

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAWAN,
UNIT – VIII, BHUBANESWAR – 751 012
*** **

Present : Shri B. K. Das, Chairperson
Shri K. C. Badu, Member
Shri B. K. Misra, Member

CASE NOS: 146, 147, 148 & 149 of 2010

DATE OF HEARING: 05.02.2011, 09.02.2011,
07.02.2011 & 10.02.2011,

DATE OF ORDER: 18.03.2011

IN THE MATTER OF: Applications of Distribution Licensees (CESU, NESCO, WESCO & SOUTHCO) for approval of their Annual Revenue Requirement and Retail Supply Tariff for the FY 2011-12 under Section 62 & 64 and other applied provisions of the Electricity Act, 2003 read with relevant provisions of OERC (Terms and Conditions for determination of Tariff) Regulations, 2004 and OERC (Conduct of Business) Regulations, 2004 and other Tariff related matters.

ORDER

The Distribution Licensees in Orissa namely, CESU, NESCO, WESCO and SOUTHCO are carrying out the business of distribution and retail supply of electricity in their licensed areas as detailed below:

Table – 1

Sl. No.	Name of DISTCO	Licensed Areas (Districts)
1.	CESU	Puri, Khurda, Nayagarh, Cuttack, Denkanal, Jagatsinghpur, Angul, Kendrapara and some part of Jajpur.
2	NESCO	Mayurbhanj, Keonjhar, Bhadrak, Balasore and major part of Jajpur.
3	WESCO	Sambalpur, Sundargarh, Bolangir, Bargarh, Deogarh, Nuapara, Kalahandi, Sonepur and Jharsuguda.
4.	SOUTHCO	Ganjam, Gajapati, Kandhamal, Boudh, Rayagada, Koraput, Nawarangpur and Malkangiri.

The Commission initiated proceedings on the filing of Annual Revenue Requirement (ARR) and Retail Supply Tariff Applications (RST) of these Distribution Licensees under relevant provisions of the Electricity Act, 2003. By this common Order, the Commission disposes of the aforesaid ARR and RST applications of the above mentioned Distribution Licensees and other related tariff matters.

PROCEDURAL HISTORY (Para 1 to 14)

1. As per OERC (Conduct of Business) Regulations, 2004 and OERC (Terms & Conditions for Determination of Tariff) Regulations, 2004, the Licensees are required to file their Annual Revenue Requirement (ARR) and Retail Supply Tariff Application (RST) on or before 30th November every year in the prescribed format for the ensuing financial year. Accordingly, all the distribution licensees (CESU, NESCO, WESCO & SOUTHCO) filed their Annual Revenue Requirement (ARR) and revision of Retail Supply Tariff (RST) Applications for FY 2011-12 on 30.11.2009. The ARR and tariff applications of DISCOMs are coming within the prescribed period of limitation.
2. The said ARR & RST applications were duly scrutinized, admitted and registered as Case Nos.146/2010 (CESU), 147/2010 (NESCO), 148/2010 (WESCO), and 149/2010 (SOUTHCO) respectively.
3. As per the direction of the Commission applicants to published the ARR & Tariff Applications in the prescribed formats in the leading and widely circulated Oriya and English newspapers in order to invite objections/suggestions from the general public. The said public notices were also posted in the Commission's website www.orierc.org. The Commission had also directed the applicants to file their respective rejoinder to the objections filed by the several objectors.
4. In response to the said public notices, the Commission received objections/suggestions from the following persons/ associations/ institutions/ organisations as mentioned below against each of the respective distribution licensees:

On CESU's application:

5. (1) Shri Ananta Bihari Routray, Secy., Orissa Electrical Consumers' Association, Sibasakti Medicine Complex, B.K. Road, Cuttack-753001, (2) Shri Ramachandra Mahapatra, C/o- Dillip Kumar Ray, Jhanjirimangala, Lunia Sahi, Cuttack-9, (3) Shri Pawan Kumar Gupta, M/s. New Laxmi Steel & Power Pvt. Ltd., Plot No. N-61, Madhusudan Nagar, Bhubaneswar, (4) Shri Rajeshwar Pandey, Dy. Executive Director, OCL India Limited, Plot No.1129, Mohanadi Vihar, Near Moon Hospital, Cuttack (5) Shri Anil Choudhary, M/s. Auro Ispat (India) Pvt. Ltd., Khuntuni, Cuttack (6) Ms. Tapaswani Sinha on behalf of Orissa Consumers' Association & FOCO, PS-Purighat, Biswanath Lane, Dist-Cuttack-2. (7) Shri G. C. Das, Consultant, Flat No. 405, Subhadra Enclave, At- Palasuni, Po- Rasulgarh, Bhubaneswar-12 (8) Shri Prabhakar Dora, At-Vidya Nagar, Co-Operative Colony, 3rd line, Rayagada, Po/Ps/Dist- Rayagada (9) Chief Electrical Distribution Engineer, East Coast Railway, Headquarters Building, 3rd Floor, South Block, Chandrasekharpur-751017. Bhubaneswar, (10) Shri Prasanna Kumar Sahoo, M/s Utkal Furnace Association, C/o- IPISTEEL, 380, Bomikhal, Bhubaneswar-10, (11) Shri Prasanna Kumar Sahoo, M/s. IPISTEEL Ltd. Gundhichapada, Dist-Dhenkanal, (12) Mr. Bibhu Charan Swain, M/s Power Tech Consultants, 1-A, /6, Swati Villa, Surya Vihar, Link Road, Cuttack-753012 (13) Shri Prasanta Mallick, Chief Executive Officer, M/s T. S. Alloys Ltd., (Earstwhile Rawmet Ferrous Industries), 2-B, Furtune Tower, Chandrasekharpur, Bhubaneswar (14) Shri Ramesh Ch. Satpathy, Secretary, National Institute of Indian Labour, Plot No.302(B), Beherasahi, Nayapalli, Bhubaneswar-751012, (15) Shri Antaryami Routray, President, All Orissa Cold Storage Association, Aiginia, Kuberapuri, Bhubaneswar, Dist- Khurda, (16) Dr. D. V. Ramana, Professor, Xavier Institute of Management, Bhubaneswar-13, (17) Shri R.P. Mahapatra, Retd. Chief

Engineer & Member (Gen., OSEB, Plot No.775(Pt.), Lane-3, Jayadev Vihar, Bhubaneswar-751013 (18) Shri Sunil Kumar Agrawal, Director, M/s. Sourav Alloy & Steel Pvt. Ltd., Bahandei, Po- Gunadei, Dhenkanal, (19) Shri Satyadeep Pati, At-Grambhikash Mahuda, Berhampur, Dist- Ganjam (20) Sri Karunakara Dash, AVP, M/s. Tata Tele Services Ltd., Module- B&C, 3rd Floor, Fortune Tower, Bhubaneswar (21) Shri Babaji Charan Sahoo, M.D. M/s. IDCOL Ferro Chrome & Alloys Ltd., At. IFCAL Colony, PO- Ferro Chrome Project, Jajpur Road, Dist-Jajpur- 755020, (22) Shri M.V. Rao, Chairman, Power Committee, UCCI, N/6, IRC Village, Nayapalli,BBSR-15, Dist-Khurda (23) Shri Deepak Kumar Agrawal, Director, M/s. Shree Maruti Steel and Casting Pvt. Ltd., Plot No. 1036, Mahanadi Vihar, Cuttack-4, (24) Secretary, Confederation of Citizen Association, BBSR, (25) PRAYAS Energy Group, Pune. All the above named objectors were present during tariff hearing except objector Nos. 2, 8, 12, 16 & 25 but their written submissions were taken into record and also considered by the Commission. During hearing one Pravat Kumar Sahoo on behalf of Residents' Committee New AG Colony, Nayapalli, Bhubaneswar had prayed the Commission to implead him as an objector and allow him to put forth their views. The Commission allowed him as an objector and the written submissions made by him were taken in to record.

On NESCO's application:

6. (1) Shri Ananta Bihari Routray, Secretary, Orissa Electrical Consumers' Association, Sibasakti Medicine Complex, B.K. Road, Cuttack-753001, (2) Shri A. K. Sahani, B/L VSS Nagar, Bhubaneswar-07, (3) Shri Manmatha Bahera, Balasore Ice Factory Owner Forum, At/Po- Balaramgadi, Dist- Balasore (4) Shri Dharma Veer Choudhry, G.M., M/s. Maithan Ispat Ltd., Kalinga Nagar Industrial Estate, Dasmania, Jakhapura, Jajpur (5) Shri M.V. Rao, Resident Manager & Power of Attorney Holder, Ferro Alloys Corporation Ltd., GD-2/10, Chandrasekharpur, BBSR-23. (6) Shri Girish Chandra Lenka, M/s. Balasore Alloys Ltd., Qtr. No. MA-53, Baragada Brit Colony, Bhubaneswar-18. (7) Ms. Tapaswani Sinha, Asst. Secy., Orissa Consumers' Association, Debajyoti Upovokta Bhaban & also on behalf of Federation of Consumer Organization(FOCO), Biswanath Lane, Cuttack-2 (8) Shri Devashish Mahanti, President, North Orissa Chamber of Commerce & Industry, Ganeswar Industrial Estate, Dist-Balasore (9) Shri Rajesh Chintak, Chief Resident Executive, M/s. Tata Steel Ltd., Plot No. 273, Bhoumanagar, Unit-IV, BBSR-1, Dist-Khurda. (10) Shri Prabhakar Dora, At-Vidya Nagar, Co-Operative Colony, 3rd line, Po/Ps/Dist-Rayagada. (11) Chief Electrical Distribution Engineer, East Coast Railway, Headquarters Building, 3rd Floor, South Block, Chandrasekharpur-751017, Bhubaneswar. (12) Shri Bibhu Charan Swain, M/s Power Tech Consultants, 1-A /6, Swati Villa, Surya Vihar, Link Road, Cuttack-753012.(13) Sri Ramesh Ch. Satapathy, Secretary, National Institute of Indian Labour, Plot No. 302(B), Beherasahi, Nayapalli, BBSR-12., Dist-Khurda (14) Sri Pawan Nahata, Asst. Commercial Manager, Krishna Chlorate Pvt. Ltd., Nayapurusottampur, Kathpal, Po- B. Budhikhamari, PS- Betanoti, Dist- Myurbhanj.(15) Sri R.P. Mahapatra, Retd. Chief Engineer & Member (GEN), OSEB, Plot No. 775(P), Lane-3, Jayadev Vihar, BBSR-13 (16) Sri M.V. Rao, Chairman, Power Committee, UCCI, N/6, IRC Village, Nayapalli,BBSR-15, Dist-Khurda. (17) Sri R. S. Varma, Chief Electrical Distribution Engineer, SEE Office, 4th Floor, New Administrative Building, S. E. Railway, Garden Reach, Kolkatta (18) Sri Karunakara Dash, AVP, M/s. Tata Tele Services Ltd., Module- B&C, 3rd Floor, Furtune Tower, Bhubaneswar(19) Sri Babaji Charan Sahoo, M.D, M/s. IDCOL Ferro Chrome & Alloys Ltd., At. IFCAL Colony, PO-

Ferro Chrome Project, Jajpur Road, Dist-Jajpur- 755020 (20) Sri Basudeo Prasad Modi, Director, M/s. VISA Steel Ltd, Kalinga Nagar, Industrial Complex, Jakhapura, Jajpur Road, Jajpur (21) Sri B.R.D. Agarwal, Sr. G.M, M/s. EMAMI Paper Mills Ltd., Balgopalpur, Balasore-756020 (22) Sri Pradeep Kumar Dash, S/o- Bishnu Mohan Dash, Prop.- Sruti Broilers, At/Po-Kamanpur, PO/PS- Soro, Dist- Balasore-756045 (23) Sri Jayanta Das, S/o- Late- Gobardhan Das, President, NESCO Bidyut Grahak Sangha, AITUC Office, Proof Road, Padhuanpada, Balasore (24) Sri Darshan Sethi, Secretary, Inchedi-IV, Rahania, Pokhari Panipanchayat, At/Po- Inchedi, Via- Rasalpur, Dist- Balasore-756021, (25) Sri Bhagaban Panda, Keonjhar District Secretary, Communist Party of India, At/Po- Barbil, Dist- Keonjhar-758035 (26) Sri Sashinath Behera, Treasurer, Inchedi-V, At/Po- Inchedi, Via- Rasalpur, Dist- Balasore-756021, (27) Sri Bhagabat Prasad Pratihari, Secretary, Communist Party of India, At/Po- Tulasi Chaura, Baripada, Dist- Mayurbhanj-757001, (28) Sri Jatin Kumar Patra, Secretary, Communist Party of India, Balasore Zonal, Committee, CPI Office, Proof Road, Padhuanpada, Balasore-756001, (29) Sri Debendra Jena, Balasore District Secretary, Utkala Rajya Krusak Sabha, AIKS Office, Proof Road, Padhuanpada, Balasore-756001, (30) Sri Pitamber Das, President, Inchedi KFW-3, Panipanchayat, At/Po- Inchedi, Via- Rasalpur. Dist- Balasore-756021, (31) Sri Srinibas Jena, Asst. Secretary, Orissa Gana Ekata Parisad, Chamber of S.N. Mohanty, Advocate, Ranipatna, PS- Sahadevkhunta, Po/Dist- Balasore (32) Orissa Consumers' Association, Balasore Chapter, Balasore & (33) PRAYAS, Energy Group, Pune. All the above named objectors were present during tariff hearing except objector Nos. 1, 7, 8, 10, 22, 31, 32 & 33 but their written submissions were taken into record and also considered by the Commission.

On WESCO's application:

7. (1) Sri G.N. Agrawal, Sambalpur District Consumers Federation, Balaji Mandir Bhawan, Khetraipur, Sambalpur, (2) Sri Santosh Kumar Upadhyay, Registrar, NIT, Rourkela-769008, (3) Shri Shyam Sundar Pansary, President, Western Orissa Cold Storage, At- Cold Storage Complex, Baralipali, Dist-Sambalpur-768006, (4) Shri Ananta Bihari Routray, Secretary, Orissa Electrical Consumers' Association, Sibasaki Medicine Complex, B.K. Road, Cuttack-753001, (5) Sri Ramesh Chandra Senapati, Sr. Manager (Co-Ordination), M/s. Rexion Strips Ltd, Kamala Complex, Power House Road, Rourkela-01, (6) Ms. Tapaswani Sinha, Asst. Secy, Orissa Consumers' Association, Debajyoti Upovokta Bhaban & also on behalf of Federation of Consumer Organization (FOCO), Biswanath Lane, Cuttack-2, (7) Sri Suryakanta Pati, Sr. Manager (Elect), M/s. OCL India Ltd., Qrs. No. 1/12, Block-1, OCL New Colony, Rajganjpur, Sundargarh-17, (8) Sri Prabhakar Dora, At-Vidya Nagar, Co-Operative Colony, 3rd line, Rayagada, Po/Ps/Dist- Rayagada, (9) Mr. Bibhu Charan Swain, M/s Power Tech Consultants, 1-A /6, Swati Villa, Surya Vihar, Link Road, Cuttack-753012, (10) Shri Ramesh Ch. Satpathy, Secretary, National Institute of Indian Labour, Plot No.302(B), Beherasahi, Nayapalli, Bhubaneswar-751012, (11) Shri R.P. Mahapatra, Retd. Chief Engineer & Member(Gen.), OSEB, Plot No.775(Pt.), Lane-3, Jayadev Vihar, Bhubaneswar-751013, (12) Sri G.S. Jaiswal, Director, M/s. D.D. Iron & Steel Pvt. Ltd., H-4/5, Civil Township, Rourkela, (13) Sri Promod Agrawal, M.D, M/s. Sradha Saburi Steel Pvt. Ltd., Rajganjpur, Orissa, (14) Sri Jayanta Das, President, NESCO Bidyut Grahak Sangha, AITUC Office, Proof Road, Padhuanpada, Balasore, (15) Sri Pradip Das, M/s. Sruti Broilers, Soro, Kamanpur, PO-Soro, Balasore, (16) Sri Surendra Kumar Gupta, V.P, L&T Ltd., Kansbahal Works, At/Po- Kansbahal, Dist- Sundargarh, (17) Sri Gobardhan Das, AGM(Admn.), M/s. Adhunik Metaliks Ltd., H-

3, Civil Township, Rourkel-769004, (18) Sri Sanjay Somani, Secretary, Balasore District Rice Millers Association, At- Patra, PO- Sergarh, Balasore-756060, (19) Sri Lalit Kumar Agarwal, Secretary, Khurda District Rice Millers Association, C/o- J.S. Oil Industries Pvt. Ltd., Janla, Khurda, (20) Sri Subhrajeeet Sahoo, Jajapur Rice Millers Association, Rangidaspur, PO- Chatia, Jajapur-754023, (21) Sri Santosh Kumar Agarwal, Secretary, All Orissa Rice Millers Association, S-3/36,37, Sector-A, Zone-B, Mancheswar Industrial Estate, Bhubaneswar-10, (22) Sri R. S. Varma, Chief Electrical Distributon Engineer, SEE Office, 4th Floor, New Administrative Building, S. E. Railway, Garden Reach, Kolkatta, (23) Shri Gobardhan Pujari, Gen. Secy, Sundargarh District Employers Association, At- AL-1, Basanti Nagar, Rourkela-12, Dist- Sundargarh, (24) Sri Muralidhar Parija, Saktinagar, Sector-3, Rourkela-14, Sundargarh,(25) Sri Sadananda Sahoo, Qrs. C-225, Sector-7, Rourkela, Sundargarh, (26) Sri Surendar Das, C-217, Koel Nagar, Rourkela-14, Sundargarh, (27) Sri Nrusingh Charan Panda, M/s Grihasthi Udyog, Chhend Basti, Rourkela-14, (28) Sri M.V. Rao, Chairman, Power Committee, Utkal Chamber of Commerce & Industry, N/6, IRC Village, Nayapalli, Bhubaneswar-751015, Dist-Khurda, (29) Sri Rajesh Saralia, Secretary, Angul District Rice Millers Association, C/o- M/s Saralia Foods Pvt. Ltd, Benagadia, Jarasingha, Dist- Angul, (30) Sri Navin Agarwal, Cuttack District Rice Millers Association, Plot No. 1086, Kupangi, Bali, Dist-Cuttack, (31) Sri Vikram Kumar Jaiswal, Director, Shree Austabinayak Steel Pvt. Ltd., At- Lamloi, Rajganjpur, Sundargarh, (32) Sri Sunil Kumar Nath, G.M., Bee Pee Rollers (P) Ltd., Deogaon, Rourkela-769004, Dist- Sundargarh,(33) Sunil Kumar Nath, G.M.,M/s.Scan Steel Ltd., (Unit-iv). Rajganjpur, Dist- Sundargarh-770017, (34) Sunil Kumar Nath, G.M., M/s. Scan Steel Ltd., Rajganjpur, Dist- Sundargarh-770017,(35) Sunil Kumar Nath, G.M., M/s. Scan Steel Ltd., (Unit-II), Rajganjpur, Dist- Sundargarh-770017,(36) Sunil Kumar Nath, G.M., M/s. Scan Steel Ltd., (Unit-I), Rajganjpur, Dist- Sundargarh-770017 (37) Sri Ashok Agarwal, G.M. (Admn) Ashoka Ispat Udyog, P/26, Civil Township, Roukela-04 (38) Sri Ashok Agarwal, Director, Shree Salasar Castings Pvt. Ltd, P/26, Civil Township, Roukela-04, (39) Sri Umesh Sharma, Director, Shreeram Sponge & Steels Pvt. Ltd., At/Po- Rajganjpur, Sundargarh-770017,(40) Sri Santosh Kumar Pareek, M.D., Sarada Rerollers Pvt. Ltd., S/18, Civil Township, Rourkela, (41) Sri Ramesh Jalan, Director, Refulgent Ispat Pvt. Ltd., At-Chikatmati, PO- Beldihi, Sundargarh, Orissa, (42) Sri Dilip Pramanik, Commercial Manager, Kalinga Sponge Iron Ltd., Plot No. 82, Sector-A, Kalunga Industrial Estate, Kalunga, Rourkela, Sundargarh, (43) Sri Parshan Kumar Agarwal, Director, Pepson Steels Pvt. Ltd. IDCO Plot No. 219, A,B. & C Industrial Estate (In front of IFGL Refractories Ltd.), Kalunga-770031, (44) Sri Arvind Kumr Gupta, Director, Bisra Steels Pvt. Ltd., Basanti Colony, Udit Nagar, Rourkela-769012, (45) Sri Praksh Agarwal, Director, Top Tech Steels Pvt. Ltd., 1st Floor, Mangal Bhawan, Phase-II, Power House Road, Rourkela-769001, (46) Sri Prakash Agarwal, Director, M/s. Maa Laxmi Steels Pvt. Ltd., Chikatmati, 1st Floor, Mangal Bhawan, Phase-II, Power House Road, Rourkela-769001, (47) Sri Binod Kumar Agarwal, Director, Shri Radha Krishan Ispat Pvt. Ltd., Plot No. 19, U/10, Civil Township, Raghunath Palli, Rourkela, Dist- Sundargarh, (48) Sri Birendra Kumar Sinha, Director, Maa Girija Ispat Pvt. Ltd., C-4, Commercial Plot, Civil Township, Rourkela-04,(49) Sri Amit Garg, Director, Shri Radha Raman Alloys Ltd., D-4/12, Civil Township, Rourkela-12,(50) Sri Anil Somani, Director, Arun Steel Industry Pvt. Ltd., HS/3, Civil Township, Rourkela-04,(51) Sri Sunil Kumar Agarwal, Director, Jagannath Alloys Pvt. Ltd, L-17, Civil Township, Rourkela, Dist- Sundargarh, (52) Sri Ramesh Kumar Agarwal, Director, Vishal Ferros Alloys Ltd., P-27 Civil Township, Rourkela,

Sundargarh, (53) Sri Pradeep Jain, Director, Maa Tarini Industry Ltd., BD-10, Civil Township, Rourkela, (54) Dillip Kumar Mangaraj, AGM, (Power Distribution) SAIL, Rourkela Steel Plant, Rourkela, & (55) PRAYAS, Energy Group, Pune. All the above named objectors were present during tariff hearing except objector Nos. 6, 8, 9, 10, 14, 15, 16, 27 & 55 but their written submissions were taken into record and also considered by the Commission.

On SOUTHCO's application:

8. (1) Sri Ananta Bihari Routray, Secy, Orissa Electrical Consumers' Association, Sibasakti Medicine Complex, B.K. Road, Cuttack-753001, (2) Ms. Tapaswani Sinha, Asst. Secy, Orissa Consumers' Association, Debajyoti Upovokta Bhaban & also on behalf of Federation of Consumer Organization (FOCO), Biswanath Lane, Cuttack-2, (3) Sri S.S. Kalya, Vice President, Jayshree Chemicals Ltd., M/s. JCL Colony, PO-Jayshree-761025. Dist- Ganjam, (4) Sri Prabhakar Dora, Consumer Counsel, At-Vidya Nagar, Co-Operative Colony, 3rd line, Rayagada, Po/Ps/Dist- Rayagada, (5) Chief Electrical Distribution Engineer, East Coast Railway, Headquarters Building, 3rd Floor, South Block, Chandrasekharapur-751017. Bhubaneswar, (6) Sri Bibhu Charan Swain, M/s Power Tech Consultants, 1-A /6, Swati Villa, Surya Vihar, Link Road, Cuttack-753012, (7) Sri Biswanath Padhi, Secretary, SOUTHCO Finance Cadre Welfare Association, At-Kesav Nagar, Lanjipalli, Berhampur, Dist- Ganjam, (8) Shri Ramesh Ch. Satpathy, Secretary, National Institute of Indian Labour, Plot No.302(B), Beherasahi, Nayapalli, Bhubaneswar-751012, (9) Shri R.P. Mahapatra, Retd. Chief Engineer & Member (Gen., OSEB), Plot No.775(Pt.), Lane-3, Jayadev Vihar, Bhubaneswar-751013, (10) Shri Satyadeep Pati, At- Grambhikash Mahuda, Berhampur, Dist- Ganjam, (11) Sri M.V. Rao, Chairman, Power Committee, UCCI, N/6, IRC Village, Nayapalli, BBSR-15, Dist-Khurda, (12) The General Manager, George Distributors Pvt. Ltd., At-College Square, Aska, Po- Nuagam, PS-Aska, District-Ganjam, Orissa-761111, (13) Grahak Panchayat, Friends Colony, Paralakhemundi, Gajapati & (14) PRAYAS, Energy Group, Pune. All the above named objectors were present during tariff hearing except objector Nos. 4,6,8 &13 but their written submissions were taken into record and also considered by the Commission. During hearing Dr.Rudra Narayan Pradhan, General Secretary, All Orissa Layer Farmers' Association, LB-111, Phage-II, Laxmisagar, Bhubaneswar had prayed the Commission to implead the Association as an objector and allow him to put forth its views. The Commission allowed it as an objector and the written submissions made by him was taken in to record.
9. The applicants submitted their replies to the issues raised by the various objectors.
10. Section 94(3) of the Electricity Act, 2003, provides that the appropriate Commission may authorize any person, as it deems fit, to represent the interest of the consumers in the proceedings before it. The Commission appointed to WISE, Pune as Consumer Counsel for objective analysis of the Annual Revenue Requirement and tariff proposal of the Distribution Licensees.
11. The Commission had also appointed the following nine persons/organisations as Consumer Counsel to represent the interest of consumers from the areas of the Distribution Licensees:

Table – 2

Sl No.	Name of the Consumer Counsel/Organisations/Persons with address	Name of the DISCOMs' from where the Consumer Counsel to represent
1	Grahak Panchayat, Friends Colony, Parlakhemundi, Dist : Gajapati	SOUTHCO
2	Sri Prabhakar Dora, 3 rd Line Cooperative Colony, Vidya Nagar, Rayagada	SOUTHCO
3	Orissa Consumers' Association, Balasore Chapter, Balasore	NESCO
4	Sambalpur District Consumers' Federation, Balaji Mandir Bhavan, Khetrajpur, Sambalpur	WESCO
5	Sundargarh District Employee Association, AL-1, Basanti Nagar, Rourkela	WESCO
6	Federation of Consumers' Organisation, (FOCO), Biswanath Lane, Cuttack	CESU
7	Orissa Electrical Consumers' Association, Sibashakti Medicine Complex, Bazrakabati Road, Cuttack-01	CESU
8	Secretary, Confederation of Citizen Association, 12/A, Forest Park, BBSR-9.	CESU
9	The Secretary, PRAYAS Energy Group, Pune	CESU, NESCO, WESCO & SOUTHCO

All of the above mentioned Consumer Counsels, have furnished their written submission and also participated in the hearing except Sl. Nos. 1 & 2 above. However, the written submission of (1) Grahak Panchayat (2) Sri Prabhakar Dora for SOUTHCO was considered by the Commission.

12. The dates for hearing were fixed and it was duly notified in the leading English and Oriya daily newspapers mentioning the list of objectors. The Commission issued notice to the Govt. of Orissa represented by the Department of Energy to send their authorized representative to take part in the ensuing tariff proceedings.
13. In its consultative process, the Commission conducted public hearings at its premises on 05.02.2011 for CESU, 07.02.2011 for WESCO 09.02.2011 for NESCO & 10.02.2011 for SOUTHCO. The applicants, Consumer Counsel WISE, Pune from licensees area of supply & Objectors presented their views in the hearing. The Commission heard the Applicants, Objectors, Consumer Counsels and the representative of the DoE, Government of Orissa at length.
14. The Commission convened the State Advisory Committee (SAC) meeting on 14.02.2011 at 3:30PM at its premises to discuss about the ARR applications and tariff proposals of licensees. The Members of SAC, Special Invitees, the Representative of DoE, Govt. of Orissa actively participated in the discussion and offered their valuable suggestions and views on the matter for consideration of the Commission.

ARR & RETAIL SUPPLY TARIFF PROPOSAL FOR 2011-12 (Para No. 15 to 72)

15. Reliance managed DISCOMs submit that BSP, Transmission & Retail Supply Tariff for FY 2006-07 are pending for adjudication before the Supreme Court on the appeals preferred by the GRIDCO, OPTCL & the Commission respectively. The Tariff

Orders for subsequent years i.e. FY 2007-08, 2008-09, 2009-10 & 2010-11 have been appealed before ATE & ATE has disposed of the appeal pertaining to 2007-08 on 08.11.2010. The Reliance managed DISCOMs request the Commission to consider the award of the ATE in their Order dtd. 08.11.2010 while determining revenue requirement of this year 2011-12. The remaining appeals are still pending before the ATE.

16. A statement of Energy Sale, Purchase and Overall Distribution loss from FYs 2008-09 to 2011-12 as submitted by DISCOMs is given below in a tabular form:

Table - 3
Distribution Loss

DISCOMs	Particulars	2008-09 (Actual)	2009-10 (Actual)	2010-11 (Estt.)	2011-12 (Estt.)
CESU	Energy Sale (MU)	3387.07	3775.03	4473.62	5212.11
	Energy Purchased (MU)	5672.61	6232.68	7168.10	7968.37
	Overall Distribution Loss %	40.29	39.43	37.59	34.59
NESCO	Energy Sale (MU)	2973.71	3175.14	3603.21	4113
	Energy Purchased (MU)	4544.97	4705.45	5177.032	5686
	Overall Distribution Loss %	34.57	32.52	29.58	28
SOUTHCO	Energy Sale (MU)	1136.21	1187.82	1358.808	1639.59
	Energy Purchased (MU)	2175.93	2285.32	2545.00	2860.00
	Overall Distribution Loss %	47.78	48.02	46.61	42.67
WESCO	Energy Sale (MU)	4238.24	4089.90	4116	4466
	Energy Purchased(MU)	6378.43	6301	6244	6500
	Overall Distribution Loss %	33.55	35.09	34.08	31.29

AT&C Loss

17. The System Loss, Collection Efficiency and target fixed by OERC in reference to AT&C Loss for the four DISCOMs since FY 2008-09 onwards are given hereunder :-

Table - 4
AT&C Loss

DISCOMs	Particulars	2008-09 (Actual)	2009-10 (Actual)	2010-11 (Estimated)	2011-12 (Proposed)
CESU	Dist. Loss (%)	40.29	39.43	37.59	34.59
	Collection Efficiency (%)	91.80	97	98	99
	AT&C Loss (%)	45.23	40.98	39.33	35.24
	OERC Target (AT&C Loss %) (As per Business Plan)	32.84	27.77	26.86	24.76
NESCO	Dist. Loss (%)	34.57	32.52	29.58	27.66
	Collection Efficiency (%)	92.50	95.53	97	98
	AT&C Loss (%)	39.48	35.54	31.69	29.11
	OERC Target (AT&C Loss %) (As per Business Plan)	29.23	24.54	20.09	19.22
SOUTHCO	Dist. Loss (%)	47.78	48.02	46.61	42.67
	Collection Efficiency (%)	94.21	95.98	97	98
	AT&C Loss (%)	50.80	50.16	48.21	43.82
	OERC Target (AT&C Loss %) (As per Business Plan)	34.59	29.36	29.26	27.24

DISCOMs	Particulars	2008-09 (Actual)	2009-10 (Actual)	2010-11 (Estimated)	2011-12 (Proposed)
WESCO	Dist. Loss (%)	33.55	35.09	34.08	31.29
	Collection Efficiency (%)	93.86	96.03	97	98
	AT&C Loss (%)	37.63	37.67	36.06	32.66
	OERC Target (AT&C Loss %) (As per Business Plan)	27.55	24.05	21.53	20.50

With the above proposed AT&C losses the licensee has planned the following measures to achieve these targets:

- Spot billing roll out plan
- Automated Meter Reading system
- IT / automation module implementation
- Consumer Indexing
- Energy Audit
- Franchisee etc.,

In view of above, the Licensee requested the Hon'ble Commission to consider the estimated AT&C loss for FY 2011-12 as proposed by them.

