ODISHA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAWAN
PLOT NO.-04, CHUNOKOLI, SAILASHREE VIHAR
BHUBANESWAR -751021
****

Present : **Shri U.N. Behera, Chairperson**
Shri S. K. Parhi, Member
Shri G. Mohapatra, Member

Case No. 39/2021

M/s. TPSODL ……. Petitioner
Vrs.
MD, OPTCL & Others ……. Respondents

In the matter of: **Application for approval of Annual Business Plan for FY 21-22.**

For the Petitioner: Shri Arvind Singh, CEO and Shri Milind Pravakar Kulkarni, Chief Operation Services of TPSODL, Shri Binod Nayak, Asst. GM (Com.), TPSODL.

For the Respondents: Shri B. K. Das, GM (RT & C), OPTCL, Shri P. K. Dash, CGM (PP), Shri L.K.Mishra, GM, GRIDCO, Shri R. P. Mahapatra, Ms. Sonali Patnaik, ALO, DoE, GoO, Shri Ananda Mohapatra, Shri Bibhu Charan Swain on behalf of M/s. UCCI & M/s. Power Tech Consultant Pvt. Ltd., Shri Manoj Kumar Panda, Shri Ramesh Chandra Satpathy, Shri Pramod Kumar Sahu and M/s. Grinity Power Tech Pvt. Ltd.

ORDER

Date of Hearing: 29.06.2021 **Date of Order:29.10.2021**

1. M/s. TPSODL has filed the present petition for approval of Annual Business Plan for FY 2021-22 pursuant to the direction of the Commission in Case No.83/2020 dated 28.12.2020. M/s. TPSODL came into being by a vesting order of the Commission in Case No. 83/2020 dated 28.12.2020.

2. The petitioner has submitted the Business Plan which deals with following two areas:

A. CAPEX Plan

TPSODL has proposed Capital Expenditure of INR 408.47 Cr. for FY 21–22 to carry out various activities under 5 major categories i.e.

1. Statutory & Safety
2. Loss Reduction
3. Reliability
4. Load Growth
5. Technology & Infrastructure

B. **Opex Plan**

The TPSODL has proposed following towards the various elements of OPEX

a) Employee cost - Approved for FY 2021-22 of Rs.416.27 cr.
Proposed for FY 2021-22 of Rs.545.67 cr.

b) R&M cost - Approved for FY 2021-22 of Rs.86.81 cr.
Proposed for FY 2021-22 of Rs.115.81 cr.

c) A&G cost - Approved for FY 2021-22 of Rs.58.23 cr.
Proposed for FY 2021-22 of Rs.104.36 cr.

d) Total OPEX- Approved for FY 2021-22 of Rs.561.31 cr.
Proposed for FY 2021-22 of Rs.765.84 cr.

3. The Petitioner TPSODL has accordingly prayed to allow the CAPEX and revised OPEX as above for FY 2021-22. The commission has dealt with the approval of the CAPEX in another order, therefore in this order only the items related to OPEX are addressed.

4. In the petition, TPSODL has identified critical areas where the most impactful measures are required with the highest priority for implementation.

(a) Network refurbishment and Structured Maintenance for enhanced Safety
(b) Disaster Management – Natural Calamities
(c) Aggregate Technical and Commercial Loss Reduction
(d) Introduction of Customer Touch Points and Customer Centric Processes
(e) Technology adoption
(f) Human Resource Plan
(g) Strengthening of civil infrastructure
(h) Governance Challenges

5. Petitioner has stated that apart from the impact of COVID-19, there are other major issues associated which are inherited from erstwhile SOUTHCO. These are highlighted below:

Old network and Safety related issues

6. Petitioner has stated that TPSODL has taken over the assets of erstwhile SOUTHCO on “as is where is” basis. Majority of these assets are not in good operating condition and in a large number of cases, the required safety equipment is not in place. Further the network is old and in majority of cases not compliant to statutory guidelines and poses threat to

safety of employees, public at large and animals. One of the major reasons is absence of structured preventive maintenance and systematic investment for past many years. The interruption at 11 kV feeder level is too high with respect to present Indian utility standards. In one year, total trippings are at a staggering 1.93 lacs. Further, due to lack of maintenance, failure rate of Distribution Transformer is also very high at 3.5% of total Volume. The Scarce resources and lack of preventive maintenance have led to delay in response on Safety Hazards reported by Public and employees. This has resulted in consistently high number of accidents (Fatal/Non-Fatal including Human and Animal) in FY 17-18 (43), FY18-19 (24) and FY 19-20 (77).

7. The petitioner has stated that for improving safety of public through systematic refurbishment of lines & distribution substations they are putting up a structure to ensure that network adhere to statutory requirements. The purpose is to improve response time and frequency of interruptions by following good preventive maintenance practices.

8. The Petitioner has proposed to carry out technical audit of the 33KV & 11KV feeders to identify defects and carry out refurbishment of the selected feeders to improve the outage and reliability performance. Refurbishment of feeders will comprise of replacement of dangerous towers/poles, provision of intermediate towers/poles, replacement of worn out / undersize conductor, replacement of other defective accessories and strengthening of earthing of towers/poles. The refurbishment will also involve restoration of vertical and lateral clearances in line with existing regulations. Similarly, refurbishment of 33/11KV Primary Substation and Distribution Substation is also planned to improve the safety of the man & material apart from ensuring reliable power supply to end users.

9. Petitioner states that the refurbishment of GSS, DSS & feeders will help to improve the safety of workforce, general public and animals. Besides, it will help to reduce number of outages, outage duration, unserved energy, and technical losses.

Disaster Management - Natural Calamities

10. Petitioner has stated that apart from the vast geographical area, Odisha being a costal State, it repeatedly encounters devastating storms/ cyclones which is a major challenge for a distribution utility. The power network of 33KV, 11KV and Low tension network is mostly overhead towers, mild Steel (MS) and Reinforced Concrete Cement (RCC) poles and only in certain areas of Bhubaneswar, Cuttack and Puri have 33KV & 11KV underground network. During the last year cyclone FANI, it was observed that underground networks had not suffered any damage and as a result, related areas had their power supply restored within 3 to 5 days of disaster. Therefore, as a preventive measure,

TPSODL shall assess the network condition along the coastal areas and prepare a phase wise plan for conversion of overhead network to underground cable network. Funding for this initiative is required to be taken up with state government to avoid any tariff impact on general public.

High Aggregate Technical and Commercial Losses

11. Petitioner has stated that the targeted AT&C Losses for FY 2021-22 is 35.29% and TPSODL is striving to achieve this target by taking various measures. Further, for ensuring timely and accurate meter reading, it is proposed to shift from existing flat rate contract to performance based contract for MBC (Metering, Billing and Collection) in order to enhance the productivity of meter reading, billing and collection. Further, introduction of Optical Character Read (OCR) based reading will ensure correctness and quality of meter reading and billing. Offline payment acceptance in RCS App will be ensured. Automation of the process for entering manual receipts into the system will also be developed. Further, strategy is needed to motivate customers for making payment either at Counter or On-line in order to systematically shift from Door to Door collection to other mode of payments like Payment Counter, Online Payment, and Mobile Wallet etc. Similarly, in rural area, services of Self Help Groups (SHG) will be enhanced for meter reading, collection and promoting energy conservation initiatives

Introduction of Customer Touch Points and Customer Centric Processes

12. The Petitioner proposes to establish new existing payment cum customer care centers at Division/Sub-Division/Section with better facilities for enhancing customer experience. These centers to be manned by dedicated staff to provide single window solution to customers. Introduction of new payment avenues will help in increasing payments at counters clubbed with dedicated recovery marshals at section level. Further, to reduce the dues, dispute redressal drive will be initiated for rectifying the bills or resolving the customer queries.

