A. Justification of A&G Expenditure for FY 2021-22

i. Expenditure on the Basis of Norms

Consequent to the vesting of the utility, TPCODL commenced. its operation on 1st June 2020. With regards to the Operation and Maintenance expenditure, the vesting order at para 55 directs following.

> *55. Operation and Maintenance Expenses*
>
> *………*
>
> *(c) Administrative & General (A&G) expenses*
>
> *For the first year of operations, TPCODL shall within 45 days of the Effective Date, submit an estimate of A&G expenses that may be incurred by TPCODL in the first year of operations. Along with estimate of expenses, TPCODL shall provide detailed justification for any deviation from the A&G expenses approved by the Commission in the Aggregate Revenue Requirement of CESU for the current year. The Commission shall undertake a prudence check on the submission made by TPCODL before approving the same. TPCODL shall make expenses in-line with the approved expenses and the actual expenses allowed shall be determined at the time of true-up based on prudence check as per the Tariff Regulations. The Commission may while approving A&G expenses allow cost incurred for <u>special measures to be undertaken by TPCODL towards reduction of AT&C losses, improving collection efficiency and other areas of intervention proposed by TPCL for meeting its Bid commitments</u>. Provided the Commission will undertake a prudence check before allowing such expenditure.*

In compliance with the above directive of the Vesting Order, TPCODL had submitted its Opex plan in July 2020. In this Opex plan, TPCODL had proposed an amount of Rs.123.11 Cr towards A&G expenditure for 10 months of FY 20-21 (June-Mar) and had submitted detailed item wise expenditure estimate with justification for the expenditure and deviation from the cost approved in Tariff Order FY 2020-21 for erstwhile CESU.

Against TPCODL 's submission of Rs.123.11 Cr towards A&G Cost, the Hon'ble Commission in its order dated 16.11.2020 (Case No 41 of 2020) approved 60 % of the proposed additional A&G Cost of Rs.63.3 Cr over and above the Rs 70.8 Cr approved in its Tariff Order dated 22.04.2020 ,thus approving total Rs.97 Cr towards A&G cost for 10 months of FY 2020-21. The same when extrapolated to 12 months works out to Rs 116 Crores. The computations are as given in the table below

Table: A&G Cost approved for FY 2020-21 (Rs Cr)

A& G Cost approved in Tariff Order FY 2020-21	Approved A&G Cost for 10 months of FY-21	Additional A&G Cost Approved in Opex Order dt 16.11.2020 for 10 months	Total A&G Cost approved for 10 months of FY-21	Total A&G Cost approved for 12 months of FY-21
A	B= A x (10/12)	C= 60 % of Rs. 63.03 Cr	D= B+C	E= D x1.2
70.8	59	38	97	116

The Hon'ble Commission while approving the above additional A&G cost for 10 months of FY 2020-21 observed following in the order dated 16.11.2020

> *47. In light of the above submissions the Commission observes that the expenditure in the A&G is a controllable expense and as per the OERC Tariff Determination Regulation additional expenses are allowed in this head for specific measures towards reduction of AT&C losses and improving collection efficiency. We find that the proposals mainly relate to the improving metering management and services and customer services which are vital elements in reducing AT&C losses. The TPCODL is a new operating company and we believe that they have planned out their activities diligently for improving the overall distribution business. At this stage we agree to the proposal of the petitioner and allow the additional A&G expenses of about sixty percent of the proposed Rs.63.09 crore for FY 2020-21. However, the petitioner is directed to produce the required justifications of such additional expenses under the head A&G expenses incurred in the truing up petition for FY 2020-21. The expenses under this head will accordingly be allowed after prudence check.*

It can be observed form the above that, Hon'ble Commission has acknowledged the fact that the expenditure requested under various heads of A&G cost are essential to achieve AT&C loss reduction target (which is also a mandate as per the vesting order), improved collection and enhanced Customer Service. Considering the Opex Order of the Hon'ble Commission of 16th November 2020 and applying the norms of the Hon'ble Commission, the allowable O&M Expenditure works out to Rs 131.45 Crores as shown in the table below:

Table : Allowable Expenditure based on the past orders of the Hon'ble Commission for FY 2021-22

Sr No	Particluars	Rs Cr
1	Normal A&G Expenditure for FY 2020-21 considered in Tariff Order for escalation	58.8
2	Additional Expenditure approved for 10 Months in Opex Order of 16th November 2020 =60% of Rs 63 Crores	37.8
3=((2) x 1.2 +(1)) x1.07	Projection based on approved normal A&G Expenditure considering an escalation of 7% p.a	111.5
4	Special O&M Expenditure considered in the Tariff Order	20.0
5	**Total allowable expenditure based on the past orders of the Hon'ble Commission**	**131.45**

ii. A&G Expenditure in the past has been higher than that approved

In the past too, the actual expenditure (i.e of erstwhile CESU) has been much higher than that approved by the Hon'ble Commission. Based on the study of the various orders in the past, it is revealed that the Hon'ble Commission has been arriving at the approved A&G costs by taking 7% escalation over approved A&G expenditure since the FY 2008-09. Such methodology of arriving at the approved costs has created a gap between approved cost and the actual costs. This is depicted in table below.