Spot Billing Roll out Plan

18. The Reliance managed DISCOMs NESCO, WESCO, SOUTHCO have submitted that they have already covered 5.66 lakh, 2.72 lakh, 6.00 lakh number of consumers respectively under spot billing. In the FY 2011-12 the licensees propose to cover the balance of the customers with the cost involvement as detailed below.

Table -5

Name of DISCOM	Existing No of Customers under spot billing	Number of Customers to be Covered	Total Cost Involved (Rs.)
NESCO	5,66,000	1,75,000	1,15,50,000
WESCO	2,72,000	77,400	65,57,000
SOUTHCO	6,00,000	50,000	41,70,000
TOTAL	14,38,000	3,02,000	2,22,77,000

Automated Meter Reading System

19. CESU has intended to install online monitoring and automatic billing system through GSM based Automatic Meter Reading (AMR) and accordingly have estimated an expenditure of Rs.2 lakh during FY 2011-12.

The REL managed companies have submitted that they have initiated a drive for installation of AMR system on pilot basis for consumers above 40 KW load. So far 1411, 989 and 462 numbers of automated reading systems have been installed in the NESCO, WESCO and SOUTHCO have installed automated reading system in 1411, 989 and 462 premises respectively. The roll out plan to install AMR for remaining consumers with Load above 40 KW for NESCO and WESCO in FY 2011-12 is as follows.

Table – 6

Name of DISCOMs	No. of Consumers	Cost including installation (Rs lakh)	One time set up cost (Rs lakh)	Total cost (Rs lakh)	Recurring cost per month (communication + manpower) (Rs lakh)
NESCO	800	98.04	4	102.04	1.79
WESCO	800	98.04	4	102.04	1.79
TOTAL	1600	196.08	8	204.08	3.58

20. The roll out plan to install AMR for remaining consumers with Load above 10 KW, feeder meters and DTR meters for SOUTCO in FY 2011-12 is as follows:

Table – 7

Particulars	No. of Consumers	Cost including installation (Rs lakh)	One time set up cost (Rs lakh)	Total cost (Rs lakh)	Recurring cost per month (communication + manpower) (Rs lakh)	Overall cost per month
No. of consumers	600	38.40	4.00	42.40	1.50	11.43
Feeder meter	89	5.69		5.69		
DTR meter	1111	71.10		71.10		
Total	1800	115.20		119.20	1.50	11.43

IT / automation module implementation

21. Licensee proposed to implement different IT/ automation modules for improvement in the operational efficiencies.

Consumer Indexing

22. The licensees have proposed following activities under Consumer Indexing plan:-

- Consumer and network survey
- Building database and Indexing of Consumer
- Painting of Electrical address on Poles, DTR and at consumers premises

The licensees have considered the cost of consumer indexing as part of A&G expenses for FY 2011-12.

Energy Audit

23. CESU has submitted that it is planning energy accounting and energy auditing at DTR levels. A provision of Rs 12 lakh has been made for FY 2011-12 under A&G expenses. CESU hopes to complete ring fencing of all 240 sections and assess their T&D loss by energy audit.

NESCO, SOUTHCO & WESCO have categorically stated that they have initiated suitable measures for conducting energy audit. NESCO, WESCO and SOUTHCO submitted that currently Energy Audit was being carried out on a monthly basis on all the 33 KV feeders and 11 KV feeders covering around 2920, 5600 and 2000 nos. of Distribution Transformers in respective licensee areas. NESCO, WESCO and SOUTHCO propose to conduct consumer indexing and pole scheduling of all the consumers for starting energy audit during ensuing year.

The licensees have considered the cost of Energy Audit as part of A&G expenses for FY 2011-12.

Franchisee Operation

24. CESU has planned to engage franchisees in its supply area to minimise AT&C loss, to improve arrears recovery and to enhance customer satisfaction. In FY 2010-11 eleven macro franchisees were engaged covering 6 subdivisions and 5 sections. Performance of these micro franchisees is found encouraging. Engaging Women Self Help Groups (WSHGs), Retired Employee Associations, Consumer Fora etc. for Micro-Franchisees showing positive results. Franchise Operation in new areas under RGGVY Scheme is mandatory. For FY 2010-11, CESU has planned to engage firms in all the Sub-divisions having AT & C loss more than 60% and all the areas covering under RGGVY. For this 36 sub-divisions and 7 sections identified for the engagement of Franchisees, CESU has proposed Rs 45.68 lakh for franchisee expenses.

NESCO/WESCO/SOUTHCO have stated that serious efforts are being made in the Licensee direction of introduction of Franchisees in the Power Distribution Sector. So far Licensees have franchisees operating in 2316 villages covering 85876 consumers in NESCO, 1477 villages covering 54889 consumers in WESCO and 625 villages covering 52771 consumers in the SOUTHCO licensee area. Licensees are endeavouring for inducting more and more franchisees in the licensee area on different models. As of now Licensees have individuals, NGOs, WSHGs and Corporate bodies as Franchisees in the DISCOMs which are operating on different models.

The expenses incurred by WESCO, NESCO & SOUTHCO for franchisee operation are Rs. 0.41 Crore, Rs.3.02 Crore & Rs.3.36 Crore respectively which is accounted under additional A&G expenses.

25. **Cess as per Building and other construction workers (RE & CS) at 1996 and Building and other construction workers Welfare Cess Act, 1996.** As per the provision of the Act, the licensee is required to pay 1% cess on the construction carried out during the year. Accordingly, NESCO, WESCO and SOUTHCO have proposed Rs.5.64 cr., Rs. 2.29 cr., Rs.2.24 cr respectively for FY 2011-12.

Special Police Stations & Special Courts

26. CESU has submitted that it is planning to establish energy police stations in various districts under its jurisdictions. CESU has estimated an expenditure of Rs.2.90 Crore during FY 2011-12 under A&G expenses.

As per Notification No. 47514 dtd. 23.10.2008 of Home Deptt., Govt. of Orissa, additional 29 nos. of Energy Police Stations (Over and above 5 energy police stations sectioned earlier) all over Orissa are to be established out of which NESCO, WESCO, and SOUTHCO will have 5, 9 and 9 police stations respectively. At present three Energy Police Stations at Balasore, Baripada and Rairangpur under NESCO area, one Energy Police Station at Sambalpur/Burla under WESCO area and six Energy Police Stations at Berhampur, Chhatrapur, Bhanjanagar, Phulbani, Boudh and Parlakhemundi under SOUTHCO area are functioning. Hence as per aforesaid Govt. Of Orissa notification the NESCO, WESCO and SOUTHCO have to establish 3, 9 & 4 additional Special Energy Police stations in their respective license area. The DISCOMs have proposed one police station each in every revenue district of their operational area for which they have estimated an expenditure of Rs.2.27 Crore,

Rs.3.81 Crore and Rs.5.33 Crore during FY 2011-12 under A&G expenses respectively.

System Improvement Scheme/Capex Plan

27. CESU has submitted its Capex plan amounting to Rs.214.12 Cr. for FY 2010-11 & FY 2011-12, which includes the System Improvement Plan, IT intervention & Loss Control programme.

For this System Improvement programme REC Limited has sanctioned Rs.183.71 crores out of which CESU has proposed to avail Rs 83.71 crore and Rs.100 crore in 2010-11 & FY 2011-12 respectively. Additional loan / grant can be made available from Finance Commission and GRIDCO

The Capex Programme of the Reliance managed DISCOMs for FY 2011-12 are as under.

Table - 8
Capex Programme of DISCOMs (Rs. Crore.)

Name of the Programme	CESU	NESCO	WESCO	SOUTHCO
RGGVY	0	336.09	329.82	0
PMU	0	0.80	0	0
APDRP	0	0	0	0
Deposit Work	0	17.95	10.40	0
Metering	0	0	5.05	0
System Improvement	0	24.72	0	0
System Improvement –REC	0	0	10.40	0
Biju S.V.Y	0	6.70	0	0
Biju Gram Jyoti Yojana	0	34.00	29.79	0
T&D	0	0	0	9.50
Capex Plan- GoO	156.00	101.24	117.00	82.00
Counter part funding- Licensee	52.00	29.62	39.00	41.00
Total	208.00	551.12	541.46	21.8

Data Sources

28. NESCO, WESCO, SOUTHCO and CESU have scrupulously complied with the information requested by the Commission for submitting the ARR and tariff for the year 2011-12. The accounts upto March, 2010 have been duly audited as per Companies Act for all the Reliance managed DISCOMs. While compiling data and preparation of ARR the licensees relied upon the audited data. However, actual bills received from the bulk supplier, GRIDCO has been taken into account for the authentication of input cost which is the important cost for all three DISCOMs.

Revenue Requirement

Sales Forecast

29. For projecting the energy sale to different consumer categories, the Licensees had analysed the past trends of consumption pattern for last eight years i.e. FY 2001-2002 to FY 2008-09. In addition, the licensees have relied on the audited accounts for FY 2009-10 and actual sales data for the first six months of FY 2010-11. With this, the four distribution utilities have forecasted their sales figures for the year 2011-12 as detailed below with reasons for sales growth.

Table – 9

Licensee/ Utility	LT Cons (MU) 2011-12 (Estt.)	% Rise above FY 10- 11	Remarks	HT Cons (MU) 2011-12 (Estt.)	% Rise above FY 10- 11	Remarks	EHT Cons (MU) 2011-12 (Estt.)	% Rise above FY 10- 11	Remarks
CESU	2609.22	22.50	Due to RE and category wise growth.	1077.10	15.92	Past trend & load growth expected	1525.79	7.85	Load growth from existing & new consumers
NESCO	1716.65	32.02	Impact of electrification of new villages under RGGVY & Biju gram Jyoti Yojana and growth from existing & new consumers	578.34	5.92	More sales are expected from HT consumers in ensuing year but decline in sale in comparison to 2009-10 due to recession in steel and mining sector.	1818.14	3	The percentage increase is expected inspite of EHT industrial consumer switching over to CPP
WESCO	1697.18	27.32	Impact of electrification of new villages under RGGVY & Biju gram Jyoti Yojana and growth in domestic and irrigation categories.	1350	-3.57	Decline in sale due to recession in steel and mining sector.	1419	2.6	Growth from existing & new consumers
SOUTHCO	1028.898	21.13	Impact of BPL & APL consumers from RGGVY, BGJY programme and growth from existing consumers and new consumers.	219.799	-2.65	Shifting of power intensive industry to EHT category	390.896	37.82	Specific load of existing as well as upcoming industries including shifting from HT category industries

ABT Mechanism and UI

30. CESU submitted that for the FY 2010-11, the Commission has fixed monthly drawal schedule for CESU based on the drawal pattern of FY 2006-07 and 2008-09 over and above which penalty is applicable. The pattern of drawal schedule has changed due to energisation of RGGVY consumers and additional load demand from some EHT consumers. CESU proposed that any overdrawal may be adjusted at year end instead of monthly basis.

The Reliance managed DISCOMs submit that their month-wise drawal of energy is more than what has been allocated to them by the Commission for the current year. They request the Commission that the input energy allocation should be made realistically and a mechanism needs to be devised to pass on the marginal price benefit of UI to the licensees.

Inputs in Revenue Requirement

Power Purchase Expenses

31. CESU has estimated energy input of 7968.37 MU for the year 2011-12 based on the estimated consumption of 5212.11 MU and distribution loss of 34.59 %. The power purchase expenses have been estimated based on the **current bulk supply** tariff of 227 paisa per KWH and including transmission and SLDC charges. At this price the total power purchase cost is arrived at Rs.1808.82 cr

The Reliance managed companies also have proposed the power purchase costs based on their **current BSP**, transmission charges and SLDC charges. They have also projected their SMD considering the additional load due to RGGVY and BGJY as shown in table given below.

Table - 10

DISCOMs	Estimated Power Purchase (in MU)	Estimated Sales (MU)	Distribution Loss (in %)	Current BSP (Paise/Unit)	Estimated Power Purchase Cost (Rs Cr)	SMD proposed (MVA)
NESCO	5685.75	4113.14	27.66	195	1243.36	780
WESCO	6500.00	4466.18	31.29	194	1414.86	1100
SOUTHCO	2860.00	1639.594	42.67	90	325.03	460

Employees' Expenses

32. Considering the impact of payment of arrears for 6th Pay Commission during current financial year, CESU has estimated an expense of Rs.286.58 cr for the current year and Rs.329.42 cr for the ensuing year 2011-12. This is based on projected rise in employee strength and in view of increased consumer base. Apart from that the licensee has worked out an arrear salary of Rs. 87.69 crore out of which 30% (Rs. 26.31 crore) is to be paid in FY 2011-12.

NESCO, WESCO and SOUTHCO submitted that they have incurred employee cost of Rs.269.51, Rs.282.38 and Rs.252.55 Cr. respectively due to salary revision of non-executives w.e.f. 01.04.2005 and executives w.e.f. 01.01.2006. Reliance managed licensee NESCO, WESCO & SOUTHCO further submitted that they had incurred Rs.172.41 cr, Rs.167.19 cr & Rs 159.41 cr respectively more towards employee cost over the approved amount for FY 2008-09. Therefore, NESCO, WESCO and SOUTHCO propose to recover every year the additional amount over the approved employee cost at the rate of Rs.95.54 cr, Rs.73.89 cr. and Rs.91.09 cr. respectively. The employee terminal benefit trust of NESCO, WESCO and SOUTHCO require Rs.147.44 cr, Rs.190.55 cr and Rs.63.57 cr respectively for FY 2011-12. The total employee expense submitted by the three DISCOMs namely NESCO, WESCO and SOUTHCO works out to Rs.340.49 cr, Rs.362.70 cr and Rs.283.49 cr. respectively against approved employee expenses of Rs.147.58 cr, Rs.166.73 cr and Rs.98.59 cr. for the FY 2010-11.

Administrative & General Expenses

33. CESU has proposed Rs 61.28 Cr as A & G expenses for FY 2011-12 against Rs.52.97 Cr for the current year 2010-11. The increased expense is to meet the increased number of consumers mainly due to RGGVY scheme and to cater to the need of franchise expense, incentive for collection of arrear, introduction of SAP and AMR etc.

NESCO, WESCO, SOUTHCO have submitted A & G expenses of Rs.40.41 Cr., Rs.38.40 Cr. and Rs.39.43 Cr for FY 2011-12 against approved A & G expenses of Rs.17.11 cr, Rs.24.79 and Rs.17.96 Cr for the FY 2010-11 respectively. The licensees have also prayed for truing up for additional A&G expenses of Rs 26.34 cr., Rs.14 Cr. and Rs.18.04 Cr in case of NESCO, WESCO and SOUTHCO.

Repair & Maintenance (R&M) Expenses

34. All the DISCOMs have calculated R&M expenses as 5.4% of GFA at the beginning of the year. They have also prayed to allow the R&M on the RGGVY & BGJY assets so that they can maintain the assets. If state government provides revenue subsidy for R&M of RGGVY & BGJY assets as per Hon'ble Commission's order in para 369 of the RST order for FY 2009-10 then the R&M expenses can be reduced. The details of proposal under R&M expenses for ensuing financial year 2011-12 are given below:

Table - 11
R&M Cost (Rs. Cr.)

DISCOMs	GFA	R&M as 5.4% of GFA
CESU	1158.25	62.55
NESCO	1419.58	76.66
WESCO	929.77	50.21
SOUTHCO	928.36	50.13

Provision for Bad & Doubtful Debts

35. Considering the collection efficiency of 99% for the year 2011-12, one percent of net revenue has been taken as bad debt. CESU has made provision towards bad and doubtful debts to the tune of Rs.17.86 Crore.

NESCO, SOUTHCO and WESCO submitted that due to past losses and huge liability, it would be difficult for them to arrange working capital and the situation would worsen if the Commission does not recognise the short-fall in collection efficiency. In order to make good the loss or short-fall in collection efficiency, the licensees have considered the amount equivalent to the collection inefficiency as bad and doubtful debts while estimating the ARR for FY 2011-12. Considering the proposed collection efficiency of 98 % each for NESCO, SOUTHCO and WESCO for FY 2011-12, they have considered for bad and doubtful debts to the extent of Rs.27.19 Cr. Rs.10.35 Cr and Rs.47.16 Cr respectively as part of ARR for FY 2011-12.

Depreciation

36. All the four DISCOMs have adopted straight-line method for computation of depreciation at pre-92 rate. No depreciation has been provided for the asset created during ensuing year. Depreciation for FY 2011-12 is projected at Rs.51.16 Cr for NESCO, Rs 20.25 Cr for SOUTHCO, Rs.33.27 Cr for WESCO and Rs.88.74 Cr for CESU.

Loans and Outstanding Dues

37. NESCO, WESCO and SOUTHCO have submitted that the Commission had passed an order approving their Business Plan on 28th February, 2005 in Case no.115 of 2004. Subsequently, a clarificatory order on the same subject was also issued on 20th July, 2006. Further on 01.12.2008 Hon. Commission passed the order to include the opening BST outstanding as on 01.04.1999 and the Delayed Payment Surcharge up to the date of full payment of BST to be securitized. Therefore, NESCO, WESCO and SOUTHCO had additional financial burden of Rs.19.60 Crore, Rs.58.72 Crore & Rs.32.02 Crore respectively in opening balance. The Licensee submitted before the Hon. Commission to allow them to pay the amount of the securitized amount based on ability to pay basis considering the fund available with the licensee. The licensee further proposed to allow the regulatory Assets equivalent to said default amount which the licensee shall recover and pay to GRIDCO during the ensuing year.

Loan from GRIDCO and others with Interest

38. CESU has submitted that no interest has been calculated on GRIDCO loan including Rs.174 Crore cash support as per the Order of the Commission. CESU has envisaged an investment plan of Rs 214 Cr for FY 2010-11 & FY 2011-12 for system improvement programme, IT intervention and loss control programme. About loan from Govt. CESU submits that they have availed APDRP assistance amounting to Rs.37.09 Cr. from GoI through Govt. of Orissa and borrowed counter part funding from PFC amounting to Rs.35.52 Cr. The loan under APDRP and PFC carries an interest of 12% per annum. The interest on World Bank loan has been calculated @ 13% per annum.

Power Bond

WESCO, NESCO & SOUTHCO issued bonds worth Rs.400 Crore in favour of GRIDCO to be assigned to NTPC w.e.f 1st October, 2000 @ 12.5% interest. The Commission in its last tariff order had allowed interest @ 8.5% (tax free) on those bonds as per the recommendation of Alhuwalia Committee. The licensees requests the Commission to allow the differential interest between 12.5% p.a. and 8.5% p.a. on this bond amount from 1st October, 2000 to March, 2007 in the ARR for FY 2011-12. WESCO, NESCO and SOUTHCO have estimated Rs.13.65 Crore, Rs.32.80 Crore and Rs.30.68 Crore, respectively towards the differential interest. GRIDCO has already settled the outstanding dues of power bonds with NTPC through one time settlement with waiver of interest on such bonds by Rs.91.5 Crore for all the DISCOMs upto 31st March, 2007.

World Bank Loan Liabilities

39. REL managed licensee NESCO, SOUTHCO & WESCO has calculated the interest liability of Rs. 1.57 Crore, Rs. 7.79 Crore and Rs 11.82 Crore respectively against the loan amount at an interest rate of 13% and repayment liability of Rs. 9.13 Crore, Rs 7.26 Crore and Rs. 9.10 Crore respectively.

APDRP Assistance

40. About loan from Govt CESU submits that they have availed APDRP assistance of Rs 37.09 Cr. from GOI through Govt of Orissa and borrowed counter funding from PFC amounting Rs 35.52 Cr. The loan under APDRP & PFC carries an interest rate of 12 % per annum.

In the ensuing year, NESCO, SOUTHCO & WESCO have estimated nothing to be expended under APDRP Scheme. For the assistance already availed by the licensees previously interest @ 12% per annum has been considered for the ensuing year on the existing loan. NESCO, SOUTHCO and WESCO have estimated an interest of Rs.0.76 Crore, Rs.0.72 Crore and Rs.0.66 Crore, respectively on this account.

Interest Capitalized

41. NESCO, WESCO and SOUTHCO have shown the interest on loan outstanding at the beginning of the year as revenue expenses as a part of ARR. The interest on loan to be drawn during the ensuing year for capital works has been capitalized. The total interest estimated for financial year 2011-12 for NESCO, WESCO and SOUTHCO are Rs.3.17 Crore, Rs.3.15 Crore and Rs.4.89 Crore respectively.

Interest on Security Deposit

42. NESCO, WESCO and SOUTHCO have submitted that the interest on security deposits @ 6 percent per annum (ie. @ Bank rate) for FY 2011-12 have been worked out to be Rs.14.26 Crore (NESCO), Rs.20.79 Crore (WESCO) and Rs.4.93 Crore (SOUTHCO).

Non-Tariff Income

43. NESCO, WESCO and SOUTHCO have proposed non-tariff income for FY 2011-12 to the tune of Rs.24.31 Crore, Rs.20.58 Crore and Rs.6.50 Crore, respectively. However, they have proposed to abolish meter rent for all categories and hence not considered any income from meter rent.

Amortisation of Regulatory Assets

44. NESCO, WESCO and SOUTHCO have submitted that Regulatory asset may be amortized to the extent of cash requirement of Rs.21.11 crore, Rs 48.67 crore, Rs.144.54 crore respectively during the year 2011-12. They have only included the amortization of regulatory assets to the extent of actual liability towards payment of statutory dues payable to the employees trust like pension etc which are given below:

Table – 12
Amortisation of Regulatory Assets in FY 2011-12

(Rs. Crore)				
Sl. No.	Description	NESCO	WESCO	SOUTHCO
1.	Outstanding securitized dues to GRIDCO	-	142.89	128.44
2.	Annual Inspection fees	-	-	4.10
3.	Pressing Creditors	-	-	12.00
4	Statutory dues towards trusts	12.32	258.85	-
5	Interest liabilities(world bank & APDRP)	8.79	-	-
	Total	21.11	401.74	144.54

Return on Equity / Reasonable Return

45. CESU has claimed Rs.11.64 Crore as ROE calculated @16% on equity capital. NESCO, WESCO and SOUTHCO have submitted that due to negative returns (gaps) in the ARR and carry forward of huge regulatory assets in previous years the licensees could not avail the ROE. They have prayed for ROE on the equity and the accrued ROE for the previous years to be allowed in ARR of FY 2011-12. This would increase the availability of additional funds for the consumer services. Therefore, NESCO, WESCO and SOUTHCO have assumed a reasonable return of Rs.12.23

Crore, Rs.7.78 Crore and Rs.8.11 Crore respectively calculated at 16% on equity capital including the accrued RoE.

Impact of Power Regulation on the Revenue of the Licensees

46. The three Reliance managed DISCOMs submit that they have incurred huge financial losses from February, 2010 to May, 2010 due to scheduled and unscheduled power regulation, so also due to irregular interruption in the power supply. They have also submitted that due to persistent scheduled and unscheduled Load Regulation and setting up RST for different categories of consumer without factoring all the relevant inputs they have suffered financially in the previous years so also in the current year 2010-11. They request the Commission for immediate truing up. It has also led to liquidity crunch and DISCOMs find it difficult to pay timely/fully the BST bill and transmission charges to GRIDCO /OPTCL. They have requested the Commission to issue some kind of universal protocol for Power Regulation under different scenario of power availability in the State.

Truing up of Revenue Gap for FY 2011-12

47. The Reliance managed DISCOMs NESCO, WESCO and SOUTHCO have requested the Commission to allow truing up of uncovered gap of Rs.261.42 Crore (NESCO), Rs.182.05 Crore (WESCO) and Rs.123.11 Crore (SOUTHCO) to be considered as estimated revenue gap for FY 2010-11 to be trued up in the ARR of FY 2011-12.

CESU requested to allow the past losses as regulatory assets to be set off in future years through tariff along with interest. However, no details are provided in ARR 2011-12.

Revenue at existing tariffs

48. The Licensee has estimated the revenue from sale of power by considering the sales projected for FY 2011-12 and by applying the various components of existing tariffs. The total revenue based on the existing tariffs applicable for the projected sales is estimated at Rs1786.05 Crore, Rs 1359.38 Crore, Rs 1557.93 Crore and Rs 517.54 Crore by CESU, NESCO, WESCO and SOUTHCO respectively.

Summary of ARR and Revenue Gap

49. The proposed revenue requirement of DISCOMs have been summarised as below:

Table – 13
Proposed Revenue Requirement of DISCOMs for 2011-12

(Rs. Crore)

	NESCO	WESCO	SOUTHCO	CESU
Expenditure	Proposed	Proposed	Proposed	Proposed
Cost of Power Purchase	1243.26	1414.86	325.03	1808.82
Employee costs	340.49	362.70	283.49	329.42
Repair & Maintenance	76.66	50.21	50.13	62.55
Administrative and General Expenses	40.41	38.40	39.43	61.28
Provision for Bad & Doubtful Debts	27.19	47.16	10.35	17.86
Depreciation	51.16	33.27	20.25	88.74
Interest Chargeable to Revenue including INT on SD	70.19	62.34	62.01	
Financing Cost				97.43
Contingency Reserve	5.32	3.49	2.10	

	NESCO	WESCO	SOUTHCO	CESU
Sub-Total	1854.77	2012.43	792.80	2466.10
Amortization of Regulatory Asset	21.11	48.67	144.54	
Past Losses(TRUING UP)	261.42	182.05	123.11	
(C) Return on equity	12.23	7.78	8.11	11.64
TOTAL DISTRIBUTION COST	2149.53	2250.93	1068.55	2477.74
Sale of Power	1359.38	1557.93	517.44	1786.05
Other Revenue	24.31	20.58	6.50	20.27
Total	1383.69	1578.51	523.94	1806.32
GAP(+/-)	(765.84)	(672.42)	(544.51)	(671.42)

Tariff Proposal

50. CESU, NESCO, WESCO and SOUTHCO have proposed to reduce the revenue gap with increase of Retail Tariff to the extent as given below.

Table – 14

	CESU	NESCO	WESCO	SOUTHCO
Revenue Gap with existing Tariff	671.42	765.84	672.42	544.51
Excess Revenue with Proposed Tariff	420.78	763.71	458.8	218.18
Proposed Revenue Gap	250.64	2.13	213.62	263.33

The tariff rationalization measures as proposed by the licensees are as follows:

Proposal of CESU

- The existing domestic tariff in consumption slab of 0-100 units is Rs 1.40/unit and that for slab-100-200 units is Rs 3.10. This sharp difference in tariff encourages consumers to interfere with the meter or manipulate reading to keep the consumption within 100 units. So CESU proposes to increase the 1st slab rate to Rs.2.50/unit minimum.
- The Kutir Jyoti consumers are now charged with Rs 30/month for consumption below <= 30 units. This rate has not been changed for many years though the supply cost has increased tremendously. Many of such consumers now afford cable TV/DTH connection paying more than Rs 100/month. So CESU proposed that Kutir Jyoti tariff may be enhanced to minimum Rs 100/month.
- The existing monthly minimum fixed charge for domestic category is very low. Servicing cost to this category is high due to scattered nature of connections though long LT lines. Hence CESU proposed that MMFC for domestic category may be minimum Rs.60/month for one KW and Rs 50/month for every additional KW. In similar case, the MMFC for general purpose consumer may be enhanced to Rs.80/month for 1st KW and Rs.70/month as against existing rate of Rs.30 & Rs.25 respectively.
- The Medium industries (Load <110KVA) are now paying MMFC based on recorded demand irrespective of connected load whereas consumers have load more than 110KVA are paying demand charge for minimum 80% of contract demand. This encourages consumers to keep their connected load just below 99KW deliberately at the time of initial supply and go on adding additional load thereafter and still remain in MI category.

- The sharp difference in demand charge of LI & MI consumers has given rise to this situation. CESU proposed that MI consumers shall also pay demand charge at the rate applicable for LI consumers.
- Incentive for improved power factor was enhanced four-fold with effect from 01.04.2010. So consumers recording 100% PF gets incentive of 6% on energy bill. A maximum cap may be fixed limiting to 2% on power factor incentive.
- For flattening of system load curve, HT and EHT consumers are given overdrawal benefit upto 120% of contract demand during off-peak hours. Considering the power shortage situation in Orissa overdrawal benefit of 120% of CD may be withdrawn.
- The existing graded slab rate for HT/EHT consumers is in vogue for years. Considering the general economic growth and higher industrial activities the slabs may be altered as below:
 - Upto 60% - 1st slab
 - >60% =<70% - 2nd slab
 - >70% - 3rd slab
- Fuel price adjustment is allowed to GRIDCO during 2010-11 over and above 10% assured by the Hon'ble Commission. For the period from April'2010 to September'2010 GRIDCO has demanded Rs 61.22 crore on CESU as FPA. The FPA demanded could not be passed on to the consumer due to non-finalization of modalities to be adopted for different category of consumers. So the Hon'ble Commission may pronounce the modalities for passing over FPA to the consumers for the current year as well as the ensuing year.
- CESU's SMD for 2010-11 was computed based on average SMD for the period from April to November'2009 with additional demand for new industries. Due to energisation of huge number of RGGVY, BGJY consumers system demand on CESU increased sharply. Similarly urban load in CESU area increases at higher rate than the past trend. This has resulted paying out of huge penalty for excess demand to GRIDCO. So CESU proposed that while computing SMD for the ensuing year the highest demand recorded for the period from April'10 to November'10 may be considered plus demand for additional HT/EHT load and RGGVY consumers.
- NESCO, WESCO and SOUTHCO have proposed to bridge the revenue gap through combination of increase in Retail Supply Tariff, reduction in Bulk Supply Tariff and grant/subsidy from State Government in an appropriate manner.

Tariff rationalisation measures and proposals of NESCO, WESCO and SOUTHCO

Computation of Overdrawal penalty

51. All the Reliance Managed DISCOMs submit that the massive electrification on account of RGGVY and BJGY schemes and average performance of hydel generating stations have pushed the state to power shortage scenario. Under such circumstances, licensee submitted that graded tariff provided to industries wherein consumption in excess of 50% load factor was incentivised should be disconnected. The licensee proposes a flat rate for industries requested to withdraw the permission of drawal up to 120% of contract demand during off peak hour.

Delayed Payment Surcharge

52. Hon'ble Commission in the RST Order allowed licensees to levy Delayed Payment Surcharge (DPS) to various categories given in the Tariff order. However, licensee submitted that they are required to pay the Delayed payment Surcharge to GRIDCO for all the units which may or may not be drawn for the given categories. The licensee admitted that most of the bills which are not paid relate to the LT consumers, under this situation levying DPS to all consumers will encourage the payment of the electricity dues in time. Therefore, licensees request Commission to allow them to levy DPS on all the category of Consumers without any discrimination.

KVAH billing for consumers

53. Licensees had submitted that one of the reasons for more MVA demand is because of the drawl of more reactive load specifically by the LT consumers who are drawing energy at a poor power factor and for whom no power factor penalty is applicable in the existing tariff. In order to improve power factor, to reduce T&D losses and to reduce MVA demand, the licensees request for introduction of KVAh base tariff for energy drawl for all the three phase industrial consumers receiving supply in LT and HT.