13. Call Centre infrastructure is proposed by the petitioner to be upgraded to 50 Seats for improving the connectivity, registration of complaints like "No current" and "Billing error" etc. and request like New connection, Attribute change etc, and providing status and query response over the call. This will help in providing easy access to utility for complaint redressal as well as new connection etc. Additionally, proactive communications through SMS during various stages like Bill Generation, Complaint Registration, and Due Date Reminder, etc. are also proposed. In addition to above customer touch point, the organization structure and processes will be reviewed and

revised to enhance the customer centricity, efficient and effective process execution and control leading to enhancement in customer experience during the life cycle from New Connection to disconnection.

Outdated IT infrastructures

14. Petitioner has stated that IT infrastructure being used are on an obsolete technology i.e. FoxPro for billing and Java/.Net based applications for new connection and complaints management. These customized solutions are not designed as Enterprise Level Solutions to fully cater the needs of DISCOM like Customer Contact Centre, Revenue Cycle Management, Material Management, Network Management, Project Management, etc. These systems are very fragile and prone to intrusion/sabotage by external system. Further, the landscape of the system is Standalone, disintegrated and decentralized. Thus, data integration and data security are major challenges in addition to outdated network which are disrupting the process frequently.

15. Petitioner has further stated that the IT infrastructure being used in franchisee area is separate without any on-line data exchange options. Thus, building common IT infrastructure with Enterprise Level Solution with due data security is need of the hour. The petitioner has proposed that the Key technological interventions like SAP ISU (Customer Care, Meter to Cash processes), ERP, and SCADA are planned to be implemented in a phased manner. Similarly, other interventions like Smart metering, Analytics, Smartphone based spot billing are being considered to unleash full potential of technology and reap the consequential benefits. TPSODL is also planning for establishment of reliable communication network that will act as a backbone for other technological initiatives. This will help in improving the process efficiency and ensure better services to our end users.

Human Resource

16. The most significant challenge at TPSODL related to Human Resource are

a) An aging workforce,
b) Lack of required skill set,
c) Shortage of Competent Manpower,
d) Rising employee grievances
e) Pending legal cases and non-compliances
f) Poor Gender Diversity,

17. Petitioner has stated that TPSODL has inherited the entire existing manpower of

SOUTHCO in line with provision of the RFP. Presently, there are 389 executives and 1610 non-executives with average age of 43 years. Non-induction of any new manpower during last one decade has increased the average age. Representation of women employees are less at 7.28%. In executive cadre, more than 6% employees are in age range of 54-60 yrs while for non¬ executives it is at 20% (approx.). Almost 18% employees are going to be separated within next five years. These employees are working in areas of O&M, commercial, finance, administration etc.

18. In technical cadre (Non-Executive), more than 25% employees have qualifications below 10th standard. There are around 500 ITI technical employees (Non-Executives) but only a few (approx. 40-50) may have supervisory licence. This indicates poor state of technical competency. In order to enhance network reliability, network safety, fast resolution of operational and commercial complaints, many new functions like Power System Control Centre (PSCC), Quality, Engineering, Consumer services, safety, security, CSR, Training & Development etc need to be started. In addition to this, many new technologies are to be adopted for better control and faster resolution of issues like SAP, SCADA, Mobile Apps, GIS, etc. for which appropriate competencies are required. Hence, it is essential to upgrade competency level of existing employees to work in new functional areas and on new technology platforms.

19. Petitioner has stated that on manpower front, acute shortage of manpower is very much visible and is the reason for massive employee dissatisfaction. SOUTHCO was not allowed to induct fresh manpower during last ten years. Total approved manpower in SOUTHCO is 5625 while presently there are 4999 (approx. including contractual manpower). Several legal cases are pending at Supreme Court, High Court and other lower Courts. It is crucial to analyse all such human resource related challenges and strategize for short term and long-term resolution with an objective of converting weakness into opportunities.

20. The petitioner has stated that a consolidated Human Resource Strategy (Short term and Long term) is being developed keeping in mind existing challenges and future expectation towards building an organization of engaged workforce, structured talent management, a culture of high performance and excellence apart from creating a conducive Industrial Relation atmosphere. Progressive employee centric policies shall be the backbone of TPSODL towards ensuring highly engaged and high performing workforce. TPSODL will be exploring and adopting best practices & policies with the help of Tata group.

21. On Gender diversity petitioner has stated that, overall ratio is at 7.28% which is very low.

It is essential to ensure adequate representation of women employees in the workforce across all cadres. Keeping in mind continuous learning and acquiring niche skills, TPSODL shall be implementing training & development policy for continuous competency enhancement of existing workforce. Use of online e-learning module shall be encouraged to ensure maximum participation of its employees.

Poor Civil Infrastructure

22. TPSODL has stated that they have offices in all the six circles and subdivisions. Some of them are owned and others are on rented property. The office space is currently crowded and haphazardly planned for seating arrangements. Moreover, most of the circulation area has been occupied with files, documents, etc. The furniture available at offices is nearly 10-15 years old and are in non-serviceable condition. New furniture are to be procured for various offices, Customer Care Centers, Call Centers, etc. and also to cater to new employees.

23. The petitioner has, therefore, proposed that in-order to ensure safe, hygienic, well ventilated and spacious working environment for employees as well as consumers, various proposals are recommended like renovation of existing buildings to enhance the additional seating capacity for employees; renovation of old buildings to enhance the structural strength and enhance the life of the buildings; renovation of the stores to improve the safety & security of the material kept inside the badly damaged sheds/ roofs. Further, it is also planned to provide additional workstations, conference tables to ensure employee friendly work environment.

Governance challenges

24. TPSODL has stated that currently process related with Material Management, Maintenance Management, Meter Installation, Complaint Management, and Customer services are being practiced without standardization and are not up to customer satisfaction. These practices lead to undue delay in processing of customer request, updation of customer payment / record, reconciliation of material and inconsistency of data capturing. TPSODL proposes to carryout extensive BPR in all areas of the distribution business along with automation to meet the multiple objectives of enhancing efficiency, productivity, consumer delight and governance practices.

25. As regards to the Employee cost the petitioner has stated that in total 1999 employees of erstwhile SOUTHCO have been transferred to TPSODL through vesting order which includes 389 executives. Tata Power has already deployed around 60 executives

including Senior Management team who are experts in different fields of distribution functions. This team has assessed the existing processes and resource capabilities. Based on detailed analysis and subsequent organizational design, TPSODL has proposed to reinforce existing team with additional 695 manpower (all in executive cadre). The petitioner therefore has proposed to recruit additional 695 new employees this year and around 60 employees shall be deputed from other division of Tata Power to TPSODL. Total Cost of manpower including 1999 existing employees and newly recruited employees shall be Rs.545.67 Cr. for the period April, 2021 to March, 2022.

Table-1

Particulars	Proposed in the ARR petition for Aprl'21 to Mar'22	Proposed Cost for Aprl'21 to Mar'22
Employee Cost	**416.27**	**545.67**
Salaries , Wages, Allowances & Benefits including existing outsourced	240.45	369.85
Contribution to / Provision for P.F, Pension	144.88	144.88
Arrears of 7th Pay Commission	30.94	30.94

26. The petitioner has further submitted that the expenses on account of Salary, terminal benefits or 7th pay commission have been considered based on approved amount of OERC only, pro-rated for ten months for existing employees of erstwhile SOUTHCO (other than 7th Pay Commission Arrear Payment). The expenses for outsourced work are also pro-rated to ten months together with requirement for additional grids. Actual expenditure shall be submitted to the Commission as part of True-Up Petition.

Repair and Maintenance

27. The petitioner has submitted that through the proposed Repair and Maintenance expenses there will be benefits on Sub-Transmission System (STS), Distribution, Safety, IT and Automation etc. This will result in improving quality, reliability and safe supply of power with lesser interruptions, which will enhance customer satisfaction to a greater extent.

