

**Minutes of Performance Review of NESCO  
from April, 10 to September, 10 held in OERC on 15.12.2010.**

Date of Review : 15.12.2010 at 11.00 AM

Period of Review : From April, 2010 to September, 2010

Representative of NESCO and OPTCL present during the review:

- (i) Mr. S K Singh, CEO, NESCO
- (ii) Mr. R. K. Behera, V.P.NESCO
- (iii) Mr. S C Singh, Sr.G.M. NESCO
- (iv) Mr. S D Bhanja, AGM, Regulatory Affairs, NESCO

1. Mr R K Benera, VP, NESCO made a presentation before the Commission about the performance of NESCO during the period from April, 2010 to September, 2010.

Commission's Observations on Licensee's Performance in brief are as follows:

**(A) PERFORMANCE ANALYSIS OF NESCO**

**Sales Analysis of NESCO**

2. The Commission expressed concern that during the period under review the sales on EHT, HT and LT has decreased by 4.2%, 29 % and 30 % respectively though energy input has increased by 6.65 % compared to the target fixed by the Commission. Apart from the lower sales figures of DISCOM, the collection has also declined by 21 % from the target of the Commission. Accordingly, the collection per unit input has decreased by 51.86 Paise from the target fixed by the Commission i.e. at 260.69 Paise.

<b>SALES PERFORMANCE OF NESCO</b>					
<b>BULK SUPPLY</b>	<b>2009-10</b>	<b>Actual 2010-11 Up to Sept.</b>	<b>OERC Target 2010-11 (Proportionate)</b>	<b>Deviation from target</b>	<b>% Deviation</b>
AVG. Demand (MVA)	692.53	731.29	730.00	1.29	
Energy input (MU)	4705.25	2519.73	2561.00	-41.27	-1.61%
<b>SALE TO CONSUMERS (MU)</b>					
EHT	1534.107	860.33	897.30	-36.966	-4.12%
HT	631.175	265.87	375.00	-109.126	-29.10%
LT	1009.861	568.14	815.85	-247.711	-30.36%
<b>TOTAL</b>	<b>3175.143</b>	<b>1694.35</b>	<b>2088.15</b>	-393.803	-18.86%
<b>COLLECTION RECEIVED (CR.)</b>					
EHT	477.09	305.86			
HT	227.41	117.10			
LT	185.32	103.25			
<b>TOTAL</b>	<b>889.82</b>	<b>526.21</b>	<b>667.64</b>	-141.4297	-21.18%
Collection from Govt.Dept & PSU	38	16.19			
<b>Collection P/U</b>	<b>189.11</b>	<b>208.84</b>	<b>260.69</b>	-51.86	

**Loss Analysis of the NESCO**

3. It is a matter of serious concern that the licensee is not able to contain loss. The AT&C loss in LT sector has increased by 7.22% compared to the previous year. The AT&C in LT sector was found to be 73.02% compared to the OERC target 30.81%. The CEO, NESCO stated that with their best possible effort it was not possible to reduce the distribution loss due to poor billing and collection efficiency. The failure to achieve the AT&C loss target as fixed by the Commission was partly attributed to

10% addition in rural consumers due to RGGVY and BGJY scheme implemented by Govt. of Orissa. The total number of consumers has gone up from 607,677 to 639,019

<b>LOSS TARGET &amp; ACHIEVEMENT</b>					
	<b>Actual 2009-10</b>	<b>Actual 2010-11 Up to Sept.</b>	<b>OERC Target 2010-11</b>	<b>Deviation from Target</b>	<b>Deviation from last year</b>
<b>Distribution Loss (%)</b>					
HT (Assume)	8.00%	8.00%	8.00%	0%	0.00%
LT	55.83%	54.94%	29.40%	26%	-0.89%
HT & LT	48.25%	49.74%	28.42%	21%	1.49%
OVERALL	32.52%	32.76%	18.46%	14%	0.24%
<b>Billing Efficiency (%)</b>					
HT	92.00%	92.00%	92.00%	0%	0.00%
LT	44.17%	45.06%	70.60%	-26%	0.89%
HT & LT	51.75%	50.26%	71.58%	-21%	-1.49%
OVERALL	67.48%	67.24%	81.54%	-14%	-0.24%
<b>Collection Efficiency (%)</b>					
EHT	101.53%	92.90%	98.00%	-5%	-8.64%
HT	101.05%	96.10%	98.00%	-2%	-4.95%
LT	77.43%	59.88%	98.00%	-38%	-17.55%
HT & LT	88.88%	74.88%	98.00%	-23%	-14.00%
OVERALL	95.24%	84.39%	98.00%	-14%	-10.85%
<b>AT &amp; C Loss (%)</b>					
LT	65.80%	73.02%	30.81%	42%	7.22%
HT & LT	54.01%	62.37%	29.85%	33%	8.36%
OVERALL	35.73%	43.25%	20.09%	23%	7.52%