Demand charges for consumers of CD > 70 KVA through HT supply

54. Under the existing tariff structure approved by the Commission, the customers connected to HT supply have different demand charges as per their respective contract demand ($\geq 70\text{KVA}/>110\text{KVA}$). However, NESCO, WESCO and SOUTHCO have proposed similar demand charges for consumers having contract demand of 70 KVA and above and below 110 KVA availing power supply in HT with that of consumers having contract demand of more than 110 KVA at HT.

Redesigning tariff of HT bulk supply domestic consumers

55. During FY 2010-11, the tariff approved by Hon Commission to HT Bulk Domestic consumers was equivalent to that of highest slab of LT Domestic consumers. However, till FY 2009-10, the tariff applicable to HT Bulk Domestic consumers was same as that of the second slab of LT domestic consumers. Further the loss level in case of the HT bulk supply consumers is lower than that of the LT domestic consumers. Due to high variation of rate between the same classes of consumers, there is an exodus of consumers from HT DOM to LT DOM resulting in increase in AT&C losses. Apart from AT&C losses, the licensee shall be required to maintain the sub-stations that are being handed over by HT GP consumers which are an additional burden to Licensee. Hence, SOUTHCO has proposed to redesign the tariff of Bulk Domestic consumers.

Payment of Demand Charges by Captive Power Plants

56. In view of the rapid industrialisation in the state and all industries are going for their own CGPs the three REL operated licensees have proposed two part tariff with introduction of Demand charge of Rs 100/ KVA in addition to the energy charges of Rs.5.10 and Rs.5.30 for EHT and HT consumers respectively for their start up power requirement. Similarly, licensees have submitted that if drawal of power in a month recorded beyond 10% of load factor then CGPs should pay demand and energy charge similar to the industrial consumer tariff. They have requested the Commission to differentiate between start up and survival load requirement.

Discontinuance of Load Factor Incentive and overdrawal benefit

57. All the Reliance managed DISCOMs have strongly pleaded for discontinuance of Load Factor incentive as the state is facing acute power shortage. They argue that Load factor incentive and 120% overdrawal benefit during off peak hour were allowed in a power surplus scenario and in present scenario it has lost its relevance and hence be discontinued.

Fixed Charges for LT industrial (S), LT industrial (M), SPP and public water works

58. Above category of consumers having motive loads are maintaining low power factors and this which impose a burden to Licensee in terms of increase in Demand Charges. Currently the Monthly Minimum Fixed Charges /Demand Charges for these category consumers is fixed on the basis of connected load in terms of KW. However, as per Regulation 80(8) and (9) of OERC Distribution (Conditions of Supply) Code, 2005, the Contract Demand for these consumers is to be treated in KVA. Hence, NESCO, WESCO and SOUTHCO have proposed to fix the Contract Demand Charges in terms of KVA instead of KW.

Tariff for Medium Industries Consumers

59. As most of the Medium Industries in NESCO, WESCO and SOUTHCO's licensed area are situated in suburban as well as in coastal areas which are connected through long L.T lines, there are huge transmission losses in the L.T system apart from frequent occurrence of electrical accidents. Further, the consumers usually do not come forward for installation of their own HT substations and shifting to HT supply category, which will benefit licensees in reducing the T&D losses. Also, the Licensees will be absolved from the responsibility of maintaining L.T network and it will also help in providing quality supply to consumers. Hence the licensees have proposed to change the tariff of Medium Industries at par with the tariff of general purpose category. This will indirectly incentivise Medium Industries consumers to take connection at HT to avail the benefit of HT category tariff.

MMFC for consumers with contract demand <110 kVA

60. The Monthly Minimum Fixed Charges to the consumers with contract demand less than 110 KVA are charged on the recorded demand rounded to nearest 0.5 kW. This adversely affects the Licensee in case of the recorded demand is lower than the contract demand/connected load. Therefore, Licensees propose that the Monthly Minimum Fixed Charges for such consumers shall be levied at Contract Demand or Maximum Demand whichever is higher.

Security deposit for providing meter and metering installations

61. As licensee is facing liquidity problem, the licensees have requested the Commission to abolish meter rent and request consumer to pay full cost of the meter provided by the licensee. The present security deposit as fixed by the Commission is evaluated as per the formula mentioned in the clause 19(2) in the OERC Distribution (Condition of Supply) Code, 2004 which does not include the price of the meters. The security deposit is kept with the licensee for adjustment against unpaid bill. In view of the above, the licensees submit before the Commission to approve the security deposit amount equivalent to the price of procurement of meters, metering equipments, boxes/cubicles supply and installation cost, if consumers request the licensee for supply of meters.

Demand charge and Monthly Minimum fixed charge

62. The licensee submitted that major part of distribution cost is fixed cost which is recovered through demand charges. The revenue recovery of reliance managed licensees NESCO, WESCO and SOUTHCO on account of the demand charges and monthly minimum fixed charges is approximately Rs.155 crore, Rs.220 crore and Rs.66.53 crore respectively for the ensuing year at the existing tariff however the fixed distribution cost (Employee cost, R&M, A&G and Interest cost) is around Rs.532 crore, Rs.518 crore and Rs.442.25 crore respectively. In this regard, the licensee is proposed to recover the full fixed distribution costs by suitably revising the Demand charges and monthly minimum fixed charges, as applicable to the respective category during the ensuing year.

Inspection fees of lines and substations

63. The State Govt is insisting for payment of the inspection fees on installation of Lines and substations to Licensee. However the licensee has not received such cost from previous years ARR. Therefore, licensee requested the Hon. Commission to pass on such fee through ARR of FY 2011-12. The licensee have requested the Commission to recommend State Govt for waiver of past inspection dues as it has not been collected. The licensee further proposed to impose the annual inspection fees of Service connections separately which shall be recovered from the consumers and shall be deposited to GoO on collection basis.

Billing of Lift Irrigation Points

64. During off seasons the meters of LI points normally remain idle and before the beginning of the season meters are tampered hence the actual consumption stands unreported. This is the reason for which the off season readings become basis of calculation during on season consumption, thereby putting licensees to heavy loss. In view of the above, the licensees requested that, LI point consumers should undertake to safeguard the meters from damage and in case of defective meter they should be levied a tariff at a flat rate of Rs.400 per month per HP(Considering 50%LF) for on season starting from October to April next year. The licensee further submitted that installation of capacitor should be made mandatory for existing and new consumers in order to improve power factor of such LI points.

Over Drawl Penalty for Drawl over and above OERC approved Quantum (MU) & (MVA)

65. In case of overdrawl of power by licensee they have to pay the original Cost of Power Purchase (MCP) to GRIDCO however in case of underdrawl during low frequency the DISCOMs are not benefited for the same. Therefore, REL operated licensees requested Hon. Commission to direct GRIDCO to pass on such benefits to respective DISCOMs.

Back to back DPS adjustment between GRIDCO, GOO and Licensee

66. The Commission passed an order with respect to the adjustment of the energy dues and Delayed Payment Surcharge (DPS) receivable from the Govt Consumers in the Business Plan Order dated 28.02.2005. The Commission directed to form suitable tripartite mechanism involving the individual DISCOMs, GRIDCO & Government of Orissa to monitor the payment made against the Government consumers, PSUs & simultaneous adjustment in the books of accounts of GRIDCO & DISCOMs. Further, the Hon'ble Commission also directed that Licensee shall not charge any DPS on the

outstanding state Government arrears and as a quid pro quo, GRIDCO shall not levy DPS on the BST amount equal to the Government Dept. arrears payable to Licensee; Government will compensate the loss to GRIDCO on these accounts. Licensee sought for clarification on the repayment period and moratorium on the securitized loan and BST outstanding amount, on which Hon'ble Commission issued clarificatory order dated 20.07.2006. In the said order, the Hon'ble Commission directed for securitization of the BST outstanding upto 31.03.2005 which is in modification to the earlier order of the Hon'ble Commission to securities the BST dues between 01.04.99 to 31.03.03. NESCO, WESCO and SOUTHCO computed the adjustment of the DPS of Rs. 35.42 Crore, Rs.18.16 Crore and Rs.14.35 Crore respectively which are required to be adjusted against the securitized dues with GRIDCO.

The Commission ordered in Case No.115 of 2004 dtd.28.02.2005 that no DPS to be charged on outstanding State Govt. arrear bills. As quid pro quo, GRIDCO should not charge any DPS on BST equal to Govt. department arrears payable to Licensee. Consequently, Govt of Orissa vide letter no26172 (260) / Bt-V-75/05 BBSR dated 09-06-2006 instructed the Govt departments not to pay the electricity dues upto 31.03.2005.

The Licensee humbly submits that the Commission may kindly issue directions to adjustment of the DPS as directed in Case No. 115/2005 and suitable tripartite mechanism may be instituted by GRIDCO & GOO for back to back adjustment of the Govt electricity dues.

Initiatives to increase Collection efficiency through Jan Seva Kendra in Discoms

67. In order to increase the collection efficiency and to reduce the incidence of high loss levels in the LT Category, particularly in rural areas, DISCOMs have proposed to address the issue by seeking to utilize the Jan Seva Kendra for offering services to the consumers besides franchisees. At present 191, 123 and 109 numbers of Jan Seva Kendras have already started operation in the licensee area of NESCO, WESCO and SOUTHCO. To accelerate the Jan Seva Kendra's initiatives, the Discoms propose to offer 5% discount on energy bills to all single phase LT Consumers who opt to make payments at the Jan Seva Kendra for FY 2011-12.

Fuel price adjustment

68. GRIDCO has served additional bill of Rs. 42.36 Cr, Rs. 52.70 Cr and Rs.17.60 Cr to NESCO, WESCO and SOUTHCO for the Fuel Price Adjustment pertaining to the period from April to Sept., 2010, citing Para 371 of RST and Para 471 of BST Order for FY 2010-11. Licensee has filed separate petition before Hon'ble Commission on such demand by GRIDCO. Licensee prays for considering the same and pass appropriate Order in the matter along with RST Order.

Rebate on Prompt Payment

69. All the consumers are allowed to avail rebate including domestic, general purpose, irrigation and small industry category if payment is made within three days of presentation of bill and fifteen days for others. Similarly the licensees have prayed before the Commission to approve the rebate of 2% to the licensees for prompt payment of BST bills including part payment within three working days and in case the BST bill is paid after three days the rebate rates should be proportionately allowed so that the payment made on 30th day would have 1 % rebate akin to rebate provided to GRIDCO by NTPC.

Tariff Schedule

70. CESU and the three Reliance managed DISCOMs have proposed separate tariff schedule as given bellow, **assuming the existing BSP and Transmission charges for FY 2010-11 remaining unchanged for FY 2011-12.**

Table - 15

RETAIL SUPPLY TARIFF PROPOSED BY CESU FOR FY 2011-12

Sl. No.	Category of Consumers	Voltage of Supply	Demand Charge (Rs./kW/ Month)/ (Rs./KVA/ Month)	Energy Charge (P/kWh)	Customer Service Charge (Rs./Month)	Monthly Minimum Fixed Charge for first kW or part (Rs.)	Monthly Fixed Charge for any additional kW or part (Rs.)	Rebate (P/kWh)/ DPS
LT Category								
1	Domestic							
1.a	Kutir Jyoti < 30U/month	LT	FIXED MONTHLY CHARGE ---->			100		
1.b	Others							10
	(Consumption <= 100 units/month)	LT		250		60	50	
	(Consumption >100, <=200 units/month)	LT		350		60	50	
	(Consumption >200 units/month)	LT		450		60	50	
2	General Purpose < 110 KVA							10
	(Consumption <=100 units/month)	LT		420		80	70	
	(Consumption >100, <=300 units/month)	LT		530		80	70	
	(Consumption >300 units/month)	LT		590		80	70	
3	Irrigation Pumping and Agriculture	LT		150		50	30	10
4	Allied Agricultural Activities	LT		180		50	30	10
5	Allied Agro-Industrial Activities	LT	100	320	200			DPS/Rebate
6	Public Lighting	LT		475		80	80	DPS/Rebate
7	L.T. Industrial (S) Supply	LT	100	475	200			DPS/Rebate
8	L.T. Industrial (M) Supply	LT	100	475	200			DPS/Rebate
9	Specified Public Purpose	LT	100	475	200			DPS/Rebate
10	Public Water Works and Swerage Pumping<110 KVA	LT	100	475	200			DPS/Rebate
11	Public Water Works and Swerage Pumping >=110 KVA	LT	300	475	200			DPS/Rebate
12	General Purpose >= 110 KVA	LT	300	475	200			DPS/Rebate
13	Large Industry	LT	300	475	200			DPS/Rebate
HT Category								
14	Bulk Supply - Domestic	HT	50	375	250			DPS/Rebate
15	Irrigation Pumping and Agriculture	HT	50	140	250			DPS/Rebate
16	Allied Agricultural Activities	HT	50	170	250			DPS/Rebate
17	Allied Agro-Industrial Activities	HT	300	310	250			DPS/Rebate

Sl. No.	Category of Consumers	Voltage of Supply	Demand Charge (Rs./kW/ Month)/ (Rs./KVA/ Month)	Energy Charge (P/kWh)	Customer Service Charge (Rs./Month)	Monthly Minimum Fixed Charge for first kW or part (Rs.)	Monthly Fixed Charge for any additional kW or part (Rs.)	Rebate (P/kWh)/ DPS
18	Specified Public Purpose	HT	300	As indicated in the notes below.	250			DPS/Rebate
19	General Purpose >70< 110 KVA	HT	300		250			DPS/Rebate
20	H.T .Industrial (M) Supply	HT	300		250			DPS/Rebate
21	General Purpose >70KVA < 110 KVA	HT	300		250			DPS/Rebate
22	Public Water Works & Swerage Pumping	HT	300		250			DPS/Rebate
23	Large Industry	HT	300		250			DPS/Rebate
24	Power Intensive Industry	HT	300		250			DPS/Rebate
25	Mini steel Plant	HT	300		250			DPS/Rebate
26	Railway Traction	HT	300	250			DPS/Rebate	
27	Emergency Supply to CPP	HT		530	250			DPS/Rebate
28	Colony Consumption	HT		375				DPS/Rebate
EHT Category								
29	General Purpose	EHT	300	As indicated in the notes below	700			DPS/Rebate
30	Large Industry	EHT	300		700			DPS/Rebate
31	Railway Traction	EHT	300		700			DPS/Rebate
32	Heavy Industry	EHT	300		700			DPS/Rebate
33	Power Intensive Industry	EHT	300		700			DPS/Rebate
34	Mini steel Plant	EHT	300		700			DPS/Rebate
35	Emergency Supply to CPP	EHT		510	700			DPS/Rebate
36	Colony Consumption	EHT		380				DPS/Rebate

Note: Energy Charges for HT & EHT Consumers

Load Factor (%)	HT	EHT
Upto 60%	425 p/u	415 p/u
>60% =<70%	375 p/u	365 p/u
>70%	350 p/u	340 p/u

**Table - 16
RETAIL SUPPLY TARIFF PROPOSED BY REL MANAGED DISCOMS FOR FY
2011-12**

Sl. No.	Category of Consumers	Voltage of Supply	Demand Charge (Rs./kW/ Month)/ (Rs./kVA / Month)	Energy Charge (P/kWh)	Customer Service Charge (Rs./Month)	Monthly Minimum Fixed Charge for first kW or part (Rs.)	Monthly Fixed Charge for any additional 1 kW or part (Rs.)	Rebate (P/kWh)/ DPS
LT Category								
1	Domestic							
1.a	Kutir Jyoti < 30U/month	LT	FIXED MONTHLY CHARGE--->			30		
1.b	Others							10/DPS
	(Consumption <= 100	LT		140		20	15	

Sl. No.	Category of Consumers	Voltage of Supply	Demand Charge (Rs./kW/ Month)/ (Rs./kVA / Month)	Energy Charge (P/kWh)	Customer Service Charge (Rs./Month)	Monthly Minimum Fixed Charge for first kW or part (Rs.)	Monthly Fixed Charge for any additional 1 kW or part (Rs.)	Rebate (P/kWh)/ DPS
	units/month)							
	(Consumption >100, <=200 units/month)	LT		310		20	15	
	(Consumption >200 units/month)	LT		410		20	15	
2	General Purpose < 110 KVA							10/DPS
	(Consumption <=100 units/month)	LT		420		30	25	
	(Consumption >100, <=300 units/month)	LT		530		30	25	
	(Consumption >300 units/month)	LT		590		30	25	
3	Irrigation Pumping and Agriculture	LT		110		20	10	10
4	Allied Agricultural Consumers	LT		120		20	10	10
5	Allied Agro Industrial Consumers	LT		320		80	50	DPS/Rebate
6	Public Lighting	LT		420		20	15	DPS/Rebate
7	L.T. Industrial (S) Supply	LT		420		40	35	10/DPS
8	L.T. Industrial (M) Supply	LT		420		80	50	DPS/Rebate
9	Specified Public Purpose	LT		420		50	50	DPS/Rebate
10	Public Water Works and Swerage Pumping <110 KVA	LT		420		50	50	10/DPS
11	Public Water Works and Swerage Pumping >=110 KVA	LT	200	420	30			10/DPS
12	General Purpose >= 110 KVA	LT	200	420	30			DPS/Rebate
13	Large Industry	LT	200	420	30			DPS/Rebate
HT Category								
14	Bulk Supply – Domestic	HT	10	410	250			10/DPS
15	Irrigation pumping and Agriculture	HT	30	100	250			10/DPS
16	Allied Agricultural Consumers	HT	30	110	250			10/DPS
17	Allied Agro Industrial Consumers	HT	50	310	250			DPS/Rebate
18	Specified Public Purpose	HT	50	375	250			DPS/Rebate
19	General Purpose >70KVA< 110 KVA	HT	50	375	250			10/DPS
20	H.T. Industrial (M) Supply	HT	50	375	250			DPS/Rebate
21	General Purpose >= 110 KVA	HT	200	As indicated in the note below	250			DPS/Rebate
22	Public Water Works & Swerage Pumping	HT	200		250			10/DPS
23	Large Industry	HT	200		250			DPS/Rebate
24	Power Intensive Industry	HT	200		250			DPS/Rebate
25	Ministeel Plant	HT	200		250			DPS/Rebate

Sl. No.	Category of Consumers	Voltage of Supply	Demand Charge (Rs./kW/ Month)/(Rs./kVA / Month)	Energy Charge (P/kWh)	Customer Service Charge (Rs./Month)	Monthly Minimum Fixed Charge for first kW or part (Rs.)	Monthly Fixed Charge for any additional 1 kW or part (Rs.)	Rebate (P/kWh)/ DPS
26	Railway Traction	HT	200		250			DPS/Rebate
27	Emergency Supply to CPP	HT	100	530	250			DPS/Rebate
28	Colony Consumption	HT	0	410	0			DPS/Rebate
EHT Category								
29	General Purpose	EHT	200	As indicated in the notes below.	700			DPS/Rebate
30	Large Industry	EHT	200		700			DPS/Rebate
31	Railway Traction	EHT	200		700			DPS/Rebate
32	Heavy Industry	EHT	200		700			DPS/Rebate
33	Power Intensive Industry	EHT	200		700			DPS/Rebate
34	Ministeel Plant	EHT	200		700			DPS/Rebate
35	Emergency Supply to CPP	EHT	100	510	700			DPS/Rebate
36	Colony Consumption	EHT	0	410	0			DPS/Rebate

Note: Energy Charges for HT & EHT Consumers

Load Factor (%)	HT	EHT
up to 50%	375 p/u	370 p/u
>50% = <60%	375 p/u	370 p/u
>60%	375 p/u	370 p/u

Prayer:

71. CESU has following prayers to the Commission

- CESU prayed to admit & approve its ARR and Tariff proposal for 2011-12.
- To consider the actual AT&C loss in FY 2009-10 as base level and also Abraham Committee recommendation of percentage reduction for setting of AT&C loss.
- Regarding regulatory assets, CESU prayed to allow the past losses as regulatory assets to be set off in future years through tariff along with interest.
- To issue an order to bridge the revenue gap by revision of tariff and / or by Government subsidy.

72. NESCO, WESCO and SOUTHCO have the following prayers to the Commission.

- Take the accompanying ARR and Tariff Petition on record.
- Approve the Annual Revenue Requirement for FY 2011-12 including amortization of regulatory assets and truing up of uncovered gap for FY 2010-11 based on expenses and revenue approved by the Commission.
- Bridge the Revenue Gap through combination of reduction in BSP, grant/subsidy from the State Government of Orissa and/or increase in Retail Supply Tariff.
- Direct GRIDCO to relax Escrow in this priority keeping in view the interest and better services to the consumers of Orissa
 - Current Bulk Supply Tariff bills and Depreciation together with Interest (against asset to service loan and replacement of assets) on paripassu basis

- Employee Expense
 - R&M Expense
 - A&G Expense
 - Balance to servicing towards past liabilities.
- To give effect to the ATE order dated 8.11.2010 on different issues such as fixation of Distribution loss target, truing up considering receivable audit, etc.
 - GRIDCO and Govt. of Orissa may kindly be advised to allow Discoms to hypothecate assets for raising loan as per the Business Plan order dated 20.03.2010.
 - Consider the recovery of Sixth Pay Commission & Wage Board arrears in ARR.
 - Allow the following Tariff rationalisation measures;
 - Withdrawal of TOD incentive for consumption during off peak hours in view of the power deficit situation.
 - Introduction of KVAH Tariff system for three phase LT, all HT and EHT consumers
 - levy of DPS on LT category consumers including domestic & commercial category consumers
 - Withdrawal of incentive for higher consumption in case of HT/EHT consumers
 - Increase of the demand charges of General purpose HT-more than 70 KVA to Rs.200 per KVA from existing demand charges of Rs.50 per KW
 - Introduction of rebate scheme for payment of BST dues akin to the NTPC rebate scheme
 - Dispose the Petition on Fuel Price Adjustment filed on 16th Nov.2010 by the Licensee, along with this ARR petition.
 - Allow the licensee to submit additional documents, modify the present petition, if so required, during course of processing of ARR.
 - Any other relief, order or direction which the Hon'ble Commission deems fit.

OBJECTIONS & QUERIES RAISED DURING THE HEARING (Para 73 to 149)

73. Hearing of ARR and Tariff application of all the DISCOMs for the FY 2011-12 started with a Power Point Presentation of ARR submission by the applicant to the Commission. This was followed by a Presentation by representative of World Institute of Sustainable Energy, Pune who had been appointed as consumer counsel. He presented the gist of the submissions made by the licensee, analysis of the ARR and made certain observations and submissions on ARR. Then the objectors who were present during the hearing made their observations and submissions on ARR. Subsequently, Director (Tariff) raised certain queries and observations regarding the same application.

Comments of Consumer Counsel World Institute of Sustainable Energy (WISE), Pune on Tariff application

74. World Institute of Sustainable Energy, Pune presented an analysis of the applications and some of the important observations are as follows:

- (i) CESU, NESCO, WESCO and SOUTHCO submitted the annual revenue requirement of Rs. 2477.73, 2149.53, 2250.93 and 1068.55 respectively. Which is 56.41%, 54.29%, 35.19% and 118.17% higher than the Hon. Commissions approved ARR for the FY 2010-11. CESU has proposed to recover 532.15 Cr through revision of RST out of the total revenue gap of Rs. 671.42 Cr. The other reliance managed utilities didn't propose any revision of RST but proposed tariff rationalization measures. WISE had presented the analysis of each cost component of ARR and related techno-commercial issues.
- (ii) All the utilities have projected the power purchase cost at the present BSP which may not be the case as GRIDCO has proposed hike in BSP for the ensuing year. Further the projections of power purchase of all the utilities were based on the six months actual purchase and six months projections. This projections were further added with the demand escalations across the category of consumers for the ensuing financial year.
- (iii) All the utilities have different consumer base and hence different energy utilization pattern. The utilization of energy purchased by all the utilities in percentage for the ensuing year is as tabulated below:

Table - 17

	CESU	NESCO	WESCO	SOUTHCO
EHT sale	19%	32%	22%	13%
HT sale	13%	10%	21%	8%
LT sale	33%	30%	26%	36%
Overall Dist Loss	35%	28%	31%	43%

It has been observed that the licensees energy demand forecast is on higher side due to the higher level of actual losses.

- (iv) The analysis of the projected overall distribution loss versus the Hon. Commissions approval in the business plan is as follows:

Table - 18

	CESU	NESCO	WESCO	SOUTHCO
Hon Commissions Approval	24%	18.4%	19.7%	26.5%
Projected Overall Distribution Loss	35.59%	26.66%	31.29%	42.62%
Difference (Higher Distribution loss proposed)	10.59%	9.26%	11.59%	16.17%
Distribution loss excluding EHT consumption	42.78%	40.67%	40.03%	49.43%

It has been observed that licensees are lagging behind in achieving the set targets of distribution loss reduction. Further, the distribution loss excluding the EHT sales are much higher than the overall distribution loss. Consumer counsel submitted before the Hon. Commission that the higher distribution loss due to licensees inefficiency should not be allowed to pass on the end

consumers. Hence the higher revenue required to purchase higher energy because of higher loss levels should not be approved. Hon. Commission may direct the licensees to explore various measures to reduce LT and HT distribution loss, faulty metering and power theft needs to be drastically reduced with the help of dedicated flying squad and energy police stations.

- (v) The analysis of the projected collection efficiency verses the Hon. Commissions approval in the business plan is as follows:

Table - 19

	CESU	NESCO	WESCO	SOUTHCO
Hon Commissions Approval	99%	99%	99%	99%
Proposed Collection Efficiency	99%	98%	98%	98%
Difference (Lower collection efficiency)	0%	1%	1%	1%
Actual LT collection efficiency	96%	60%	66%	83.96%

Except CESU all other utilities proposed lower collection efficiency than the commission's approval in the business plan. Hence they have proposed higher provision for bad and doubtful debt. WISE submitted before the Hon. Commission not to allow the higher provision of bad debt due to lower collection efficiency. Further, it has been observed that the licensees LT collection efficiency is much lower than the desired which is the main reason of lower overall collection efficiency. Hence it was proposed to levy nominal DPS to LT category consumers to improve the LT collection efficiency. Licensee should be asked to collect the arrears to improve the collection efficiency.

- (vi) Except CESU all other licensees have proposed more than 110% hike in employee cost. This hike is mainly due to implementation of 6th pay commission pay scales. It was further observed that the employs cost per unit of energy purchase is least in case of CESU and highest in case of SOUTHCO.
- (vii) Administration and General (A&G) cost is controllable coat parameter. LTTS order has approved 7% hike in A&G cost over the earlier financial years A&G cost. However all the utilities have proposed higher hike in A&G cost than that of earlier approval of Hon. Commission. Hence it was submitted that Hon. Commission may review the proposal of utility along with the earlier audited expenditures.
- (viii) Hon. Commission has allowed the R&M cost as 5.4% of GFA of the licensees. Further, in case of R&M the RGGVY assets these assets belong to GoO hence licensees are not able to claim the R&M expenses for the said assets. However they are required to maintain these assets. Hence it was submitted that, Hon. Commission may direct the Energy Department, GoO to provide upfront expenses for R&M or transfer these assets to the licensee so as to enable them to claim the R&M for RGGVY assets.
- (ix) It has been observed that there has been huge increase in the BPL / kutir Jyoti category of consumers the data submitted by the licensee is as follows:

Table - 20

	CESU	NESCO	WESCO	SOUTHCO
Position as on 01.04.2010	11,361	46,370	9,492	22,823
Position as on 01.04.2011	1,72,219	1,68,450	1,14,298	2,02,897
Addition during FY 2011-12	11,00,000*	1,27,440	361630	4,00,000
Consumers on 01.04.2012	12,72,219	2,95,890	4,75,928	6,02,897

(*Assumption based on 25 Lakhs as LT consumers at the end of FY 2011-12)

BPL consumers of four licensees added together at the end of FY 2011-12 could reach to 26.46 Lakhs. However, it has been predicted that the cumulative BPL consumer in Orissa will raise to 40 lakh by end of 2011-12. Hence there is need to correct the projections of the licensee and energy purchase projections accordingly.

Sudden increase in this subsidized category of consumers will increase huge pressure of cross subsidy on other category of consumers. Here WISE submitted that the benefits of lower tariff to BPL consumers should be strictly restricted to consumers having monthly consumption of 30 kWh.

Comments of other Consumer Counsels

75. The Commission had also appointed different consumer organizations as Consumer Counsels for different distribution licensee's area. They are as follows:

CESU:- (i) Federation of Consumer Organization, (FOCO), Biswanath Lane, Cuttack (ii) Shri A.B. Routray, Orissa Electrical Consumer Association, Siva Sakti Medicine Complex, Cuttack – 753001 & (iii) Secretary, Confederation of Citizen Association, 12/A, Forest Park, Bhubaneswar – 751009.

NESCO:- (i) Orissa Consumers Association, Balasore Chapter, Balasore

WESCO:- (i) Sambalpur District Consumers Federation, Balaji Mandir Bhavan, Kheterajpur, Sambalpur (ii) Sundargarh District Employee Association, AL-1, Basanti Nagar, Rourkela

SOUTHCO:- (i) Grahak Panchayat, Friends Colony, Paralakhemundi, Dist-Gajapati. (ii) Mr. Prabhakar Dora, 3rd line, Cooperative Colony, Vidyanagar, Rayagada.

For all distribution licensee's area: - (i) PRAYAS, Energy Group, Amrita Clinic, Athawale Corner, Carve Road, Pune-411004.

All the above Consumer Counsels were present during hearing.

The observations of the Consumer Counsels, who were present during the hearing, are summarized along with the issues raised by the objectors.

Issues raised by objectors during hearing and through written submission

76. The Commission has considered all the issues raised by the participants in their written as well as oral submissions during the public hearing. Some of the objections were found to be of general nature whereas others were specific to the proposed Revenue Requirement and Tariff filing for the financial year 2011-12. Based on their nature and type, these objections have been categorised broadly as below:

Legal Issues

77. Some objectors stated that the licensees have filed the applications to confuse the consumer and public without disclosing the purpose for such filling, probably with

malafide intention to dupe the unorganised, illiterate, ignorant consumers with an objective of indirectly to making undue again which it could not have achieved directly by adopting such clever method ignoring the orders of Hon'ble High Court and Commission.

78. One objector stated that the applications for determination of ARR as well as fixation of tariff as filed by the DISCOMs were illegal. The law contemplates that the Commission has to determine licensee's revenue for the purpose of fixing the tariff first, but not on composite application which is confusing and would be in contravention of law. The application may be rejected which is based on incorrect and manipulated statement of facts/materials/accounts.
79. One objector pointed out that the notice published for inviting objections does not conform to the requirements of law and does not disclose the purpose of such revenue requirements which has been asked for without giving details of its calculation there by keeping the interested persons/public in darkness.
80. As the distribution licensees are interested private parties as well as a profit oriented Business Companies registered under the company Act, the Commission should not rely the data collected by the employees of the licensees behind the knowledge of consumers and state statutory authorities. Hence the data submitted by the licensees for their revenue requirement re required to be referred to the statutory authorities of the state as required under the Section 162 of Act 2003 and Rule 1956.

Review of past operations in general

81. The objectors in general stated that the distribution licensees had not improved their efficiency and standard of service, performance and had not reduced T&D losses etc. as directed from time to time for which the Commission should not penalise consumers to make good of losses of licensees for their maladministration, inefficiency, corruption, mismanagement, unnecessary expenses, etc. The licensees taking full advantage of the cost plus tariff determination are projecting ever increasing cost without any improvement, rather deteriorating in their performance.
82. One Objector stated that privatisation of distribution utility was meant for efficient management, quality supply, consumer service, general development of powers sectors and expansion of its network. During the courses of present management the real scene has become quite adverse/otherwise.