28. Petitioner has submitted that the existing norm of allowing 5.4% of Opening GFA as the R&M Expenditure as per the OERC Tariff regulation is inadequate. Therefore pending revision of the norm, petitioner has submitted to allow the additional expenditure of Rs.29 Crore for FY 21-22 (Rs.115.81 Cr. (proposed) minus Rs.86.81 Cr. (allowed)) treating as special measures for improving safety, quality and reliability of the network meeting its bid commitments.

29. The total R&M cost required for operations is Rs.115.81Cr. and category wise distribution is given in the following table.

Table-2

Particulars	Proposed in the ARR petition for Aprl'21 to Mar'22	Proposed Cost for Aprl'21 to Mar'22
Transformer Maintenance	38.25	41.64
Distribution line repair and maintenance	30.93	32.98
Consumer Service Maintenance	6.4	9.45
Other repair and maintenance	0.56	0.56
Civil Repairs and Maintenance	1.43	9
Additional Repair and Maintenance for RGVVY & BGJY	9.25	9.25
Safety		1.32
PSCC		0.11
It and Automation		11.5
R&M Cost	**86.81**	**115.81**

Administrative & General (A&G) Expenses

Meter Reading and Collection Expenses

30. Petitioner has stated that currently, meter reading is assigned to Meter reading agencies across Division/ Sub Division on fixed cost basis per reading. Meter reader visits consumer sites based on reading route sequence allotted to him in a period of 15 days i.e. from 7th to 22nd of every month. Meter reader after punching the reading in spot billing application delivers the spot bill to the consumer during the same visit. In some divisions, meter reading is done partially with support of Self Help Groups as part of Govt. of Odisha approved SHG in Energy Franchise Agreement (SEFA) in Rural Areas. This practice leads to high provisional bills around 20% as reading is done only for 15 days, and that too without ensuring minimum wages to meter readers. Therefore, it has been proposed to change the reading cycle from 15 days to 30 days and to put performance based contract in place for ensuring timely meter reading with reduction in provisional bills.

31. Petitioner has stated that payment collection counters are provided at Division/ Sub-Division level for customers to deposit the bills. Currently, the due dates are scheduled in a short window of 7 days duration due to which there are long queues at payment counters during month end. This leads to customer dissatisfaction as customer has to spend time and energy for bill payment. In addition to payment collection counter, recently collaboration with Airtel has been done for accepting electricity payment at their counters

along with on-line payment options through Website, Payment Wallets like Paytm, etc.

32. Petitioner has stated that beside above avenues, Business Associates (BAs) have been deployed for visiting the customer premises for collecting the payment from customers mostly by issuing manual receipt. Knocking at all customers' doors during the month is a herculean task with multiple visits to the customer's residences, with eventual result of non-payment of bills. Therefore, performance based contract for Door to Door collection is proposed for ensuring timely recovery of payment. Further, promotional schemes for online payment and counter payment are also proposed. The Estimated yearly cost is based on recently discovered price through open tenders.

Customer Services and Communication Expenses

33. Petitioner has stated that in order to improve the customer experience, customer touch points need to be augmented for providing ease of connectivity and single touch point at offices. Call Centre is a convenient mode for providing service on 24X7 basis, thereby customer is not required to go through the hardship of visiting the office. This demands the overhauling of existing infrastructure of call centre, particularly improving the Call Centre connectivity. In order to provide ease in customer experience, a unified Call Centre is imperative to be made operational. For this, Rs.0.91 Cr. is allocated under A&G head. Currently, customers visit the office and stand in long queue for making electricity bill payment during due dates. Also, lack of basic amenities for the visiting customers like seating space, water dispenser, etc. at Section, Sub-Division and Division Level is also felt. For better experience at customer care, operational expenditure of Rs.1.77 Cr. is allocated to provide better logistics at existing Customer care centers.

34. Petitioner has stated that currently, SMSs are being sent to limited customers that too at the time of Bill Generation. It has been proposed that the communication through SMS and Email need to be enhanced by introducing SMS/Email at following stages leading to enhancement of customer satisfaction. For this, Rs.0.45 Cr. is proposed under operational expenditure. While the Call Centre Cost is as per discovered prices, the other costs are estimated based on prevailing prices.

Table-3

SL. No	Cost Component	Proposed Cost (Rs. Cr.)
1	Call Center (50 Seats)	0.91
2	Customer Care Operations including Stationary /Printing/ Computer Consumables, Postage and Courier charges	1.4
3	Total Free Charges	0.5

4	Communication including SMS	0.6
	Total Cost (with GST)	2.6

Meter Management Expenses

35. To ensure smooth operation of Meter Management and establishment of a robust supply chain of meters and accessories, meter testing labs need to be developed in 03 locations i.e. Berhampur, Aska and Jeypore with new test bench facility. These facilities will be developed in phased manner over a period of three years. Further, to ensure high percentage of communication enabled meters installed with Modem which are already installed in the field, there will be need for rectification/ Trouble Shooting of modems and allied accessories like SIM cards, Antennae, etc. It is expected that 5% of modems and accessories will need rectification per month, so a budget of 0.33 Cr has been considered for the same. This activity of modem rectification will be handled through performance contract under guidance of MMG, TPSODL. To operate these meters testing facilities and troubleshooting of modem and SIM, funds are required under operational expenditure. These costs are on estimated basis.

Admin & General Expenses: Other Costs

36. The Petitioner has stated that the increase of A&G cost over the previous year is generally on account of enhanced level of activity, increase in no. of employees resulting in higher A&G Expenses, inflation and incurrence of expenditure on certain activities which were hitherto either non-existent or minimal, such as Insurance, various Company related mandatory expenses relating to requirement of various statutory Audits and compliances, which would entail appointment of various Auditors as well as consultants to facilitate statutory compliances.

Table-4

Particulars	Proposed in the ARR Petition for Aprl'21 to Mar'22	TPSODL ABP (Proposed) for Aprl'21 to Mar'22
Property related expenses	3.27	13.18
Communication	0.83	0.89
Professional charges	1.1	1.4
Conveyance and travelling	10.26	25.05
Other expenses	15.86	32.63
Material related expenses	0.56	0.56
Additional A&G expenses	26.36	30.65
A&G Cost	**58.23**	**104.36**

Repair & Maintenance (R&M) Expenses

37. TPSODL has stated that the existing network of TPSODL area is deprived of maintenance due to lack of manpower, material and other support processes resulting in huge number of tripping, fatal non-fatal accidents of outsiders and insiders, transformer failure and high AT&C loss. The utility has no data on the reliability indices. The tripping data are not properly captured in the record as there is a centralised approach to calculate reliability indices feeder wise, area wise, voltage level wise and as per many other combinations. It is also seen from the interactions that number of transformer failure is very high. This leads to unhappy customers and huge expense towards rectification of faulty transformers. The safety of the working person to general public is at stake, this is indicated by a significant number of fatal and non-fatal accidents of all living creatures.

38. TPSODL has stated that the Junior Engineer are responsible for attending breakdowns occurring in 33 kV and 11 kV systems with the limited manpower available at each section. For major breakdowns, contract manpower is hired on need. The scarce resources and lack of maintenance has resulted in large number of accidents in previous years. In last 21 months; 49 human fatal accidents have been reported. The maintenance practices are reactive and the distribution assets are rarely maintained. Faulty equipment / distribution transformers are not replaced even for months' in rural areas.

Plan towards systematic maintenance:

39. TPSODL has stated that the licensed area is spread across approximately 48751 sq. km area with forests and hills making it very difficult to maintain the network with existing manpower, leaving them in the mode of run and repair. There is no approach of preventive maintenance as mentioned in earlier sections making the network weaker with each passing year. In order to achieve above quality in supply and to ensure performance assurance according to power supply code we envisage to form following functions whose working and budget is given below:

Safety

40. TPSODL is also planning to strengthen the safety by providing PPEs, FFEs, T&P, and testing equipment to the maintenance crews. By strengthening of safety system, the accident rate is expected to be reduced significantly. The allocated tentative budget for safety department is Rs.1.32 crore.

