

Minutes of Review Meeting on Performance of GRIDCO

Date of review : 14.12.2009 at 11.00 AM

Period of Review : 1st half of the FY- 2009-10

Persons present : Shri C J. Veenugopal., CMD, GRIDCO
 Shri U K Panda, Director (Fin)
 Shri A.C. Mallick, Director (Com.),
 & other officials of GRIDCO.

The CMD, GRIDCO at the outset made a presentation on the performance of the GRIDCO for the 1st half of FY 2009-10 i.e. April 2009 to Sept, 2009. The details of energy drawl by the DISCOMs are given in the table below.

Energy Drawl by DISCOMs (MU)

| | OERC's Estimate for 2009-10 | OERC's Estimate for 2009-10 prorating for 6 months | Actual for 2009-10 (From Apr,09 to Sept,09) | % Over drawal by DISCOMs (%) |
|----------------|-----------------------------|--|---|------------------------------|
| CESU | 6045.00 | 3022.50 | 3192.13 | 5.61 |
| NESCO | 4285.00 | 2142.50 | 2355.46 | 9.94 |
| WESCO | 6430.00 | 3215.00 | 3145.95 | - 2.15 |
| SOUTHCO | 2161.00 | 1080.50 | 1143.86 | 5.86 |
| TOTAL | 18921.00 | 9460.50 | 9837.40 | 3.98 |

2. It is observed that during the 1st half of the FY 2009-10, net over drawal by the DISCOMs (after factoring the under drawal of WESCO) was 376.90 MU (i.e. 3.98%) as compared to OERC estimate prorated for the period under review. The CMD, GRIDCO stated that due to poor hydrology GRIDCO had purchased costlier power from different sources for DISCOMs to meet the state demand. The per unit power purchase cost for GRIDCO comes to 185.02 P/U for the period from April '09 to September '09 as against OERC approval of 148.27 P/U. The increase in purchase price is mainly attributed to (i) rise in fuel price of CGSs (ii) purchase of power through UI and Power Exchange (iii) Purchase of power from CGPs and small hydro at higher rate etc. The situation is further aggravated due to overdrawal by the DISCOMs. The approved Bulk Supply Price was 122.22 P/U and now the gap between power purchase rate and BSP comes to 63 P/U (185.02 – 122.22) against gap of 26 P/U approved by the Commission (148.27 p/u – 122.22 p/u).
3. CMD, GRIDCO submitted that the average cost of power sold to DISCOMs, as approved by the Commission, is less than the cost of power purchased from the Generators. In the event of over drawal by the DISCOMs, GRIDCO is further burdened

with the differential amount between the average cost of sale and purchase. In order to meet the increasing demand of the DISCOMs, GRIDCO is to procure costly power which is causing huge dent on their finances.

4. In the reply to the queries of the Commission on the issue of meeting the state demand and bridging the revenue gap, CMD, GRIDCO suggested that the following measures may be taken for smooth supply of power to DISCOMs and viability of the sector.
 - (a) Government subsidy may be extended
 - (b) There may be a hike in BSP.
 - (c) DISCOMs should reduce the loss and
 - (d) There may be a regulation for power supply and earning by GRIDCO through UI.

5. **Receipt and Payment of BSP dues (Rs. in crore):**

| | Total BSP Bill | Total payment receipt (including Rebate) | Excess/Less Payment over BSP |
|----------------|-----------------------|---|---|
| | A | B | C (B-A) |
| CESU | 324.00 | 366.70 | 42.70 |
| NESCO | 306.21 | 306.21 | 0.00 |
| WESCO | 484.48 | 486.48 | 2.00 |
| SOUTHCO | 80.07 | 83.44 | 3.37 |
| TOTAL | 1194.76 | 1242.83 | 48.07 |

6. GRIDCO submitted that all the DISCOMs had paid the Bulk Supply Bills to GRIDCO in full for the period from April, 9 to Sept, 09 . However, three DISCOMs, CESU, WESCO and SOUTHCO have paid Rs 42.70 cr, Rs. 2.00 cr and 3.37 cr respectively over and above the current BSP during the year period under review. It was observed that though NESCO had surplus fund after meeting BSP and other dues, it was not paying any extra amount towards earlier outstanding dues. CMD stated that unless there was any compulsion, DISCOMs were not willing to pay their dues. In this connection he specifically drew the attention of the Commission that during 2007-08 since the bulk supply price was higher, the current BST payment was regular and at the year end the surplus of GRIDCO was adjusted by accounting adjustment towards the arrear payment due from the DISCOMs by reducing the BST retrospectively. Therefore, the DISCOMs should collect at least an amount per month which should not be less than what should have been collected at the pre-revised rates of 2007-08.
7. CMD, GRIDCO stated that due to poor hydrology and also increase in internal demand there was no scope for trading and GRIDCO was not able to earn a substantial amount on account of UI. Due to such situation GRIDCO had to purchase costly power to meet the demand in the State. Consequently the Gap of Rs 882.85 cr, as approved by the Commission in the tariff order for FY 2009-10 has increased. The figure has reached the level of Rs. 849.02 crore during the 1st six months period ending Sept' 2009. This is reflected in the table below:

(Rs. in Cr.)