Audited Result

83. One of the consumer counsel pointed out that the audited information provided by the licensee for the FY 2009-10 is based on manipulated statements of facts / materials and accounts. Hence it should be rejected out right. One objector pointed out that the Commission should scrutinize their audited data and find out the nexus between power purchase and power sold and margin of earning derived there from.
84. In general the objectors requested the Commission to examine/scrutinize the followings:
 - i) Calculations of cost of supply and power purchase cost.
 - ii) Provision of R&M expenses against actual audited expenses.
 - iii) Field assets/accounts as submitted in the ARR through an independent Govt. body.
 - iv) Whether the DISCOMs have complied with the direction of the Commission issued in the earlier orders and regulations?

85. One Objector stated that it is astonishing that although Govt. is having 49% equity in the distribution utilities, they are exempted from Govt. audit and are not covered under right to information act.

Quality of Supply

86. Many objectors are of view that the rise in tariff is not a solution. Consumers are ready to pay the requisite price if qualitative supply is made available to them. The state of distribution network has deteriorated to such a state from where revival seems to be unattainable. The DISCOMs are not maintaining the system properly such as conductor/cable, pillar box metering system, old circuit breakers, broken poles, earthing of substations, replacement of joint conductors and broken stays etc.
87. The load shedding and frequent hand tripping, low voltage even in urban area is being observed by some objectors pointed out. Some of industrial consumers questioned the quality of supply as most of the time they have the problem of low voltage and unscheduled power cuts.

Quality of Service

88. Many objectors expressed displeasure on the quality of the services provided by the licensees and had pointed that the privatization of DISCOMs has transferred the state monopoly to private monopoly in the electricity distribution sector in Orissa. It is mandatory for a licensee to maintain register every complaint of a consumer like failure of power supply, quality of power supply, meters & payment of bills etc. and intimate the complaint number to the consumer. The problem should be solved in a stipulated time failing which compensation should be calculated and paid to the affected consumer accordingly. But on contrary the DISCOMs are complacent to the problems of the public. Power cut is rampant without prior notice to the consumer. To add to the woe of the consumers they are being harassed by the behaviour of DISCOM employees.
89. One of the consumer counsels has objected that most of the consumers alleged corrupt practices of the employees at every point particularly while taking a new line or attending to consumer complaint. The distribution licensees don't replace burnt transformer in time and delay the repair and restoration works. Billing complaints are not attended promptly. Bills are in English, so illiterate consumer cannot read.
90. One Objector stated that no remunerative calculation is being attached to the estimates. If any consumer asks for the same, he/she is being harassed and is being threatened in debarring such supply. If somebody moves to GRF or Ombudsman, no relief is being granted to the consumers or their orders are not carried out in time. In NESCO & WESCO the new intended consumers are asked to deposit system improvement charges along with bearing cost towards construction of line & sub-station.

Consumer Grievance

91. Consumers are not much aware of GRFs, ombudsman system, standard of performance etc and hence consumers do not object to the quality of supply and services. The licensees are hesitating to propagate the grievance redressal system to the ordinary consumers or the public there is neither information accessible to consumers nor display at different office/section of the licensees.

Distribution Loss

92. The licensee has not achieved the required efficiency in reducing the controllable parameters like distribution loss, revenue collection etc. due to which there is increase in tariff from year to year. One of the consumer counsel highlighted on the licensee's performance on non reduction of T&D loss, non improvement in its efficiency and standard of service in line with the Commission's directives. Commission may determine ARR & RST for year 2011-12 assuming distribution loss of 20% or less.
93. It is the view of many objectors that had the licensees seriously pursued the directives of the Commission the actual loss would not have been more than 15% at present. As per Para 5.5.3 of its Order dated 18.06.2003. on LTTS, the Commission has stated that all 33/11 kv feeder metering should be in place by October, 2003 and meter on LT side of distribution transformers by 31.03.2004. The licensee claims to have substantially implemented the same, but the actual energy audit data is not being submitted for the last six years. In the absence of such data the 'actual' or 'projected' distribution loss, can not be substantiated and should therefore not be accepted by the Commission.

Billing and Collection

94. Many objectors stated that in the present scenario the performance of the DISCOMs in terms of billing and collection is disappointing. The billing and collection of LT consumer's electricity bill is very low. Further, it has been observed that the billing and collection agencies are recording lower consumptions which lead to maximum number of consumers in the 0 to 100 unit slab which further increases the non billed energy consumption. The licensee should exhibit the collection separately for current and arrear for previous financial year to assess the collection efficiency of the licensee. The Commission may stipulate the level of collection to be made from current dues as well as from the arrear dues separately.
95. It is the responsibility of the licensee to collect its own revenue including the arrear revenue. The licensee should indicate the collections made in the past years and projected for FY 2010-11 and FY 2011-12 from the current demand for the year and the arrears. The licensee should indicate the arrear collected from the consumers out of the amount written off by the State Government prior to 01.04.1999 without deleting the amounts from the consumer ledgers.

Security Deposit

96. North Orissa Chamber of Commerce & Industry requested to make the payment of the security deposit flexible and allow the consumers to give the security in the form of Bank Guarantee, NCS, Fixed Deposit etc. Some objectors stated that the interest paid by a licensee on security deposit should be enhanced. The licensee should submit the details relating to total security deposit available with them to the Commission.
97. With S.E Railways being a Central Govt. Organisation engaged in a public utility service and paying energy bill regularly without any delay, it should be exempted from payment of security deposit. In case of any unavoidable situation they requested the Commission to allow the payment security deposit through "BG Bond" as against cheque or demand draft.

Metering

98. Orissa Electrical Consumer's Association stated that Metering figures quoted by the DISCOM are not correct. Number of defective meters is large in numbers.

Shopkeepers and vendors consume electricity without meters and pay for average load basis. One objector stated that the cost fixed by the Commission to get the print out of detailed consumption recorded in energy meter should be reasonable and within the capacity of a consumer of a poor state like Orissa.

99. One objector stated that the reform programme stipulates 100% metering as the first step of minimizing, if not eliminating totally the theft/commercial losses. Still the distribution utility bills are based on impractical formula contrary to the provisions of the Commission. The distribution utility should give priority on the metering but still 50 % of consumer are not having meters and 20% consumers have defective meters and since last six months the distribution utility have no stock of meter in their stores. It violates Section 55(1) & 73(e), Section 177(II) of the Electricity Act, 2003.
100. One of the objectors stated that the utility are charging meter rent to consumers though many consumers either don't have meters or the meters are faulty and they are being charged on the basis of average billing. The utilities are not maintaining the appropriate stock of meters to provide services to the consumers. The reasons for the same may be sought from the licensees. Even though the Electricity Act, 2003 provides that the power supply shall be given through a correct meter only, it is seen that the percentage of working meter was only 87% as per the data submitted by the licensees. However, the authenticity of the data needs proper verification.

Energy Audit & Consumer indexing

101. One objector requested the Commission to direct the licensee to get the energy audit done through an independent third party / energy auditor approved by the government in order to analyse the actual performance of the licensee. Some of the objectors stated that the licensees are spending a huge amount in the name of consumer indexing which needs to be verified by the Commission.
102. One objector stated that the licensees are using the costly meters with higher specifications above the CEA guideline. This is neither useful for the licensees nor for the consumers. These meters should be procured under system improvement /CAPEX budget in case of its bare necessity and the cost should not be passed on to the poor consumer of the state.

Energy Police Station

103. One of the objectors stated that rather than creating new energy police stations the existing police stations may be utilised to curb theft of electricity. One of the objectors stated that power theft is continuously increasing due to non effective functioning of energy police stations. The licensees have failed miserably to take advantage of the Energy Police Stations.

Energy Sales Forecast

104. One Objector stated that the sales forecast for the year 2011-12 by licensees at 21.13% increase is ridiculous. Further the entire increase in sales has been attributed to a RGGVY & BGJY Scheme implemented by the Govt. It is to be noted that under RGGVY & BGJY programme a beneficiary is allowed to consume only up to 30 units. Once consumers exceed 30 units he/she will be treated as a normal consumer. The total BPL consumers under the above programme are only 37 Lakhs that means maximum (37,000 x 30 Units) 11 MU will be consumed even if the all BPL consumers will come under life line category (whose consumption is within 30 units).

Therefore the total impact of BPL consumers in Orissa is around 12 MU only which is less than 0.5% of the total sales forecast.

105. The same Objector submitted that the S.M.D claimed by the applicant is at higher side. The licensee is not abiding by the instructions issued by the Commissions in controlling the SMD. The measures like segregation of 11 KV lines to Agricultural industrial/domestic consumers have not been taken.
106. One Objector stated that the distribution loss should be segregated in to technical and commercial loss and power purchase should be calculated basing on technical loss only.

BPL / RGGVY category consumers

107. A minimum billing for 30 units with annual ceiling of 360 units should be mandatory irrespective of power consumption in line with the National Electricity Policy. One of the objector stated that the BPL consumers should be offered concessional tariff if their monthly consumption is within 30 kWh and if the consumption exceeds above 30 kWh then they should be categorised as LT domestic consumers.
108. The consumer counsel PRAYAS Energy group stated that while dealing with the BPL consumptions the Commission should follow the Maharashtra model where in a BPL consumer is allowed to consume 360 units in a year instead of 30 units per month. Being the poorest in the society they have the rights to accesses the low cost subsidiary power produced by the State Govt. hydropower.
109. The Prayas group further opined that Orissa is a poor state and with only 20% of villages are being electrified against the national average of 56%, Govt subsidy is a necessity and the Commission should pursue Govt to proactive in such issues. It insisted the DISCOMs to give legal connection to all consumers within 100 Mtr. range of existing LT lines. This will be a win-win situation in terms of better revenue and lesser loss for utility & consumers by getting stable & safe supply. DISCOMs should make special drives to make illegal connections legalize with one time amnesty by waiving off arrears. Regarding tariff measures it is of view that tariff design should have mores slabs & having telescopic in nature.
110. Most of the objectors stated that the BPL consumers are given electricity connections without installation of energy meter. Also, in most of the cases though the energy meters are installed the consumers are not yet registered and they do not receive regular energy bills. The R.G.G.V.Y schemes envisage franchisee operation before electrification of the villages but the licensees are found to be hostile towards franchisee operation. In fact the three Reliance managed distribution companies have prepared the guidelines for inviting application in such a manner that nobody would live to come forward. It is designed to discourage franchisees contrary to that have been done by CESU.

Cross-subsidy Surcharge

111. Many objectors pointed out that as per Regulation 7(g) of OERC (Terms and Conditions for Determination of Tariff) Regulation 2004, tariff should progressively reflect the cost of supply and cross-subsidy should reduce within a period as stipulated by Hon'ble Commission. This is well within the National Tariff Policy and as per Para 8.3.2 of the said Policy, Hon'ble Commission should notify a road map to achieve the same by the end of 2010-11.

112. For determination of average cost of supply at EHT, the Bulk Supply Price should be considered as the basis of average cost of power procurement from different sources plus a trading margin as determined by CERC.
113. One Objector stated that the tariff should reflect the cost of supply to each consumer category. If Govt. requires any particular category of consumer to be subsidised then Govt. has to fork out the subsidy upfront from its own budget.
114. On Objector stated that the Commission has not duly considered all the relevant provisions in Electricity Act, 2003, National Electricity Policy & Tariff policy of the Govt. He quoted clause 8.5.1 (b) of the Tariff policy notified by the Govt. of India as below:

The surcharge shall be computed as the difference between (i) the tariff applicable to the relevant category of consumers and (ii) the cost of the Distribution Licensee to supply electricity to the consumers of the applicable class.

Further he also quoted Regulation 4 (2) (iv) of the OERC (Determination of Open Accesses Charges) Regulation, 2006 which stipulates the following:

“Cross Subsidy Surcharge shall be computed by the licensee as the difference between (i) the tariff applicable to relevant category of consumers and (ii) the cost of the Distribution Licensee to supply electricity to the consumer of the applicable class, and the same shall be submitted for necessary approval of the Commission.”

Both of those references points that Cost of Supply should be based on different categories wise rather than average pooled cost.

Demand side Management

115. One Objector submitted that the licensees are not at all concerned about demand side management of the distribution system. It has been the regular practice of the licensee to overdraw beyond the schedule of SLDC. Further they also stated that the licensee have not shown interest for the Bachat Lamp Yojana initiated by Govt. of India. With the help of the scheme substantial energy would have been saved and consequently loss would have been reduced. They stated that the licensee should take full advantage of the scheme.
116. As per the tentative estimate, if Bachat Lamp Yojana of BEE is adopted in mission mode, the annual saving of energy would be substantial resulting in less drawal of power in evening peak hours from the State Grid. The licensee may intimate the status of implementation of Bachat Lamp Yojana at this acute shortage of power in which State is passing through.

Seasonal Industries

117. Some Objectors from different seasonal industries like ice factories dependent on fishing etc. stated that they are operating their plants to match with the prevailing climatic condition as well as directive from Govt. of Orissa. During breeding season for about 4 months fishing is banned by the state Govt and during this ban period their consumption of electricity is drastically reduced but they are burdened with payment of demand charges appear the contract demand. They don't have any load during off-season and hence they have requested for separate tariff or variable contract demand.

118. The cold storage industries which are again the seasonal industries, who preserve the agriculture products have requested special tariff equivalent to that of agriculture category or slightly higher than that.
119. Rice mills of the state should be brought under subsidized tariff equivalent to that applicable to agriculture category so as to control food inflation and price hike in general. The tariff for huller machine, Rice bran machine, Rice Mills, Aqua culture, Prawn processing, Ice factory, Allied Agricultural Farms like poultry, hatcheries, fisheries, Goatary, Diary etc, should be kept at par with irrigation tariff to contain food inflation.
120. Gram Vikash of Mahuda, Ganjam Dist. stated that the key issues of the rural community is the tariff of rural water supply schemes (referred as community water works skims). As per chapter VIII, section 80(1) domestic category refers to supply of power to residential premises with other miscellaneous load of up to 20% of the total connected load. So supply of water should not be considered as a n commercial activities. Under Swajjala Dhara Programme communities take responsibility of repair and maintenance and for that pay additional 10% of the capital cost. But the fund collected under this scheme mostly spends on the electricity bills and a little is saved. At present the cost for piped water is too high compared to the irrigation charges paid by the poor villagers. They requested the commission to make a separate category for rural water supply scheme as adopted by Andhra Pradesh and Maharashtra.

Issues of Industries

121. A special tariff for power intensive industries was determined by Hon. Commission under the special agreement for the FY 2005-06, as per its order dated 22.03.2005. These industries were entitled for discount of 25% on the energy charges for load factor up to 50%. However, the special tariff was discontinued after the commission's order dated 20.03.2008. These industries have requested to reintroduce the special tariff and extend 25% rebate on energy charges for power intensive industries achieving 80% of load factor.
122. The power intensive industries have requested not to accept kVAh billing proposal and to consider the off peak hours between 22.00 hrs to 6.00 hrs instead of 12.00 mid night to 6 AM. They have requested to reduce the demand charges proportionately in case the power restrictions imposed during a month is more than 30 hrs.
123. One objector stated that SOUTHCO had entered in to an agreement in year 2007 for supply of power at special tariff for five years based on Hon'ble Commission's approval. However, the same is being discontinued and had requested to reconsider the same during the ensuring RST tariff order.
124. Some of the objectors objected to the proposal of the licensees to make the demand charges equal for LI and MI consumers.

Captive Generating Plants

125. As per Regulation 80(15), the CGPs, of the state can draw 100 % of the highest rated plant with the tariff fixed by the Commission. So the proposal of the licensee to disconnect power in case load factor exceeding 10 % in emergency condition is having no legal backing.
126. The Cross Subsidy provided by the industries at the present tariff woks out to be 291.5 paise which is the highest being paid by industries of the state. So introduction of demand charge or ceiling at 10 % of load factor has no justification.

South Eastern Railways

127. Railways requested to keep the tariff lower than that of the last year tariff as railways is using electricity for serving public. At present the railways tariff is 20% above the cost of supply and is also higher than the railways tariff of neighbouring states.
128. Railways requested to determine consumer and category wise cost of supply. Further, requested to extend 10 paise per kWh off peak energy rebate.
129. Railways requested the Hon. Commission to direct the licensee to take the responsibility and co-ordinate with OPTCL in maintaining the transmission line metering equipments for improving the reliability of the supply. It has further requested to provide quality power supply free from load shedding.
130. Railways further requested to consider the power factor (PF) incentive for maintaining p.f above 0.9. Railway is able to achieve p.f up to 0.9 and hence kVAh billing to this category will substantially increase the financial burden and hence requested not to introduce kVAh billing to railways.
131. Railways requested to withdraw the over drawl penalty as in case of the neighbouring states. Further requested to consider the integrated maximum demand at various points or 80% of the sum of the contract demand should be used while calculating the demand charges.

Determination of BST

132. Many objectors have pointed out that two-part BSP should be reintroduced by the Commission for the distribution companies. That will compel the licensees to improve their own power factor or else bind them to pay the penalty. Some objectors stated that there should be same BSP to all licensees of the state and different RST so as to encourage improvement in licensees' performance and to create competition among the licensees
133. One of the objector requested to implement ABT in the state so that the DISCOMS will be self regulated and the BST charged to DISCOMS will be rational.

Separate Licensee for Supply of EHT Power

134. An Objector strongly advocated for a separate license to supply of power only for EHT consumers. The present distribution companies have miserably failed to control HT & LT losses even after 10 years of reform. The distribution licensees have no obligation to provide any sort of service to the EHT consumers and are taking advantage of their zero loss supply system. So a separate licensee may be created for supply of power to EHT consumers. EHT licensee will be responsible to extend the EHT lines including the extension of EHT lines including the extension of Bay and substation at the consumer premises from the main OPTCL EHT lines. A suitable tariff may be designed for EHT supply keeping in view of the subsidy, cross subsidy and surcharge in mind.

Financial Issues

135. One Objector stated that the collection inefficiency of the licensees should not be treated as bad and doubtful debt. Further the amount not collected during the financial year from the current revenue is not written off from the books of the licensee. Hence such submission should be rejected by the Commission.

136. The provision of 2% of the accrued revenue as bad debt in the RST order for FY 2010-11 is unusually high. The licensee has been vested with the power to disconnect power supply for non-payment within 15 days of the receipt of the bill by the consumer. There is no reason as to why the collections of the dues are being held up. That truing up for bad & doubtful debts should also be made every year to take in to account only such of the dues that are not collectable and have been written off from the books of the licensee, based on audited accounts. An 1.5% may be allowed towards bad debt instead of 2% at being allowed.
137. The expenses claimed under the R&M head maintaining the assets created under RGGVY and BGJY should not be allowed as these assets are under the guarantee period. On completion of the guarantee period these expenses should be borne by REC or Govt. In case of Reliance managed distribution licensees the expenses incurred for the central service office (CSO) should be disallowed.
138. Revenue gap should be managed from other sources other than debt to minimise interest cost. One of the consumer counsel objected that the licensee has not taken concrete steps to limit losses, bad debts, telephone expenses, material costs, administrative costs, rents, taxes, legal expenses, audited fees, etc. The request of licensees for higher A&G cost should be critically scrutinized along with its application.
139. One objector suggested that OTS scheme should not be allowed to be implemented by the Reliance managed DISCOMs in its proposed form, rather they suggested to implement an OTS scheme for disconnected consumers of more than one year in order to mobilize additional resources. Apart from that some partially waiver measures to selected category of consumers could raise additional revenue.
140. One objector stated that instead of calculating depreciation as per pre-92 methodology the licensee has calculated depreciation as per companies Act. One of the objectors pointed out that the A&G expenses claimed by the licensee are on higher side as compared to the amount approved under the regulation. Further, these expenses should be restricted to that of last year's approved figures.
141. One Objector stated that any investment like APDRP/Capex/system Improvement works like capital in nature is borne by the consumer through tariff. Therefore it should be cost effective. Therefore before claiming the interest on capital the applicant should furnish the gain on the capital investment so far achieved. Hence the claim of interest on capital expenditure should not be allowed without proper justification indicating there in the gain achieved through capital investment through additional revenue.

Computation of Tariff /Tariff Rationalisation Measures

142. Some objectors requested the Commission to modify/add certain stipulations in the tariff order of 2010-11 as below:
 - i) The off-peak hours should be determined as from 10 p.m to 6 a.m of next day.
 - ii) Commission should reject the submission of the licensee for changing tariff structure and the existing tariff should continue or reduced based on the statutory provisions.
 - iii) For determination of average cost of supply the Commission should consider the cost to EHT, HT and LT consumer as submitted by the DISCOMs.
 - iv) Commission should determine separate tariff for different industries.

- v) Power load factor incentive should be computed beyond 0.95 instead of 0.97.
- vi) One consumer counsel requested to modify the first slab for domestic consumers from 0 to 100 units to 0 to 200 units with the existing tariff of 140 paisa per unit and not to levy DPS to LT consumers.
- vii) 1% rebate should be allowed if the bill is paid within 15 days of receipt of the same or pay 2% rebate if the bill is paid within 72 hrs. At present rebate at the rate of 1% of the amount of the monthly bill is being allowed if payment is made within three working days of the presentation of the bill.
- viii) The TOD benefit presently given to the consumers should be increased further up to 50% of the normal tariff.
- ix) Rebate should be offered if the load factor is maintained above 30%.
- x) For the purpose of calculation of load factor p.f. should be considered as 0.9 irrespective of the actual p.f.
- xi) Introduce multiple tariff plans for each category based on methodology of payment, connected load, consumption etc to induce competition in the market.
- xii) It is proposed to implement separate tariff for urban and village panchayat public lighting and to introduce one time settlement scheme for settlement of past dues.
- xiii) One of the consumer counsels suggested that proposal of licensee for charging MMFC in KVA instead of kW may be accepted provided the rate of MMFC per KVA demand is less than that of kW MMFC.
- xiv) HT bulk supply domestic consumers are being charged at par with the highest LT slab, for which they have requested to charge at par with that of second slab of LT consumers
- xv) The present provision of billing consumers below 70 KVA in line with the LT general consumers should be rescinded by the Commission to prevent migration of bulk domestic consumers from HT to LT category to take advantage of slab structure of LT domestic tariff
- xvi) With increased consumption of electricity the present first slab i.e. 100 units should be increased further in order to motivate the consumers not to indulge in theft of power
- xvii) Some of the objectors have objected to the licensee's proposal on withdrawal of LF benefit.

General Issues / Others

Some of the general and industrial issues raised by the objectors/licensees during hearing are as follows:

- 143. One of the consumer counsels requested the commission to devise a simple and inexpensive procedure to enable the public to file their objections and to their effective participation in the tariff determination process. The procedures/ methods adopted by the Commission should be made simple for understanding of the illiterate and ignorant consumers of the state.
- 144. Supply to the mobile towers is through dedicated transformers. The cost towards transformers, transmission line and metering are being borne by such consumers. However, though they are supplied through HT voltage they are treated under LT GPS category. Hence, they have requested to consider them under the HT tariff.

145. Sick industries in the state have requested for special consideration for revival by allowing single part tariff of Rs.2.20 per unit, waiver of demand charges and not to impose cross subsidy on their tariff.
146. NIT, Rourkela being a specified public purpose consumer objected to the licensee's electricity bill which doesn't take in to consideration the load factor of consumption. This is violation of the Commissions RST order for FY 2010-11. They have requested the Hon. Commission to direct the licensee in this matter.
147. Uniform BST and different RST should be introduced to promote competition which is the principal object of the reform.
148. At present Community based water works (Swajal Dhara Scheme) are being charged at par with the PWW tariff which they have requested to reduce considerable by considering the purpose of use of electricity by the poor villagers.
149. Applicability of DPS to all consumers should not be introduced.

ISSUES RAISED BY DIRECTOR (TARIFF) DURING HEARING (PARA 150 to 151)

150. During the hearing Director (Tariff) raised certain issues relating to the ARR and Tariff filing for each DISCOMs. Some of the important issues common to the all DISCOMs are as given bellow.
 - The Licensees should submit the status of Bachata Lamp Yojana (BLY) of BEE as directed by the Commission in the last tariff order with their programme of implementation.
 - The Licensees should submit month-wise individual emergency drawl of CGPs within its area of supply along with their respective rated capacity of the largest unit. ‘
 - Month-wise cash flow statement for the FY 2010-11 (actual up to end of January, 2011) considering the revenue items only.
 - The Licensees should submit the DSM activities to be undertaken by them during 2011-12 along with their respective costs and benefits.

Apart from the above some specific queries pertaining to CESU are as follows.

151. CESU
 - With regard to other DISCOMs proposal of to levy MMFC to LT Industry (S), LT Industry (M) SPP (LT) and PWW (LT) in terms of kVA, CESU may submit whether these category of consumers are having meters with kVA reading facility.
 - With regard to other DISCOMs proposal for kVAh billing in place of existing kWh billing, CESU may submit an estimation of consumption data with kVAh billing as well as kWh billing and the difference thereof and also the revenue implications.
 - CESU has submitted audited accounts for FY 2008-09. The licensee is required to submit the audited accounts for FY 2009-10. They should also explain as to why they are lagging in submission of updated audited accounts.

REJOINDER BY THE LICENSEE TO THE OBJECTIONS RAISED DURING HEARING (Para 152 to 242)

152. In response to written and oral objections/submission/suggestions during hearing the licensees have submitted their written rejoinders to the objections. Some of the issues raised by the objectors are general in nature whereas certain issues are specific to the licensees. The Commission also solicited certain clarification from the licensees on their tariff application in Director's Queries. The rejoinders of the licensees can be better appreciated if it is presented issue-wise in this order. The rejoinders are accordingly summarized issue-wise as follows:

Legal Issues

153. DISCOMs submitted that, the application filed by the Licensee is in accordance with the Section 62 and other applicable provisions of the Electricity Act 2003 and in conformity with the provisions of OERC (Terms and Conditions for determination of Tariff) Regulations, 2004 and OERC (Conduct of Business) Regulations 2004. The contention of the objector is not tenable and liable to be rejected and is not at all justified and should be ignored.

154. The Notice was published for the general public as per the direction of the Commission for inviting objections to the ARR and RST application of SOUTHCO for the FY 2011-12. The details of the calculation as per the format prescribed by Hon'ble OERC were submitted before the Commission on 30.11.2010 and the details of which were made available on website of the Commission as well as the Licensee. The notification was as per the law and statute.

Review of past operations in general

155. SOUTHCO submitted that, the efficiency, standard of service & performance has improved by the licensee but not up to the approved level of the OERC. SOUTHCO has reduced AT&C losses marginally during the FY 2009-10 In spite of huge no of rural electrification under RGGVY and BGJ scheme under 10th plan. SOUTHCO has upgraded 446 nos. of existing transformer and constructed 174 nos. of new S/s of different capacity since FY 2008-09. During the current FY 2010-11, SOUTHCO has constructed 73nos of new S/s and upgraded 51 nos. of S/s till Dec-10.

156. NESCO in its reply submitted that the licensee is always taking steps for improving its infrastructure, maintenance of lines and substation through different schemes. Between Aril, 10 to September, 10, the following works have been done

- a. Phase balancing for 296 nos. of Sub-stations completed.
- b. New/Re-earthling of 171 nos. of Sub-stations completed.
- c. Phase conversation has been completed in 20 nos. of locations.
- d. 28 Km of re-conductoring of LT line along with new AB Cable of 5.4 Km.
- e. 515 nos. lighting Arrester, 78 nos. of AB switches; 53 HG fuses have been installed.
- f. 11 nos. of 33 Kv and 39 nos. of 11 KV VCB s have been installed.

Audited Result

157. SOUTHCO has audited its books of accounts for the FY2009-10 and has also submitted before OERC for the purpose of determination of tariff. Basing upon the previous year audited figures SOUTHCO has projected figures for the ensuing year

for the purpose of ARR and Tariff. The rejection of application and incorrect/manipulated statement claimed by the objector is not at all correct.

158. WESCO submitted that, the expenses made by the licensee are duly audited by statutory auditor of the company. They are the third party. Hence, separate third party audit of expenses is only duplication of work and not cost effective.

Quality of Supply

159. DISCOMs submitted that they are committed to provide quality power supply and better consumer services to their consumers. They have taken many steps for improving the voltage by way of augmentation of conductors, Installation of new S/s and up-gradation of existing S/s and Power Transformers.
160. SOUTHCO submitted that they have planned to invest Rs.190.25 Crore during the FY 2010-11 & FY 2011-12 under CAPEX for system improvement. Apart from that it has already proposed IT automation expenses in order to curtail the expenditure. They are in the processes to set-up an in-house transformers repair workshop shortly.
161. WESCO submitted that for providing better quality of supply for the FY 10-11, WESCO has taken up a lot of system improvement work after the Commission has allowed escrow relaxation for O & M works & S.I. works. Now they are going for uprating of conductors, putting new transformers, installation of breakers, new Grid s/s and upcoming CAPEX programme will help in providing better quality supply.

Quality of Service

162. SOUTHCO submitted that they have been taking immediate action against the employees conniving with the dishonest consumers following departmental procedure. SOUTHCO had received complaint against 18 nos. of employees and where the allegation is proved immediate action has been taken by the licensee. To improve consumer awareness one day of every month has been declared as Consumer Interface Day at division & circle level where the consumer are invited to participate in the programme and action has been taken to solve consumer grievances. SOUTHCO is trying to solve bill related complaint immediately at different level commencing from section to corporate level.
163. CESU submitted that, they have distributed the book on complaint handling procedure to all field level staff, officers. The book deliberates on the rule to be followed and punishment measures to be taken in case of default in compliance of consumer complaint. The employees of the distribution utility know this fact and complaints are handled by the employees to avoid any disciplinary action in case of default.
164. WESCO submitted that, after receipt of applications for power supply in complete shape, maximum efforts are being taken to release connection wherever feasible at the earliest possible time.
165. NESCO is trying its best to resolve the billing dispute at the shortest possible time period. All the field officers are keeping specific date to attend consumer grievances to minimize the time delay in meter reading, bill generation & distribution. Entire area under NESCO has been covered under spot billing.

Grievance Redressal Forum

166. SOUTHCO has submitted that as per the direction of the Commission the consumer interface programmes are being held at field offices on a particular day of each month to solve the consumer grievances. Further, FAQ booklets published by the OERC are

being distributed among all the employees of SOUTHCO as well as amongst the NGOs, SHGs and selected consumers through conducting awareness programme. Further, Energy awareness programmes were conducted by licensee where Oriya version of FAQ booklets was distributed among all the participants to make the consumers aware of their rights.

