

ANNUAL REPORT

APRIL, 2005 – MARCH, 2006

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Together, let us light up our lives.

MISSION STATEMENT

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.

OVERVIEW

Orissa has been a pioneer among Indian States in embarking on a comprehensive reform of its electricity industry. The Orissa Electricity Reform Act, 1995 (Orissa Act 2 of 1996) was enacted for the purpose of restructuring the electricity industry, for taking measures conducive to rationalization of generation, transmission and supply system, for opening avenues for participation of private sector entrepreneurs and for establishment of a Regulatory Commission independent of the state government and power utilities. The restructuring of the industry became effective from April 1996. The Regulatory Commission became fully operational on 01.08.1996 with joining of the other Member & Chairman.

By the end of the last century, the reform process in power sector had taken its roots in a number of states with a good beginning in Orissa. The Electricity Regulatory Commission Act, 1998 was a product of this great national movement, initiated by Orissa. The next major legislation in the electricity sector is the Electricity Act, 2003 heralding a new era in the history of electricity legislation in India. It came into force from 10th June 2003. The provisions of these State Reform Laws not inconsistent with provisions of Electricity Act, 2003, are applicable to the concerned States.

The Electricity Act, 2003 focuses on creating competition in the industry, no licence for generation, provision of non-discriminatory open access to the transmission and distribution system to the licences, generator and consumers, ensuring supply of electricity to all areas, rationalizing tariffs, lowering cross-subsidization levels, protecting consumer interest & establishment of grievance redressal mechanism etc.

The Orissa Electricity Regulatory Commission established by the Govt. of Orissa under OER Act, 1995 is deemed to be a state Commission u/s 82(1) of the Electricity Act, 2003.

Functions of the State Commission.

(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:

Provided that where open access has been permitted to a category of consumers under section 42, the state Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;

- (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 through agreements for purchase of power for distribution and supply within the State;
- (c) facilitate intra-State transmission and wheeling of electricity;
- (d) Issues licences 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;
 - (i) specify or enforce standards with respect to quality, continuity and reliability of service by licensees; and
 - (j) fix the trading margin in the intra-state trading of electricity; if considered, necessary;
 - (k) discharge such other functions as may be assigned to it under this Act.
2. The State Commission shall advise the State Govt. 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.
 3. The State Commission shall ensure transparency while exercising its powers and discharging its functions.
 4. In discharge of its functions, the State Commission shall be guided by the National Electricity Policy, National Electricity Plan and Tariff Policy published under sub-section (2) of section 3.
 5. The Orissa Electricity Regulatory Commission, after the Electricity Act, 2003 came into force, framed the following regulations under various provisions of the said act.

Sl No.	Name of the Regulations	Orissa Notification Date	Published in Orissa Gazette No. and Date
1	OERC(Conditions of Supply) Code, 2004.	21 st May, 2004	28 th May, 2004

2	OERC(Licensees Standards of Performance) Regulations, 2004.	21 st May, 2004	28 th May, 2004
3	OERC(Grievances Redressal Forum and Ombudsman) Regulations, 2004.	5 th April, 2004	17 th April, 2004
4	OERC(Terms and Conditions for Determination of Tariff) Regulations, 2004.	9 th June, 2004	10 th June, 2004
5	OERC(Procedure for filing appeal before the Appellate Authority) Regulations, 2004.	21 st May, 2004	28 th May, 2004
6	OERC(State Advisory Committee) Regulations, 2004.	21 st May, 2004	28 th May, 2004
7	OERC(Conduct of Business) Regulations, 2004.	21 st May, 2004	28 th May, 2004
8	OERC(Terms and Conditions for Open Access) Regulations, 2005.	6 th June, 2005	21 st June, 2005

PROFILE OF THE CHAIRPERSON AND MEMBERS

Dhruba Charan Sahoo, Chairperson

Shri D.C.Sahoo, formerly of the Indian Audit & Accounts Service, joined the Orissa Electricity Regulatory Commission as Chairman (Redesignated as Chairperson in the Electricity Act, 2003) on 1st November 2001 after taking voluntary retirement as Principal Accountant General, Kerala. Born on 5th November 1944 in the district of Balasore (now Bhadrak), he graduated from Ravenshaw College, Cuttack in 1965. After completing his Masters in Political Science from Utkal University in 1967, he joined the Indian Audit & Accounts Service in 1969.

During his illustrious career, he has served in different capacities in the Indian Audit & Accounts Department. He attended Works Audit Workshop in Tokyo (Japan) in 1984 and was promoted as Accountant General in 1986.

He was Member (Finance & Commercial) in Haryana State Electricity Board from 1989 to 1992 and served as Accountant General (Audit), West Bengal from April 1992 to October 1996.

He conducted audit of OPBAA Organisation of U.N. Headquarters at New York for a period of six weeks in 1997. In the same year in August, he was promoted as Principal Accountant General.

Apart from holding official positions in different capacities, he is a good bridge player and has participated in various tournaments and won a number of prizes.

Bijoy Chandra Jena, Member

Shri Bijoy Chandra Jena, formerly Chairman-cum-Managing Director of Grid Corporation of Orissa Ltd., joined the Orissa Electricity Regulatory Commission as Member on 20th August 2001. Born on 10th October 1942, Shri Jena got his education at Ravenshaw College, Cuttack and obtained a Degree in Electrical Engineering from the University College of Engineering, Burla in the year 1963.

He joined the Electricity Department of the Govt. of Orissa in 1963 where he served with distinction in various capacities. In December 1991, Shri Jena was posted as General Manager at the Ib Thermal Power Station and was in charge of construction of 2 X 210 MW thermal units at Banaharpalli. The successful commissioning of the units in December '94 and June '96 marked the end of power cuts in Orissa. He was promoted to the rank of Chief Engineer in 1994, appointed as Director (Projects) in the Orissa Power Generation Corporation and subsequently took over as Managing Director in 1996.

In 1995, Shri Jena was selected to the Indian Administrative Service.

He joined as Chairman-cum-managing Director of GRIDCO on 31.10.1997. He was responsible for reform and restructuring of the power sector in Orissa and helped achieve privatisation of distribution functions 21 months ahead of schedule. He was also responsible for execution of works relating to external agency and REC Projects, and in rectifying the erratic power supply in Bhubaneswar.

Shri Jena is a Fellow of the Institution of Engineers India and has been declared as a Chartered Engineer.

The Indian Council of Management Executives, Mumbai, awarded him Order of Merit SAMAJRSI for excellence in management in the year 1996.

The American Biographical Institute Inc. also honoured Shri Jena by including his name in the Institute's Governing Body of Equitors for exemplary performance. He was recognised as a Professional Engineer (PE) by the Institute of Engineers, India.

Shital Kumar Jena, Member

Shri Shital Kumar Jena, who was Engineer-in-Chief(Electricity)-cum-Principal Chief Electrical Inspector, Orissa prior to this assignment, joined the Orissa Electricity Regulatory Commission as Member on 3rd December, 2003. Born on 13 April 1946, Shri Jena completed his B.Sc Engineering (Electrical) in 1967 and Post Graduate Diploma in Financial Management from IGNOU. He joined the Orissa State Service of Electrical Engineers in 1968 and served under the Govt. of Orissa, State Electricity Board (OSEB), and OERC.

Between 1967 to 1987, he worked in Balimela Hydro-Electric/Dam Project, maintenance of Grid Substation and EHT transmission lines, design organization of OSEB, protection & control, metering, equipment maintenance, commissioning of Grid Substations, 33/11 KV substations, establishment and maintenance of testing laboratories.

Thereafter, as a Commercial Engineer under OSEB, he worked extensively on consumer tariff, regulation, power purchase agreement, interstate transactions, settlement of commercial disputes and matters connected with the Regional Electricity Board and in planning and monitoring of RE works for the state.

He worked as Member, Metering Working Groups and later as a Member, Legal and Regulatory Working Group of the power sector reform project set up by the Govt. of Orissa for reform and restructuring of the power sector in Orissa. On 01.08.1996, OERC became fully functional where he joined as Deputy Director in charge of Engineering and Tariff, setting the tone for preparation of various regulations, tariff guidelines and engineering standards.

As the first Director (Tariff) OERC from September 1997 to December 2002, he set the pricing policy in a techno-commercial-legal environment for power generators, transmission and distribution licensees, strengthened the regulatory

mechanism by contributing to the preparation of Codes, Standards, Regulations and tariff orders. He also served as the Chairman of the Commission's Grievance Redressal Forum.

Between November 2002 and December 2003, Shri Jena served as the Engineer-in-Chief-cum- Principal Chief Electrical Inspector under the Department of Energy, Govt. of Orissa. He was in charge of planning & monitoring of Rural Electrification, and in overall charge of the Electrical Inspectorate, collection of Electrical Duty, survey and investigation of micro, mini & small Hydro-Electric Projects in the entire state. He also chaired the State Technical Committee with power to grant techno-economic clearance for such projects.

ACTIVITIES OF SECRETARIAT DIVISION
DURING FY 2005-06

The Secretariat 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. 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 prepares the briefs and summaries of all cases presented before 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.

Consequent upon the abolition of the post of Director (Administration), the Administration wing has been placed under Secretary.

During the FY 2005-06, the Commission registered a total of 53 Nos. of cases and disposed 46 of them. The major cases are as follows:

1. Case No.12/05 - Seeking permission to export its surplus power from its unit 2 (1x100 MW) to GRIDCO.
2. Case No.13/05 - Filed by SOUTHCO for revision of BST bill due to wrong billing in respect of Railway Traction supplies of 132 KV system.
3. Case No.14/05 - Filed by Chairman, Project Developments Consultants for consideration of tariff for Small Hydro Power Projects.

4. Case No.21/05 - For approval of Special Agreement with M/s. Jayshree Chemicals Ltd.
5. Case No.39/01 - The license for Central Zone (CESCO) revoked w.e.f. 01.04.2005 in accordance with Para 21 of the Commission's order dtd.26.02.2005 and Shri Srikant Paikray, IAS, CEO of CESCO's utility appointed as Administrator in an interim arrangement until further orders vide Commission's order dtd.02.04.2005.
Shri Debraj Biswal, Chief General Manager, GRIDCO on deputation from GRIDCO was appointed as the Chief Executive Officer and Administrator in place of Shri Srikant Paikray vide Commission's order dtd.18.04.2005.
6. Case No.53/05 -Filed by GRIDCO to review the order dt.31.01.2005 passed by the Commission in Case No.88 of 2004 relating to PPA of Rengali Hydro Electric Project executed between GRIDCO and OHPC.
7. Case No.10/2005 -Filed by Tata Sponge Iron Ltd. against NESCO for being aggrieved by the decision of M/s NESCO in respect of purchase of surplus power from applicant's 7.5 MW captive co-generation plant
8. Case No.35/2005 -Filed by Shri. S.C. Mohanty, Gen. Secretary, NOBSM
for cancellation of license of Reliance Energy u/s.18 of OER Act, 1995 and sec.19 of Electricity Act, 2003. The Commission issued show cause to the three Distribution Companies i.e. NESCO, WESCO & SOUTHCO vide its order dtd.27.01.2006 asking why their licenses should not be revoked and appointed three special officers for them. Shri S.P. Ghosh, Ex-Director, Commercial, GRIDCO was appointed

Special Officer for NESCO, Shri P.N. Bisoi, Ex-Senior General Manager, GRIDCO for SOUTHCO and Shri D.K. Satapathy, Jt. Director (Engg.), OERC for WESCO. Subsequently Shri Satapathy was replaced by Shri G.P. Sarkar, Ex-Sr. General Manager, GRIDCO as Special Officer for WESCO vide Commission's order dtd.01.02.2006. The Reliance Energy Ltd. filed a petition in the Appellate Tribunal for Electricity, New Delhi against the order dtd.27.01.2006 of OERC.

9. Case No.42/05 -Filed by GRIDCO for Revenue Requirement and Bulk Supply Tariff for the FY 2006-07. Order passed on 23.03.2006 and the case was disposed of.
10. Case No.43/05 -Filed by OPTCL for Revenue Requirement and Transmission Tariff for the FY 2006-07. The case was disposed of vide order dtd. 23.3.2006.
11. Case No.44/05 -Filed by WESCO for Annual Revenue Requirement and Retail Supply Tariff for the FY 2006-07. The case was disposed of vide order dtd. 23.3.2006.
12. Case No.45/05 -Filed by NESCO for Annual Revenue Requirement and Retail Supply Tariff for the FY 2006-07. The case was disposed of vide order dtd. 23.3.2006
13. Case No.46/05 -Filed by SOUTHCO for Annual Revenue Requirement and Retail Supply Tariff for the FY 2006-07. The case was disposed of vide order dtd. 23.3.2006.
14. Case No.47/05 -Filed by Central Zone Electricity Distribution & Retail Supply Utility for Annual Revenue Requirement and Retail Supply Tariff for the FY 2006-07. The case was disposed of vide order dtd. 23.3.2006.
15. Case No.48/05 -Filed by OHPC for Revenue Requirement and Tariff

for the FY 2005-06 & 2006-07. O The case was disposed of vide order dtd. 23.3.2006.

The Electricity Distribution and Retail Supply License granted in 1999 to the CESCO was revoked with effect from 01.04.2005 on petition No.39/01. Thereafter the Commission appointed an Administrator who managed the company under supervision of a Board appointed by OERC. Steps were taken as per statute to acquire prospective licensee for the utility. Though a number of companies responded to the advertisement inviting expression of interest in October, 2005, only one bidder Torrent Power AEC Ltd. was found to be technically acceptable. The financial bid of the company, however, could not be accepted as this was only a conditional bid and the Commission thereafter directed the Supervisory Board on 03.06.2006 to initiate discussions with bidders for a re-bid with a level playing field. The Board will submit a report on its recommendations to the Commission by 30.06.2006.

Highlights of 18th AGM of FOIR

The 18th Annual General Meeting of Forum of Indian Regulators was organized by the Orissa Electricity Regulatory Commission on 1st & 2nd December, 2005 at the Swosti Plaza, Bhubaneswar. 52 regulators representing CERC and 23 states participated in the meeting, which was inaugurated by Shri Naveen Pattnaik, Chief Minister of Orissa. Shri S.N. Patra, the Energy Minister was also present on the occasion. Shri A.K. Basu, Chairperson, CERC was the chief speaker. The important issues discussed on the occasion were measures towards Consumer Education, Regulation of Power Purchase between Generating Companies and Trading Licensees, Regulation of Trading Licensees for Inter State trading and progress of Open Access Regulation. PTC, IIT, Mumbai and NTPC made presentations on the occasion.

Consumer Complaints

As per the Orissa Electricity Reform Act, 1996, there is an approved Complaint Handling Procedure for disposal of consumer complaints at the Distribution

Licensee's level. Aggrieved consumers can approach the SDO/Asst. Manger at the Section level and there is time bound schedule for disposal their complaints at different levels right up to the CEO. Licensee must redress complaints within a maximum period of 45 days. Each Division is required to have a Consumer Cell to deal with consumer complaints. If the licensee fail to address complaints the consumer can now approach the GRF and the Ombudsman for relief. Under the Electricity Act, 2003 statutory provision was made for disposal of consumer complaints by a two tier mechanism consisting of Grievance Redressal Fora and Ombudsman. The OERC framed a regulation called the OERC Grievance Redressal Forum and Ombudsman Regulation, 1994 which was notified in July. Ten GRF and four Ombudsmen were set up in the four distribution zones of the state and they became functional in October, 2004.

As per their reports to the OERC, from April 2005 to March 2006, 1919 number of consumer complaints were received, 1763 disposed and 156 numbers pending with the GRFs. 124 cases came up for appeal before the four ombudsmen and 97 were disposed of at the end of March, 2006.

The Consumer can also approach the Commission directly under Section 146 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 2006, 83 consumer complaints were registered with the cell. They were forwarded to the concerned GRFs for necessary action.

Library

The following books and documents were purchased, catalogued and stored in the library during this period:

Books

1. From April 2005 to March 2006 : 19 books.
2. From April 2005 to April 2006 : 34 books.

Documents

3. From April 2005 to March 2006 : 63 documents.

The following journals and magazines were subscribed to:

Journals

4. (i) All India Reporter.
(ii) Cuttack Law Times.
(iii) IEEMA Journal.
(iv) International Journal of Regulation and Governance (December 2005, issue published by TERI).
(v) Nu-Power, International Journal of Nuclear Power, Nos.1-4 (2005).