| | Commission's approval | Prorating the Commissions approval for 6 months | Actual from Apr,09 to Sept,09 |
|---|-----------------------|---|-------------------------------|
| Power purchase cost | 2923.80 | 1461.90 | 1965.91 |
| Other costs including interest & financial charges (Rs. in Cr.) | 199.30 | 99.65 | 111.63 |
| Rev. Requirement (Rs. in Cr.) | 3123.10 | 1561.55 | 2077.54 |
| Revenue realised from sale of power to DISCOMs | 2312.11 | 1156.06 | 1194.76 |
| Revenue from Emergency sale to CGPs | 3.30 | 1.65 | 73.78 |
| Received from Distcos (Arrear dues) | 170.00 | 85.00 | 48.07 |
| Revenue from UI & Trading | | | 88.15 |
| TOTAL REVENUE | 2485.41 | 1242.71 | 1404.75 |
| Gap | 637.69 | 318.85 | 672.79 |
| Principal Repayment | 245.16 | 122.58 | 176.23 |
| TOTAL GAP | 882.85 | 441.43 | 849.02 |

8. The details of power purchase and sale for the period under review are shown at **Annexure-A.**
9. Regarding UI management performance GRIDCO stated that it had spent Rs 189.16 Cr, while earning Rs 87.36 Cr. The Commission directed GRIDCO to follow prudent commercial practices and draw more power during off-peak and relatively high frequency hours and also under draw during Peak hours / low frequency hours to maximize the UI revenue.
10. As on 30.09.2009, GRIDCO has a liability on account of loan of Rs.2346.41 cr. towards principal and Rs.230.50 cr towards interest totaling to an outstanding amount of Rs.2576.91 cr. This includes govt. loans, institutional loans and GRIDCO Bonds. However, the opening balance was Rs.2025.43cr as on 01. 04.2009. During current financial year GRIDCO has incurred a loan amount of Rs.600.00 Cr towards payment of power purchase dues. Director (finance) stated that since the CGPs' tariff was increased, Bulk Supply Price should be increased in order to minimize the liquidity problem.
11. The Reliance managed Companies availed total escrow relaxation to the tune of Rs.247.74 cr. during the period April, 09 to Sept, 09 which included Rs.22.35 cr. towards O&M and Rs 225.40 towards Employee Cost. Similarly, CESU availed total escrow relaxation of Rs.43.41 crore which includes Rs. 9.91 crore towards O & M works and Rs. 33.50 cr. towards Employee Cost. It was further emphasized by the Commission that in no case the operation and maintenance of the distribution work should be affected due to non-release or late release of funds by GRIDCO from the escrow account. It was further directed that GRIDCO should release the balance O&M

expenditure for the year 2009-10 based on the submission of bills and vouchers. The DISCOMs on the other hand have to improve the existing level of billing and collection efficiency so that there is enough fund deposited with GRIDCO for release towards O&M expenditure.

12. GRIDCO reported total receivables of Rs.264.73 cr. from Govt. of Orissa as against a payable of Rs.354.09 cr. The net payable to State Govt. is to the tune of Rs.89.36 cr.
13. In respect of outstanding BST dues, GRIDCO reported a provisional figure of Rs.1657.51 cr. against REL managed companies as on 30.09.2009. This includes an amount of Rs.400 cr. of DISTCO Power Bond and interest of Rs.305.54 cr. thereon; which is now under sub-judice in Supreme Court vide CA No.759/2007. In case of CESU, GRIDCO reported a provisional figure of Rs.1892.62 cr. as on 30.09.2009.
14. The Annual Report of GRIDCO for 2007-08 has been submitted to Govt. as well as to the Commission. For the year 2008-09, the Annual Accounts has been compiled and the process of the authentication by the Board and adoption of Accounts shall be completed by 07.10.2009.
15. Director (commercial) stated that the present deficit situation is likely to continue for the coming 3 years. We may limit our load as per the availability by load shedding like other states such as MP and Maharastra. Further regulation may be made so that GRIDCO can trade power when there is a surplus.
16. In the context of low power availability and intending Load Regulation, the Commission advised GRIDCO to take the following measures.
 - (a) Infrastructure readiness, in terms of installation of under-frequency relays in all 33 KV feeders of OPTCL (i.e. especially in all the feeders excluding State Capital and District Head Quarters) should be completed at the earliest, in order to facilitate Load shedding at low frequency, whenever required.
 - (b) In case of shutdown of all the Hydro Power Units situated in the Southern part of the State, OHPC needs to deliberate to quantify the impact on (i) quantum of higher transmission loss and (ii) higher evaporation loss in the hydro reservoir.
 - (c) PGCIL should be asked to remove the unidirectional relay installed in the Jeypore-Jayanagar transmission system so that power flow need not take place only from OPTCL's i.e. State Transmission System (STS) to the PGCIL's i.e. Inter-State Transmission System (i.e. towards SR), but in reverse direction also from PGCIL system to OPTCL system. It was confirmed by M/s OPTCL that the unidirectional relay has since been deactivated.
 - (d) Director (Com.), GRIDCO should check the existing relay arrangement and raise the issue at appropriate fora in case of future requirement.

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

**No.Dir(T)-373/09/
Dated. .01.2010**

From

P.K. Swain,
Secretary

To

The Chairman-Cum-Managing Director,
GRIDCO, Janpath
Bhubaneswar

Sub: Review Review of Performance of GRIDCO for the 1st half of 2009-10, taken up on 14.12.2009.

Sir,

In inviting a reference to the subject cited above, I am directed to send herewith the aforesaid report for your information and necessary action.

Yours faithfully,

Encl : As above.

SECRETARY

Copy to :

The Commissioner-cum-Secretary, Department of Energy, Govt. of Orissa along with copy of the enclosure for favour of information.