

**BEFORE THE ORISSA ELECTRICITY REGULATORY COMMISSION
B H U B A N E S W A R**

Case No.60/2015

IN THE MATTER OF: Submission of reply to the objections made by the objectors admitted by the Hon'ble Commission on the CESU's ARR application filed for the FY.2016-17 admitted as Case No. 60/2015.

AND

IN THE MATTER OF: Central Electricity Supply utility of Odisha (CESU), 2nd Floor, IDCO Towers, Janpath, Bhubaneswar – 751 022.

.....Applicant

THE HUMBLE APPLICANT ABOVE NAMED MOST REPECTFULLY SHEWETH:

1. That, an application was filed by CESU for Annual Revenue Requirement & Retail Supply Tariff Charges for the Financial Year 2016-17 under Electricity Act-2003 before the Hon'ble Commission on 30.11.2015.
2. That, to the ARR application of CESU for the ensuing year 2016-17, 29 (Twenty Nine) objectors have submitted their objections to the Hon'ble Commission as per the list enclosed as **Annexure-I**.
3. That, the replies to the objections are enclosed herewith as **Annexure-II**.

Bhubaneswar

Date: 28.01.2016

By the applicant through

Sri Prasana Kumar Dash

CHIEF GENERAL MANAGER (COM)

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Affidavit verifying the Application for reply to the objections made by the objectors on the CESU's ARR filing for the FY.2016-17

I, Sri Prasana Kumar Dash S/o Late Bainkuntha Nath Dash, aged about 58 residing at Bhubaneswar do hereby solemnly affirm and say as follows:

1. I am the Chief General Manager (Com) of Central Electricity Supply Utility of Odisha, the applicant in the above matter and duly authorized to make this affidavit on its behalf.

2. The statements made at Point No. 1 to 3 and other information herein shown to me is based on information and I believe them to be true.

Bhubaneswar

By the applicant through

Date: 28.01.2016

**Sri Prasana Kumar Dash
CHIEF GENERAL MANAGER (COM)**

LIST OF OBJECTORS HAVING FILED THEIR OBJECTIONS AGAINST ARR & RETAIL SUPPLY TARIFF APPLICATION OF CESU FOR THE FINANCIAL YEAR 2016-17	
Sl. No.	Name of the organizations/persons with address
1	Sri Ramesh Ch. Satpathy, Secretary, National Institute of Indian Labour, Plot No.302(B), Beherasahi, Nayapalli, Bhubaneswar-751012
2	Sri Debabrata Pathi, Chief Electrical Distribution Engineer, East Coast Railway, Rail Sadan, Chandrasekharapur, Bhubaneswar - 751 017.
3	Sri Akshya Kumar Sahani, Retd. Electrical Inspector, GoO, B/L-108, VSS Nagar, Bhubaneswar.
4	Sri Prabhakar Dora, Advocate, Vidya Nagar, Co-operative Colony, 3rd Lane, Rayagada, Dist. - Rayagada.
5	Sri R.P.Mahapatra, Retd. Chief Engineer & Member (Gen., OSEB, Plot No.775(Pt.), Lane-3, jaydev vihar, Bhubaneswar - 751 013.
6	M/s Swain & Sons Power Tech Pvt.Ltd., Swati Villa, Surya Vihar, Link Road, Cuttack - 753 012.
7	Sri Prashanta Kumar Das, president, State Public Interest Protection Council, 204, Sunamoni apartment, Telenga Bazar, Cuttack - 753 009.
8	The Utkal Chamber of Commerce & Industry Ltd., (UCCCI), N-6, IRC Village, Nayapalli, Bhubaneswar - 751 015.
9	Idcol Ferro Chrome & Alloys Limited, Jajpur Road, Jajpur.
10	Sri Ananda Kumar Mohapatra, S/o Jachindranatha Mohapatra, Power analyst, Propiter of Mohapatra & Associates, Plot No:-L-11/68, SRIT Colony, Budharaja,P.S:-Ainthapali, Town &Dist:-Sambalpur, Odisha - 768004.
11	Sri Manoranjan Sahoo (OCL), Assistant Executive Director, Kapilash Cement Manufacturing works (A unit of OCL India Ltd.),At:-Biswali, PO:-Barunia, Dist:-Cuttack, Odisha:-754082.
12	Sri Santosh Agarwal, Secretary, All Odisha Rice Millers Association,S-3/36,Sector-A,Zone-B,Mancheswar Industrial Estate,Bhubaneswar-10.
13	Sri C.V. Padmaranjan, Director, M/s Magnum Seafood's Ltd., At:-Botanda, PO:-Rameswar, Dist:-Khurda
14	Sri Bijaya Kumar Pradhan, President, Grama Panchayat Development Committee, At:-Mendhasal, G.P:- Dist:-Khurda.
15	Sri K.P Krishnan (The Khauti Sambad),Patrsahi Road, Near Hotel Vijaya, College Square,Cuttack-3.
16	Sri Rajkishore Padhy, Odisha retired Power Engineers Forum .C-7640, Bhoi Nagar Bhubaneswar-751022.
17	Sri Bijan Kumar Mohapatra, Zilla bidyut Upavokta Sangha,At/PO:-Redhua,Via:-Nalibar, Dist:-Jagatsinghpur-754104.
18	Sri Niranjana Barik, Secretary, RUSSA, At:-Makundapur, PO/Dist:-Jagatsinghpur-754103.