**Divisions Wise Performance :**

- The divisional performance sheet of NESCO as given in the table below shows that LT AT&C Loss in Annandpur Div. has remained highest at 86.3% followed by Bhadrak Div at 84.1 %. The overall loss has remained high at Bhadrak at 84% followed by Anandpur at 78.2%. The collection per unit input in all the Divisions has shown a sign of decline. The LT collection per unit input in Jaleswar Div. has decreased from 77.11 Paisa in 2009-10 to 67.1 Paisa in 2010-11 even though there is a tariff hike of 22.2% on the avg. during 2010-11. Also in case of Bhadrak it has come down alarmingly from 58.8 paisa to as low as 42.2 paisa. Considering the BSP cost of NESCO which has been fixed at 216.5 paisa, the overall LT collection to input has remained at 81.9 paisa compared to 81.1 paise in 2009-10 though there is a tariff hike of 22.2% in the FY 2010-11. With such a performance the sustainability of DISCOM is becoming doubtful. The Commission is of opinion that such a large extent of loss where only revenue of 20-30 units are collected out of 100 units supplied would not have been occurred unless there is a strong nexus between unscrupulous employees of the licensee with the consumer or simply the employees and management are too callous us in their assigned responsibility. It appears that the management of NESCO is not serious to curb the theft of theft of energy. Unless theft is controlled the survival of the licensee in it's business will be at great stake and the Commission will can not remain to be a passive onlookers.

Considering HT Loss @ 8%			DIVISIONAL PERFORMANCE OF NESCO						
Sl. No.	Name of Division			Loss (%) (Assuming HT Loss 8%)		AT & C Loss (%)		LT Collection per Unit Input for 2010-11 (upto Sept,10)	LT Collection to per unit Input P/U for 2009-10
		Total	LT	LT	Over All	LT	Over ALL		
OERC TARGET /APPROVED		5,122.0	1,794.6	29.4%	18.5%	30.8%	20.1%	143.2	
1	AED Anandapur	80.69	31.40	54.5%	54.6%	86.3%	78.2%	41.4	42.6
2	BED Bhadrak (S)	83.61	31.87	58.0%	60.7%	84.1%	84.0%	42.2	58.8
3	KUED Kuakhia	94.49	33.44	61.5%	64.6%	76.9%	78.8%	65.7	58.6
4	BNED Bhadrak	288.18	56.63	56.3%	29.3%	76.9%	40.3%	72.3	80.8
5	UED Udala	39.40	14.20	60.6%	63.3%	76.2%	77.6%	69.4	68.4
6	JTED Jajpur Town	96.00	35.71	59.6%	62.8%	76.1%	78.0%	60.4	58.6
7	SED Soro	94.70	44.26	48.4%	51.9%	75.6%	75.9%	69.4	70.4
8	JRED Jajpur Road	498.79	48.52	56.5%	15.8%	74.5%	22.0%	81.9	79.2
9	BTED Basta	53.19	18.42	62.3%	65.1%	74.2%	76.1%	64.4	67.3
10	RED Rairangpur	74.66	27.84	56.2%	55.9%	74.0%	70.3%	81.0	81.9
11	JED Jaleswar	87.12	26.70	57.3%	47.4%	73.0%	57.6%	67.1	77.1
12	CED Balasore	284.76	34.47	60.6%	21.6%	71.0%	31.3%	84.0	77.7
13	BED Baripada	137.61	52.09	55.7%	55.6%	69.0%	66.8%	98.4	93.9
14	KED Keonjhar	486.90	68.73	46.4%	16.9%	66.5%	26.8%	115.1	96.3
15	BED Balasore	119.63	44.32	35.9%	27.4%	46.9%	34.6%	187.9	177.2
ACTUAL TOTAL NESCO		2,519.7	568.6	54.9%	32.7%	73.0%	43.2%	81.9	81.1

