

Executive Summary on review of performance of NESCO

Date of review: 02.05.2007
Period of review: April, 2006 to March, 2007
Persons present: Col. (Retd.) S. Mohanty, CEO
Shri S D Bhanja, A.G.M. (Com.)

Commission's observations on licensee's performance

1. PURCHASE OF POWER FROM GRIDCO AND PAYMENT OF BST BILLS

Name of DISTCOs	OERC's Estimate for 2006-07	Actual for 2006-07			
	Energy input (MU)	Energy input (MU)	BST bill of GRIDCO (Cr.)	Payment made to GRIDCO (Cr.)	% Payment of BST bill
CESU	4,164.00	4,623.63	653.33	625.36	95.7%
NESCO (including drawal from TSIL)	4,169.00	3,991.77	520.93	580.76	111%
WESCO	4,600.00	4670.561	693.21	739.37	107.00%
SOUTHCO	1,750.00	1832.24	229.30	229.30	100.00%
ALL ORISSA	14,683.00	15118.2	2096.8	2174.8	103.70%

The Commission observed that NESCO has purchased 177.2 MU less over target fixed by the Commission for the FY 2006-07.

2. SALE TO CONSUMERS (MU)

Name of DISTCOs	Voltage	OERC's Estimate for 2006-07	Actual for 2006-07	Target for 2007-08
CESU	EHT	395.9	494.87	636
	HT	589.8	636.51	723
	LT	1,804.20	1480.01	2064.1
	TOTAL	2,789.90	2611.39	3423.1
NESCO	EHT	1,320.00	1330.09	1752
	HT	568	580.11	666
	LT	967.5	759.51	909.3
	TOTAL	2,855.50	2669.71	3327.3
WESCO	EHT	1,000.00	950.21	1690
	HT	1,286.00	1234.37	1446
	LT	761.7	784.32	986.2
	TOTAL	3,047.70	2968.90	4122.2
SOUTHCO	EHT	192.7	191.76	185
	HT	247	226.35	229
	LT	732.8	616.13	850.9
	TOTAL	1,172.50	1034.25	1264.9
ALL ORISSA	EHT	2,908.60	2966.90	4263
	HT	2,690.80	2677.30	3064
	LT	4,266.20	3640.00	4810.5
	TOTAL	9,865.60	9284.20	12137.5

As far as NESCO is concerned, the targeted sale at LT has not been achieved. Failure to reach the targeted sale at LT is very glaring. With decrease in 177.2 MU in energy input, the sale in LT has decreased by 208 MU with reference to OERC target. Lower sale, particularly at LT implies increase in distribution loss which NESCO has failed to arrest.

3. Billing and Collection

Name of DISTCOs	Voltage	Shortfall between Billing and Collection (Cr.)	Billing (Cr.)	Collection (Cr.)	Shortfall (Cr.)	Billing (Cr.)	Collection (Cr.)	Shortfall (Cr.)
		2004-05	2005-06			2006-07 (Actual)		
CESU	LT	92.56	395.38	325.52	69.86	384.36	341.33	43.00
	Overall	112.92	713.06	631.78	81.28	782.59	732.84	49.75
NESCO	LT	33.78	152.78	119.81	32.97	177.06	121.51	49.60
	Overall	42.07	590.22	525.65	64.57	743.37	680.62	62.75
WESCO	LT	46.91	176.84	130.19	46.65	182.96	140.71	42.30
	Overall	58.53	795.62	748.79	46.83	913.52	866.78	46.70
SOUTHCO	LT	21.25	151.64	130.4	21.24	155.50	135.36	20.14
	Overall	26.07	301.18	274.6	26.58	304.43	282.09	22.34

4. Collection Efficiency:

Name of Distcos	Voltage	Collection Efficiency (%)		Target for 2007-08 (%)
		OERC's Estimate for 2006-07	Actual for 2006-07	
CESU	LT	89.0	89.00	
	Overall	89.0	93.6	92.0
NESCO	LT	94.0	69.00	
	Overall	94.0	92.00	94.0
WESCO	LT	94.0	77.00	
	Overall	94.0	95.00	96.0
SOUTHCO	LT	93.0	87.00	
	Overall	93.0	93.00	94.0

The Commission expressed their displeasure over non-collection of even the current revenue. Against a monthly billing of Rs.14.8 crore for LT consumers the shortfall in collection is Rs.55.6 crore or nearly 31% of the amount billed for LT is not being collected. LT Performance particularly in UED Udala, BTED Basta, JTED Jajpur Town etc is a matter of considerable concern. Thus, arrears have been accumulating month after month. NESCO instead of taking effective steps for collection the utility is asking for escrow relaxation to carry out their operation and maintenance works. This kind of inefficiency is seriously affecting the financial viability of the utility. Regarding arrears in the EHT category, NESCO

submitted that cases pending before different courts of law are the main stumbling block. The Commission observed that during 2006-07 the BSP bill of NESCO is almost matching with the collection received from HT/EHT category of consumers. The Commission also directed that a copy of the HT/EHT bills should be submitted to the Commission within 20th of May, 2007. It is observed that only 78% of the meters in NESCO area are in working condition.