19	Sri Bhanja Kishore Rath, Secretary Bidyut Upavokta Mahasangha, Jagatsinghpur, AT:-Kantaballavpur, Backside of District Fishery Office, PO/Dist:-Jagatsinghpur-754103.
20	Sri Bansidhar Acharya, President, Upavokta Surakshya Avijan, Odisha,L-41, Housing Board Colony, Baramunda, BBSR.
21	Sri Subash Chandra Barik, S/O:-Sridhar Barik, National service Organization, Balansa, Purunabasant, Nalibar, Jagatsinghpur-754104.
22	Sri Dolagovinda Mohapatra, District Electrical Consumers Association,Cuttack, At:-Bodar,PO:-Kalarabanka,Via:-Raghunathpur,Dist:-Cuttack-754132.
23	Sri Sarit Mohapatra, Secretary, Samaj Bikash Mission,At/PO:-Raghunathpur,Dist:-Jagatsinghpur, Pin:-754132.
24	Sri Jayguru Mohapatra S/O:-Dwijendra Mohapatra ,At:-Sivapur,PO:-Gothina,Via:-Raghunathpur,Dist:-Jagatsinghpur:-754132.
25	Sri Amar Kumar Jena, Secretary, Odisha Electrical Consumers Association, Siva Shakti Medicine Complex, B.K.Road, Cuttack 753001.
26	Sri Batakrushna Das, S/O:-Kasinath Das, At:-Hatagram PO:-Redhua, Via:-Nalibar, Dist:-Jagatsinghpur-754104.
27	Smt Banita Samal, Rajya Upavokta Mahila Kalyan Mahasangha, L-41,Housing Board Colony, Baramunda, Bhubaneswar.
28	Smt Snehamayee Acharya, Anchalika Khauti Surakhya Sangh,At:-Janhapal,PO:-Pankapal,Via:-Rahama,Dist:-Jagatsinghpur-754140.
29	Sri Deepak Kumar Singh, Confederation of Indian Industry (CII), Odisha State Office, 8 Forest Park, 1 st Floor, Bhubaneswar-751009.

ANNEXURE- II

Twenty nine (29) objections are received by the closing date for filing objections against the Petitioner's ARR & retail supply proposal for the financial year 2016-17 admitted vide case No-60/2015.

Objections common to the list of objector's filings are replied first with captioned objections followed by Petitioner's reply.

1. *Objection:* *Objectors objection is not to consider over drawl penalty on demand as well as energy charges as proposed in ARR because, such overdrawal of demand is in a single time block & penalty burdens the HT/EHT consumers with paying more cross-subsidy.*

Reply: Demand over drawl by a consumer means over drawl beyond the agreed contract demand. Such over drawl always destabilizes otherwise a balanced demand network system. Over drawl also leads to deviation of petitioner's drawl schedule as per OGC; warranting deviation charges. So, any over drawl beyond agreed load is against Grid discipline which should be discouraged by levy of penalty both in demand as well as energy. As per supply code provisions, EHT/HT consumers choose their contract demand. They should not get a free hand to draw load as per their wish.

Over drawl penalty is a discouraging factor and penal amount is not considered as revenue from sale of energy. Cross subsidy inbuilt into the retail tariff is estimated on the approved sales which does not include estimation for any future over drawl.

Over drawl penalty on demand is in force. Petitioner's appeal for penalty on proportionate energy charge is justified because that will make further caution for over drawl by a consumer which leads to deviation of Petitioner's scheduled drawl from the Bulk Trader and such deviation charge is applicable on energy drawl by the Petitioner. Further, for a single block overdrawal by consumers, SMD of the Petitioner's may be exceeded the approved as well as permitted SMD, for which Petition is liable to pay SMD charges excess of the permitted SMD in monthly basis and again may pay SMD charges if the annual average SMD exceeded the approved SMD to the bulk supplier.

So the objection is devoid of facts and may be rejected.

2. Objection: *Petitioner's proposal for withdrawal of incentive benefit for off-peak consumption citing reasons of huge peak to off-peak demand gap (steps for flattening of load curve) may not be allowed.*

Reply: It is a well established fact that, there exists a huge demand gap between peak and off-peak hours in Odisha's Grid system as well as the Petitioner's network which is cited in the ARR proposal. Incentive in off-peak energy consumption intends, a consumer should prefer to use his industrial load in off-peak hours thereby getting incentive migrating his load from peak hours.

From the peak to off peak demand gap of industrial consumers, it seems they do not utilize this proposition of off-peak incentive. So, the Petitioner's proposal for imposition of penalty during peak hour consumption and by withdrawing off-peak hour incentive will certainly help in migration of partial industrial load to off-peak hours.

Petitioner's proposal may be considered which will certainly pave way for industries or high end consumers to migrate their industrial consumption to off-peak hours from peak-hours.