Table: A&G Cost: Proposed Vs approved over the years

FY	Approved A&G Cost	Actual A&G Expenditure	Remark
FY 2019-20	66.96	179.57	Franchise Expenses: Rs.110.88 Cr
FY 2018-19	63.86	162.2	Franchise Expenses: Rs.99.2 Cr
FY 2017-18	66.50	146.67	Franchise Expenses: Rs.89.49 Cr
FY 2015-16	51.68	82.45	Franchise Expenses: Rs.16.28 Cr
FY 2014-15	41.68	85.03	Franchise Expenses: Rs.28.14 Cr

Also, Hon'ble Commission has not been allowing A&G cost towards Franchise expenditures. We would like to mention here that, after the exit of Franchisee, the work done by them is being executed through business associates engaged by TPCODL. Since this is a genuine expenditure towards very critical activities, we request Hon'ble Commission to acknowledge this cost and accordingly approve for the same.

iii. The 7% Escalation formula being applied on undervalued Base value since FY 2008-09 without revision

The 7% escalation formula applied over the approved value of previous year to arrive at normal A&G cost has been used for a very long time since FY 2003-04 by the Hon'ble Commission and the methodology has not been revised since then. This method of using 7% escalation rate for arriving at normative A&G cost was first introduced in the 'Long Term Tariff Strategy Order' (LTTS Order) dated 18.06.2003. This order mentioned that the base value for applying this 7% escalation rate is approved A&G cost for FY 2002-03 (i.e. base year of the first control period). The escalation of 7% was applied on the amount approved in the previous year.

However, in between, normal A&G cost for FY 2008-09 was arrived at by taking 7% escalation p.a over audited figure of FY 2005-06 for erstwhile CESU. Since then, till date the 7% escalation every year has been applied on this base value of normal A&G cost (i.e. Rs.26.11 Cr- Approved normal A&G cost for FY 2008-09) to arrive at normative A&G cost by Hon'ble Commission. The details of the A&G expenditure approved over the period is given in the table below

Table: Basis of A&G approved in the past

Sr No	Utility	Year	Proposed Normal A&G	Proposed Additional A&G	Proposed Total A&G	Approved Normal A&G	Approved Additional A&G	Approved Total A&G	Basis of Approval
1	CESCO	1999-2000	12.3	0	12.3	6.28		6.28	6% Escalation over audited figures of 1997-98
2	CESCO	2000-01	18.75	0	18.75	7.78		7.78	8% escalation over approved figure of 1999-00
3	CESCO	2001-02	11.16	0	11.16	8.17		8.17	5% escalation over approved figure of 2000-01
4	CESCO	2002-03	12.06	0	12.06	8.58		8.58	5% escalation over approved figure of 2001-02
5	CESCO	2003-04		0	0			9.18	7% escalation every year over base year (2002-03) as per LTTS Order
6	CESCO	2004-05		0	0			9.82	7% escalation every year over base year (2002-03) as per LTTS Order
7	CESCO	2005-06	20.52	0	20.52	10.51		10.51	7% escalation every year over base year (2002-03) as per LTTS Order
8	CESCO	2006-07	23.46	0	23.46	11.25	1.86	13.11	7% escalation every year over base year (2002-03) as per LTTS Order + Additional: Receivable Audit (0.83)+ Special Police Station (1.03)
9	CESU	2007-08	22.53	0	22.53	14.02	0.00	14.02	7% Escalation over PY approved Total A&G (including Additional)
10	CESU	2008-09	30.09	0	30.09	26.11	0.18	26.29	7% Escalation every year over Audited figure of 2005-06 + Additional (0.18) for Special Police Stations
11	CESU	2009-10	50.76	0	50.76	27.94	0.87	28.81	7% Escalation over PY approved normal A&G + Additional : Special Police Station (0.37)+IT/Automation (0.5)
12	CESU	2010-11	68.83	30.39	99.22	29.89	5.96	35.85	7% Escalation over PY approved normal A&G+ Additional : Special Police Station (4.8)+ Cust Care/call Center (1.16)
13	CESU	2011-12	51.38	9.9	61.28	31.99	13.96	45.95	7% Escalation over PY approved normal A&G + Additional : Special Police Station (4.8)+ Cust Care/call Center (1.16)+Inspection Fee of electrical Installation (8)
14	CESU	2012-13	48.75	15.85	64.6	34.22	5.50	39.72	7% Escalation over PY approved normal A&G+ Additional : Special Police Station (1)+ Cust Care/call Center (0.5)+Inspection Fee SI works (1)+ IT/Automation (2)+ Compensation Elec Accidents (1)