#### Analysis of Accumulated arrear of the licensee

5. The performance of NESCO in collection of arrear is also found to be dismal. It is not clear how the EHT arrear has allowed to be doubled from Rs. 26.01 crore to Rs.49.4 crore. There was an increase of 10% in arrear of LT consumers. The Commission expressed displeasure that despite several instructions NESCO has not yet been able to collect the Govt. arrears. Finance Dept. has issued instruction for timely payment of electricity dues and the DISCOMs are free to disconnect power supply to Govt. offices, ULBs etc as sufficient budget is reported to be given by the Finance Dept. to user department for payment of electricity dues. Not a single disconnection has been made in respect of defaulting Department/ULBs. The Commission expressed displeasure that despite of several instructions NESCO has not yet been able to collect the Govt. arrears as well as current dues. The Commission again instructed NESCO to take up with Govt Dept. to clear at least the arrear (with out DPS) and current dues failing which action on disconnection of electricity will be resorted to. For recovery of DPS, DISCOMs may take up with Finance Dept./Dept. of Energy, Govt of Orissa in a consolidated manner with full justification for either consolidated payment by the finance Dept. or to issue clear instruction to the user department to clear the DPS dues. About the increase in EHT arrear the CEO, NESCO stated that the outstanding EHT arrear increased primarily because of differential tariff during the month of March, 2010 paid in April.

Category	Arrear as on 31-03-2010 (Rs crs)	Billing for the period (Rs cr.)	Collection against current dues (Rs cr.)	Collection against arrear (Rs cr.)	Total collection (Rs cr.)	Arrear for the period (Rs cr.)	Arrear as on 30-09-10 (Rs cr.)	Net arrear added (Rs cr.)
EHT	26.01	329.25	298.13	7.73	305.86	31.12	49.4	23.39
HT	28.07	105.49	98.37	3.42	101.79	7.12	31.77	3.7
LT	586.76	158.85	80.84	13.53	94.37	78.01	651.24	64.48
GOVT.& PSU	69.72	29.93	23.7	0.47	24.17	6.23	75.48	5.76
TOTAL	710.56	623.52	501.04	25.15	526.19	122.48	807.89	97.33

### **Addition of Infrastructure**

6. During the period of review the number of 33 KV feeders has gone up from 62 to 64 and their metering position has increased from 57 nos. to 63 nos. The Commission expressed displeasure over decrease in 11 KV metering from 93 nos. to 86 nos. The Commission further instructed to increase the 11 KV metering position in view of the applicability of ABT from next financial year. It was observed that the no. of transformer burning has increased and number of hooks detected has declined. The table below shows status of infrastructure of the licensee as on 30.09.2010.

<b>CONSUMER STATUS</b>	<b>As on 31st Mar, 2010</b>	<b>As on Sept.2010</b>
<b>Total No. of Consumers</b>	607,677	639,019
<b>FEEDER METERING</b>		
No. of 33 KV feeders (excluding GRIDCO interface)	60	64
No. of 33 KV feeder metering	57	63
No. of 11 KV feeders	428	428
No. of 11 KV feeder metering	93	86
No. of 33 / 11 kv transformers	261	264
No. of 33/11 kv transformer metering position	Nil	nil
No. of distribution transformers ( 11/0.4 & 33/ 0.4 kv)	22,647	256558
No. of distribution transformer metering position	372	569
Total number of meters	557,832	589997
No. of working meters	399,311	429671
Percentage of working meters ( % )	72%	73%
No. of defective meters	158,521	160,326
No. of transformers burnt	1,687	957
Cost involved (Cr.)	2.48	1.87
No. of Hooks Detected	9,103	3689
No of new Connections given	16,090	31342
No of Connection Regularised	4,451	2271

### **Quality of Supply**

7. The CEO, NESCO stated that they are taking all necessary measures to improve quality of supply in their area of operation. The table below shows their effort to improved quality of supply in NESCO area. But as compared to the target set by the Commission vide para-569 of RST order this achievement is well sort of the requirement. CEO, NESCO opined that to improve in quality supply to the desired level Capex program is absolutely required. Routine O & M allocation and expenditure is too inadequate for the requirement.

<b>Task</b>	<b>Target</b>	<b>Achievement</b>
Upgradation of Power Transformer	1000	4 No.
Addition of power transformer		3 Nos.
Recondition and filtration of power transformer		18 Nos.
Addition of DTRs under System improvement scheme		80 Nos.
Addition of DTRs under RGGVY and BGJY		2931 Nos.
Upgradation of distribution transformers		33 Nos.
Phase balancing of distribution transformers	2000	296 Nos.
Re-earthing of sub-stations	500	171 Nos.
Conversion of single phase to three-phase	150 KM	20 Nos.
No. 33 KV VCBs till date	25	11 Nos.
No. 11 KV VCBs till date	50	39 Nos.

Task	Target	Achievement
Length 33 KV lines drawn		10 KM.
Upgradation of LT line		58 KM
Upgradation of 11 KV line		28 KM
Addition of 11 KV line		625 KM
No. of electrical accidents occurred		18
Replacement of LT lines with aerial bunch cables		58.2 KM
No. of automatic meter reading (AMR) introduced		1411 Nos.

