHCO by Govt. offices.
 - (7) Energy department letter No.105073 dt.08.6.2010 addressed to the Principal Secretaries to Govt. regarding payment of electricity dues by different govt. establishments, ULBs, RLBs, etc.
 - (8) DO letter dated 08.7.2010 addressed to Chief Secretary in connection with Regular payment of electricity dues by different govt. establishments, ULBs etc.
 - (9) Letter No.4007 dt.27.5.2010 addressed to Principal Secretary to Govt., Finance Department regarding regular payment of electricity dues by different govt. establishments, ULBs, RLBs, etc.

B. K. DAS
CHAIRPERSON

D.O. No.CHP/2010/4933
Dt. : 17.9.2010

Dear Shri

May I thank you indeed very much for sparing your valuable time to meet with me and exchanging views on certain issues of concern to the Electricity Sector.

As I had mentioned in the context, Aggregate Technical and Commercial Losses continue to be a matter for considerable disquiet, particularly theft of electricity which requires some amount of concerted and aggressive action. While the DISCOMs certainly need to do their bit by checks, inspections, automated meter reading and various applications of IT, police action by arrests and prosecution has a considerable salutary effect on the general environment of theft prevention. Of the thirty four (34) Energy Police Stations that have been sanctioned, only fifteen (15) are operational and that too, not fully. The inadequacy of personnel and infrastructures has not quite helped in making them fully operational and effective. The specially designated Courts for the trial of all electricity related offences also suffer from the inadequate availability of men and materials.

The line of command and control of the Energy Police Station is currently an integral part of the general Police Administration as a result of which their special role gets diluted, amidst the competing needs of general law and order and crime control. They need to stand apart from the general run of police administration and act on a dedicated basis in tandem with the DISCOMs who are distributing and supplying electricity.

I would suggest in this connection the West Bengal model where a very senior police officer at the level of an IG works with the West Bengal State Electricity Distribution Company Ltd. (WBSEDCL) and is responsible for theft prevention, detection prosecution and liaison with the police. West Bengal though has only one DISCOM for the entire State while we have four (4) DISCOMs. We would, therefore, consider having one senior officer working with the Dept. of Energy and being responsible for theft prevention and detection in all the four (4) DISCOMs. He could supervise and monitor the working of all the Energy Police Stations and ensure their effective functioning. As an officer of the State's police administration, he could liaise easily with the police and act as a bridge between the Electricity Utilities and the Police.

If we can reduce the AT&C losses to a reasonable level and prevent theft fully, it would not only mean huge revenue gains for the DISCOMs but also fairly large increases by way of Electricity Duty for the State Govt.

Theft is the most important cause for a humungous amount of the commercial losses, more often than not in connivance with the unscrupulous employees of the DISCOMs. This is a situation of unsustainable burden on the honest and paying consumers, overloading of lines and transformers, break down of supply, load shedding, increases in tariffs, indifferent service standards and huge problems in billing and collection. While the DISCOMs must systematically set about the curbing of losses by system upgradation and proper billing and collection, they need to be aided by the State and the machinery of the police in prevention and detection of theft, with penal action against the thieves. The DISCOMs need to be backed to the hilt by the State administration in curbing such losses.

The other important aspect is that Government themselves must be model consumers. They must pay their bills in time and in full. The DISCOMs have informed that the outstanding dues payable by Govt., Govt. aided agencies and various semi-government institutions is around Rs.388.79 crore as on 01.4.2010. These arrears are rather huge and reflects poorly on the Govt.

Lastly, a matter regarding the Commission's own working environment and infrastructure. I have been trying for the last four years to have a piece of land for our own office, which we do not have ever since the Commission was established in 1996. The current space is not only inadequate but belongs to a licensee under OERC. If the land shown to us by the Director of Estates, near Khandagiri is made available to us, or any other piece of land measuring around three acres we could have not only an office building but some residential accommodation to obviate the necessity of depending upon govt. accommodation. A proposal for the above is currently with the Govt. and we would request an early decision on the same.

Thanking you very much and with Regards.

Yours sincerely,
Sd/-
(B. K. DAS)

To,

Shri B.K. Patnaik, IAS
Chief Secretary &
Chief Development Commissioner
Orissa, Bhubaneswar.

B. K. DAS
CHAIRPERSON

D.O. No.CHP/2010/
Dt. : 06.01.2010

Dear

Sub : Allotment of a piece of government land in Bhubaneswar for construction of office building of OERC.

The Orissa Electricity Regulatory Commission do not have their own building even after more than a decade and half of its establishment. It is now functioning in a rented building of OPTCL which had been purchased from BDA. This building also has many other commercial establishments and is quite unsuitable for functioning of a quasi judicial body like OERC.

2. In addition to the conduct of public hearings and proceedings, almost on a daily basis, frequent interactive meetings are also held with the Utilities and different stakeholders. A large number of very senior executives of different enterprises, organizations, both from within and outside the country visit OERC to gather information and exchange views. It is absolutely necessary that OERC should have an independent office of its own to meet these various requirements. I had earlier requested your predecessors in my D.O. letter No.629 dated 04.05.2007 (copy enclosed) and this was also subsequently followed up (copy enclosed). But, government has not yet allotted any land in favour of OERC.

3. Recently, the Bachelor's Barracks at Unit-VIII, near the Kalyan Mandap has been demolished and government land is now available. Government may consider allotting at least half an acre out of this vacant govt. land to OERC for the purpose of an office building, or any other available land may also be considered at a suitable location.

4. I will be grateful if you would kindly look into the matter personally and enable us to have a proper accommodation as available to all other SERCs in the various States.

Yours sincerely,

Sd/-
(B. K. DAS)

To,

Shri T.K. Mishra, IAS
Chief Secretary to Govt. of Orissa
Bhubaneswar.

Copy to :

Shri B.K. Pattnaik, I.A.S. Principal Secretary to Chief Minister, Govt. of Orissa, Bhubaneswar for information and necessary action.

Sd/-
(B. K. DAS)

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAVAN, UNIT – VIII
BHUBANESWAR – 751012

No. OERC/Law-SP-E/4092

Date: 05.6.2010

To

The Chief Secretary
Govt. of Orissa
Bhubaneswar.

Sub: Effective functioning of the approved Energy Police Stations (EPS).

Sir,

I am directed to enclose herewith a copy of the news item published in the Odia daily newspaper "The Samaya" captioned "Měj aòbûM @^èùcù^ iù ß [ù^ù ùLúfò _úeê^ùjõñ" which is self explanatory. I have been directed to state that all the 34 Energy Police Stations approved by Govt. should be made functional immediately. This is absolutely necessary to check large scale theft of electricity in different areas of all the distribution companies. Further, a Senior IPS officer should also be designated and placed in the Dept. of Energy for effective coordination, supervision and day to day monitoring of the functioning of the Energy Police Stations and taking effective steps for prevention of theft of electricity in the State. Even though new capacity addition is made the demand supply gap will go on increasing unless a determined dent is made on theft of electricity.

The root cause of AT&C losses is mainly theft of electricity by unregistered consumers more often than not with the connivance of unscrupulous employees of the DISCOMs. This is a situation which compounds the woes of the paying consumers with overloading of lines and transformers, break-downs of supply, shortage of power, load-shedding, increases in tariffs, poor quality of supply, besides problems of billing and indifferent service standards. The result is that the honest consumer is burdened with higher tariffs to off-set losses. While DISCOMs must set about the curbing of losses by system upgradation, proper billing and collection they require the aid and assistance of the police machinery in preventing theft and penal action against thieves. Such losses must be brought down to acceptable limits. DISCOMs need to be backed to the half by the State administration in curbing such losses.

The Commission, therefore, requests the Chief Secretary for his personal intervention in the matter at his earliest convenience.

Encl: As above.

Yours faithfully,

Sd/-

SECRETARY

Copy forwarded to :

The Principal Secretary, Home Department, Bhubaneswar along with the enclosure for information and necessary action.

Encl: As above.

Sd/-

SECRETARY

Copy forwarded to :

The Commissioner-cum-Secretary, Energy Department, Govt. of Orissa, Bhubaneswar along with the enclosure for information and necessary action.

Sd/-

SECRETARY

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAVAN
UNIT-VIII, BHUBANESWAR – 751 012

No.OERC/Law-SP-E/3798
Dt.26.04.2010

To

The Commissioner-cum-Secretary,
Department of Energy,
Govt. of Orissa, Bhubaneswar.

Sub: In-effective and poor functioning of the Energy Police Stations (EPS).

Sir,

You are aware that the expenditure on Energy Police Stations are being passed on to the revenue of the respective distribution companies and as such the expenditure is being passed on to the consumers in the shape tariff. For the number of FIRs registered and cases filed in the court as complied at the end based on the reports of the distribution companies (copy enclosed), it is seen that not only number of cases forwarded to the court in small but also not a single case has been tried in the court. It appears that charges are not being finalized after filing FIRs. Unless the functioning of the Energy Police Stations are closely monitored on a day to day basis and definitely target is given, the expenditure incurred on establishment and function of the EPS would be quite infructuous.

I am, therefore, directed to request you kindly to review the functioning of the EPS and put a mechanism in place for effective functioning of the EPS. In this connection the Commission have already advised Govt. from time to time for monitoring day to day functioning of the EPS by a senior police officer who should be earmarked for the purpose.

Yours faithfully

Encl: As above.

Sd/-
SECRETARY

Copy forwarded to:

The Principal Secretary, Home, Govt. of Orissa, Bhubaneswar/ D.G. Police, Cuttack along with the enclosure for information and necessary action.

Encl : As above

Sd/-
SECRETARY

Copy forwarded to:

The CEO, CESU/ CEO, NESCO/ V.P., SOUTHCO/ V.P. WESCO, for information and necessary action. Specific monthly target should be given to the Chief Vigilance Officer attached to the distribution companies for day to day monitoring / supervision of anti theft measures through EPS as well as MRT wing. The Executive Head of the utilities must give topmost priority on implementation of anti theft measures in their day to day work.

Encl : As above

Sd/-
SECRETARY

Scan Govt. Letter No.36938(4) dtd.26.08.2010

Scan Govt. Letter No.36933(225) dtd.26.08.2010

Dear

Sub: Regular payment of electricity dues by different Government establishments, Urban Local Bodies, Panchayati Raj Institutions, PSUs, Co-operatives, Autonomous organizations etc.

This Commission has brought to the notice of the Government from time to time the persistent default in payment of electricity dues by various Govt. departments, ULBs, PRIs, Co-operatives, Autonomous organizations, under the control or superintendence of the State Govt. No perceptible improvement is noticeable in the behaviour of the Govt. Depts. and Govt. controlled entities in payment of electricity dues in time. As per the information furnished by the four DISCOMs, a sum of Rs.388.79 crore is outstanding as on 01.4.2010 against various Govt. Depts., ULBs, PRIs, PSUs, Cooperatives, etc. as per the broad break-up given below:

(Rs. in crore)

Name of the DISCOM	Outstanding against Govt. Dept.	Outstanding against ULBs	Outstanding against PSUs	Total
CESU	99.01	35.50	4.09	138.60
NESCO	28.45	27.99	21.17	77.61
SOUTHCO	42.71	18.91	10.00	71.62
WESCO	32.50	25.84	42.62	100.96
Total	202.67	108.24	77.88	388.79

2. Section-56 of the Electricity Act, 2003 and Regulation-100 of OERC Distribution (Conditions of Supply) Code, 2004 empowers the DISCOMs to disconnect power supply in case of default, in paying electricity dues. However, because of the interference and intervention by the district administration and veiled threats against the DISCOMs, in the matter of disconnection of power supply to ULBs, the Police, the Judiciary, Hospitals, Water Supply, etc., the DISCOMs are practically not in a position to take any action in the matter. This is a matter of serious concern. Firstly they do not pay and then they threaten the DISCOMs with all kinds of dire consequences if they take steps for disconnection. This kind of arm twisting of the DISCOMs is having a deleterious effect on the finances of the DISCOMs. Other consumers point their fingers at these Govt. Depts. and organizations, quote their examples and do not pay their bills. Their song is that, if Govt. Depts. are defaulters and their connections are not disconnected for default, then there is no earthly reason as to why the law should be enforced only against them. Thus, the malaise spreads, seriously impacting the revenues of the DISCOMs and consequential cascading effects on repair, maintenance and inability to pay for power purchases, leading to sickness and eventual break-down of the system as a whole. The behaviour and attitude of all arms of the Govt. should be exemplary. It does not behave Govt. Depts. to be seen as defaulters and consumers who do not pay for services. Unless Govt. Departments, Urban Local Bodies, PRIs, Co-operatives, Public Enterprises become regular payers of electricity dues, as per their consumption it would be extremely difficult on the part of the DISCOMs to take effective steps against other/all consumers in a transparent and non-discriminatory fashion.

3. It may possibly be necessary as in the past for the Finance Dept. to issue appropriate instructions to the District Treasury Officer, Special Treasury Officer and Sub-Treasury Officer to insist upon a certificate on the body of the bills that they present at the Treasury that the outstanding electricity dues have been paid in full and no amount is outstanding for payment towards electricity charges. In the absence of such a certificate, the bills of various establishments of Govt. Depts. and various ULBs, PRIs (Panchayat Samitis, Zilla Parishads) should not be entertained. Besides, Govt. in the Finance Dept. may not only consider the provision of adequate funds under electricity charges to enable the concerned Depts. to pay their electricity bills in time, but also to consider islanding and earmarking funds towards electricity dues, under all devolutions and grants-in-aid or budgetary support to ULBs, PRIs, Co-operatives and such other institutions who receive funding support or grants and devolutions from the Govt.