Magazines

5. (i) India Today.
(ii) Time.
(iii) The Economist.
(iv) Economic And Political Weekly.
(v) Readers Digest.
(vi) Power Line.
(vii) Indian Infrastructure.

Press Clipping Service

In order to keep the Commission abreast of up-to-date development in the power sector within and outside the State, a daily press clipping service is maintained by the Information Officer. 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.

Publication

The Commission's biennial newsletter was compiled, designed and edited by the Information Officer. Copies of the same were printed and distributed to Members and all Divisions of OERC and posted on the website. The Annual Report for

2004-05 was also compiled and edited and posted on the website of the Commission. A compendium of Orders on Annual Revenue Requirement, Transmission, Bulk Supply Tariff and Business Plan for FY 2003-04 (Review), & FY 2004-05 & FY 2005-06 was published by the Distcos on the Commission's Order and distributed among various stakeholders including consumers groups. A compendium of Regulations notified by OERC under the Provisions of the Electricity Act, 2003 was also published and distributed among the field staff of the Distcos.

Publicity

The Information Officer coordinated all public relation activities of the Commission during 2005-06. These included press briefings during the annual tariff hearing, issue of press releases and preparation of promotional materials. On 1st & 2nd December, 2005 the OERC hosted the annual meeting of the Forum of Indian Regulators. The event was a grand success though it was the first time the pioneering power Reform State had hosted the meeting. The Chief Minister inaugurated the function, which was represented by all ERCs in the country. Due publicity was given to the event and a booklet on achievements of the state power sector from its inception was printed and released on the occasion.

Training

In 2005-06, the Commission carried on its proactive programme of educating the consumers and utility functionaries on the provisions of the Electricity Act, 2003 and the regulations framed under it. The orientation and training of Distco staff was extended to all field officers to the level of Junior Engineers and was held in all Divisional Headquarters of the Distcos. Teams of officers of OERC visited all the respective divisions during July 2005 and conducted interactive training sessions with over 1000 officers including SDOs, JEs, AMCs, GETs, DETs, AFMs and JTAs. The training covered salient features of the Electricity Act 2003, Regulatory Framework, GRF & Ombudsman Regulation, License Conditions, Conditions of Supply Code, Standards of Performance and Investigation &

Enforcement. It was highly successful and helped refresh and motivate all field level officers and clarified their doubts.

ACTIVITIES OF THE ADMINISTRATION DIVISION
DURING FY 2005-06

The Administration Division provides vital support to the Commission in recruitment of executive and non-executive staff and overseeing operational needs such as fiscal services, budget, purchase and procurement, maintenance and care taking, training and performance appraisal. It is headed by the Secretary and consists of a Deputy Director (Personnel and Administration), an Accounts Officer, an Accountant-cum-Cashier, one Consultant (Accounts), one Consultant (Establishment & Accounts) and one Steno-cum-Computer Assistant.

1) Officers and staff

The Commission has a complement of 16 officers and 25 staff of various categories as on 31.03.2006.

2) Retirements

Shri M.R. Hazra, Secretary to Commission an officer of the Orissa Superior Judicial Service retired on superannuation on attaining the age of 60 years. Shri Hazra was on deputation from Judiciary during his retirement.

3) Reversions

No new officer or staff reverted during this year.

4) New Entrants

One Accountant-cum-Cashier and 6 peons were confirmed in service.

5) Deputation

Two officers from OPTCL joined on deputation at OERC.

- (i) Shri Pravakar Swain, Dy. Director (P & A)
- (ii) Shri Priyabrata Pattnaik, Dy. Director (Tariff-Econ.)

6) Assets acquisition

- (a) Computerization infrastructure was further strengthened by acquiring 4 nos. Desktop Computers, one Laptop Computer and few peripherals.

(b) 5 nos. 3 Ton Split Type AC machines.

7) **Training**

Training and seminars are an integral part of a knowledge based organization like OERC. Commissioners, Officers and Staff attended various training programmes as listed in the table (Annexure- IV)

ACTIVITIES OF THE LAW DIVISION DURING FY 2005-06

The Law Division deals with all legal matters pertaining to the functions of the Commission. Scrutiny 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, practice directions, notifications, maintaining relevant legal information, participating in Commission's proceedings, monitoring the activities of GRF & Ombudsman; are the prime functions of this Division.

1. **Case matters before the High Court, Supreme Court & Appellate Tribunal for Electricity (ATE).**

During the year 2005 (January to December), the Commission received notices in 16 cases from the Hon'ble High Court of Orissa (All Writ Petitions).

The Commission also received notice from the Hon'ble Supreme Court of India in one SLP petition (OPGC Vrs. OERC & Others). During the year Hon'ble Supreme Court disposed the OERC Vrs. L.I.Parija SLP petition and directed the Hon,ble High Court of Orissa to close the pending PIL (L.I.Parija case).

In Appellate Tribunal for Electricity, Commission appeared in five appeals. Three appeals have been disposed of while two are pending.

The Division liaised with Legal Counsels at High Court, Supreme Court and Appellate Tribunal for Electricity for preparation of petitions, counter affidavits, and apprised the Commission on latest development of the pending cases. Commission engaged senior and experienced legal counsels like Sri Samareshwar Mahanty at Orissa High Court, Sri R.K.Mehta and Sri Vinoo Bhagat at Supreme Court of India and Sri M.G.Ramchandran at Appellate Tribunal for Electricity.

2. **Proceedings before the Commission**

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.

3. Oath Commissioner and Member of the Rule Making Committee

The Joint Director (Law) is empowered to administer oath & affirmation of the deponents for the purpose of affidavits used in proceedings before the Commission.

Jt. Director (Law) as a member of the Rule Making Committee of the Dept. Energy Govt. of Orissa, attended the meetings of the said Committee for finalization of Govt. of Orissa's Rules, framed under the Electricity Act, 2003.

4. Drafting and legal vetting

The Division drafted, and also did legal vetting of public notices, show cause notices, circulars etc.

Issue of relevant documents for disinvestments of CESCO Utility, the circular relating to payment of compensation by the Distribution Licensees to the affected consumers for violation of Standards of Performance, issue of Public Notices for Tariff hearing were vetted by the Law Division.

The Division assisted the Tariff Division for preparation and finalization of OERC (Terms & Conditions for Open Access) Regulations, 2005 and OERC (Determination of Charges) Regulations, 2006.

The Division assisted the Engineering Division for preparation and finalization of Orissa Grid Code and drafting of Licence Conditions for Deemed Licensees.

5. Legal Information

The Division subscribed to 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 are collected and arranged in a systematic manner.

6. GRF and Ombudsman

- (i) The Division initiated and monitored the process for establishment of Grievances Redressal Forums and Ombudsman throughout the State.
- (ii) The Division played the lead role in conducting one-day intensive training programme for Ombudsman, President/Member of GRFs.
- (iii) At present in State of Orissa the GRF& Ombudsman have been established in the following places:

<u>Licensee</u>	<u>Location</u>	<u>Jurisdiction</u>
WESCO	: GRF, Rourkela GRF, Sambalpur GRF, Bolangir	- Rourkela Ele. Circle. - Burla Elec. Circle. - Bolangir Elec. Circle.
NESCO	: GRF, Jajpur Road GRF, Balasore	- Jajpur Elec. Circle - Balasore. Elec. Circles Baripada Elec.Circles .Bhadrak Elec. Circles
CESCO	: GRF, Bhubaneswar	- Bhubaneswar Circle I & II
SOUTHCO	: GRF, Berhampur	- Berhampur Electricity Cirty Circle, Berhampur Elec. Circle

Bhanjanagar Elec. Circle

GRF, Jeypore - Jeypore Elect. Circle.
Rayagada Elect. Circle,

- (iv) The Commission has also established the offices of the Ombudsman as per the provisions of the Electricity Act, 2003 in different parts of the State as mentioned below:

<u>Location</u>	<u>Jurisdiction</u>
Ombudsman (Central Zone), Bhubaneswar	- For CESCO's area of supply
Ombudsman (Northern Zone), Balasore	- For NESCO's area of supply
Ombudsman (Southern Zone), Berhampur	- For SOUTHCO's area of supply
Ombudsman (Western Zone), Sambalpur	- For WESCO's area of supply

- (v) The Commission issued various Circulars and Guidelines for smooth working of GRF & Ombudsman.

7. Human Resource

- i) Joint Director (Law) Sri N.C.Mahapatra joined Orissa Electricity Regulatory Commission on 16.07.2005 after completion of his deputation period as Director (Law) in Delhi Electricity Regulatory Commission. During absence of Shri. Mahapatra, Sri S.K.Mohanty, Advocate, worked as a legal consultant in the Commission.
- ii) Joint Director (Law) acted as a resource person in the "DRUM Training Project" conducted by the National Productivity Council at Balasore for the Officers of NESCO.

- iii) Joint Director (Law) attended 3 days training programme on “Right to Information” conducted by Gopabandhu Academy of Administration, Bhubaneswar.

REPORT ON VARIOUS ACTIVITIES OF THE TARIFF DIVISION
DURING FY 2005-06

The Commission is vested with the responsibility of determination of tariff for (a) supply of electricity by a generating company to a distribution licensee, (b) transmission of electricity, (c) wheeling of electricity and (d) retail sale of electricity by virtue of the provisions of Section 62 of the Electricity Act, 2003. The Tariff Division assists the Commission in this major task. It also undertakes scrutiny of power purchase agreements, approval of cost data and business plans etc. The Division is headed by the Director (Tariff) and consists of four Joint Directors from the departments of Engineering, Finance and Economics and three Deputy Directors, two from the field of Engineering and one from Finance.

The year 2005-06 was an eventful year for the Commission. The Commission pronounced several orders and regulations with regard to tariff related matters and on various commercial issues affecting the business of the power sector in the State. The important orders passed by the Commission are as under:-

- i) Review of Tariff order (Retail Supply) for FY 2005-06 dated 20.04.2005 against Case No. 139,141,143&145 of 2004;
- ii) Finalization of Annual Revenue Requirement & Generation Tariff of OHPC for FY 2004-05; 2005-06 & 2006-07;
- iii) Finalization of Bulk Supply Price of GRIDCO for FY 2006-07;
- iv) Annual Revenue Requirement & Transmission Tariff of OPTCL for the FY 2006-07;
- v) Finalization of Annual Revenue Requirement & Retail Supply Tariff of four DISTCOs for the FY 2006-07 against Case Nos.44, 45, 46 & 47of 2005;
- vi) The salient features of the ARR & Bulk Supply Price order for GRIDCO are:-

- (a) Bulk Supply Price for the four DISTCOs are determined for the FY 2006-07.
 - (b) GRIDCO purchases 15,414.79 MU, sells 14,683 MU to DISTCOs and 120 MU to CPPs. Balance power of 611.79 MU goes towards transmission loss on DISTCO purchase.
 - (c) GRIDCO has a deficit of Rs.504.52 crore after meeting all its costs. Its revenue requirement for FY 2006-07 is Rs.2278.96 crore. Its expected revenue is Rs.1774.44 crore from DISTCOs.
 - (d) Profit out of export and U.I. will be utilized to bridge the gap in the revenue requirement and to liquidate GRIDCO's past losses.
 - (e) An amount of Rs.480.12 crore is allowed in ARR towards repayment of principal.
 - (f) GRIDCO shall receive an amount of Rs.110.10 crore from DISTCOs towards receivables on account of past dues.
- vii) The salient features of the ARR & Transmission Tariff for OPTCL are:-
- (a) 15153 MU of energy to be transmitted through OPTCL's network in FY 2006-07.
 - (b) Total revenue requirement will be Rs.333.27 crore for FY 2006-07.
 - (c) Transmission charge to use OPTCL's line and sub-station has been revised to 22 p/u w.e.f. 01.04.2006 from 25 p/u.
 - (d) The Open Access Charges has been fixed at Rs.5278.42/MW/Day.
 - (e) The transmission loss has remained unchanged at 4%.
- viii) The salient features of the Retail Supply Tariff order are:-
- (a) Retail Supply Tariff remained un-changed from 01.02.2001-31.03.2006.
 - (b) Continuation of TOD tariff.

- (c) Continuation of incentive tariff for HT & EHT consumers for higher level of consumption.
 - (d) Availability Based Tariff (ABT) applied to all State Generators
 - (e) Power factor incentive for HT&EHT consumers made applicable above PF of 95% in place of 97%
 - (f) Prompt payment rebate @ 10 paise per unit allowed to consumers under public water works and sewerage pumping category for payment within the due date.
- ix) Performance Review of GRIDCO, OPTCL & Distribution Licensees for the year 2004-05 and the first six months of the FY 2005-06.
 - x) Establishing RIMS.
 - xi) Establishing Integrated Tariff Module & interfacing the same with RIMS.
 - xii) Review of PPA between GRIDCO and OHPC for Rengali Power Project of OHPC passed in case No.88 of 2004. The Commission conducted hearing on the matter and the order was issued in April'06.
 - xiii) The Open Access Regulation was drafted, approved and published in the Orissa Gazette on 21.06.2005.
 - xiv) The Commission conducted a hearing on the petition of M/s. Project Development consultants, working as Business Associates of Indian Renewable Energy Development Agency (IREDA) in Case No.14 of 2005 and disposed of the same. Taking into consideration the facts of the case and the provisions of the Act, the Commission decided that procurement of power from non- conventional and renewable energy such as, small hydro, wind, biomass, co-generation of electricity from waste heat products etc. would be allowed by the supply licensees for use of consumers within the State upto 3% of the total purchase during the FY

07-08 to go up at the rate of 0.5% per annum for each subsequent year to reach a level of 5% by the year 2011-12.

ACTIVITIES OF ENGINEERING DIVISION DURING FY 2005-06

One Director, one Joint Director and one Deputy Director man the Engineering Division. Since beginning of this calendar year, the I.T. Section consisting of one Joint Director and One Deputy Director joined this Division. Following is the annual progress report of Engineering Division for the year 2004-05 including the activities of I.T. Section.

This Division provides vital technical input for grant, revocation, amendment or exemption from license under Part IV “Licensing” of the Electricity Act, 2003 read with Section 15 of the OER Act, 1995. It monitors the performance of the utilities (i.e. 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). All the Distribution Licensees are required to submit it in a report every quarter and a consolidated annual report every financial year. This Division also looks into general complaints of technical nature affecting large areas /group of consumers.

Other important tasks of the Engineering Division include:

- (i) Provision of information to the Commission (major breakdowns & other related information),
- (ii) Investment approval,
- (iii) Monitoring payment of licence fees,
- (iv) Approval, review & implementation of GRID - CODE,

- (v) Approval, review & implementation of Distribution (Planning & Operation) Code.
- (vi) Load Forecast for the power system and Transmission and generation procurement Planning for future years, Monitoring of Transmission Projects.

The annual progress report of activities pertaining Engineering and IT for the year 2005-06 is given below at A and B separately.

A. ENGINEERING

This Section of the Division provides vital technical input for grant, revocation, amendment or exemption from license under Part IV “Licensing” of the Electricity Act, 2003 read with Section 15 of the OER Act, 1995. 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). All the Distribution Licensees are required to submit their interruption report in every quarter and a consolidated annual report in every financial year. This Division also looks into general complaints of technical nature affecting large areas /group of consumers.

Other important tasks of the Engineering Division include:

- (vii) Provision of information to the Commission (major breakdowns & other related information),
- (viii) Investment approval,
- (ix) Monitoring payment of licence fees,
- (x) Approval, review & implementation of GRIDCODE,
- (xi) Approval, review & implementation of Distribution (Planning & Operation) Code.

- (xii) Load Forecast for the power system and Transmission and generation procurement planning for future years, Monitoring of transmission projects.

The Engineering Division took up the following activities during the FY 2005-06:

1. **Review of Grid Code and Distribution (Planning & Operation) Code:**

The Joint Director (Engg.) participated in the 13th Grid Code Review Panel meetings held on 17.08.2005 at HINDALCO, Hirakud as an observer. On the basis of deliberations in the Grid Code Review Panel meeting, GRIDCO firmed up the proposals for effecting amendments of the 13th Version of the Grid Code. The proposals were thoroughly examined and OPTCL was intimated on 02.11.05 that approval of Grid Code was not necessary since under the provision of the recent Electricity Act, 2003, it will no more be the document of STU but OERC is required to make a regulation. Thereafter processing for the Orissa Grid Code (OGC) Regulation has been undertaken.