167. CESU submitted that for quick Redressal of consumer complaint, Compliant Handling Procedure (CHP) is followed by them. If still the consumer grievance is not addressed within due date, the consumer can approach the Grievance Redressal Forum (GRF) of their area where the complaint will be disposed within 45 days and if still the consumer is not satisfied with the Orders of GRF he/she is free to apply before the Ombudsman . Arrear on consumer account is as per actual bill served but the same is not paid by the consumer under one pretext or the other.
168. WESCO submitted that, regarding educating to consumers towards functioning of GRF & Ombudsman it is stated that all the consumers are aware about establishment of GRF in their area of supply. During current year the 681 consumers have filed complaints till Sep-10. With this it is clear that all the consumers are well aware about establishment of GRF and Ombudsman

Distribution Loss

169. CESU submitted that, in order to control distribution losses, they have undertaken different activities on infrastructure development like up gradation and new addition of distribution and power transformers, reconductoring of existing substandard size conductors, installation of breakers and use of AB cables etc. The licensee submitted that, during 2009-10 distribution loss was 39% and during 2010-11 this is projected as 37.59% and during 2011-12 it is projected to be 34.59%.
170. The energy police stations have been strengthened and the AVO's have been engaged in each of the five circles. They are carrying out raids in collaboration with the respective divisional squads to check various meters of different categories of consumers. CESU has initiated Input based and revenue based franchisee operations in Jagatsinghpur Sub-division and 10 areas respectively for improvement in collection. In these areas the collection efficiency has improved to 79 % from 74% and AT&C loss has decreased by 1%. Technical losses are being reduced by up-gradation of conductors, introducing star rated DTRs and regular maintenance of lines. Single phase and three phase static Meters have been procured and the replacement of defective and old induction type meters has been started in a phased manner.
171. Substantial investments are being undertaken to operationalise 100 % 33 kv and 11kv feeder metering to facilitate energy audit. Steps are already started for consumer indexing, installation meters at 33 kv, 11kv feeders and DTRs to carry out energy audit at all levels. PRDC has been engaged to cover 1.5 lakh consumers in 9 sub divisions and carry out comprehensive energy audit in 75 nos. of 11 kv feeders. Basing on their report they have regularized unauthorized consumers in Periphery and Khandagiri subdivisions. The above efforts have yielded positive results and the AT&C losses have reduced to 38% from 43 % in 2006-07. In spite of its best efforts; lack of sufficient funds, in adequate Govt support to curb theft, socio-economic profile of the vast rural populace, inadequate trained manpower the losses are still on the higher side which the utility is trying its best to reduce.

172. To curb power pilferage, CESU is conducting large scale squad operations by engaging squads in division as well as sub division level. There are dedicated five MRT squads to verify industrial and high value customers. Theft has been detected in many large, medium and small categories of customers and they have been penalized. Other works like franchisee operations, energy audit, metering, pillar box metering, AB cabling have been undertaken to arrest the distribution loss.
173. WESCO admitted that the, licensee has not able to reduce the distribution loss to the desired level but at the same times without considering the ground realities the target as set by the Commission is very much in higher side. Hence, the licensee has requested for re-determination of loss level. However, to arrest theft of energy licensee has introduced franchisee in the loss prone area of Kalahandi, Bolangir, Sundargarh, Sonapur, Nuapada, etc. and has appointed SHWG for improvement of revenue collection in areas of Kalahandi, Bolangir, Sundargarh, Sonapur, Nuapada, etc. They have also Installed Pillar Boxes for prevention of theft and reduction of losses and have replaced defective meters. The Dhanupali Sub-division under Sambalpur East Electrical Division has been selected as Pilot Project area under loss reduction monitoring Committee under direct supervision of SAC members of OERC.
174. NESCO in its rejoinder submitted that it is making all out effort to curb theft but at times due to non-availability of adequate support from administration through establishment of the Bidyut Thanas, Special Courts etc. and non-relaxation of escrow to meet adequate maintenance and non-availability of latest technology and cooperation from public, this theft could not be arrested. Further, offer has already been given to M/s Daniel Power system Pvt. Ltd. for implementation of their Theft prevention and variable power delivery system -Hemesha On in Barbil Sub-division as a pilot project.

Billing and Collection

175. SOUTHCO has submitted that about 92% of the consumers are covered under the spot billing. The consumers are getting the bills in their presence at their door step which has resulted in minimising the billing related complaints. Further the licensee is following the SoP and submitting the monthly and quarterly information to the Hon. Commission.
176. In case of collection of bills, licensees have entered in to an agreement with Jana Seva Kendra's of GoO, which are located at Panchayat level and accept the electricity bills. Further the computerised cash collection centres at different sub division level are open from 8.00 a.m. to 8.00 p.m. to provide prompt services.
177. WESCO submitted that, they are giving adequate time for availing rebate by the consumer. However, no complain has been received by the licensee about the inadequate time for payment of bill with rebate.

Security Deposit

178. SOUTHCO has submitted that as of 31st December 2010, the total SD collected is Rs. 79.16 Cr (Approx) and the licensee has made payment of Rs. 2.59 Cr, towards interest on SD.
179. SOUTHCO submitted that the waiver of Security Deposit is not at all desirable. The Security Deposit is to be deposited by the consumer as per Section 47 of the Electricity Act, 2003 followed by the Regulation 19 of the OERC Dist.(Conditions of Supply) Code,2004.Further, if the consumer is supplied through a prepayment meter no security deposit is required. Hence, Railway may use the prepayment meter in order to avoid the payment of Security Deposit.

180. CESU submitted that the consumer security deposit collected as on 31st March.2010 was Rs.306.37 cr. (un-audited). The licensee has estimated Rs.18.38 crore towards interest on security deposit payable to consumers. Further in reply to the objections to accept S.D. in other forms, CESU submitted that Hon'ble commission has permitted DISCOMs to collect Security Deposit as per Regulation -19 of OERC Code and Consumers are not deprived of getting interest on S.D.
181. WESCO submitted that, as per audited accounts for the year FY 2009-10, the licensee is having Rs.330 Cr in the SD head on which the licensee has paid interest @ 6% p.a. on 1st May, 2010.

Metering

182. SOUTHCO has submitted that it has covered 99% metering out of which 91% of the consumers meters are in working condition. The defective meters are being replaced with a good one through outside agency. The licensee submitted that consumer data base is computerised and no manipulation is possible, hence, the contention of the objector regarding fabrication of the figures is not correct.
183. SOUTHCO has submitted that during first six months of 2010-11 the licensee has provided 37,329 numbers of new service connections out of which 21,386 numbers of meters were provided by consumers and balance were by the licensee. Further the licensee has stopped the collection of meter rent of 1, 96,254 number of consumers as on 30th Nov 2010 as per the Regulation, 2004
184. SOUTHCO has replaced 12781 nos. of meters during 1st Six months of the current year 2010-11 in addition to the installation of the new meters. Further, SOUTHCO has engaged an outside agency to replace the meters and bring them to outside of the premises of the consumers.
185. CESU submitted that meter replacement is a continuous process along with checking of the same by Meter Verification Squad. Action are been taken to install new meter against defective / non-functional meters. Consumers using unauthorised power/ by-passing are being dealt u/s 126, 135 of Electricity Act, 2003.
186. To reduce consumer complaints, ensure delivery of bills and accurate bills, CESU has introduced spot billing machines. CESU has procured high quality static meters which have higher accuracy class and have anti tamper features. CESU has ensured 100 % metering for all its industrial and three phase customers and has taken massive steps to eliminate the defective ones. CESU has stated that the 87% of meters are working meters. All types of meters are available in stock with stores and meter procurement is regular activity based on requirement. CESU is trying to ensure accurate and long life static meters by procuring quality meters of reputed brands though the cost is high. In the same logic, it has allowed brands of good quality meters for purchase by the individuals who wish to own the meters themselves in order to minimize the defects in billing. So far as the meters supplied under the RGGVY/BGVY are concerned, the consumers covered under these schemes have very low connected load and low consumption for which low cost meters may be a prudent option.
187. CESU submitted that the utility has to introduce the latest technologies available for improved accuracy and modern features which envisages capital expenditure as per the directions of the commission and CEA Guidelines on Metering. So any change in meter will also require additional rent as applicable.

188. In the case of energy meter testing by the licensee, WESCO submitted that they hand over a copy of the meter test report to the respective Consumer. However, in their licensee area no such case has been reported where test reports are not provided to the Consumer.
189. The billing software of WESCO is programmed in such a way that after recovery of meter rent in full, no meter rent will be charged. Hence, the allegation of the objector is not correct. Further, it is not practically possible to inform the cost of meter to each and every consumer, the amount recovered and the amount to be recovered, keeping in view of the consumer strength of the licensee.

Energy Audit & Consumer indexing

190. SOUTHCO submitted that they are measuring section level losses and action is being taken by them for reduction of losses by way of installation AB Cable, AMRs for the 3 phase consumers and conducting energy audit to pin points the losses.
191. SOUTHCO submitted that Energy Audit is being carried out at 33 KV and 11 KV level. Licensee has projected consumer indexing and DTR metering in order to have fruitful energy audit. As per the direction of Hon’ble Commission GSED Digapahandi has been earmarked as a model Division to measure the AT&C loss reduction.
192. CESU submitted that consumer indexing and pole scheduling is a continuous exercise due to dynamic nature of the system. In view of the large scale expansion of the LT network under the RGGVY/ BGVY scheme and frequent change in network configuration the pole scheduling and indexing is to be carried out on a regular basis and hence recurring expenditure is being incurred on consumer indexing.
193. CESU submitted that Energy input of 45 sections out of 240 is being measured by metering at 11 –kV feeder & DT level through Ring Fencing Project. Energy audit is being carried out in 40 nos. of 33 kV feeders out of 110 feeders.

Energy Police Station

194. Six police stations are functional in SOUTHCOs area which has registered 153 FIRs. There has been provisional assessment of Rs.49 Lacs, and provisional billing of Rs.38 Lacs, penalty collected is Rs.21 Lacs.
195. The licensees are taking all sorts of measures to curb the theft. Also to avoid further possibilities of power theft the licensee is replacing the bare conductors by AB cables, replacement of meter and bringing meter to outside.
196. CESU submitted that they have taken different measures like energy audit, metering, pillar box metering, AB cabling, MRT Squad operations, establishment of energy police station, call centre etc with an objective of not only to reduce the AT & C loss but also to provide better service to consumers. Wherever it is found that there is nexus of departmental staffs, action are being taken. Public awareness is also made through print & electronic media.
197. The activities of Energy Police Station in NESCO areas are given as below:

Table - 21

FIRs filed during 2009-10	57
FIR Registered 2009-10	57
FIRs filed during 2010-11 (up to Sept’10)	59
FIRs registered during 2010-11 (up to Sept’ 10)	59

Energy Sales

198. SOUTHCO submitted that the quantum of power purchase is not overstated, the estimation has been made on the basis of actual drawl during the previous year as well as in the 1st six month of current year and taking duly the load coming under HT and EHT category as well as village electrification programme during the ensuing year. The items of estimated expenditure is also on the basis of audited figures of previous year and duly justifying the expenditure proposed to be incurred under specific heads in the ensuing year.
199. CESU Submitted that calculation of SMD based on average of monthly SMD of previous financial year must be avoided. This has resulted in payment of excess demand charge for violating permitted SMD. However, CESU has prayed the Honourable commission to consider waiver of excess demand charge and over drawal penalty for new and additional industrial load as these load have been released with due consent of GRIDCO but not envisaged in ARR filing for 2010-11. Therefore, it is prayed that SMD may be approved on maximum of all SMD figure of the current financial year and additional load component. The projection of SMD has been done keeping in view the large scale electrification program under RGGVY/BGVY and prospective growth of industrial consumers. The segregation of Agriculture and domestic feeders is not possible as agriculture connections are few and consumers in rural areas usually have a mixed load.
200. WESCO submitted that, the projection of sale is made on the basis of previous 8 years consumption pattern .i.e. FY 2001-02 to FY 2009-10 and actual sales data for the 1st six months of FY 2010-11. For Domestic and Irrigation Category of consumers, impact of rural electrification has been factored in the projection. For LT category of consumers, the growth in sales is projected to be 27.32%.For HT & EHT category, the projection is based on current and past trends, actual addition of loads and other factor such as global recession. As such, the projection of sales is practical and realistic.
201. NESCO in its rejoinder submitted that while projecting the consumption of different categories the licensees has analysed the past trend of consumption pattern for last 8 years i.e. from 2001-02 to FY 2009-10. The growth in domestic category has been estimated at 36.00% during FY 2011-12 as against the actual growth of around 10.83% during FY 2009-10 and estimated growth of 32% during FY 2010-11. The growth in this sale of other categories in LT sector has been estimated in the range of 16% to 24% during FY 2010-11. This sale during last three years has increased in higher proportion as compared to previous year due to the increase of economic activities in the NESCO area. Hence, the allegation made by the objector that the sales forecast of the licensees is unrealistic is not true.

BPL / RGGVY category consumers

202. The licensees in their rejoinder submitted that Kutir Jyoti consumers are being closely monitored and the consumers who are using more than 30 units per month are being converted to Domestic category on regular basis.
203. SOUTHCO submitted that burden of the subsidized category should not be passed on to the subsidizing category of the consumers. It is to be borne by the State Govt. by way of subsidy as per Section 65 of the Electricity Act, 2003 & OERC (determination of tariff) Regulation, 2004.

Cross-subsidy Surcharge

204. CESU submitted that the cross subsidies are determined by the commission to make the DISCOMs sustainable. The revision of tariff is imminent as the cost of generation has been increased due to rise in fuel price.
205. WESCO submitted that, the tariff design in the state of Orissa has traditionally been based on the perceived paying capacity of the consumers. The other social considerations have given rise to cross-subsidy. The reduction and elimination of the cross subsidy is a gradual process.
206. Average cost of supply to SOUTHCO is based on the present BSP of Rs.0.90 per unit and Transmission charges is Rs.0.235 per unit. Average Cost price of GRIDCO is also determined as Rs.1.75 per Kwh with highest purchase price Rs.3.25 per Kwh. Hon'ble Commission while approving the BSP price of SOUTHCO has factored many aspects considering Socio Economic and consumer mix of the DISCOM etc. OERC is following the Uniform Retail Tariff Policy. The consumers of Orissa should not feel discriminated by a levy of differential retail tariff because of functioning at separate distribution licensee at their State. Thus, cost of supply of SOUTHCO at EHT of Rs.1.24 has no meaning.
207. NESCO in its rejoinder submitted that the issue of cross subsidy is the prerogative of Hon'ble Commission and accordingly the cross subsidy is determined as deemed fit. The Commission determines the tariff basing on the forecast of the licensee after analysing the actual cost of generation, wheeling etc. The tariff for the consumers availing power supply on EHT is lower than that of the consumers availing on HT.
208. NESCO further states that the objector has submitted that the cross subsidy needs to be progressively reduced. It may not be out of place to mention here that after privatisation, Govt. of Orissa is not subsidising any category of consumers. Through the tariff approved by the Commission during previous years OERC has initiated the process of reduction of cross-subsidy.

Demand Side Management

209. The licensee has submitted that the SLDC is managing the drawal of the DISCOMs as per the requirement of availability based tariff. In turn, the DISCOMs are sending the day ahead drawal schedule to SLDC and are managing the actual drawals as per the instruction of SLDC analyzing the same on real time basis.
210. Regarding energy conservation. NESCO is going to implement Bachat Lamp Yojana. M/s Banyan Environmental Solutions Ltd. has been entrusted the task of implementing this Yojana in NESCO area. Agreement has been executed with M/s. Banyan and initial survey has been done by M/s. Banyan and the Yojana is expected to start shortly.
211. As a part of the DSM activity, SOUTHCO submitted that they have executed an agreement with M/s Banyon Environmental Innovations Pvt. Limited, a Hyderabad based company to provide the CFL bulbs at the affordable price replacing the incandescent bulbs as per the Bachat Lamp Yojana.
212. CESU submitted that they have already signed the Bilateral agreement with M/s Silver Fir since November 2010 and will be signing the Tripartite Agreement (TPA) with BEE by February 2011. The distribution of three CFL lamps will start by June 2011 & will be completed by Dec'2011. CESU is also implementing LED Village project in two villages at the behest of BEE.

Seasonal Industries

213. WESCO submitted that, the usage of power in Cold Storage is similar to that of Industrial category of Consumers. Also, the nature of business in regard to cold storages resembles to that of Industrial / Commercial category of Consumers. The present Tariff for Allied Agro-Industrial Consumers is less as compared to Industrial / Commercial category of Consumers. Any further reduction in Tariff shall create an adverse impact on other category of Consumers as well as to the Licensee.
214. WESCO submitted that, the suggestion of the objector regarding inclusion of entire Dairy industry under Allied Agro category cannot be made as the same can only be taken up through amendment of the Regulation.
215. Regarding the objections of Rice Mill Industries, WESCO submitted that, the classification of consumer category has been dealt in OERC Distribution (Condition of Supply) code, 2004. Regulations 80 to 82 are meant for consumer category classification and the same is applicable to Rice mill industries.

Industries issues

216. SOUTHCO submitted that Special Tariff for the FY 2008-09 & FY 2009-10 which was mutually agreed was also extended to M/s JCL at the cost of SOUTHCO. During the process of extending Special tariff SOUTHCO incurred losses with the difference of Avg. RST and Special Tariff as the differential loss of revenue was not accommodated in the ARR. Further, Hon'ble Commission have also given direction in Case no.01/2010 for higher consumption and uninterrupted power supply the consumer shall bear the extra cost. SOUTHCO had to discontinue the discounted tariff as Hon'ble Commission has done away the special tariff for the export oriented units since FY 2007-08 and it is not possible on the part of SOUTHCO to extend special tariff to M/s JCL and bear the differential losses as SOUTHCO is already a loss making organisation and providing further concession shall add to the losses.
217. SOUTHCO is not agreeing with the contention of the objector that off peak benefit should continue and submits that the no off peak hour benefit should be allowed to the consumers in the present scenario. SOUTHCO proposes for KVAH tariff.
218. CESU submitted that Medium industries (Load <110KVA) are now paying MMFC based on recorded demand irrespective of connected load whereas consumers have load more than 110KVA are paying demand charge for minimum 80% of contract demand. This encourages consumers to keep their connected load just below 99KW deliberately at the time of initial supply and go on adding additional load thereafter and still remain in MI category. The sharp difference in demand charge of LI & MI consumers has given rise to this situation. Hence, the licensee proposed that MI consumers shall also pay demand charge at the rate applicable for LI consumers.
219. In case of maintaining higher LF, CESU submitted that they may consider special tariff on LF of 70% on "Take & Pay" basis for consumer having load of 5 MVA and above subject to due approval by Hon'ble Commission looking into the interest of both Utilities and consumers along with stability in the system.
220. The objectors has requested for waiver of overdrawl penalty. In this regard WESCO submitted that the Hon'ble Commission has permitted the SMD for WESCO. Over and above this SMD, overdrawl penalty is applicable. In case, waiver of overdrawl charges is allowed, WESCO shall not be in a position to control its SMD, which in turn shall have an adverse effect on the demand supply position of the state as a

whole. However, if the objector is wary of crossing her CD, it is suggested to enhance the CD in order to avoid ODP.

221. WESCO submitted that, Hon'ble Commission has already pronounced special tariff for the industries having CD of 100 MVA and above in the RST order dt.20.03.10 @ 330 paise per unit with guaranteed monthly off take of 80%, hence the proposal of the objector for reduced tariff for power incentive industries is not justified.
222. On the issue of withdrawal of load factor incentive WESCO submitted that, Hon'ble commission has been consistently stressing the need to adopt demand side management measures. For the purposes of better utilization of the system capacity in a surplus power situation and the need to retain the subsidizing consumers from migrating to their own CPPs, it was thought necessary to provide incentives to industries for maximizing consumption. However due to increased consumption in the state the average demand deficit is to the tune of 400 MW and peak demand deficit is 900 MW, necessitating the Commission to issue the Order (Protocol) dated 14.01.2010 on Load Regulation vide Section 23 of the Electricity Act. The order called for restricted use of electricity by all consumers. Although these restrictions stand rescinded, the massive addition of consumers which is literally going to be two times or more is unlikely to lead to a surplus generation scenario as in the past. The shortages are likely to persist. Under such circumstances, it is the submission of the licensee that the graded tariff provided to industries wherein consumption in excess of 50% of load factor was incentivised should be discontinued.

South Eastern Railways

223. SOUTHCO submitted that Electricity provided to Traction supply railways by SOUTHCO is at reasonable price. There is no disparity in tariff as the same tariff has been designed by the Hon'ble Commission for the consumers of same voltage grade irrespective of their use. The consumers under different classifications under the same voltage who can maintain the high load factor can avail the benefits for higher consumption. The tariff of the electricity in Orissa is the lowest amongst all the States.
224. SOUTHCO submitted that, Average Cost of supply to SOUTHCO at the present BSP of Rs 0.90 per unit and Transmission charges of Rs 0.235 per unit and average cost price of Gridco also determined as Rs 1.75 per KWH with highest purchase price Rs 3.25 per KWH. Hon'ble Commission while approving the BSP price of SOUTHCO has factored many aspects considering Socio Economic and consumer mix of the Discom etc. Hon'ble OERC is following the Uniform Retail Tariff Policy. Hence, the cost of supply of SOUTHCO at EHT of Rs.1.24 has no meaning. Also SMD billing for the Railways is not possible and the licensee denied to offer the same.
225. CESU submitted that railway is availing 2 Phase supply at 132 KV which gives adverse impact on the supply system. However, being a public utility, it has offered special consideration by offering feed extension as and when required without prior approval, uninterrupted power supply to railway without load restriction, Demand Charge in case of load extension. Further in case of offering rebate, the licensee submitted that distribution system experiences transients due to load drawl behaviour of railway. Extra care is being taken to extent uninterrupted power supply and TSS are allowed for Feed extension with consideration for Demand charge. Hence objectors demand for extension of rebate on off-peak drawl is not appropriate.

226. CESU submitted that, Maximum Demand to TSS is calculated on the basis of 30 Minutes integration. However, the integration period for SMD is 15 Minutes. As the Distribution licensees are different, it is difficult to determine SMD and billing thereof.
227. CESU submitted that, as per GRID Code, the metering is to be done at connection point of transmission line. The Transmission line from OPTCL S/S to TSS is a dedicated line and maintenance of the line, protective equipment is railways work if not handed over to OPTCL. Maintenance of 132KV line is not within the scope of DISCOM. The EHT Metering Equipments are costly and the meter rent comes out to the tune of 20,000/- per month which is not recoverable at the present meter rent. It has been proposed that all prospective consumers of EHT category may bear the entire cost of installation of their meters at the Grid end as well as at the receiving end as the case may be.

Separate License for supply of EHT power

228. WESCO submitted that, nowhere in the Electricity Act 2003 or OERC (conduct of Business) Regulation, 2004 separate license is permissible to supply power to EHT consumers only. The state Commission may grant license on application to transmit electricity as a transmission licensee, to distribute electricity as a distribution licensee or undertake trading in electricity as an electricity trader.

Determination of BST

229. WESCO submitted that, its power purchase cost is 194 paise per unit apart from transmission charges of 23.5 paise per unit and SLDC charges of 0.17 paise per unit. If the same is compared with other DISCOM's the same is 90 paise per unit in case of SOUTHCO, 157 paise per unit for CESU and 195 paise per unit for NESCO and 23.5 paise per unit is the transmission charges for all the DISCOMs. Different BST and uniformity in RST for whole state is continuing till date which is essential for due socio-economic reasons.

Financial Issues

230. SOUTHCO submitted that, the total A&G expenses estimated for FY 2011-12 is Rs.39.43 Crore. The details of the A&G expenses has already been reflected in para 4.4 of the ARR application. SOUTHCO has proposed the Addl. A & G expenses to the tune of Rs.18.04 Crore justifying under different heads and reflected in the page no. 52-56 of the ARR application. Regarding increase in billing, collection and reduction in employee cost is concerned SOUTHCO has projected T&D loss reduction of 3.96% and improvement of collection efficiency of 1% resulting AT&C loss reduction of 4.39% for the ensuing year 2011-12. There is no such wasteful expenditure proposed as per apprehension of the objector.
231. CESU submitted that The Components under A&G heads are linked to growth in the number of consumers, area of operation, connected load, volume of sale etc.. Accordingly, the A&G costs have been estimated at taking into consideration an increase @7% towards inflation correction and sharp increase in line with the exponential growth of activity mainly under RGGVY Scheme and addition of new activities. These expenses include amount to be incurred by the licensee on license fees, insurance, communication, professional charges, property up-keepment expenses, audit fees, advertisement expenses, royalty, freight, conveyance and traveling, etc. The licensee has initiated various initiatives like Franchise Expenses, Collection Agency Charges, Incentive for collection of arrear, Customer Care, Energy

Police Station, Energy Audit, Customer Satisfaction Survey, Safety related Expenses, AMR etc for improvement of service and quality of supply for which the additional expenses are required.

232. In case of the R&M expenses for the RGGVY and BJV scheme the licensee has the obligation to supply continuous power. Hence, CESU has to bear the expenditure for emergency restoration of power in case of conductor snapping or theft of HT/LT lines. CESU has projected R&M cost as per the approved norm fixed by the Hon'ble Commission i.e. 5.4% of GFA. Apart, the licensee is unable to utilize the approved expenditure fully because of inadequate cash flow. Regarding booking of other expenditure under the R&M head, CESU submitted that they have maintained the books of accounts as per the specified accounts manual. Hence, booking of wrong expenditure may not be possible. However, in the truing up mechanism any excess/shortage expenditure towards R&M as per the audited accounts is being adjusted while setting up the tariff.
233. CESU submitted that supervision fees equivalent to 6 % on the estimated amount are being claimed by CESU only of the work supervision due to future maintenance of the lines and substations handed over to CESU. Other inspection fees pertaining to Govt. revenue and carried out by its own set of electrical inspectors. Due to enormous increase in maintenance and manpower cost, the licensee requested to increase these fees to 12%. CESU submitted that additional consultancy charges are required for Preparation of DPR for CAPEX Programme and its supervisions.
234. CESU submitted that they have considered the rate of depreciation as per the Companies Act as certified by the Auditor

Computation of Tariff / Tariff Rationalisation Measures

235. Licensees have submitted their views on the objections raised by the objectors to modify/add certain stipulations in the tariff order of 2010-11 as below:
- i) SOUTHCO is agreed with the objector for hike in 1st slab domestic rate in order to discourage theft and the proposal of initial slab may be enhanced up to 200 units with enhanced tariff.
 - ii) DISCOMs submitted that, the tariff for Bulk Domestic category may be redesigned by the Commission as per the suggestion of them.
 - iii) DISCOMs submitted that they do not favour withdrawal of DPS in case of NAC, Municipality, Corporations and village Panchayats and also separate tariff as it will discriminate among the Public Lighting consumers.
 - iv) SOUTHCO submitted that the contention of the objector regarding separate category and tariff on the basis of rural and urban is not at all justified and is against the principle of tariff determination as per the Regulation following the Act, 2003
 - v) SOUTHCO submitted that the Hon'ble Commission had increased the RST for 2010-11 after a period of 9 years due to average inflation of all the prices. SOUTHCO also got shock of increase in BST by 25 % during the FY 2010-11. DISCOMs has proposed withdrawal of Graded slab tariff due the power deficit situation.
 - vi) SOUTHCO submitted that the objections filed by the Gram Vikash are not acceptable and licensee objects the same to be billed under tariff applicable for irrigation pumping and agriculture. Separate tariff to this category of

- consumer can only be possible after making an amendment to the Regulation, 2004 and the Hon'ble Commission may take suitable decision in this regard.
- vii) SOUTHCO submitted that, in order to maintain good power factor of the system, an industrial consumer should have almost unity power factor and in no case it should be below 92%. In order to achieve unity power factor, the commission has provided incentive for improvement of power factor above 97% up to 100%. Further relaxation in the power factor for incentive will not only discourage the consumers for reaching higher power factor but also will affect demand and energy consumption. Since availing power at very high power factor is giving an incentive to the consumer in terms of less demand for the same effective energy and also incentive as high load factor, the power factor incentive should be 97% instead of objectors proposal for 95%. Accordingly, power factor incentive above 95% as proposed by the objector instead of 97% should not be allowed by the Commission. Hon'ble Commission may consider the rate of incentive will be 0.5% for every 1% rise above the PF of 97% up to and including 100% on the monthly Demand charge and Energy Charge.
 - viii) CESU submitted that the PF incentive during 2010-11 FY was increased fourfold from maximum 1.5% to 6%, hence the same may be limited to maximum 2%.
 - ix) CESU submitted that, the sharp difference in tariff of 1st 100 units @ Rs.1.40 / unit & 2nd 100 units @ Rs.3.10/- unit encourages consumers to interfere with the meter or manipulate reading to keep consumption within 100 units. So licensee proposed to increase the 1st slab rate to Rs.2.50/unit. The objections seem to have no merit for consideration and hence CESU's ARR may be allowed.
 - x) CESU submitted that, in order to flattening of system load curve, HT and EHT consumers are extended the following benefits. 1) Overdrawal benefit upto 120% of contract demand during off-peak hours. 2) TOD rebate of 10 paise/unit for consumption during off-peak hours. 3) Graded slab rate for energy consumption.
 - xi) In case of load factor calculation, CESU submitted that under the power restriction scenario due to acute power shortage of the State it is not predictable , hence the Hon'ble Commission may take care of the LF calculation whenever the situation so warrants. Secondly as per regulation 85(3) of the Code during statutory power-cuts and power restrictions imposed by the licensee, if the restriction on demand is imposed for a period exceeding sixty hours in a month, the monthly demand charges shall be prorated in accordance with the period and quantum of demand restrictions imposed. As the consumer above 110 KVA is free to keep standby equipments as per regulation 64 to mitigate the interruption/ planned shutdown. The Hon'ble Commission may kindly not amend the same.
 - xii) WESCO submitted that, as per the present tariff order pronounced by the Hon'ble Commission, Industrial Consumer is to be billed @Rs.410 paise per unit upto a limit of 10% of the total consumption. The licensee is losing on account of colony consumption limited to 10%. Apart from the above as per regulation 80 i.e 'classification of consumer' in the OERC Distribution (Condition of Supply) Code, 2004, the domestic category does not include residential colonies attached to industrial establishment where power supply is

drawn through the meter of the industrial establishment. Hence proposal of the objector may not be accepted.

- xiii) WESCO submitted that, they have proposed KVAH billing instead of KWH billing of all three phase-LT consumers, HT & EHT consumers including Railways. In this context, concept of PF incentive & PF penalty will no longer exist. In absence of the above the PF incentive from the level of 95% is not acceptable as the system power factor is now more than 97% .Further, they requested Hon'ble commission that the present rate of PF incentive is double the rate as compared to previous year the same may please be reduced to previous year level. The monthly loss on account of PF incentive coming around Rs. 3 Cr. against which the licensee is only getting Rs. 0.70 Cr. per month as PF penalty from the consumers.

General Issues / Others

Licensees submission on some of the general and industries issues raised by the objectors/licensees during hearing are as follows:

236. DISCOMs submitted that the application for supplying power to EHT consumers should be moved to the licensee; otherwise the licensee can not project the consumption in its ARR as the distribution business is lying with DISCOMs. In fact the commission has clearly clarified that all consumers are to apply to the licenses only.
237. DISCOMs submitted that the present meters don't have facility to print directly the metered data. The same is possible through dump downloading in the computer. Hence, print out of the records in the static meter relating to MD, PF, number and period of interruptions can be provided to the consumer on demand after depositing the requisite fee as per the direction of Hon'ble Commission.
238. CESU submitted that, in case of agricultural based consumers Hon'ble Commission has prepared a separate tariff. For preparation of separate tariff for rural water supply and similar other rural activities it will call for increase in cross-subsidy on the category of HT and EHT consumers. Hence separate tariff is possible subject to analysis by the Commission of different issues relating cross-subsidy.
239. CESU submitted that the telephone towers are installed by telecom companies to provide telecom service which are commercial in nature. These companies are not in the business of manufacturing, but in service. Hence, they cannot be treated as industries. Further in the RST order dated 20.03.2010 it has been stipulated that "All general purpose consumers with contract demand < 70 kVA shall be treated as LT consumers for tariff purpose irrespective of level of supply voltage. However the electric supply to BTS Tower is metered at LT side So the claim is not justified.
240. WESCO submitted that, the present rebate of 1% of the monthly bill if "full payment made within 72 hrs of presentation of bills" is an adequate incentive. As far as liquidity is concerned licensee's liquidity position will not improve to the extent of BST and Transmission charges even 100% payment will be made by all the EHT and HT consumers immediately, as the licensee pays the BST bill and transmission charges to GRIDCO and OPTCL within 48 hours through L.C. mechanism and the bills are submitted to the licensee by GRIDCO and OPTCL with a copy to the bank.
241. WESCO submitted that, on receipt of fund under MP/MLA lad scheme the licensee is carrying out the work immediately under deposit scheme. During the FY 2010-11

licensee has completed 10 km 11 kV line, 10.85 km LT line and 23 numbers of distribution transformers as SI work under various MP / MLA LAD funds.