Sr No	Utility	Year	Proposed Normal A&G	Proposed Additional A&G	Proposed Total A&G	Approved Normal A&G	Approved Additional A&G	Approved Total A&G	Basis of Approval
15	CESU	2013-14	39.33	11.34	50.67	36.62	4.50	41.12	7% Escalation over PY approved normal A&G+ Additional : Special Police Station (1)+ Cust Care/call Center (0.5)+Inspection Fee SI works (1)+ IT/Automation (2)+ Compensation Elec Accidents (1)
16	CESU	2014-15	48	10.44	58.44	39.18	2.50	41.68	7% Escalation over PY approved normal A&G+ Additional : Cust Care/call Center (1)+Inspection Fee SI works (0.25)+ IT/Automation (1)+ Compensation Elec Accidents (0.25)
17	CESU	2015-16	43.74	52.03	95.77	41.93	9.75	51.68	7% Escalation over PY approved normal A&G+ Additional : Cust Care/call Center (0.25)+AT&C Loss Reduction activities including Energy Audit (8)+Inspection Fee SI works (0.25)+ IT/Automation (1)+ Compensation Elec Accidents (0.25)
18	CESU	2016-17	96.72	0.95	97.67	44.86	35.50	80.36	7% Escalation over PY approved normal A&G+ Additional : Cust Care/call Center (1)+AT&C Loss Reduction activities including Energy Audit (32)+Inspection Fee SI works (0.25)+ IT/Automation (2)+ Compensation Elec Accidents (0.25)
19	CESU	2017-18	98.88	0.85	99.73	48.00	18.50	66.50	7% Escalation over PY approved normal A&G+ Additional : Cust Care/call Center (2)+AT&C Loss Reduction activities including Energy Audit (9)+Inspection Fee SI works (0.25)+ IT/Automation (7)+ Compensation Elec Accidents (0.25)
20	CESU	2018-19	82.49	131.81	214.3	51.36	12.50	63.86	7% Escalation over PY approved normal A&G+ Additional : Cust Care/call Center (2)+AT&C Loss Reduction activities including Energy Audit (5)+Inspection Fee SI works (0.25)+ IT/Automation (5)+ Compensation Elec Accidents (0.25)
21	CESU	2019-20	96.16	128.36	224.52	54.96	12.00	66.96	7% Escalation over PY approved normal A&G+ Additional : Cust Care/call Center (2)+AT&C Loss Reduction activities including Energy Audit (5)+Inspection Fee SI works (0.25)+ IT/Automation (4)+ Compensation Elec Accidents (0.25)+Training (0.5)
22	CESU	2020-21	103.93	179.22	283.15	58.80	12.00	70.80	7% Escalation over PY approved normal A&G+ Additional : Cust Care/call Center (2)+AT&C Loss Reduction activities including Energy Audit (5)+Inspection Fee SI works (0.25)+ IT/Automation (4)+ Compensation Elec Accidents (0.25)+Training (0.5)
23	TPCODL	2021-22	106.73	86.71	193.44	62.92	20.00	82.92	7% Escalation over PY approved normal A&G+ Additional : 20 Cr

As observed from the above table, the base amount considered for applying 7% escalation is not adequate since these are normative value and not trued up for actual expenditure. The actual A&G expenditure has always been considerably higher than the normative approved value as presented in Table 5 . Hence, the base amount of Rs.26.11 Cr on which the 7% escalation has been applied every year since FY 2008-09 till date is grossly undervalued.

iv. Zero Based Budgeting of A&G Cost for FY 2021-22

TPCODL has done a zero based budgeting for arriving at the most optimum level of A&G cost for FY 2021-22 and the same was presented to the Board in Board Meeting dated 27th April 2021. The broad heads of expenditure are as follows:

Table : Zero Based budgeting expenditure presented to the Board of TPCODL

Sr NO	A&G	For ABP FY21-22
1	Electricity Consumtion Expenses	3.57
2	Office & Other Expenses	0.52
3	OOE-Other Operating Expenses	1.75
4	Printing & Stationery	2.00
5	Communication Expenses	0.20
6	Travelling & Guest House Expenses	9.78
7	Facility Management and Housekeeping	7.65
8	Rental of all Offices & Guest Houses	4.29
9	**Sub Total (Admin A&G)**	**29.76**
10	Expenditure for metering & billing,Collection, Payment Transcation Charges,Customer Awareness for Digital/Prompt/Regular Payments, Customer Service (Cust. Care, Call Center,Meter Services etc.)	**90.68**
11	Auditors' Remuneration	1.28
12	Consultants' Fees	1.18
13	Legal Charges	3.54
14	Bank Charges	2.84
15	Others Finance-A&G	4.88
16	OERC License Fee	2.24
17	Insurance Premium	12.04
18	**Sub Total (Finance A&G)**	**27.99**
19	Advertisement (NTI, Tariff Notification, Safety etc)	2
20	Foods, Conveyance,Misc Oththers	2.57
21	Software Expenses	1.98
22	Contingency	5.0
9+10+18+ SUM(19:22)	**Total A&G**	**160**

As can be seen from the above table, a large fraction of the expenditure is required to be incurred towards Meter, Billing and Collection (MBC) activity. Further some of the expenditure such as Finance A&G costs includes insurance premium, license fee, auditors fees, bank charges which is kind of a “must incur” expenditure, while the balance expenditure shown in the table above is imperative for efficient operation of the company. It is therefore our submission that A&G expenditure of Rs 160 Crores shown above cannot be now further optimized and hence we request the Hon’ble Commission to allow such expenditure for smooth and efficient running of the organization. The quantum of expenditure for FY 2021-22 has been revised downwards to Rs 120.83   Crores and the same has been presented in the ARR filing for FY 2022-23 and is as produced below.

Table : A&G estimate for FY 2021-22 as submited in ARR FY 2022-23 Petition

Particulars	Total Estimate for CY FY 2021-22
Rental of land, buildings, plant and equipment, etc	4.20
Electricity consumption expenses	1.00
Telephone & Communication expenses	1.70
Foods and conveyance	1.10
Bank & other charges	3.34
Office expenses + Facility Management and House Keeping etc	8.19
Travelling expenses	4.46
Insurance premium	8.76
Legal and professional charges	7.13
Software & IT expenses	0.50
Other Finance/Statutory Expenses	3.07
Advertisement & marketing expenses	1.90
Metering and billing expenses Collection, Payment Transcation Charges,Customer Awareness for Digital/Prompt/Regular Payments, Customer Service (Cust. Care, Call Center,Meter Services etc.)	72.68
Printing and stationery	2.30
Miscellaneous expenses including Contingency	0.50
TOTAL	**120.83**

A. Summary of our submissions and request to the Hon'ble Commission

1. The expenditure in the past incurred by erstwhile CESU has been much higher than that approved by the Hon'ble Commission. For example, the A&G expenditure for FY 2019-20 is Rs 180 Crores while the amount approved by the Hon'ble Commission is Rs 67 Crores.

2. A large fraction of the A&G expenditure is required to be incurred towards Meter, Billing and Collection (MBC) activity, although the same is included under the head of A&G expenditure. Further a large part of the Finance A&G costs such as insurance is a "must incur" expenditure, while the balance expenditure is imperative for efficient operation of the company. Further, TPCODL after its takeover has done away with the Franchisee operation and has been carrying out the activity on its own.

3. Even considering the approvals provided by the Hon'ble Commission in the past, the amount as approved in the tariff Order needs to be revised to Rs 131.45 Crores as explained earlier.

FY 2022-23

i. **Justification of A&G expenditure on the basis of the Norms and past approvals of the Hon'ble Commission**

In the ABP Order the Hon'ble Commission had approved the following:

46. The Commission in the last ARR for FY 2020-21 has approved total A&G of Rs.70.82 crore. In the present petition the petitioner has submitted that the provisional expenditure for previous year i.e FY 2019-20 under A&G head is about Rs.159.38 crore which includes payment of 111.73 crore towards Distribution Franchisee Sharing BOT. This year no expenditure is planned in the Distribution Franchisee Sharing BOT as no franchisee has been engaged and therefore no expenditure is proposed in the current petition under this head. As analysed from the petition another major expenditure is on the Insurance which is about Rs.10 crore.