The 10th and 11th Review Panel Meeting of the Orissa Distribution (Planning & Operation) Code were held on 26.07.2005 and 08.03.2006 respectively at Bhubaneswar under the convenership of WESCO. Director (Engg.), Jt. Director (Engg.) and Dy. Director (Engg.) participated the 10th meeting as OERC observer and Jt. Director (Engg.) participated the 11th meeting as OERC observer. The proposal of the 10th meeting after being thoroughly examined were approved by the Commission and communicated to WESCO on 04.01.2006 and that of 11th meeting was communicated to WESCO on 08.05.2006 (FY 2006-07).

2. **Publication of System Performance of OPTCL for the year 2004-05**

The annual system performance of OPTCL for the year 2004-05 was submitted by OPTCL on 11.07.2005. The consolidated statement of system performance was published on 28.11.2005. The findings are summarised below :

(i) The annual peak demand of OPTCL was 2203 MW during 2004-05 as compared to 2109 MW and 2043 MW during 2003-04 and 2002-03 respectively.

GRIDCO had drawn 13395.29 MU from the State sector and 4228.33 MU from the Central sector during 2004-05 as compared to 11780.409 MU and 3993.777 MU respectively from the State and Central sector during 2003-04. The excess generation in the State sector was possible due to high level of water in reservoirs during 2004-05. The total drawal being 17623.62 MU, GRIDCO exported 4552.579 MU during 2004-05 while the State as a whole consumed 13071.001 MU.

(ii) During this period, OPTCL made addition of 643.5 Ckt. Km. of 400 KV lines, 5190.8 Ckt. Km. of 220 KV lines and 4855.7 Ckt. Km. of 132 KV lines. There was capacity addition of 1 no. of 132/33 KV S/S during the said period.

(iii) During 2004-05, *load restriction* to the extent of 63.37 hrs. (0.72%) & 659.01 hrs. (7.52%) was clamped due to non-availability of generation and transmission capacity respectively. However, there was no rescheduling of generation on account of non-availability of transmission capacity. There was 75 hrs. (0.86%) of frequency excursion above 50.5 Hz against only 2 hrs.(0.02%) of frequency excursion during the year 2003-04. The frequency excursion below 49 Hz in the year 2004-05 was 73 hrs. (0.83%) against 7 hrs. (0.08%) during the year 2003-04 below 48.5 hrs.

3. **Annual Overall Performance of DISTCOs:-**

The Annual Guaranteed and Overall Performance report for the year 2004-05 were submitted by NESCO on 19.11.2005, SOUTHCO on

18.10.2005, CESCO on 19.11.2005 and WESCO on 07.10.2005. The consolidated Annual Guaranteed Performance report was published in the OERC website and Overall Performance report was published in daily newspapers on 15.02.2006 and also in the OERC website.

4. **Annual Statement on System Performance of STU:-**

The Annual Statement on System Performance for the year 2004-05 was submitted by OPTCL on 11.07.2005. The consolidated statement of System Performance was published on 28.11.2005.

5. **Long-term Load Forecast:-**

GRIDCO/OPTCL & DISTCOs had submitted Load Forecast for 2004-2013 to OERC. The OERC observed some discrepancies in the data forecast by NESCO. NESCO was directed to re-submit the same after complying with the remarks made by OERC. Due to delay in submission by NESCO, a case No.41/2005 was initiated against NESCO. In course of hearing, NESCO complied to the order of OERC. However, this process caused lots of delay and therefore the Commission has ordered to go for Load Forecast exercise for 2006-15 instead of 2005-14.

6. **Notification of various Regulations under the Electricity Act, 2003.**

Draft Regulation on "Orissa Grid Code" was processed.

7. This Division also carried out the following additional activities during this FY 2005-06:

- a) Comments were given to Govt. of India on Rural Electrification Policy on 09.12.2005.
- b) Status Report of Action Taken under the National Electricity Policy was given to Tariff Division for furnishing the consolidated Status Report to the Govt. of India/CEA
- b) Information was furnished on the following:
 - (i) Issues on "situation regarding the quality and reliability of power supply" called for by the Ministry of Power, Govt. of India furnished to Tariff Division for onward transmission of consolidated report.
 - (ii) EREB's queries on information required for membership of Eastern Regional Power Committee was furnished to EREB.

- d) Draft Licence Conditions for GRIDCO, OPTCL and the DISTCOs were processed.
- e) Monitored License fee collection from all the licensees for 2006-07.
- f) WESCO's prayer for allowing imposition of load restriction was examined and processed.
- g) Sri P.K. Sahoo, Steno-cum-Computer Asst. to Director (Engg) attended the residential training programme on "Effective Office Administration for PS/PA's & Office Personnel" and "Inter Personnel Relations & Team Building For Office/Organisational Effectiveness" conducted by NIMMA at Mysore (Karnataka) on 10 -14 August, 2005.
- h) OERC organized Orientation Training Course to officers of all four Distribution Companies (to Officers of E.E. and above) during April, 2005. Engineering Division [(Sri D.K.Satapathy, Joint Director (Engg) and Sri K.L. Panda, Deputy Director(Engg)] has participated in imparting training in following aspects.
 - (i) Features of the Electricity Act, 2003,
 - (ii) Licence Condition,
 - (iii) Supply Code, 2004,
 - (iv) Licensees' Standards of Performance.

The above two officers also went as observers to the training programme of the subordinate officials of the DISTCOs at the Circle level during June-July, 2005 at Bhubaneswar, Jeypore, Rourkela, Burla, Baripada and Jajpur Road.

- i) While reviewing the performance of all DISTCOs and GRIDCO for the FY 2005-06 by the Commission, findings on issues related to Engineering Division were furnished.
- j) In the Annual Revenue Requirement and Tariff exercise for 2006-07, Engineering Division scrutinized the addition of fixed assets of the licensees including OHPC.

B. INFORMATION TECHNOLOGY (IT)

1. Development and Implementation of RIMS (Regulatory Information Management System)

RIMS was developed and delivered by M/s E&Y in May 2005. But, while going for implementation at Distcos' end, they sought for a series of changes and new features to make the system more user-friendly and acceptable. The effort for the modification and enhancement work was estimated at around 640 mandays. In this backdrop, it was decided to take up this job in-house by engaging two consultants. This move really paid off by way of incorporating many new features like on-line help, printing facility from the entry screen, audit features of tracking changes to data etc. in the original RIMS package.

The system thus modified and ready for implementation, was hosted on the same server containing our website, www.orierc.org. Prior to this, Oracle 10g Database and Oracle 10g Application Server (one CPU licence) were procured with equal financial contribution from five licensees i.e. GRIDCO, CESCO, WESCO, NESCO and SOUTHCO). This licence has been used to host the RIMS on website.

In the meanwhile, the consultants visited the Distcos many times during which they trained the users in understanding the formats and operational aspects of RIMS. They also helped the Distcos in setting up a platform for sustainable implementation of RIMS.

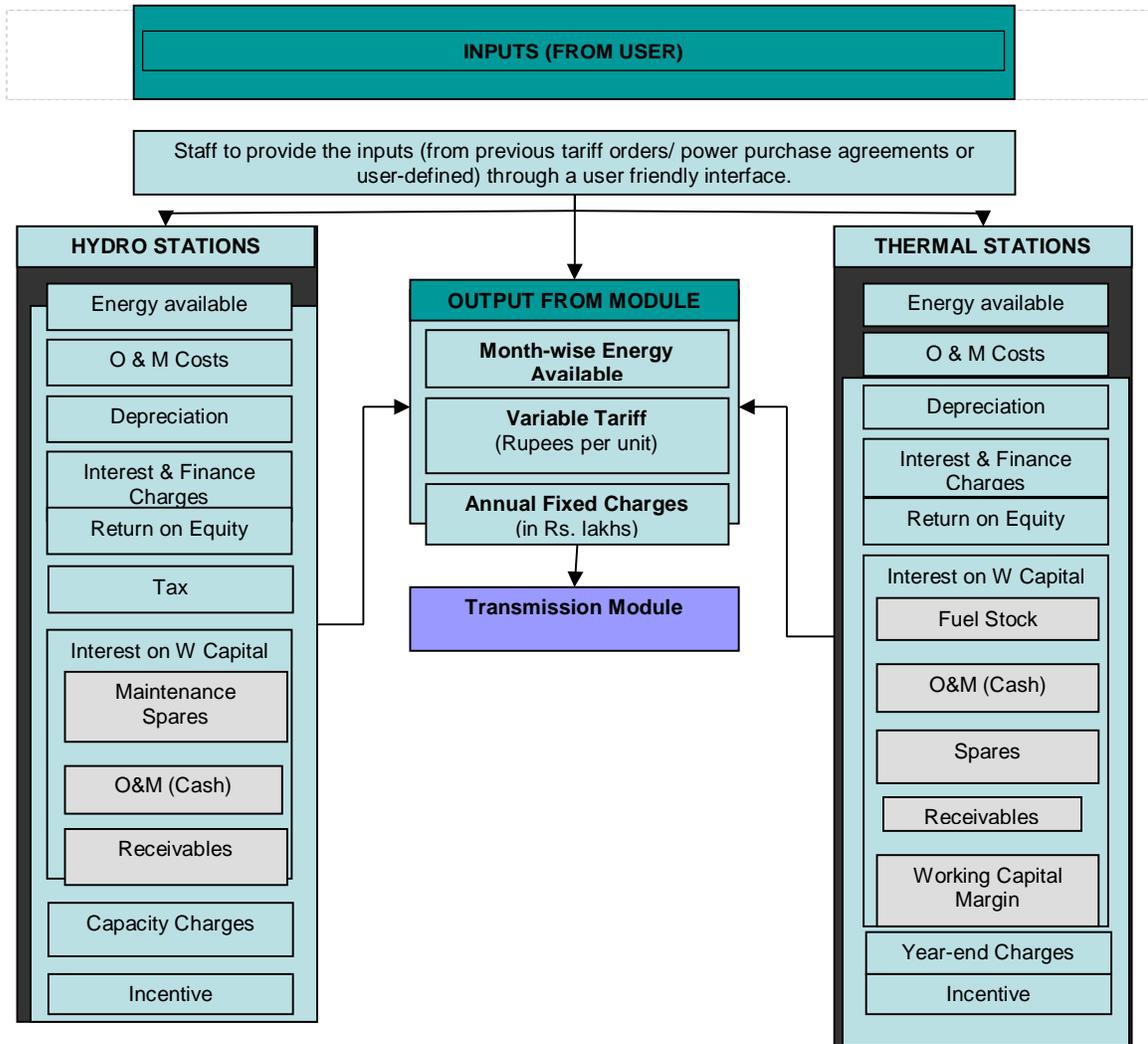
2. Development and Implementation of ITM (Integrated Tariff Model)

Integrated Tariff Model was developed by M/s E&Y with an objective to automate and integrate the major processes related to tariff setting. It went through a series of modifications before it got implemented in October 2005. This tariff model covers the entire value chain in the electricity sector – Generation, Transmission, Distribution and Supply. It can receive

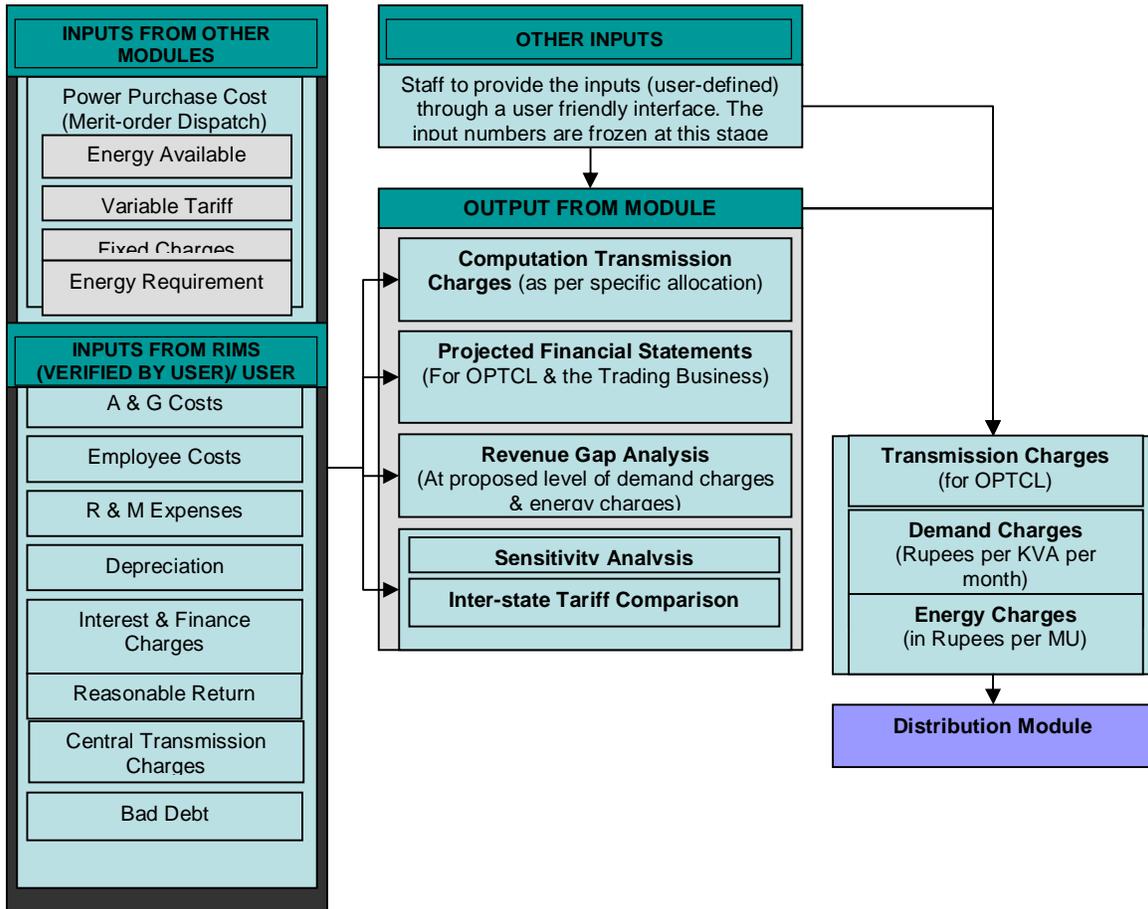
data from the RIMS database and also, from the tariff application files. Separate input and output formats have been devised for this purpose.

This model deals with aspects of generation, transmission, distribution tariff in detail. The process flow for these modules is given in the subsequent pages.