242. WESCO submitted that they are not carrying out any load shedding or interruption to the industries. The interruptions if any is only because of fault at the industries end or at OPTCL's end which is beyond the control of the licensee. Hence the suggestion made by the objector for reduction of demand charges on account of interruption is not acceptable.

VIEWS OF GOVERNMENT OF ORISSA (Para 243 to 256)

Tariff for BPL Category of Consumers

243. The Kutir Jyoti/BPL categories of consumers are paying monthly charges of Rs. 30 @ Rs.1/- per unit per month. However, once the consumption exceeds 30 units, they should be treated like any other consumers.

Tariff for Irrigation Pumping and Agro-Industrial activities

244. Presently the consumption in irrigation pumping and agriculture is around 3 to 5%, therefore any small increase in tariff will not provide any substantial revenue support to the DISCOMs. Presently Govt. will not provide any subsidy/subvention in terms of Sec-65 of the Electricity Act, 2003 for this purpose. There should not be any increase in tariff under Irrigation Pumping, Agriculture and Allied Agriculture Activities.

Cross Subsidy in Tariff

245. The Fixation of the limit of cross subsidy is to be decided by the Commission keeping in view of the interest of the consumers and the utilities.

Up-Valuation of Assets

246. The suggestions of the Commission to keep the support of Govt. in the matter of keeping the effect of up-valuation of assets of GRIDCO/OPTCL and OHPC, allowing the moratorium on debt services to the State Govt. till the sector turns around and not allowing ROE to GRIDCO/OPTCL and OHPC till the sector becomes viable on cash basis has not been agreed to by the Govt. in Finance Deptt. However steps have been taken on the other recommendations of the Commission and will be placed before the cabinet for approval.

Power Purchase from Renewable Sources

247. State Govt. signed 36 MoUs with private developers for installation of around 484 MW small Hydro Electric Projects. Out of these, 3 nos. of SHEPs of capacity 57 MW (Middle Kolab, Lower Kolab and Samal Barrage) have been commissioned and supplying power to the State.

Capacity Addition

248. State Govt. have signed 30 MoUs with IPPs for setting up of the Thermal Power Plants having capacity of 3800 MW out of which state share would be 6770 MW. One unit of 600 MW of Sterilite Energy has been commissioned during Aug, 2010 and other 3 units (600X3) are expected to be commissioned during the year 2011-12.

Similarly M/s Arati Steel Ltd. has commissioned 50 MW in March, 2010. Besides GMR Kamalanga Energy Ltd. (1050 MW), Ind Barath Energy (700 MW) and Maa Durga Thermal Power Company (60 MW) have progressed well for commissioning their projects by end of 2012.

Revised Design Energy of OHPC

249. With most of the Hydro Plants are being old, the design energy envisaged during the commissioning stage has come down in many cases as detailed in the study undertaken by OHPC through Experts. Commission may examine this and take appropriate decision.

Utilization of Captive Sources

250. The Commission may provide competitive price (Tariff) for harnessing surplus power from the CGPs keeping in view of the support provided by the Govt. to CPPs from the IPRs in such a manner that it will not transfer into higher BSP.

O&M Expenditure for Maintenance of Assets created under RGGVY and BGJY

251. As per Para-‘N’ of the quadripartite agreement between State Govt., REC, CPSUs & DISCOMs, Govt. of Orissa shall be the owners of the assets under RGGVY Scheme. Govt. of Orissa have authorized DISCOMs to operate and maintain these assets to effect power supply in the project area and derive consequential benefit out of the assets created under the project. Regarding the ownership of the assets after they are charged and handed over through a signed document the agreement is silent on the issue. However, since DISCOMs are deriving the consequential benefits from the assets, they cannot claim the O&M Expenses from the Govt.

Performance of the DISCOMs on Loss Reduction

252. Appropriate action may be initiated by the Commission against the non-performing DISCOMs for violation of the directives of the Commission as per the provisions of the Electricity Act, 2003.

Payments of Govt. Arrear Dues.

253. Govt. has issued instruction to all Deptts. And offices under their control to clear the undisputed electricity dues by 30.09.2010. The Deptt. of Energy will also impress upon the concerned public administration to extend necessary support to the DISCOMs if such instances are brought to the notice of the Deptt.

Functioning of Energy Police Station

254. It has been decided that there will be a state Level Nodal Energy Cell headed by an S.P. under the supervision of I.G. /addl. D.G., crime branch to monitor the special police station and their functions. Similarly special cell at the Range Level, one for each DISCOM, headed by an additional S.P. will monitor the functions of the special police stations. Necessary steps have been taken for creation of the above posts through Home Deptt.

CAPEX Programme

255. A budget provision of Rs. 43 Cr. is being made to provide OPTCL during 2011-12 as viable gap funding for construction of grid substation and associated transmission lines in backward and inaccessible areas to improve the quality of supply of power. Similarly a budget provision of Rs. 205 Cr. for the year 2010-11 & for CAPEX programme has been made. As per the scheme there may be provision for Rs. 325 Cr. for the year 2011-12 under CAPEX.

Implementation of Intra-State Availability Based Tariff (ABT)

256. The Commission may take appropriate steps with regard to the implementation of ABT keeping in view of the demand and supply position of the State. However, it

should be kept in mind that the general consumer shall not suffer from power Regulation on account of the implementation of ABT.

OBSERVATIONS OF THE STATE ADVISORY COMMITTEE (SAC) (Para 257 to 264)

The State Advisory Committee (SAC) constituted under Section 87 of Electricity Act, 2003 met on 14th February, 2011 to debate on the Annual Revenue Requirement and Tariff application for the FY 2010-11 of utilities namely OHPC, OPTCL, GRIDCO, CESU, NESCO, WESCO and SOUTHCO. The Committee inter alia observed the following:

257. Tariff Filing and proposed increase of Retail Tariff for the year 2011-12

- Retail tariff is dependent on the cost of hydro generation by OHPC and cost of thermal generation by OPGC, NTPC and other Central Generating Stations, cost of procurement by GRIDCO, cost of transmission by OPTCL, expenditure required to be incurred by SLDC and the cost of distribution of the distribution companies. Even if the cost of distribution by the distribution companies is kept unchanged at the current year (2010-11), which is not at all possible, the Retail tariff is bound to increase if there is increase in the cost of generation, cost of procurement and cost of transmission and charges of SLDC.
- While fixing the tariff Commission has to be guided by the mandate of Section 61(g) of the Electricity Act, 2003 read with Para 8.2.3 of the Tariff Policy which enjoins upon the Commission to reduce the cross subsidy within $\pm 20\%$ by end of 2010-11. At the average cost of supply for the State for 2010-11, while the EHT consumers are subsidizing by 15.88%, HT consumers are subsidizing by 17.20% and LT consumers as a whole are being subsidized by 33.03% and BPL categories are being subsidized by 69.45% as per the table given below:-

Table - 22

Voltage level	Avg. Cost of Supply P/U for the State as a whole for 2010-11.	Tariff P/U	Cross Subsidy P/U	% of Cross Subsidy above/below cost of supply
1	2	3	4 (3-2)	5
EHT	327.37	379.93	52.00	(+)15.88
HT		383.31	56.31	(+)17.20
LT		219.21	(-)108.16	(-)33.03
BPL	327.37	100.00	(-)227.37	(-)69.45

- While fixing tariff for BPL category of consumers or other vulnerable sections of the society, Commission has to be guided by the provision of para 5.5.2 of the National Electricity Policy which states that a minimum level of support may be required to make electricity affordable for consumers of very poor category. Consumers Below Poverty Line (BPL) who consume below a specified level say, 30 units per month may receive special support in terms of tariff which are cross subsidized. Tariff for such designated group of consumers will be at least 50% of the average (overall) cost of the supply.
- While fixing the tariff Commission is to be guided by the provision of Section 61(h) of the Electricity Act, 2003 read with Section 86(1)(e) regarding

promotion of co-generation and renewable sources of energy. As per the target fixed by the Commission for the year 2011-12, 5% of the total energy purchase by GRIDCO for consumption in the State should be from renewable and co-generation taken together which consists of Solar 0.10%, non-solar 1.20% and co-generation 3.70%. In case the actual purchase from renewable sources falls below 5% specified for 2011-12, the obligatory entities are required to purchase the renewable certificates at higher cost. This implies that the energy to the extent of requirement is to be purchased apart from higher Cost over and above from the high purchasing cost of renewable certificate. This would result in higher tariff implication with the consumers.

- The 13th Finance Commission vide Para 7.105 and have observed as under which have also to be taken into account.

“As against the enormous financial losses indicated above, subsidies in 2007-08 were of the order of Rs.16,950 crore. Thus, there is a large and burgeoning uncovered gap. The key reasons for the increasing gap can be summarized as follows :

- i) Inability of the state utilities to enhance operating efficiencies and reduce T&D losses adequately.*
- ii) High cost of short term power purchases. Several utilities have not planned capacity addition in time and are relying on short term purchases at high rates (an average of Rs.7.31 per kwh as compared to rs.4.52 per kwh in 2007-08). The inability to reduce T&D losses has increased the purchase levels and supply costs.*
- iii) Absence of timely tariff increases has increased the gap and has impaired utility operations further. Some states have not raised tariffs for the past eight to nine years in spite of increasing deficits.”*

258. Alleged Loss of Revenue by the DISCOMs due to Rural Electrification programme under RGGVY & BGJY

- It has been submitted by the DISCOMs that BPL consumers are paying at flat rate of Rs.30 per month for consumption of 30 units. Due to RGGVY & BGJY the number of BPL consumers will rise from 89250 to 6.50 lakhs at the end of 2010-11 and this may further increase upto 40 lakhs by end of 2011-12. As the State govt. is committed to ensure 100% rural electrification and provide electricity connection to all BPL families the distribution companies have submitted that since they are realizing only Rs.1 per unit and the cost of supply would be more than Rs.5 during 2011-12 and in subsequent years they would incur substantial loss on account of consumption by the BPL families. In this connection they have also drawn attention to the provision of clause (h) and (i) of the agreement entered into between NTPC, REC, DISCOMs and the State Govt. which is extracted below:-

“Government of Orissa and NESCO commit that they shall ensure:

- (a) Determination of bulk supply tariff for franchisees in a manner that ensures their commercial viability.*
- (b) Provision of requisite revenue subsidy by the State Government to the State Utilities as required under the Electricity Act, 2003.”*

- Responding to the mandated provision of revenue subsidy as indicated above, Secretary, Energy pointed out that the actual loss incurred by the distribution companies on account of consumption of electricity by BPL families has not yet been assessed by any independent agency. On the other hand a BPL family is provided one bulb of 100 Watt and if power is supplied for six hours the monthly consumption would be 18 units where as BPL families are paying Rs.30 per month. On the other hand it is observed that in most of the cases the average LT realization by DISCOM from other consumers are less than Rs.1 per unit which is evident from the performance review of the distribution companies upto September, 2010 conducted by the Commission.
- The Secretary, Energy further pointed out that we are living in a socialistic state. We can not make only BPL families accountable for the rise of cross subsidy. We can allocate Govt sponsored low cost power to the low end consumer and high cost power to high end consumers. During his tour of some of the districts like Gajapati, Kalahandi, Mayurbhanj, Baragarh, Keonjhar etc., he has visited premises of few consumers and he has found that most of the BPL consumers have numbers of ceiling fans, TVs with pucca flooring. Their consumption cannot be less than 30 units per month. There are no difficulties for the distribution companies to bill them as any other domestic consumers. The real problem lies in taking timely correct reading of the consumption of electricity. He suggested that verification by a 3rd party should be conducted regarding loss on account of power consumption of the BPL families and other category of consumers. Unless and until the actual loss at the ground level is assessed, govt. would not like to give any subsidy on account of the assumed loss arising out of power consumption of BPL families up to 30 units per month. However, Commission may decide minimum monthly charges to the BPL families taking into account the present rate vis-à-vis the rise in the cost of generation, procurement, transmission and supply and distribution cost after scrutiny and prudent check, he suggested.

259. **Quality of Supply vis-à-vis Rise in Tariff**

- Some Members pointed out that without improvement in supply of energy and satisfactory consumer services there should not be rise in tariff. The representatives of Small Scale Industry pointed out that in early day of OSEB the employees were responding promptly to the complaints/ grievances of the consumers. But now a days the employees of the Licensees are showing callous attitude and never show promptness in addressing the genuine difficulties of the consumers. If on account of rise in cost of generation, procurement, transmission, supply and distribution there is need for rise in tariff, the Commission may do so after thorough scrutiny but present level of consumer service must be improved commensurate with rise in tariff.
- In this context it was clarified by the Commission during the course of discussion that to improve the quality of supply particularly to solve the problem of low voltage there is need for system upgradation like replacement of the old conductors, upgradation of the existing distribution transformers, installation of circuit breakers and timely operation and maintenance of the distribution and transmission network. For this to happen there is need for investment as well as a change in attitude and behaviour of the employees of the distribution licensee in promptly looking to the problem and grievances of

the consumers. When investment would be made, the financing costs like repayment of principal and payment of interest have to be appropriately factored in the tariff. Therefore, the tariff rise and improvement in quality of supply go hand in hand, it was clarified.

260. **Reduction in the ratio of hydro generation to total demand vis-à-vis Tariff Implication due to Revenue Gap of GRIDCO.**

- With increase in level of consumption by the existing consumers as well as increase in the number of consumers the State demand has increased from 12499.49 MU in 2004-05 to 20154 MU in 2010-11 whereas generation from State hydro for sale was 7087.82 MU in 2004-05 and has been reduced to 5826.12 MU in 2008-09, 4211.86 MU in 2009-10 and upto to September, 2010 it is 1769.7 MU. The contribution of low cost hydro generation to total state demand was 56.71% in 2004-05 which has been reduced to 31.04% in 2008-09 and 21.62% in 2009-10 and 16.66% in 2010-11 upto September, 2010. On the other hand actual generation from hydro sources is fluctuating and declining because of erratic rain fall and silting in the reservoirs for which GRIDCO has to purchase high cost power to meet the state demand and when the procurement cost would increase for GRIDCO it is bound to reflect in the retail tariff for the consumers. Further, since there was surplus power available for trading by GRIDCO Commission was leaving substantial gap in the ARR of GRIDCO by keeping the BSP at lower rate and consequently retail tariff was kept at a reasonable low level. But since the State has faced power deficit situation from the later part of 2008-09 , GRIDCO is not able to bridge the gap left in ARR by the Commission which is evident from the table given below:-

**Table - 23
ARR GAP OF GRIDCO**

Financial Year	Gap in ARR (Approved)	Actual Gap	Net Gap
2006-07	(-) 504.52	547.55	43.03
2007-08	(-) 464.86	1052.34	587.48
2008-09	(-)410.05	528.62	118.27
2009-10	(-)882.85	(-)1673.70	(-)1673.70
2010-11	(-)806.16	(-)598.87 (Up to Sept.10)	(-)598.87 (Up to Sept.10)

- Though Commission approved revenue gap of Rs.806.15 crore in the ARR for FY 2010-11 and fixed the average BST at 170.25 per unit for supply to the distribution companies, the actual gap upto September, 2010 is 598.8 crore and the cumulative gap is Rs.2430.77 crore upto September, 2010. GRIDCO has projected a gap of Rs.3088.85 crore for the year 2011-12 at the existing rate of Rs.170.25 paise approved for 2010-11 and in order to bridge the gap GRIDCO has proposed BSP rate at 304.41 paise per unit for 2011-12. Hence, in order to keep the tariff rise at a reasonable level it is necessary for the State to take urgent action for expediting capacity addition to hydro power and time bound action should be taken for approval of the Detailed Project Report (DPR) of the Small and Mini Hydro Projects so that about 2000 MW of power is generated from Small and Mini hydro sources. This would also help in meeting the GRIDCO and other obligatory entities to meet their mandated purchase of prescribed percentage from renewable sources

- With regard to the Fuel Price Adjustment Secretary, Energy indicated that Commission may consider the additional cost of Rs.321.89 crore on account of FPA and Rs.368.31 crore on account of Fixed cost claimed by NTPC. Secretary, Energy however suggested that GRIDCO should approach CERC but payment proposed may have to be made otherwise NTPC may resort to reduction in supply and other measures. Since, the additional cost on account of fuel price adjustment has not been factored in the tariff for 2010-11, the distribution companies are not able to recover the same from the consumers and consequently are not able to pay to GRIDCO. It may be necessary for the Commission to provide in the tariff the mechanism as to how the anticipated increase in coal and oil can be recovered through tariff as a Fuel Price Adjustment Strategy in the light of the order of the Delhi Electricity Regulatory Commission where a separate column in the new formats of the Electric Bill has been suggested which will reflect the surcharge over and above the power consumption bill. In order to avoid tariff shock in the subsequent years there is need to put in place a mechanism to recover the additional cost in shape of fuel surcharge as a separate item from the consumers in their monthly energy bills.

261. **Strategy for Loss Reduction**

- The reduction of present level of distribution loss will improve the liquidity position of the distribution companies for enabling them to timely payment of the salary, pension and to keep up operation and maintenance of the distribution network. The distribution loss can be reduced by two ways i.e. (i) by reducing the commercial loss arising out of theft of electricity which occur due to active connivance of the employees of the distribution companies at different levels as well as by correct metering and billing in time (ii) by reducing distribution loss by system upgradation. The loss ascribed to commercial loss can be reduced by enforcing strict administrative action against the unscrupulous employees and the consumers and by IT intervention. Introduction of more AMR application of IT technology like “Hamesha On”, 100% feeder metering and consumer metering would go a long way in reducing the commercial loss. The Capex Programme approved by the govt. should include substantial amount for investment on IT Application for metering, meter reading and billing.
- To address the crucial problem of commercial loss the following suggestions need to be implemented on priority basis:-
 - (i) A toll free Number be provided by the four distribution companies to receive information regarding the occurrence of theft of electricity.
 - (ii) The names of the informer be kept confidential and cash payment should be made to such informers.
 - (iii) The employees starting from the Lineman to Executive Engineers who achieve substantial reduction of loss in their area operation should be publicly felicitated and cash incentive be also given.

262. **Recovery of the financing cost through enhanced transmission charges**

- OPTCL has started action for construction of new grid substations and upgradation of the existing grids and transmission lines to improve the quality

of supply in backward and inaccessible areas like Dabugaon, Nuapara, Kalahandi, Kuchinda, Barbil etc. The State govt. have decided to provide Rs.60 crores per annum to OPTCL as viable gap funding for a period of five years starting from 2011-12. Govt of India may also provide around Rs.15 crore per annum as their share. Nevertheless, OPTCL has to borrow the balance amount from the financial institutions for which the loans have to be serviced. This will have a direct impact on transmission tariff. Secretary Energy indicated that Commission may look to this aspect while designing the transmission tariff for OPTCL.

- It was clarified by the Commission that while finalizing the transmission tariff the financing cost has to be taken into account but what is crucial is the need for timely completion of the various transmission projects in order to avoid cost overrun and time overrun which in the past have put a heavy strain on the general consumers. The additional cost arising out of delay in implementation should not be passed on to the consumers. OPTCL has to tone up its internal administration and engage experienced engineers for timely preparation of Project Reports, tendering and execution and close monitoring.

263. **Capex Programme and Counter Part Funding by the DISCOMs**

- During the course of discussion Secretary, Energy informed that the State Govt. have decided to implement a Capex Programme of Rs.2400 crores during a period of four years starting from 2010-11 to 2013-14 for improvement of the distribution network in the State and to ensure quality supply power to the consumers. Out of this the State govt. would provide Rs.1200 crore and distribution companies would provide Rs.1200 crore as counterpart funding. Initially the budgetary support is in the shape of loan with a moratorium period of five years for principal payment and the debt servicing repayment of loan in a period of 15 years. Rs.833.34 crore (Finance Commission Grant – Rs.500 crore + State Share Rs.166.67 crore + Gridco's share Rs.166.67 crore) can be converted to grant if the distribution companies achieve AT&C loss reduction of 3% per annum on the average. During the course of discussion it was indicated by the representative of Reliance managed distribution companies that since the past, present and future assets have been hypothecated to GRIDCO as per the agreement they find difficulties to arrange counter part funding from financial institutions. In this connection they drew the attention of the Secretary Energy, Members of the Commission and the Members of the SAC to the direction of the Commission in their Business Plan order dated 20.3.2010 in which Commission have directed that GRIDCO should take steps to allow the Reliance managed distribution companies (WESCO, NESCO & SOUTHCO) to create first charge over the immovable assets as security to REC/PFC on the assets added after 31.3.2001. This works out to Rs.413.23 crore upto 31.3.2008 excluding the assets created out of World Bank loan. However, a note of caution was also issued by some Members that implementation of Capex programme should be closely monitored by the Secretary, Energy as well as by the Commission.

264. **Tariff Rationalization Measures**

- There was a detailed discussion on rise of tariff for BPL consumers. Shri Maheswar Baug was of opinion that instead of rising tariff of BPL consumers,

the Commission should ask for subsidy from Govt. Secretary, Energy stated that rather than blaming BPL consumers the DISCOMs should bring them into billing fold to increase revenue. The BPL tariff should be viewed with respect to the subsidized low cost power of Govt. of Orissa. Further, in response to the suggestions of some of the members of SAC to keep two slabs 0-50 and 51-100 units in order to prevent manipulation by some consumers to keep their consumption within the first slab 0-100 units in order to avail the lower tariff benefit as alleged by the representatives of the DISCOMs, Secretary, DoE, GoO said that it may not be a bad idea to have 0-50 units and 51-100 units slabs and the Commission may take all actions to have a lower tariff for those two segments so that the annual tariff order does not pinch to relatively poor consumers.

- There were so many views regarding fixation of 1st slab of tariff. Shri Maheswar Baug was of opinion that instead of raising the tariff for 1st slab of consumers the units of 1st slab should be increased to 0-200 units. However, Smt. Meenati Behera was of opinion that to encourage genuine consumption and realization of power the price of 2nd slab of consumption for 100-200 units should be less than that between 0-100 unit slab. Prof. A.K. Tripathy also advocated for regressive tariff structure. Shri Sarat Chandra Mohanty was of opinion that the tariff for 1st slab should increase since 6 lakh consumers in the state are paying less than even BPL consumers. Shri G.N. Agrawal advocated for rise of 1st slab level upto 500 units.
- Prof. G C Kar stated that in the ARR application DISCOMs have shown only the cost incurred by them and not the efficiency attained. In a poor economy like that of Orissa, 40% are BPL and the cost of electricity is met by the rest of the masses. The economy is experiencing 8% growth in GDP which means the per capital GDP growth of about 6%. In a situation when the food inflation is already touching 16 to 17% level and the general inflation is hovering around double digit figure, the rise in electricity tariff shall add fuel to fire. The DISCOMs should make all-out efforts to bring RGGVY and BGJY consumers to the billing fold and thereby improve their collection. The domestic consumers generally bear the burnt of tariff hike as they can't pass them down stream unlike industries and commercial consumers. The likely cross-subsidy due to increase in BPL consumers should be borne by the Government. Tariff hike should be limited to a maximum of not more than 10%.
- Shri S.K. Nanda advocated for category-wise cost of service and limiting cross subsidy within +/- 20% of cost of supply. The cross-subsidy should be reduced substantially. He further stated that the Commission cannot increase cross subsidy in subsequent year even if such cross subsidy is well below + 20% because the mandate is to gradually reduce. Shri B.K. Mohapatra stated that with small scale industries being backbone of any state, concessional tariff should be given for industrial consumers using power upto 20 KW. Shri Krishna Mohan Mishra advocated for 3 tier domestic tariff in view of the BPL consumption upto 50 units, then from 50 to 200 units for general consumers and more than 200 for commercial and industrial consumers.
- With regard to the quality of supply Shri Prabhakar Dora stressed for 100 % Energy audit even up to LT feeders. He further pointed out that NABL accredited meter testing laboratories were not available in Orissa. The State Government is loosing electricity duty due to defective meters installed in consumers' premises. The DISCOMs are hiding facts before the Commission and State Govt. The DISCOMs are not achieving 100% billing in any of the regions.
- Shri B.K.Mohapatra is of opinion that OHPC has claimed revenue even after worsening its design energy and without any improvement in performance. OPTCL should reduce its loss by at least 1%. OPTCL can manage very well by this reduction of loss and enhanced efficiency without any hike in its tariff.

In respect of SLDC he suggested that there is no need to charge any additional fees to enhance tariff and burden the consumers.

- Mr. D K Panda pointed out that no single MW has been added by the State Government in hydro sector since long. Unless more hydel plants come up in the State the percentage of hydro power in energy pool of the State would go down. He further brought to the notice of the Commission that in spite of availability of common infrastructural facility in Ib Thermal Power Station, OPGC has not also added any additional capacity. He pointed out that the Govt. of Orissa has not taken adequate and noticeable steps for development of renewable energy in the State of Orissa. That is why the RPO obligation set by the Commission has not been effectively complied with by GRIDCO, the sole bulk supplier in the State. About 2000 MW of capacity in the small hydro sector has been identified by the State Govt.
- The CEOs of the Distribution utilities have stressed for the followings:
 - Cess on consumers should be introduced to adopt Bacchat Lamp Yojana (BLY) to make it commercially viable.
 - Demand for medium industries with CD of 70 KVA and above be charged at par with large industries
 - Present graded slab for industries be reviewed as follows:
 - 1st slab – upto 60% of LF instead of 50% LF
 - 2nd slab – 60 to 70% LF instead of 50 to 60% LF
 - 3rd slab – more than 70% LF instead of 60% LF
 - Levy of penalty for those non-DPS consumers @Rs.20.00 per month on default of payment, apart from loss of rebate.
 - Levy of demand charges for SI & MI availing power supply in LT with CD of 10 KW and above.
 - Computation of load factor may be allowed on actual PF or 90% whichever is higher.
- Hon'ble Member Shri Badu in his concluding remarks reiterated that the Commission would be just and fair to all stakeholders of the power sector to ensure that while the interests of the consumers need to be protected by providing service at reasonable and affordable rates, the viability and sustainability of the power utilities is also to be ensured.

COMMISSION'S OBSERVATIONS (Para 265 to 652)

Tariff Philosophy – Need for recovery of cost of Supply

265. While fixing retail tariff for different type of consumers, Commission is mandated to follow the provision of the Electricity Act, 2003, Electricity Tariff Policy notified on 06.1.2006 and National Electricity Policy notified on 12.2.2005. Mainly Section 61, 62, 65 and 86 of the Electricity Act, 2003 deal with principles and guidelines of tariff fixation. The important parameters for tariff fixation are as follows:-

- (i) The generation, transmission, distribution and supply of electricity should be conducted on commercial principles: (Section 61(b) of Electricity Act, 2003).

- (ii) The factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments: (Section 61(c)).
- (iii) Safeguarding the consumers interests and at the same time recovering of the cost of supply electricity in a reasonable manner : (Section 61(d))
- (iv) The principles regarding efficiency in performance : (Section 61(e))
- (v) The tariff progressively should reflect the cost of supply of electricity and also reduce cross subsidies in the manner specified by the appropriate Commission : (Section 61(g))

- The para 8.3.(2) of the Tariff Policy enjoins upon the State Regulatory Commission to notify road map with a target that latest by end of the year 2010-11 tariffs are within $\pm 20\%$ of the average cost of supply.

- (vi) The National Electricity Policy envisages existence of some amount of cross-subsidy. As per para 1.1 of National Electricity Policy, the supply of electricity at reasonable rate to rural India is essential for its overall development. Equally important is availability of reliable and quality power at competitive rates to Indian Industry to make it globally competitive and to enable it to exploit the tremendous potential of employment generation.

Similarly, as per para 5.5.2 of the National Electricity Policy, “a minimum level of support may be required to make the electricity affordable for consumers of very poor category. Consumers below poverty line who consume below a specified level, say 30 units per month, may receive special support in terms of Tariff which are cross-subsidized. Tariff for such designated group of consumers will be at least 50% of the “average (overall) cost of supply”.

- (vii) Promotion of Co-generation and generation of electricity from renewable sources of energy : (Section 61(h))

Section 86(1)(e) casts responsibilities on the State Commission to promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee.

Observations/Recommendations of the 13th Finance Commission regarding need for recovery of the cost of supply

266. The 13th Finance Commission had made a study on the impact of power sector performance on the finances of the States. The Commission has noted with concern the enormous financial losses incurred by the power utilities, particularly the distribution utilities. This is adversely affecting the State finances by way of burgeoning quantum of subsidy paid by different state governments. The key reasons for the increasing gap in the cost of supply and cost of recovery among other things have been summarized by 13th Finance Commission as follows:-

[Para 7.105]

- (i) Inability of the state utilities to enhance operating efficiencies and reduce T&D losses adequately.

- (ii) High cost of short term power purchase. Several utilities have not planned capacity addition in time and are relying on short term purchases at high rates (an average of Rs.7.31 per kwh as compared to Rs.4.52 per kwh in 2007-08). The inability to reduce T&D losses has increased the purchase levels and supply costs.
- (iii) Absence of timely tariff increases has increased the gap and has impaired utility operations further. Some states have not raised tariffs for the past eight to nine years in spite of increasing deficits.

[In Orissa there was no average tariff increase for 9 years from 2001-02 to 2009-10]

267. The tariff increase requirements to bridge the gap, even in the better performing states, are as much as 7% per annum on an average and in some of the poorly performing states the increase requirements is as much as 19% per annum (Para 7.106).

The Commission has also recommended that (vide para 7.121) there is need for massive capacity building efforts to strengthen the regulatory institutions and help them discharge their functions effectively. There is also need to promote consumer education to appraise consumers on the imperative for such increases. Tariffs should be linked to service levels and performance improvement.

268. While fixing the tariff Commission have also to take note of the observations of the 13th Finance Commission which has been communicated by the Ministry of Power to the Chairman, Appellate Tribunal for Electricity in their D.O. letter No.14/06/2010/APDRP dt.21.1.2011. The relevant extract is indicated below:-

“Most of the State distribution utilities are under financial strain due to the gap between the Average Revenue Realized (ARR) and Average Cost of Supply (ACS). On an aggregate basis, the gap between the average cost of supply and tariff is 107.32 paise per KWHr which results in financial loss for every unit of power sold xxxxxxxxxxxx.

The debt trap of distribution utilities has serious implication on the financial health of electricity sector as a whole. The distribution utilities should generate adequate internal resources to honour the Power Purchase Agreement (PPA) made with the generating companies and hence any default in payment will have repercussions on the financial institutions lending to generating companies and future investments in capacity addition. One of the most important reasons for poor financial health of DISCOMs is the inadequacy of tariff to cover the cost incurred by the utilities to procure and supply electricity to the public. In a study conducted by Forum of Regulators of ten States for assessment of tariff revision and financial viability of DISCOMs (published in November 2010), it is estimated that additional increase to the tune of 1% to 39% is required to fully recover the cost of supply.”