3. Objection: *Petitioner's proposal for separate tariff for industries expecting to overdraw due to seasonal factors or for new consumers intending to draw power whose demand is not considered during the ARR proceedings not to be allowed. This will overburden the consumers.*

Reply: Petitioner's estimated sales projection for existing & upcoming consumers for the ensuing year is based on average load factor during past years & taking consent of some EHT consumers whose consumption is highly fluctuating. Sales for new consumers expecting supply in ensuing year are estimated based on average load factor of intending category. Existing consumers sometimes approach for additional load requirement for seasonal requirements; so also for new consumers whose drawl estimation does not include in ARR proposal, approach for additional/new load. To meet such demand, Petitioner's demand exceeds the schedule demand leading to levy of deviation charges in BST. The proposal is intended for these unscheduled sales where extra bulk purchase cost as well as deviation charge if any could be met.

Further, it is to state that based on the consumer's application having CD \geq 1MVA, their name was included in ARR. But practically, out of the included list of upcoming consumers, 10% consumer is not availing power supply during the said financial year. The proposal is to meet extra cost likely be borne by the Petitioner to meet the demand; otherwise such demand can be denied by the Licensee which will not be considered an industrial friendly proposition. Existing consumers are not overburdened by this proposal.

So, the proposal may be considered which will benefit all stake holders.

4. Objection: *Many objectors have filled for withdrawal of reliability surcharge or re-look to the surcharge rate citing reasons of unreliable supply to the consumers and indirect tariff hike.*

Reply: The supply network consists of EHT, HT and LT consumers. More than 95% of the consumers are availing supply in LT and rest 5% are only availing supply in HT and EHT.

Reliable surcharge is levied to customers who draw load in HT or EHT through dedicated feeder. The Petitioner always intends to maintain reliable supply by adequate maintenance of the network and timely capacity addition.

When HT and EHT supply network is maintained efficiently, then only more reliable power will be available in the LT. So, a consumer availing supply in a dedicated feeder enjoys quality and reliable power. This surcharge is levied only when the required reliability index is achieved by the Petitioner.

In power deficit situations LT consumers, being large in number are subjected to situational black outs whereas dedicatedly supplied consumers are excluded from black outs getting reliable supply.

Reliability surcharge collection in the FY 2015-16(Upto Sept'15) is very low as compared to the collection made during FY 2014-15 on this account. This is mainly due to 50% reduction of reliability surcharge rate and reduced EHT sales.

Reliability surcharge is presently levied on HT/EHT consumers availing reliable and quality power supply through feeders from the EHT Grid Substations or Primary Substations of the Utility. But, the reliability surcharge levied in the RST Order of FY 2015-16 i.e. 10 paise per unit is quite low.

The Utility is spending substantial amount in maintaining such infrastructure to extend for such reliable and quality supply to the consumer.

Hence, the reliability surcharge @ 20 paise per unit which was prevailing in the FY 2014-15 on a dedicated feeder concept applicable for EHT or HT consumer may be considered so as to collect sizeable amount for maintenance and infrastructure for reliable power.

5. Objection: *Proposal for levy of Monthly Minimum Fixed Charges (MMFC) to the consumers having contract demand less than 110KVA excluding single-phase consumers based on contract demand instead of recorded Maximum Demand may not be allowed.*

Reply: Capital is infused for improvement of system network and capacity is created to adequately meet contractual demand under a transformer. Monthly minimum fixed charge (MMFC) is basically recovery of capital cost to meet the contractual load demand. Fixing MMFC on average demand record of a consumer instead of contractual demand leads to under recovery of capital cost. A consumer having load above 110 KVA is free to choose his contract load paving a way for optimum utilization of capacity. He also pays a minimum demand charge if he does not use his contractual load. A consumer having connected load of less than 110 KVA is free to use up to his contractual load but pay MMFC only on maximum load he uses. The consumer does not pay MMFC for the capacity created for him: also this creates disparity vis-à-vis a consumer with load of more than 110 KVA.

So, MMFC should be recovered based on contract demand and not on maximum demand and may be payable at least up to the end of the agreement period.

6. Objection: *Proposal of Petitioner to levy power factor penalty to the consumers having contract demand less than 110KVA who avail supply in 3-phase may not be considered as most of these consumers are connected to the LT network of the Petitioner's supply system.*

Reply: A three phase consumer availing supply whether from LT, HT or EHT and simultaneously having inductive load draws reactive current adds to the system loss. HT/EHT consumers pay penalty if they fail to maintain their PF at normative level. LT consumers are not paying any such charge.

With advent of economic improvement LT consumers do use more and more inductive load/appliances like Air Conditioner, Washing Machines, Grinders, Welding Machines and above all CFL lamps. Collective reactive load burdens the system and adds to technical loss.

The proposal is to extend the power factor penalty provision to all three phase consumers who mostly use the induction motors. They are also free to improve their PF by installing capacitor banks with little cost. This proposal will bring a check to indiscriminate use of energy inefficient appliances/motors for national interest.

The object may be overruled and the Petitioner's proposal accepted for building a healthy network.

7. *Objection:* *Petition's proposal for reduction of interest rate on Security deposit may not be accepted.*

Reply: Interests on Security Deposit were enhanced to 8.75% from the RST Order 2014-15 equalizing to RBI notified bank interest. The licensee will have to park entire security deposit in long term deposits to meet the interest burden leaving no money for working capital of the licensee. Besides when a consumer either exits or enters in agreement in a mid-year, approved interest on SD could not be realized during the exit or entry year.