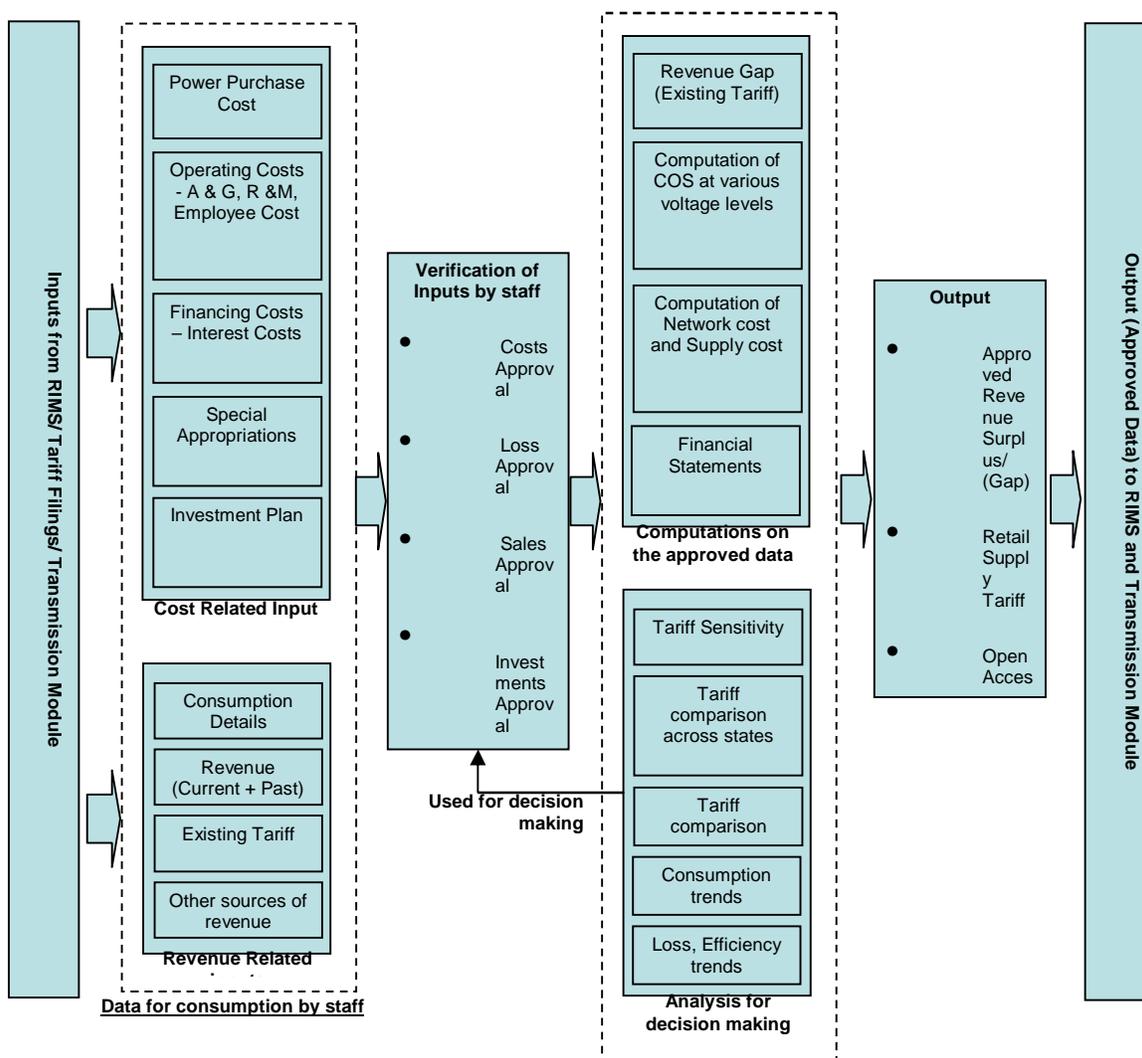
Process flow – Generation Module



Process flow – Transmission Module



Process flow – Distribution Module



3. Conversion of Billing and Collection data of CESCO from Foxpro to Oracle.

In order to generate billing and collection information as required by RIMS, an in-depth analysis needs to be carried out on a large quantity of data. As the data of CESCO is in Foxpro, this analysis is cumbersome and time-consuming. Therefore, complete billing and collection data of CESCO for the FY 2005-06 in Foxpro was obtained and converted to Oracle. It was quite a grueling task to devise the methodology and bring the data to Oracle database subsequently.

Moreover, a methodology is being devised to get the incremental data every month and update the existing database in Oracle. This database will not only provide inputs to RIMS but also help in putting up consumer related billing and collection information on web in future.

STATE ADVISORY COMMITTEE MEETING (SAC)

Under the Electricity Act 2003, a 21-member Committee known as the State Advisory Committee was notified by OERC in March 2004.

As per the provision in the Act, the SAC is to consist of not more than twenty-one members to represent the interests of commerce, industry, transport, agriculture, consumers, non-governmental organizations and academic and research bodies in the electricity sector.

The Chairperson of the State Commission shall be the *ex officio* chairperson of the State Advisory Committee and the Members of the State Commission and the Secretary to the Commission is in charge of the Committee.

Objects of State Advisory Committee:- the objects of the State Advisory Committee is be to advise the Commission on :-

- (i) major questions of policy;
- (ii) matters relating to quality, continuity and extent of service provided by the licensees;
- (iii) compliance by licensees with the conditions and requirements of their license;
- (iv) protection of consumer interest; and
- (v) Electricity supply and overall standards of performance by utilities.

During the year 2004-05, the Advisory Committee constituted under OER Act met for the last time before it was dissolved and the SAC was reconstituted as per provisions of the new Electricity Act, 2003. Three meetings of the State Advisory Committee were held in the year under review to discuss various topics. Minutes of the meetings are attached.

ANNUAL ACCOUNTS OF THE COMMISSION

Finance and Accounts

- a) **Budget :** As against a demand of Rs.2.83 crore to meet various expenditure of the Commission, the Govt. of Orissa approved budget allotment of Rs.1.74 crore for the FY 2005-06.
- b) **Expenditure :** The total expenditure for the FY 2005-06 was Rs.1.31 crore out of which Rs.1.60 crore was towards salaries and the balance amount of Rs.0.71 crore was spent on TA, Electricity Charges, Consultant, Vehicle, Purchase of equipments, training etc.

Annexure - I

OFFICERS AND STAFF

The Commission being the oldest in the country has a committed strength of officers and staff providing a healthy mix of permanent and Deputation and staff.

The persons in position as on 31.03.2006 are detailed in the table below: -

Sl No.	Name	Designation	Whether Permanent/ Deputation/ Contract	If on Deputation Details
1	Shri B.K. Sahoo	Director (Engg.)	Permanent	
2	Shri M. R. Hazra	Commission Secretary	On Deputation	From Judiciary
3	Shri S.N. Ghosh	Jt. Director (T/Engg)	Permanent	
4	Shri D.K. Satapathy	Jt. Director (Engg.)	Permanent	
5	Dr. M.S. Panigrahi	Sr. Economic Analyst	Permanent	
6	Shri Kulamani Biswal	Sr. Financial Analyst	Permanent	
7	Shri N.C. Mahapatra	Jt. Director (Law)	Permanent	
8	Dr.(Mrs.) Anupama Dash	Jt. Director (T/Econ)	Permanent	
9	Ms. Purabi Das	Information Officer	Permanent	
10	Shri Pravakar Swain	Dy. Director (P&A)	On Deputation	From OPTCL
11	Shri S.M. Pattnaik	Jr. Financial Analyst	Permanent	
12	Shri K.L. Panda	Dy. Director (Engg.)	Permanent	
13	Shri A.K. Panda	Dy. Director (T/Engg)	Permanent	
14	Shri P. Pattnaik	Dy. Director (T/Econ)	On Deputation	From OPTCL
15	Shri S.C. Biswal	Dy. Director (IT)	Permanent	
16	Shri Ajoy Sahu	Accounts Officer	Permanent	
17	Smt. Lilibala Pattnaik	Steno-cum-Computer Asst.	Permanent	

18	Shri Manoranjan Moharana	Steno-cum- Computer Asst.	Permanent	
19	Shri Laxmi Narayan Padhi	Steno-cum- Computer Asst.	Permanent	
20	Shri Pramod Kumar Sahoo	Steno-cum- Computer Asst.	Permanent	
21	Shri Susanta Kumar Bhoi	Steno-cum- Computer Asst.	Permanent	
22	Shri Kalicharan Tudu	Steno-cum- Computer Asst.	Permanent	
23	Smt. Sanghamitra Mishra	Steno-cum- Computer Asst.	Permanent	
24	Shri Susil Kumar Sahoo	Steno-cum- Computer Asst.	Permanent	
25	Smt. Mamatarani Nanda	Receptionist / Caretaker	Permanent	
26	Shri Jaypal Das	Accountant-cum- Cashier	Permanent	
27	Shri Jalandhar Khuntia	Driver	Permanent	
28	Shri Jadunath Barik	Driver	Permanent	
29	Shri Ramesh Chandra Majhi	Driver	Permanent	
30	Shri Ashok Kumar Digal	Driver	Permanent	
31	Shri Pitambar Behera	Peon	Permanent	
32	Shri Sudarshana Behera	Peon	Permanent	
33	Shri Umesh Chandra Rout	Peon	Permanent	
34	Shri Ramchandra Hansdah	Peon	Permanent	
35	Shri Abhimanyu Jena	Peon	Permanent	

36	Shri Bijay Kumar Majhi	Peon	Permanent	
37	Shri Ramesh Chandra Nayak	Peon	Permanent	
38	Shri Prafulla Kumar Behera	Peon	Permanent	
39	Shri Rabindra Kumar Mekup	Peon	Permanent	
40	Shri Sachi Kanta Mohapatra	Peon	Permanent	
41	Shri Pradeep Kumar Pradhan	Peon	Permanent	

Annex-II

MINUTES OF THE FOURTH MEETING OF THE STATE ADVISORY COMMITTEE

1. The fourth 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 PM on 25th August 2005. The meeting was presided over by the Chairperson, OERC, Sri D.C.Sahoo, Members Sri B.C.Jena and Sri S.K.Jena were also present.
 - 1.1 Representatives of various stakeholders, such as, consumers, industry, electricity workers and the State Government were present on the occasion. However, Sri R.K. Sharma, Principal Secretary, F&CW Department, Professor Govind Rajan, XIMB, Smt. Rama Subudhi, Advocate and Sri Girish Sant of Prayas were not present at the meeting. A list of participants is annexed.
 - 1.2 The Chairperson welcomed the members of the SAC and gave a brief introduction of the three items formally placed before the SAC for discussion namely;
 - i) Steps taken by DISTCOs to improve quality of power supply and service,
 - ii) Proposal for five year Consumer Census,
 - iii) Guidelines for recognition of consumer organizations under OERC (GRF and Ombudsman) Regulations 2004.

He stated that any other items could be discussed with the permission of the Chair and if time permits.

Agenda 1

1.3 Sri K.N. Jena, representing the Federation of Consumer Organisation of Orissa (FOCCO) said that a mechanism must be evolved by the Commission to assess the correctness/authenticity of Standards of Performance required to be maintained by licensees under law and the periodical reports furnished by them. Shri Jena informed that he had forwarded a format for survey on Standard of Performance of DISTCOs to the Commission which could be the basis for assessing the above by Voluntary Consumer Organisations. He volunteered the services of FOCCO for this purpose. He suggested that the results of the survey should be submitted to the Commission or to the SAC.

A Citizens Charter on Electricity should be formulated and implemented by the DISTCOs, he stressed. In 1998, FOCCO had prepared a charter and forwarded it to the Commission for its consideration, said Shri Jena.

He opposed publication of Overall Standards of Performance reported by the licensees at the cost of the public. The authenticity of the annual reports should be verified at regular intervals he felt. He said that VCOs in different parts of the State could conduct this task if they are provided with travelling and incidental expenses.

Sri K. N. Jena also emphasized on regular interactive meeting of employees/fields staff of the licensees with consumers at division and subdivision level in order to educate the public and make the system more transparent and accountable. He also proposed that field staff of the DISTCOs should be properly trained regarding their duties and obligations and Oriya translation of the regulations should be made available to them. Shri Jena also suggested that relevant information regarding Standards of Performance as well as information regarding GRF/Ombudsman etc could be printed at the back of the meter card for information of consumers.

Member, Shri B. C. Jena said that Sri K.N. Jena's proposal for conducting survey of Standards of performance of DISTCOs through the VCOs was a positive suggestion and should be taken for discussion in the next meeting of the SAC in October. Chairperson Sri Sahoo endorsed proposal and added that the CEOs of DISTCOs should

be invited to participate in the next meeting. However, Member Shri S.K. Jena proposed that verification of records should be out sourced to technically qualified persons such as Chartered Engineers.

- 1.4 Shri S.K. Nanda, representative of CII wished to know whether the Commission was monitoring media reports regarding violation of Standards of Performance by the DISTCOs. He pointed out that fuse calls were not being attended to and telephone receivers were being kept off hook. He also brought to the notice of the SAC that NESCO was forcibly asking consumers to install meters in front of the verandah. He asked who would be responsible for the safety of the meter, in such cases? He further stated that many cases under Sec.127 are pending with the electrical inspectors who are not responding to such appeals.

Responding to his query regarding action on failure to meet Standards of Performance reported in the media, Shri S.K. Jena clarified that suo motu proceedings had been initiated by OERC where it was felt necessary. With regard to failure to answer fuse calls, the Chairperson pointed out that the DISCTCOs could be penalized if time bound restoration was not effected. Shri Nanda's query with reference to appellate officers was addressed by Shri Biswajit Mishra, Jt. Secretary DoE, (GOO) who stated that the designated officers by the State Govt. are the Electrical Inspectors

Shri P. K. Das pointed out that since the Electrical Inspector verifies functioning of the meter, and conduct assessment u/s 126, he could not be an appellate authority at the same time. However Sri Mishra pointed out that as far as the meter testing is concerned, the EI has no power and it must be tested in a Govt. Laboratory. Justifying the appointment of EI as Appellate Authority, he said that an independent agency acquainted with the power sector at District level was needed for the post. As High Court so far has not allowed the District Judges to be designated, so EI was given the responsibility.

- 1.5 Shri B.K. Mohapatra, Representative of Small Scale Industries Association, Cuttack said that the SAC should be informed about the implementation of measures decision taken in the last meeting. He pointed out that though it was decided that divisional level meeting, interaction with consumers should be held every month, this was not being done. He also felt that the reports on Standards of Performance submitted by the DISTCOs were not satisfactory, and it should be assessed independently by the Commission. Standards of Performance should be circulated among consumers as quality of service and power supply is very poor in spite of stringent rules. Shri D.C. Sahoo, Chairperson, stated that a Show Cause would be issued to the DISTCOs for failing to obey directions of OERC with regard to monthly meetings with consumers at the Divisional level. He also clarified that while OERC publishes performance of DISTCOs as reported by them, the numbers involved make it impossible to cross check their claims. He said that DISTCOs were not maintaining records that they were supposed to, and as a result there is no data to assess their performance. He also assured that another meeting on Standards of Performance would be held before Puja Holiday this year to sort out these issues.
- 1.6 Shri P.K. Das, Advocate said that inspite of formulation of several rules it was business as usual for the DISTCOs. He also wished to know what steps OERC had taken to review performance of DISTCOs. He said that the SAC should be informed about the feed back from monthly review of activities of the DISTCOs. Shri B.C. Jena informed that the review is largely on Distribution Loss, AT & C loss and Collection Efficiency.
- 1.7 Shri Maheswar Baug of the Nagarika Adhikar Surakhya Committee and Durniti Nibaran Sangh, Balasore said that the private Distribution Companies are completely profit oriented. They are not replacing lines decayed poles and substations are very old. Service quality is also poor. Concentration is only on collection of revenue with squads of DISTCOs by penalizing consumers indiscriminately on trivial matters while senior officers of the DISTCOs/ State Govt. are themselves illegally abstracting power.

Shri. Baug said that DISTCO officers are penalizing consumers only to meet collection targets. MRT squads are entering premises of consumers without prior intimation/notice and harassing them. He felt that Disconnection should not be effected pending arrears. He said that not a single consumer has yet been granted compensation under violation of Standards of Performance.

- 1.8 Shri. Sanjeev Das, Secretary, Confederation of Captive Power Plant Orissa said that consumer education in both vernaculars and in English should be done at the district level. He was of the view that in order to avoid vitiation of information, the licensee should operate a web-site for lodging complaints during any time of the day. This would rule out any possibility of complaints not being registered. However, a cost-effective system should also be put in place. He suggested that the licensee's meter reader might carry a questionnaire to the consumers with a self-addressed envelope that can be directly posted to a special cell of the Licensee. He said that a system needs to be developed to make the licensees accountable to the Commission for widespread transformer failure. A detailed questionnaire should be filled up by the licensees and submitted to OERC for study. A sample check should be done by technical experts to ensure quality of inspection repair of such transformers.
- 1.9 In a written submission, the Prayas Energy Group said that Distcom reports should include minimum, maximum and average time taken for each indicator of quality of service for the given duration in a district/town. This will help to examine which indicator need to be revised. Also quality of service reports should be submitted for independent audit. The Commission should conduct consumer satisfaction surveys on all aspects of service and power. The functioning GRF and Ombudsman should be adequately publicized.
- 1.10 Sri S C Mohanty, of the Nikhil Orissa Bidyut Shramik Mahasangh said that Standards of Performance could not improve as the three Distcoms under Reliance Energy had not invested any funds in distribution of power infrastructure development till date though they had spent crores in Delhi, Mumbai and Goa. They are now

planning to take money from the sector through purchase of materials and articles from the companies owned by Reliance in the state and forcing the Distcoms to buy from them.

He also pointed out that the Share Holders Agreement although expired since 31.03.2004 has not been renewed so far and no one is bothered about it. As burnt transformers are not replaced, the consumers who are in arrears are forcibly replacing the same after removing them from the store and the field staff are being attacked during collection. APDRP schemes are also not being implemented and CEOs are being given monthly appointment to demoralize them, added Sri Mohanty. He felt that OERC should take steps to revoke licenses of Distcoms. Chairperson, state that Reliance Industry have been directed suitably to renew the Share Holders Agreement.