Need for Recovery of cost of supply efficient operation and protecting the interest of the consumers

269. While the Commission is mandated to ensure recovery of the cost of supply to the consumers there is also need to ensure that the power utilities perform efficiently. Their inefficiencies cannot be loaded to the consumers in the shape of higher tariff. On the other hand while fixing tariff across the different type of consumers some sort

of consideration has to be given to the poor and low end consumers but that again is to be regulated as per the Section 61(g) of the Electricity Act, 2003 read with para 8.3.2 of the Tariff Policy and para 5.5.2 of the National Electricity Policy. While protecting the interest of the low end consumers it has also to be ensured that Indian industry function in a globally competitive market. Accordingly, attempts are to be made to ultimately to see that the low end consumers are subsidized within -20% while high end consumer like industry etc, should not subsidize more than 20% of the overall cost of supply. Further, para 5.5.2 of the Electricity Policy states that consumers below poverty line who consume below a specified level, say 30 units per month, may receive special support in terms of tariff which are cross subsidized and tariff for such designated group of consumers will be at least 50% of the “Average (overall) cost of supply”.

270. Coming to the efficiency in performance of the distribution companies it is seen that they have not been able to make perceptible impact on reduction of Distribution loss and Aggregate Technical and Commercial Loss as well. In their tariff filing they have been pleading that the actual Distribution loss and AT&C loss should be taken into account while fixing the retail tariff. But the Commission finds that while in some years there is marginal reduction and in other years there is marginal increase in distribution loss as well as AT&C loss also. This will be seen from the tables below:

Table - 24

Years	Distribution loss target fixed by OERC (%)	Actual distribution loss (%)	Reduction of distribution loss (-) or increase of distribution loss (+) (%)
2003-04	31.86	40.75	(-) 0.00
2004-05	37.12	39.21	(-) 1.54
2005-06	34.18	39.60	(+) 0.39
2006-07	32.81	38.57	(-) 1.03
2007-08	27.11	37.48	(-) 1.09
2008-09	27.00	37.50	(+) 0.02
2009-10	24.4	37.24	(-) 0.36
2010-11	22.22	37.54 (upto Sept., 2010)	(+) 0.30

Table - 25

Years	AT&C loss target fixed by OERC (%)	AT&C loss level achieved (%)	Rate of reduction (-) or increase (+) of AT&C loss (%)
2003-04	37.8	49.3	(-) 1.8
2004-05	44.5	44.7	(-) 4.6
2005-06	40.5	44.7	(-)0.0
2006-07	37.9	43.3	(-)1.4
2007-08	31.4	41.9	(-) 1.4
2008-09	30.4	41.7	(-) 0.2
2009-10	26.0	39.15	(-) 2.55
2010-11	23.77	44.86 (upto Sept., 2010)	(+) 5.71

271. With regard to the plea of accepting the loss level projected by the distribution companies it has been brought to the notice of the Commission the contents of the D.O. letter No.16/28/2008-APDRP dt.23.03.2011 of Joint Secretary, Ministry of Power addressed to Secretary, Energy, Govt. of Orissa where in it has been said that for getting the benefits of R-APDRP, utilities have to improve AT&C loss reduction over the base (starting) level not only in the project area, but also at utility level. The correct and realistic determination of base (starting) AT&C loss level is very essential to gauge the improvement in loss reduction in subsequent years after implementation of R-APDRP. The Secretary, Govt. of Orissa has been asked to take up the issue with OERC to determine the yearly loss levels of distribution utilities in Orissa accurately based on ground realities and not on notional basis.
272. The Commission has noted the contents of the aforesaid letter dated 23.3.2011 of Ministry of Power and the background thereof. The intension is where R-APDRP programme is to be implemented the base line data are to be determined on actual basis and in fact a component of R-APDRP is earmarked to determine base line data at the first instance. When funding under R-APDRP would be available the distribution companies would accordingly utilize the fund for firming the base line data.
273. It is not possible on the part of the Commission to accept whatever the Distribution and AT&C loss being projected by the distribution companies. What is disturbing is that instead of declining trend in some years the distribution loss and AT&C loss have shown to have been increased which is evident from the Table Nos.24 & 25 read with 26. The Commission has to adopt a normative reduction of Distribution and AT&C loss for tariff determination purpose; as it is not desirable that the general consumers of the State is loaded due to sheer inefficiency of the licensees. For removal of doubt, the Commission would like to make it clear that the determination of actual base line data for RAPDRP funding and adopting the normative loss data for tariff determination purpose as per Multi-Year Tariff Principle (MYT-Tariff) ordered in Business Plan is two different subjects need not mixed into. The actual loss level as a base line data for RAPDRP funding and loss reduction trajectory for RAPDRP guidelines could be followed in sanctioning phase-I and Phase-II funding of RAPDRP. In fact, for purpose of performance monitoring of the DISCOMs, the Commission is looking into the actual level of losses, Division-wise, Sub-division-wise and Section-wise. The Commission while monitoring is also looking into the actual losses of DISCOMs voltage-wise i.e. LT level loss, HT-level loss and EHT level loss as well as LT plus HT combined level losses. The Commission is constantly persuading with the DISCOMs to do the proper energy accounting to find out the 11 KV feeder-wise loss and fix accountability of the DISCOMs officials as feeder manager to arrest both technical and commercial loss. For R-APDRP funding, base line data, if needed, the Commission review figure in the performance monitoring could be utilized by Central/State Govt. and the licensees. This has also been made clear in the multiyear tariff principle announced by the Commission in their order dated 18.06.2003 in Case No. 8/2003 as well as in the Business Plan order dated 20.3.2010 in Case No. 41, 42, 43/2007 and 22/2008.
274. While answering the RAPDRP issue, as above, the Commission would like to make it clear that for the tariff determination purpose it had approved the overall distribution loss for 2010-11 at 22.22% while in the Business Plan Order target for overall distribution loss for the year 2011-12 has been pegged at 21.71%. But the distribution companies have shown the distribution loss upto September, 2010 at 37.54% whereas

they had achieved a distribution loss of 37.24% in 2009-10. They have also projected distribution loss at 32.95% for the year 2011-12. Therefore, the Commission approves the distribution loss at 21.71% for 2011-12 as stipulated in the Business Plan for the said year.

275. Similarly, the overall collection efficiency has been achieved at 96.96% achieved in 2009-10 against the target of 98% fixed by the Commission for the said year. The distribution companies have shown to have achieved 88.28% upto September, 2010 against target fixed at 98% for 2010-11 and projected by them at 98.34% for 2011-12. Since the Commission has approved collection efficiency of 99% for 2011-12 in the Business Plan Order, the collection efficiency, therefore, now is being approved at 99% for the same year. While working out the Annual Revenue Requirement for the said year the approved collection efficiency of 99% has been utilized.

276. Coming to the AT&C loss it is seen that against overall AT&C loss of 39.15% achieved during 2009-10, the achievement during 2010-11 upto September, 2010 is 44.86% against the target of 23.77% fixed by the Commission for the said year. Against the target of 22.49% approved in the Business Plan for 2011-12, the distribution companies have proposed overall AT&C loss of 34.06% for 2011-12 in their ARR filing. Commission now approves the AT&C loss of 22.49% for 2011-12 against 23.77% approved for 2010-11 and accordingly revenue requirement have been calculated. A table summarizing the approval vis-a-vis the overall achievement of distribution loss, collection efficiency and AT&C loss as well as the loss level at LT has been given.

Table - 26
Overall Performance of DISCOMs

	1999-00	2007-08		2008-09		2009-10 (Provisional)		2010-11 (Provisional)		2011-12	
	Actual (Aud)	OERC Approval	Actual (Aud)	OERC Approval	Actual	OERC Approval	Actual	OERC Approval	Actual upto Sept,2010	DISCOMs Proposal	OERC Approval
A. DISTRIBUTION LOSS (%)											
CESU	44.89%	29.30%	41.48%	29.30%	40.34%	26.30%	39.43%	25.37%	37.59%	34.59%	24.00%
NESCO	43.35%	26.00%	31.17%	25.50%	34.57%	23.00%	32.52%	18.46%	32.76%	27.66%	18.40%
WESCO	44.17%	25.00%	36.13%	25.00%	33.55%	22.50%	34.68%	19.93%	37.20%	31.29%	19.70%
SOUTHCO	41.84%	30.40%	45.49%	30.40%	47.78%	27.92%	48.02%	27.82%	47.79%	42.67%	26.50%
ALL ORISSA	43.91%	27.10%	37.48%	27.00%	37.50%	24.45%	37.24%	22.22%	37.54%	32.95%	21.71%
B. COLLECTION EFFICIENCY (%)											
CESU	69.72%	92.00%	94.05%	95.00%	91.80%	98.00%	97.09%	98.00%	91.47%	99.00%	99.00%
NESCO	79.37%	94.00%	93.16%	95.00%	92.50%	98.00%	95.24%	98.00%	84.39%	98.00%	99.00%
WESCO	83.36%	96.00%	92.91%	96.60%	93.86%	98.00%	98.38%	98.00%	88.85%	98.00%	99.00%
SOUTHCO	78.75%	94.00%	94.05%	94.00%	94.21%	98.00%	95.89%	98.00%	85.10%	98.00%	99.00%
ALL ORISSA	77.19%	94.10%	93.41%	95.40%	92.98%	98.00%	96.96%	98.00%	88.28%	98.34%	99.00%
C. AT & C LOSS (%)											
CESU	61.58%	34.96%	44.96%	32.84%	45.23%	27.77%	41.19%	26.86%	42.91%	35.24%	24.76%
NESCO	55.04%	30.44%	35.88%	29.23%	39.48%	24.54%	35.73%	20.09%	43.25%	29.11%	19.22%
WESCO	53.46%	28.00%	40.65%	27.55%	37.63%	24.05%	35.74%	21.53%	44.21%	32.66%	20.50%
SOUTHCO	54.20%	34.58%	48.73%	34.58%	50.80%	29.36%	50.16%	29.27%	55.57%	43.82%	27.24%
ALL ORISSA	56.71%	31.40%	41.60%	30.36%	41.89%	25.96%	39.15%	23.77%	44.86%	34.06%	22.49%
LT PERFORMANCE OF DISCOMs (Based on Performance Review Data)											
A. LT LOSS (%)											
CESU	50.48%	34.40%	53.18%	36.00%	52.00%	35.04%	51.97%	29.40%	50.11%	46.20%	29.20%
NESCO	62.26%	51.10%	59.31%	44.50%	59.40%	33.19%	55.83%	29.40%	54.94%	42.39%	27.05%
WESCO	60.64%	52.00%	65.33%	46.70%	65.65%	35.86%	62.49%	29.40%	62.55%	48.95%	27.11%
SOUTHCO	48.85%	33.20%	54.44%	33.40%	57.12%	29.50%	56.22%	29.40%	54.52%	49.85%	27.75%
ALL ORISSA	55.11%	42.30%	57.94%	40.30%	58.06%	34.04%	56.26%	29.40%	55.04%	46.60%	27.98%
B. COLLECTION EFFICIENCY IN LT (%)											
CESU	69.72%	92.00%	88.35%	95.00%	84.63%	98.00%	96.51%	98.00%	83.6%	99.00%	99.0%

	1999-00	2007-08		2008-09		2009-10 (Provisional)		2010-11 (Provisional)		2011-12	
	Actual (Aud)	OERC Approval	Actual (Aud)	OERC Approval	Actual	OERC Approval	Actual	OERC Approval	Actual upto Sept,2010	DISCOMs Proposal	OERC Approval
NESCO	79.37%	94.00%	72.69%	95.00%	72.61%	98.00%	77.43%	98.00%	59.9%	98.00%	99.0%
WESCO	83.36%	96.00%	77.91%	96.60%	73.42%	98.00%	76.01%	98.00%	64.9%	98.00%	99.0%
SOUTHCO	78.75%	94.00%	88.21%	94.00%	89.10%	98.00%	92.77%	98.00%	76.3%	98.00%	99.0%
ALL ORISSA	77.19%	94.10%	83.09%	95.40%	80.63%	98.00%	87.62%	98.00%	73.9%	98.34%	99.0%
C. AT & C LOSS FOR LT (%)											
CESU	65.47%	39.65%	58.63%	39.20%	59.38%	36.34%	53.65%	30.81%	58.26%	46.74%	29.91%
NESCO	70.05%	54.03%	70.42%	47.28%	70.52%	34.53%	65.80%	30.81%	73.02%	43.54%	27.78%
WESCO	67.19%	53.92%	72.99%	48.51%	74.78%	37.14%	71.49%	30.81%	75.69%	49.97%	27.84%
SOUTHCO	59.72%	37.21%	59.81%	37.40%	61.79%	30.91%	59.39%	30.81%	65.31%	50.85%	28.47%
ALL ORISSA	65.35%	45.70%	65.05%	43.05%	66.18%	35.36%	61.68%	30.81%	66.80%	47.49%	28.70%

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

(II) The Overall collection percentage for 1999-00 has been assumed as LT Collection Efficiency for FY 1999-00 for Calculating AT & C Loss

277. Retail tariff for consumers is determined after taking into consideration the power purchase cost, procurement cost, transmission cost and distribution cost. While determining the retail tariff the Commission is to be guided by the provision of Section 61, 62, 65 and 86 of the Electricity Act, 2003 para 8.3.2 of the National Tariff Policy, 2006 and para 5.5.2 of the National Electricity Policy, 2005. The Commission has to determine tariff keeping in view the commercial viability and operational efficiency of the generation, transmission and supply of the distribution utilities as well as the interest of the consumers. While determining tariff for 2011-12 Commission has tried to balance the interest of all stakeholders. In this connection it is to be noted that the Commission cannot fix the tariff in any manner for different types of consumers. It is mandated under Section 61(g) of the Electricity Act, 2003 para 8.3.2 of Tariff Policy, 2006 (GoI), Para 1.1 and 5.5.2 of National Electricity Policy to ensure that tariff progressively reflect the cost of supply of Electricity and reduces cross subsidy in a manner that tariffs are within +20 % of the cost of supply by end of 2010-11. When the average cost of supply for 2011-12 has been determined at 408.87 paise per unit, the tariff for the relatively poor consumers cannot be less than 327.10 paise (i.e. -20% of 408.87) and more than 490.64 paise per unit (+20% of 408.87). However, while the attempt has been made to reduce this cross subsidy by gradually increasing tariff for LT consumers, because of special treatment for Agriculture, allied agricultural activities allied agro industries, BPL families (fixed charged of Rs.30.00 paise per month upto 30 Units) and domestic consumers in the first slab (upto 50 unit per month 140 paise per unit) the target of reduction of cross-subsidy has not yet been achieved). For LT category of consumers **the cross subsidy is by (-) 26.54% while for EHT it is +16.77% and for HT it is +17.90% which is evident from the table given below:-**

Table - 27
Cross Subsidy in 2011-12

Year	Level of Voltage	Average cost of supply for the State as a whole (P/U)	Tariff P/U	Cross-Subsidy P/U	Percentage of Cross subsidy above/below or cost of supply
1	2	3	4	5 (4) – (3)	6
2009-10	EHT	263.00	295.05	32.05	12.19%
	HT		308.68	45.68	17.37%
	LT		179.99	-83.01	-31.56%
	EHT		379.93	52.56	16.06%

Year	Level of Voltage	Average cost of supply for the State as a whole (P/U)	Tariff P/U	Cross-Subsidy P/U	Percentage of Cross subsidy above/below or cost of supply
2010-11	HT	327.37	383.68	56.31	17.20%
	LT		219.21	-108.16	-33.04%
2011-12	EHT	408.87	477.43	68.56	16.77%
	HT		482.43	73.56	17.99%
	LT		300.34	-108.53	-26.54%

278. In pursuance to Section 61 (h) read with Section 86 (1) (e) of the Electricity Act, 2003, OERC has fixed 5% of the total purchase from renewable and co-generation sources for the year 2011-12 (solar 0.10% + non-solar 1.20% + co-generation 3.70%). This would go on increasing by 0.5% per annum to reach 7% in 2015-16 (solar 0.30% + non-solar 2.00% + co-generation 4.70%). In case the actual purchase from renewable sources falls below the percentage specified by the Commission, the obligated entities (GRIDCO, DISCOMs) are required to purchase the renewable certificate at higher cost. This implies that energy to the existing requirement is to be purchased apart from higher cost over and above the renewable purchase certificate. This would result in higher tariff implication to the consumers. In order to avoid or minimize such higher tariff implication it is necessary to exploit the existing potential from small and mini hydro projects where there is possibility of exploiting around 2000 MW from such sources. It is relevant to mention here in that the Commission has approved 22477 MU to be purchased by GRIDCO for the DISCOMs during 2011-12 and 5% thereof comes to 1177.75 MU whereas GRIDCO's purchase include 812.66 MU from renewable sources (Co-generation 512.48 MU + Small hydro 300 MU). As such GRIDCO is required to purchase Renewable Certificate of 369.09 MU unless purchase increases from the renewable sources.

Factors affecting Retail Tariff

279. The factors which have direct bearing on retail tariff among other things are

- (i) Reduction of ratio of hydro power to the total requirement
- (ii) Absence of surplus power for trading
- (iii) Rising Cost of Generation

Reduction of ratio of hydro power to the total requirement

280. Earlier about 60% of the State total demand was being met from the low cost hydro generation upto 2004-05 and around 40% of the State demand was being met from relatively costly thermal generation. With rise in demand and in the absence of new addition to the existing State hydro generation together with declining in hydro generation on account of erratic rainfall, silting of the water reservoirs etc. against 60% from the State hydro only 17% is being met from relatively costly thermal power. To site an example when the State demand was 100 MW in 2004-05 about 57 MW was being met from State hydro and only 43 MW was being met from relatively costly thermal power which ultimately increases the power purchase cost of GRIDCO. Now the demand has almost double and in that case out of total demand of 200 MW only about 34 MW is being met from relatively cheaper hydro sources and the balance 166 MW is being met from comparatively costly thermal power which ultimately increases the power purchase cost of GRIDCO. This is evident from the given table below:-

Table - 28
Declination of Hydro generation in over all Power Pool

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11 (Upto Sept-10)	FY 11-12 (Approved)
State Demand (in MU)	12499.45	13483.75	15119.93	17212.51	18771.82	19480.85	10554.45 (actual)	22477
State Hydro Generation for Sale (incl. small Hydro) (in MU)	7087.82	5234.48	7357.58	7885.81	5826.12	4211.86	1769.70 (actual)	6181.74 (based on normative assessment)
% of state hydro to total state demand	56.71	38.82	48.66	45.81	31.04	21.62	16.66	27.50
Hydro Generation contribution has reduced from 57% to 17% which is a cheaper source of power								

Absence of surplus power for trading

281. In the previous years surplus power was available with GRIDCO for trading outside the state after meeting the state demand and accordingly Commission was keeping a gap in the revenue account of GRIDCO for being filled up from the from sale of surplus power at market rate. The retail tariff was kept at low because supply of power by GRIDCO to the distribution companies was kept at a lower level even though the GRIDCO was purchasing at higher cost, leaving a gap in its revenue account which was being filled through gain from sale of surplus of power. With increase in the demand of the existing consumers as well as substantial increase in the consumers level the state is facing power shortage from the later part of 2008-09. There is hardly any scope for GRIDCO to earn profit from sale of surplus power. This is evident from the table given below:-

Table - 29
ARR Gap of GRIDCO

(Rs. in crore)

Financial Year	Gap in ARR (Approved)	Actual Gap	Net Gap	Rate approved for power purchase by GRIDCO(P/U)	BST Rate approved for sale to DISCOMs (P/U)
2006-07	(-) 504.52	547.55	43.03	113.97	120.85
2007-08	(-) 464.86	1052.34	587.48	119.91	121.59
2008-09	(-)410.05	528.62	118.57	127.40	122.15
2009-10	(-)882.85	(-)1673.70	(-)1673.70	148.27	122.20
2010-11	(-)806.16	(-)598.87 (Up to 9/2010)	(-)598.87 (Up to 9/2010)	174.58	170.25
2011-12	(-)746.05			210.32	231.65

- The cumulative gap upto September, 2010 is Rs.2430.77 crore
- GRIDCO has proposed unmanageable gap of Rs.3088.85 crore alone during 2011-12 if there is no increase in Bulk Supply price to Distribution companies.

282. Rising Cost of Generation

- Due to rise in price of indigenous coal and also rising cost of imported coal there is substantial increase in cost of thermal power in respect of the state thermal generating stations as well as central thermal generating stations. In case of central thermal power generating stations the rise on account of fuel price adjustment varies from 113.1% to 43.5% as may be seen from the table given below.

Table - 30
Variations of Fuel Price Adjustment (FPA) of CGS for 2011-12
(Figures are Paise/Unit)

	Actual Avg. FPA for April, 09 to Jan, 2010	Approval for 2010-11 (escalating 10% over previous average)	Actual Avg. FPA for 04/2010 to 01/2011	GRIDCO Proposal for 2011-12	Max. FPA from 4/2010 to 01/2011	Min FPA from 4/2010 to 01/2011	Actual FPA for Jan, 2011	% variation (Approval Vrs. Actual Jan, 2011)
TSTPS-I	65.34	71.88	123.22	142.97	152.72	107.02	129.70	80.4%
TSTPS-II	47.81	52.59	105.58	123.40	134.93	89.39	112.08	113.1%
FSTPS	110.86	121.95	190.52	209.11	208.78	170.31	195.28	60.1%
KHSTPS-I	69.48	76.42	97.09	117.45	134.56	75.36	98.56	29.0%
KHSTPS-II	47.23	51.96	74.49	90.44	123.28	52.13	74.58	43.5%

- Besides increase in cost of thermal power mainly because of sub-substantial rise in coal and fuel price, the generation cost of hydro power is also increasing because of increase in cost of equipments, operation and maintenance together with rising salary, pension and wages, etc. The average actual cost of generation from state hydro generation has increased from 50.10paise per unit in 2007-08 to 63.57paise per unit in 2008-09, 73.43paise per unit in 2009-10, 68.58 paise per unit in 2010-11(upto Sept., 2010). As the Commission has approved 65.96 paise per unit in 2011-12 in the GRIDCO's Tariff Order.
- The Average actual cost of supply from Central Thermal Power Stations has increased from 164.76 paise per Unit in 2007-08 to 182.74 p/u in 2008-09 and 226.58 p/u in 2009-10 and 307.21 p/u in 2010-11(actual upto Sept., 2010). The Commission has approved 331.05 p/u in 2011-12 of GRIDCO's Tariff Order. In this connection the serious problem being faced by the power utilities has been highlighted in the Indian Express in its edition dtd. 21st February, 2011 as seen from the TERI Newswire (16-28 February, 2011) which is reproduced below:

“Rising coal imports push power costs by 70 paise a unit”

“The monthly electricity budget of the common man may soon be in for a jolt, with the Power Ministry pointing out that jacked up prices of imported coal, coupled with deteriorating financial health of power utilities have led to a rise in electricity generation costs by 30-35 paise per KWh. Stating that acute shortage of coal was having a telling effect on power utilities, the ministry, in a note to the GoM on coal, said that poor supply from CIL has led to utilities increasingly importing thermal coal. Imports have shot up to 23.2 MT in 2009-10 as against 16 MT in 2008-09, the Ministry said. Already, in 2010-11

(April-December period), due to short supply of coal, power companies have sustained a generation loss of 5.3 billion units.”

- In view of rising cost of fuel, equipments, wages etc. the approved average power cost of GRIDCO has increased from 119.91 paise per unit on 2007-08 to 127.40 paise in 2008-09, 148.27 paise in 2009-10 and 174.58 paise in 2010-11. The average power purchase cost for 2011-12 has been approved at 210.32 paise per unit with a rise of 20.47% over the approved rate for 2010-11.
- In order to improve the quality of supply and to ensure uninterrupted power supply there is need for investment in transmission as well as distribution network. For this to happen OPTCL and the distribution companies are to incur loan and this loan is to be serviced i.e. payment of principal and payment of interest. This financing cost for loan servicing has to be factored into transmission and distribution price.
- The transmission tariff has varied from 22.00 p/u in 2007-08 to 21.00 p/u in 2008-09 and 2009-10, 23.5 p/u in 2010-11 and 25.00 p/u in 2011-12 the increase being 7%.
- The Bulk Supply Price by GRIDCO for DISCOMs has increased from 121.59 p/u paise per unit in 2007-08, 122.15 p/u in 2008-09, 122.20 p/u in 2009-10, 170.25 P/U in 2010-11 and 231.65 p/u in 2011-12 the increase being 36.06%.
- There is also increase in the wholesale and in consumer price annually. When there is increase in the cost of generation, transmission, distribution the additional cost has to be ultimately reflected in the rise in the retail tariff price for the consumers.
- The Retail Supply Tariff is arrived at by factoring in the power purchase cost of DISCOMs from GRIDCO, distribution cost and normative distribution loss level and projected sales.
- Accordingly, while the average cost of supply has increased from 263.00 paise per unit in 2009-10 to 327.37 paise per unit in 2010-11, the same has been worked out at 408.87 paise per unit for 2011-12 the increase being 25%. Similarly the average tariff for LT, HT and EHT consumers taken together has increased for 265.15 paise per unit to 320.58 paise per unit in 2010-11 and the same has been worked out at 404.01 paise per unit for 2011-12 the increase being 19.74% against 22.20% in 2010-11 (revenue to revenue). But the tariff rise is 26.02% over 2010-11.
- In the past there was average tariff rise varying from 29% (1993-94) to 10.23% (2000-01) there has been no rise in the average tariff from 2001-02 to 2009-10. There has been rise in tariff by 22.20% for the year 2010-11 after gap of nine years. The average increase in retail tariff for 2011-12 has been kept 19.74% (Revenue to Revenue basis). This may be seen from the table given below:-

**Table - 31
Tariff Rise in the Past**

Year	Average Tariff Rise (%)
1993-94	28.58 %
1994-95	15.73 %

Year	Average Tariff Rise (%)
1995-96	17.47 %
1996-97	17.00 %
1997-98	10.33 %
1998-99	9.30 %
1999-00	4.50 %
2000-01	10.23 %
2001-02 to 2009-10	0%
2010-11	22.2%
2011-12	19.74%

Tariff Rise vis-à-vis Reduction in distribution loss, AT&C loss etc.

283. It is a fact that if the distribution companies reduce the distribution loss and take strong anti theft measures then cash inflow will be able to recoup their past losses and they can earn their due return. Impact of reduction of actual distribution loss is tariff neutral in any given year, as the Commission decides it on normative basis. The real benefit of cascading effect of loss reduction will be felt in the tariff of subsequent years, as the DISCOMs purchase requirement from GRIDCO as well GRIDCO's requirement of purchase of high cost of power will reduce. There may not be need for consequential rise in tariff even though rise in tariff cannot be avoided altogether because of rising cost of generation, transmission and distribution. Table below indicates the actual level of loss and the normative loss approval by the Commission for tariff purpose.

Table - 32

	FY 2009-10		FY 2010-11				FY 2011-12		
	Appro. by OERC	Actual	Prop. by DISCOMs	Appro. by OERC	Actual shown by DISCOMs (upto 9/2010)	Latest Esti. for 10-11	Prop. by DISCO Ms for 2011-12	Approved for 2011-12 by OERC in the Business Plan order dt.20.3.10	Appro. in ARR
Dist. Loss (%)	24.45	37.24	35.60	22.22	37.54	35.50	32.95	21.70	21.71
Collection Efficiency (%)	98.00	97.00	96.60	98.00	88.28	96.6	98.34	99.00	99.00
AT&C Loss (%)	25.96	39.15	37.80	23.80	44.86	37.8	34.06	22.48	22.49

(For DISCOM wise see Table – 26)

284. If the tariff would have been fixed on the distribution loss projected by the distribution companies for 2010-11 or 2011-12, the tariff rise would have been substantial. But Commission has fixed the tariff for the year 2010-11 assuming 22.22% of distribution loss for 2010-11 and 21.70% for 2011-12 (as per the Business Plan) but not on the distribution loss of 35.60% projected by the distribution companies for 2010-11 and 32.95% projected for 2011-12.
285. When the distribution companies would be able to reduce the distribution loss from the level approved by the Commission then this would necessarily minimize the rise in tariff since at present revenue requirement of the distribution companies is being worked out on the normative level of distribution loss approved by the Commission but not based on the distribution loss projected by the distribution companies, because

in some year there is marginal reduction of distribution loss but in subsequent year there is increase in distribution loss (See Table-24, 25 & 26). The Commission has to fix a normative target of loss reduction in order to ensure good/efficient performance of the DISCOMs as required under Section 61 (c) of the Electricity Act, 2003. This is also necessary to ensure predictability of regulatory approaches. This has been indicated before hand to the DISCOMs while fixing the target of distribution loss, collection efficiency and AT&C loss in the Business Plan Order dtd. 20.03.2010 for the 2nd Control period 2008-09 to 2012-13.

Rural Electrification vis-à-vis requirement of revenue subsidy by the State Govt.

286. It has been submitted by the DISCOMs that BPL consumers are paying at flat rate of Rs.30 per month for consumption of 30 units. Due to RGGVY & BGJY the number of BPL consumers will rise from 89,250 from the beginning of the 2010-11 to 6.50 lakhs at the end of the said year and this may further increase upto 40 lakhs by end of 2011-12. As the State govt. is committed to ensure 100% rural electrification and provide electricity connection to all BPL families the distribution companies have submitted that since they are realizing only Rs.1 per unit and the cost of supply would be more than Rs.4 during 2011-12 and in subsequent years they would incur substantial loss on account of consumption by the BPL families. In this connection they have also drawn attention to the provision of clause (H) and (I) of the agreement entered into between NTPC, REC, DISCOMs and the State Govt. which is extracted below:-

“H. Government of Orissa and NESCO commit that they shall ensure:

- (a) Determination of bulk supply tariff for franchisees in a manner that ensures their commercial viability.*
 - (b) Provision of requisite revenue subsidy by the State Government to the State Utilities as required under the Electricity Act, 2003.*
- I. (ii) The provision of requisite revenue subsidy to the State Utilities, as required under the Electricity Act, 2003 - Revenue sustainability arrangement shall be ensured in the project area and based on the consumer mix and the prevailing consumer tariff and likely load, the Bulk Supply Tariff (BST) for the franchisee would be determined after ensuring commercial viability of the franchisee. This Bulk Supply Tariff would be fully factored into the submissions of the State Utilities to the State Electricity Regulatory Commissions (SERCs) for their revenue requirements and tariff determination” The State government under the Electricity Act, 2003 is required to provide the requisite revenue subsidies to the state utilities if it would like tariff for any category of consumers to be lower than the tariff determined by the SERC”*
- (iii) Adequate arrangement for supply of electricity without any discrimination in the hours of supply between rural and urban households.*

287. In this connection, it is to be noted that while fixing tariff for BPL category consumers or other vulnerable sections of the society, Commission has to be guided by the provision of para 5.5.2 of the National Electricity Policy which states that a minimum level of support may be required to make electricity affordable for consumers of very poor category. Consumers Below Poverty Line (BPL) who

consume below a specified level say, 30 units per month may receive special support in terms of tariff which are cross subsidized. Tariff for such designated group of consumers will be at least 50% of the average (overall) cost of the supply.