4. It is expected that Govt. Depts. and organizations under the control of the State Govt. should be model consumers, so that the other consumers would also emulate them and pay their dues in time. Your advice to all Govt. organizations to clear their outstanding electricity dues immediately in addition to paying the monthly electricity dues in time as per the date line indicated in the electricity bill served on the consumers would go a long way in propping up the sector. If the arrears of electricity dues are not cleared by the end of August and if there is default in paying monthly bills, DISCOMs would have no option but to disconnect power supply and we in the Commission would request Govt. to provide the necessary administrative support to meet the fall out of such a situation. I request you to please look into this personally and resolve the matter so that any unpleasant situation of disconnections is avoided.

Yours sincerely,

Sd/-
(B.K. Das)

To

Shri T.K. Mishra, IAS
Chief Secretary, Orissa,
Bhubaneswar

Copy forwarded for information and necessary action to:

1. Shri B.K. Pattnaik, IAS, Principal Secretary to Chief Minister, Orissa, Bhubaneswar.
2. Shri J.K. Mohapatra, IAS, Principal Secretary to Finance Dept., Orissa, Bhubaneswar.
3. Dr. A.K. Panda, IAS, Principal Secretary to H&UD Dept., Orissa Bhubaneswar.
4. Shri S.N. Tripathy, IAS, Principal Secretary to Panchayati Raj Dept., Orissa, Bhubaneswar.
5. Dr. Mona Sharma, IAS, Commissioner-cum-Secretary, Co-operative Dept., Orissa, Bhubaneswar.
6. Shri P.K. Jena, IAS, Commissioner-cum-Secretary, Dept. of Energy, Orissa, Bhubaneswar.

Sd/-
Secretary

Copy for information to:

The CEO, CESU, IDCO Tower, 2nd Floor, Bhubaneswar/Vice-President, WESCO, Burla, Sambalpur/Vice-President, SOUTHCO, Courtpetta, Berhampur/CEO, NESCO, Januganj, Balasore.

Sd/-
Secretary

Government of Orissa
Department of Energy

No.R&R-III.10/105073 // Bhubaneswar

Dtd.08.06.2010

From

Sri B. Mohapatra,
Addl. Secretary to Government.

To

The Principal Secretaries to Government/
Commissioner-cum-Secretary to Governments/
Secretaries to Govt. of All Deptts.

Sub: Payment of electricity dues by different Govt. establishments, ULBs, RLBs, PSUs, Co-operatives, autonomous organizations etc.

Sir,

In enclosing a list of different Government establishments, ULBs, RLBs, Co-operatives Autonomous Organisations etc. I am directed to say that OERC have impressed upon the State Government for ensuring timely payment of energy bills as well as to clear the arrear electricity dues pending against them so that the system improvement in Power Distribution Sector can be progressed.

Further, it has come to the notice of the Hon'ble Commission that some Officers, ULBs are diverting the funds (allotted by Administrative Departments) for purchasing the electrical equipments and materials instead of clearing the electricity dues pending against them. Such practices may be avoided.

It is therefore, requested to issue necessary instructions to all concerned officers/ organizations under your department for necessary payment of present electricity as well as pending arrear dues early.

Yours faithfully,

Addl. Secretary to Government.

Memo No.5074 dtd.08.06.2010

Copy forwarded to the Secretary, OERC, Bhubaneswar for information with reference to his Memo No.4008 dtd.27.05.2010.

Addl. Secretary to Government.

**ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAVAN
UNIT-VIII, BHUBANESWAR – 751 012

**No.Secy-066/2000/4007
Dt. : 27.5.2010**

From

P.K. Swain,
Secretary.

To,

The Principal Secretary to Govt.,
Finance Department,
Bhubaneswar.

Sub : Regular payment of electricity dues by different Government establishments, ULBs, RLBs, PSUs, Co-operatives, autonomous organizations, etc.

Sir,

I am directed to say that after issue of instructions by the Finance Dept. in their letter No.22240 (225)/F and 22245(4) dtd.25.4.08 (copy enclosed), the payment of electricity dues by various Government Departments has improved in the meantime. However, no perceptible improvement is noticed in case of Urban Local Bodies. During the course of review of performance of the distribution companies by OERC for the year 2009-10, it has been brought to the notice of the Commission that total amount outstanding against the ULBs is about Rs.107.87 crore. The list of ULBs who have arrear in electricity dues are enclosed for your reference.

2. It has also been brought to the notice of the Commission that when Housing & Urban Development Dept. issues allotment towards electricity and other charges, some of the ULBs instead of clearing the electricity dues have diverted funds for purchase of electrical equipment and materials. As a result the electricity dues are not paid in time and arrears are being accumulated. Even though the distribution companies can disconnect power supply by giving prior notice they are facing difficulties when the District Administration intervenes in the matter not to disconnect power supply on the ground of public resentment and associated law and order problem.

3. As far as payments by Govt. Depts. are concerned, quite substantial amounts are outstanding against Public Health Division, Rural Water Supply Division, various establishments of Education Dept., Irrigation Dept. and Health & Family Welfare Dept. A broad break up of the Department-wise outstanding is enclosed for reference.

4. In the past, Finance Dept. was kind enough and issued instructions to the District Treasury Officer, Special Treasury Officer and Sub-Treasury Officer to insist a certificate on the body of the bill to the effect that upto date electricity bill has been paid and in the absence of such certificate the bills were not being entertained. This has helped reducing the arrears pending against various Depts. and ensuring improvement in payment of current bills.

5. In order to ensure payment of arrear dues outstanding against various Depts., Urban Local Bodies, Rural Local Bodies, Public Sector Undertakings, Cooperatives, etc. kind cooperation and assistance of Finance Dept. is absolutely necessary. It is suggested that like in the past Finance Dept. may issue appropriate instruction to the District Treasury Officer, Special Treasury Officer and Sub-Treasury Officer to insist a certificate on the body of the bill that the outstanding electricity bill has been paid in full and no amount is outstanding for payment towards electricity charges. In the absence of such certificate the bills of various establishments of Govt. Depts. and various Urban Local Bodies, Rural Local Bodies (Panchayat Samitis, Zilla Parishads) should not be entertained. Besides this, Govt. in the Finance Dept. may consider to provide adequate fund under electricity charges for enabling the concerned Depts. for payment of the electricity bills in time. The Urban Development Dept. while releasing funds to the ULBs should also earmark the fund for payment of electricity dues.

6. It is further suggested that 50% of the collection of the arrear electricity dues outstanding as on 01.4.2010 against various govt. offices and ULBs would be earmarked for system improvement by the distribution companies in the areas where low voltage problems are being faced.

7. It is requested that the Principal Secretary, Finance Dept. may kindly consider the above suggestions and other effective ways and methods for timely payment of electricity dues by various Govt. establishments, Urban Local Bodies, Rural Local Bodies, Public Sector Undertakings, Cooperatives, etc. which are receiving assistance from State Govt. in different ways.

8. The Commission seeks the support and cooperation of Finance Department in ensuring up to date payment of Electricity charges by various Govt. Departments, PSUs, Co-operatives, Urban Local Bodies, Rural Local Bodies, etc. which are receiving assistance from the State Govt. in various ways. Finance Department may consider the up to date clearance of Electricity dues as one of the pre-condition for support and releasing of fund to these organizations.

Yours faithfully,

Encl. : As above.

Sd/-
SECRETARY

Memo No. _____ /dt.27.5.2010

Copy along with enclosures forwarded to the Commissioner-cum-Secretary to Govt., Energy Dept./ Principal Secretary, Housing and Urban Development Dept./ Rural Development Dept./ Panchyati Raj Dept./ Co-operation Dept./ Public Enterprise Department, Bhubaneswar for information.

Sd/-
SECRETARY

Memo No. _____ /dt.27.5.2010

Copy along with enclosures forwarded to the CEO, CESU, Janpath, Bhubaneswar/ Vice-President, WESCO, At/P.O. Burla, Dist. Sambalpur/CEO, NESCO, At/P.O. Januganj, Dist. Balasore/Vice-President, SOUTHCO, At/P.O. Courtpetta, Berhampur, Dist. Ganjam for information and necessary action.

Sd/-
SECRETARY

Appendix – III

- Various correspondences on Govt. support for Business Plan for the year 2008-09 to 2012-13
- (1) Energy Department letter No.7991 dt.09.09.2010 in connection with preparation of Investment Plan for Capital Investment in the Distribution sector.
 - (2) Energy Department letter No.7314 dt.18.08.2010 in connection with preparation of Investment Plan for Capital Investment in the Distribution sector.
 - (3) Letter No.4440 dt.19.07.2010 addressed to Energy Department in connection with Support of the State Govt. for implementation of Business Plan for the year 2008-09 to2012-13 etc.
 - (4) Letter No.3774 dt.22.04.2010 addressed to Energy Department in connection with Implementation of Business Plan for the year 2008-09 to2012-13 – Proactive steps by State Govt. and initiative by the Distribution Companies.
 - (5) Letter No.1070 dt.15.05.2010 addressed to Energy Department in connection with Active participation of State Govt. for sustainable development of power sector in Orissa –vis-à-vis the Business Plan of the Distribution Companies for the year 2008-09 to2012-13 .
 - (6) DO letter No.994 dated 06.05.2009 addressed to Chief Secretary in connection with Effective and Pro-Active participation of State Govt. for ensuring sustainable development of power sector in the State.

Scan letter No.R&R-I-06/2010(pt)/7991 dtd.09.09.2010

Scan letter No.R&R-I-06/2010(pt)/7314 dtd.18.08.2010

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAVAN
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e-mail : orierc@rediffmail.com
website : www.orierc.org

No.DIR(T)-344/2008(Vol.III)/4440

Dt.19.07.2010

From

P.K. Swain
Secretary.

To

The Commissioner-cum-Secretary,
Department of Energy,
Govt. of Orissa,
Bhubaneswar.

Sub: Support of the State Govt. for implementation of Business Plan for the year 2008-09 to 2012-13 – various dispensations and concessions.

Sir,

The Commission had approved the Business Plan for the distribution companies for the year 2008-09 to 2012-13 in their order dated 20.3.2010 after detailed consultation with all the stakeholders and after taking into account the latest development. It may be recalled that T & D loss, Collection Efficiency and AT&C loss was 51.02%, 79.92% and 60.9% respectively in 1998-99, the year preceding the privatization of distribution of electricity. As per the information compiled by the Commission from the data furnished by the distribution companies during the course of review of performance for the year 2009-10, it is seen that T & D loss has been reduced to 39.93%, the distribution loss to 37.24% whereas Collection Efficiency has increased to 96.96% and AT&C loss has been reduced to 39.15% in 2009-10. Though distribution loss has been reduced and collection efficiency has improved, and the AT & C loss has been reduced, the performance is not encouraging. For sustainable development of the power sector, the existing unsustainable level of AT&C loss of 39.15% is required to be brought down to 15%.

2. For improvement of performance of the distribution companies particularly in the matter of reduction of loss, Commission has stressed on the following two aspects:-

- (i) Strong administrative and police action to launch a broad attack on theft of electricity for which proactive steps are to be taken by the State Govt. to provide leadership. Anti theft measures have paid rich dividend in States like Maharashtra, Andhra Pradesh, West Bengal, Gujarat etc, where initiatives were taken on theft of electricity by monitoring the antitheft drive from the highest level of the govt.

(ii) Investment in system upgradation to reduce technical loss and improve quality of supply.

3. In this connection Commission has already advised the State Govt. from time to time to make energy police stations effectively functional by posting suitable officers and monitoring day to day operation of the energy police stations by a Senior police officer in the rank of an Additional D.G. or at least in the rank of I.G. who should be posted preferably in the Energy Department to ensure effective function and supervision. Besides this, the Special Courts should also be made functional without any further delay.

4. In Delhi, State Govt. had provided Rs.3450 crore as transitional support besides keeping the liabilities with a holding company and transferring assets to the private distribution companies with a clean Balance Sheet. Sovan Kanungo Committee had recommended a transitional support of Rs.3240 crore for system improvement. Accordingly taking into account the inflation the Commission has advised the State Govt. and the distribution companies to invest at least Rs.5000 crore during the year 2010-11 to 2012-13. While the State Govt. through GRIDCO being 49% of share holder should invest at least Rs.2450 crore, the four distribution companies should invest balance Rs.2550 crore in proportion to the number of consumers as on 1.4.2009 in respect of their area of operation. Accordingly share of investment of 5000 crores between the State Govt. and distribution companies would be as under:-

(Rs. In crore)					
Description	No. of Consumers as on 1.4.2009	Ratio of consumers	Investment by DISCOMs	Investment by Govt.	Total
CESU	10.74 lakh	39.00%	995	955	1950
WESCO	5.35 lakh	19.50%	497	478	975
NESCO	5.78 lakh	21.00%	535	515	1050
SOUTHCO	5.63 lakh	20.50%	523	502	1025
TOTAL	27.50 lakh	100.00%	2550	2450	5000

5. The budgetary support by the State gov't. should be in such a manner that it should have least impact on tariff. Accordingly it has been suggested that the State Govt. should provide the budgetary assistance as an interest free subordinate loan repayment of which will come up only after all other senior bank and FI loans have been fully serviced and this will enable the DISCOMs to service them later with ease.

6. Though the Commission had stipulated minimum investment of Rs.5000 crore during the period of 2010-11 to 2012-13, depending on the availability of fund and capacity for utilization, the State Govt. may stagger the investment over a period starting from 2010-11 to 2013-14.