1.11 The Chief Electrical Inspector, S E Railways, Sri R K Bansal said that regulators should become pro active and give due publicity to the Standards of Performance formulated under the new Electricity Act and OERC Regulations through print and AV media.

Agenda 2

1.12. Speaking on the second item in the agenda, Sri K N Jena said that energy audit should be conducted at each substation/division and distribution loss worked out and cost of the same should be recovered from the concerned officials. He also demanded that MCCBs should be fixed on all poles to isolate when the load drawal exceeds a pre-set value.

1.13. Sri B K Mohapatra said that in the name of contract demand, consumers are being exploited. He said that assessment of connected load is not necessary and fixed charges should be done away with. This should be merged with energy charges. Individual load verification is not needed rather sub station metering should be done. If load goes up, sub station should be upgraded. The Distcoms should welcome load growth, he felt. However, member Sri Jena observed that fixed charges are nominal and only connected load taken into

consideration while calculating them. Shri Mohapatra parried that in industrial sector assessment of connected load requires knowledge of processes. Chairperson, Sri Sahoo added that if individual load is not assessed it will not be possible to assess abuse by individual consumers.

1.14. The format for declaring connected load as suggested by Nesco is incorrect and even CEOs of Distcoms have not understood the mode and manner of assessment of connected load. He also felt that the photograph was unnecessary. Sri S K Jena said that the load census format given in the Regulation should be followed.

Agenda 3

1.15 Sri K N Jena demanded that the audit report requirement for recognition of consumer groups was cumbersome and unnecessary. It was agreed that this should be deleted.

Any other items

1.16 Sri T C Hota, UCCI said that while Security Deposit should be average of 12 months energy bills for industry, Distcoms were charging extra. They were had calculated the interest for SD at the rate of 5 per cent instead of the bank rate of 6 per cent. Member, Sri S K Jena also felt that this issue needed to be brought before the GRFs.

1.17 The Chairperson concluded the SAC and thanked all members for their contribution.

1.18 The following are proposed for consideration by the SAC in the next meeting to be held during October 2005.

1.19 The Commission would recognize consumer groups as per guidelines circulated excepting Audit report requirement.

1.20 Feedback of DISTCOs on SAC deliberations and proposals would be placed before next SAC meeting on Standards of Performance to be held in October.

1.21 Load census would be carried out with self-declaration by consumers as per the format prescribed in OERC (Condition of Supply) Code, 2004.

(S.K. Jena)
Member

(B.C. Jena)
Member

(D.C. Sahoo)
Chairperson

Sl No. Name of the participants

1. Shri D.C. Sahoo, Chairperson
2. Shri B.C. Jena, Member
3. Shri S.K. Jena, Member
4. Shri B. Mishra, Jt. Secretary to Govt., Deptt. of Energy,
Govt. of Orissa, Bhubaneswar
5. Shri T.C. Hota, President, UCCI, Bhubaneswar
6. Shri Sanjeev Das, Secretary, CCPPO, Bhubaneswar
7. Shri B.K. Mohapatra, Industrial Estate, Cuttack
8. Shri R.K. Bansal, Chief Electrical Engineer
East Coast Railway, Bhubaneswar
9. Shri Pranakrishna Dash, Advocate, Cuttack
10. Shri K.N. Jena, President, FOCO
11. Shri S.C. Mohanty, Gen. Secretary, NOBSM
12. Shri S.K. Nanda, Convenor, CII
13. Shri Maheswar Baug, President, Nagarika Adhikar Surakshya Committee
& Durniti Nibarana Sangha

MINUTES OF THE FIFTH MEETING OF
THE STATE ADVISORY COMMITTEE (SAC)

1. The fifth 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 PM on 26th October 2005. The meeting was presided over by Sri D.C.Sahoo, the Chairperson, OERC. Sri B.C.Jena and Sri S.K.Jena members were also present.
 - 1.1 List of the participants is annexed.
 - 1.2 Sri Sahoo welcomed the Members of the SAC. This was followed by an introduction of Sri Vivek Pattanayak, I.A.S. (Retd) newly inducted Member of the SAC. Sri Sahoo informed Members that this special meeting of SAC was a follow-up of the previous discussion on Standards of Performance and Consumer Census. He said that the CEOs of the four Distcos and MD Gridco were special invitees for the event. Sri K.N.Jena representing the Federation of Consumer Organizations (FOCO) wished to know what legal obligations the Distcos had as per regulation to interact with the consumers apart from the instructions of the Commission.
 - 1.3 Sri N.C.Das, CEO Nesco informed that in NESCO areas frequent interaction was held with consumers representing different sections by authorities at the district level. He said that such meetings had already been held in five districts where rights and duties of consumers were discussed. The concerned executive engineers were present at the meetings.
 - 1.4 The Commission wanted specific details of the meetings including number and composition of participants and agenda of the meetings, as Commission received feedback from consumers that there was inadequate publicity regarding consumer interaction conducted by Distcos at the divisional level. Sri K.N.Jena added that the field staff of distcos themselves seem unaware of such interaction.

- 1.5 Major General (Retd.) S C Dutta, CEO, WESCO informed that 12 consumer camps were held in WESCO area during the year. Till date, in total 986 camps have been organised by WESCO and 10,800 complaints resolved. At the district level consumer meets, the concerned SE is the Convenor. Such meetings were held on a quarterly basis. Minutes of meetings have been drawn up and are available with WESCO. Shri. Dutta also said that at Rourkela and Rajgangpur fortnightly meetings were organised with industrial consumers to sort out collection and billing complaints. He further added that WESCO is still continuing with this practice after receipt of the Commission's instructions regarding monthly consumer interaction.
- 1.6 Sri R.B. Mishra, CEO, SOUTHCO said that district level meetings are organized regularly by Southco under the Chairmanship of District Collectors to discuss rural electrification and quality of power supply. In August and September, two consumer meets were held in each of the 14 divisions of Southco. Billing complaints were resolved and a regularisation drive was conducted through these camps. 2000 unauthorized consumers were regularized under the Voluntary Disclosure Scheme (VDS) of OERC by 3rd Sept. 2005. Being asked by the Commission, Shri. Mishra informed that 900 new connections have been given in Aska, Polsara and Digapahandi. Regarding the Divisional consumer interface programmes, Sri Mishra informed that meetings were held with consumers of all categories and the discussion pertained to low voltage, progress of MPLAD work and prompt attention to breakdowns. He also requested the Commission to decide who should be invited to meetings among domestic consumers, as there is pressure on the Distcos from different political parties. Sri S.C. Mohapatra, CMD, GRIDCO, cautioned that existing malafide consumers may tamper with their meter and then seek amnesty under the VDS and it should be a very short-term measure. The Commission clarified that the Scheme is open only for those who are not in the fold of consumers and are unauthorisedly using power. With regard to Shri. Mishra's question, Commission replied that the matter will be looked into later.

- 1.7 Sri S.K. Nanda, Convenor, Energy, CII said that the Distcos should follow the example of the Assam State Electricity Board which has set apart every Saturday as Consumer's Day in each Division where senior officers would hear and dispose of complaints on the spot. Similarly, The Maharashtra Electricity Regulatory Commission have granted parallel licenses within Mumbai and this encouraged competition and thus improved quality of service. He questioned whether the same can be done in Orissa. The Commission replied that while law provides for a second license till now there are no takers in Orissa.
- 1.8 Sri R.B. Mishra pointed out that though the Grievance Redressal Fora (GRF) under Southco had been publicized widely through print and audio visual media, public address system and through messages on the reverse of energy bills, till date only 113 complaints have been lodged with the GRF. Of them, 96 have been resolved and 17 cases are pending.
- 1.9 Shri. Dutta said that due to insufficient staff, it would not be possible to set apart one full day in every week to resolve grievances of consumers in the Division. He also stated that GRFs are not serving their purpose as only 122 cases have been resolved from 1st April, 2005 till date. According to Commission, the very purpose of this SAC was to devise means to create consumer awareness about their rights & duties. However, Sri N.C. Das said that the GRFs in his area are very effective and so far resolved over 2000 cases. He said that at the Corporate Headquarters, he himself attends to consumers complaints and in his absence the same is managed by the DGM (Comm).
- 1.10 Sri Vivek Pattanayak questioned whether consumers are being sufficiently educated or not, because knowledge of law is not so relevant for laymen rather they must be made aware about the implications of the law. This can be done through consumer interaction, by printing information on energy bills, through publication in the print media, by posting information in the website and by translating the Rules and Regulations into Oriya. Sri P.K.

Dash, Advocate said that hoarding with adequate messages should be put up in public places and handbills printed and circulated along with energy bill/newspapers. Sri Sahoo said that with 22 lakh consumers in the State, the cost would be prohibitive.

- 1.11 Sri K.N. Jena observed that the primary duty of the SAC is to make consumers aware but this can not be done only through newspaper and website as their access is limited. Meter cards may be distributed to all consumers and messages can be printed behind them. With regard to the persons to be invited to consumer interface programmes, he suggested NGOs, VCOs and Panchayat Samit Members who work at the grassroot level should be the invitees. A list of such organisations can be prepared and provided by FOCO. All linesmen should be given the book of Regulations translated into Oriya by FOCO. The book can be printed & circulated by the Distcos. Replying to Shri. Dutta's comment he stated that setting apart a day in a week for consumers is not wasted as it is the duty and legal obligation on the part of Distcos to attend to consumer complaints. Dissemination of Information will be of help as informed consumers will benefit the Distcos. Sri Jena felt that a Consumer Day is necessary once a month for participation and involvement of consumers and service providers. He said Distcos should themselves suggest the ways and means to solve the consumers problems. CEOs must realise that the relation between the Distcos and consumers is that of a seller & buyer & not that of an authority.
- 1.12 Sri S.C. Mohanty pointed out that in six years of reform, the consumer-worker ratio has gone down, particularly linesman and helpers. Fuse Call Centres virtually do not exist and helpers run mostly sub stations. As the implementers themselves do not know the law, he said "how will the reform be successful"? He added that none of the Distcos had taken steps to educate workers even for a single day. In Delhi, there is an agreement between workers' unions and the Distcoms for better consumer services. But in Orissa basic necessities, such as materials for repair and safety equipment are not available to workers. He said that there should be an inquiry into

the manner in which APDRP work was being implemented. If there is no infrastructure improvement, he asked “how will standards be maintained”? As for the special police stations, they are merely taking their pay and not doing any thing for the consumer. He highlighted that status of the Consumer Care Centre opened by Southco, which had barely functioned for one month. He lamented that the government of Orissa was a silent spectator to the oppression of the state. He also brought to the notice of the SAC instances of misappropriation of funds by REL, which was routing acquisition of equipment through its own subsidiaries. Consumers are being taken for a ride and old dismantled meters from Mumbai are being supplied to them at a higher cost with interest. He pointed out that though meters were available at Rs. 400 to Rs 500, the Company was supplying them in Orissa at Rs. 900. Sri Mohanty suggested that manpower must be augmented at the lowest level and a proper work environment created. Comfort level for employees must be prepared with adequate equipment and materials.

1.13 Sri Maheswar Bag, SAC Member from Balasore said no work is being done by the District Level Committees, which are only paying lip service to reform. The only aim of the CEOs is to extract money (collection) from consumers without any development. Rules and Regulations are not being obeyed. The field staff, particularly JEs are a law unto themselves. He said that it was very necessary to reach the common man and experts should decide how to do it best. Sri Baug also said that consumer meets are not being held in all Divisions and OERC directions are not being implemented properly. Though it was ordered that meter rent should not be charged once cost of meter has been realized, this is being violated. Sri N.C. Dash, CEO said that there is a huge gap between demand and supply of meters and asked for suggestions as to how this gap could be bridged. The Commission suggested that consumers may be asked to provide their own meters of required technical specifications. Sri K.N. Jena suggested that senior citizens could be involved in consumers’ education. Sri Baug suggested that consumer interface should be held at the District headquarters. by OERC. Monthly meetings must continue at the

divisional level and meter card should be distributed. Sri S.K. Nanda suggested that electricity Lok Adalat can be organised by OERC. The Commission pointed out that the Commission does not have manpower to organize Lok Adalats but would try to arrange consumer meets at the district headquarters such as Balasore, Berhampur, BBSR etc. Sri S.C. Mohanty suggested that such programmes can be started at zonal headquarters. Sri Vivek Pattanayak expressed that it is not the job of the Regulatory Commission to organize consumer meets but to ensure that others do so. He said that the idea of putting basic information in the form of bullet points on the meter card is good. However, he praised the change in attitude of the Distco staff as well as the consumers. He stated that the quality of service has also improved.

1.14 Sri Devraj Biswal, CEO, CESCO was of the view that the mindset of staff working at grass roots level is responsible for the current situation. The CESCO CEO's office is open daily for three hours from 10.30 am to 1.30 pm for consumer grievances. He said that his mobile no. was accessible to 8 lakh consumers of CESCO whose feedback helps him to tackle the problems. He said that overloading of transformers was a major problem and therefore, he decided to invest about Rs. 8 cr in replacing and installing 500 transformers in rural areas. He would also draw aerial bunched conductors to improve quality of power. He said that arrears upto 70% have been paid particularly in rural areas. He had instructed his officers not to insist upon arrears prior to 1999. He said that bypassing and hooking were going on but had not been curbed. In order to facilitate bill collection, meter readers are being allowed to accept account payee cheque with receipt from consumers during spot billing. This has all ready been advertised in local daily. Meter readers are given Re.1/- per bill as incentive. He informed that CESCO would hold a series of meetings with consumers at the Divisional level in Nov, 2005. Meetings had already been held at Puri and Dhenkanal where area problems were focused on. He said that it was necessary to strengthen Section Offices and to ensure flow of right culture from corporate to Division level.

- 1.15 The Commission observed that mediation is the focus and consumer grievances can be addressed through monthly consumer days. The CEO should meet consumers once a month whereas at the divisional level, the Executive Engineer should interact with consumers once a week. The SDO, Commercial should be available to deal with problems of consumers at all times. In CESCO, there was a bifurcation with separate officers dealing with commercial and power supply side. In WESCO, only one officer looks after both revenue and systems and therefore he is over burdened. Shri Vivek Pattanayak felt that even if staff strength had shrunk by 50% in WESCO, one day in a week for consumer interaction is not too much. Shri P.K. Das added that weekly consumer day must be made compulsory and time for such interface should be widely publicised. Shri S.C. Mohapatra, is of the view that there should be daily consumer interaction at a fixed time and one person should be designated for the task.
- 1.16 Shri R. B. Mishra, CEO, SOUTHCO pointed out that inspite of spot billing, 60% consumers are defaulters. SOUTHCO does not have enough staff to disconnect them. He, therefore, requested the Commission to educate consumers about their responsibilities. Shri Devraj Biswal said that CESCO has formed three member squads to deal with this problem. Collection is carried out by the special squads, which consists of one retired staff of CESCO and two billing clerks on contract basis. Arrears of about Rs.2 Crore have been collected in this manner with an investment of only Rs.12 lakhs. This fund was used for system upgradation. Thus, even without heavy investment amongst staff better financial management can yield beneficial results. Commission advised DISTCOs to deal with billing complaints and provide better service without extra funding. Shri S.C. Mohapatra expressed that the operation of the DISTCOs was too centralized. Shri R.K. Sharma, stated that redressing consumer grievances depends on the type of complaint involved. In some cases, funds are required whereas else where internal improvement may be enough. Regarding poor collection in SOUTHCO, Shri Sharma added

that consumers should be given adequate time for payment. He also suggested that consumers be provided facility for on line clearance of dues through banks. Shri Biswal, CEO, CESCO agreed to implement the same in the next phase.