### Initiatives to Reduce Loss

8. CEO, NESCO stated that NESCO has undertaken all sorts of efforts to reduce theft of electricity. The load verification of all high end consumers above contract demand of 10 KW is under progress. All the divisional Officers are given monthly targets to be achieved and initiated strong administrative measures in case of non-achievement of the same. Dedicated Vigilance Cell headed by Asst. Vigilance Officer (AVO) are functioning at Balasore, Bhadrak, Baripada, Jajpur Road and Keonjhar Electrical Circuit. The Vigilance squads are engaged in the realization of outstanding arrear of three phase and high value consumers of NESCO. 68 nos of FIRs have been lodged and four no of accused persons forwarded to the Court of Law out of 2953 no of raids are conducted and 5372 nos of disconnection made.

### (B) Sector Analysis

9. **Performance of NESCO vis-à-vis the sector as a whole.**

PERFORMANCE OF DISCOMs at a Glance						
	Distribution Loss LT			Distribution Loss Overall		
	2009-10	2010-11		2009-10	2010-11	
	Actual	OERC Approval	Actual Up to Sept.2010	Actual	OERC Approval	Actual Up to Sept.2010
<b>CESU</b>	51.97%	29.40%	50.10%	39.43%	25.37%	38%
<b>NESCO</b>	55.83%	29.40%	54.94%	32.52%	18.46%	32.8%
<b>WESCO</b>	62.49%	29.40%	62.56%	34.68%	19.93%	37.2%
<b>SOUTHCO</b>	56.22%	29.40%	54.52%	48.02%	27.82%	47.8%
<b>ALL ORISSA</b>	56.26%	29.40%	55.04%	37.24%	22.22%	37.5%
	AT&C Loss LT			AT&C Loss Overall		
<b>CESU</b>	53.65%	31%	58%	41.20%	27%	43%
<b>NESCO</b>	65.80%	31%	73%	35.73%	20%	43%
<b>WESCO</b>	71.49%	31%	76%	35.74%	22%	44%
<b>SOUTHCO</b>	59.39%	31%	65%	50.16%	29%	56%
<b>ALL ORISSA</b>	61.67%	31%	67%	39.15%	24%	45%
COLLECTION PER INPUT-LT(Paise Per Unit)						
	(2009-10)			(2010-11)		
	Target for 2009-10 in Paise	Achieved for 2009-10	% of Target Realised FY 2009-10	Target for FY 2010-11 in Paise	Achieved UP TO Sept 2010	%of Target Realised
<b>CESU</b>	131.02	122	<b>93.12%</b>	174.90	138.76	<b>79.34%</b>
<b>NESCO</b>	120.05	81.06	<b>67.52%</b>	143.20	81.89	<b>57.19%</b>
<b>WESCO</b>	94.95	66.4	<b>69.93%</b>	130.40	72.78	<b>55.81%</b>
<b>SOUTHCO</b>	135.09	102.02	<b>75.52%</b>	143.70	106.23	<b>73.92%</b>
<b>ALL ORISSA</b>	118.73	95.36	<b>80.32%</b>	154.76	104.61	<b>67.59%</b>
<b>BSP+Trans</b>	<b>142.70</b>			<b>193.75</b>		
COLLECTION PER INPUT-OVERALL(Paise Per Unit)						
<b>CESU</b>	201.72	170.21	<b>84.37%</b>	236.73	214.87	<b>90.77%</b>
<b>NESCO</b>	192.07	189.11	<b>98.45%</b>	260.69	208.84	<b>80.11%</b>
<b>WESCO</b>	203.13	201.73	<b>99.31%</b>	257.15	212.37	<b>82.59%</b>
<b>SOUTHCO</b>	169.44	144.98	<b>85.46%</b>	196.07	155.13	<b>79.12%</b>
<b>ALL ORISSA</b>	196.32	180.89	<b>92.14%</b>	244.37	205.56	<b>84.12%</b>

The performance statement of DISCOMS throws light on so many angles of the licensees. It is observed that the AT&C loss achieved by the licensee falls short by 23% from the overall AT&C loss allowed by the Commission at 20% and by 14.34% from the loss target of 18.46% for 2010-11 for 2010-11. In LT segment alone the AT&C Loss falls by 42 % from the target set by the Commission at 31 %. The Overall AT & C loss has increased by 7.27% compared to the performance of the previous year at 35.73 %. With Destitution loss in LT remaining same ( 55.83 % for 2009-10 and 54.94 % up to Sept. 2010), the main area of concern is billing & collection efficiency . It was a matter of concern that this year the Collection Per Input (CPI) rate has decreased to 57.19 % of the target approved for 2010-11 against 67.52 % of the target achievement during 2009-10. In LT sector the best performing DISCOM was found to be CESU with CPI realization of 79.34% of the target set by the Commission followed by SOUTHCO with 73.92% achievement in LT sector. The overall achievements of all DISCOMS have remained at 84.12 % against 92.14 % achieved during 2009-10. The ratio analysis shows that the consumption of LT to total input is low in WESCO (50 %) & NESCO (50%) & that in SOUTHCO (74%) & CESU (62%) is higher by around 10 to 20%. So far the performance in reducing LT loss compared to the overall loss is concerned, performance SOUTHCO found to be the best which is nearer to the ratio one.

