

ODISHA ELECTRICITY REGULATORY COMMISSION
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No.DIR (T)-371/09/1152
Dated- 16 .09.2015

To
The Authorised Officer,
SOUTHCO Utility, Courtpeta,
Berhampur.

Sub: **Review of Performance of SOUTHCO for the FY 2014-15 held in OERC on 20.08.2015.**

Sir,

In inviting a reference to the subject cited above, I am directed to send herewith the record note on the review of Performance of SOUTHCO for the FY 2014-15 held in OERC on 20.08.2015 for your information and necessary action.

Encl: As above.

Yours faithfully,
Sd/-

SECRETARY

Copy to:

- i) The Principal Secretary, Department of Energy, Govt. of Odisha along with copy of the enclosure for favour of information.
- ii) The CMD, GRIDCO, Janpath, Bhubaneswar along with copy of the enclosure for favour of information.
- iii) The CMD, OPTCL, Janpath, Bhubaneswar along with copy of the enclosure for favour of information.

Encl: As above.

Sd/-

SECRETARY

**Record Note of Performance Review of SOUTHCO held on 20.08.2015 at 11.00AM
in the Conference Hall of the OERC in presence of the Commission**

Date of Review : 20th August, 2015

Period of Review : April-March, 2014-15

Representatives of SOUTHCO, GRIDCO and OPTCL: list enclosed as Annexure-I.

The performance of SOUTHCO for the FY 2014-15 was reviewed by the Commission on 20th August, 2015 at 11.00 AM in the presence of senior officials of SOUTHCO, GRIDCO and OPTCL. Prior to this review, the Commission had prepared a set of queries which was sent to SOUTHCO on 30.07.2015 requesting them to prepare their performance presentation in line with the queries raised in the letter.

The Commission had directed time bound action on various issues including energy audit, receivable audit, SoP audit etc. The DISCOMs have been reminded in this regard. It is observed that the progress in these areas has been quite unsatisfactory as will be evident in the detailed discussion in the following paragraph. The Commission has also sent senior officers to different DISCOMs on various dates to meet and discuss with their senior officers so that energy audit, receivable audit and SoP audit spelt out in the Tariff order are completed by a particular date. It is observed that energy audit and receivable audit work has started and SoP audit is yet to be taken up. Sense of urgency is not observed among the DISCOMs to complete these works within the stipulated dates. The Commission is constrained to hold the CEO of CESU and the Authorized officers of NESCO/WESCO/SOUTHCO Utilities responsible for failing to carry out these instructions of the Commission.

The Commission has reviewed the collection position of the DISCOMs for the period April to June, 2015. It is seen that in spite of 20 P/U average tariff hike, the RPU has not shown proportionate improvement over the previous corresponding period indicating reduction in performance efficiency. This needs immediate correction by management.

The details of performance of SOUTHCO as indicated in its presentation with regard to the key performance indicators are as follows:-

Table-1

REVENUE PERFORMANCE OF SOUTHCO				
	Actual 2013-14	Actual for FY 14-15	Improvement over Previous Year	Approval for 2014-15
Energy input (MU)	2915.56	3192.84	277.28	3340.00
SALE TO CONSUMERS (MU)				
EHT	404.57	386.84	-17.73	427.03
HT	151.75	163.66	11.91	191.88
LT	1164.04	1397.23	233.19	1869.59
TOTAL	1720.36	1947.73	227.37	2488.50
LOSS (%)				
LT	46.07%	42.21%	-3.86%	24.86%
OVERALL	40.99%	39.00%	-2.00%	25.50%
BILLING EFFECIENCY (%)				
HT	92.00%	92.00%	0.00%	92.00%
LT	53.93%	57.79%	3.86%	75.14%
OVERALL	59.01%	61.00%	2.00%	74.51%
COLLECTION EFFICIENCY				
EHT	100%	98%	-2.33%	99.00%
HT	97%	98%	0.34%	99.00%
LT	85%	87%	1.48%	99.00%
TOTAL	91%	91%	-0.10%	99.00%
AT & C LOSS (%)				
LT	54.10%	49.96%	-4.14%	25.61%
OVERALL	46.39%	44.64%	-1.75%	26.25%

