

Executive Summary on review of performance of SOUTHCO

Date of review: 03.01.2007
Period of review: August, 2006 to September, 2006
Persons present: Shri V. Gandhi Babu, CEO
Shri T.P. Sahoo, G.M.(Com.)

Commission's observations on licensee's performance

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

Name of DISTCOs	OERC's Estimate for 2006-07	Prorating OERC Estimate for 4/06 to 9/06	Actual for 4/06 to 9/06			
	Energy input (MU)	Energy input (MU)	Energy input (MU)	BST bill of GRIDCO (Cr.)	Payment made to GRIDCO (Cr.)	% Payment of BST bill
CESU	4,164.00	2,082.00	2,323.91	327.92	306.45	93.45%
NESCO (including drawal from TSIL)	4,169.00	2,084.50	1,890.26	260.7	283.53	108.76%
WESCO	4,600.00	2,300.00	2,263.68	350.55	370.855	105.79%
SOUTHCO	1,750.00	875.00	903.39	118.06	118.06	100.00%
ALL ORISSA	14,683.00	7,341.50	7,381.24	1,057.23	1,078.90	102.05%

The Commission observed that reconciliation of BST bill with GRIDCO is yet to be done. The Commission directed that it should be completed at the earliest without fail. Around 28 MU of power above the estimated figure (for the 1st six months) have been drawn by SOUTHCO.

b. SALE TO CONSUMERS (MU)

Name of DISTCOs	Voltage	OERC's Estimate for 2006-07	Prorating OERC Estimate for 4/06 to 9/06	Actual for 4/06 to 9/06
CESU	EHT	395.9	197.95	230.88
	HT	589.8	294.9	320.61
	LT	1,804.20	902.1	781.53
	TOTAL	2,789.90	1394.95	1333.02
NESCO	EHT	1,320.00	660	630.24
	HT	568	284	263.21
	LT	967.5	483.75	380.32
	TOTAL	2,855.50	1427.75	1273.77
WESCO	EHT	1,000.00	500	474.15
	HT	1,286.00	643	583.79
	LT	761.7	380.85	389.3
	TOTAL	3,047.70	1523.85	1447.24
SOUTHCO	EHT	192.7	96.35	87.24
	HT	247	123.5	116.2
	LT	732.8	366.4	308.43
	TOTAL	1,172.50	586.25	511.87
ALL ORISSA	EHT	2,908.60	1454.3	1422.51
	HT	2,690.80	1345.4	1283.81
	LT	4,266.20	2133.1	1859.58
	TOTAL	9,865.60	4932.8	4,565.90

As far as SOUTHCO is concerned, the targeted sale at H T and EHT has not been achieved but the CEO explained that, in the later part of the year there could be proportionately higher sale. Failure to reach the targeted sale at LT is very glaring. There has been increase in input to SOUTHCO and decrease in sale to EHT & HT consumers. In other words higher quantum of power has been pumped at L.T. Lower sale at LT implies increase in distribution loss which SOUTHCO has failed to arrest.

c. 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 (4/06 to 9/06)		
CESU	LT	92.56	395.38	325.52	69.86	204.21	171.59	32.62
	Overall	112.92	713.06	631.78	81.28	397.72	359.79	37.93
NESCO	LT	33.78	152.78	119.81	32.97	88.51	56.46	32.05
	Overall	42.07	590.22	525.65	64.57	353.31	319.47	33.84
WESCO	LT	46.91	176.84	130.19	46.65	92.29	62.29	30
	Overall	58.53	795.62	748.79	46.83	449.74	418.65	31.09
SOUTHCO	LT	21.25	151.64	130.4	21.24	77.95	62.27	15.68
	Overall	26.07	301.18	274.6	26.58	151.25	135.91	15.34

d. Collection Efficiency:

Name of Distcos	Voltage	Collection Efficiency (%)	
		OERC's Estimate for 2006-07	Actual for 4/06 to 9/06
CESU	LT	89.0%	84.00%
	Overall	89.0%	90.50%
NESCO	LT	94.0%	64.00%
	Overall	94.0%	90.00%
WESCO	LT	94.0%	67.00%
	Overall	94.0%	93.00%
SOUTHCO	LT	93.0%	80.00%
	Overall	93.0%	90.00%

The Commission expressed their displeasure over non-collection of even the current revenue. Against a monthly billing of Rs.12.99 crore for LT consumers the shortfall in collection is Rs.2.60 crore or nearby 1/5th of the amount billed at LT is not being collected. Thus, arrears have been accumulating from month to month. SOUTHCO instead of taking effective steps for collection seems to be 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.