RATIO ANALYSIS OF DISCOMs FOR FY 2010-11 up to Sept 10						
	Total Purchase	Total LT Purchase	% of LT Purchase	AT & C Loss in LT	AT & C Loss- Overall	Ratio of LT Loss to Overall Loss
CESU	3,623.38	2,250.66	62%	58%	43%	0.74
NESCO	2,519.73	1,260.77	50%	73%	43%	0.58
WESCO	3,143.09	1,560.39	50%	76%	44%	0.57
SOUTHCO	1,260.51	938.67	74%	65%	56%	0.86
<b>All Orissa</b>	<b>10,546.71</b>	<b>6,010.49</b>	<b>57%</b>	<b>67%</b>	<b>45%</b>	<b>0.67</b>

#### Arrear Collection of the Licensee vis-à-vis the Sector

10. The Commission noted that in the review period NESCO is able to realize only 25.15 Cr out of the estimated arrear amount of Rs 710.5 Cr. The management need take special drive to collect the arrear. Coming to the collection of arrear it is a matter of regret that despite repeated instruction from the Commission, the net arrear added during the review period is about Rs 122.48 Cr making the total arrear amount about Rs 807.89 as on 30.09.2010. The contributions of all DISCOMS in addition of the arrears found to be 36.23% in case of CESU, 28.82% in case of NESCO, 24.81% in case of WESCO and 34.24% in case of SOUTHCO and remains same to the contribution to the arrear as on 01.10.2010. This clearly indicates lack of seriousness on the part of NESCO to collect the arrear and also the current revenue. The VP NESCO in its reply stated that the major portion of the arrear outstanding has been carried over since pre reform era. The CEO NESCO opined that NESCO's petition on One Time Settlement (OTS) scheme is pending at the Commission. He requested for early sanction of the OTS scheme for recovery of long pending arrears.

Arrear Contributions in the state									
	Total	CESU	Contribution	NESCO	Contribution	WESCO	Contribution	SOUTHCO	Contribution
Arrear as on 31.03.2010 (Rs Cr)	<b>3267.8</b>	1379.5	<b>42.21%</b>	710.56	<b>21.74%</b>	758.69	<b>23.22%</b>	419.09	<b>12.82%</b>
Collection against Arrear	<b>79.89</b>	28.93	<b>36.21%</b>	25.15	<b>31.48%</b>	14.16	<b>17.72%</b>	11.65	<b>14.58%</b>
Arrear Added during the period	<b>405.98</b>	151.31	<b>37.27%</b>	122.48	<b>30.17%</b>	97.95	<b>24.13%</b>	34.24	<b>8.43%</b>
Arrear as on 30.09.2010	<b>3605.54</b>	1501.8	<b>41.65%</b>	807.89	<b>22.41%</b>	842.48	<b>23.37%</b>	453.33	<b>12.57%</b>
Net Arrear added	<b>337.74</b>	122.38	<b>36.23%</b>	97.33	<b>28.82%</b>	83.79	<b>24.81%</b>	34.24	<b>10.14%</b>

### **Fixation of Responsibility & Accountability**

11. The Commission is of the opinion that unless substantial improvement of performance not made the very survival of the sector as a whole would be in doubt. If such performance is allowed to be continued then the loss trajectory will touch the pre reforms level. In this respect the Commission warned of serious consequences for the officials responsible for the same. The Commission is of the opinion that the accountability should start from the top & go down the ladder up to the lineman of the licensee. The linemen of the licensee should be treated as DTR manager, section officers should be treated as 11 KV feeder managers, similarly a SDO as a 33/11 KV substation manager and 132/33 KV sub station as Divisional Manager. Every body must give account to every unit consumed by the respective unit. Strict administrative action must be taken against errant and non performing employees. As provided under service code and relevant rules continuance of the employees attaining the age of 50 years should be reviewed with reference for their performance in the matter of collection of revenue, reduction of AT&C loss and improvement in standard of service. Fixation of responsibility and stringent administrative action should be taken against the non-performing and poor performing officials from top to the bottom.