7. On the other hand, if there is any difficulty on the part of the State Govt, to provide interest free subordinate loan, as an alternative, the State Govt. may provide budgetary support with a concessional rate of interest. However, a part of the loan may be converted to grant if the concerned distribution companies achieve average annual reduction of AT&C loss with other performance parameters as may be decided by the Commission from time to time after consulting the State Govt. and other stakeholders. Further, it is suggested that there should be a moratorium on payment of interest as well as the principal for a period of 5 to 10 years and thereafter the payment of principal and the interest may be made in a period of 20 to 15 years respectively. After the moratorium period, the annual payment of interest and principal would be finalized by the Commission in such a manner that the amount of annual installment gradually increases, so that the tariff hike is kept within a reasonable limit and a part of the additional revenue attributable to loss reduction and efficiency gains is used for debt servicing and leaving the balance of such enhanced revenue for further reinvestment in the distribution network.

8. Coming to the issue of keeping the upvaluation of assets in abeyance, moratorium debt servicing liabilities to the State Govt. etc., it may be recalled that the Sovan Kanungo Committee, in addition to budgetary support of Rs.3,240 crores by the State Govt for the Distribution sector, had also recommended inter alia, the following:

- “(i) Keeping the re-valuation of assets of GRIDCO & OHPC in abeyance till the system is brought to balance i.e. till the sector turns around. (Para-5.13)
- (ii) With a tariff hike of 18% in 2005, the entire cash deficit would disappear and the year 2005-06 would witness both an operational profit as well as a marginal cash surplus. The sector as a whole would turn around in 2005-06. The consumers could be called upon to pay higher tariff at that stage because by that time the utilities are expected to have given evidence of their concern for and efficiency in T&D loss reduction and improvement of customer service; not otherwise.” (Para-5.14)

9. The recommendation of the Kanungo Committee was based on some important premises which among others include (i) there would be interim financing of Rs.3240 crores (ii) there would be a tariff hike of 18% in 2005-06 as stated above. However, the average tariff has remained more or less the same with some minor variation here and there from 2001-02 till 2009-10. In fact, the overall tariff had declined by 0.37% in 2005-06 instead of 18% hike suggested by Kanungo Committee.

10. There has been no interim financing of Rs.3240 crore as estimated by Kanungo Committee in 2001. With inflation this amount would be more than Rs.5000 crore. No such investment has yet been made till 2009-10.

11. However, based on the assumptions of the Sovan Kanungo Committee and its recommendations, as indicated in para 8 and 9 above, the State Govt. had notified certain dispensation and concession vide their notification No.R&R-I-2/2002/1068 dt.29.01.2003 read with the corrigendum No. No.R&R-I-2/02/5302 dt.6.05.2003. The important concessions which had a bearing on tariff, among other things, are as follows:

- (i) The effect of up-valuation of assets of OHPC and GRIDCO indicated in Notification No.5210 dated 01.04.1996 and No.5207 dated 01.04.1996 would be kept in abeyance from the Financial Year 2001-02 prospectively till 2005-06 or the sector turns around whichever is earlier to avoid re-determination of tariff for past years and also re-determination of assets of various DISCOMs. For this purpose depreciation would be calculated at pre 1992 norms notified by Govt. of India.
- (ii) Moratorium on debt servicing by GRIDCO and OHPC to the State Govt. would be allowed from the FY 2001-02 till 2005-06 except the amount in respect of loan from the World Bank to the extent the State Govt. required to pay to the Govt. of India.
- (iii) The outstanding dues payable to OHPC by GRIDCO till 31.03.2001 on account of power purchase would be securitized through issue of power bond by GRIDCO to OHPC.
- (iv) GRIDCO and OHPC shall not be entitled to any Return on Equity (RoE) except in respect of the new projects commissioned after 01.04.1996 till the sector become viable or end of 2005-06 whichever is earlier.

12. If the up-valuation of assets would not have been kept in abeyance, there would not have been moratorium on debt servicing by GRIDCO & OHPC and Return on investment by GRIDCO and OHPC would have been allowed, the tariff would have been hiked by 48 paise to 31 paise per unit.

The sector has not yet turned-around because of non-infusion of capital by the State Govt. and DISCOMs and other necessary support & lack of initiative by the DISCOMs. The Commission from time to time have been moving the State Govt. to extend those benefits notified on 29.01.2003 and 06.05.2003 beyond 2005-06. If these benefits would not have been assumed to be extended, there would have been tariff hike by 48 paise in 2006-07, 38 paise in 2007-08, 35 paise in 2008-09 and 35 paise in 2009-10 and its impact would have been also 31 paise in 2010-11.

13. Based on the recommendation of the Commission, State Govt. in their notification No.R&R-I-15/2009/81, En, dt. 06.01.2010 have extended the concession and stipulations as indicated below:

- (i) The bonds issued by GRIDCO and OHPC, to the State Govt. consequent upon revaluation of assets shall not carry any interest for a further period of five years from FY 2006-07 to FY 2010-11.
- (ii) The additional equity share, allotted to the State Govt. based on revaluation of assets, should not earn any Return on Equity for a further period of five years from FY 2006-07 to FY 2010-11.
- (iii) Both GRIDCO/OPTCL and OHPC would be entitled to depreciation on the revalued (pre-92) assets.
- (iv) Both GRIDCO/OPTCL and OHPC shall repay the principal amount of the loan amount actually taken from the State Govt. along with the interest as per the terms and conditions of loan other than those attributable to the revaluation of assets.
- (v) The State Govt. investment actually made in Upper Indravati Project, excluding the normative equity, should yield return to the State Govt. with effect from FY 2010-11 after clearance of loan liabilities of PFC. However, interest at the rate of 7% should be charged and paid on this investment from FY 2006-07 onwards.
- (vi) Return on Equity on the old Hydro Power Plants may be allowed to OHPC, in respect of new projects commissioned after 01.04.1996.

14. Since there was some omissions and commission and addition of new stipulations in the notification dt.06.01.2010, in deviation of the notification dt.29.01.2003 read with notification dt.06.05.2003, the Commission in their letter No.3235 dt.27.01.2010 has suggested for amendment of the notification dt.06.01.2010 of the State Govt.

15. Since the Kanungo Committee had recommended keeping in abeyance the up-valuation of assets, moratorium on debt servicing etc. till the sector as a whole turn- around and since the benefits of proposed investment by State Govt. and DISCOMs would be felt only after few years, the Commission would like to advise the State Govt. to take the following steps:

- (i) GRIDCO/OPTCL and OHPC would be entitled to depreciation on the assets prior to revaluation, calculated at pre-92 norms notified by Govt. of India, as per the direction of Hon'ble High Court of Orissa.
- (ii) Moratorium on debt servicing by GRIDCO and OHPC to the State Govt. would be allowed till the power sector turns-around except the amount in respect of loan from the World Bank to the extent the State Govt. is required to pay to the Govt. of India.
- (iii) GRIDCO & OHPC shall not be entitled to any RoE till the sector become viable on cash basis. The State Govt. investment actually made in Upper Indravati Project, excluding the normative equity, should yield return to the State Govt. with effect from FY 2010-11 after clearance of loan liabilities of PFC. However, interest at the rate of 7% should be charged and paid on this investment from FY 2006-07 onwards. Return on Equity on the old Hydro Power Plants may be allowed to OHPC, in respect of new projects commissioned after 01.04.1996.

16. The above concessions/Govt. support, indicated in para-15 are subject to the following stipulations:

- (i) The State owned utilities viz. OHPC, GRIDCO and OPTCL earning accounting/book profit are made to utilize the same for capital investment, servicing of Govt. loan and payment of dividend.
- (ii) The Private Distribution Companies are to service the State Govt. loan relating to World Bank and APDRP assistance passed on to them through an enforceable mechanism approved by OERC.

17. As regards to the stipulations vide para 16(ii) it may be pointed out that at present all the receivables of the four distribution companies are being escrowed in favour of GRIDCO and the distribution companies cannot divert or utilize the same for the purposes other than those approved by the Commission. For ensuring timely payment of BST to GRIDCO and making available fund for O & M expenditure which is much needed for upkeep of the distribution network the Commission in their order dated 12.4.2010 in Case No.3/2010 have prescribed the manner and the order of priority for utilization of fund deposited in the Escrow account with GRIDCO by the Distribution Companies as indicated below:-

(A) **From Current Revenue**

- a. Current BST dues in full including current Transmission charges, SLDC charges and license fees payable by the Distribution Companies.
- b. Employees cost as approved by the Commission in this tariff order for FY 2010-11 and for subsequent years.
- c. Monthly R&M expenditure as approved by the Commission in the tariff order for FY 2010-11 and for subsequent years.
- d. The monthly obligation for repayment of principal and interest in respect of loan obtained/ to be obtained from the financial institutions for capex programme/ system improvement.
- e. Average monthly obligation of the defaulted arrear BST as approved by the Commission in the RST order for 2008-09 and 2009-10 and for the subsequently years, if any.
- f. The balance amount towards arrear of BSP dues as approved in the securitization order of the Commission dated 01.12.2008.

(B) **From Arrear Revenue**

The collection to be made out of the arrear outstanding as on 01.4.2010 /beginning of the relevant financial year would be utilized in order of priority as indicated below:-

- (i) 50% of the monthly arrear collection would be utilized towards payment of the balance arrear revised salary worked out up to 31.3.2009.
- (ii) Balance 50% of the monthly arrear collection would be utilized towards arrear BST dues as approved in the securitization order dated 01.12.2008.

16. In order to ensure sustainability of the power sector in the State, the State Govt. GRIDCO, OHPC and DISCOMs are to work in a Public-Private Partnership (PPP) Mode. Unless concerted efforts are made by State Govt. and the power utilities, it would not be possible for the power sector to turn around. For development of

electricity infrastructure, State Govt. should take initiatives and the Commission would continue its facilitating role as and when required.

17. The Commission requests the State Govt. to take immediate action on the suggestions and stipulations contained in para 7, 15 and 16 above.

Yours faithfully,

Sd/-

SECRETARY

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAVAN
UNIT-VIII, BHUBANESWAR – 751 012
TEL. No. 2396117, 2393097, FAX : 2393306
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website : www.orierc.org

No.OERC/SECY/09/1070
Dt. 15 .05.2009

From

P.K. Swain
Secretary.

To

The Commissioner-cum-Secretary,
Department of Energy,
Govt. of Orissa, Bhubaneswar.

Sub : Active participation of State Govt. for sustainable development of power sector in Orissa vis-a-vis the Business Plan of the Distribution Companies for the year 2008-09 to 2012-13.

Sir,

I am directed to say that the Business Plan of the Distribution Companies for the control period 2003-04 to 2007-08 vide case No.115/2004 was approved by OERC in their order of 28.2.2005. The Business Plan addressed two major issues:-

- *The Aggregate Technical & Commercial (AT&C) Loss including (i) the overall T&D loss to be achieved, (ii) Collection efficiency levels to be achieved.*
- *Restructuring of financial liabilities that includes (i) outstanding BST dues & DPS, (ii) GRIDCO loan (PFC & REC), (iii) Re-securitisation of 400 crores bond issued by DISCOMs to GRIDCO.*

2. While approving the collection efficiency, transmission and distribution loss and AT & C loss for the period 2003-04 to 2007-08, the Commission, amongst others decided as follows :-

- (i) *The Commission agrees with the views of the Government of Orissa that the shareholders agreement should be extended for a further period to be mutually agreed between GRIDCO and the DISTCOs to ensure continued interest of the investors in this business.*
- (ii) *As a sequel to such a comprehensive financial restructuring proposal, designed and approved by the Commission, the licensees should take effective measures to infuse necessary funds to rejuvenate the power sector in Orissa by dint of achieving targeted milestones fixed by the Commission. The investors must take appropriate steps for provide requisite financial support in this regard to the companies.*
- (iii) *DISTCOs should also infuse additional share capital to improve upon the debt equity ratio that will go a long way in instilling confidence about their continued interest in the business.*

3. The distribution network is really ancient and needs to be fully renewed. Both technical and commercial losses are unsustainable without systematic investments for renovation and Upgradation. Both the share holders in GRIDCO and RELIANCE Energy have made no efforts to bring in or infuse any capital for

renovation and upgradation. In other words the DISCOMS have been rendered as orphans and are unable to sustain themselves without any significant improvement in their general health.

4. Since 1996-97 budgetary support to the power sector has been fully withdrawn. Apart from reducing the burden on the State's Consolidated Fund, by the withdrawal of budgetary support, the State has also derived other gains from power sector in the shape of dividends, interest payments and electricity duty. Electricity duty collected during 1995-96 was Rs.121.35 crores and this has increased to Rs.359.38 crores in 2008-09. The State also received dividends of Rs.611.24 crores from OPGC till 31.3.09. The annual dividend from OPGC is on an average, about Rs.75.00 crores. The stake sale in OPGC also fetched about Rs.603.20 crores to the State Govt. Simultaneously, disinvestment of the distribution companies fetched Rs.159 crores to the power sector which was utilized by GRIDCO to discharge the old liabilities of NTPC and other financial institutions.

5. Thus, insofar as the State's finances are concerned, electricity reforms helped in wiping out the revenue deficit and fiscal deficit of the State Govt. and contributing to a healthy surplus on both counts. It can be safely said that it is the power sector reforms which is the pace setter for fiscal restructuring and other reforms undertaken in the State for sustained growth. Since power is the key to attracting investment and maintaining growth and consequential improvements in employment and standards of living, Govt. as a major stakeholder cannot afford to overlook the needs of the power sector to achieve growth and development.