Distribution Loss:

Name of DISTCOs	Voltage	Distribution Loss (%)	
		OERC's Estimate for 2006-07	Actual for 4/06 to 9/06
CESU	LT	37.3%	51.3%
	Overall	33.0%	42.6%
NESCO	LT	52.9%	57.6%
	Overall	31.5%	32.6%
WESCO	LT	62.4%	63.4%
	Overall	33.7%	36.1%
SOUTHCO	LT	38.2%	51.4%
	Overall	33.0%	43.3%

The Commission expressed their displeasure over the high distribution loss at 43.3% during the year 2006-07 as against the target of 33% set forth by the Commission in the current year. 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.

e. Energy Audit:

The Commission desired to know the plan and progress of energy audit of SOUTHCO in order to bring down distribution loss. SOUTHCO in their reply stated that as per direction of the Commission during last review energy auditing has been taken up under BNED, Bhanjanagar, AED, Aska, GNED, Chatrapur and GSED, Digapahandi divisions. The Commission once again advised SOUTHCO to expedite transformer wise and feeder wise energy audit in the divisions where the LT losses are exorbitant.

The commission also directed SOUTHCO that, energy audit will not be fruitful one unless regular periodical monitoring is taken up. It is observed that even after 100% metering of grid s/s, distribution transformers and consumers loss level could not be reduced to desirable extent. Hence, the solution to the distribution loss reduction and measurement is only 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 suggested CEO that as a pilot project pillar boxes for metering of 10 to 12 consumers may be installed (for centralize metering). The service connection can be given to the consumers from the pillar boxes and the consumers can have their own meters but the billing should be done based on the reading of the centralized meter.

Now 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.

f. AT & C Loss:

The Commission expressed their dis-satisfaction over the AT&C loss achieved during 2006-07 at 49.1% as against the target of 37.7% and reminded them to stick to their commitment in this regard.

Name of DISTCOs	Voltage	AT & C LOSS (%)	
		OERC's Estimate for 2006-07	Actual for 4/06 to 9/06
CESCO	LT	44.2%	59.1%
	Overall	40.4%	48.1%
NESCO	LT	55.7%	73.0%
	Overall	35.6%	39.1%
WESCO	LT	64.7%	75.0%
	Overall	37.7%	40.5%
SOUTHCO	LT	42.5%	61.0%
	Overall	37.7%	49.1%

g. ABT Metering:

The Commission reiterated fixation of ABT compliant meter on HT & EHT consumers as ABT regulations is going to be effective shortly. The Commission desired to know the frequency of monitoring of the functioning of the meters at regular intervals.

h. Spot billing:

The Commission emphasized on the introduction of spot billing faster. To the Commission's query, SOUTHCO submitted that spot billing is working successfully in the areas of operation. SOUTHCO committed that that all major towns in their area

will be covered by March 2007. To the query of the Commission regarding spot collection of A/c payee cheque, the CEO stated that it has taken initiation for spot collection of A/c payee cheque through spot billing agency where the spot billing is continuing.

i. Maintenance of Quality of Supply:

The Commission expressed concern regarding failure of large no. of power transformers. It transpired that the main reason for such failure is due to lack of proper circuit breakers, over loading and unbalanced loading of transformers. 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. Further, the Commission directed that the equipment like lightening arrester should be installed to prevent failure of costly transformers.

During the current financial year no tangible steps have been taken by the licensee for reduction of interruption and improvement of quality of supply.

j. 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 alone during the period from 01.04.1999 to 30.09.2006 have accumulated to Rs.165.91 crore. It is further noticed that, the licensee has not put any effort to collect the same. Regarding arrears of govt. departments, the Commission directed SOUTHCO to issue disconnection notice forthwith to defaulting govt. consumers.

As regards receivable audit, SOUTHCO failed to indicate the target date for submission of such report. The Commission directed to furnish an action plan of the progress of the receivable audit in SOUTHCO within a fortnight.

k. Status of Actuarial Valuation:

As regard to the status of actuarial valuation through the contract awarded to Shri Bhudev Chatterjee, Actuary for ascertaining the liabilities upto 21.03.2006, SOUTHCO stated that the data required for actuarial valuation is under preparation and will be submitted to the actuary shortly.

l. RIMS (Regulatory Information Management System) Implementation:

It was observed that SOUTHCO has not supplied data on billing and collection as promised earlier. Therefore, SOUTHCO is directed to take necessary steps to make

data available to OERC Consultants on billing collection (consumer wise) for the last financial year as well as the current financial year by January 15, 2007. The Commission is all agog to implement RIMS at the earliest. This will not only help the DISTCOs, but also act as a data warehouse for the power sector of Orissa.

m. 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 SOUTHCO. Therefore, the Commission directed to go for the input base franchise to loss prone areas. However, the Commission is of the view that the franchise system may be tried first in rural areas.

n. Miscellaneous: The Commission wanted to know that out of 626 hooking case detected why FIR in 41 cases is only acted upon. The CEO stated that it is non-cooperation of the police station. The Commission then advised CEO to highlight the issue at Collector level meeting law and order problem. SOUTHCO stated that the WESCO has transferred some amount of fund to SOUTHCO as loan for making BST payment. The Commission asked status report within 15 days.

o. At the cost of repetition, the Commission would like to observe that, the survival of the licensee is dependent upon the followings.

- i) Reduction of Distribution Loss.
- ii) Improvement of collection efficiency.
- iii) Realization of huge outstanding arrears.

The licensee must concentrate on these items. For this, they have to carry out energy audit, receivable audit and take follow up action for realization of arrears.

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. It is expected that new CEO will put his best effort to strictly adhere to the targets fixed by the Commission and achieve it.