1.17 The Commission sought for the reaction of the SAC Members in holding consumer census every five years. Sri B.C. Jena, Member said that many of the rules and regulations merely exists in books and are not utilized in reality. There must be a time frame for attaining these benchmarks. Now that the load has gone up tremendously, there is need for re-assessment. As such, consumer census is necessary. Shri N.C. Dash, CEO, NESCO expressed that consumer census was not practicable or necessary as the distribution sector is meter dependant and consumers would not allow officers to enter into their premises. The Commission countered by saying that planning is necessary for upgradation and expansion. If individual load is not known, then transformer load cannot be ascertained. The regulation is clear on method of load assessment and there should be no confusion on this issue. Shri N.C. Dash said that the electronic meter has maximum demand indicator to register maximum individual load consumption while Tongue Testers can check transformer load for phase balancing. Thus consumer census is not necessary. The Commission, however disagreed and said that a census was meant to educate consumers and help to provide better supply. Consumers would be able to balance their consumption on slab rate basis. Shri Das said that consumer census had already been conducted in Basta, Jaleswar and Balasore Divisions. Feeder metering and billing was also being done. The Commission stated that voluntary disclosure scheme is necessary where consumer wishes to revise his load. Shri B. Mishra added that re-classification of consumer category requires a census. Shri Vivek Pattanayak added that load census is required under the law to benefit distributors, transmitters and consumers. It cannot be stopped merely because of opposition.

1.18 Shri S.C. Mohanty suggested for a dress code for DISTCO staff up to the level of divisional head, i.e. Executive Engineer. He said that this practice existed during OSEB regime. Shri Vivek Pattanayak also agreed that dress code is necessary to enforce discipline. Shri. Dutta said that the DISTCO needs at least Rs.3 crore for transformers which is difficult to arrange in the current situation. Shri S.C. Mohapatra pointed out that WESCO had kept Rs.21 Crore in a hidden account, which was not transferred to the ESCROW account. The Commission stated that the DISTCOs cannot take the plea of absence of funds for routine maintenance. Shri Mohapatra suggested that the parent company REL should invest 50% of the requirement and GRIDCO can invest the rest. Shri Vivek Pattanayak said that the issue should be discussed at the shareholders meeting and the SAC is not the appropriate forum. The Commission stressed that, as regulations have been framed after obtaining suggestions and objections etc. from Distcos it must be implemented despite constraints. If energy audit is not conducted and un-authorized users not weeded out, transformer will be over loaded and there will be stress on the system. The Commission further iterated that MCCBs can be installed. However, this cannot curb unauthorized use of electricity. Shri R.B. Mishra added that overload can be reduced through phase balancing and this will help to alleviate the problem. The Commission iterated that HVDS system and aerial bunched conductor system is essential for curbing the theft.

1.19 The Chairperson summed up the decision taken by the SAC which are as follows:-

- A weekly Consumer Day should be held in every division once a week.
- The CEOs should interact with consumers once a month.
- Meter cards with relevant information for consumers should be circulated.
- Leaflets stressing rights and duties of consumers should be prepared and circulated.

Shri Sahoo concluded the meeting after announcing that a FAQ was being drafted by the Commission for consumer education and would be finalized and circulated within a month.

(S.K. Jena)
Member

(B.C. Jena)
Member

(D.C. Sahoo)
Chairperson

ANNEXURE-

SI No.	Name of the participants
1.	Shri D.C. Sahoo, Chairperson
2.	Shri B.C. Jena, Member
3.	Shri S.K. Jena, Member
4.	Dr. S.C. Mishra, Dy. Director, F & CW Deptt., Govt. of Orissa, Bhubaneswar
5.	Shri B. Mishra, Jt. Secretary to Govt., Deptt. of Energy, Govt. of Orissa, Bhubaneswar
6.	Shri Pranakrishna Dash, Advocate, Cuttack
7.	Shri K.N. Jena, President, FOCO
8.	Shri S.C. Mohanty, Gen. Secretary, NOBSM
9.	Shri S.K. Nanda, Convenor, CII
10.	Shri Maheswar Baug, President Nagarika Adhikar Surakshya Committee & Durniti Nibarana Sangha
11.	Shri Vivek Pattanayak, IAS (Retd.)
12.	Shri D. Biswal, CEO & Administrator, CESCO
13.	Shri N.C. Dash, CEO, NESCO
14.	Maj. General (Retd.) S.C. Dutta, CEO, WESCO
15.	Shri R.B. Mishra, CEO, SOUTHCO
16.	Shri Suresh Chandra Mohapatra, IAS, CMD, GRIDCO & MD, OPTCL.

MINUTES OF THE 6th MEETING OF THE STATE ADVISORY COMMITTEE (SAC)

1. The sixth 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 8th February 2006. The meeting was presided over by the Chairperson, OERC, Sri D.C.Sahoo. Members Sri B.C.Jena and Sri S.K.Jena were also present.
2. List of the participants is annexed.
3. Sri Sahoo welcomed the members of the SAC to the crucial meeting on Tariff filling of the Utilities for the year 2006-07. He also introduced and welcomed the new entrant to the Committee, Sri Gobardhan Pujari. He said that the three items proposed by Sri S.C. Mohanty for inclusion in the agenda would be covered in the main item. As such these need not be discussed separately.
4. This was followed by a presentation on the Annual Revenue Requirement and Tariff submission of OHPC, OPTCL, GRIDCO and the four Distcos for FY 2006-07 by Sri D. K. Mukherjee, Director (Tariff), OERC. Members in general expressed their concern about the poor performance of the licensees rendering requisite services to the consumers, high distribution loss, non-investment by private entrepreneurs, GRIDCO's proposal for stiff hike in bulk supply price, proposed rise in R&M expenses by OPTCL despite its failure to spend the approved amount in the previous tariff orders. Observations of the State Advisory Committee (SAC).
 - 4.1 Advocate Shri P.K. Das pointed out that the licensees are reluctant to take steps for prevention of theft. He felt that the latter should not be allowed any hike in tariff without giving proper service to the consumers. As to his query regarding appointment of officers for the three Distcos, the Commission clarified that pursuant to a judicial order special officers have been appointed by the Commission in NESCO, SOUTHCO & WESCO to submit information on their functioning.

- 4.2 Chief Engineer, East Coast Railways pointed out that major expenditure on electricity is incurred for carrying materials by goods trains. The percentage of expenditure towards electricity charges out of the total operational expenditure in respect of cargo and passenger is in the order of 62% and 81% respectively. The tariff being exorbitant, railways is hard pressed to decide on electrification of railway tracks in the State, though electrified railways helps in infrastructural development of the concerned area. He further iterated that the proposed hike in demand charge is not logical. He stated that the DISTCOs are purchasing power from GRIDCO at a certain point and selling the same through OPTCL network to railways without any value addition to it. Moreover, railways had invested a huge sum towards power factor improvement. As such, the Commission's benchmark for PF incentive above 0.97 is too high. He requested the Commission to reconsider the matter.
- 4.3 Prof. G.C. Kar expressed displeasure over the hike in tariff as the proposals subscribed by the licensees had not been linked with performance efficiency. He pointed out that in the last few years, per capita income/GDP has not varied widely. He opined that at this juncture there is absolutely no reason for increasing the tariff.
- 4.4 Shri G. Pujari did not relish GRIDCO's proposal for less drawl from the cheaper source of hydro power. He explained that the basic idea of reform is infusion of fund by the private entrepreneurs, but there has been no perceptible investment in the electricity sector by them so far. He stated that usually in the commercial organisations the debt equity ratio is 1:1 whereas the same for the DISTCOs is 10:1. Obviously, the banks would be reluctant to provide loan to them. He commented that the electricity distribution sector under state monopoly has been transferred to private monopoly. He also stated that it would be in fitness of things to have individual DISTCOs under individual national players instead of three DISTCOs under a single national player. This would ensure competition and better performance. He further iterated that a copy of the audited balance sheet should be invariably submitted along with the ARR. He added that frequent power interruption had assumed alarming

proportion and no remedial action had been initiated in this regard. On the other hand, a sum of Rs.10.00 lakh is being fleeced from the prospective consumers in the name of system augmentation. He was of the opinion that HT category consumers are encumbered with burden of subsidising LT domestic consumers. He requested the Commission to build up rebate for consumption calculated at a LF from 40% onwards with regard to HT consumers. He further requested the Commission to levy penalties on the licensees, in the event they do not undertake measures for system improvement. He stated that overdrawl during off peak hours helping the system should not be penalised. He proposed incentivization of sale of energy during night shift and staggering of weekly off in industries. He pointed out that the proposal of the DISTCOs for withdrawl of meter rent is not clear. He stated that in industry electricity theft had gone down and hence DISTCOs should come out with the actual loss figures.

- 4.5 Shri T.C. Hota representing UCCI stated that the Act enjoins upon the Commission to raise the rate of interest on security deposit. He requested the Commission to enhance the rate of interest on this account thereby reducing the cross-subsidy. He further stated that the amount of security deposit and interest thereon should be reflected in the bill. The Commission, while appreciating the proposal pointed out that in case of spot billing, the shape of the bill is such that much information cannot be accommodated. Shri Hota expressed his deep concern over the increasing transmission loss of OPTCL. He alleged that structure of Demand Side Management (DSM) has not been contemplated in the tariff.
- 4.6 Shri K.N. Jena pointed out that in the name of reform, the electricity sector of Orissa has been deformed. No induction of fund has been made in the sector. He stated that in rural areas no china meter had been installed. He requested the Commission to introduce financial, social and energy audit of the licensees. As rural consumers do not get power for most of the time of the day, they should not pay fixed charges. He further stated

that the licensees are not maintaining Complaint Register in the sub-station. He pointed out that the Commission should not levy twin charges i.e. fixed charges and monthly minimum fixed charges on the consumers. He iterated that GRIDCO had purchased power from a CPP at the total cost of Rs.700 crore (approx.), which is higher than the normal price. As such, the excess expenditure incurred on this account should be recovered and the interest thereon should not be allowed. He was of the opinion that if the Govt. organisations do not pay their dues, the electric supply should be disconnected. He requested the Commission to vouchsafe as to whether the administrative expenditure projected by the licensees was justifiable. He pointed out that as per the extant Regulation, every consumer should have a meter card containing the minimum information.

- 4.7 Shri Maheswar Baug complemented the Commission for keeping the tariff stationary for last few years. He pointed out that M/s. Reliance Energy Limited has not renewed the shareholders' agreement though the validity of the said agreement has expired since last two years. Despite the Commission's repeated request for its renewal, they have turned a deaf ear to it and are illegally running the business. He requested the Commission to compel them to renew the license. In case they do not comply with the Commission's directive, their license should be revoked. M/s. Reliance Energy Limited is neither giving guarantee for loan nor are they ready to invest a single paise in the sector. As such, Orissa has been deprived of APDRP loan consequent upon the non arrangement of guarantee required for this purpose. He highlighted that REL has been opposing spot billing and is provoking the employees to manipulate the bills produced in the conventional manner. He alleged that, GRIDCO is not making infrastructural development. He further expressed his doubt regarding the price of coal and oil furnished by GRIDCO and requested the Commission to verify it properly. He highlighted that there has been no reduction in distribution loss, though considerable time has elapsed since reform took place. He

informed the Commission that the Govt. has altered its decision regarding establishment of special court(s). The Govt. had decided to allow lodging complaints in the existing courts till such time special courts are established.

4.8 Shri Sarat Chandra Mohanty stated that Govt. had appropriated huge money out of the proceeds on account of sale of TTPS and disinvestment of distribution utilities. On the other hand, govt. had stopped providing any subsidy to this sector whereas other state govts. have already set up special police stations and special courts without burdening the consumers. He stated that even after a decade of reform, the distribution loss in the State is much higher as compared to other States. No response has been received from the govt. with reference to upvaluation of assets. As such, there is no option left for the Commission except to increase the tariff. He indicated that REL had fleeced huge money by providing old and used meters as a result of which the consumers and employees have undergone sufferance. He opined that private ownership in the sector should give way to govt. management. According to Shri Mohanty some REL shares have been transferred in accordance with shareholders agreement. In reply, CMD, GRIDCO stated that M/s. REL has transferred 20% of its shares to its sister concerns. He also toed the line taken by Shri Baug with reference to spot billing, non-renewal of shareholders agreement and non-investment by REL. He expressed concerns over shortage of man power due to steep increase in retirement of personnel.

4.9 Smt. Rama Subudhi stated that notwithstanding the Commission's directive for metering the villages are supplied electricity without meters and load factor billing is being indulged rampantly. Under these circumstances, further tariff hike would be construed as a penalty. She stated further that while submitting the ARR and tariff filing, it should be accompanied with audited balance sheet. There is no material in stores for maintenance. The efficiency of the licensee should be boosted up. She opined that sufficient upgradation of the system should be carried out. She intimated that in absence of special courts, police personnel of the special police stations are

sitting idle. She complained that the consumers are running from pillar to post for amending fictitious and incorrect bills.

- 4.10 Shri S.K. Nanda representing CII stated that tariff filing should be based on audited accounts. He inquired into the reasons for non-implementation of recommendations of Deepak Parekh Committee. As OPTCL could not spend the R&M expenditure approved by the Commission in the past, the same should be restricted to Rs.8.00 crore only for FY 2006-07. He further stated that unless the licensees furnish their audited accounts latest by October, the ARR should summarily be rejected. He opined that the projected sale figure should follow the trend of last five years. He alleged that as the licensees had been exhibiting higher power purchase, the burden was being borne by the consumers. He highlighted that there has been no reduction in distribution loss. OSEB assessed overall loss 39% in 1995-96. To the Kanungo Committee, the DISTCOs projected 42.21% loss which the Commission allowed in FY 2002-03. After a lapse of five years, the loss is still 36% whereas in some years, it has registered an upward trend. In FY 2003-04, the DISTCOs appealed to allow the reduction of loss @3% duly approved by the Commission, but still the licensees are asking for allowing higher distribution loss. He further stated that despite huge investment by OPTCL, transmission loss has accelerated. He questioned the decision for early procurement of materials even though there has been no need for such procurement. He further stated that the transfer of OSEB asset to another Govt. organisation should not be at the upvalued cost. CERC Regulation does not envisage depreciation on the upvaluated cost. He requested the Commission to vouchsafe the interest charges claimed by OPTCL. He felt there is no valid reason for passing through each and every petty item in the tariff. He indicated that the consumers have already paid for the energy they had consumed. As the DISTCOs defaulted in payment of their dues to GRIDCO, GRIDCO in turn, had to securitise the power purchase cost and the consumers should not be saddled with carrying charges of such securitised amount.

- 4.11 Shri Vivek Pattanaik stated that the Commission being a judiciary body, has to evaluate the pros and cons of various issues involving tariff setting. He inquired about non-reduction of T&D loss which is apparently on the higher side. He stated that no recruitment of engineers has been made since long not only in electricity sector but also in other sectors in the State, as a result of which a large number of vacancies have occurred affecting the performance of the electricity sector. Sri Pattnaik observed that after passage of a decade, he finds that the power sector as a whole appears to be in a much better footing than what it was when the sector was wholly and solely under govt. control. As such, the progressive steps taken by the Govt. of Orissa for reforming the power sector have yielded beneficent results. He also suggested that the Govt. of Orissa should utilize its own funds for setting up of special courts and police stations. He proposed constitution of a small committee to prepare a procedure for filing of complaints and further take follow-up action for speedy disposal of cases to be dealt by the courts/police stations, if deemed necessary with the help of district authorities.
- 4.12 Shri Biswajit Mishra stated that the target fixed by the Commission in the Business plan is realistic. He was of the opinion that while allowing return on OHPC old stations, the book value of the assets should be adopted as the criteria. He also advocated that interest on loans incurred by UIHEP should be restricted to 7%. He further mentioned that the uncontrollable cost constituting the regulatory assets should only be allowed as envisaged in the National Tariff Policy. He further stated that the additional earnings from UI charges and trading should be adjusted suitably against the past losses of GRIDCO. He stated that the Commission should solicit accurate base level data from the licensees for assessment of loss level. He further added that the three special officers appointed by the Commission for NESCO, SOUTHCO and WESCO should be entrusted with scrutinising the expenditure incurred by the respective companies. He stated that technical loss should be segregated from the commercial loss. He added that incentive mechanism should be developed for resultant reduction in loss. He

admitted that APDRP fund is not being made available to distribution licensees for want of guarantees. In response to the query regarding establishment of special police stations and special courts, he stated that the Finance Dept. has envisaged that the expenditure is to be borne by the DISTCOs. He mentioned that the existing courts will take up the cases of theft of electricity till the special courts are put into operation. He iterated that with reduction of 1% loss the consequential would come to Rs.23.00 crore which can easily bear the expenditure towards special police stations and courts without burdening the consumer. In respect of upvaluation of assets he pointed out that no distinction between a private or govt. body has been stipulated in the Reform Act, 1995. Regarding payment of Govt. dues he stressed that 91% on current dues to Distcos managed by REL and 85% of the same to CESCO has been paid. He further pointed out that the Govt. is liable to such payment on undisputed and reconciled bills. In this context, he indicated that Govt. would adjust the interest due from Distcos against the bills payable by Govt. Deptts.