6. If the State had continued to give subsidy to the power sector and resorted to borrowings and debt to expand the sector, the revenue deficit of the Govt. would not have been brought under control and a surplus achieved at the pace at which it has actually been achieved. The State has indeed benefited considerably from the power sector reforms. But the continued benign indifference to the sector since then does not bode well for the power sector which is now facing the results of this neglect. The entire electricity network is in a state of near collapse and requires massive support, if the Govt. is keen about continued growth and development. The Regulatory Commission has attempted to achieve some stability in the tariff regime, despite the fact that there has been a general rise in prices all-round. The price of electricity has remained constant for the last 8 years. Though this has been beneficial to the consumers, it has not been of much help to the DISCOMs. With AT&C losses not showing much improvement, the continued trend of a steady tariff would not enable the DISCOMs to ensure increased repair and maintenance of an aged network and maintain quality supply.

7. The Govt. has a 49% equity stake in the DISCOMs and, therefore, needs to take the lead in stepping into the breach and plug the leaks, losses and general deterioration in the system, to ensure efficient and continued stable supply of energy. The quality supply of power is a critical input for growth of industry and commerce in the State. Unless quality supply of electricity at an affordable price is ensured there may be flight of capital from the State. This would adversely affect the rate of growth of the State economy. The distribution companies because of their poor financial health and for want of support from their parent company have not been able to bring in the required capital for investing in the distribution network. This is precisely the reason which is affecting the quality supply of power to the consumers. While the other states still continue to pay large amounts of subsidy, starting from Andhra Pradesh (Rs.1973.00 crores in 2006-07), Tamil Nadu (Rs.1330.10 crores in 2006-07 and Rs.1457.00 in 2007-08), Madhya Pradesh (Rs.595.12 crores in 2006-07), Gujarat (Rs.1767.00 crores per annum), Uttar Pradesh (Rs.3105.00 crores in 2006-07), Punjab (Rs.1845.81 crores in 2006-07), Delhi (Rs.92.00 crores per annum), Jharkhand (Rs.392.00 crores in 2005-06, Rs.210.00 crores in 2006-07 and Rs.98.00 crores in 2007-08), Rajasthan (Rs.700 crores per annum), Orissa is not paying any subsidy whereas it was paying around Rs.250 crores on an average upto 1995-96. The State Govt. should make capital investment of around 1250 crores per annum on the average for the period 2009-10 to 2012-13 and to begin with Rs.700 crores may be provided in 2009-10 and this should be stepped up in the subsequent years.

8. The budgetary support by the State Govt. should be in such a manner that it should have the least impact on tariff. If capital investment is made in the shape of equity the return on equity would be @ 16% in the annual revenue requirement. If capital investment is provided as a loan carrying the usual rate of interest @ 12%, this would have a direct bearing on the tariff. Govt. therefore should provide a budgetary allocation of Rs.5000 crores during the period 2009-10 to 2012-13 as a subordinate and interest free loan. This would soften the impact on the finances of the DISCOMs as they would not be required to pay the interest. The impact on the consumer would be negligible as the interest-free subordinated loan repayment will come up only after all other senior bank and FI loans have been fully serviced and this will enable the DISCOMs to service them later with ease.

9. As regards investments by the DISCOMs, due to various reasons the parent companies have not come forward for any additional equity contribution. The DISCOMs are also not able on their own, to arrange loans from the financial institutions because of their precarious financial conditions. The Reliance Managed companies namely, NESCO, WESCO & SOUTHCO are not able to mortgage their assets to financial institutions for arranging loan for capital investment because most of the assets have been mortgaged to GRIDCO to whom these companies are liable to pay Rs.2862.20 crores towards arrear of power purchase costs, loans etc., outstanding as on 31.3.2005 (WESCO - Rs.422.08 crores, NESCO - Rs.45938 crores, SOUTHCO - Rs.298.50 crores, total Rs.1179.96 crores and CESU Rs.1682.24 crores).

10. As their assets have been hypothecated to GRIDCO by way of security for the NTPC bond redemption and other liabilities, GRIDCO is refusing to release 'charge' on the assets in favour of FIs and Banks. This attitude and approach of GRIDCO is most unhelpful. As the asset values of the DISCOMs are far in excess of their liabilities to GRIDCO, there is no rationality in refusing to release a part of the assets for small borrowings from REC towards very immediate and unavoidable CAPEX. The Commission urges the Govt. to resolve this impasse immediately. We understand Govt. is also agreeable to cede charge on the assets created by way of World Bank loans. This would certainly be of great help and may be got done expeditiously to enable the DISCOMs to access credit for CAPEX imperatives. Such loans would go along way in meeting much needed finance for unavoidable system up-gradation. Since all receipts and recoveries by the distribution companies are escrowed, there would not be any difficulty in servicing these loans. Govt. must also consider extending "guarantees" for some of these loans which would enable accessing the market for much needed credit for various CAPEX requirement. A systematic CAPEX plan and its systematic implementation will go a long way in keeping the system healthy and its capacity adequate to meet the demands of quality and adequate supply. The escrowed revenues of the DISCOMs will ensure servicing of the loans without giving rise to any liabilities on the State.

11. It may be recalled that before the Business plan for the year 2003-04 to 2007-08 was approved by the Commission in their order dated 28.2.2005, the Govt. had a detailed discussion with GRIDCO and the distribution companies on 28.10.03 and 15.01.04. However, it was also intimated by Department of Energy vide their letter No.7186 dt.20.7.04 that despite several rounds of discussions amongst GoO, GRIDCO and the three Distribution licensees, namely, WESCO, NESCO & SOUTHCO for finalization of their Business Plan, no consensus could be reached on the issue of the targeted reduction of AT&C loss over a period of 5 years commencing from the base year 2003-04 and commitment on the part of BSES (Reliance Energy Ltd.) to finance the deficit resulting from shortfall in committed performance and as such the aforesaid Business Plan could not be finalised.

12. Since the State Govt. holds 49% of the shares and the distribution companies hold 51% of the shares of the DISCOMs it is absolutely necessary for the State Govt. and the distribution companies to have a thorough discussion as to how they would jointly address the serious issue of existing high level of AT&C and

the urgent need to ensure quality power supply to the consumers at an affordable price by suitable investment of capital for upgradation, renovation and expansion of the existing impoverished distribution network.

13. The Commission is conscious of the need for greater certainty in the regulatory treatment of a host of issues having direct impact on tariff setting. While approving the business plan for 2008-09 to 2012-13, the Commission shall endeavour to set in motion a multi-year regime but what is needed is that the utilities have to improve their own performance within a stipulated time frame by upgrading their managerial skill and efficiency by scrupulously adhering to certain operational norms like reduction in the level of loss, attaining a certain level of billing and collection efficiency, setting a target for investment and avoiding time and cost overrun in execution of projects etc. This calls for not a single year target but fixing a target to be achieved over the control period to provide a kind of predictability to the consumers and to their own shareholders and to the Commission. The Commission considers it prudent and desirable to go for a multi-year tariff regime for which the utilities should themselves conform to a multi-year target setting in the areas delineated above. This is also in conformity with the provisions of section 61(f) of Electricity Act, 2003.

14. Since the approval of the business plan and setting a multi year tariff strategy is dependent on investment by distribution companies as well as the State govt, and also pro-active participation of the State Govt. as a major stakeholder in the system. Commission would like to suggest as under:-

- (i) The State has already derived substantial benefit from power sector reform by way of accrued electricity duty, dividend and disinvestment proceeds. Unless substantial investment is made in the distribution sector it is not possible to turn around the power sector in the State which will have a serious of adverse impact on the State revenues. On the other hand if the distribution infrastructure is upgraded, renovated and expanded through infusion of capital the State will get substantial revenues directly and indirectly.
- (ii) As per the projection and tentative estimation made, the minimum capital investment required for 2009-10 to 2012-13 will be Rs.8000 crores at the rate of Rs.2000 crores per annum on the average. In this connection it may be mentioned that the Kanungo Committee appointed by the State Govt. on 30.5.2001 which submitted their report on 02.11.2001 had also recommended that there should be interim funding support to the tune of Rs.3240 crore by the State Govt. to make the distribution system in electricity economically viable and to ensure quality power supply to the consumers at an affordable price. Its present value would be around Rs.5000 crore. State govt. have also projected this amount to the 13th Finance Commission in their Memorandum at page 152. It is suggested that the State Govt. should invest Rs.5000 crores as recommended by the Sovan Kanungo Committee and Rs.3000 crores by all the four distribution companies namely, CESU, SOUTHCO, NESCO & WESCO. The respective distribution company may contribute at a flat rate of Rs.750 crores per annum on the average towards their contribution during the four years starting from 2009-10 to 2012-13. The year wise investment of capital by the State Govt. and the distribution company would be as under:-

<u>Year</u>	<u>State Govt.</u>	<u>Distcos.</u>	<u>Total</u>
2009-10	Rs.700 crores	Rs.400 crores	Rs.1100 crores
2010-11	Rs.1500 crores	Rs.800 crores	Rs.2300 crores
2011-12	Rs.1600 crores	Rs.1000 crores	Rs.2600 crores
2012-13	Rs.1200 crores	Rs.800 crores	Rs.2000 crores
Total	Rs.5000 crores	Rs.3000 crores	Rs.8000 crores

It may be further indicated here that the approved Annual State Plan Outlay and 11th Plan Outlay would not be affected substantially if State Govt. invest Rs.5000 crores in power sector from the Consolidated Fund because the investment assumption on account of OHPC, OPGC and OPTCL may not materialize as per the projection made. Hence, within power sector the approved outlay would remain more or the less same by reducing the approved outlay on account of OHPC, OPGC and OPTCL and enhancing in the consolidated fund under power sector. The amount of Rs.5000 crores may be allocated in the Consolidated Fund within the approved State Plan Outlay. Hence, there may not be any technical difficulties for modification of approved outlay within the power sector in the state plan.

- (iii) The capital investment by the State Govt. from 2009-10 to 2012-13 may be in the shape of "Subordinate and interest free loan". This would soften the impact on the finances of the DISCOMs as they would not be required to pay interest. The impact on the consumer would be negligible as a subordinated loan repayment will come up only after all other senior Bank and FI loans have been fully serviced and thus enable the DISCOMs service them later with ease.
- (iv) In order to enable the distribution company to access loan from banks and financial institutions a written clarification may be given by the State Govt. authorizing mortgage of distribution assets credited through World Bank funding. Alternatively, State Govt. may give Govt. guarantee to the distribution companies for enabling them to obtain loan from financial institutions. The third alternative would be a combination of mortgage of distribution assets credited through World Bank funding as well as State Govt. guarantee.
- (v) There may not be any difficulties for discharging the guaranteed liabilities by distribution companies as all receipts and recoveries are to be credited in the escrow account at the first instance and as such loans can be serviced by releasing funds from the escrow account. This will be monitored and reviewed by OERC while determining annual revenue requirement and fixation of tariff of respective years
- (vi) Budget provision should be made in the capital account segment of Energy Department under the State Plan as "subordinate interest free loan".
- (vii) Allocation of funds of Rs.5000 crores by the State Govt. for the respective distribution companies may be made in proportion to the LT consumers being serviced by the DISCOMs and their geographic dispersal.
- (viii) A monitoring Committee may be constituted under the Chairmanship of Secretary, Energy Dept. The E.I.C. Electricity, Chief Electrical Inspector, CMD, OPTCL, the CEOs of all the four distribution companies and the Special Secretary/Additional Secretary/Joint Secretary, Finance Dept. dealing with power sector. A senior officer from Planning & Coordination Department may also be included in the monitoring Committee. The Committee would keep OERC apprised of progress of the investment programme from time to time.
- (ix) In the first instance budgetary allocation be released to GRIDCO by Energy Department. GRIDCO shall keep this fund in a separate account with their Bank. To start with 25% of the budgetary allocation may be released to the distribution companies by GRIDCO. Based on the progress of utilization GRIDCO would release fund to ensure that the progress of work is not affected.
- (x) All the funds released to the DISCOMs shall be an interest free loan but subordinate to all subsisting loans of Banks and FIs, repayable after all the said senior loans have been fully serviced.
- (xi) Utilisation of capital investment to be made by the State Govt. as well as the distribution companies may be utilized in the upgradation / renovation of distribution assets for the following work which are only illustrative but not exhaustive:-
 - a. Replacement of LT conductors by AB cables in theft prone areas.

- b. Installation of Pillar Box metering system.
- c. Upgradation and replacement of Transformers to cater to additional load.
- d. Replacement of old Circuit Breakers with Vacuum Circuit Breakers (VCBs).
- e. Replacement of faulty insulators wherever necessary.
- f. Replacement of existing weak LT/HT poles.
- g. Installation of new substation to improve voltage profile wherever needed.
- h. Re-conductoring in case of old lines with conductors of optimum size.
- i. Conversion of single phase into 3 phase system.
- j. Earthing of substations.
- k. Installation of Lightning Arrestors.
- l. Complete Distribution Transformer Metering for energy audit purpose.
- m. Provision of boundary wall/fencing wherever necessary around the s/s to ensure safety of the equipment and human lives and other such things.
- n. Any other important works that may be identified by the distribution companies or suggested by the State Govt. after approval of OERC.