### **Load Verification in Feeders**

12. Except WESCO none of the DISCOMS have submitted the extent and details of energy Audit carried out in 11KV & 33 KV feeders. The Commission is of opinion that the load verification of all feeders up to 440 V LT network should be carried out. This is to verify the maximum demand in MVA that a licensee is drawing from GRIDCO with the demand at out put end of licensees. With development & modernization across all sectors, the consumption of every individual and industry as a whole has increased. The DISCOMS must keep updated about the increase in load in all feeders. Accordingly they can go for up gradation of transformers load balancing etc to provide qualitative supply to consumers. The load verification report should be submitted to the Commission before next review meeting.

### **Submission of Cost Data**

13. It has been observed that DISCOMS are not serious in submitting the cost data for various deposit work. Till date cost data up to 2007-08 and partially up to 2008-09 have been approved. Cost data for 2008-09 and for 2009-10 have recently been submitted by SOUTHCO and CESU. All licensees were instructed to submit the cost data regularly to carry out deposit works on an efficient and economic manner. Non submission of data in time indicates the utter negligence and unwillingness by the licensees to work in an efficient manner to serve the consumers. The defaulting licensees should note that the Commission can no longer be passive onlooker to their audacity and non-performances in different aspects.

### **Delegation of Power**

14. Despite repeated instructions the issue of the delegation of power at appropriate level has not been resolved. The Commission vide its letters No OERC/4967 Dtd 21/09/2010 had provided guide lines and a model for effective delegation of power. The GM (Commerce) of Reliance DISCOMS was supposed to submit a delegation structure & finalize it in consultation with CEO CESU. But little progress has been achieved on this front. This reflects the callous nature of DISCOM authorities to ensure responsibility and accountability. Sufficient delegation of power on technical, administrative and financial matter should be made at least at par with the Govt. departments so that timely repair, renovation and restoration work is taken up in time.

The tendency of concentrating all powers at the corporate office or CSO office should be discouraged. Adequate power should be delegated to CEO/VP and other field functionaries in order to enable them to take up repair and maintenance work effectively in time.

#### **Preparedness of DISCOMS to utilize capex**

15. The DISCOMS are advised to ring fence project areas and find base line loss data and strategy to reduce loss to the desired level as envisaged in the letter No. R&R-1-06/2010 (P)-9230/En dtd. 21.10.2010 read with the stipulations made vide Para-14 of the order dtd. 10.11.2010 in Case No. 109, 110 and 111 of 2010 (Investment proposal of NESCO, WESCO and SOUTHCO) and read with Para 13 of Order dtd. 06.10.2010 in Case No. 134/2010 (investment proposal of CESU)

(C) **Compliance to the action points out lined by the Commission in the performance review meeting for FY 2009-10 on dated 18-05-2010**

Commission then verified the para wise action taken report (ATR) of it's direction in the last performance review meeting for the year FY 2009-10.

#### **Para-11- Reduction of AT&C loss**

16. In the said review meeting the Commission had instructed the following:-
- a) The LT loss reduction for FY 2010-11 should not be less than 10%
  - b) Divisions with LT loss more than 50% should achieve minimum 10% LT loss during FY 2010-11
  - c) Verification of load and contract demand for all high valued consumers with CD>20KW
  - d) Handing over of DTRs of loss making 11KV feeders to micro/macro franchisees
  - e) Voluntary declaration of contract demand of residential premises of the DISCOM employees

#### **OBSERVATION**

**During the period under review the LT AT & C loss has reached 73 % against the OERC target of 30.81 %. Instead of decreasing the AT&C loss by 10% the licensee has increased the loss by 7.2 % which is undesirable. So far the performances of divisions are concerned, as observed in para 4 above there is no sign of abatement in loss. Rather some more divisions are added to the list of poor performing division's where LT-AT&C loss is more then 70%. Except Baripada (69%) and Keonjar (66.5%) LT-AT&C less in all divisions found to be above 70%.**

#### **Para -12 cross checking of meter readings**

17. In this Para the Commission had instructed to go for cross checking of meter readers to stop the practice of meters readers to prepare meter readings with out visiting the premises of the consumers.

#### **OBSERVATION**

**But no positive confirmation could be obtained from the licensee regarding cross verification of meter reading. Recent visit by CEO, CESU to Dhenkanal, Anugul, Kendrapara, Marshaghai etc. has proved beyond doubt meter readings manipulated in the bill and are shown less than the actual meter reading.**



**Further bills are being generated without visiting the consumer's premises and without taking actual meter reading. Cross checking of the meter reading needs to be ascertained and checked by the officers not below the rank of Executive Engineer.**

**Para 13 -LT collection LT input (collection per Input)**

18. The licensees were instructed to increase Collection per Input to match with the BST figure. BST of NESCO with transmission price fixed at 218.50 paisa for NESCO for 2010-11.