Area Power System

41. Petitioner has stated that in erstwhile SOUTHCO working system there is no dedicated

preventive maintenance structure in any form except breakdown maintenance. Divisional officer, Sub Divisional officer and associated JEs are responsible for entire sub-transmission (33 KV) and distribution system (11 & 0.44 KV) with their associated workforce. It is proposed to deploy dedicated team for sub-transmission system which will take care for the entire 33 KV network circle wise so that utmost focus can be given to this network for optimised availability. The maintenance team shall be divided into following structure under each circle maintenance team (Area Power System). This major team will be assisted by another group Maintenance Planning Group (MPG) which will take care of entire asset mapping of electrical network. This group will also play major role in providing feedback to APS regarding condition based maintenance and will centrally plan outages for entire voltage level (33 & 11 KV) of electrical network.

42. Petitioner has stated that in this head of operation of maintenance total estimated budget is Rs.17.33 crore for doing activities such as Procurement of 33kV and 11kV Air Breaker Switch spares, Repair / Servicing of DC system at 33/11KV Substations, Grid audit activity- Testing of major PSS equipment like Transformer, Circuit Breaker, Current Transformer, Potential Transformers etc., Procurement of materials for overhead & underground feeders, Procurement of materials for Power Transformers and related Services, Procurement of materials for Circuit Breakers, Strengthening of the Earthing in PSS and of lines above 11KVetc.

Distribution System & Distribution Services:

43. Petitioner has stated that the 11 kV circuits are radial and very long ranging from an average length of 40-50 KMs to 110-10 KMs in rural areas. 11 kV circuits have underrated, uneven sized & worn out bare conductors with extremely long span lengths. The LV circuits are also very long and radial. Both HV & LV circuits have a large number of damaged /bent/tilted poles, poor workmanship in jointing & jumpers, compromised safety clearances and are devoid of guard wires on road crossing. 11/0.415 kV Distribution Substations (DSS) have no fencing, the LT side fuse box/MCCB box are missing, earthing system is in very bad condition, most of the AB switches are bypassed, DD fuse are bypassed/broken. In place of LT Fuse box/MCCB box; open aluminium wire wound fuse are seen at every substation at very low height. All of the above makes the DSS prone to interruption and safety hazard for public specially kids, animals and employees. As a result of the interruption at 11 kV feeder level is too high with respect to present Indian utility standards. The table below gives a snapshot of 11 kV feeders tripping recorded at the 33/11 kV Substations in different Circles. In one-year total tripping are at a staggering 1.93

lacs. Total count of 11 kV feeders in FY 18-19 was 772 Nos. Hence, on an average basis each of the 11 kV feeder trips 250 times annually.

44. Petitioner has stated that another major contribution of the existing dilapidated and unsafe network is scarce resources and weak Operation Structure. Presently entire network right from 33KV feeders to LT consumers are owned by Junior Manager (O&M) heading Sections along with his team comprising of Lineman A/B/C, Helper, Jr Technician. E&MR section extend support to Section staff for maintenance of 33/11KV primary substations.

45. Petitioner has stated that in Annual Maintenance Contract (AMC), Business Associate (BA) shall undertake full responsibility of safety and assigned works which includes attending to emergency breakdowns, carrying out preventive maintenance of these equipments in various Sub Divisions. They will also undertake any work pertaining to above LT Distribution System as may be necessary for the maintenance of equipment for smooth working of LT Distribution system. The Sub Divisional Manager for the respective Sub division would be the Engineer In- charge for the contract for the respective Sub division. The Divisional Managers will be overall in charge of the Contract for their respective Divisions.

46. Total OPEX requirement for Distribution system is estimated at Rs.56.79 crore which is detailed in the following table.

Table-5

Sl. No.	Description (Distribution)	Budget (Rs. Cr.)
1	Distribution and STS AMC Contract (Cost of Tools and Tackles)	**9.66**
2	Distribution Material (O/H)	**17.71**
3	Distribution Material (U/G)	**0.50**
4	Distribution Material (Trf)	**10.67**
5	RC - Testing, Overhauling and Reconditioning of Distribution, transformers	**4.00**
6	Distribution LT Material and Protection	**11.68**
7	Strengthening of the Earthing in DSS and Lines up to 11KV	**2.57**
	Total	**56.79**

Centralised Power System Control Centre (CPSCC):

47. Petitioner has proposed to establish a Central Power System Control Centre (CPSCC). The intent of establishment of CPSCC is Real Time Control & Monitoring of 33 kV and 11 kV network operations of the licensed area. This will give an overall control of the HT network and ensure availability of network at all times and thereby ensure uninterrupted

Power Supply to the consumers of the License area. In the process a robust communication channel with OPTCL will be established through PSCC. Total Yearly Opex is estimated at Rs.0.1112 cr.

Civil

48. Petitioner stated that in entire TPSODL area there are very few buildings except new sub-stations which are in very good condition. Majorly all the building offices and sub-station buildings are in very bad condition and requires urgent attention. There is a huge scope for civil work to be done in all the buildings starting from corporate office. Stores are also in very bad condition. In majority of the sub- stations are boundary less and plinth of the transformers is in really bad shape which needs immediate attention. The budgetary requirement is estimated at Rs.9 crore:

ODSSP Substation Automation

49. Petitioner has stated that the ODSSP substations are SCADA enabled and having RTUs, IEDs and Communication equipment. The IEDs are integrated and communicating to RTUs over IEC61850 communication protocols. To keep the substation automation system healthy, required regular supervision and maintenance of equipment and hardware. This will ensure higher availability of SCADA/DMS System. Reduction in interruption/outage duration, leads to improve in System reliability by reducing SAIDI and SAIFI.

50. Therefore, total R&M cost required for operations is Rs.115.81 Cr. and category wise distribution is as under:

Table-6

Particulars	Proposed in the ARR petition for Apr'21– Mar '22	Proposed for Apr' 21 – Mar'22
R & M Cost	86.81	115.81
Transformer Maintenance	38.25	41.64
Distribution line Repairs and Maintenance	30.93	32.98
Consumer Service Maintenance	6.4	9.45
Other repairs and maintenance	0.56	0.56
Civil Repairs and Maintenance	1.43	9.00
Additional Repair and Maintenance for RGGVY & BGJY	9.25	9.25
Safety		1.32
PSCC		0.11
IT and Automation		11.5

Administrative & General (A&G) Expenses:

Meter Reading and Collection Expenses

51. Petitioner has stated that currently, meter reading is assigned to Meter reading agencies across Division /Sub Division on fixed cost basis per reading. Meter reader visit consumer site based on reading route sequence allotted to him in a period of 15 days i.e. from 7^{th} to 22^{nd} of every month. Meter reader after taking punch the reading in spot billing application and deliver the spot bill to the consumer during the same visit. In some divisions, meter reading is also proposed with support of Self Help Group since Govt. of Odisha has approved Self Help Groups in Energy Franchise Agreement (SEFA) in Rural Areas. This practice, lead to high average and provisional bills around approx. 50% in 19-20 as reading is done only for 15 days. Therefore, petitioner has proposed to change the reading cycle from 15 days to 30 days and by implementing the integrated IT system for ensuring timely meter reading with reduction in provisional bills.

52. Petitioner has stated that payment collection counters are provided at Division/Sub-Division level for customers to deposit the bills. Currently, the due dates are schedule in short window of 7 days' duration due to which long queue at payment counters during month end is visible. This lead to customer dissatisfaction as customer has to spend time and energy for bill payment. In addition to payment collection counter, collaboration with many digital payment vendors has been done for accepting electricity payment along with on-line payment options through Website, Payment Wallets like Paytm, etc. Beside these avenues, Business Associates (BAs) have been deployed for visiting the customer premise for collecting the payment from customer mostly by issuing manual receipt.