15. It is understood that the assets created / to be created under RGGVY and BGJY would continue with the State Govt. and the distribution companies are to maintain these assets. Since these assets are supposed to belong to State Govt. there would be a legal difficulty in allowing repair and maintenance expenditure for such assets in the Annual Revenue Requirement of the distribution companies in the respective years. It would be appropriate that these assets should be transferred to the distribution companies by a government resolution/notification so that the R&M expenditure and depreciation can be legitimately allowed in the Annual Revenue Requirement of the respective companies while finalizing the tariff for respective year. If the State Govt. still insists that these assets continue with the State Govt. then the State Govt. should provide R&M expenditure for maintenance and upkeep of these assets. This will be in addition and not in substitution of the R&M expenditure that would be allowed to distribution companies in their ARR in the respective years.

16. I am directed, therefore, to request you to kindly submit the views/comments/ commitments of the State Govt. on the following:-

- (i) Commitment of State Govt. for capital investment for Rs.5000 crores beginning from 2009-10 to 2012-13 with an initial contribution of Rs.700 crores in 2009-10 as indicated in para 14(ii).
- (ii) Steps proposed to be taken / commitment to be made by the State Govt. for facilitating the 4 distribution companies to obtain loan from financial institutions by providing guarantee and giving written clearances for mortgaging the assets credited through World Bank funding as indicated in para 14 (iv).
- (iii) Distribution loss achieved by all the four distribution companies taken as a whole is 37.5% in 2007-08. The Commission has approved 27.04% for the year 2008-09 and 24.45% for 2009-10. What should be the distribution loss reduction strategy for the Business Plan period starting from 2008-09 and ending 2012-13?
- (iv) The collection efficiency for all the four distribution companies taken together in 2007-08 is 92.9%. For 2008-09 the approved collection efficiency is 95.40% whereas the collection efficiency approved for 2009-10 is 98%. What would be the collection efficiency for the Business Plan period 2008-09 to 2012-13?
- (v) In this connection it may be noted that the Abraham Committee appointed by Ministry of Power, Gol recommended a strategy for reduction of AT&C loss in areas covered under APDRP. The task force recommended the following targets of AT&C losses:-
 - (a) Utilities having AT&C losses above 40% ; Reduction by 4% per year.
 - (b) Utilities having AT&C losses between 30 & 40% : Reduction by 3% per year.
 - (c) Utilities having AT&C losses between 20 & 30% : Reduction by 2% per year.

However, Govt. of India guidelines for the restructuring of APDRP during XI plan (dated 22.12.2008) prescribed the following AT&C loss reduction targets:-

- (a) Utilities having AT&C loss above 30% : Reduction by 3% per year.
- (b) Utilities having AT&C loss below 30% : Reduction by 1.5% per year.

◆ The AT&C loss for four distribution companies taken together is 41.9% in 2007-08 whereas AT&C loss approved for 2008-09 is 30.6% and that for 2009-10 is 26.00%. What should be reasonable target of reduction of AT&C loss for the Business Plan period?

- (vi) The nature of administrative Govt. support to distribution companies to achieve the target of loss reduction and ensure quality of supply at affordable price may be indicated. This would include strong administrative support at the district level to curb theft, ensuring timely payment of electricity dues by Govt. departments, Urban Local Bodies, Panchayati Raj Institutions, Cooperatives, Public Enterprises, Universities, Autonomous organization under the control of State Govt.
 - (vii) Though 34 energy police stations have been notified these are yet to be made fully and effectively functional. The Commission has already suggested that their functions should be monitored by an officer not below the rank of an IG of Police who should preferably be housed in the Dept. of Energy and report to the Dept. of Energy in all matters concerning electricity offences and prevention of crimes relating to electricity. Action taken or to be taken to make the energy police stations fully and effectively functional may be indicated.
 - (viii) Other suggestions/proposals outlined in para 14 (vi) to 14 (xi) and para-15.
20. I request you to kindly communicate the views/comments/commitments of the State Govt. on the suggestions/issues outlined in para 14, 15 & 16. This should reach the Commission on or before 31.5.2009.

Yours faithfully,

Sd/-
SECRETARY

ORISSA ELECTRICITY REGULATORY COMMISSION

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No.OERC/SECY/2010/3774

Dt. 22 .04.2010

From

P.K. Swain
Secretary.

To

The Commissioner-cum-Secretary,
Department of Energy,
Govt. of Orissa, Bhubaneswar.

Sub : Implementation of Business Plan for the year 2008-09 to 2012-13 - Proactive steps by State Govt. and initiative by the Distribution Companies.

Sir,

I am directed to say that the Business Plan covering the period 2003-04 to 2007-08 was approved by OERC in their order of 28.2.2005 vide case No.115/2004. The said Business Plan envisaged reduction of Transmission and Distribution (T&D) losses from 40.80% in 2003-4 to 28.2% in 2007-08. The Aggregate Technical & Commercial (AT&C) loss was targeted to be reduced from 49.4% in 2003-04 to 32.4% in 2007-08. However, the distribution loss has been reduced from 40.8% in 2003-04 to 37.5% in 2007-08. The AT&C loss has been reduced from 49.4% in 2003-04 to 41.6% in 2007-08. The main reason for failure to achieve the target of loss reduction is allegedly ascribed to lack of effective support from government in providing strong police action to take anti theft measures. The distribution licensees were not able to arrange fund for investment in system up gradation, is stated to be another reason. The current revenue earned during the year was just sufficient to pay the BST bill and to meet the salary expenses and marginally for O&M expenses.

2. In the mean time after consultation with all the stakeholders, the Business Plan for the year 2008-09 to 2012-13 has been approved by the Commission on 20.3.2010 vide case No.41, 42 & 43 of 2007 & Case No.22 of 2008. The tariff order for the year 2008-09, 2009-10 and 2010-11 has been issued based on the target of loss reduction incorporated in this Business Plan. According to this Business Plan it has been envisaged that distribution loss should be reduced from 37.50% in 2008-09 to 21.20% in 2012-13 while AT&C loss should be reduced from 41.89% in 2008-09 to 21.99% in 2012-13. Target of loss reduction can be achieved if the following two steps are taken:-

- (iii) Strong administrative and police action to launch a broad attack on theft of electricity for which proactive steps are to be taken by the State Govt. to provide leadership. Anti theft measures have paid rich dividend in States like Maharashtra, Andhra Pradesh, West Bengal, Gujarat etc, where initiatives were taken on theft of electricity by monitoring the antitheft drive from the highest level of the govt.

- (iv) Investment in system upgradation to reduce technical loss and improve quality of supply.

Operation of anti-theft measures

3. In this connection Commission has already advised the State Govt. from time to time to make energy police stations effectively functional by posting suitable officers and monitoring day to day operation of the energy police stations by a Senior police officer in the rank of an Additional D.G. or at least in the rank of I.G. who should be posted preferably in the Energy Department to ensure effective function and supervision.

Investment

4. In Delhi, State Govt. had provided Rs.3450 crore as transitional support besides keeping the liabilities with a holding company and transferring assets to the private distribution companies with a clean Balance Sheet. Sovan Kanungo Committee had recommended a transitional support of Rs.3240 crore for system improvement. Accordingly taking into account the inflation the Commission has advised the State Govt. and the distribution companies to invest at least Rs.5000 crore during the year 2010-11 to 2012-13. While the State Govt. through GRIDCO being 49% of share holder should invest at least Rs.2450 crore, the four distribution companies should invest balance Rs.2550 crore in proportion to the number of consumers as on 1.4.2009 in respect of their area of operation. Accordingly share of investment of 5000 crores between the State Govt. and distribution companies would be as under:-

(Rs. In crore)

Description	No. of Consumers as on 1.4.2009	Ratio of consumers	Investment by DISCOMs	Investment by Govt.	Total
CESU	10.74 lakh	39.00%	995	955	1950
WESCO	5.35 lakh	19.50%	497	478	975
NESCO	5.78 lakh	21.00%	535	515	1050
SOUTHCO	5.63 lakh	20.50%	523	502	1025
TOTAL	27.50 lakh	100.00%	2550	2450	5000

5. The budgetary support by the State gov. should be in such a manner that it should have least impact on tariff. Accordingly it has been suggested that the State Govt. should provide the budgetary assistance as an interest free subordinate loan repayment of which will come up only after all other senior bank and FI loans have been fully serviced and this will enable the DISCOMs to service them later with ease.

6. Since assets have been hypothecated to GRIDCO in respect of the Reliance managed three distribution companies for redemption of NTPC power bond of Rs.400 crore, it has been suggested that the assets added after 31.3.2001 should be freed and distribution companies should hypothecate the assets created after 31.3.2001 for enabling them for loan from the financial institutions such as REC & PFC. Similarly the State Govt. may give written clearance for hypothecation by distribution companies in respect of the assets created out of the World Bank loan for capital works.

7. The main guidelines and the summary of the operating part of the Business Plan have been indicated from para 82 to para 85, the extracts of which are enclosed herewith for ready reference. (Encl-I)

8. In order to make the power sector viable and improve the quality of supply in rural areas the present level of theft has to be drastically reduced and effectively curbed. Unless this is done, investment in generation, transmission and distribution would become unviable and unattractive. Power theft need to be curbed with determination. This is basically a governance issue rather than technical and commercial issue. What is crucial for effective reduction of theft of electricity is the effective and coordinated functioning of the

Energy Police Stations and speedy trials by the designated Special Courts. This would be possible only when the day to day functioning of the energy police stations is closely monitored on a regular basis at the level of I.G. or Additional D.G., specially designated and specifically assigned with the task.

9. Govt.'s administrative support by way of establishing energy police stations and Special courts in all the districts and their effective functioning, will not give any further excuses to the DISCOMs in not performing their own duty in reducing commercial losses by effective billing and collection and achieving their targeted loss reduction programme as approved by the OERC.

10. Besides the various actions as suggested in para 8, govt. may take action for providing budgetary support and to facilitate distribution companies to access loan capital from the financial loan institutions as suggested in the Business Plan approved by the Commission.

11. A copy of this letter is being endorsed to all distribution companies for follow up action at their end. It is requested that immediate steps may be taken at Govt. level to convene a meeting of the distribution companies and workout action plan on antitheft measures, modalities of investment and release of fund for capital investment for system upgradation as suggested in the Business Plan. Action taken in this regard may be appraised to the Commission on or before 15.5.2010.

Yours faithfully,

Encl: As above

Sd/-
SECRETARY

Copy forwarded to:

The Principal Secretary to Govt., Finance Department, Govt. of Orissa, Bhubaneswar along with a copy of enclosure for favour of information.

Encl: as above

Sd/-
SECRETARY

Dr. R. V. Singh, Special Secretary to Govt., Planning & Coordination Department, Bhubaneswar along with a copy of enclosure for favour of information.

Encl: as above

Sd/-
SECRETARY

Copy forwarded to:

The Chief Executive Officer, CESU, 2nd floor, IDCO Tower, Janpath, Bhubaneswar / The Vice President, WESCO, At/Po: Burla, Sambalpur/ The Vice President, NESCO, Januganj, Balasore/ The Vice President, SOUTHCO, Courtpetta, Berhempur/ Shri V. K. Sood, Managing Director, WESCO & NESCO & Director, SOUTHCO Plot No.N-1/22, IRC Village, Nayapli, Bhubaneswar/ The Chairman-cum-M.D., GRIDCO, Janpath, Bhubaneswar, along with a copy of enclosure for information and necessary action.

Encl: As above

Sd/-
SECRETARY

82. The budgetary support by the State Govt. should be in such a manner that it should have the least impact on tariff. If capital investment is made in the shape of equity the return on equity would be @ 16% in the annual revenue requirement. If capital investment is provided as a loan carrying the usual rate of interest @ 12%, this would have a direct bearing on the tariff. Govt. therefore should provide a minimum budgetary allocation of Rs.2450 crore during the period 2010-11 to 2012-13 through a subordinate and interest free loan. This would soften the impact on the finances of the DISCOMs as they would not be required to pay the interest. The impact on the consumer would be negligible as the interest-free subordinated loan repayment will come up only after all other senior bank and FI loans have been fully serviced and this will enable the DISCOMs to service them later with ease. The budgetary support of Rs.2450 crore should be allocated to the DISCOMs in proportion to the number of consumer of the DISCOMs as on 01.04.2009 (i.e. CESU 39%, NESCO 21%, WESCO 19.5% and SOUTHCO 20.50%). On the other hand the four DISCOMs must bring in loan capital of Rs.2550 crore towards their 51% share in proportion to the loan capital to be invested by State Government through GRIDCO in the respective DISCOMs.
83. There should not be direct release of fund to DISCOMs for capital expenditure or special repair and renovation of distribution network. This should be routed through a separate account to be opened by GRIDCO and progress of CAPEX Schemes is to be monitored through a committee consisting of Secretary, Energy Department, CMD, GRIDCO, EIC, Electricity, MD/CEO of DISCOMs subject to overall supervision of OERC. The committee should fix the time line for release of fund and completion of the projects as per the time schedule fixed GRIDCO and DISCOMs should strictly adhere to those time schedule.
84. Since the State Govt. holds 49% of the shares and the distribution companies hold 51% of the shares of the DISCOMs it is absolutely necessary for the State Govt. and the distribution companies to have a thorough discussion as to how they would jointly address the serious issue of existing high level of AT&C and the urgent need to ensure quality power supply to the consumers at an affordable price by suitable investment of capital for upgradation, renovation and expansion of the existing impoverished distribution network as well by effectively addressing the issue of rampant theft of electricity in the State.
85. To sum up we direct as under:-
- (i) The DISCOMs should reduce their AT&C loss during the Business Plan period as approved by us in Para 56 and Table 13.
 - (ii) The DISCOMs should also endeavour to reduce distribution loss as approved by us in Para 57 and Table 14. Any loss and gain arising out of deviation from the approved benchmark shall be to the account of the licensee and as such shall not be considered for trueing up exercise.
 - (iii) GRIDCO should take steps to allow the DISCOMs (WESCO, NESCO and SOUTHCO) to create, first charge over the immovable asset as security to REC / PFC on the assets added after 31.3.2001. This works out to Rs.413.23 cr. Upto 31.3.2008 excluding assets created out of World Bank loan (Rs.532.04 cr – Rs.118.81 cr).
 - (iv) Both GRIDCO and DISCOMs shall mutually identify the assets created after 31.03.2001 for Rs.413.23 crore upto 31.3.2008 that are to be hypothecated against the loan to be availed from the financial institutions such as REC & PFC. The assets created during 2008-09 and that may be created thereafter can also be hypothecated.

