

## Executive Summary on review of performance of CESU

Date of review: 03.01.2007.

Period of review: August, 2006 to September, 2006

Persons present: Shri G. P. Sarkar, CEO (Operation)  
Shri D. Biswal, CEO (F&C)  
Shri R. K. Patnaik, Sr. GM  
Shri S.K. Mishra, G.M. (Finance)  
Shri P.C. Panda, GM (Commerce)

Shri D Biswal CEO (F&C) dealing with Regulatory affairs gave the presentation to the Commission.

### 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 drawl 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 arrear BST bill with GRIDCO has not yet been finalized. The Commission desired that it should be completed within 7 days without fail. It is also observed that CESU has defaulted to the tune of Rs.17 crore towards BST bill. However, CEO assured that the same would be bridged up during the FY 2006-07 and there would be no arrear towards BST dues. There has been a substantial rise in energy input to CESU during the first six months of FY 06-07 (i.e. as 55.8% of the annual approved figure). The maximum demand recording has also gone up to 776 MVA from 719.7 during FY 05-06. CEO stated that the rise in input in

06-07 is mainly due to increase in consumption at EHT and HT. Accordingly billing and collection of HT and EHT has also gone up.

**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
	<b>TOTAL</b>	<b>2,789.90</b>	<b>1394.95</b>	<b>1333.02</b>
NESCO	EHT	1,320.00	660	630.24
	HT	568	284	263.21
	LT	967.5	483.75	380.32
	<b>TOTAL</b>	<b>2,855.50</b>	<b>1427.75</b>	<b>1273.77</b>
WESCO	EHT	1,000.00	500	474.15
	HT	1,286.00	643	583.79
	LT	761.7	380.85	389.3
	<b>TOTAL</b>	<b>3,047.70</b>	<b>1523.85</b>	<b>1447.24</b>
SOUTHCO	EHT	192.7	96.35	87.24
	HT	247	123.5	116.2
	LT	732.8	366.4	308.43
	<b>TOTAL</b>	<b>1,172.50</b>	<b>586.25</b>	<b>511.87</b>
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
	<b>TOTAL</b>	<b>9,865.60</b>	<b>4932.8</b>	<b>4,565.90</b>

As far as CESU is concerned, adequate and effective steps have not been taken to reach the targeted sale at L T in spite of excess drawl from GRIDCO.

**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 monthly shortfall in case of CESU at LT is Rs.5.4 crore out of billing of Rs.34.03 crore, which has been accumulating from month to month. The Commission advised CESU to put extra effort for collection of the current bill.

**e. 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 42.6% during the year 2006-07 which is almost at the same level as that of previous year as against Commission's target of 33% 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.

**f. Energy Audit:**

The Commission desired to know the plan and progress of energy audit of CESU in order to bring down distribution loss. CESU in their reply stated that 16 nos of 33 kv feeders have been fully audited, 797 nos of distribution transformers have been metered for energy audit and energy audit taken up on 47 nos of DTs as sample study. The Commission advised CESU to expedite transformer wise and feeder wise energy audit in the divisions where the LT loss is exorbitant.

The Commission directed CEO to go ahead with procurement of meters and replace the defective ones so that they can take up energy audit in urban area first. The Commission directed to submit a comprehensive scheme on procurement of meters with the approval of the Management Board to the Commission for further action.

The commission also directed CESU 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 keeping in view the cost benefit likely to accrue from such investment.

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. To start with the pilot project may be implemented first in Bhubaneswar and Cuttack. This is in line with the recommendation of the Abraham Committee Report of 2006 on restructuring of APDRP projects.

- g. APDRP:** The Commission has sought for certain clarification regarding APDRP in December 2003 and reply to which has not yet been received. The investment apart from improving quality of supply should ensure commensurate benefit in the form of reduction of commercial loss generate additional revenue to enable the utility to serve the debt and improve AT&C loss.
- h. PMU work:** In this regard, the Commission observed that because of lack of technical coordination, many works have been left unfinished and the store materials are lying at site which needs immediate attention.

**i. AT & C Loss:**

The Commission expressed their dis-satisfaction over the AT&C loss achieved during 2006-07 at 48.1% as against the target of 40.4% and reminded CESU 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%

**j. 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 directed CESU to monitor functioning of the meters at regular intervals.

**k. Spot billing:**

To the Commission's query regarding introduction of spot billing CESU submitted that 100% spot billing has already been affected for domestic, GP and specified public purpose category of consumers.

Further, the Commission enquired that when CESU has done the spot billing for more than three years why ghost consumers have not been eliminated. In reply the CEO stated that the bills generated by the spot billing machines have not been served in 100% case. The Commission directed to maintain a record of the bills separately to find out the no. of ghost consumers and the same may be communicated to the Commission. The Commission also advised that, since the RIMS in the Commission's office is under progress, the CESU should develop the billing system in Oracle base within two months.

CESU should widely notify about spot collection through cheques by the meter readers at the time of meter reading to improve their collection and help willing consumers from the hassle of running to the offices.

**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 lightning arrester should be installed to prevent failure of costly transformers.

The biggest dissatisfaction is delayed restoration of burnt transformer. CESU must plan for replacement of burnt transformers of appropriate size to prevent recurrence of such failure. For improvement of quality of supply monitoring of maintenance works need to be taken up and followed up to reduce down time of equipments. One of the ways of improved revenue collection is improved quality of consumer service.

**m. Arrear Collection and Auditing of receivables:**

The Commission expressed their concern over the mounting of the receivables especially in LT category of consumers. It is further noticed that, the licensee has not put any effort to collect the same. The Commission has enquired about the arrear dues outstanding on Govt. offices and PSUs, when Govt. has already provided the budget for energy dues and also issued circular that non-payment of energy dues will be seriously viewed and the defaulting departments will not be entitled for their salary. The CEO stated that this has been vigorously pursued with the Govt. department. The Commission advised that, disconnection notice should be served on defaulting Govt. offices without delay.

Regarding receivable audit, the CEO stated that out of 22 CA firms allotted for doing this work, five chartered accounts firms have backed out and the balance 17 firms are on the job. Some ICWAI firms have shown interest to take up the work of receivable audit. and CESU will shortly send the necessary details to the Commission for approval.

**n. Status of Acturial Valuation:**

Regarding acturial valuation for ascertaining liabilities up to 31.03.2006, CESU stated that the data has already been furnished to Sri Bhudev Chatterjee, the actuary.

**o. RIMS (Regulatory Information Management System) Implementation.**

The Commission directed CESU to provide meter reading data (soft copy) for all consumers from April, 2006 to November, 2006 at the earliest. This will enable the Commission to ascertain the no. of genuine consumers and help eliminating the ghost consumers by CESU authorities. Moreover, they should reconcile the billing and collection figures with the CBIS (CESU Billing Information System).

**p. 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 and management activities seems to have come to a standstill.

**q. Miscellaneous:**

The Commission observed that the presentation of CESU does not reflect the changes occurred compared to the previous period and directed that in the subsequent review meeting this should be complied with.