47. In light of the above submissions the Commission observes that the expenditure in the A&G is a controllable expense and as per the OERC Tariff Determination Regulation additional expenses are allowed in this head for specific measures towards reduction of AT&C losses and improving collection efficiency. We find that the proposals mainly relate to the improving metering management and services and customer services which are vital elements in reducing AT&C losses. The TPCODL is a new operating company and we believe that they have planned out their activities diligently for improving the overall distribution business. At this stage we agree to the proposal of the petitioner and allow the additional A&G expenses of about sixty percent of the proposed Rs.63.09 crore for FY 2020-21. However, the petitioner is directed to produce the required justifications of such additional expenses under the head A&G expenses incurred in the truing up petition for FY 2020-21. The expenses under this head will accordingly be allowed after prudence check

Further, the Tariff Regulations permit the following for recovery of the A&G expenditure

Extracts Error! No text of specified style in document.**-1: A&G Expenditure as per Tariff Regulations**

Determination of Administrative and General (A&G) Expenses:

7.27 The A&G Expenses for each subsequent year will be determined by escalating the A&G expenses for the previous year, at the escalation factor of 7 % to arrive at permissible A&G expenses for each year of the Control Period.

7.28 The Commission may, in addition to the normal A&G expenses may allow additional expenses, actually incurred during the previous year, under this head for special measures to be undertaken by the distribution licensees towards reduction of AT&C losses and improving collection efficiency. Provided the Commission will undertake a prudence check before allowing such expenditure.

On the basis of the above two, the normative A&G expenditure for FY 2022-23 is to computed as given in the table below

Table :A&G Expenditure projections on basis of norms for FY 2022-23

Sr No	Particulars	Rs Cr
1	Normal A&G Cost approved in FY 2020-21 CESU Tariff Order	58.8
2	Additional A&G Cost Approved for 10 Months in Opex Order of 16th Nov 2020 = 60% of Rs. 63 Cr	37.8
3= (2 x 1.2 + 1) X 1.07	Normal A&G Cost for FY 2021-22 considering 7% escalation as per Tariff Regulations	111.5
4= 3 x 1.07	Normal A&G Cost for FY 2022-23 considering 7% escalation over FY 2021-22 as per Tariff Regulations	119.3
5	Special/Additional A&G Expenditure approved for FY 2021-22	20
6 =(4+5)	**Total Normative A&G Cost for FY 2022-23**	**139.3**
7	Special /Additional Expenditure for meeting Enhanced Activities in the areas of Billing and Collection for FY 2022-23	10
8-6+7	**Total Approval Sought towards A&G Expenditure**	**149.3**

As mentioned in the above TPCODL had sought the approval of additional amount of Rs 10 Crores to meet the enhanced activities in the area of Billing and Collection with the view to reduce the AT & C losses:

ii. Justification on the basis of Zero Based Budgeting

It is submitted that based on the "Zero based Budgeting" exercise where the individual activities have been costed, the estimates worked out are higher than allowed through norms. As can be seen from the explanation provided in the following paragraphs, the nature of expenses is largely towards either customer related activities, or statutory expenditure or towards required for IT systems. The details of the expenditure are as follows:

a) Customer Related Activities

Customer Services

At the time of takeover by TPCODL (then CESU), there were only 2 Customer Care Centre in Bhubaneswar and Cuttack with very limited facilities. There are 20 divisions and in most of the divisions all the customer queries and complaints were attended by the JE of concerned section. People working in customer care centre did not have any specific training for effective handling of customer queries and grievances.

To overcome the issues mentioned, TPCODL after its takeover, took many initiatives for enhancing the customer experience and to provide a gamut of customer service offerings in the area of New Connection Applications, Bill Payments, Addressing to Customers' Queries and Complaints.

The concept of dedicated Master Customer Care Centre at Division level and appointment of cashier cum customer care Associate at Section level were introduced for providing a bunch of services and single interaction touch point for all customers of concerned Division.

Master Customer Care Centre at Division is fully equipped with following Advanced services for providing better customer experience:

- **Queue Management System**: To manage the customer footfall efficiently at the centre.
- **Self Help Kiosk**: For providing New Connection related information/duplicate bill/Customer Connection Details from the E-kiosk itself.
- **Feedback Tab:** To capture customer's feedback on the services rendered at the centre.
- Television: Informing customers about Online Payment Options, Safety & other schemes.
- IT Infrastructure: Laptops/Desktops, Internet, Scanner/Printer were made available to the customer care staff which indicate the Management priority towards effective customer service delivery along with automated process for effective monitoring of consumer complaints and footfall.
- Standee/Banner/Posters: Indicating the various platforms for complaints/query registration, call centre contact number, online payment offers, website details etc.