5. Distribution Loss:

Name of DISTCOs	Voltage	Distribution Loss (%)		Target for 2007-08 (%)
		OERC's Estimate for 2006-07	Actual for 2006-07	
CESU	LT	37.3%	53.2%	34.4
	Overall	33.0%	43.5%	29.3
NESCO	LT	52.9%	59.4%	51.1
	Overall	31.5%	33.1%	26
WESCO	LT	62.4%	64.20%	52.0
	Overall	33.7%	36.4%	25.0
SOUTHCO	LT	38.2%	52%	33.2
	Overall	33.0%	43.6%	30.4

The Commission necessarily must record their extreme displeasure over the high distribution loss at 33.1% during the year 2006-07 as against the target of 31.5% set forth by the Commission. Even LT loss in the same period has shown no sign of relenting. Against 60.2% LT loss in 2005-06 and OERC target of 52.9% in 2006-07, NESCO has recorded high LT loss of 59.4%. This constitutes a major failure of the licensee. In spite of repeated directions of the Commission, they have not taken effective steps for reduction of T&D loss.

6. AT & C Loss:

The Commission can not but express their total and absolute dis-satisfaction over the AT&C loss achieved during 2006-07 at 38.8% as against the target of 35.6% and reminded them they must take positive and serious steps towards achieving the objective of reducing the AT&C losses.

Name of DISTCOs	Voltage	AT & C LOSS (%)		Target for 2007-08 (%)
		OERC's Estimate for 2006-07	Actual for 2006-07	
CESU	LT	44.2%	58.4%	58.4
	Overall	40.4%	47.1%	35.60
NESCO	LT	55.7%	72.0%	72.1
	Overall	35.6%	38.8%	33.26
WESCO	LT	64.7%	72.0%	72.4
	Overall	37.7%	39.7%	28.00
SOUTHCO	LT	42.5%	58%	58.2
	Overall	37.7%	47.7%	34.20

The extremely high AT&C loss of 72% in the LT category against the target of 55.70% for 2006-07 is absolutely scandalous. The Commission observes with the utmost seriousness that the persistent claim for further retail tariff hike in the face of such high AT&C loss is nothing but an attempt at day light robbery of the paying consumers, by the Utility itself.

7. Energy Audit

The Commission desired to know the plan and progress of energy audit of NESCO in order to bring down distribution loss. NESCO in their reply stated that as per direction of the Commission during last review meeting, energy auditing has been taken up under all the 33 KV feeders and 7 nos. of 11 KV feeders. During the review, the Commission observed that out of 14097 nos. of DTRs only 1103 DTRs have OK meters. The Commission expressed their displeasure over such a state of metering of distribution transformers. The Commission once again advised NESCO to expedite transformer wise and feeder wise energy audit in the divisions where the LT losses are quite high.

The Commission also directed NESCO that, energy audit will not be fruitful unless regular periodical monitoring is taken up. It is observed that even after 100% metering of grid s/s, distribution transformers, consumers loss level could not be reduced to the desirable extent. Hence, the solution to the distribution loss reduction lies in energy audit (by regular monitoring). The Commission also directed to fix AB cable in theft prone areas.

The very objective of the ambitious programme of loss reduction has been defeated due to the negligent action on the part of the licensee. The Commission wanted to know why a pilot project of pillar boxes for metering of 10 to 12 consumers as suggested in the last review meeting has not been carried out. The Commission suggested that the service connection can be given to the consumers from the pillar boxes and the consumers can have their own display meters but the billing should be done based on the reading of the centralized pillar box meters.

On the whole it is felt that, although, money and materials were available, energy audit could not be conducted successfully mainly because of administrative, technical and commercial failure.

8. ABT Metering:

The Commission reiterated fixation of ABT compliant meter on HT & EHT consumers as ABT regulations is going to come into effect shortly. To this, NESCO replied that ABT compliant meters have been installed in all EHT/HT large industrial consumers. The Commission desired to know the frequency of monitoring of the functioning of the meters at regular intervals.