- 4.13 Shri B. Nayak, Director, Food and Civil Services Dept. pointed out that sufficient representation during tariff hearing from the common people had not been given. He also pointed out that the correctness of the meter should be checked and certified by a third party.
- 4.14 Shri B.K. Mohapatra in absentia gave some suggestions in writing which have been taken on record.
- 4.15 Shri S.C. Mohapatra, CMD, GRIDCO stated that during last five years there had been no tariff hike in BST, rather it has faced downward revision twice during the period. The fuel cost has gone up considerably due to import of coal and steep hike in oil price in the international market. The increase in fuel cost can easily be ascertained by OERC. He further intimated that the DISTCOs owned a sum of Rs.2000 crore to GRIDCO though of late they had started paying around 100% of their BST dues. He stated that GRIDCO was paying the generators in full for the last three years. In response to a query, he clarified that this year the reservoirs in the southern zone were

below the optimum level during the peak rainy season. This has resulted in reduction of quantum in trading. As regards shortage in manpower, he admitted that the company has been facing the pinch, as even sub-stations cannot be properly manned. Shri Mohapatra further stated that as Chairman of DISTCOs managed by REL he has authorised CEOs of NESCO, SOUTHCO and WESCO for recruitment of personnel. He further stated that the pay scale of the State Govt. being non-remunerative, no personnel is willing to join the Govt. establishment. On the other hand, the Govt. is also not ready for enhancement of the pay scale. Regarding purchase of power from CPP at higher rate, he stated that the same has been purchased @ Rs. 2.02 p/u from Naba Bharat Ferro Alloys and traded @ Rs. 2.70 p/u. As such, the benefits had been passed on to the consumers.

- 4.16 Shri R.R. Das, Director (Finance) OHPC pointed out that hike in tariff to the extent of 5 p/u has been proposed owing to cost incurred on account of R&M works to be undertaken for units III & IV, Burla. He stated that historical cost is construed as the cost at which the utility was acquired/transferred to OHPC. He intimated that due to non availability of water in reservoirs, GRIDCO has projected less quantum of purchase. Regarding Chiplima, he intimated that, unit-I is under operation and BHEL has committed to complete the remaining work of Unit-II by June, 2006.
- 4.17 Shri D. Biswal, CEO&A of CESCO pointed out that upgradation of distribution transformers has been taken up in rural areas. He stated that the allegation of non-replacement of burnt transformers is not substantiated by facts. The supply is restored even if there are negligible number of consumers who are paying. However he admitted that there had been delay in restoration, due to operational difficulties. Regarding induction of fresh engineers, he stated that, the brilliant candidates are not available on contractual basis at a meagre emolument of Rs.5000/- per month. The Commission in turn stated that CESCO is not prevented from offering a better scale of pay. He expressed his deep concern over non-filling up of vacancies in different cadres, thereby marring the efficiency of

the organisation. Regarding payment to GRIDCO, he stated that they have started paying BST dues in full in addition to interest of World Bank loan. He intimated that the distribution transformer-wise energy audit would be undertaken on a lesser scale especially in loss-prone areas. He requested the Govt. for establishment of special police stations and special courts on priority basis.

- 4.18 Shri S.C. Dutta, CEO, WESCO intimated that though in other states tariff hike is in the order of 30%, in Orissa there has been no rise in tariff for the last five years. He stated that despite such stagnation in tariff only 5% rise has been asked for. As such, the Commission may condescend to such meagre rise. Regarding the reduction of theft in HT sector, he stated that theft in HT at 11 kV is still quite high. Further, he iterated that interest on security deposit is being paid to the consumers on regular basis and load factor billing has been completely put to a stop. He highlighted that in WESCO area one special police station exists in paper only and no special court has yet been set up. He stated that ghost consumers had been eliminated. He further informed that WESCO's Board has inducted fresh engineers @Rs.5000/PM. He stated that there has been perceptible improvement in infrastructure. He added that as sufficient money is not being released by GRIDCO in relaxation of escrow arrangement, discharge of their obligation towards loan payment has been hampered to a great extent. Regarding frequent interruption in Western Orissa, he explained that it is due to lack of GRIDCO's infrastructure.
- 4.19 Shri J.M. Vashishat, ED, NESCO stated that they have introduced spot billing in Basta Division besides Bhadrak, Balasore and Sora. The Commission inquired as to whether the same has been extended to rural areas. The CEO responded that they are considering introduction of spot billing in reference to those areas where maximum number of working meters exist. He alleged that the police is not taking action against miscreants who are committing repeated theft. This de-motivates a good consumer to make payment. He stated that the Govt. should

render requisite assistance to them in this regard. The Govt. representative answered that in accordance with the provision of law they can lodge complaints directly to the Magistrate instead of approaching the police station.

- 4.20 The Commission questioned SHRI B.N. Roy of SOUTHCO as to why the CEO did not attend the SAC although he has joined after availing leave. Shri Roy preferred to maintain unobtrusive and studied silence in the matter. Regarding inefficiency Shri Roy stated that it is not borne out by facts. As SOUTHCO is saddled with LT consumers to the extent of 75% of the total strength of consumers, the loss level has to register an upward trend. Even if loss is reduced by virtue of energy audit, it goes up further within a short period. He stated that the actual benchmark should be the power purchased and the revenue collected. He stressed that the fixed charges should be enhanced. He expressed his inability to effect power disconnection even if the consumer does not pay. Similar difficulty is being encouraged in case of Govt. organisations also. Regarding non-spending of R&M money allowed by the Commission in the past tariff orders, he intimated that it could not be done due to paucity of fund.
- 4.21 Shri G. Singh, M.D., OPGC stated that he had the benefit of staying in six/seven states during the last eighteen years of his career. He finds that power situation in Orissa is far more comfortable than that prevailing in any other state. He suggested that the interest of all stakeholders should be taken care of.
- 4.22 The Chairperson thanked all the members for their participation and announced the formation of a Sub-Committee consisting of Sri Vivek Pattnaik as Chairman, Sri G. Pujari and Sri K N Jena as members and Sri B Mishra as Convenor to advise the Commission in the matter of simplification of procedure for filing complaints in Special Courts/Police Stations.

S.K. Jena)
Member

(B.C. Jena)
Member

(D.C. Sahoo)
Chairperson

ANNEXURE

SI No.	Name of the participants
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1. Shri D.C. Sahoo, Chairperson
2. Shri B.C. Jena, Member
3. Shri S.K. Jena, Member
4. Sri B.K. Nayak, Director (Consumer Affairs), Food Supplies and Consumers Welfare Department, Govt. of Orissa, Bhubaneswar.
5. Shri B. Mishra, Jt. Secretary to Govt., Deptt. of Energy, GoO, BBSR
6. Shri T.C. Hota, UCCI
7. Shri N. Ravi, Member, CCPPO
8. Shri R.K. Bansal, Chief Electrical Engineer, East Coast Railway, BBSR.
9. Sri Gobardhan Pujari, Rourkela.
10. Ms. Rama Subudhi, Advocate
11. Shri Pranakrishna Dash, Advocate, Cuttack
12. Shri K.N. Jena, President, FOCO
13. Shri S.C. Mohanty, Gen. Secretary, NOBSM
14. Shri S.K. Nanda, Convenor, CII
15. Shri Maheswar Baug, President, Nagarika Adhikar Surakshya Committee & Durniti Nibarana Sangha

16. Shri Vivek Pattanayak, IAS (Retd.)
17. Prof. (Dr.) Gyana Chandra Kar, Bhubaneswar.
18. Shri D. Biswal, CEO & Administrator, CESCO
19. Shri J.M. Vashishat, Executive Director, NESCO
20. Maj. General (Retd.) S.C. Dutta, CEO, WESCO
21. Shri B. N. Ray, Sr. Advisor, SOUTHCO
22. Shri Gurdeep Singh, Managing Director, OPGC.
23. Shri R.R. Das, Director (Finance), OHPC.
24. Shri Suresh Chandra Mohapatra, IAS, CMD, GRIDCO & MD, OPTCL.

**Proceedings of the Emergent Meeting of the State Advisory Committee of
Orissa Electricity Regulatory Commission held on 27th March 2006 at 3.00 PM
in the conference hall of the Commission.**

- A) Members present in the meeting are as per Annexure – A.
- B) The Chairman of the OERC who is the Chairman of the State Advisory Committee presided over the meeting.

At the outset, the Chairman welcomed all the Members and the Special Invitees of the State Advisory Committee and made a brief statement about sale of the Central Zone Electricity Distribution and Retail Supply Utility and also the sale process.

The Chairman requested the representatives of the UTI Bank, the Consultant to the sale process to make presentation on the subject for better appreciation of the subject by the Members of State Advisory Committee.

The Consultants made a presentation to the members of the State Advisory Committee describing in details of the sale, such as the background of the sale of the Utility, the provision of the Electricity Act, 2003 with regard to the revocation of license and sale of utility, the sale policy guidelines formulated by the Commission, the sale process and progress made so far, highlights of the Sale Order which is proposed to be issued by the Commission, the opening balance sheet which is offered to the bidders as the balance sheet of the new company, the observations

of the Supervisory Board, Government of Orissa and GRIDCO and also the views of the Consultants on the above subject.

Thereafter, the Chairman requested the members of the State Advisory Committee and the Invitees to give their comments and observations on the proposed draft sale order and various transactions agreements, which have been circulated to them. The members of the State Advisory Committee made their suggestions/observations which are as under:-

- 1) Shri Sarat Chandra Mohanty, General Secretary, Nikhila Orissa Bidyut Shramik Mohasangha, Cuttack stated as under:-
 - (i) The proposal for sale of 74 % of equity share in the new company to the investors is a deviation from the earlier equity sale in which 51 % of the equity share capital was offered for sale to the investor. 39% was retained by GRIDCO and 10% was reserved for Employees Welfare Trust. The present sale does not make any provision of equity stake for the employees of Central Zone Utility.
 - (ii) The proposed sale order provides that all employees are to be transferred to the new company. The sale order should cover the transfer conditions duly protecting the interests of the employees as was done earlier during transfer effected in 1998.
 - (iii) Draft sale order provides that the Delayed Payment Surcharge (DPS) both past and future will not be transferred to the new company. If the utility will not pay DPS, then it is not justified for the utility to claim DPS from the consumers.

- (iv) The three Reliance managed distribution companies, namely, NESCO, WESCO & SOUTHCO have challenged an order of the Commission before the Appellate Tribunal, New Delhi and the proceedings are pending there. In addition, the arbitration case between GRIDCO and AES Corporation has not yet been finalized.

In view of the above, Shri Mohanty suggested holding up the sale process for the time being till the conclusion of the aforesaid cases, especially the proceedings before the Arbitration Tribunal.

- (v) As an alternative to the sale process, the Commission may consider Management of the utility by the workers where GRIDCO can be involved and senior personnel at the Director level can be inducted for better management. OERC should consider this as an interim arrangement and as a new ideology.

2) Shri Gobardhan Pujari of Rourkela stated as under

- (i) The Commission should maintain a balance between interest of the consumers and the viability of the Utility while dealing with the treatment of old huge liabilities which CESCO has created.
- (ii) A protection clause may be inserted in the agreement to take care of a situation of default on the part of the Investor in managing the utility and there should be some guarantee enforceable against the Investor when he leaves the management in the manner AES did.
- (iii) Infusion of more funds into the company should be kept in mind while deciding the percentage of share holding by the Investor. Representation by GRIDCO in the management set up of new distribution company should be increased from 2 to 3 with 26% share holding by GRIDCO. He further stated that the time limit for complying with the performance standards by the new company should be specified.

- (iv) The T&D loss of 30% proposed in the sale order is on the higher side and in the absence of annual targets, the Commission will not be in a position to review the loss reduction each year which may be harmful to consumers' interest.
- 3) Shri S. K. Nanda referred to his observations on the draft order already submitted to the Commission and reiterated the following issues.
- (i) Shri Nanda queried as to whether it is mandatory to sell the Central Zone Utility to a private party as the Electricity Act 2003 does not provide for privatization of an electricity utility.
 - (ii) It may be elucidated as to whether the sale is proposed to be made under Section 22(1) instead of Section 20 of the Electricity Act 2003, as Section 20 does not envisage transfer of debts and liabilities to the new purchaser. Section 21 makes it abundantly clear that the utility shall vest in the purchaser free from any debt, mortgage or similar obligation of the licensee or attaching to the utility.
 - (iii) Major deviations between the draft agreements prepared by the Consultants and approved by the Supervisory Board and the present documents prepared by the Commission after hearing the prospective bidders need to be examined to ensure that they will not affect the interests of the consumers.
 - (iv) The notes to Schedule-A are not complete as no detailed particulars of Rs.1266.67 crore are available. The total current liability including ED is Rs.263.73 crore.
 - (v) The proposal of the Commission to defer the payment of the GRIDCO dues amounting to Rs.1266.67 crore and issue of zero coupon preference share for power purchase liability with a repayment period of 20 years with a moratorium of 7 years will only burden the consumers of the State since they are being asked to pay

the dues twice. The proposed securitisation of the arrear dues will adversely affect the consumers at a later date. As such, the financial burden due to this securitisation should not be passed on to the consumers.

- (vi) The DPS both for the past period and also for the future are being proposed not to be transferred to the new company as liability on this account will affect the financial viability of the proposed company as well as GRIDCO. Besides, if the utility is not paying DPS to GRIDCO, the utility may default in payment of dues to GRIDCO. Under such circumstances, the consumers also should not pay DPS to the utility.
- (vii) There has been discrimination in offering 74 % of equity to the purchaser as against 51 % which was done earlier for all four distribution companies. The multi year tariff principle, in which the Commission has decided to pay down distribution loss to 30% and scale up the collection efficiency to 97.5% to be achieved by March 2011 are not in agreement with the loss figures approved by the Commission in their tariff order dated 22.3.05.
- (viii) It has been envisaged for the draft sale order that the Commission will not check the actual loss reduction on yearly basis and will only enquire into the same at the end of five year control period. Such a stipulation will lead to imprecise reflection of the quantum of power to be purchased each year in the ARR of the utility. Further, non-fulfillment in actual reduction of loss on an annual basis may result in overall failure on the part of utility to reduce the targeted loss at the end of the control period.
- (ix) It has been provided that in case the utility fails to achieve the loss reduction, the investors shall arrange to bridge the shortfall funds but nothing has been contemplated against the investor, if he does not plough back such funds.
- (x) Implementation of Rajiv Gandhi Gramil Vidyut Karan Yojana (RGGVKY) and Minimum Need Programme (MNP) by the utility will not be a viable proposition from commercial point of view. Thus, it is imperative that

State Government should provide subsidy for the loss arising due to such Rural Electrification and this loss should not be passed on to the consumers.

(xi) A normal consumer is paying two months equivalent energy charges as security deposit. The distribution company being a consumer of GRIDCO is buying power in bulk and selling in retail to the consumers. Therefore, the distribution company should deposit two months' power purchase bill with GRIDCO as security deposit or letter of credit in favour of GRIDCO equivalent to two months power purchase bill.

4) Shri T.C. Hota, Chairman, Power Committee, UCCI Ltd., Bhubaneswar mentioned that whether it is mandatory for the new company to purchase power only from GRIDCO or it is free to purchase power from other sources. If they are allowed to purchase power from other sources, they may get cheaper power.

(i) Long tenure for repayment of liabilities of the distribution company to GRIDCO towards power purchase will burden GRIDCO and not serve the genuine interest of the consumers of the State.

(ii) The existing system does not lend a helping hand to the honest consumers who pay on the basis of energy consumed. In case of failure on the part of such honest consumers to pay electricity dues, they are being penalized either through disconnection or through the late payment surcharge. The same principle would also be applicable to the licensee mutatis mutandis when he runs away without paying dues of GRIDCO.

5) Shri Pranakrishan Dash, Advocate, Cuttack

(i) The proposed draft sale order requires the new company to pay GRIDCO dues over a period of 20 years. Therefore, the company should deposit sufficient security money to compensate for non-payment of

GRIDCO's dues, in case the investor walks away. Such a mechanism will avoid any apprehension that GRIDCO may suffer for such a long period of repayment.