- (v) The State Govt. may allow DISCOMs to pledge the assets created for Rs.254.83 crore out of World Bank loan, to the financial institution such as REC and PFC to avail loan for capital works.
- (vi) The Reliance managed DISCOMs are directed to make provision for the GRIDCO power Bond of Rs.400 crore in their Balance sheet till the matter is decided by Supreme Court (Para – 70).
- (vii) State Govt. and DISCOMs are to take effective coordinated action to curb theft of electricity as indicated in Para - 79.
- (viii) State Government may commit at least Rs.2450 cr. to be infused for capital investment during FY 2010-11 to 2012-13 for system improvement of distribution network of the four distribution companies. These Reliance managed company on their part must bring in at least Rs.1556 crore (Rs.2550 cr. – Rs.994 cr. by CESU) as additional equity/loan from different sources including internal resources towards capital investment during the period 2010-11 to 2012-13 for system improvement works. CESU must also arrange Rs.994 crore from different sources including internal resources for system improvements in proportion to the loan capital/equity investment to be made by State Govt./ GRIDCO during 2010-11 to 2012-13.
- (ix) Finally, Commission directs all the four DISCOMs to file detailed project reports on the proposed investment incorporating terms and conditions of loan, the total cost involved, details of assets addition due to such investment, technical justification of such investment in various areas, technical loss reduction due to such investment and a cost benefit analysis of the entire project may be submitted to Commission for approval.”

Dear

Sub : Effective and pro-active participation by the State Government for ensuring sustainable development of power sector in the State.

Orissa Electricity Regulatory Commission from time to time has brought to the notice of the State Govt. the need for sustainable development of the power sector and many of the areas of concern in this regard. While the State Govt. has responded very positively to some of the issues, much remains to be done to ensure speedier development of the sector to achieve the desired objective of overall economic development of the State.

2. Despite our long years of reform, performance improvement in all aspects of distribution is slow and halting, particularly in reduction of losses – both technical and commercial. The desired levels in the reduction of losses is yet to be achieved and seriously telling upon the revenues of the DISCOMs. Every 1% reduction in AT&C losses would translate into Rs.48.00 crores of revenues to the power sector. Unless AT&C loss is reduced to around 15% it would be difficult for the sustainable development of the power sector in the State. This is where all the stakeholders need to have a single integrated strategy and an agreed action plan to be implemented in a time bound manner.

3. In the days immediately following the reforms there was frequent tariff revision resulting in an overall tariff rise of 17% during 1996-97, 10.33% in 1997-98, 9.3% in 1998-99, 4.5% in 1999-2000 and 10.23% in 2000-01. After 2000-01 the retail tariff has remained more or less constant with minor changes here and there. Thus, while tariffs have been a great source of comfort to consumers, the continued losses in AT&C have had a rather serious impact on the revenues and cash flow of the DISCOMs. There is hardly any cash available for effective repair and maintenance of the distribution network and the general health of the distribution system network.

4. The consequent and resultant state of the quality of supply too is not in a happy state of affairs. Constant interruptions in supply, coupled with low voltage are the order of the day. The AT&C losses, poor repair and maintenance, inability to make investments on system upgradation, tight cash flow have all brought the distribution system network into a state of near collapse. The vicious cycle of losses and poor cash flow needs to be systematically broken by systematic investments in system upgradation and proper maintenance of existing assets. The State Govt. has a 49% equity stake in the DISCOMs and, therefore, needs to take the lead in stepping into the breach and plug the leaks, losses and general deterioration in the system, to ensure efficient and continued stable supply of energy.

5. In the capital city of Delhi when the distribution business was privatized, NDPL's AT&C loss was around 53%. By 2008-09 they have reduce it to around 15%. This was enabled by massive State support. A cleaned up Balance Sheet and the State Govt.'s investment of around Rs.3200 crores for the improvement of the distribution network made this possible. This has not happened with us. Instead, the existing assets of GRIDCO were upvalued by Rs.1194 crores and that of OHPC by Rs.766.20 crores. This upvaluation led to a rise in the cost of hydro power as well as the cost of

transmission and distribution, though subsequently this upvaluation was kept in abeyance. One of the important recommendations of the Sovan Kanungo Committee was that a budgetary support of Rs.3240 crores (in 2003-04) should be made available by the State Govt. to make the distribution system economically viable and to ensure quality power supply to the consumers at an affordable price. The present value of this recommended support is around Rs.5000 crores. With the electrification of villages under the Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY) and Biju Gram Jyoti Yojana (BGJY) to provide electricity to all households by 2011-12, there would be an exponential growth of LT consumers. This in turn, will add to the huge depreciation and O&M liability of the distribution utilities. Given that the supply of electricity in rural areas, scores low in terms of profitability and the fact that the Aggregate Technical & Commercial (AT&C) losses are very high, no private player seems to be keen on rural electricity supply or any investment in rural electrification. Keenness can only be generated through a Public Private Partnership (PPP) in which the private entities are given adequate support by the Govt., not only to bridge the gap between the per unit cost of supply and revenue derived from the sale of energy but also to make rural power supply attractive and profitable. In Delhi the State Govt. provided support to the private distribution companies at the initial stages of reform, held their hands in stabilizing their operations and that resulted in their being able to reduce their losses substantially from opening level of 53% to about 15% in 2008-09.

6. While there is certainly the need to take aggressive administrative and financial measures to reduce the present unsustainable levels of AT&C losses there is also the imperative need for Govt. to participate actively in the day to day development of the power sector in the State. After experimenting with private distribution companies for almost one decade, we can no longer carry on with a "business as usual" approach. A serious rethinking and reorientation of our approach is essential. The present system of managing or treating the power sector in the State on an 'arms-length' basis needs to be changed to a 'hand-shake' basis. The State would be missing a great opportunity in fostering the rapid economic development of the State if not done now. It is a robust power sector which is the key to attracting investments to the State. Therefore, the State Govt. must come forward readily and work alongside the DISCOMs, the STU and the Generators in the day-to-day development of the power sector, rather than take a 'distance and aloof' approach.

7. The Commission would, therefore, like to recommend that the following steps be taken most expeditiously :-

- (i) The Energy Police Stations should be made to function effectively. They should be monitored for their effectiveness by an officer not below the rank of an IG of Police who should preferably be housed in the Dept. of Energy and report to the Dept. of energy in all matters concerning electricity offences and prevention of crimes relating to electricity.
- (ii) Since the revenues from electricity duty and dividends from OPGC is around Rs.800 crores the State Govt. should make an one time investment of Rs.800 crores in the power sector during 2009-10.
- (iii) Before the electricity sector was restructured with effect from 01.4.1996, the State Govt. was providing a subsidy of about Rs.250 crores per annum. After April 1996, the sector has not received any subsidy till today. It may be worth mentioning that most States continues to actively support their Utilities both administratively and financially. Electricity is a key input for any kind of economic development and support in this

regard is too vital to be ignored. An illustrative example of the kind of support given is as below :-

Andhra Pradesh (Rs.1973.00 crores in 2006-07), Tamil Nadu (Rs.1330.10 crores in 2006-07 and Rs.1457.00 in 2007-08), Madhya Pradesh (Rs.595.12 crores in 2006-07), Gujarat (Rs.1767.00 crores per annum), Uttar Pradesh (Rs.3105.00 crores in 2006-07), Punjab (Rs.1845.81 crores in 2006-07), Delhi (Rs.92.00 crores per annum), Jharkhand (Rs.392.00 crores in 2005-06, Rs.210.00 crores in 2006-07 and Rs.98.00 crores in 2007-08), Rajasthan (Rs.700 crores per annum) continue to pay a substantial amount of subsidy each year.

- (iv) The State Govt. has got about Rs.611 crores towards dividend from OPGC excluding the disinvestment amount of Rs.603 crores. Electricity duty has also increased from Rs.121.35 crores in 2005-06 to Rs.359.38 crores (provisional) in 2008-09. The revenue thus, collected from power sector have been appropriated for general expenditure on various counts without any provision for the power sector. As a major stakeholder in the power sector, the time has now come for the State to invest substantially in the sector, at least out of the revenues earned from the sector. The State Plan Outlay approved for 2009-10 is Rs.9500 crores, of which Rs.7473.44 crores is under consolidated fund of the State and the balance of Rs.2026.56 crores is to the account of OPGC (Rs.1573.00 crores), OPTCL (Rs.410.06 crores), OHPC (Rs.33.50 crores), and OSRTC (Rs.10.00 crores) . OPGC, OPTCL and OHPC are quite unlikely to be able to arrange and spend such a huge amount. In that case, if Rs.800 crores is allocated from the consolidated fund of the State for distribution companies and OPTCL, the approved state plan outlay would not undergo any change or suffer from a short-fall in expenditure. This will on the other hand, have the effect of augmenting the state plan outlay in the consolidated fund of the State, the overall approved state plan outlay remaining the same at Rs.9500.00 crores for 2009-10.
- (v) Of the Rs.800.00 crores, Rs.100.00 crores may be invested in the upgradation of Grid-substations by OPTCL in order to improve the voltage profile in various remote and under-served areas. The balance of Rs.700.00 crores may be invested in the upgradation/renovation of distribution assets for the following work which are only illustrative but not exhaustive:-
- (a) Replacement of LT conductors by AB cables in theft prone areas.
 - (b) Installation of Pillar Box metering system.
 - (c) Upgradation and replacement of Transformers to cater to additional load.
 - (d) Replacement of old Circuit Breakers with Vacuum Circuit Breakers (VCBs).
 - (e) Replacement of faculty insulators wherever necessary.
 - (f) Replacement of existing weak LT/HT poles.
 - (g) Installation of new substation to improve voltage profile wherever needed.
 - (h) Re-conductoring in case of old lines with conductors of optimum size.
 - (i) Conversion of single phase into 3 phase system.
 - (j) Earthing of substations.
 - (k) Installation of Lightning Arrestors.

- (l) Complete Distribution Transformer Metering for energy audit purpose.
 - (m) Provision of boundary wall/fencing wherever necessary around the s/s to ensure safety of the equipment and human lives and other such things.
-
- (vi) In addition to the suggested investment above for 2009-10 the State Govt. should provide each year from 2010-11 onwards an amount equivalent to the R&M expenditure approved for the distribution companies, which should be in addition and not in substitution of the same, for the respective years.
 - (vii) At present the CMD, GRIDCO is the Chairman of the Management Board of the three Reliance managed distribution companies namely, SOUTHCO, WESCO and NESCO. The desirability of the Secretary, Energy being nominated as the Chairman of the Management Board of the three DISCOMs may be considered to ensure better and effective coordination with State Govt. at different levels.
 - (viii) Despite a series of instructions from the Finance Department for timely payment of energy dues by Govt. departments, Urban Local Bodies, Panchayati Raj Institutions, Co-operative Societies, Public Enterprises, etc., there has been persistent default and the situation has not improved. This is an area of serious concern because the private consumers very often raise their fingers by pointing out that when the departments and organizations under control of the State Govt. are themselves defaulters why should the distribution companies take discriminatory steps to enforce collection from them. The possibility of providing pre-paid meter for all such organizations under the control of the State Govt. or depositing electricity charges in advance may be considered. Unless Govt. departments, Urban Local Bodies, PRIs, Co-operatives, Public Enterprises become regular payers of electricity dues as per their consumption it would be difficult to enforce discipline amongst all consumers in a transparent and non-discriminatory fashion.
 - (ix) In regard to the payment of arrears of electricity dues, outstanding as on 01.4.09 by the category of consumers mentioned in (viii) above such arrears of electricity dues may be reconciled in the first instance. Based on the reconciled outstanding arrears as on 01.4.09, the respective administrative department may be allocated a one time budgetary provision in their respective 'demand for grant'. After being approved by the Legislature, this one time budget provision may be released centrally and directly to the respective distribution companies to be adjusted towards the arrear as on 01.4.09. However, the current electricity bills would continue to be paid regularly failing which their electricity connection should be disconnected in accordance with the Supply Code. The payment of current bills may also be regulated as indicated in (viii) above through pre-paid meters or by paying the electricity dues in advance.

8. The budgetary support now proposed, will have to be passed on to the DISCOM's in a manner that has the least impact on both the DISCOM's slender finances or the Tariff applicable to consumers. Both "contribution to Equity" or as an outright "Grant/Subsidy" has its own problems. Equity contribution will affect the shareholding pattern and ownership, if the Private Sector Partner does not bring in an equal sum as his share. In addition, equity needs to be serviced by an appropriate return on such investments, with the resultant impact on Tariff. Grant or Subsidy as in the case of RGGVY and BGJY where the assets created continue to be owned by Govt. has its own

problem. As the assets would not be owned by the DISCOMs, they will not be able to recover their maintenance costs through their ARR. Consequently, maintenance costs will have to be paid to the DISCOMs on an annual basis by the Govt. or else the assets will deteriorate fast without proper maintenance being done by the DISCOMs.