At present interest on security deposit is @ 8.75% per annum whereas present bank rate is 7.25% per annum and in this condition, CESU has to pay 1.5% extra interest over the bank rate. So, it is proposed that the Hon'ble Commission may consider 6.75% as the interest rate for security deposit with consideration of 0.5% as contingent cost for security deposit management due to the following reasons:

- CESU has to pay interest from date of deposit where as CESU took some time to deposit the amount with the bank.
- RBI is marking downward revision of interest rate, very often during a financial year
- To maintain the security deposit account and fixed deposit account CESU is incurring some expenditure.

8. *Objection:* *Realization of afresh meter rent in case of OK mechanical meters replaced by a static meter.*

Reply: As per Clause No.54 (1) of OERC Distribution (Conditions of Supply) Code, 2004, all the meters shall be static type. But at present, the OK mechanical meters could not be replaced with static meters primarily for the objections by the consumers on repayment of rental afresh. They are insisting that it is not an obligation on their part to pay the meter rent again, when the existing meters are in OK condition.

Hence, it is requested before the Hon'ble Commission to provide specific direction in the RST Order 2016-17 for rental realization afresh incase of replacement of OK mechanical meters.

9. Objection: *Petition's proposal to levy of 1% surcharge on energy charges for coming two years for creation of contingency fund to the tune of Rs.60.00crores to meet the contingency work during natural disaster like cyclone, flood, earthquake etc may not be allowed.*

Reply: In CESU area, the cyclone is visiting almost on yearly basis causing heavy damage to the supply network; predominantly in the coastal and low lying areas.

Substantial amount of funds are required for urgent restoration of supply lines which the licensee finds difficult to arrange on a war footing. During last two cyclones i.e. Phailin and Hud-hud, CESU has incurred more than Rs.80.00crores for each with borrowed money and equipments from the Government and other sources.

The proposal is to meet the contingency arising out of such natural disasters and benefit of all stakeholders of the electricity supply system must come forward to meet the contingency. The surcharge is to be levied only for two years to create a corpus of Rs.60.00 Crores. The learned objectors should realize the situation and support for the cause of the general consumers. This proposal has also been accepted by an objector; hence the Hon'ble Commission may consider this proposal.

10. Objection: *Petition's proposal for enhancement of supervision charges for installation of supply system to new consumers or enhancement of capacity of the existing consumers from 6% to 10% may not be allowed.*

Reply: Supervision charge of 6% is in vogue for more than 10 years. The employee's cost; who are engaged in supervision has gone up almost four-fold during this period and also the rate of inspection fees by the Electrical Inspector upwardly enhanced.

New consumers intending to avail supply with network modification or existing consumers going for load enhancement should bear Licensee's expenditure for supervision.

In other States such supervision charges is also much higher than the prevailing rate in Odisha as mentioned in the ARR proposal.

The Petitioner's proposal for enhancement of supervision charges to 10% is reasonable and not a burden on the consumer. This may be accepted.

11. *Objection:* *Petition's proposal on employees cost estimation for the FY.2016-17 is high.*

Reply : The Honorable Commission has approved an expenditure of Rs.343.94 Crores in ARR filed for FY 2015-16. The projection for the 2016-17 has been arrived at Rs.433.66 Crores which is nearly 26% hike than the approved figure for CESU. This 26% hike is expected due to impact of Seventh Pay Commission & annual increment of 3% in basic.

12. *Objection:* *Petition's proposal on A & G cost estimation for the FY.2016-17 is unjustified.*

Reply: Distribution Franchisees (BOT Model) are operating in 14 divisions of CESU Area. Revenue sharing of Distribution Franchisees (BOT Model) paid by CESU is an additional substantial expenditure to reduce the AT&C loss in CESU. Such expenditure under the A & G cost is estimated for the FY.2016-17 is Rs.32.22 Crores.

As per the provisional accounts for the FY 2014-15, an amount of Rs. 28.14 has already been incurred under the head Franchise operation expenses. During the year 2015-16 actual expenditure under Franchise operation upto Nov'2015 is Rs. 21.71 crs. and we expect to incur another Rs.9.00 to Rs.10.00 crs in balance four months. Considering the expected improvement in the performance of CESU a 7% hike in the Franchise operation expenses has been projected for the FY 2016-17.

Accordingly, the A&G costs have been estimated by taking into consideration a normal increase @7% towards inflation over the past year approved expenditure.

13. *Objection:* *Petition's depreciation cost estimation for the FY.2016-17 is high.*

Reply: Due to increase in the volume of assets under various Schemes like Capex, Deposits Work, System improvement, Desi, Elephant Corridor etc. There is an increase of gross fixed assets to the tune of Rs. 368 Crs. over the balance figure upto 2014-15. Accordingly depreciation has been enhanced from Rs.108.74 Crs. in FY 2014-15 to 138.19 Crs. in FY 2016-17.