- (ii) The utility should comply with the standards of performance as prescribed by Commission. The performance standards of the present utility being very low should be monitored by the Commission rigorously so that the consumers are not affected.

- 6) Shri Maheswar Baug, Ex-Minister & President of Nagarika Adhikar Surakshya Committee & Durniti Nibarana Sangha stated as under :-

He endorsed the proposal for sale of utility with following comments.

- (i) There should be no repetition of litigations, which we are facing now with the existing companies and the Commission should protect the State from such unwanted and unsavory situation. There has been no benefit to the consumers of the State by introducing Power Sector reforms in the State except that there has been no tariff increase in the last five to six years.
- (ii) The licensees are not attending to the genuine interests of the consumers and not maintaining quality of service. The consumers are being grossly exploited. The Central Zone Distribution should be under the State Government control through a newly incorporated company or should function under the supervision of OERC.
- (iii) The licensees have no humanitarian approach. A private party should not be entrusted with management of a public utility service like electricity. It should be under the Govt. control.

- 7) CMD, GRIDCO informed that GRIDCO has given its observations to the State Government and also to the Commission which may be considered by the Commission while finalizing the bid documents. Important issues are as under :-
- (i) The total outstanding payable to GRIDCO by CESCO as on 31st March 2006 is Rs.1566.00 crore as against Rs.1266.67 crore reflected in the draft sale order. The discrepancies should be reconciled.
 - (ii) The GRIDCO has issued power bonds to the generators which carry coupon rate of 8.5% to 10% and, therefore, issue of zero coupon preference shares would adversely affect the cash flow of GRIDCO, because the redemption of power bonds worth Rs.1102.00 crore will start from September 2006. The long moratorium period allowed to the new company will affect GRIDCO in servicing the power bonds and loans which have been raised to pay the generators.
 - (iii) The issue of preference shares by the new company to GRIDCO will put GRIDCO in an disadvantage position as there will be no voting rights of the preference shares and there is no remedy to collect the installments in case the company fails to redeem the preference shares on due dates. Other distribution companies may cite this case as precedent.
 - (iv) The utility may not recover the old receivables beyond Rs.110.00 crore because no mechanism to differentiate between old and current dues has been spelt out in the sale order. Further, no incentive mechanism has been devised spurring the utility to recover the arrear dues.
 - (v) The Commission has not allowed transfer of DPS for the both past and future on the ground that it shall affect the viability of the utility. Similar benefit will be claimed by the other distribution companies. Therefore, DPS should be charged by GRIDCO in case of default by the new company to pay bulk supply dues as GRIDCO is being charged with DPS by the generators in case of default.

- (vi) The unfunded amount of the terminal benefit as on 01.4.06 needs to be quantified.
- (vii) A provision to the effect has been inserted that the licensee will approach the investor to make good the shortfall, in case of the licensee fails to achieve the loss reduction target but it is not clear how and in what form the funding will be done by the investor. Funding of equity will affect the existing shareholding pattern.
- (viii) The Shareholder Agreement should provide investor's obligations towards improvement in performance. The private investor should be responsible for arranging the finance in case the utility defaults in payment of GRIDCO's dues and the investor should provide guarantee for discharging such financial obligations. Further, the investor should arrange working capital requirement of the utility. GRIDCO should exercise its inherent right to appoint auditors and carry out periodic inspection of the affairs of the utility as long as GRIDCO holds 26% share of the company.
- (ix) It has been the experience in the past that the majority shareholder is not taking interests in bringing any further capital to the company and therefore, the shareholders agreement should have the provision to make it obligatory on the part of the majority shareholders to bring any further finance so that the company does not suffer. As such, it is in fitness of things that the distribution company is managed by GRIDCO or by any other Government owned company.
- (x) The Commission has left a deficit of Rs.504.00 crore in the ARR of GRIDCO in 2006-07, which will be difficult to be met as trading has been substantially reduced.

8) Executive Director, NESCO stated as under :-

- (i) The proposal for waiver of DPS mentioned in the sale order should be made available to all distribution companies.

- (ii) Twenty years' repayment period for power purchase dues to GRIDCO should also be made available to other distribution companies.

- 9) CEO, WESCO stated as follows :-
 - (i) The Commission examine the factors responsible for non-exhibition of bidders to take over the utility. The proposed Escrow arrangement will create liquidity problem for the new company. As such, a certain percentage of revenue from Escrow account should be earmarked to meet the salary, O&M expenses.
 - (ii) The reduction of T&D loss to 30% excluding EHT sale is an invidious task inasmuch as the extant T&D loss will approximate 60% thanks to presence of ghost consumers.
 - (iii) The increase of BST rates as ordered by the Commission in the recent tariff order will affect all the utilities in paying the salaries as no company will be in a position to pay full BST bill to GRIDCO.

- 10) The Advisor, and General Manager (Finance), SOUTHCO endorsed the views expressed by the Executive Director, NESCO and CEO, WESCO.

- 11) Government of Orissa, Department of Energy
 - (i) OBS figures are provisional & projected. The sale order should provide mechanism to address variation in audited & projected figures. One year period should be kept to complete the audit for effecting changes in the Balance Sheet figures.

- (ii) Seven years' moratorium for repayment of power purchase liability of GRIDCO (Rs.715 crore) may force GRIDCO to borrowing for payment to generators. Servicing of such loan, both principal & interest may be allowed in the ARR of GRIDCO.
- (iii) Five years' moratorium for payment of GRIDCO loan (Rs.464.67 crore) which is asset based, is not justified, as the utility is allowed depreciation in its ARR to repay asset based loans. Therefore, the Utility should repay to the extent of depreciation allowed in its ARR. If moratorium is allowed, repayment of asset loan by GRIDCO should be allowed to the GRIDCO. Similar treatment should be given to the Working Capital Loan of GRIDCO.
- (iv) Gol has not yet agreed to treat 30% of World Bank Loan as grant.
- (v) Collection of DPS by GRIDCO from CESCO is not feasible.
- (vi) In the event, the licensee fails to reduce the loss appropriately, the investor shall arrange the cash to make good the shortfall and such an obligation should be made a part of the SHA. If necessary, Investor shall provide guarantee to enable the licensee to arrange the loan.
- (vii) ED & Inspection Fees payable by the Utility to GoO should be provided in the OBS.
- (viii) Purchase consideration should be transferred to the trust fund on the day of its receipt, preferably before handing over the management to the investors.
- (ix) There is no provision for annual review by the Commission to ensure whether the utility is appropriately reducing the T&D loss. In case annual loss target is not prescribed, it will be difficult on the part of the Commission to ascertain the quantum power, the licensee is going to purchase every year.
- (x) No subsidy can be provided by the State Govt. as envisaged in the National Tariff Policy.

- 12) The representatives of the Food Supply & Consumers Welfare Deptt., Government of Orissa, Bhubaneswar endorsed in general the views of the other Members of the State Advisory Committee.
- 13) Shri Vivek Pattanaik, IAS (Retd.) appreciated the action taken by the Commission in soliciting the comments of Government of Orissa & GRIDCO on the draft sale order and transactions agreements. He also appreciated the action taken by the Commission for through open the sale of the Central Zone Distribution utility for discussion in this forum. This is indicative of the fact that the Commission has adopted a very open and transparent process for the sale of the Utility.

The Electricity Act, 2003, mandates the Commission to invite applications and to select the purchaser on the basis of the highest and best price. Therefore, while finalizing the bid documents including the opening Balance Sheet, we should not adopt a populist stance but should be more pragmatic in approach. There should be a saleable proposition and we should take some bold steps to transfer only those liabilities to the new company, which can be serviced by the company. The Balance Sheet should be projected in a manner which would attract the investors to the bidding process.

Thereafter, the Chairman and the Members of the Commission clarified certain points raised by the Members in their observations. These have been described as under :-

- (i) 74% of equity share capital of the new company instead of 51% will not confer any additional rights on the investor under the Companies Act. In the similar vein, GRIDCO's rights under the Companies Act will not be diluted by reducing the stake to 26% as GRIDCO with 26% holding shall stall any special resolution which does not serve the interest of the Electricity sector. Further, 74% equity sale will bring more money, as compared to 51%.

- (ii) DPS upto 31.3.06 is not being transferred to the new company. The new company will be liable to pay DPS to GRIDCO if it defaults in payment of BST bills and this has been covered under the BSA.
- (iii) Setting a loss reduction target of 30%(excluding EHT sale) to be achieved by the new company by the end of control period does not prevent the Commission from monitoring the performance of the licensee including loss reduction. In fact, the Commission conducts review of the performance of all licensees each quarter.
- (iv) It is mandatory under the provisions of Electricity Act 2003 to sell the utility upon revocation of its license within one year of revocation. The Act does not prevent the Commission from transferring the liabilities to the purchaser. As such, there is no legal infirmity in* transferring the liabilities to the new company. The sale and vesting of the utility are in accordance with Section 20 & 21 of the Electricity Act, 2003.
- (v) The target for collection efficiency of 97.5% is meant for the current collection only.

At the end, the Chairman, thanked the Members of the State Advisory Committee for their valuable suggestions and observations.

-Sd-
(S.K. Jena)
Member

-Sd-
(B.C. Jena)
Member

-Sd-
(D.C. Sahoo)
Chairperson

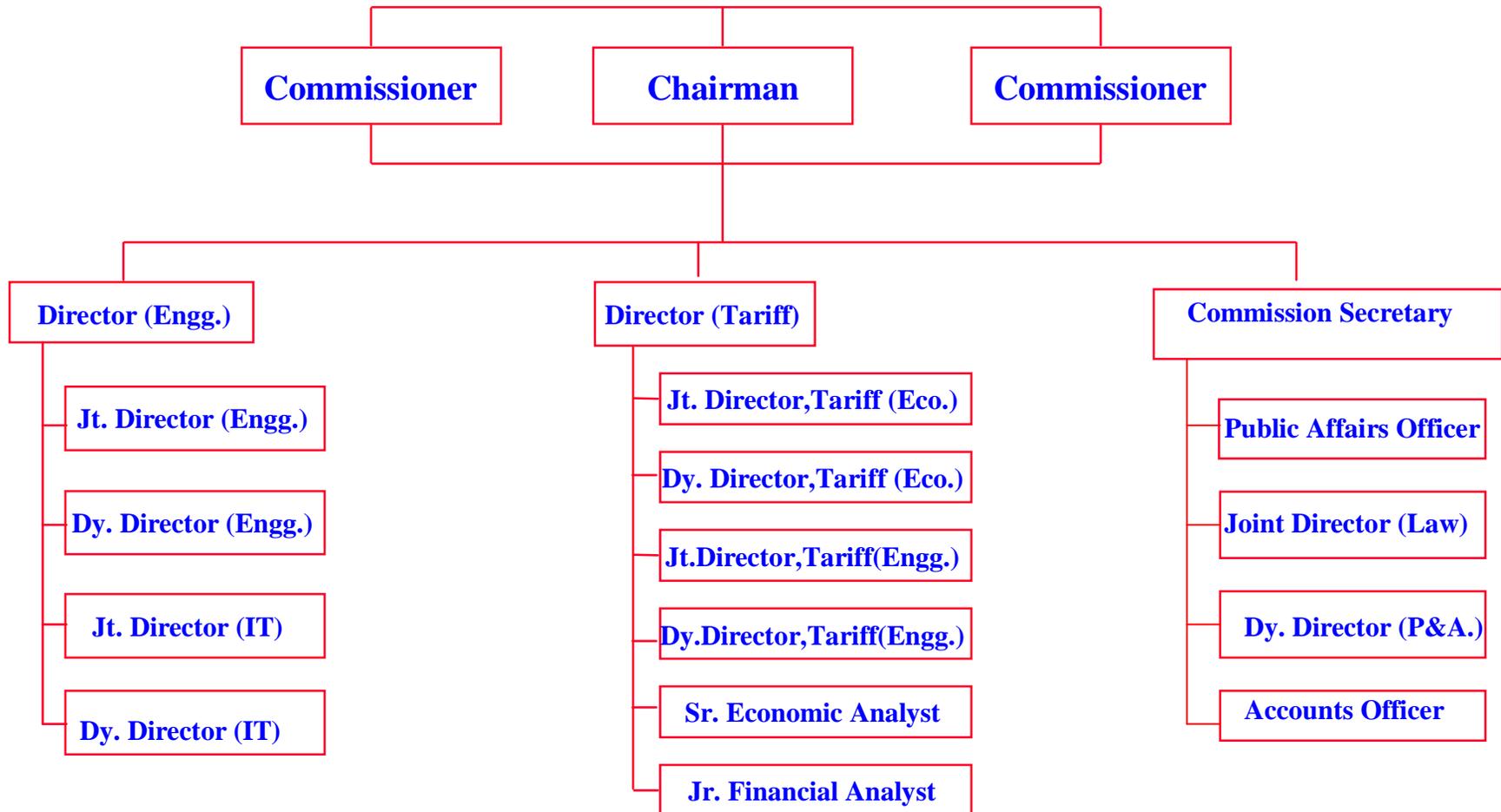
Members present in the emergent SAC Meeting held on 27.03.2006

Sl No. Name of the participants

1. Shri D.C. Sahoo, Chairperson
2. Shri B.C. Jena, Member
3. Shri S.K. Jena, Member
4. Sri Ashok Kumar Das, Under Secretary, Food Supplies and Consumers Welfare Department, Govt. of Orissa, Bhubaneswar.
5. Shri B. Mishra, Jt. Secretary to Govt., Deptt. of Energy, GoO, BBSR
6. Shri T.C. Hota, UCCI
7. Sri Gobardhan Pujari, Rourkela.
8. Shri Pranakrishna Dash, Advocate, Cuttack
9. Shri S.C. Mohanty, Gen. Secretary, NOBSM
10. Shri S.K. Nanda, Convenor, CII
11. Shri Maheswar Baug, President, Nagarika Adhikar Surakshya Committee & Durniti Nibarana Sangha
12. Shri Vivek Pattanayak, IAS (Retd.)
13. Shri D. Biswal, CEO & Administrator, Central Zone Electricity Distribution & Retail Supply Utility.
14. Shri J.M. Vashishat, Executive Director, NESCO

15. Maj. General (Retd.) S.C. Dutta, CEO, WESCO
16. Shri B. N. Ray, Sr. Advisor, SOUTHCO
17. Shri R.R. Das, Director (Finance), OHPC.
18. Shri Suresh Chandra Mohapatra, IAS, CMD, GRIDCO & MD, OPTCL.

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Annexure -IV

Seminar/Workshops/Training Programmes

Sl No	Name and Designation	Particulars of Programme	Duration	Place	Programme Conducted by
1	Shri S.K. Sahoo, SCA.	Improving effectiveness of PS/PA's and office personnels"	24.07.05 to 28.07.05	Ooty	National Institute of Man Management & Advancement, New Delhi
2	Shri L.N. Padhi, SCA	Improving effectiveness of PS/PA's and office personnels"	24.07.05 to 28.07.05	Ooty	National Institute of Man Management & Advancement, New Delhi
3	Shri M. Moharana, SCA	Improving effectiveness of PS/PA's and office personnels"	10.08.05 to 14.08.05	Mysore	National Institute of Man Management & Advancement, New Delhi
4	Shri P.K. Sahoo, SCA	Improving effectiveness of	10.08.05	Mysore	National

		PS/PA's and office personnels”	to 14.08.05		Institute of Man Management & Advancement, New Delhi
5	Shri S.N. Ghosh , Joint Director (Tariff-Engg.)	“Electricity Act 2003 – Open Access in Transmission & Distribution – Issues & Challenges”	23.08.05 to 26.08.05	Hyderabad	CIRE, Hyderabad.
6	Dr. M.S. Panigrahi , Joint Director (Econ. Analysis)	“Electricity Act 2003 – Open Access in Transmission & Distribution – Issues & Challenges”	23.08.05 to 26.08.05	Hyderabad	CIRE, Hyderabad.
7	Shri K.C. Tudu , SCA	“Improving effectiveness of PS/PA's and office personnels”	26.09.05 to 30.09.05	Goa	National Institute of Man Management & Advancement, New Delhi

8	Shri S.K. Bhoi, SCA	“Improving effectiveness of PS/PA’s and office personnels”	26.09.05 to 30.09.05	Goa	National Institute of Man Management & Advancement, New Delhi
9	Shri S.K. Jena, Member	Regulations and Policy makers Retreat.	16.09.05 to 18.09.05	Jaipur	Ministry of Power, New Delhi.