**OBSERVATION**

**None of the Division could achieve the direction. In fact except Kalkia and Keonjhar the CPI has either remain same or decreased significantly compared to FY 2009-10 level despite 22 % tariff hike. The CPI- LT for Anandapur & Bhadrak has remained as low as 41 &42 paisa against BST of 218.50 paise and avg RST of 327 paisa. In this context the CEO NESCO opined that there was no RST increase in the 1<sup>st</sup> slab of LT consumption and most of NESCO consumers comes under 1<sup>st</sup> slab category.**

**Para -14 Separate target for collection of Current and Arrear revenue and Improvement in collection efficiency.**

19. NESCO was instructed to achieve collection efficiency of 98% excluding collection of arrear.

**OBSERVATION**

**On contrary the collection efficiency in LT has declined to 59.88% upto Sept. 2010 from 77.43% in 2009-10. The overall collection efficiency has also declined from 95.24 % during FY 2009-10 to 84.39 % during the current year that too with the collection of arrear. With such poor collection efficiency the licensee cannot run the business of distribution of electricity.**

**Para 15 Collection of Arrear**

20. Vide this para the Commission had directed to achieve an arrear collection target Rs 200 Cr out of arrear outstanding at Rs.710.56 Cr as on 31.3.2010.

**OBSERVATION**

**On the contrary, the licensee was able to collect only Rs 25.15 Cr an achievement of 12.5 % compared to the target set by the Commission and the arrear added by the licensee during April-Sept.2010 Rs 122.48 Cr which is 17.23% of the outstanding arrear at beginning of the year with in 6month of operation. The outstanding arrear as on 30th sept has reached up to Rs 807.89 Cr. As on 30.09.2010 which is undesirable.**

**Para – 16 Arrear for Govt Dept & PSU**

21. The Commission had instructed to take all sorts of measures including disconnection of govt. offices whenever required to collect the arrear dues of various Departments treating them at par with ordinary consumer.

**OBSERVATION**

**The Commission observed that a little effort has been taken by the licensee to collect the arrear. Unless disconnection is made it is unlikely that any department will come forward voluntarily to pay the electricity dues.**

## **DIRECTION OF THE COMMISSION**

The licensee should raise these issues with district administrative authorities in the District Electricity Coordination Committee meetings to pursue the concerned departments for payments of out standings electricity dues. Apart from that, they should furnish the list defaulting Govt. offices, urban local bodies, Panchayat Raj Institutions, Co-operative, autonomous organization of the concerned treasury, special treasury not to entertain any of such defaulting organizations as advised by Finance Department in their letter dtd. 26.08.2010.

### **Para -17 Target for Franchisee Operation**

22. NESCO was instructed to introduce 80 Micro & 6 Macro Franchisees at least its area of operation during 2010-11. The target again revised during the meeting on performance of franchises on 26-10-2010. Accordingly the latest target is to introduce at least one micro franchises per section by end of the year 2010. So with 125 sections, NESCO should cover at least 125 micro franchisees by end of the year. With each micro franchise covering 5 numbers of 100 KVA DTRs and approximately 100 consumers per DTR the number of consumers covered under micro-franchisee should have been at least 62,500.

### **OBSERVATION**

**How ever NESCO has covered only 8934 numbers of consumers so far, this is around 15 % of the target given by the commission. The Commission feels that the licensee is intentionally not extending franchisee operation to cover up its own failure.**

### **Para 18-Metering and Energy Audit**

23. The Commission vide above para had expected DISCOMs to achieve at least 50% of 11 KV feeder metering by end of this year. The number of defective consumer meters should have been reduced to Zero.

### **OBSERVATION**

**But to the contrary, the 11 KV feeders metering has come down form 93 on 31<sup>st</sup> March 2010 to 86 as on 30<sup>th</sup> sept 2010. CEO NESCO stated that with their best possible effort number of DTR metering position increased from 372 as on 31<sup>st</sup> march 2010 to 569 as on 30<sup>th</sup> sept 2010. NESCO has already achieved energy audit in 11 number of 11 Kv feeders and planning to cover energy audit for 2130 DTRs by end of this financial year**

### **Para 20 Quality of Supply**

24. NESCO was directed to update routine maintenance of power distribution transformers so that the rate of failure of transformers will be reduced by 50 %.

### **OBSERVATION**

**During the period under review failure of power transformers was found to be 10 compared to the same number of last review meeting. Similarly the failure of distribution transformers has come down marginally from 1022 numbers during 1<sup>st</sup> half of last financial year to 947 during of current financial year. Similarly the interruptions in the 33 Kv feeders has gone up marginally from 5651 numbers during 1<sup>st</sup> half of last financial year to 5756 during 1<sup>st</sup> half year of current Financial Year. This is highly undesirable.**

### **Para 21 Consumer Complaints**

25. NESCO was provided with a list of 41 pending consumer complaints/grievances reported in newspaper dailies up to May 2010 forwarded by OERC for disposal vide Commission's letter no Secy/CC/3970 dtd 21.5.10.