On the journey of providing best services to consumers of TPCODL till Oct'21, total 11 Master customer care centre were established in 11 divisions. Customer Care Centre are managed by team of officials who are trained to handle a gamut of customer services under the guidance of customer care executive (CCE).

Meter Related A&G

Meters play an extremely important role in reduction of AT&C loss and also bring in discipline in the consumption and payment by consumers. Further, TPCODL is modernizing the Metering infrastructure along with the associated equipments and IT support. Such equipment and infrastructure requires adequate maintenance and cost is also required to be incurred to carry out trouble shooting, Repairs, Downloading of data and payment of charges in terms of SIM card rentals to the service provider. The breakup of the expenditure under this head is as follows:

- **Meter Testing at Site:** As per the regulation we have projected to conduct periodical inspection/testing of the meters at site.
- **SIM Rental (SMART Meter) –** TPCODL is proposing to install around 1 lakh Smart meters for all Govt. Consumers, 3-phase consumers and DT meters. The meter data will be transmitted via 4G SIM cards of various telecom service provider. Monthly rental of these SIM cards to be considered as OPEX cost.
- **Re-programming of Meter** - As per the Tariff order of March 2021, the TOD timing has been changed. For updating of TOD timing meters, need to be re-programmed at site. The TOD file shared by meter OEM needs to be uploaded in CMRI and are updated in meter at site. This is a supervised job and required trained manpower along with vehicle. Additional OPEX is required for re-programming.
- **Modem Accessories –** For trouble shooting of AMR system various consumable items like cords, antennas, wires and fuses are required. These consumable cost needs to be considered in OPEX.

- **SIM Rental (Modem Meter)** – Around 35000 modems (2G) are installed for 3-phase consumers, Feeders and DT meters. Monthly rental of these SIM cards to be considered as OPEX cost
- **Modem Trouble Shooting** – AMR modems are installed under RAPDRP and IPDS scheme for monitoring of Billing and DT meters across TPCODL. The data from AMR is used for Billing as well as analysis. These modems are connected to the meters and the power supply to modems is tapped from meter terminal. In case of non-communication due to various reasons, troubleshooting is done at site. This is a supervised job and skilled manpower is required. The team comprises TPCODL Engineer and Vendor technician along with vehicle. As the consumer sites are scattered the output is only 3 to 4 rectification per day.
- **Meter Data Downloading** - Meter dump data is required for various reasons like Billing complaints, Load analysis etc. For downloading of meter data special instrument CMRI (Common Meter Reading Instrument) is required along with Trained manpower and vehicle.
- **AMC of MDAS/MDM** - RAPDRP & IPDS AMR system (MDAS & MDM) the IT setup (Software & Hardware) were done by OEM's. The entire AMR billing and analysis is fully dependent on these system. For smooth functioning and maintenance of these AMR systems, AMC is required.

The summary of the expenditure on account of the above is as given in the table below

Table : Meter Related Costs

Sr No	Particulars	Units	No	Rate (excluding GST) (Rs)	Amt (Rs Cr)	Remarks
1	Statutory Meter Testing (3 Phase and Single Phase)	No of Meters	35900	488	1.753	
2	SIM Card Rentals	No of Meters	100000	17	1.204	
3						
4	Modem Accessories	No of Meters	10000	250	0.295	RJ cable, Fuse, Wires, Antena etc.
5	SIM Rentals for Modem Meters	No of Meters	35000	25	1.24	
6	Modem Trouble Shooting Costs	No of Meters	10000	600	0.708	
7	Meter Downloading Costs	No of Meters	12000	250	0.354	
8	AMC of MDAS and MDM system	Number	2	5000000	1.18	
	Total				**6.73**	

<u>Billing and Collection</u>

Actual Meter reading and 100% collection from all consumers will only help the organization to improve the billing and collection efficiency so that the AT&C loss target fixed by Hon'ble Commission is achieved. Hence, it is very critical to achieve 100% consumer coverage target in both meter reading & collection.

It is submitted that Meter reading, Billing & Collection activities are carried out through the agencies deployed across Division /Sub Division. These agencies were selected through the established procurement policy of TPCODL and Performance Based Contract is awarded to the successful agencies for ensuring timely meter reading , Billing & Collection. In this process, meter readers and Bill collectors visit consumer premises based on the reading route sequence allotted to them. After punching the reading in spot billing application, they deliver the spot bill to the consumer during the same visit. In some divisions, meter reading in certain rural areas are done by the Self Help Group as a part of Govt. of Odisha initiative.