9. Spot billing:

The Commission emphasized on the introduction of spot billing at a much faster pace. To the Commission's query, NESCO submitted that spot billing is working successfully in 9 divisions and it is expected that the entire jurisdiction of NESCO will be covered by 2008. CEO submitted that spot billing is presently carried out through outsourced personnel. They have not been authorized for spot collection till date.

10. Maintenance of Quality of Supply:

The Commission expressed concern regarding failure of a large no. of power transformers. The Commission wanted to know the reason for failure of large number of power transformer which are very costly pieces of equipment. The Commission further directed that there should be regular analysis to find out the reason for failure of such large number of transformer. The Commission directed in the last review that the licensee should have adequate no. of circuit breakers and the existing circuit breakers should be maintained in order that they function smoothly and properly. The Commission also directed that adequate no. of power and distribution transformers should be kept as spares. The Commission wanted to know the exact duration of tripping of lines. The Commission further wanted to know why there is a complaint of load shedding in different areas of NESCO. It was found that the licensee has not

been replacing the burnt transformer on the pretext that the arrears are pending against the consumers connected to that transformer. **The Commission directed that irrespective of accumulation of arrears due to some consumers the licensee should replace the burnt transformer with a new or repaired transformer so that genuine consumers are not harassed.** The licensee should operate the transformers from time to time according to the rise in contract demand. It came to the notice of the Commission there is allegation of power outages in Jajpur Road and Bhadrak area. To this, CEO NESCO submitted that for improvement of power supply the Duburi-Jajpur Road line Panthar conductor need to be reconducted and it requires shut down permission from OPTCL side. Since CESU is opposing this shut down the matter is getting delayed. Regarding power cuts in Karanjia sub-division it is found that due to slow progress of work in upgradation of 33 KV line from Rairangpur to Karanjia this problem is arising. NESCO submitted that the balance work will be completed as soon as possible. Regarding load restriction on the feeders fed from Baripada and Jaleswar 132/33 KV s/s. CEO submitted that the Kuchei 160 MVA transformer was installed on 9th may, 2005. It failed immediately thereafter in that month. It was replaced with a 100 MVA transformer. It was able to meet the load of Baripada and Jaleswar grid. But during the early part of 2007, the demand went upto around 87 MW due to sudden rise in the agricultural and traction load. However, now the LI loads have come down due to off season and railways have agreed to divert their load for which the demand has reduced. Hence, no further power regulation is necessary.

SCADA

In the hearing before the Commission on 05.04.2007 in case No.5/2005, NESCO had said that M/s Enzen Global had made a presentation recently for implementation of SCADA. Five substations in Balasore areas have been selected for initial implementation. M/s Enzen Global was to submit the complete project report to NESCO. The work was required to be taken up on BOOT basis. NESCO was required to place the order for the work by 15th July, 2007. Thereafter within one month the work is to be completed. The Commission had directed NESCO to submit the action plan for SCADA within 31.05.2007. CEO, NESCO said that the project report has been received from M/s Enzen Global for implementation of SCADA in six s/s of Balasore town. The report shall be put before the Board of Directors for approval. The implementation shall be done in 3 phases. However, CEO, NESCO promised to furnish the action plan by 31.05.2007 as earlier ordered by the Commission in case no.5/2005.

Information on Guaranteed Standards of performance

- a) It was pointed out that NESCO is not furnishing the last two items of the guaranteed standard of performance. NESCO promised to include those two items hence forward.
- b) The Commission said that the licensees are required to pay compensation to the consumers due to failure on their part to meet the service standard. The Commission wanted to know in how many cases such compensation have been paid by the licensee. CEO, NESCO submitted that not a single compensation has been paid so far. The Commission directed that, legitimate compensation should be paid to the affected consumer and the same should be publicized for consumer awareness.

Considering the above facts, the Commission opined that during the current financial year no tangible steps have been taken by the licensee for reduction of interruption and improvement of quality of supply.

11. Arrear Collection and Auditing of receivables:

The Commission expressed their concern over the mounting of the receivables especially in LT category of consumers. The LT arrears as on 31.03.2007 amounts to Rs.456.45 crore out of which Rs.357 crore pertains to the period from 01.04.1999 to 31.03.2007. The dues of State Govt. and PSUs have also reached an amount of Rs.66.87 by 31st March, 2007. The Commission wanted to know the genuineness of those arrears and directed to submit a list of such defaulting departments. The Commission directed that Govt. arrears should be reconciled as Govt. is ready to pay. The Commission further directed that after handing over of the RWSS to Panchayat the bills should be served on the Panchayat and before that it should be served on respective department. The Commission wanted to know the status of receivable audit. NESCO submitted that it is going on full steam and will be completed within 4 months.