9. In consideration of the above problems, the best method would be to pass on the proposed "Support" to the DISCOMs as a "Subordinate and interest free loan". This would soften the impact on the finances of the DISCOMs as they would not be required to pay interest. The impact on the consumer would be negligible as a subordinated loan repayment will come up only after all other senior Bank and FI loans have been fully serviced and thus enable the DISCOMs service them later with ease.

10. Having regard to the various circumstances narrated above, the following modalities may be adopted.

- (i) Budget provision should be made in the capital account segment of Energy Department under the State Plan as "subordinate interest free loan".
- (ii) Allocation of funds for the respective distribution companies may be made in proportion to the LT consumers being serviced by the DISCOMs and their geographic dispersal.
- (iii) A monitoring Committee may be constituted under the Chairmanship of Secretary, Energy Dept. The E.I.C. Electricity, Chief Electrical Inspector, CMD, OPTCL, the CEOs of all the four distribution companies and the Special Secretary/Additional Secretary/Joint Secretary, Finance Dept. dealing with power sector. A senior officer from Planning & Coordination Department may also be included in the monitoring Committee. The Committee would keep OERC apprised of progress of the investment programme from time to time.
- (iv) In the first instance budgetary allocation be released to GRIDCO by Energy Department. GRIDCO shall keep this fund in a separate account with their Bank. To start with 25% of the budgetary allocation may be released to the distribution companies by GRIDCO. Based on the progress of utilization GRIDCO would release fund to ensure that the progress of work is not affected.
- (v) All the funds released to the DISCOMs shall be an interest free loan but subordinate to all subsisting loans of Banks and FIs, repayable after all the said senior loans have been fully serviced.

11. OERC would continue to play its regulatory and advisory role in turning around the power sector as quickly as possible. This can only be possible with the active participation of the State Govt.

12. I would request you to please place the various issues as enumerated above before the State Govt. and come out with a clear cut, time bound, implementable action plan beginning 2009-10 without further delay so that sustainable growth of electricity can fully support rapid economic development.

Yours sincerely,
Sd/-
(B. K. DAS)

To,

Shri A.K. Tripathy, IAS
Chief Secretary and Chief Development Commissioner
Govt. of Orissa, Bhubaneswar.

Copy forwarded to:

Shri T. K. Mishra, I.A.S., Development Commissioner & Addl. Chief Secretary to Govt. of Orissa, Bhubaneswar for information and necessary action.

Shri B. K. Patnaik, I.A.S. Principal Secretary to Chief Minister, Orissa, Bhubaneswar for information and necessary action.

Shri R. N. Senapati, I.A.S. Principal Secretary to Govt., Finance Department, Bhubaneswar for information and necessary action.

Shri P. K. Jena, IAS, Commissioner-cum-Secretary to Govt., Department of Energy, Bhubaneswar for information and necessary action.

Secretary I/C, OERC

Appendix – IV

- Appendix-IV Information on improvement of quality of power supply and the Standards of Performance, reduction of Aggregate Technical and Commercial (AT&C) loss etc.
 - (1) Office order No.4369 dt.07.07.2010 in connection with Constitution of Monitoring Committee for improvement of quality of power supply and standard of performance.
 - (2) Office order No.4368 dt.07.07.2010 in connection with Constitution of Monitoring Committee for Implementation of loss reduction programme by the Distribution Companies..
 - (3) Letter No.3801 dt.26.4.2010 addressed to Secretary, Energy Department in connection with approval of loan and its repayment liability for future projects of OPTCL by OERC.
 - (4) Energy Department letter No.5557 dt.22.6.2010 in connection with Follow-up action on the decisions taken in the workshop on “Strategy for reduction of loss in the distribution sector” held on 26.5.2010.

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHVAN
UNIT – VIII, BHUBANESWAR – 751 012
*** **

OFFICE ORDER
No.secy-SAC./2010/4369

Dated Bhubaneswar the 07th July, 2010

Sub: Constitution of Monitoring Committee for improvement of quality of power supply and standard of performance.

In pursuance of the discussions held and the decisions taken at the 1st meeting of the 3rd State Advisory Committee (SAC) held on 30th June, 2010, the Commission is pleased to constitute a Monitoring Committee for the improvement of the quality of power supply and the Standards of Performance of the Distribution Companies. The Committee shall consist of the following:-

Sl No.	Name of the Individuals/ Institutions	Address	Designation
1.	Sri B. K. Sahoo	Director (Engineering), OERC	Chairman
2.	Er. B.K. Mohapatra, SAC Member	Industrialist, Rajabagicha, Cuttack-9	Member
3.	Sri G. N. Agrawal, SAC Member	General Secretary, Sambalpur District Consumers Federation, Balaji Mandir Bhawan, Po- Khetrarajpur, Sambalpur – 768003	Member
4.	Sri Sarat Mohanty, SAC Member	General Secretary, Nikhila Orissa Bidyut Sramik Mahasangha, Diha Sahi, Shankarpur, Cuttack-12	Member
5.	Director (Engineering), OPTCL	OPTCL, Janpath, Bhubaneswar	Member
6.	Vice President/CEO WESCO, NESCO, SOUTHCO & CESU or their representatives		Member
7.	Addl. Secretary to Govt.,	Energy Department, Govt. of Orissa,	Member
8.	Sri K. L. Panda	Joint Director (Engg.), OERC	Member- Convener

2. Terms of Reference (ToR)

- (i) The Committee shall ensure the preparation of detailed Action Plans by the distribution companies to ensure quality of supply and the Standards of Performance for select areas in each of the DISCOMs.

- (ii) Lay down the procedures and modalities for implementation of the same in the said areas.
 - (iii) Monitor and review the progress of implementation of the above Action Plans so as to meet the Standards of Performance both Overall and Guaranteed.
 - (iv) Wherever necessary, the Committee may also make field visits and suggest remedial measures and ensure implementation of such measures as may be required.
 - (v) The Committee may meet as frequently as required but not less than once a month.
3. The respective DISCOMs, will provide the required logistics, secretarial support and the necessary costs and expenses of the Monitoring Committee. Wherever necessary expert advice and services on technical and managerial issues may also be obtained from independent third party sources.
 4. The Committee shall devise its own 'On Line' MIS and report the same – 'On Line' to the Commission.

By Order of the Commission

Sd/-

SECRETARY

Copy for information to :

The person concerned.

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHVAN
UNIT – VIII, BHUBANESWAR – 751 012
*** **

OFFICE ORDER
No.SECY-SAC/2010/4368

Dated Bhubaneswar the 07th July, 2010

Sub: Constitution of Monitoring Committee for implementation of loss reduction programme by the Distribution Companies.

In pursuance of the discussions held and the decisions taken at the 1st meeting of the 3rd State Advisory Committee (SAC) held on 30th June, 2010, the Commission is pleased to constitute a Monitoring Committee to monitor and review the implementation of the programme/strategy for reduction of Aggregate Technical and Commercial (AT&C) loss in the State. The Committee shall consist of the following:-

Sl. No.	Name of the Individuals/ Institutions	Address	Designation
1.	Dr. M. S. Panigrahi	Director (Tariff), OERC	Chairman
2.	Prof. Ashok Kumar Tripathy, SAC Member.	Head, Deptt. of Electrical Engineering, Silicon Institute of Technology, Bhubaneswar.	Member
3.	Sri Prabhakar Dora, SAC Member.	Consumer Activist, 3rd Lane, Vidya Nagar (Co-Operative Colony), PO/Dist-Rayagada-765001	Member
4.	Smt. Minati Behera, SAC Member	W/o Sudarsan Behera, At-Nayachouk, PO-Madhupatna, Cuttack-10	Member
5.	Director (Commerce), GRIDCO	GRIDCO, Janpath, Bhubaneswar	Member
6.	Vice President/CEO WESCO, NESCO, SOUTHCO & CESU or their representatives	DISCOMs	Member
7.	Addl. Secretary to Govt.,	Energy Department, Govt. of Orissa,	Member
8.	Shri P. Pattnaik Joint Director, Tariff (EA)	OERC	Member-Convener

2. Terms of Reference (ToR)

- (i) The Committee shall ensure preparation of detailed Action Plans for AT&C Loss Reduction in select areas of each of the DISCOMs.

- (ii) Law down the procedures and modalities for implementation of the same in the said areas.
 - (iii) Monitor and review the progress of the implementation of the same in the said areas in accordance with the time-frame laid down.
 - (iv) Levy down the modalities, strategies and time-frame to extend and expand "Franchisee Operations" in select areas.
3. The respective DISCOMs, will provide the required logistics, secretarial support and the necessary costs and expenses of the Monitoring Committee. Wherever necessary expert advice and services on technical and managerial issues may also be obtained from independent third party sources.
4. The Committee shall devise its own 'On Line' MIS and report the same – 'On Line' to the Commission.

By Order of the Commission
Sd/-
S E C R E T A R Y

Copy for information to :
The person concerned.

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAVAN, UNIT – VIII
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Website : www.orierc.org

No.DIR (T) - 325/08/Vol-IV/3801
Dt. 26.04.2010

From
Secretary I/c.

To
Shri P.K. Jena, IAS
Commissioner-cum-Secretary
Dept. of Energy, Govt. of Orissa
Bhubaneswar

Sub: Approval of loan and its repayment liability for future projects of OPTCL by OERC

Sir,

With reference to the query of Secretary, Deptt. of Energy during the workshop on 'Smart Grid' held on 24.04.2010 regarding provision in the ARR of OPTCL to encourage capital investment for system upgradation and application of new technology, I am directed to say that Orissa Electricity Regulatory Commission gives inprinciple prior approval to any investment made by the licensees under Regulation 52 of OERC (Conduct of Business) Regulation, 2004. Accordingly, OPTCL as per clause 10 read with clause 23.1 of Transmission License condition submits its investment proposal above Rs.10 cr. to the Commission for any new project undertaken by them. The Commission had given approval to the following new schemes/projects to be undertaken by OPTCL on their application during the year 2007-2009

Sl. No	Name of the Project	Approval of OERC in	Amount in cr.	Schedule date of completion
1.	400 KV Meramundali – Duburi D.C. line	Case No.01/2007	131.47	06/09
2.	220/132 KV S/S at Bhadrak alongwith associated transmission line	Case No.01/2007	27.64	06/09
3.	132/33 KV S/S at Basta along with associated transmission line	Case No.01/2007	16.98	06/09
4.	132/33 KV S/S at Karanjia along with associated transmission line	Case No.01/2007	24.20	06/09
5.	132/33 KV S/S Barapalli along with associated transmission line	Case No.01/2007	15.86	06/09
6.	132/33 KV S/S at Anandpur along with associated transmission line	Case No.58/2007	06.10	06/10
7.	132/33 KV S/S at Purushottampur along with associated transmission line	Case No.04/2007	15.99	Sep,09
8.	132 KV Paradeep-Jagatsinghpur S.C. line with feeder bay extension at both ends.	Case No.04/2007	18.19	24 months from the date of award.

Sl. No	Name of the Project	Approval of OERC in	Amount in cr.	Schedule date of completion
9.	* 132/33 KV S/S at Nuapada along with associated transmission line	Case No.15/2008	34.84	June, 2010
10.	* 132/33 KV S/S at Dabugaon along with associated transmission line	Case No.15/2008	25.97	Dec, 09
11.	132/33 KV S/S at Chandpur along with associated transmission line.	Case No.15/2008	16.81	Dec, 09
12.	* 132/33 KV S/S at Padampur along with associated transmission line	Case No.19/2008	27.57	24 months from the date of award.
13.	* 132/33 KV S/S at Kuchinda along with associated transmission line	Case No.19/2008	25.96	24 months from the date of award.
14.	* 132/33 KV S/S at Bhawanipatna along with associated transmission line	Case No.20/2008	19.59	24 months from the date of award.
15.	* 132/33 KV S/S at Boudh along with associated transmission line	Case No.20/2008	29.87	24 months from the date of award.
16.	132/33 KV S/S at Banki along with associated transmission line	Case No.24/2008	21.16	24 months from the date of award.
17.	220/132 KV S/S & 132/33 KV S/S at Karadagadia along with associated transmission line	Case No.31/2008	80.94	24 months from the date of award.
18.	132/33 KV S/S at Kalunga along with associated transmission line.	Case No.74/2008	17.93	Dec,2010
19.	132/33 KV S/S at Barbil along with associated transmission line	Case No.74/2008	17.40	Dec, 2010
20.	220/33 KV S/S at Bonai along with associated transmission line	Case No.74/2008	28.74	Dec, 2010
21.	220 KV Bidanasi – Cuttack D.C.line	Case No.74/2008	9.43	Oct,2010
22.	Restoration of 220 KV Budhipadar-Burla-Bolangir D.C. line	Case No.74/2008	28.88	July,09
23	Provision of 3 rd transformer bays with capacity up-gradation in different S/Ss.	**Case No.39/2008	152.30 125.82	2008-09 2009.10
24	2x12.5 MVA,132/33 KV S/S at Udala along with associated transmission line	Case No.86/2009	29.22	June-2011
25	2x20 MVA,220/33 KV S/S at Keonjhar along with associated transmission line	Case No.86/2009	29.68	April-2011
26	2x160 MVA,220/132 kV and 2X20 MVA, 132//33 KV S/S at Lapanga along with associated transmission line	Case No.86/2009	70.19	December-2011

2. But the funding of the project depends on the capability of the licensee 'OPTCL' to raise loan in time to complete the project by the schedule date fixed for it. In reply to the query raised by the Commission during last tariff hearing on availability of loan for undertaking new capital projects OPTCL furnished date wise availability of loans as shown in table below:

			Amount
1.	No. of projects sanctioned and agreement executed	15 nos.	Rs.422.77 cr.
2.	No. of projects sanctioned and agreement to be executed	1 no.	Rs.137.44 cr.