53. The Estimated yearly cost is based on recently discovered price through open tenders

Customer Services and Communication Expenses

54. To improve the customer experience, customer touch points need to be augmented for providing ease of connectivity and single touch point at offices. Keeping in mind to provide ease in customer experience, a unified Call Centre is imperative to be made operational. For this, Rs.0.91 Cr. is allocated under A&G head.

55. Currently, customers visit the office and stand in long queue for making electricity bill

payment during due dates. Also, lack of basic amenities for the visiting customers like Seating space, water dispenser etc. at Section, Sub-Division and Division Level is experienced. For better experience at Customer care, operational expenditure of Rs.1.77 Cr. is allocated to provide better logistics at existing Customer care centres.

56. Currently, SMSs are being send to limited customer that to at the time of Bill Generation. It has been proposed that the communication through SMS and Email need to be enhanced by introducing SMS/Email at following stages leading to enhancement of customer satisfaction. For this, Rs.0.45 Cr. is proposed under operational expenditure.

57. While the Call Centre Cost is as per discovered prices, the other are estimated based on prevailing prices.

Table-7

SL. No.	Cost Component	Proposed Cost (In Crs.)
1	Call Centre (50 Seats)	0.91
2	Customer Care Operations including Stationery/ Printing / Computer, Consumables, Postage and Courier Charges	1.40
3	Toll Free Charges	0.50
4	Communication including SMS	0.60
	Total Cost (with GST)	**2.61**

Meter Management Expenses

58. To ensure smooth operation of Meter Management and establish a robust supply chain of meters and accessories, meter testing labs need to be developed in 03 locations i.e. Berhampur, Aska and Jeypore with new test bench facility as appraised in table below. These facilities will be developed in phased manner over a period of three years.

59. Further, to ensure high communication percentage of meters installed with Modem already installed in field, there will be need for rectification / Trouble Shooting of modems and allied accessories like SIMS cards, Antennas etc. It is expected that 5% of modems and accessories will need rectification per month, so a budget of Rs.0.33 Cr. has been considered for same. This activity of modem rectification will be handled through performance contract under guidance of MMG TPSODL. To operate these meters, testing facilities and troubleshooting of modem and SIM, funds are required under operational expenditure and same is mentioned below. These costs are on estimated basis

Admin & General Expenses: Other Costs

Table-8

Particulars	Proposed in the ARR For Apr'21– Mar '22	Total TPSODL ABP(Proposed) Apr' 21 – Mar'22
A & G Cost	**58.23**	**104.36**
Property related expenses	3.27	13.18
Communication	0.83	0.89
Professional Charges	1.1	1.4
Conveyance and travelling	10.26	25.05
Other expenses	15.86	32.63
Material related expenses	0.56	0.56
Additional A&G Expenses	26.36	30.65

Admin & General Expenses: Other Costs

60. **Insurances:** As per good Risk mitigation practice, and as required by Lenders, the Company is proposing to take various insurances to ensure coverage of its Fixed Assets, Inventories, Moneys & Employees, etc. The significant Insurance covers would include amongst others, Industrial All Risk Insurance for Fixed Assets, Transportation of Goods, Fire & Allied Perils, Burglary, Money Insurance, Directors & Officers Liability, Cyber Security against Data Breach, Loss due to fraud, etc.,

61. **Rents, Rates and Taxes:** With increased no. of employees and to ensure proper seating, etc. for the same, additional space is required to be hired till such time that the Company is able to construct its own offices.

62. **Legal, Consultancy & Professional Charges:** With vesting of SOUTHCO's Utility in TPSODL, a Company incorporated under the Companies Act, 2013, statutory compliance requirements are going up multi-fold, which would entail additional expenditure on Audit, Consultancy and Professional Fee. In addition to the Annual Statutory Audit including ICFR (Internal Control over Financial Reporting) Audit, the Company is subject to Quarterly Reviews by the Statutory Auditors, Tax Audit, Secretarial Audit, Cost Audit, etc. SOUTHCO was hitherto subject to only the Annual Statutory Audit, and that too at significantly discounted fee. Further, extensive Data cleaning, data – base creation/ reconciliation etc. is required for migration from the basic Tally Accounting System to the SAP ERP entailing additional costs.

63. **IT Consumables:** With extensive IT infrastructure being built, the corresponding IT Consumable requirement is expected to increase significantly.

64. **House Keeping Expenses:** The offices of the company are in extremely decrepit and shabby condition with virtually no housekeeping. In-order to provide a decent working environment to the employees which is a pre-requisite for ensuring productivity, retention

of talent, building employee morale and pride in the Organisation, as well as for Consumers and other stakeholders, a separate budget for House Keeping has been proposed.

65. The above expenditure has been carefully estimated and planned, and it will result in reducing AT&C losses, enhancing productivity and enhancing customer satisfaction to a greater extent. Pending revision of the norms, it is prayed to allow the additional expenditure of Rs.46.13 (Rs.104.36 Cr. as against Rs.58.23 Cr. proposed for FY 2021-22) beyond the amount currently allowed for reduction of AT&C Loss, improving collection efficiency, improving consumer satisfaction and meeting the bid commitments.

Procurement Plan

66. Procurement plan and policies shall be the backbone of TPSODL towards ensuring highly transparent, competitive, fair and reasonable procedure with ensuring quality. TPSODL will explore and adopt best practices & policies from its other division like Delhi and Mumbai. TPSODL will plan for Centralised procurement of high value services and items and local procurement for low value and emergency works. More focus on annual rate contracts for supply items and three years contract for services.

67. The processes include methodology to select Business Associates based on credentials and past service and / or material quality. All services and materials are evaluated for quality and performance by users. Incentive and penalty clauses in the contracts support better quality of delivery. Certain Business Associates are identified based on areas of their core-competency such as call-centre, CRC manning and attending low voltage faults in the distribution business. The SLAs with these Business Associates are made with an emphasis on higher performance than standards to enhance customer satisfaction. The quality of customer interaction of front-end staff is monitored and used as a feedback for improvement. Relevant training, based on these feedbacks, are also imparted to them to improve customer experience. The Business Associates who do not perform up to the expectation, are blacklisted. Feedback is also sought from Business Associates through a satisfaction survey and BA meets and actions are taken based on the findings.

Submission by Ananda Kumar Mahapatra

68. The Objector has stated that TPSODL has projected O&M Exp for FY-2022 excess by 34.03% over the approval accorded by the Commission in the Tariff Order for FY-2022. The reason behind the abnormally high projection of O&M Exp is not known. The amount of reduction of AT&C loss in case the the Opex is approved by the Commission for the FY-2022 may be stated. The O&M Cost for the FY-2022 should be approved at

par or equal with the O&M Cost approved for FY-2022 with only 2% escalation.

Submission by Ramesh satapathy

69. The Objector has stated that the 33KV overhead lines are long, radial with undersized, worn out bare conductor having extremely long spans, having damaged, bent, tilted poles, poor joints, compromised safety clearances, and non-availability of guard wires in MV overhead feeders. Network therefore needs urgent investment to the address the operational, commercial and safety related challenges to improve the reality of supply, customer services and safety to staff, general public and animals.

Submission of UCCI and M/S Grinity Power tech

70. The Objectors have stated that there are 33 kV bays which have been constructed in erstwhile Power utilities / OPTCL for drawl of power to 33/11 kV substations of Utility while constructing new 220/33 kV and 132/33 kV substations. Many of such bays have not been utilised till date. In fact 33 kV bays in some of the OPTCL's substations remain completely unused for years together and remain so even today. Utilization of these bays may be explained. Further OPTCL have constructed many 33/11 kV substations under ODSSP, DDUGJY and IPDS schemes. DISCOM may clarify whether all these 33/11 kV substations have been taken over or not and their business plan for taking over the same.