There are two type of models adopted by the agencies in field which are executed after detailed discussion with engineer in-charge/executive engineer of division. In the first model, meter readers & Bill Collectors are different. In this model, after the Meter Reader completes the reading in a particular route, the bill collectors carry out the collection in the same route after a gap of one-two days. In the second model, the Meter Reader & Bill Collector is same i.e. one person carries out both meter reading and collection. After serving the spot bill to a consumer, same agency/SHG person collects energy bill amount and provides the acknowledgement slip to the consumer on the spot.

The Urban customers are encouraged to make payment either through online mechanism or at the counter. TPCODL plans to introduce various schemes/initiatives in FY 2022-23 for motivating customer to make the payment at the counter office and gradually reduce the burden of door to door collection. As per section 56(1) of the Supply Code 2019, if any consumer defaults on his/her current energy bill then DISCOM can issue disconnection notices to the defaulting consumer and give 15 days of time for payment in writing. After expiry of disconnection notice, DISCOM can issue disconnection order to disconnect supply of that consumer. In compliance to this regulation, TPCODL is doing disconnection activity by engaging disconnection squad across its license area.

As a part of various initiatives that TPCODL plans to introduce with a view to enhance consumer experience & billing efficiency, (a) Bills on Whatsapp and (b) Optical Character Read technology (OCR) to read meter reading directly from meter display to plug suppress reading and improve accuracy in reading are going to be implemented.

In order to carry out the above activities for a consumer base of 28 Lakhs on monthly basis, expenditure of **Rs 69.00 Cr** is estimated (combined – reading & collection activity) and **Rs. 9.00** Cr is estimated for Self Help Group. In addition, Other cost include thermal paper roll used at counter/SHG/TPCODL staff visit for collection, Disconnection Squad used for disconnecting supply of defaulters, Bill printing cost for Non Spot consumers (>5KW 3-phase consumers), Disconnection Notice Printing, Bill on Whats app initiative and Optical Character Read(OCR) for reading & Mobile SIM card rental. In all, the total projected expenditure for FY 2022-23 for customer related activities are projected to be as follows:

Table : Estimated Expenditure towards Customer Related Activities for FY 2022-23

Activity	Sub Activity	FY-23 Estimate Rs Cr	Remark
Meter reading and Collection Services	Reading cum Spot Billing- Approx. 25 Lakh Customer base with consumer growth of 6250 Consumer per month . Door to Door Collection - Approx. 18 Lakh Customer considered for Collection	69.00	Minimum wages increament @5% annually resulting in increase in Contract Value.
	WSHG cost for approx. 4.5 Lakh Customer *(2 Lakhs both Reading and Collection, 2.5 lakhs only collection)*	9.00	WSHG rate has increased by 64 % as per Govt of Odisha order (From Rs. 11 to Rs. 18 Per Consumer)
Meter reading and Collection Services: Other Items	Payment Transaction Charges	1.25	New payment Avenues are considered for FY21-22 leading to enhancement in expenditure for FY22-23.
	Customer Awareness for Digital/Prompt/Regular Payments.	0.88	Gaon Chalo initiative will be continued for FY21-22 and FY-23.Pay Win Schemes for Digital and other avenues will be initiated
	Bill Printing / Distribution for Non SBM Bills	0.32	
	Thermal Paper Roll	0.35	Paper Roll required for reading & collection by SHG, Ex-Seviceman, Counter, TPCODL staff as per consumption of 25,000 roll per month @ rate of Rs.9.8 per roll
	SIM rental	2.44	Our staff doing collection @250 P.MData Plan * 1000 SIM Card
	Scan for Meter reading results through OCR Technology	0.67	
	Sending Bills through WhatsApp	0.12	Sending Bills on whatsapp @32 Paise per Bill for 3 Lakhs Consumers
	Special Site Verification	0.65	Special Site visit is considered for Disconnected Cases, Customer Complaint cases, Special Meter Reading etc.
Customer Services	Customer Satisfaction Survey	0.16	External Customer Satisfaction Survey is planned in FY22-23.
Meter Services	AMR/ Modem trouble shooting /Mainteance of Servers/Other Costs	2.54	Smart meter installation for approximately 1 Lakh consumer so additional cost for AMR communication & its rectification.
Total- Customer Related A&G		**87.37**	

The major reasons for increase in A&G expenditure towards Customer Related Activities in FY 2022-23 as compared to previous FY 2021-22 are as follows:

- Considering 5% salary hike of field staff
- Increase in count of Bike & disconnection squad as compare to LFY. TPCODL plans to engage bike squad & disconnection squad at section level to enhance revenue collection including past arrear collection.
- WSHG cost has been revised from Rs.11 to Rs.18 per read as per Government Notification
- Special Site verification to identify extra connection, due transfer & suppress reading.
- Introducing New initiative of Bill on WhatsApp to enrich consumer experience.