14. Objection: *Petition's repair and maintenance (R&M) expenses estimation for the FY.2016-17 is high.*

Reply: The demand for R & M was based on gross assets as on 31.03.2016. There is an increase of gross fixed assets to the tune of Rs. 368 Crs. in comparison to the FY 2014-15, for which we require additional R & M to the tune of 19.80 cr. And for special R & M we also expect a sizeable amount to be required for R & M.

Due to the funds flow problem CESU could not spend the required amount for maintenance of fixed assets as per the norms of OERC i.e. 5.4% of Gross FA (opening). However considering expected improvement in performance of CESU during the FY 2016-17, we expect more cash flow in CESU hand, So that CESU will venture more expenditure in maintaining its assets as per OERC norms. So we have given hike in R & M. CESU has been taken steps to maintain its Distribution Sub-Station lines through engaging the Franchise to reduce AT&C loss.

Repair & maintenance of transformers, replacement of conductors & lines etc. CESU have its own E&MR Division, who is looking after the Lines & Primary Substation etc.

15. Objection: *Petition's Bad debt provision expenses estimation for the FY.2016-17 is very high.*

Reply: On the basis of Statutory Auditor observation regarding short Provision for Bad & Doubtful Debt, CESU has changed its policy and has provided for B&D Debt on the basis of the long non paying consumers those who have not paid during last 3 years. Accordingly an amount of Rs.371.33 Cr. has been provided on the basis of information available in consumer data base as on 31.03.2015.

16. Objection: *Objectors have appealed to increase the higher power factor incentive percentage.*

Reply: Achieving the normative power factor by installing in-house capacitor banks to compensate reactive energy drawl is a healthy sign for benefit of all stakeholders. Higher power factor incentive outgo is much higher than realization from low power factor penalty burdening the licensee with unreasonable expenses. So, the proposal to increase the percentage of higher power factor incentive may not be allowed but should be either reduced or the incentive may be stopped as only high value consumers are getting such benefit.

17. Objection: *AT&C loss under Franchise operation in Dhenkanal, Chainpal & Kendrapara Division has increased from the base line up to 9/15. In SUPL/RUPL area the AT&C loss is more than the base line.*

Reply: As seen from the division-wise AT&C loss reduction performance table as shown in our ARR application (refer Page No. 28), the AT& C loss has reduced by 1.15% to 14.31% in 8 Electrical Divisions and it has increased in six divisions. Out of these six divisions, 4-divisions are under M/s RUPL and M/s SUPL and two divisions are under Dhenkanal Circle.

In the Dhenkanal Electrical Circle, M/S Enzen had faced stiff resistance from some groups of consumers, because of which it took more time to stabilize its operations. However, this year it is expected that the AT&C loss reduction performance will be better. Similarly, the performance in three divisions under M/s RUPL and one division under M/s SUPL had also faced some adverse situations like public resistance, strikes by meter reader/bill collectors and defects in the SAP billing system which contributed to its poor performance. These are by and large resolved and therefore, the DFs are optimistic about their performance in FY 15-16 and FY 16-17. Further the AT&C loss as shown against Sept'15 will be reduced further by the year end i.e. March'16.

18. Objection: The scenario of 14 divisions of CESU as regards to AT&C loss is concerned, which plays a vital role for determination of tariff.

Reply: While fixing the RST tariff, OERC only considers the Distribution Loss Reduction target as fixed by the Commission, but not the actual distribution loss of CESU. For example, the distribution loss as projected by CESU for FY 15-16 was 31.83%, but OERC fixed the distribution loss target of 23%, based on which the RST tariff was finalized. Hence, there is no direct relationship between the actual loss of CESU and the tariff fixed by the Commission. But high distribution loss of CESU vis-à-vis OERC target affects its cash flow.

19. Objection: *There is no possibility of reduction of T&D & AT&C loss in DF areas as DF is not investing anything for improvement of T&D loss.*

Reply: With regards to investment, the performance of DFs is being monitored directly by a Committee for Franchisee Operations (CFFO) constituted by Hon'ble Commission from time to time and CESU Management.

Even they are issued the event of default notice as per terms of the agreement asking all the DFs to rectify these deficiencies. Further they are now persuaded to invest more on the CAPEX, OPEX and Metering front. The DFs have already installed around 2 lakh meters in their respective areas.

20. *Objection:* *Petition's proposed hike in Retail Tariff to meet the revenue gap for the Financial Year 2016-17 may not be allowed.*

Reply: The licensee has estimated the gap considering AT&C loss level of 34.05% for the ensuing year. For the last 2 to 3 years reasonable improvement in AT&C loss could not be achieved due to large scale connection of BPL consumers to the network & reduced EHT sales. Retail Tariff during last 10 years was almost static and does not commensurate with increased cost of supply. This has resulted in non-availability of adequate funds for system improvement & in metering technology. All stakeholders must think for a concrete solution to reasonably increase the tariff for bridging the revenue gap.