Objectors stated that the petitioners should give a comparative chart of different works and cost approved in ARR vis-a-vis proposed along with expenditure incurred till date with reference to Employee Cost, R&M Cost and A&G Cost.

Objectors have stated that as per vesting order all the pending payment, Bank Guarantee of MSME of the vendors of earlier Utilities i.e. CESU, SOUTHCO, WESCO, NESCO are to be paid by new licensee managed by Tata Power i.e. TPCODL, TPSODL, TPWODL and TPNODL. As the Power Sector was under transition phase and also due to COVID-19, the payments to MSME and Service Providers could not be made by earlier Utilities. Tata power may be directed to submit all the details to the Commission regarding the dues pending and payment made to Vendors / Service Provider whose payment are due by the earlier Utilities. In the proposed Business Plan, TPSODL has not submitted any details of past liability as far as vendor's payments are concerned and they have not proposed any definite time line for release of past dues of vendors, suppliers, contractors, consultants which are earlier pending with earlier Utilities.

Objectors have stated that DISCOM may be directed to furnish CAPEX plan required for DSM interventions as this will lead energy conservation and better demand side management. Objectors have stated that the division wise third Party Energy Audit report and Standard of Performance audit report should be submitted to Commission on Quarterly basis by the TPSODL. However, in the Business Plan no such proposal for third party energy audit, SOP audit for each Division has been proposed.

Objectors have stated that the no members of GRF shall be employee of DISCOM or utility. GRF shouldbe created in division wise, so that all the disputed case will be solved withinlimited time.

Submission by OPTCL

71. OPTCL states that as per OERC (Terms and Conditions of wheeling Tariff and RST Regulations, 2014), O&M expenses includes three sub heads, namely (a) Employees cost (b) R&M and (c) A&G Expenses. That the figures proposed are exceptionally high and without substantiating the actual need and justification except some generic remark.

- **Employee Cost**

72. OPTCL has stated that it is not known if the TPSODL has already taken approval for appointment of 60 Nos. of executives. If not, the same should be taken as contravention of the order andthe financial liability should not be passed on to the consumers. The proposal of addition of 695 Nos. of executives without explaining justification cannot be accepted as the same is 1.8 times the existing strength and from the point view of the financial liability that will be passed on to the consumers.

OPTCL has stated that an amount of Rs.404.76 Cr. has already approved by the Commission against proposal of Rs.416.27 Cr. towards Employee Cost for 2021-22 of TPSODL. However in the revised OPEX Proposal it has prayed for Rs. 545.67 Cr. which is in excess of Rs.102.0 Cr. It may be noted that the approved amount i.e. Rs.404.76 Cr. includes Rs.24.00 Cr. for additional employee cost including new recruitment and as the cost is already is approved, the proposed additional Employee Cost may be denied.

OPTCL has stated that the Commission may allow 15% extra employees in executive category and 30% in Non-executive cadre in the 1st year to tide over the situation keeping in view the restrictions imposed on SOUTHCO on recruitment of staff since last decade or so. TPSODL has not mentioned the source of revenue to be spent on the proposed Employee Cost whether it is in terms of loss reduction or higher revenue collection. In such scenario, the demand seems to be unreasonable and accordingly may be denied by the OERC. TPSODL may be asked to prepare a detailed organization structure based on norms and propose and year wise recruitment / induction plan spread over next five years or so as their present proposal is not based on logical study.

- **R&M Cost**

73. OPTCL has stated that the OERC have approved R&M cost of Rs.55.36 crore for FY 2021-22 against the proposed for Rs.86.81Cr. as ordered in the RST Order dated 26.03.2021. But in the revised OPEX plan again TPSODL has proposed for Rs.115.81Cr. for the same without much justification. As per the audited accounts of SOUTHCO for 2019-20, a major amount of Rs.4.59 Cr. was spent under the head R&M expenses. At para-436 of the RST order dated 26.03.2021, OERC have observed that, spending pattern of DISCOMs in R&M Activities are much less than what is being approved, mostly less than 50% of the amount approved.

OPTCL has stated that that the Commission has approved Rs.55.36 Cr. for R&M expenses for FY 2021-22 which is more than 10 fold increase in comparison to the actual expenditure incurred during 2019-20. R&M expenses are to be limited to 5.4% of the GFA as per the Tariff determination Regulation. R&M expenses shall be considered based on TPSODL own assets as well as Govt. funded assets under various schemes such as ODSSP, IPDS, DDUGJY, SAUBHAGYA, etc The major equipment of the Assets created under Govt. funded schemes is covered by warranty by the manufacturer and no expenditure on maintenance is due in near future. The assets which are new, same have been constructed starting from 2016, and preventive maintenance and testing activities for this equipment are to be ensured for healthiness and long life span service. Some of the items are of capital in nature and already covered in Capex proposal may be ignored. The expenditure has been proposed in PSCC, SCADA, and safety related expenses, Civil works, IT related expenses both under Capex and Opex plan and the R&M expenses of the asset is being sought when the asset itself does not exist.

- **A&G Cost**

74. The approved A&G cost for FY 2021-22 Vide RST Order dt 26.03.2021 is Rs.45.13 Cr. against proposed for Rs.58.23 Cr. but in OPEX plan again they have proposed for Rs.104.36 Cr. which is around 2.3 times of the approved amount for FY 2021-22. Any additional amount should only be allowed based on proof of performance like loss reduction and general improvement in consumer services etc. The enhanced cost proposed towards property and conveyance may be turned down as the same cannot be raised to 300% which defies all rational logic. A&G Cost is controllable cost and DISCOMs are expected to act in a rational manner to keep it to bare minimum so as not to burden the consumers.

Submission by Manoj kumar Panda

75. Shri Panda has stated that the above plan must be approved through SAC of the Commission. Shri Panda has stated that the hike in case of salary is proposed without valid record & no supportive calculation. The proposed cost is too high and by dividing the salary cost with total cost proposed in case of TPSODL it will be more than 1.5 lakh per employee. The detail of the average salary of each grade must be published in the website. The hike in A&G is proposed with regard to travelling and other expenses is more than doubled. The proposed expenses in IT automation may please be explained.

Submission by Shri Pramod Kumar Sahu

76. Shri Sahu has objected the expenditure related to CAPEX plan.

Reply to Shri Ananda Kumar Mahapatra

77. TPSODL has already submitted the same within 45 days of the vesting order as per direction of the commission for approval along with our additional submission for O&M expenses as per direction of the in para 57(b) of the vesting order. TPSODL has submitted that the commission in the Para-403 of the Tariff order 2020-21 directed as follows.

"In the meantime, TPWODL and TPSODL came into operation w.e.f. 01.01.2021 which is later than the submission of the ARR petition for FY 2021-22. In terms of their respective vesting order, TPWODL and TPSODL have also made additional submission with regard to the O&M cost for the current FY 2020-21 and further projections for FY 2021-22 beyond the ARR projections as per the petitions submitted on 30.11.2020 by the utilities WESCO and SOUTHCO. The Commission in such a scenario will consider such additional submission towards Annual Business Plan of TPSODL and TPWODL and hear the same from different stakeholders before approving the same.

TPSODL has stated that the present submission is about the additional O&M cost as additional submission towards annual business plan.

Reply to Shri Ramesh Satapathy

78. TPSODL has stated that the progress report of the different projects is being submitted by implementing agencies periodically for review by concerned authorities.

Reply to UCCI & Grinity Power Tech

79. TPSODL has stated that they are constructing 13 Nos. of new 33kV lines which are under progress and 13 Nos. of bays in OPTCL GSS will be utilized in this financial year. The employee recruitment plan has been proposed based on the requirement identified in a phased manner so that there would be no extra burden on consumers. TPSODL is committed to liquidate the past liabilities of the vendors in line with the agreement. TPSODL had discussions with the old vendors/contractors/ consultants to discuss their

concerns and have already started releasing payment to them after due verifications of their claims. TPSODL has submitted investment proposal of Rs.5.00 crore for Demand side Management under Loss reduction category.