3.	No. of projects pending for sanction	3 nos.	Rs.129.81 cr.
4.	Amount of loan availed during FY 2009-10 (by end of Feb.'2010)	Date	Amount
		28.3.2008	Rs.30.53 cr.
		06.8.2008	Rs.10.59 cr.
		17.3.2009	Rs.15.33 cr.
		12.8.2009	Rs.24.17 cr.
	Total :	Rs.80.62 cr.	

3. Commission in the last tariff order FY 2009-10 had allowed interest on new loan on the basis of actual receipt of such loans by OPTCL. During 2008-09 OPTCL had actually received a loan of Rs.41.12 cr. the interest on which has been allowed by the Commission in the FY 2009-10. OPTCL had also proposed a new loan of Rs.498.07 cr. to be received during 2009-10. But actually they had availed Rs.39.50 cr. during that financial year for which Commission has allowed interest in the FY 2010-11. Hence, the interest on the new loan of Rs. 80.62 cr. availed by OPTCL by the end of February, 2010 has been allowed by the Commission in the FY 2010-11. During FY 2010-11, OPTCL has forecasted a loan receipt of Rs.559.18 Cr. for undertaking new projects, the interest of which is claimed at Rs.48.38 cr in the ARR and tariff application. The Commission disallowed the same on the ground that the receipt of loan amount during 2010-11 is uncertain. A review of the past record shows that the OPTCL has not been successful in availing the loan it has projected in the earlier tariff filing. Keeping in view the above, the Commission does not feel it prudent to allow the interest on the future loans projected to be availed during 2010-11 in the revenue requirement. However, Commission will allow interest on the loan for the approved project once OPTCL avails the same. This is being done on the basis of actual loan availed and the amount likely to be availed basing on the performance of the previous years.

4. As a matter of principle, depreciation and special appropriation is being allowed in the ARR to ensure that the installment of repayment of liabilities of the past loan is met. Regarding repayment of loan liability, OPTCL has proposed an amount of Rs.171.64 cr to be repaid during 2010-11. On scrutiny it is found that the licensee has included an amount of Rs.20 cr. towards Govt. bonds and Rs.7.28 cr towards infrastructure loan which was disallowed by the Commission. Thus the projected repayment would work out to Rs.144.26 cr. Commission during FY 2010-11 had allowed depreciation including special appropriation of Rs.115.97 cr. Already by the end of January 2010 OPTCL had a surplus of Rs.24.77 cr. Commission, therefore, viewed that OPTCL would be able to meet the debt service obligation of 2010-11 through the depreciation and the special appropriation and surplus cash balance available with OPTCL.

5. Therefore, the carrying cost and the principal amount of any loan actually availed by OPTCL for the approved project is allowed by the Commission in their ARR of the respective year. Commission always encourages licensees including OPTCL to introduce new technology in their business for better consumer service and smooth business operation. The prudent investment in this regard shall definitely be allowed to them through tariff. It is not prudent to artificially hike the transmission charges on the higher projection of loan. It is always done basing on the actual loan already availed and likely amount to be availed by making realistic assessment. The Commission has taken expeditious steps to approve the investment proposal of OPTCL as and when it is submitted. But, it is noted that there is inordinate delay in execution of the projects as a result there has been abnormal rise in cost. This is a serious area of concern for the power sector as a whole.

Yours faithfully

Sd/-

SECRETARY I/c

Copy to :

The Chairman-cum-Managing Director, OPTCL, Janpath, Bhubaneswar.

Scan letter No.5557 dtd.22.06.2010

Compliance required on the action point emerged in the Workshop held on 26.05.2010 with the Executive Engineers and other Senior officers of the Distribution Companies.

- 1) The Orissa Electricity Regulatory Commission has fixed various performance parameters for the DISCOMs, the Commission have also issued instructions and directions during the course of their performance review. Besides this, the DISCOMs have been directed by the Commission to take up O&M work on priority basis based on the report furnished by the Enquiry Team appointed by the Commission. The DISCOMs should take expeditious and time-bound steps to comply with the directions of the Commission issued from time to time and comply with the stipulations contained in the Tariff Order for FY 2010-11.
- 2) While all attempts shall have to be made by the DISCOMs to improve their performance in different parameters as fixed by the Commission, the Govt. expects that all the DISCOMs individually have to reduce the overall AT&C loss at least by 6% and AT&C loss in case of LT consumers at least 10% during 2010-11. These targets are non-negotiable and is the minimum. The DISCOMs would fix the target for the Circles, Divisions, Subdivisions and Sections accordingly.
CESU:
- 3) During 2009-10, against the BST price of 122.50 paise/unit (including Transmission charges) for CESU, the LT collection to LT Input is as low as 66.5 paise for TED, Chainpal, 67.1 paise for NED, Nimapara, 72 paise for JED, Jagatsingpur and overall being 122.00 paise/unit for CESU as a whole after taking all the 20 Divisions into account. The BST for 2010-11 in case of CESU is 180.50 paise. All attempts should be made by CESU to achieve LT collection to LT input, which should be at least equal to 180.50 paise.
NESCO:
- 4) The BST for NESCO for 2009-10 was 151.00 paise/unit, whereas the LT collection to LT Input for 2009-10 was as low as 42.6 paise for AED, Anandpur, 58.6 paise for JTED, Jajpur Town, 68.4 paise for UED, Udala, the average being 81.1 paise for all the 14 Divisions of NESCO taken together. NESCO must take steps to ensure LT collection to LT Input which should be at least equal to BST rate of 218.5 paise/unit fixed for 2010-11.
WESCO:
- 5) The BST for WESCO for 2009-10 was 175 paise/unit, whereas the LT collection to LT Input for 2009-10 in case of BWED, Baragarh (West) was 40.4 paise followed by 43.4 by BED, Baragarh, 49.3 paise for NED, Nuapada, 49.9 paise for SNED, Sonepur and 66.4 paise on the average for all the 15 Divisions taken together. The BST rate (including Transmission charges) for WESCO has been fixed at 217.50 paise/unit for 2010-11. WESCO must try to ensure the LT collection to LT Input, which should be at least equal to the BST rate of 217.50 paise during 2010-11.
SOUTHCO:
- 6) The BST for SOUTHCO for 2009-10 was 91.00 paise/unit including Transmission charges. The LT collection to LT Input during 2009-10 was 56.90 paise/unit in case of AED, Aska followed by 64.4 paise by BNED, Bhanjanagar, 73.7 paise by GSED, Digapahandi and the average being 102.20 paise/unit for all the 14 Divisions taken together. The BST rate for 2010-11 in case of SOUTHCO has been fixed at 113.50 paise/unit. Since SOUTHCO has ensured LT collection to LT Input at 102.20 paise as against the BST of 91.00 paise/unit during 2009-10, SOUTHCO must achieve LT collection to LT Input during 2010-11 which should not be less than 150 paise.
- 7) Though apparently there is higher loss in LT because of system configurations like long lines etc., the consumption is quite substantial in Urban areas, particularly by the high end consumers like Hotels,

- Shopping Malls, Commercial Establishments, Private Engineering Colleges, Medical Colleges, Nursing Homes etc. All DISCOMs must take aggressive and systematic steps for load verification and detection of unauthorized abstraction of electricity through by-passing the meters or other illegal means in respect of all such high-end users in Urban areas. While the AT&C loss reduction in Urban areas would be sufficiently more than 6%, the overall AT&C loss reduction during 2010-11 shall not be less than 6% in any case after taking into account the consumption both in Rural and Urban areas.
- 8) Very often, it has been reported at different Fora that there is active connivance of some of the employees of the DISCOMs for encouraging illegal abstraction of electricity by by-passing of meters, hooking and other methods. The Vigilance officers posted in DISCOMs and the Energy Police Stations should be fully and effectively utilized for detection of all such unauthorized connections and illegal abstraction of electricity. Immediate and exemplary disciplinary action should be taken based on the enquiry reports already submitted by the Vigilance officers. Similarly, the DISCOMs must take exemplary action on the report of the Vigilance officers and the Energy Police Stations when submitted in future. What is needed is prompt and exemplary action on the report of the Energy Police Stations and Vigilance officers. The performance of the HR Wing should be reviewed by the CEO/VP on regular basis, so that there is no delay in taking action on the report of the Energy Police Stations and the Vigilance Wing.
 - 9) The Energy Police Stations and Vigilance officers should be fully and effectively utilized. Daily target should be given to them for detection of unauthorized abstraction of electricity through by-passing the meters, hooking and by other means. Monitoring should be done at the level of CEO as well as by the SEs at the Circle level and the Executive Engineers at the Division level.
 - 10) Verification of meters of the employees of DISCOMs:
It is said that charity begins at home. DISCOMs must take steps to ensure 100% verification of correctness of meter reading, its functioning, whether there is bypassing meters etc. in respect of all its employees starting from the top to the line man/ helpers. The MRT and vigilance staffs should be entrusted with the job with close supervision.
 - 11) Supply of electricity comes under Essential Services. Stringent action should be taken against the indisciplined employees, who are indulging in different illegal activities, obstructing the day to day collection of revenue and maintenance of distribution network. Wherever needed, Govt. shall not hesitate to invoke the provisions of Maintenance of Essential Services Act. In the public interest, in order to ensure financial viability of the power sector as a whole for the benefits of the honest and genuine consumers.
 - 12) While Govt. would like to invest in distribution network to ensure better quality of supply to the consumers and to reduce loss through system upgradation, the DISCOMs must also arrange fund on their own as stipulated in the Business Plan approved by the Commission for 2008-09 to 2012-13.
 - 13) Besides capital investment, the distribution companies must ensure 100% collection of the current dues and substantial amount of the arrear dues outstanding as on 1.4.2010 in order to enable them to fully utilize the amount approved under R & M for 2010-11 in the ARR (WESCO 34.77 crore, NESCO – 37.22 crore, SOUTHCO- 26.11 Crore & CESU 51.19 crore).
 - 14) Govt. of India is providing grant to the extent of 90% under RGGVY Scheme for rural electrification work in the State. One of the mandate for implementation of RGGVY is that Franchisee operation should be introduced in those areas where Rural Electrification has been taken up under RGGVY. If

Franchisee is not introduced, grant would be converted to loan and, in that case, the burden would be passed on to the DISCOMs and this ultimately would be borne by the consumers. Hence, it is the primary responsibility of the DISCOMs to cover more and more areas under Franchisee operation. This franchisee operation may be done by Women Self-Help Group, NGO, Registered Clubs, Panchayats or other professional organizations etc. During 2010-11, each Division must introduce at least 5 franchisee in rural areas including the areas covered under RGGVY. Besides this, the DISCOMs must take steps to introduce franchisee in 6 urban/semi-urban areas in their area of operation during 2010-11 at macro level. It shall be the primary responsibility of the Divisions to ensure that all co-operations and facilities are provided to the Franchisee for their effective functioning.

- 15) The distribution of electricity has been privatized w.e.f. 01.4.1999. Though in the Transfer Scheme, it has been stipulated that the service condition of the employees shall not be inferior to what was before transfer, it does not mean that to protect their financial benefit and service condition, the DISCOMs will incur loan or State Govt. will give subsidy or grant to protect their service condition. It is they, who are required to earn for their service benefits from the business of distribution of electricity, they are doing in their area of operation. At present, the loss is so high and the actual cash collection is so low that it is not sufficient to meet the salaries, R&M expenses after meeting the current BST and there has been default in payment of old BST and other past dues. They should collect enough revenue which should meet the cost of power supply by GRIDCO, the arrear BST dues, the O&M cost, salary expenses etc. They should collect sufficient amount of revenue, so that after meeting the required expenditure, DISCOMs would earn profit which has been included in the ARR approved by the Commission in shape of Return on Equity. If they increase the collection and reduce the loss, the Management of the DISCOM would definitely share a part of the profit by way of incentive to the employees. There has to be a relationship of trust between the employees of the management. It needs to be realized that no amount of outside support can succeed unless the utilities conduct themselves with greater sense of responsibilities.
- 16) Govt. shall provide appropriate administrative/police support to the employees of the DISCOMs at the field level in order to ensure effective functioning by the employees without any fear and favour. At the same time, the Executive Engineers, Superintending Engineers must keep close liaison with the Collector, SP of the concerned districts, the DIG / IG and RDC at the Divisional Head Quarters. Similar liaison should also be kept at the Sub-divisional and Police Station level. The MD, CEO/Vice-president and other senior officers of the DISCOMs while visiting field should also call on concerned Collectors, SPs, DIG/IG and RDC as the case may be seeking their help and guidance to their field staff as and when required.
- 17) Power sector would succeed if the utilities bring in efficiency, cut costs, reduce loss and ensure greater consumer satisfaction. It would also require strong enforcement to ensure that consumers of electricity pay for its use. The new mantra for the power sector is therefore, "Reduce cost, Be more efficient, Be consumer responsive or Perish".