21. *Objection:* *AT&C Loss Reduction - Even after directions from Hon'ble Commission from time & again, no appreciable improvement has been observed. The Honest consumers and Power sector as a whole suffer a lot due to high AT&C loss at different levels.*

Reply: The AT&C loss of CESU has reduced from 62.4% in FY 1999-00 to 38.1% in FY 2014-15, resulting AT&C reduction of 14.3%. Similarly, AT&C loss has reduced by 5.5% between FY 2009-10 to FY 2014-15 i.e. from 43.6% to 38.1%. CESU is adopting the following measures on revenue improvement to achieve the AT&C loss target set by Hon'ble Commission:

- (i) Improving Billing Efficiency
- (ii) Reducing Technical loss
- (iii) Improving Collection Efficiency

(i) Improving Billing Efficiency

The main reason of CESU's poor performance is its low billing efficiency of 66.10%. In other words, 34% of input is not billed, only due to its inefficient metering and billing system. If technical loss is taken as 20%, then 14% loss is due to commercial loss.

This loss can be recovered with lesser investment only through a robust monitoring mechanism. CESU has adopted the following measures to improve its billing efficiency:

- A. Input Based Franchise Operations
- B. 100% metering and billing.
- C. Replacement of LT conductor with AB Cable
- D. MRT Squad operations
- E. Energy Audit and accounting
- F. Use of IT as an Analytical Tool

(ii) Technical Loss Reduction Strategy of CESU

The following activities are being undertaken at present by CESU in its CAPEX Programme, specifically for reduction of the Technical Loss:

- a) Re-conductoring of O.H Line Conductor (33 KV & 11 KV)
- b) New O.H Line AAAC -33 KV (in KM)
- c) Load Balancing and proper earthing
- d) Tree Pruning

(iii) Improving Collection Efficiency

The following activities are being undertaken to improve collection efficiency:

- a) Grievance Redressal, even involving GRFs
- b) Payment through web / Internet / ECS etc
- c) Engagement of Disconnection Squads
- d) Arrear analysis and arrear recovery follow up
- e) Regular monitoring to improve collection coverage

22.Objection: *Penal/ extra bills are raised against consumers in the name of past dump data, meter slow and due to carbon deposit in the CT wiring etc.*

Reply: If it is identified from the dump report, there is escaped billing to the consumer due to meter slow and based on the percentage slow of the meter identified by the MRT team, the additional bill is levied to the consumer. In this regards, the consumer can appeal to the assessing officer. If not satisfied with the decision of the assessing officer, the consumer can go to the GRF for its redressal. In this regard, CESU is also creating awareness among the consumers about the Grievance Redressal Mechanism through participating in various fairs/ exhibition.

23. Objection: *Distribution Loss and Energy Audit: The Licensee is not able to reduce distribution losses over the years and energy audit has not been carried out.*

Reply: CESU has requested the Hon'ble Commission to fix the T & D loss to 31.66% which may be considered for early recommendation. The distribution loss profile of CESU are as follows:

Period	Actual T & D Loss
2006-07	43.52
2007-08	41.51
2008-09	40.33
2009-10	39.42
2010-11	38.30
2011-12	38.19
2012-13	37.04
2013-14	34.63
2014-15	33.90

There is a declining trend of loss reduction, but not as per target set by Hon'ble Commission. However to meet OERC direction CESU requires huge investment to reduce the technical and commercial losses. Apart from that support from Govt. and consumer are important.

The present metering & energy audit status of 33KV and 11KV feeders is as follows:-

CATEGORY OF FEEDERS	TOTAL (NOS)	METERED (NOS)	ENERGY AUDITED(NOS)	EA TARGET (NOS)
33 KV fdrs	155	153	81	153
11 KV fdrs	804	695	499	695

CESU has identified seven no of 11KV feeders (mentioned below) for complete DT metering and consumer metering for voltage wise loss calculation.

Non-franchisee Area

- (I) 11 KV RMRC feeder under BCDD-II, BBSR
- (II) 11KV FDR-3 under BED, BBSR.
- (III) 11KV Chauliganj-2 feeder under CDD-II, Cuttack.

Franchisee Area

- (IV) 11KV Kacheri feeder under PED,Puri
- (V) 11KV MandaSahi feeder under JED,Jagatsinghpur
- (VI) 11KV Athagarh Town-I feeder under AED,Athagarh
- (VII) 11KV Barang feeder under CED,Cuttack

CESU has segregated the total AT&C loss into distribution loss and technical loss based upon analytical methodology prior to the filling of ARR for FY16-17 and the details losses are mentioned below:-

Technical loss between 33KV to consumer level is 20.16 %.

Distribution loss between 33KV to consumer level is 24.63 %.

Technical & Distribution loss of CESU excluding EHT is 39.19 %.

24. Reintroduction of 'Take or Pay' tariff for achieving higher Load Factor.

CESU's Reply: During the enforcement of the 'Take or Pay' tariff on achieving higher Load Factor, none of the consumers have come forward to avail the tariff. The main reason is long duration annual shut-down of plants by the industrial consumers even extending for months. Due to this reason the consumers do not perceive to achieve the target Load Factor to get the benefit of "Take or pay" tariff. The licensee has no objection for reintroduction of the "Take or Pay tariff" as this will make optimum utilization of system capacity and guaranteed revenue gain.

25. Objectors have appealed for change of TOD off-peak period from 00:00 hrs to 06.00 hours of next day (six hours) to 22.00 hours to 06.00 hours (eight hours) of the next day.