Commission's Observations:

The key observations are as follows:-

1. The total number of consumers rose to 13.67 lakh as on 31.03.2015 from 12.54 lakh as on 31.03.2014 indicating a rise in the order of 9.01%. However, the energy demand went up very marginally to 533 MVA from 532 MVA during the period registering a rise of 0.19% only.
2. The total input in MU increased from 2915.56 MU to 3192.84 MU during the period under review registering a rise of 9.51%. EHT sales reduced from 404.57 MU in 2013-14 to 386.84 MU in FY 2014-15 indicating a fall of 4.38%, whereas HT sales increased by 7.85% from 151.75 MU to 163.66 MU during the period. LT sales went up significantly by about 233.19 MU to 1397.23 MU in FY 2014-15 from 1164.04 MU in FY 2013-14 indicating a rise of 20.03%.
3. Overall billing efficiency has increased marginally to 61.00% in FY 2014-15 from 59.01% in FY 2013-14. LT billing efficiency increased from 53.93% in FY 2013-14 to 57.79% during FY 2014-15. The LT level billing efficiency is poor in SOUTHCO. The billing efficiency is less than 50% in Aska-I, Aska-II, Koraput, Purusottampur, Chatrapur and Bhanjanagar. SOUTHCO should focus on improving the LT billing efficiency in these divisions.
4. The overall collection efficiency remains the same at 91% even though EHT collection efficiency reduced from 100% in 2013-14 to 98% in 2014-15. The HT collection efficiency increased from 97% to 98% and that of LT from 85% to 87% during the period.
5. The overall distribution loss came down from 40.99% in FY 2013-14 to 39.00% in FY 2014-15.
6. The overall AT & C loss went down marginally from 46.39% in FY 2013-14 to 44.64% in FY 2014-15. However, division level performance at LT level shows a dismal performance. The AT & C Loss is as high as 69% in Aska-II and Malkangiri. About 8 Divisions have AT & C loss levels of 60% and more. Concerted efforts should be made to bring it down to at least 50% by next quarter.
7. On the issue of input reducing by 147 MU for FY 2014-15 against the approved figure, SOUTHCO stated that it was mainly because of less drawl of HT and EHT consumers to the tune of 60 MU and Cyclone Hudhud in Rayagada, Koraput, Nabarangapur & Malkangiri Districts. Further, EHT sales reduced due to less drawl of JK Corp Ltd. during FY 2014-15 on account of operation of its CPP. Regarding marginal reduction of Distribution Loss, SOUTHCO stated that overall distribution loss reduced by 2% and LT loss by 4% during FY 2014-15. SOUTHCO mentioned that overall AT&C Loss reduced by 1.75% and LT loss by 4% during FY 2014-15. Referring to the Commission's query of no increase in collection of arrear and addition of further arrear during 2014-15, SOUTHCO clarified that although the arrear collected is of Rs. 48 Cr but net arrear added was to the tune of Rs.79.80 Cr. On the issue of increased LT sales, SOUTHCO clarified that the same was due to addition of new consumers as well as loss reduction measures undertaken by the Utility.
8. On the issue of deteriorating performance during the 1st quarter of 2015-16 SOUTHCO admitted that though billing and collection amount have increased in the 1st quarter of 2015-16 as compared to the corresponding quarter of FY 2014-15, the collection efficiency has reduced from 87% to 83% and AT&C loss reduced from 48% to 47%. The

poor performance was largely due to reduction in HT & EHT sales during the 1st quarter of 2015-16. Commission directed SOUTHCO to opt for alternative collection mechanism to arrest the fall in collection efficiency. SOUTHCO can advertise in TV and other media about the new collection mechanism for creating awareness among consumers.