12. RIMS (Regulatory Information Management System) Implementation:

It was observed that NESCO has not yet supplied consumer wise data on billing and collection. Therefore, NESCO is directed to furnish the aforesaid data from April 2006 to March 2007 by May 19, 2007. This will not only help the DISTCOs, but also act as a data warehouse for the power sector of Orissa.

13. Induction of Franchise in loss prone areas

The Commission observed that the increase in input, reduction in billing and also reduction in collection taken together accounted for the poor performance of NESCO. Therefore, the Commission directed the licensee to gradually introduce franchises and gradually switch over to the input based franchises in loss prone rural areas. However, the Commission is of the view that the franchise system may be tried first in rural areas.

14. Grievance Redressal

A large number of complains/allegations are coming out in the print media regarding unsatisfactory service and lack of prompt response to such complains. The Commission observed that these news items should be very carefully examined and each case be promptly attended to and remove the genuine complaints under intimation to OERC. Prompt compliance should also be ensured when report is being called for from the Commission. The list of the cases reviewed on 03.05.2007 (Annexure-II) in the OERC and action suggested thereon is enclosed for immediate compliance on each of the news items and should be submitted to the Commission by 31.05.2007 at the latest.

15. Miscellaneous: The CEO stated that it is non-cooperation of the police station which is the major cause of upswing in energy theft. The Commission observed that Energy police station has become non-starter in NESCO area. The Commission directed CEO to highlight the issue in the Govt. level.

16. Action Points

In conclusion, the Commission observed and directed that NESCO should take effective steps in a time bound manner to achieve the following parameters for its very survival (Annexure-I).

- i) Reduction of Distribution Loss for which the target for 2007-08 has been fixed at 26% as overall loss and 51.5% for distribution loss on LT.
- ii) Improvement of collection efficiency, the target for which has been fixed at 94% for 2007-08.
- iii) Realization of huge outstanding arrears which amounts to Rs.559.84 crore as on 31.03.2007.
- iv) Satisfactory consumer service with specific complains highlighted in the print media as listed in the Annexure-II.

- v) To carry out energy audit, receivable and take follow up action for realization of arrears.
- vi) Legitimate compensation should be paid to the affected consumer for not achieving guaranteed standard of performance and the same should be published for consumer awareness.
- vii) The Commission directed that irrespective of accumulation of arrears due to some consumers the licensee should replace the burnt transformer with a new or repaired transformer so that genuine consumers are not harassed.
- viii) NESCO should furnish the copy of HT/EHT bills by 20th May, 2007.
- ix) NESCO should provide consumer wise data on billing and collection from April 2006 to March 2007 by May 19, 2007 for RIMS implementation.
- x) Directions given during periodic review for improvement of licensee's performance is not having any impact as the licensee continues to perform in a lackadaisical manner. The licensee must concentrate on efficiency improvement and deliver.
- xi) The discussion in the next review meeting will be held with special emphasis such as (1) Franchise system (2) Energy Audit (3) Arrear Collection and compliance on each of the points mentioned above.

PERFORMANCE OF LICENSEES

	2005-06		2006-07		2007-08
	OERC Approval	Actual	OERC Approval	Actual	OERC Approval
A. OVERALL DISTRIBUTION LOSS (%)					
CESU	36.0%	42.8%	33.0%	43.5%	29.3%
NESCO	35.0%	37.1%	31.5%	33.1%	26.0%
WESCO	31.0%	37.8%	33.7%	36.4%	25.0%
SOUTHCO	36.0%	41.1%	33.0%	43.6%	30.4%
ALL ORISSA	34.2%	39.6%	32.8%	38.6%	27.1%
B. LT LOSS (%)					
CESU	41.3%	49.7%	37.3%	53.2%	34.4%
NESCO	52.5%	60.2%	52.9%	59.4%	51.1%
WESCO	54.1%	64.7%	61.4%	64.2%	52.0%
SOUTHCO	43.3%	49.3%	38.2%	52.0%	33.2%
ALL ORISSA	47.5%	55.8%	47.6%	57.2%	42.3%
C. COLLECTION EFFICIENCY (%)					
CESU	86.0%	88.6%	89.0%	93.6%	92.0%
NESCO	93.0%	89.1%	94.0%	91.6%	94.0%
WESCO	92.0%	94.1%	94.0%	94.9%	96.0%
SOUTHCO	91.0%	91.2%	93.0%	92.7%	94.0%
ALL ORISSA	90.4%	90.9%	92.5%	93.4%	94.1%
D. OVER ALL AT & C LOSS (%)					
CESU	45.0%	49.4%	40.4%	47.1%	35.0%
NESCO	39.6%	44.0%	35.6%	38.8%	30.4%
WESCO	36.5%	41.5%	37.7%	39.7%	28.0%
SOUTHCO	41.8%	46.3%	37.7%	47.7%	34.6%
ALL ORISSA	40.5%	45.1%	37.9%	42.7%	31.4%
E. AT & C LOSS FOR LT (%)					
CESU	49.5%	58.6%	44.2%	58.4%	39.6%