CESU's Reply: The Licensee has proposed for total withdrawal of TOD benefit as it does not help in flattening of load curve as dealt in reply to ' Objection:-2'. So further extension of TOD benefit hours may not be accepted.

26. Objectors have appealed for implementation of urban & rural tariff accordingly to the geographical area.

CESU's Reply: This proposal needs to be discussed & deliberated considering all stake holders interest. The Licensee reasonably spends more in building & maintaining rural network than urban ones. Since consumer density is lower in rural network, licensee's capacity is not optimally used.

With the lower end consumer profile in rural areas loss is also high. High loss areas taking 11 KV feeders as units may bear higher cost of tariff in rural area. Considering the social economic condition, the rural consumers will be burdened heavily if this proposal is accepted.

27. In addition to the above objections many of the objectors have asked for commercial, technical information from the licensee through their objection petitions.

Reply: The licensee views that commercial and technical information are always available to all stakeholders either through RTI Act or approaching the concerned Divisional Engineers. Dealing such information in the tariff petition may not be appropriate and time consuming.

Objections specific to the list of objector's filings are replied individually below with captioned objections followed by Petitioner's reply.

Name of the objector: Chief Electrical Engineer, East Coast Railways, Rail Sadan, Chandrasekharapur, Bhubaneswar 751 017.

Objection-2: *In comparison to other States, in Odisha Railway Traction category is combined with other EHT Industrial consumers and the Tariff is unfairly charged higher than EHT and HT consumers.*

Reply: The Railways avail supply in EHT level i.e. 132 KV for traction purpose. Tariff fixed for this category in line other EHT consumers which is non-discriminatory and justified.

Objection-3.3: *Cost of supply at F-5 format of EHT is 354 paise for FY 2016-17 whereas existing is at very higher tariff.*

Reply: There is always a gap between the cost of supply and the cost of sale to subsidized low-end consumers. Part of the subsidy need to be realized from other high end consumers. This cost of supply is calculated at F5 considering the existing BSP rate.

Objection-3.4: *Load Factor incentive in tariff is applicable on achieving 60% LF for which Railways could not reach that level. It should be reduced to 40% as Railway is making Security Deposit at 40% LF.*

Reply: Graded slab tariff is intended for optimum utilization of system capacity. Lowering the ceiling will lead to stranding of capacity. The Objector should optimize their utilization to get the benefit of graded slab rates. This slab rate does not have any relation with the load factor(%) fixed for Railway category i.e 40% as per the Reg.19 of OERC Distribution (Conditions of Supply) Code 2004.

Objection-3.5: *The rate of Rs.4.15 per unit for >60% Load Factor is considerably low than 1st slab rate.*

Reply: The proposed energy charges for all category of EHT consumers which also includes the Railways is same i.e. Rs.4.15 per unit. This proposal will encourage consumers to utilize their capacity optimally thereby paying lower tariff.

Objection-3.6: *Proposal for simultaneous metering of all the Traction Points.*

Reply: Metering is done for agreed supply at a point of supply. Electricity distribution supply policies or regulations are based on individual metering for all points of supply.

Objection-4.1 & 4.3: *Transmission and distribution losses are factored into retail tariff and for the Railways the metering point may be considered at the point of injection to the traction instead of metering at Grid point of supply. Net Metering billing should be made by CESU.*

Reply: The objector's contention is not based on facts and regulatory provisions. Meters are installed for them at point of supply as done with other EHT consumers having dedicated lines. Further, EHT sale approved by the Hon'ble Commission is at zero loss. In case of only solar rooftop, net billing provision is available in regulation. Further, railway is not a generating unit to consider their negligible import power due to regenerative breaking arrangement and their proposal should not be considered.

Objection-5.4: *While charging reliability surcharge power interruption more than 7hr 12minutes during a month of a traction point is not considered by the discoms availing supply from the adjacent TSS.*

Reply: In case of power failure or shutdown of the Grid substation, TSS is availing feed extension from the adjacent TSS. In feed extension time TSS is also availing power supply from CESU through a different circuit / meter, so how the power failure hour could be considered while the said TSS is availing power from CESU through other TSS. The Railways avail supply in EHT level i.e. 132 KV for traction purpose. Tariff fixed for this category in line other EHT consumers which is non-discriminatory and justified. Further, the consumer is also availing feed extension demand benefit without paying the excess demand charge and over drawal penalty for the feed extended demand. The objectors request should be rejected.

Objection-6: *Withdrawal of Maximum Demand during feed extension over the different DISCOMs as per the tripartite agreement.*

Reply: Feed extension is allowed to the Railways between traction points within a Licensee's area of operation which is regularly allowed to the Objector.

Name of the objector: Sri Ramesh Ch. Satpathy, Secretary, National Institute of Indian Labour, Plot No.302(B), Beherasahi, Nayapalli, Bhubaneswar-751012

Objection-2 : *The objector has raised that CESU has not taken any interest for quality power supply to the consumers and unplanned interruption in rural areas.*

Reply: The allegation regarding not making interest to provide quality power supply to consumers since the Odisha Electricity reform is completely baseless and false. CESU had been made assets created under APDRP, RAPDRP, CAPEX, RGGVY & BGJY with the interest of consumers to get quality power supply. Presently, Capex program is continuing in CESU and other programs such as ODSSP- SCRIPs, IPDS are under process for implementation. In addition to the above, some works have been executed under SI & remunerative scheme from CESU fund. The above programs have been made and planned to be made for improvement of system and to provide quality power supply to the consumers.