9. On arrear performance, SOUTHCO furnished a table which exhibited continuous addition to arrear from April, 2014 to June, 2015. SOUTHCO's accumulated arrears as on 31.3.2015 stood at Rs.568.00 crore which included Rs.43.00 crore of arrear on account of Govt. and PSUs. Commission directed SOUTHCO to follow new strategy to collect the growing arrears such as allowing consumers to pay in say, 12 installments. Commission further advised SOUTHCO to regulate power supply to prolonged defaulting consumers observing procedures as per Act. SOUTHCO should arrange Division level and Section level meetings and assign responsibility to the concerned officers to ensure full collection of arrears.
10. With regard to performance in terms of loss reduction, SOUTHCO has furnished a table which showed reduction in distribution loss both in LT as well as in the whole system. In fact, the overall distribution loss had come down by nearly 2% to 39% in 2014-15 from 40.99% in 2013-14.
11. Regarding target on division-wise revenue and the achievement thereof, SOUTHCO stated that revenue collected in most of the divisions was much below the targeted revenue during FY 2014-15. Similar trend was noticed during 1st quarter of 2015-16. However, the expenditure incurred including BSP in some divisions was lower than the revenue collected and the same was higher in other divisions. Commission directed SOUTHCO to go for power regulation for consumers defaulting repeatedly on dues.
12. On progress of CAPEX, SOUTHCO reported that Rs.35.38 crore out of Govt. funding has been spent on CAPEX during FY 2014-15. SOUTHCO also stated that during the 1st quarter of FY 2015-16, Rs.5.84 crore was spent on CAPEX from Govt. funding. For phase I Capex, SOUTHCO reported that a sum of Rs.81.49 crore has been spent till date and hopes that the project will be completed by December, 2015.
13. On the issue of energy audit, SOUTHCO stated that presently energy Audit is carried out in 3 nos. of 11 KV Feeders of 33/11 KV S/s of Ramchandrapur under GNED, Chatrapur . All the DTRs are metered and Losses are measured on monthly basis. To carry out full-fledged energy audit of all 11 KV Feeders, an amount of Rs. 9.50 Cr has been estimated for metering of 11 KV and 33 KV feeders. SOUTHCO reported that out of 169 Nos. 33 KV feeders, metering has been done in 75 Nos. feeders till March, 2015. Similarly, out of 508 Nos. 11 KV feeders, only 32 have been metered by March 2015.
14. On receivable audit, SOUTHCO stated that the same would be conducted from FY 2005-06 to FY 2014-15 by engaging auditors. SOUTHCO has engaged Division-wise 18 nos. of Auditors to carry out Receivable Audit. The draft Receivable Audit Report shall be submitted by 31st October 2015 and Final Report by 15th December 2015.
15. SOUTHCO stated that action has already been initiated for appointment of Chartered Engineers for SoP Audit.
16. SOUTHCO stated that all Subdivisions, Divisions, Circle offices were equipped with Computers and Internet facilities. Action has already been initiated for providing the computers to the Section offices. Steps have been taken for making provision of internet facility wherever available. The target date of computerization and Internet facility of all Section offices is 30th September, 2015.

17. On the issue of early settlement of disputed bills, SOUTHCO stated that the dispute settlement committees were being formed in Subdivision, Division, Circle and Corporate levels. Further in certain cases the field level people are empowered to revise the bills of any amount. During the FY2014-15, corporate office has revised 90 nos. of cases and involving an amount of Rs.1.45 Cr. During the 1st quarter of FY2015-16, 48 nos. of cases have been revised and an amount of Rs.1.17 Cr has been withdrawn from faulty bills.
18. On the issue of installing pre-paid meters, SOUTHCO stated that it has taken immediate action for installation of prepaid meters in the premises of the Govt. Consumers. SOUTHCO has awarded the job to M/s JNJ Powercom Systems Limited, a Hyderabad based company for installation of prepaid meters. So far 363 nos. of prepaid meters have been installed in the premises of Govt. consumers.
19. On Smart metering, SOUTHCO stated that it has awarded the smart metering project in 33/11 KV Malud Substation comprising of 4 Nos. of 11 KV feeders to M/s Longi Tech. (P) Ltd. and Feedback Infra Pvt. Ltd. in July, 2015. The project has a contract value of Rs.6.75 Cr and shall be started during September, 2015 covering about 800 consumers in 1st Phase and the balance number of consumers shall be covered within 180 days on successful completion of 1st Phase.
20. SOUTHCO also presented the various steps taken for reduction of technical and commercial loss and for improvement of collection to the Commission.
21. SOUTHCO further submitted that during the year under review there was a cash deficit of Rs.43.15 crore. SOUTHCO stated that during the year total cash inflow was Rs.773.18 crore which includes Rs.748.58 crore on account of revenue receipts from sale of power. Similarly total cash outflow was Rs.816.33 crore which includes Rs.584.48 crore on account of Power Purchase cost and Rs.189.88 crore on account of Employees related cost.
22. The all-Odisha performance indicators with all the four DISCOMs data put together is presented below:

ALL ODISHA DISCOMS PERFORMANCE						
	FY 2013-14		FY 2014-15		FY 2015-16 (Ist Quarter)	
	OERC Approval	Actual for FY 2013-14.	OERC Approval	Actual for FY 2014-15.	Target FY 2015-16	Actual Performance
DISTRIBUTION LOSS (%)						
CESU	23.00%	34.64%	23.00%	33.90%	23.00%	33.69%
NESCO	18.35%	33.84%	18.35%	31.10%	18.35%	26.42%
WESCO	19.60%	36.57%	19.60%	35.46%	19.60%	32.04%
SOUTHCO	25.50%	40.99%	25.50%	39.00%	25.50%	35.98%
ALL ORISSA	21.29%	35.85%	21.38%	34.46%	21.35%	
COLLECTION EFFICIENCY (%)						
CESU	99.00%	92.65%	99.00%	94.33%	99.00%	86.11%
NESCO	99.00%	96.85%	99.00%	96.96%	99.00%	89.31%
WESCO	99.00%	92.28%	99.00%	93.76%	99.00%	90.25%
SOUTHCO	99.00%	90.85%	99.00%	90.75%	99.00%	82.55%
ALL ORISSA	99.00%	93.30%	99.00%	94.35%	99.00%	
AT & C LOSS (%)						
CESU	23.77%	39.44%	23.77%	37.65%	23.77%	42.90%
NESCO	19.17%	35.93%	19.17%	33.19%	19.17%	34.29%
WESCO	20.40%	41.47%	20.40%	39.49%	20.40%	38.67%
SOUTHCO	26.25%	46.39%	26.25%	44.64%	26.25%	47.15%
ALL ORISSA	22.08%	40.14%	22.17%	38.16%	22.14%	

Directives of the Commission:

1. Looking at the low billing and collection efficiency, Commission directed SOUTHCO to opt for alternative collection mechanism to arrest the fall in collection efficiency. SOUTHCO can advertise in TV and other media about the new collection mechanism for creating awareness among consumers apart from administrative measures to meet rising expenditures.
2. Commission directed SOUTHCO to follow new strategy to collect the growing arrears such as allowing consumers to pay in say, 12 installments. Commission further advised SOUTHCO to regulate power supply to prolonged defaulting areas/consumers in accordance with law. SOUTHCO can arrange Division level and Section level meetings and assign responsibility to the concerned officers to ensure full collection of arrears.
3. Looking at the trend of division-wise revenue collected and expenditure made and also the accumulated arrears as on date, Commission directed SOUTHCO to go for power regulation for consumers with prolonged default of dues.
4. Commission directed SOUTHCO to come up with a plan of actions to reduce distribution loss, increase billing efficiency particularly in LT and also enhance Collection Efficiency in the short run as well as long run and act on it. The copy of plan should be placed with Commission by 15th October, 2015.
5. The licensee should submit an action taken report on all the items mentioned above positively by 15.09.2015.
6. Looking at dismal progress on Energy Audit, Commission desires to know whether the management is sincere in its objective. If so, the time frame for completion within three months must reach Commission by 15th October, 2015.