b) Statutory and Compulsory Finance Related Charges

It is submitted that there are certain kinds of expenditure such as OERC license Fee, Insurance Premium, Bank Charges, Auditors fees etc that are compulsory or mandatory in nature. Such charges are either required to be paid either to meet the requirement under a statute or is required to be incurred to meet the lending or other important stipulation. In addition, TPCODL is also engaging the services of legal firms/lawyers to defend its cases. It is further added that TPCODL is in the business where adverse or favourable impact of any legal case outcome is ultimately borne by the consumer at large. Hence in a way TPCODL is fighting the cases on behalf of the consumers.

In our humble submission therefore there is no scope as such to reduce expenditure under this head as such. The breakup of the expenditure is as follows:

Table: Statutory and Compulsory Charges

Sr No	Particulars	Amount (Rs Cr)
1	Auditers Remuneration	1.71
2	Bank Charge	3.01
3	Consultant Fees	0.84
4	Insurance	8.51
5	Legal and Professional Charges	3.54
6	OERC License Fees	2.24
7	Other Fin A&G	2.83
8	**Total**	**22.68**

c) Administrative Expenses

TPCODL has commenced its journey about 18 months ago on 1st June 2020 and had taken over the business on as is where is basis. In order to meet its objectives , TPCODL was required to create and maintain an Administrative set up in the form of new offices and Guest Houses to enable create agile, efficient and optimum work environment. In this regard, it is required to incur expenditure under various heads and break up of the expenditure for FY 2022-23 is as follows:

Table: Administrative Expenditure

Sr No	Particulars	FY 2022-23 (Rs Cr)
1	Communication Exp	0.10
2	Electricity Consumption Expenses	1.50
3	Facility Management and Housekeeping	7.80
4	Office & Other Expenses	0.20
5	Other Operating Expenses	0.10
6	Print and Stationery	2.00
7	Rentals of Offices & Guest Houses	7.79
8	Travelling Expenses	5.40
9	**Total**	**24.90**

d) Information Technology (IT) related Expenses

In the present business environment where the customers are provided satisfactory services in terms of correct billing, all the suppliers are paid time and data is protected from Cyber crimes, it is imperative that the IT systems are robust and modern and their upkeep is essential. In this regard, expenditure is required to be incurred for maintaining the proper communication links, to pay the required license fee, maintain the data base and data centre and provide appropriate firewall to protect the data. Accordingly, TPCODL has projected the following expenditure towards achieving the above objectives

Table:IT related expenditure

Sr No	Activity	Sub Activity	Amount in GST (Rs. Cr.)
1	Internet & Communication Charges	Communication MPLS	1.75
2	Software Expenses	SAP licenses AMC Charges	3.07
	Total		**4.82**

e) Other A&G expenses

In addition to above, some of the expenditure needs to be incurred for dissemination of information through media and advertisement for propagating messages on safety, inviting tenders, invite objections and comments on ARR and other public filings. An amount of **Rs 2.00 Crores** has been projected for the same.

In addition, TPCODL has implemented Bill Inward Receiving Desk (BIRD) process in its system through which bills and invoices of suppliers and service providers would enable a single window submission and processing. This has been done so with the view of timely payment to the suppliers/service providers and also enable them to monitor and follow up efficiently. It will also minimize/stop the bills from getting misplaced and also avoid double payment. However, this will require TPCODL to incur charges for courier for the same and it has projected certain expenditure for such charges. An amount of **Rs 0.50 Crores** has been projected towards the same.

In addition, with a view to improve the current processes and also introduce new contemporary processes, the personnel of TPCODL need to be trained . An amount of **Rs 1.00 Crores** has been projected towards the same

Further in addition to the above, a budget for Food and conveyance to the extent of **Rs 2.57 Crores** and Miscellaneous expenditure of **Rs 1.00 Crore** has been considered for projections.

f) Summary of A&G Expenditure

Based on the above heads, the summary of the A&G expenditure for FY 2021-22 and FY 2022-23 is as follows:

Table:Total A & G Expenses

Rs Cr

Sr No	Particulars	FY 2021-22	FY 2022-23
1	Customer Related Expenditure	72.68	87.37
2	Adminstration Expenses	21.85	24.90
3	Statutory/Mandatory Finance Expenditure	22.30	22.68
4	IT Related Expenses	0.50	4.82
5	Other Expenses	3.50	7.07
	Total	**120.83**	**146.84**

We have therefore for the Gap computation considered the above expenditure for FY 2022-23.