The allegation of unplanned and unregulated power-cut is denied. At the time of any shutdown/load shedding, the same is being informed to the consumer well in advance through different media & public address system.

Name of the objector: Sri A.K.Sahani, Electrical Inspector (Retd.), M/s Sahani Energy Consultancy, B/L-108, VSS Nagar, Bhubaneswar.

Objection-7 & 17(F): CESU has not extended TOD benefit to all the consumers having CD of <110KVA yet and such benefit should be provided retrospectively.

Reply: CESU is extending TOD benefit to all consumers wherever the meter has facility to record TOD energy. CESU is also installing meters in phased manner having TOD facilities for all three phase consumers to facilitate TOD benefit.

Objection-9 : Objection regarding Discoms are not attaching the reliability index calculation sheet and voltage variation report with the bill to the consumer.

Reply: CESU is providing the *reliability index calculation sheet and voltage variation report with the reliability surcharge bill to the applicable consumer and allegation is false.*

Objection-12 : Licensee should extend power supply of contract demand less than 70KVA from their system.

Reply: CESU is extending power supply of contract demand less than 70KVA from their system. While such type of consumer wishes to take power supply with own transformer to avail uninterrupted power supply / standard voltage for their benefit, CESU is providing permission to such type of consumers.

Objection-17 (A) : Objection regarding the automatic compensation as stipulated in OERC (Licensees Standards of Performance) Regulations are not been extended by CESU so far to any consumer.

Reply: CESU is providing compensation whenever required in case to case basis.

Objection-17 (D): *The objector has raised the issue of deliberate interruptions power supply within 60hours in a month, the licensee is taking advantage of regulation.*

Reply: The licensee has no policy to deliberately interrupt power supply to take advantage of the clause as mentioned above. Short time interruptions are sometimes made to the gap in demand & supply. Supply hours are much above the regulatory provisions as verified regularly from power-on-hours downloaded by the Licensee from static meters installed at different locations.

Objection-17 (E). *Specific time frame should be made by the Hon'ble Commission for installation of HT meter for a HT consumer where LT metering unit is supplied and metering cubicle for small MI consumers should be discouraged.*

Reply: In some cases, HT consumers are provided with LT metering due to non-availability of required capacity of HT metering unit. In such cases the consumer is given an opportunity to procure the required capacity of HT metering unit since this type of metering unit is a non-standard and non-customized items generally not procured by CESU.

A metering cubicle is installed as per direction in tariff orders.

Objection-17 (G). *OYT consumers should not be charged with transformer loss as such consumers are LT consumers.*

Reply: OYT consumers when install transformer of adequate capacity which conform to standard metering unit ratings; HT metering is done with no transformer loss add up. When transformers are lower in size; LT metering is done and transformer loss is added to consumption considering the tariff order directions and provisions of regulations.

Name of the objector: Sri Prabhakar Dora, Advocate, Vidya Nagar, Co-operative Colony, 3rd Lane, Rayagada, Dist. - Rayagada.

Objection : *Utilities are collecting crores of rupees towards rent on meter, having no records on it. The Licensees are forced the consumer to own their meter instead of giving on hire.*

Reply: Consumer wise levy of meter rent and collection thereof is available in CESU's billing software and the allegation regarding having no record on collection of meter rent is false. As per regulation, CESU is providing meter to the consumers and if the consumer wishes could pay the total landed cost of the meter or pay monthly meter rent. Further, the consumer could purchase the meter from the authorized supplier to avoid monthly meter rent payment. The allegation regarding forced to give own meter by the consumer is totally false.

Objection : *Licensees are enhancing their distribution network without consumer indexing and it appears like unplanned and unapproved.*

Reply: Consumer indexing is an on going process and most of the consumers are already indexed. With proper planning and approval through different schemes, the distribution expansion / up-gradation works are executed. The allegation is false.

Objection : *Licensees are not maintaining the register of complaints, outages, disconnections, reconnection, seal/meter and assets.*

Reply: All the registers are being maintained like *complaints, outages, disconnections, reconnection, seal/meter, assets* etc in CESU, so the allegation is false.

Name of the objector: Sri Prashanta Kumar Das, president, State Public Interest Protection Council, 204, Sunamoni apartment, Telenga Bazar, Cuttack - 753 009.

Objection : *Faulty billing system.*

Reply: CESU has adopted a fare billing system over the year. It has followed the provision laid down in the regulation. However in very few cases this deviation occurs which are resolved case to case basis.

Objection : *Arbitrary replacement & testing of meters.*

Reply: The procedure adopted by CESU for meter replacement, testing is fare and independent. There is no complaint regarding development of too many defects. The contention of arbitrary demand of meter rental is false & baseless. This is always carried out as per the provision of regulation & RST. CESU is making the revision exercise through various committees constituted at the Subdivision, Division, Circle & Headquarter level. So that the revision process takes minimum time and effective.