NESCO	55.8%	68.8%	55.7%	72.1%	54.0%
WESCO	57.8%	74.0%	63.7%	72.4%	53.9%
SOUTHCO	48.4%	56.4%	42.5%	58.2%	37.2%
ALL ORISSA	52.6%	64.4%	51.5%	64.8%	45.7%

NB : Based on overall collection efficiency, AT& C Loss for LT(OERC approval) has been calculated .

**MINUTES OF NODAL OFFICERS MEETING OF OERC & DISTCOS HELD ON
03.05.2007 REGARDING CONSUMER GRIEVANCES REPORTED IN
NEWSPAPERS**

As per the Commission's directions a meeting of representatives from four Distcoms dealing with consumer complaints was convened in room 305. It was presided over by the Secretary I/c and PAO was Convenor of the meeting. Shri A. Swain, attended the meeting on behalf of Southco, Shri G.C. Mohanty, DGM, (HT-Maintenance) attended the meeting on behalf of Wesco, Shri Lingaraj Padhi, Manager (Comm) for Cesu and Shri S.D. Bhanj, AGM (RAU) attended for Nesco.

The following consumer grievances published in newspapers/forwarded to Distcos were discussed.

NESCO- Nine cases were on the agenda

1. Report on unscheduled power cuts in and around Baripada in Samaj dtd. 6.2.2007/8.2.2007. The Nesco representative stated that due to over shooting of load drawal by Baripada and Jaleswar from PGCIL S/s at Darkholi the auto transformer tripped frequently. As a result PGCIL shut down the transformer apprehending damage to it. The problem has since been resolved.
2. Report on news items in Sambad dtd. 7.2.2007 relating death of 6 cattle due to snapping 11kv line. The Nesco representative assured that action would be taken after Electrical Inspector's report was submitted. He was asked to conduct internal enquiry and submit action taken report within 15 days.
3. News report in Dharitri dtd. 19.2.2007 regarding low voltage in Dasarathpur block of Jajpur district. The Nesco representative said that action taken report would be submitted within 15 days.
4. News report in Sambad dtd. 08.3.2007 regarding delay in electrification in Kusumundia village in Keonjhar. The Nesco representative said action taken report would be submitted within 15 days.
5. News report in Dharitri dtd. 19.3.2007 regarding low voltage in villages of Hatadihi block of Keonjhar. The Nesco representative said that the transformer in Hatadihi is being upgraded. Work order has been issued and contractor is on the job. Action taken report would be submitted within 15 days
6. News report in Dharitri dtd. 30.3.2007 regarding dissatisfaction of consumers due to burning of transformer Kustira village in Dhramasala block. The Nesco representative said that the transformer would be upgraded to 63kv by 15 May 2007. Action taken report would be submitted within 15 days
7. News report in Samaj dtd. 08.4.2007 regarding irregular power supply due to lack of maintenance in Dhabalagiri gird The Nesco representative said that OPTCL had already decided to upgrade the conductor from Duburi to Dhabalagiri but Cesu had refused to give permission for load shedding to take of the work.
8. News report in TNIE dtd. 12.4.2007 regarding irregular power supply due to lack of maintenance in Bhadrak town. The said matter pertains to the news item above.
9. News report in Samaj dtd. 15.4.2007 regarding burning of transformer in Kustira village. The matter is the same as item-6.
10. News report in Samaj/Sambad/Dharitri dtd. 14.4.2007 regarding electrocution of 10 cattles due to snapping of 11kv line. The Nesco representative said that the Electrical Inspector's report is awaited. He was asked to conduct internal enquiry and submit action taken report within 15 days.