Reply to OPTCL

80. TPSODL has stated that they have filed the Annual Business Plan towards OPEX for the FY 2021-22 to primarily address major issues like Old Network, Safety related issues like PPE, tools & practices, High Aggregate Technical and Commercial (AT&C) losses, Limited Customer Touch Points and inefficient Processes, no IT infrastructure, Human Resource related issues like an aging workforce, lack of required skill set, Poor civil Infrastructure and governance challenges for all round development of the organization.

Employee Cost

81. TPSODL has stated that they have inherited 1999 nos. of employees from erstwhile SOUTHCO, out of which 389 are executives. TPSODL has admitted to have already deployed 60 nos. of executives and intend to further add 695 more executives in FY 2021-22 through Recruitment. Human resource plan is submitted for the commission's approval. The present prayer for approval of the employee cost based on the revised manpower plan to achieve the terms and targets stipulated in the vesting order case no 83/2020. The additional manpower recruitment has been proposed with a view to improve power supply reliability, to ensure safety of employees and public at large, Reduction of AT&C losses and enhancing the customer services. TPSODL has submitted the human resource requirement after detailed analysis. The recruitment of the proposed resources shall improve the organizational performance.

R&M Cost

82. TPSODL has stated that the R&M expenses shall be considered based on TPSODL own assets as well as Govt. funded assets under various schemes such as ODSSP, IPDS, DDUGJY, SAUBHAGYA, etc. The expenses under OPEX for SCADA & IT include Town Connectivity- Primary and Secondary link, Internet bandwidth charges for offices and PSS, IT support for all desktop & laptop users connected with fluent grid utilization. These items are OPEX nature and are different from the items considered under CAPEX. The expenses for safety under OPEX include Procurement of PPE, Safety capability building, resources for emergency preparedness, competency training of safety etc. which are of O&M nature and not included in CAPEX. The cost for Civil activities, under

OPEX, is considered for the small activities towards minor repairs of buildings, plinths, toilets etc.

A&G Cost

83. TPSODL has submitted that all the properties of TPSODL are very old and to repair and renovate this onetime expense is necessary to create infrastructure for employees to work comfortably and amicably. To provide support to customer 24x7 across region and quick resolution for any customer complaints, hired vehicles are necessary. More over the availability of public transport is very limited. TPSODL has established process to have prudent checks on the A&G cost.

84. TPSODL has stated that the Annual Business Plan has been prepared after collecting information from the ground after survey by our field teams spread across the licensed area. The plan has been prepared under guidance of the experienced professionals and approval of same will improve the efficiency of the network and bring down the existing AT&C loss level. The OPEX plan has been submitted after detailed study with optimum utilization of the resources and funds. The approval of the same will improve the efficiency of the network and bring down the existing AT&C loss level.

Commission's Order

85. The Commission through the vesting order dated 28.12.2020 in Case No. 83/2020 has vested the utility of SOUTHCO in the operating company TPSODL w.e.f. 01.01.2021. The successful bidder Tata Power Company Limited (TPCL) acquired 51% equity in the TPSODL and Government of Odisha holds 49% through its entity GRIDCO.

86. The prayer for approval of Capex is excluded in the present order as that has been dealt in a separate order. In this order only the OPEX items are dealt which include Employees Cost, Repair and Maintenance cost (R&M) and Administrative and General cost (A&G) as per the petition.

87. The vesting order at para 57, outlines the necessary steps to be taken by the TPSODL towards operation and maintenance expenses after the vesting w.e.f. 01.01.2021. The Commission directed the following:

"57. Operation and Maintenance Expenses

(a) The O&M expenses comprise of three components as given below:

(i) Salaries, wages, pension contribution and other employee costs

(ii) Administrative and General (A&G) expenses

(iii) Repair and Maintenance (R&M) expenses

(b) Within 45 (forty five) days of Effective Date, TPSODL shall submit a detailed plan of the O&M (Employee, A&G and R&M) expenses to be incurred in the 1st (first) year of operations along with detailed justification for any deviation from the O&M expenses approved by the Commission in the Aggregate Revenue Requirement of the SOUTHCO Utility for such year. The Commission shall undertake a prudence check of the plan submitted before approving the same.

(c) For the subsequent years, TPSODL shall include the estimated expense for each component of O&M expense in the Aggregate Revenue Requirement petition submitted to the Commission as per the Tariff Regulations. The Commission shall undertake a prudence check of the submission made by TPSODL before allowing the same in Aggregate Revenue Requirement. Provided that the actual expenses allowed shall be subject to true-up as per the Tariff Regulations."

88. In view of the above directions of the Commission in the vesting order dated 28.12.2020, the Commission has now gone into the details of the Annual Business Plan submitted by the petitioner TPSODL. We will deal with the petition to allow higher O&M by going into the details of the submissions and our earlier order.

Employees cost

89. The Commission has gone into the details of the Employees cost submitted by the TPSODL in its annual Business Plan petition. We find that they have submitted a comprehensive plan by reorganizing the present organizational structure keeping focus on the areas of improvement in the DISCOM.

90. TPSODL through the vesting order inherited from erstwhile SOUTHCO in its rolls 1999 employees which include 389 executives. . TPSODL has stated that it has deployed around 60 executives including Senior Management team who are experts in different fields of distribution functions. Based on detailed analysis and subsequent organisation design, TPSODL has proposed to reinforce existing team with additional 695 manpower (all in executive cadre). Function-wise proposed structure, mapping with existing manpower have been explained in detail in TPSODL Human Resource Plan.

91. TPSODL in this petition has proposed to recruit these new employees this year and around 60 employees to be deputed from other divisions of Tata Power to TPSODL. Total Cost of manpower including erstwhile 1999 numbers of SOUTHCO employees and newly recruited employees shall be Rs.545.67 Cr. for the period April 2021 to March 2022. The Commission in the RST order for FY 2021-22 has allowed in total Rs. 404.76 crore towards the employee cost.

92. The OERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014 provide the mechanism for allowing the employee cost. Regulations 7.21 and 7.22 are relevant in this context which are reproduced below:

“7.21 Wages and salaries during the control period shall be determined based on the base year values of Basic pay and Grade Pay escalated for annual salary increments and inflation based on Govt. of Odisha notification issued from time to time.

7.22 Basic Pay and grade pay are to be taken from last available annual audited accounts of the Licensee. However if as per the Commission’s assessment the figures shown in the audited accounts cannot be relied upon, the Commission may take into account the actual payment outgo during the last six months of the year, as submitted by the licensee, to arrive upon the basic pay and grade pay for the ensuing year.

Dearness Allowance, HRA and other allowances would be calculated as per rates notified by the Government of Odisha from time to time.”

93. In view of the above Regulations, the wages and salaries shall be determined on the basis of Basic pay and Grade pay in the structured pay scale. Other allowances are also linked to the pay scales which are allowed as per the Government of Odisha rates. In the present context however, the wages and salaries proposed for the new induction will not be based on such pay scales but as per the industry norms to be decided by the TPSODL.

94. In view of such a scenario wherein the salary, wages and allowances for the new induction is decided by the operating company the Commission allows such induction to provide operational flexibility to TPSODL to design the organizational structure in order to ensure efficiency in operation and staff deployment. The Commission in its vesting order at para 50 (c) have provided such operational flexibility to the operating company.

95. The Commission however, observes that the induction of 695 new employees in executive cadre in one year will have a huge impact on the employees cost and consequently on tariff. The Commission is also aware that in the DISCOMs, no new significant recruitments have been made during last 10 years and DISCOMs have appreciable shortage of required manpower. The ratio of the employees vrs. consumers has also widened over the years and bringing in new employees will bridge this gap for efficient functioning of the DISCOMs. The Commission is not averse to allowing employee cost which is just and as per the present norms of the relevant industry. At the same time, the Commission is not inclined to fill all the required personnel/ vacancies in one year. Such large scale recruitment in a short period is bound to choke the career growth over the years besides causing tariff shock. Instead, it should be spread over a longer period.