### **OBSERVATION**

**Compliance reports on the above are yet to be submitted. Since then seventeen more complaints have been forwarded for action up till November 2010. Similarly 88 vigilance related complaints were forwarded of which 67 have been addressed & reports submitted up to September 2010. The Commission feels that serious follow up action is lacking in the action taken by the licensee**

### **Para 22-Implementation of GRF Orders**

26. Regarding implementation of GRF orders up till November 2010, as reported by the respective GRFs, 53 orders of GRF Jajpur & 136 of GRF Balasore are pending for implementation by NESCO.

### **OBSERVATION**

**In the year 2009-10 till June as reported by the respective GRFs, 356 cases have been registered by GRF Balasore and 353 disposed. Similarly, 486 cases were registered by GRF Jajpur in 2009-10 and up till June, 2010, 466 have been disposed. NESCO is directed to submit full compliance report for implementation of the order of GRFs and Ombudsman up to the period 30.09.2010 by 31.01.2011**

### **Para-23-Inquiry of the Expert Team**

27. The licenses are required to take up to follow-up action on the pending recommendations /directions with reference to the enquiry conducted by independent expert as regards to maintain and operation of distribution S/S and lines.

### **OBSERVATION**

**Major compliances are yet to be met by NESCO as is shown in Annexure-I for necessary action .Necessary works of one 33-11 KV S/S in each division selected by NESCO should be fully equipped in all respect and should be completed in time bound manner. NESCO should implement the completion date with reference to those model substations**

### **Para-24- functioning of the police station & Vigilance**

28. The Commission **had** directed NESCO to raid minimum 30 villages / urban areas per month per energy police station so as to generate revenue at least 20 times the expenditure incurred towards salary and other associated expenses for energy police station. Thus with three Energy Police stations under NESCO area there should be at least 90 raids in a month and during 6 month the number of raids should have been 540 and with at least 10 checking per raid the number of checking should have been 5400.

### **OBSERVATION**

**Against this target NESCO has checked 2953 consumers and realized only Rs 28.62 lacs. In the ARR approved for NESCO for FY 2010-11 the cost allowed for maintenance of Energy Police Station is Rs 2.27 Cr, which comes at Rs 1.4 cr for 6 month. So NESCO should realize minimum 10 times these amount by conducting raids in its areas of operation which works out to Rs. 22.70 Cr.**

**Para 25 & 26 Action taken on EMR ,Vigilance cell Report & voluntary declaration of load by the DISCOM employees**

29. The Commission vide this para had directed NESCO to take stern action against the non-performing/poor performing employees of the NESCO. Action should have been initiated against the errant, unscrupulous and officers failing to achieve target set by the management. All employees were supposed to declare their own electricity consumption & get their own meter reading correct.

**OBSERVATION**

**But NESCO seems to be non committal to full fill the same. There is no cross checking of employees meter. The action taken list as provided by the licensee covers mostly show cause notices. Almost all divisions have failed to touch the collection target but no action has been taken against the officers concerned.**

**Reduction of Loss & Turn around strategy of DISCOMS**

30. The Commission vide this Para had directed DISCOMs to generate sufficient revenue to meet their cost of service & turn around the distribution business.

**OBSERVATION**

**However NESCO seems to be callous and non-serious in its day to day activities. The CEO NESCO in his reply stated that they are trying their best to increase revenue & reduce theft despite noncooperation from employees union & public in general.**

**DIRECTION OF THE COMMISSION**

The Commission reiterated its direction in curtailing loss and reduction of theft of Electricity. Regular monitoring and spot verification by Energy Police Stations, Vigilance squad and MRT staff should be done vigorously in respect of all high end consumers particularly Hotels, Shopping malls, Fabrication units, Rice Mills, Industrial establishments, Fish processing units, Nursing homes, professional Educational Institutes etc.

**(D) CONCLUSION**

31. **The overall performance of NESCO during the half year of the current FY 2010-11 continues to be poor in all respects and what is disturbing is that the performance in different aspects particularly in matter of loss reduction, quality of supply and timely compliances of the various directions/instructions of the Commission has deteriorated during the current FY compared to the FY 2009-10. The performance of NESCO must be improved during the remaining period of the current FY, failing which accountability and responsibility will be fixed on the key Officers and Managers which may result on penalties under Section 142 of the Electricity Act, 2003, on such officers in their individual capacities and on the company as a whole.**