96. The Commission now allows 8% of the total proposed manpower of 2754 (1999+60+695) to be recruited. This will include post facto approval for the 60 persons already recruited without Commission’s approval. This would mean additional recruitment of 160 (.08X2754-60) employees.

97. The expenses under this head will be allowed only after prudence check at the time of True Up.

Repair and Maintenance Expense

98. The petition has outlined the requirement of comprehensive Repair and Maintenance in the area of safety, power system, distribution system and distribution services, centralized power system control centre, civil structures, automation technology, etc. TPSODL has proposed that due to the increased expenditure in repair and maintenance during the year there will be marked improvement in the system such as increased reliability, Reduction in operational technical loss, Reduction in failure of the equipment, availability of the network, better voltage, quality supply availability, less accidents, etc. The Commission observes that the repair and maintenance activities over the years in the DISCOM has not been up to the mark mainly due to tardy revenue collection consequently causing neglect of many vital areas of safety, maintenance, replacement, communication and IT services.

99. The OERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014 provide the mechanism for allowing the Repair and Maintenance cost. Regulations 7.29 and 7.32 are relevant in these contexts which are reproduced below:

"7.29 Repair and Maintenance expenses would be allowed at the rate of 5.4% of Gross Fixed Assets (GFA) only on assets owned by the distribution company, for each year of the Control Period.

7.30 The licensee shall prepare a plan and budget for periodic preventive maintenance of distribution network including emergency repairs and restoration works under each division.

7.31 The Commission may provisionally allow an amount for maintenance of assets added under RGGVY, BGJY programme etc. The licensee is required to submit to the Commission along with ARR the details of assets taken into service under these programmes.

7.32 The Commission may also allow special R&M, actually incurred during the previous year, in order to enable DISCOMs to undertake critical activities such as loss reduction, energy audit, Consumer Indexing, Pole scheduling etc. Provided the commission will undertake a prudence check before allowing such expenditure."

100. The petitioner has proposed for the total Repair and Maintenance cost of Rs.115.81 crore under various items. The petitioner has proposed the highest expenses in the items, transformer maintenance of Rs.41.64 crore and distribution line repairs and maintenance of Rs.32.98 crore. The other major expenses proposed are in civil R&M expenses of Rs.9.00 crore, R&M of RGGVY and BGJY assets of Rs.9.25 crore and IT automation of

Rs.11.50 crore. The petitioner has submitted that performance based annual maintenance contract will be established with expert market agencies for all 19 divisions. The performance based annual maintenance contract will include breakdown maintenance crews for restoration of 11 KV line and substation equipments. Annual Maintenance Contract (AMC) will be given towards safety, emergency breakdowns, carrying out preventive maintenance of equipments pertaining to LT distribution system.

101. The provisions of the Tariff Regulations provide for determining Repair and Maintenance cost based on the percentage of the fixed assets. However, in the present scenario of the new operating company taking over the assets of the erstwhile SOUTHCO, it is required to maintain the network in optimal manner not only to address the issues of safety and maintenance but also reducing technical losses in order to improve its performance on AT&C loss trajectory.

102. The Commission in the last tariff order has approved the total Repair and Maintenance cost of Rs. 55.36 against the proposal of Rs.86.81 crore to the erstwhile SOUTHCO for FY 2021-22. The petitioner has proposed the total cost of Rs.115.81 crore for the year. The petitioner has proposed that the additional expenses there will be appreciable benefits and improvement to the system. Notably, there would be reduction in interruptions/ outage duration through early identification and restoration of RTU or communication failure, improvement in system reliability by reducing SAIDI and SAIFI, higher availability of SCADA/ DMS system and saving in AMC cost.

103. In view of the fact that the Repair and Maintenance aspect is critical to the overall improvement of the distribution system. The Commission in this context observes that at the time of ARR petition the new operating company has not taken over and consequently the R&M cost projected by the SOUTHCO in the ARR was conservatively estimated. With the takeover of the new operating company the requirement under the R&M is now projected at a higher value taking into account the requirement for refurbishment of the network system. The Commission in the ARR order for FY 2021-22 approved the total expenses of Rs.55.36 crore under the head R&M. In the present petition TPSODL has proposed expenses under this head nearly double the cost approved by the Commission in the ARR. The Commission after analyzing the petition now allows Rs. 88.57 crore that is 60% above the earlier approved cost.

104. The Repair and maintenance expenditure against the above will be assessed by the Commission during the true-up exercise and periodical reviews and expenses will be allowed only after prudence check.

Administrative and General (A&G) Expenses:

105. The petitioner has focused under the A&G expenses the activities such as meter reading and collection expenses, customer services and communication expenses, meter management expenses including other related expenses. In the meter reading and collection expenses the petitioner has proposed to deploy Business Associates under performance based contract and promotional schemes for online payment and counter payment.

106. In order to provide ease in customer experiences a unified call centre is proposed. The total cost with GST for establishing the call centre is proposed to be Rs.2.6 crore. Under the meter management expenses the petitioner has proposed to establish supply chain of meters, accessories and development of meter testing labs in three locations i.e. Berhampur, Aska and Jeypore. The communication equipments in the meters already installed will be strengthened through timely rectification of modems and allied accessories. Therefore, the total expenses under these activities is proposed to be 104.36 crore.

107. The petitioner has further proposed other costs in the A&G expenses such as insurances, rent, rate and taxes, legal consultancy and professional charges, IT consumables, housekeeping etc. The petitioner has proposed an expenses of Rs.32.63 crore on the head other expenses.

108. The Commission approves the A&G expenses in the ARR under the provisions of the OERC (Terms and Conditions) for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014. The relevant extract of such Regulation is reproduced as below:

"7.27 The A&G Expenses for each subsequent year will be determined by escalating the A&G Expenses for the previous year, at the escalation factor of 7 % to arrive at permissible A&G expenses for each year of the Control Period

7.28 The Commission may, in addition to the normal A&G expenses may allow additional expenses, actually incurred during the previous year, under this head for special measures to be undertaken by the distribution licensees towards reduction of AT&C losses and improving collection efficiency. Provided the commission will undertake a prudence check before allowing such expenditure."

109. The Commission in the last ARR for FY 2021-22 has approved total A&G of Rs.45.13 crore. In the present petition the petitioner has submitted that another major expenditure is on the conveyance and travelling which is about Rs.25.05 crore. TPSODL has also projected increased expenses under the item other costs which include insurances, rent, rate and taxes, legal consultancy and professional charges, housekeeping and IT consumables.

110. On the above submissions the Commission observes that the expenditure on the A&G is a controllable expense and as per the OERC Tariff Determination Regulation additional expenses are allowed in this head for specific measures towards reduction of AT&C losses and improving collection efficiency. We find that the proposals mainly relate to improving metering management and services and customer services which are vital elements in reducing AT&C losses. The TPSODL is a new operating company and we believe that they have planned out their activities diligently for improving the overall distribution business. At this stage we allow the additional A&G expenses of about sixty percent of the approved cost of Rs.45.13 crore in the ARR for FY 2021-22. The Commission now allows the total A&G expenses of Rs.72.20 crore for FY 2021-22. However, the petitioner is directed to produce the required justifications for such additional expenses under the head A&G expenses incurred in the truing up petition for FY 2021-22. The expenses under this head will accordingly be allowed after prudence check.

111. With the above observations, the case is disposed of.

Sd/-	**Sd/-**	**Sd/-**
(G. Mohapatra) **Member**	**(S.K. Parhi)** **Member**	**(U.N. Behera)** **Chairperson**