288. Thus, as per the provision of para 5.5.2 of the National Electricity Policy Commission is required to fix a tariff for BPL consumers which should not be less than 50% of average cost of supply and the balance has to be borne by the state government as a revenue subsidy as per the Section 65 of the Electricity Act, 2003.
289. However, before providing any subsidy actual consumption by the BPL families and the loss arising due to low level of tariff for such BPL families have to be verified and ascertained by a third party. The loss incurred by the distribution companies because of other reasons or due to theft by other consumers cannot be loaded on the state government in the name of loss arising out of subsidizing rate of tariff for the BPL consumers. But with increase in number of BPL consumers the loss level is definitely going to increase which cannot be absorbed by higher tariff, better performance and better collection in respect of other consumers. Because as per Section 61(g) of the Electricity Act, 2003 read with para 8.23 of the Tariff Policy Commission has been mandated to keep the cross subsidy within $\pm 20\%$ of the average cost of supply by end of 2010-11. It means when the average cost of supply is 408.87 paise per unit the highest tariff rate for high end consumers like industry, etc. should not be more than 490.64 paise per unit whereas for low end consumers it should not be less than 327.10 paise per unit.
290. Thus the comparative average purchase price, Bulk Supply Price, transmission price etc. is summarised in the following table:

Table - 33
Comparative Bulk Supply, Transmission and Retail Tariff approved by the Commission

		2008-09	2009-10	2010-11	2011-12	% increase over 2010-11
1	Avg. Cost of OHPC Power P/U	53.35	59.36	64.40	68.01	6%
2	Avg. Cost of OHPC Including Machhakund Power P/U	52.01	57.63	62.51	65.96	6%
3	Avg. Power Purchase cost of GRIDCO P/U	127.40	148.27	174.58	210.32	20.47%
4	Avg. BSP P/U	122.15	122.20	170.25	231.65	36.06%
5	Difference between BSP & Power purchase	-5.25	-26.07	-4.33	21.33	
6	Break-Up of BSP P/U					
	CESU	101.50	101.50	157.00	219.00	40%
	NESCO	125.00	130.00	195.00	262.00	35%
	WESCO	157.25	154.00	194.00	262.00	35%
	SOUTHCO	70.00	70.00	90.00	135.00	50%
	TOTAL	122.15	122.20	170.25	213.65	36.06%
7	Avg. Transmission Charge P/U	21.00	20.50	23.50	25.00	6.38%
	DISCOMS					
	Average cost of supply	272	263	327.37	408.87	25%
8	Avg. RST P/U (Revenue)	281.40	265.15	320.58	404.01	26.02%*
9	Avg. BSP (P/U)	122.15	122.20	170.25	231.65	36.06%
10	Transmission Cost incl. SLDC (P/U)	21.00	21.00	23.68	25.18	7.0%

		2008-09	2009-10	2010-11	2011-12	% increase over 2010-11
11	<i>Difference to DISCOMs (8 – 9 – 10) (P/U)</i> <i>Average cost of distribution</i>	138.25	121.95	126.65	147.18	17%
12	Break-up of the Retail Tariff voltage wise					
	EHT	295.05	295.05	379.93	477.43	26&
	HT	308.68	308.68	383.68	482.43	26%
	LT	212.00	179.99	219.21	300.34	37%
	Overall	281.40	265.15	320.58	404.01	19.74%**

* Revenue based 19.74% for 2011-12 against 22.22% in 2010-11

** Revenue to Revenue 19.74% (Tariff to Tariff 26.02%)

After giving an overview of the Retail tariff setting for 2011-12 the Commission now works out in subsequent paragraphs details of power purchase, sale, target loss parameters, revenue computation and various others tariff related issues.

Estimation of Power Purchase of DISCOMs for FY 2011-12

CESU

291. The monthly quantum of power purchase of CESU from April, 2010 to January, 2011 is available with us. It is found that due to higher LT consumer mix of CESU drawal peaks during the months from June to November which comprise summer and festival seasons. Therefore, it will be prudent to accept the average drawal from June to November, 2010 as the trend for FY 2011-12. In addition to that CESU has projected additional power sales as follows.

RGGVY - 141.60 MU

HT - 148 MU

EHT - 111.19 MU

If additional power purchase is allowed for above sales and considering this year's trend of power purchase for the period June to November, 2010 the projected power purchase for FY 2011-12 would be 7768.73 MU.

The total power sales projected by CESU in HT and EHT during FY 2011-12 is 2602.89 MU which is higher than 22.28 MU of our estimation considering the trend of this year. The Commission accepts this and also allows additional power purchase for this higher sales. Therefore, the power purchase for the coming year is estimated as 7768.73MU + 22.28 MU = 7791.00 MU approximately.

NESCO

292. The monthly quantum of power purchase of NESCO from April, 2010 to January, 2011 is available with us. The load regulation protocol was also in vogue up to May, 2010. It is seen that the power drawal of NESCO was peaking during August, 2010 to January, 2011. Therefore, it will be prudent to accept the average drawal from August, 2010 to January, 2011 as the trend for FY 2011-12. In addition to that NESCO has projected additional power sales as follows.

RGGVY - 57.91 MU

HT - 32.34 MU

EHT - 61.28 MU

If additional power purchase is allowed for above sales and considering this year's trend of power purchase from August, 2010 to January, 2011 the projected power purchase for FY 2011-12 would be 5323.15 MU.

The total power sales projected by NESCO in HT and EHT during FY 2011-12 is 2396.49 MU which is lower than 45.55 MU of our estimation considering the sales trend of this year. The Commission accept this and does not allows higher power purchase for lower sales projected by NESCO. Therefore, the power purchase for the coming year is estimated as **5323.15 MU**.

WESCO

293. The monthly quantum of power purchase of WESCO from April, 2010 to January, 2011 is available with us. The load regulation protocol was in vogue upto May, 2010. It is seen that the power drawal of WESCO was peaking during August, 2010 to January, 2011. Therefore, it will be prudent to accept the average drawal from August, 2010 to January, 2011 as the trend for FY 2011-12. In addition to that WESCO has projected additional power sales as follows.

RGGVY	-	209.30 MU
HT	-	(-) 50 MU
EHT	-	36 MU

WESCO has projected that due to recession in mining and metallurgical industries they would sale 50 MU less than that of this year's estimation in HT sales. Therefore, if the power purchase is allowed for above additional sales and considering power purchase trend from August, 2010 to January, 2011 the projected power purchase for FY 2011-12 would be 6850.63 MU.

The total power sales projected by WESCO in HT and EHT during FY 2011-12 are 1350 MU and 1419 MU respectively which are in total lower than 129.63 MU of our estimation considering the sales trend of this year. The Commission does not accept this and allows higher power purchase of 129.63 MU considering our sales over and above power purchase projected by WESCO which is lower than our estimation. Therefore, the power purchase for the coming year is estimated at 6500 MU (Projected by WESCO) + 129.63 MU = 6630 MU.

SOUTHCO

294. The monthly quantum of power purchase of SOUTHCO from April, 2010 to January, 2011 is available with us. The load regulation protocol was in vogue upto May, 2010. It is seen that the power drawal of SOUTHCO was peaking during August, 2010 to January, 2011. Therefore, it will be prudent to accept the average drawal from August, 2010 to January, 2011 as the trend of power purchase for FY 2011-12. In addition to that SOUTHCO has projected additional power sales as follows.

RGGVY	-	59.36 MU
HT	-	(-) 5.99 MU
EHT	-	107.28 MU

SOUTHCO has shown negative growth in power sales at HT due to shifting of a HT industry from HT to EHT. The projected power purchase for FY 2011-12 considering this year's purchase trend and additional sales as above would be 2722.02 MU.

The total power sales projected by SOUTHCO in HT and EHT during FY 2011-12 are 219.80 MU and 390.90 MU respectively which are in total higher than 10.58 MU of our estimation in HT and EHT considering the sales trend of this year. The Commission accept this and allows higher power purchase of 10.58 MU considering higher sales estimation by SOUTHCO of the order of 10.58 MU. Therefore, the power purchase for the coming year is approved at 2722.02 MU (estimated by OERC) + 10.58 MU (additional sales) = 2733 MU approximately.

Estimation of Sales of DISCOMs for FY 2011-12

CESU

HT and EHT

295. The trend of sales for peaking period of CESU i.e. June to November, 2010 is available with us which is most likely to continue in remaining months of this financial year so also in the ensuing financial year i.e. 2011-12. But CESU has projected that there would be additional sales at both HT and EHT due to enhancement of CD of industries such as M/s. Bhusan Steel and Strips Ltd. and M/s. MCL Ltd. etc. Therefore, we approve sales as projected by CESU which is 1077.10 MU at HT and 1525.79 MU in EHT.

NESCO

HT and EHT

296. The trend of sales for peaking period of NESCO i.e. August, 2010 to January, 2011 is available with us which is most likely to continue in remaining months of this financial year so also in the ensuing financial year i.e. 2011-12. But NESCO has projected that there would be less sales of 45.55 MU at HT and EHT taken together. But we are not agreeable to it as there would be additional sales of 93.62 MU in HT and EHT as per our estimation. Therefore, we approve sales as estimated by us i.e. 550.08 MU in HT and 1891.96 MU in EHT.

WESCO

HT and EHT

297. The trend of sales for peaking period of WESCO i.e. August, 2010 to January, 2011 is available with us which is most likely to continue in remaining months of this financial year so also in the ensuing financial year i.e. 2011-12. But WESCO has projected that there would be less sales of 129.63 MU at HT and EHT taken together. But we are not agreeable to it as there would be additional sales in HT and EHT as per our estimation. Therefore, we approve sales as estimated by us i.e. 1317.30 MU in HT and 1581.33 MU in EHT.

SOUTHCO

HT and EHT

298. The trend of sales for peaking period of SOUTHCO i.e. August, 2010 to January, 2011 is available with us which is most likely to continue in remaining months of this financial year so also in the ensuing financial year i.e. 2011-12. But SOUTHCO has projected that there would be higher sales of 10.58 MU at HT and EHT taken together above our estimation. Therefore, we approve the projection of sales as estimated by SOUTHCO i.e. 219.80 MU in HT and 390.90 MU in EHT.

Estimation of LT Sales of DISCOMs for FY 2011-12

299. We have already approved Business Plan for DISCOMs for the control period 2008-09 to 2012-13 wherein we have fixed overall distribution loss for each year of the control period. The approved Business Plan loss for CESU, NESCO, WESCO and SOUTHCO are 24%, 18.40%, 19.70% and 26.50% respectively for FY 2011-12. As we have already approved the power purchase and sales at HT and EHT, therefore, applying the target Business Plan loss we would arrive at likely LT sales by DISCOMs which we approve now for FY 2011-12. Our approval for LT sales of CESU, NESCO, WESCO and SOUTHCO are 3318.27 MU, 1901.53 MU, 2425.26 MU and 1398.06 MU respectively.

Our power purchase and sales approval for FY 2011-12 is given below in Tabular form:

Table - 34

Approval of Power Purchase and Sale for DISCOMs for FY 2011-12 (In MU)

Licensee	CESU	NESCO	WESCO	SOUTHCO	All Orissa
Purchase	7791.00	5323.00	6630.00	2733.00	22477.00
Sale					
EHT	1525.79	1891.96	1581.33	390.90	5389.97
HT	1077.10	550.08	1317.30	219.80	3164.28
Total HT & EHT	2602.89	2442.04	2898.63	610.70	8554.25
LT sale	3318.27	1901.53	2425.26	1398.06	9043.12
Total Sale	5921.16	4343.57	5323.89	2008.76	17597.37

Loss Reduction Target for 2011-12

300. A survey of distribution loss reduction in Orissa gives the following picture which is tabulated below:

Table - 35

Years	Distribution loss target fixed by OERC (%)	Actual distribution loss (%)	Reduction of distribution loss (-) or increase of distribution loss (+) (%)
1999-00	-	43.91	-
2000-01	-	44.01	(+) 0.10
2001-02	42.22	47.47	(+) 3.46
2002-03	37.19	40.75	(-) 6.72
2003-04	31.86	40.75	(-) 0.00
2004-05	37.12	39.21	(-) 1.54
2005-06	34.18	39.60	(+) 0.39
2006-07	32.81	38.57	(-) 1.03
2007-08	27.11	37.48	(-) 1.09
2008-09	27.00	37.50	(+) 0.02
2009-10	24.4	37.24	(-) 0.36
2010-11	22.22	37.54 (upto Sept., 2010)	(+) 0.30

301. From the above table it can be seen that annual loss reduction has been of the Order of 0.53% which is a very meager reduction. In contrasts to the distribution loss reduction

the collection efficiency has increased from 77.19% in 1999-2000 to 96.96% in 2009-10, the average increase being 1.79%. However, the Aggregate Technical and Commercial loss (AT&C loss) as a whole has reduced by 17.55% from 56.7% in 1999-2000 to 39.15% in 2009-10, the annual average being 1.59%. But the AT&C loss has shown increasing trend during first six months of the current financial year 2010-11 which has reached a level of 44.86% by the end of September, 2010.

Table - 36

Years	AT&C loss target fixed by OERC (%)	AT&C loss level achieved (%)	Rate of reduction (-) or increase (+) of AT&C loss (%)
1996-97	-	56.7	
1997-98	-	58.8	(+) 2.1
1988-99	-	60.9	(+) 2.1
1999-00	-	56.7	(-) 4.2
2000-01	-	55.9	(-) 0.8
2001-02	-	60.3	(+) 4.4
2002-03	45.0	51.1	(-) 9.2
2003-04	37.8	49.3	(-) 1.8
2004-05	44.5	44.7	(-) 4.6
2005-06	40.5	44.7	(-)0.0
2006-07	37.9	43.3	(-)1.4
2007-08	31.4	41.9	(-) 1.4
2008-09	30.4	41.7	(-) 0.2
2009-10	26.0	39.15	(-) 2.55
2010-11	23.77	44.86 (upto Sept., 2010)	(+) 5.71

302. The Commission in their Business Plan Order dtd. 20.03.2010 in Case No. 41, 42, 43 of 2007 and Case No. 22/2008 in Para 55 had observed that

“There are three different but inter-connected performance criteria namely billing efficiency, collection efficiency and AT&C loss which is derived from a product of the first two. In the last Business Plan order in Case No. 115/2004 the Commission directed that the AT&C loss shall be the criteria for determining the performance of the distribution companies that provides them the latitude for improvement in either or both in distribution loss and collection efficiency. It shall be used for the purpose of calculation of incentive and penalty at the year end. The concept of transmission and distribution loss shall be utilized as an instrument for determination of number of units to be sold to various consumers from year to year and for determination of expected revenue from the charges. Now, the Commission also reiterates the same principle which shall be valid in this control period also. xxxxxxxxxxxxxx”

303. The Commission had also fixed distribution loss, collection efficiency and AT&C loss targets for different DISCOMs in the second Business Plan period from 2008-09 to 2012-13 in the said Order. Accordingly, we fix the performance criteria for different DISCOMs in the table given as follows:

Table - 37
Distribution Loss, Collection Efficiency & AT&C Loss (in %)

	Actual for 09-10 (Audited)	Approved 2010-11	Actual upto 09/2010 (Prov.)	2010-11 (Estt. by licensee)	2011-12 (Proj. by licensee)	2011-12 (Approval)
Distribution Loss (in %)						
CESU*	39.43	25.37	37.59	37.59	34.59	24.00
NESCO	32.52	18.46	32.76	29.58	27.66	18.40
WESCO	34.68	19.93	37.20	34.08	31.29	19.70
SOUTHCO	48.02	27.82	47.79	46.61	42.67	26.50
All Orissa	37.24	22.22	37.54	35.70	32.95	21.71
Collection Efficiency (in %)						
CESU *	97.09	98.00	91.47	98.00	99.00	99.00
NESCO	95.24	98.00	84.39	97.00	98.00	99.00
WESCO	98.38	98.00	88.85	97.00	98.00	99.00
SOUTHCO	95.89	98.00	85.10	97.00	98.00	99.00
All Orissa	96.96	98.00	88.28	97.33	98.34	99.00
AT&C Loss (in %)						
CESU*	41.20	26.86	42.91	38.84	35.24	24.76
NESCO	35.73	20.09	43.25	31.70	29.11	19.22
WESCO	35.74	21.53	44.21	36.06	32.66	20.50
SOUTHCO	50.18	29.27	55.57	48.21	43.82	27.24
All Orissa	39.15	23.77	44.86	37.41	34.06	22.49

(*In case of CESU the figure for 2009-10 has been taken from Performance Review data)

Computation of Revenue

HT & EHT

304. The Commission has approved the sales at HT & EHT level for FY 2011-12 considering the trend of the current year and additional or less sale projected by the licensee for the ensuing year. The average revenue billed per unit (P/KWH) category-wise by DISCOMs for first 9 months of current year is available with us. This per unit revenue billed is multiplied by category wise expected sale for FY 2011-12 to arrive at expected revenue of the licensees in the respective category with the existing tariff. Thereafter, to find out average revenue billed per unit in the coming year the increase in tariff is added to the average revenue billed in the current year. This likely average revenue billed in the coming year is multiplied by category-wise expected sale for FY 2011-12 to arrive at expected revenue of the licensee in the respective category in the revised tariff.

LT

305. The Commission has approved the sales of DISCOMs at LT level by considering power purchase allowed to them and applying the target loss level for FY 2011-12 at that voltage. The Commission expects appreciable growth in LT sales due to rapid Rural Electrification and improved standard of living of the people of the State. But the licensees have projected less sale in LT than what is approved for them by applying target loss level. It is difficult to assess the LT consumption vis-à-vis sales as per billing data in ensuing year within a reasonable accuracy limit. However, the

Commission is optimistic of higher sales in LT sector in the coming year. Therefore, the Commission thinks it fit to allow revenue to DISCOMs at the approved sales level at LT. The average revenue billed per unit (P/KWH) category-wise by DISCOMs for first 9 months of current year at LT level is available with us. The DISCOMs are likely to maintain at least this trend or bill more revenue per unit of sales in ensuing year. This per unit revenue billed is multiplied by category-wise expected sale for FY 2011-12 to arrive at expected revenue of the licensees in the respective category in the existing tariff. Thereafter, to find out average revenue billed per unit in the coming year the increase in tariff is added to the average revenue billed in the current year. This likely average revenue billed in the coming year is multiplied by category-wise expected sale for FY 2011-12 to arrive at expected revenue of the licensee in the respective category in the revised tariff.

Table - 38
Approved Revenue for FY 2011-12 (Rs. In Crore)

Category	CESU		NESCO		WESCO		SOUTHCO		TOTAL	
	Revenue with Existing Tariff	Revenue with Revised Tariff (Appr.)	Revenue with Existing Tariff	Revenue with Revised Tariff (Appr.)	Revenue with Existing Tariff	Revenue with Revised Tariff (Appr.)	Revenue with Existing Tariff	Revenue with Revised Tariff (Appr.)	Revenue with Existing Tariff	Revenue with Revised Tariff (Appr.)
EHT	617.22	768.39	728.03	917.30	688.72	845.24	163.27	201.68	2197.24	2732.61
HT	470.80	573.91	245.51	298.55	542.91	672.65	94.99	115.87	1354.20	1660.98
LT	912.11	1042.49	526.31	592.84	603.46	681.40	344.27	399.24	2386.16	2715.97
TOTAL	2000.13	2384.80	1499.86	1808.68	1835.09	2199.30	602.53	716.79	5937.60	7109.57

Metering Status

306. The Commission has been reviewing the status of metering of 33/11 KV feeders, distribution transformers and consumers at the end of every two months. The progress as reported by the DISCOMs are as under:

Table – 39
Metering position as on September, 2010

Items	CESU	NESCO	WESCO	SOUTHCO	Total
Feeder metering position					
No of 33 KV feeders	111	64	88	159	422
No of 33 KV feeder metering	111	63	88	159	421
No of 33 KV feeder metering left	0	1	0	0	1
No of 11 KV feeders	609	428	484	425	1946
No of 11 KV feeder metering	609	86	469	425	1589
No of 11 KV feeder metering left	0	342	15	0	357
No of 33/11 KV transformers	347	266	262	221	1096
No of 33/11 KV transformers metering	81	0	0	30	111
No of 33/11 KV transformer metering left	266	266	262	191	985
No of distribution transformers	22984	25709	19475	15336	83504
No of distribution transformers metering	8832	569	12558	9236	31195
Consumer metering position					
Total number of consumers	1215128	670306	587707	659819	3132960
Total number of meters	1179363	622137	577680	653347	3032527
Total number of working metering	1069094	470295	532016	592225	2663630
Percentage of working meters	91	76	92	91	88

307. The Commission reiterates with concern that the performance of DISCOMs especially with respect to energy audit is far from satisfactory. The huge investment that has gone into the metering of all these installations should not go waste due to the inaction on the part of the licensees to monitor the outputs and take corrective measures, wherever necessary, for effective reduction of technical and commercial losses. The licensees must carry out energy audit HT (11 KV) feeder-wise including the distribution transformer, consumer indexing and pole scheduling to localise the loss level at every distribution transformer area and pinpoint the person or person responsible for such losses. Apart from correct metering for reduction of commercial loss, the licensee also shall take remedial steps for reduction of technical losses through relocation of substations, up-gradation of transformer capacity, re-conductoring, phase balancing and other system improvement works. With the launching of Capex programme in the different DISCOMs energy audit will find its due weightage. The Commission shall monitor division-wise energy audit from the next financial year onwards. The Commission further impress upon the management to ensure that each Division is to be treated as distinct profit centre and monitor as under not limited to, the performance of each division on a monthly basis for:

- i) Recover in the first instance, the HT and LT input energy purchase cost for the division.
- ii) Progressively increase in the billing efficiency and collection efficiency to earn an operational surplus from the HT and LT distribution.
- iii) Progressively reduce the distribution loss as per the trajectory indicated and strive to achieve the normative loss approved by the Commission in this tariff order.
- iv) Have regular consumer interface programme for Demand Side management, introduction of micro-level (Distribution Transformer wise) franchise; and
- v) Progressively increase the AMR facility for all high end consumer drawing power at 10 KVA and above.
- vi) Regular check of mis-classification of the consumers and 100% check of the billing data of HT consumers, LT commercial and LT- 3 Phase consumers, in relation to contract demand by the Divisional Engineer level.

The Management may introduce an incentive/ disincentive scheme on the basis of performance of Division/sub-division of the utility.

Tariff Related Issues

Railways

308. Railways have raised the issue of defective metering at Kaipadar Road and Meramundali traction sub-station. These issues can be well settled with existing OERC Supply Code, 2004, orders of the Commission and Hon'ble ATE from time to time. Consumer grievances of this nature can be redressed with those statutory mechanisms and, therefore, Commission does not want to enter into in this tariff exercise. Maintenance and metering responsibility of 132 KV dedicated transmission lines should be discharged as per mutual agreement.

309. Regarding rise of maximum demand during feed extension the Commission has clearly dealt this matter in Para 280 of the Tariff Order for FY 2008-09. Therefore, with the availability of advance metering in place and facilities of downloading of the

reading over a period of time, the mechanism should be worked out after mutual discussion between the parties to determine quantum of overdrawal due to feed extension. The Commission had directed OPTCL, the DISCOMs and the railways to file with the Commission about the settlement arrived at regarding the manner of determination overdrawal on account of feed extension for Commission's reference in the same order. But nothing is known about that settlement. Now, railways, OPTCL and DISCOMs are directed to stick to the settlement so arrived and submit a copy of status of settlement for Commission's reference within 30th June, 2011.

310. Regarding review of requirement for additional security deposit, DISCOMs must follow Regulation 20 of OERC Distribution (Conditions of Supply) Code, 2004. According to that Code average consumption charges for previous year (April to March) must be calculated basing on the average energy consumption in Kwh and average maximum demand in KVA.
311. The Commission has been striving to rationalize tariff structure at least in HT and EHT level. Therefore, there cannot be separate consideration for Railways in terms of single part tariff and waiver of overdrawal penalty etc.
312. Regulation 19(4) of OERC Distribution (Condition of Supply) Code, 2004 specifically deals with the mode of payment of security deposit which can be paid through cash or by Bank Draft. It may also be paid by cheque or by credit card where specifically allowed by the licensees. Therefore, with existing Regulatory provision security deposit can not be accepted through bank guarantee for any consumer. It is also to be mentioned here that security deposit inter alia is also some short of loan to the DISCOMs by the consumers for which he gets interest at the bank rate notified by the Reserve Bank of India annually. Hence, the submission of Railways to consider bank guarantee in lieu of cash as security deposit is not acceptable.

Final Bill on laying of service line for HT and EHT consumers and other Regulation related issues

313. The licensee is required to prepare final bill within one month after laying service connection to HT and EHT consumers which have been carried out as deposit work under Regulation 12 (d) of OERC Distribution (Condition of Supply Code), 2004. Surplus deposit if any shall be refunded to the consumer by way of adjustment in the first electricity bill. Some objectors have brought before us the violation of this codal provision. But this matter and other Regulation related issues can very well be agitated before Grievance Redressal Forum and we do not want to entertain the objection at this stage in the tariff order.

Issues of dairy industry to be included in Allied Agro-Industrial consumer

314. As per Regulation 80 (5) (iii) of OERC Distribution (Condition of Supply) Code, 2004 Allied Agro-Industrial Activities have been defined as follows:

“80(5)(iii) Allied Agro Industrial Activities: This category relates to supply of power to “Cold Storages (i.e. a temperature controlled storage where flowers, fruits, vegetables, meat and fish can be kept fresh or frozen until it is needed) and includes chilling plant for milk and only the cold storages attached to processing units for meat, fish, prawns, flowers, fruits and vegetables”

315. Therefore, chilling plant for milk in the dairy industry is only entitled for Allied Agro-Industrial tariff among all activities of the said industry. Regulation in this regard is quite clear and has been recently framed. Hence to be eligible for a tariff certain

criteria has to be met like segregating the service connection for power supplying to milk chilling plant and metering the consumption of chilling plant for milk separately. As entire dairy industry does not conform to our Regulation of Allied Agro-Industrial Activities the request of the objector can't be entrained.

Separate license for supply of power to EHT consumers

316. One of the objector suggested for a separate license for supplying power to EHT consumers, so that DISCOMs being left with only HT and LT consumers. With no cushioning from the zero loss EHT system the licensee will be compelled to take action for reduction of technical and commercial loss in the distribution system. Statutory provision in this regard under Section 14 of the Electricity Act, 2003 is very elaborate. Even Commission may grant a license to two or more persons for distribution of electricity through their own distribution system within the same area. After careful reading of this provision of law it can be stated that a distribution license can be given to a person to distribute electricity in a specified area to all the consumers residing in that area. Section 2(15) of Electricity Act, 2003 inter alia defines a consumer as any person whose premises is for the time being connected for the purpose of receiving electricity to the works of the licensee. This does not specify the voltage level or the category of consumer. Therefore, distribution of electricity as law envisages encompasses all the consumers irrespective of their voltage level or category. Had it been to the contrary then there would be demand for licenses even for consumer category-wise which was never been the intention of the law makers because a judicious mix of consumers is not only helpful for the financial viability of the utilities but also take care of cross-subsidy which can not be eliminated completely.
317. Strict enforcement of MYT Order, Business Plan Order etc. can definitely compell DISCOMs to reduce loss. The Annual Revenue Requirement of DISCOMs are also being allowed basing on normative distribution loss target set by the Commission and not on the actual distribution loss incurred by them. The Commission is also monitoring the loss parameters of DISCOMs at LT level during their periodic performance review. Therefore, severing EHT consumers from existing distribution business may make the business model unviable and result in massive tariff hike at one go which is a unwelcome step.

Special Category Tariff for Power Intensive Industries/Mini Steel Plants

318. Some energy intensive industries, Mini Steel Plants and such other Metallurgical industries have demanded special tariff as power is a major cost component of these industries. A study of the tariff structure at HT/EHT would show that, the tariff structure is fully rationalised. The rates are uniform for consumers with contract demand 110 KVA and above receiving power either at HT/EHT except for the emergency power supply to the captive power plants and for consumers with CD 100 MVA and above. It includes consumers like general purpose, public water works and sewerage pumping, large industry, power intensive industry, mini steel plant, railway traction and heavy industries. The per unit rate of electricity is equal / the same for such category of consumers provided that the power factor and load factor remains same at HT or EHT. This is an indicator of moving towards cost based tariff structure. Thus the tariff structure of HT and EHT industries are to be designed in such a way that the consumer who maintains a high load factor and power factor close to unity and thereby helps the power industries at large can also avail incentive in its tariff. Distribution licensee for its cash balancing purpose prefer a minimum off-take from

HT and EHT industries particularly from large industries having contract demand more than 110 KVA. Some DISCOMs pleaded for a minimum consumption limit for payment purpose of 80% load factor given to energy intensive industries citing example as a 'Take or Pay' principle was a standard condition of the contract in the pre-reform era. Some of the energy intensive industries like metallurgical industries are also agreeable to enter into contract for 'Take or Pay' condition provided the DISCOMs agrees for some special incentive over and above the normal rebate condition. However, the Industry Association limits the 'Take or Pay' condition at 70% load factor. Both the DISCOMs and Industry Association desire that the limit of load factor and special incentive may be fixed by the Commission.

319. **The Commission after examining both the positions consider that the condition of 'take or pay' in the supply contract could be WIN-WIN situation for such HT and EHT consumers who have the capacity to take such risk. The Commission, therefore, opines that such special condition should be purely voluntary in nature and once entered should remain effective upto the validity of this tariff order. The Commission, therefore, stipulates that any HT and EHT consumers having contract demand more than 110 KVA can give their willingness in writing to pay for energy charge as per actual drawal or 75% load factor of the contract demand per month whichever is higher upto the validity of this tariff order. During the validity period no downward revision of the contract demand shall be allowed. Such HT and EHT industries (including the existing consumer) shall be allowed 5% concession in its total electricity bill (except electricity duty and meter rent) if the payment is made within the prescribed time limit. For calculation of load factor the contract demand in KVA and actual power factor shall be taken into consideration.**

Issues of Special Tariff for IT and ITES Industries, Hotel Industries and Swajala Dhara consumers

320. Some representatives of IT and ITES providers such as telecom service providers and hotel industries have demanded for inclusion of their supply under industrial category. Consumer categorization under Regulation 80 of OERC Distribution (Condition of Supply) Code, 2004 and Electricity Act, 2003 have been made basing on certain criteria for use of electricity only. It has nothing to do with classification made by any other Act or Rules. Therefore, in accordance with OERC Distribution (Condition of Supply) Code, 2004 IT and ITES industries and hotel industries belong to general purpose category. Some of the telecom service provider pleaded before us that the provision of the general purpose consumer category having CD less than 70 KVA but availing supply at HT shall be billed as LT consumers for tariff purposes is creating lot of hardship for them. But this has become necessary as most of those consumers are availing supply at HT for better power quality although that type of load could have been supplied through LT. It is a win win situation both for consumer and the licensee. Consumers get return of their investment in line and sub-stations in terms of better quality and reliability due to HT supply and licensee concurrently reduces its distribution loss. Therefore, it would be discriminatory for LT general purpose consumers if consumers with CD less than 70 KVA availing power supply at HT are allowed HT tariff.
321. Very forceful submissions were made by representative of Swajala Dhara consumers to include them in domestic category or irrigation category in stead of public water works category. It is to be mentioned here that representative of Swajala Dhara

scheme during tariff hearing for FY 2009-10 agitated before us to allow them a tariff equal to irrigation category as they were paying electricity tariff equal to general purpose category at that time. The Commission considered their demand and brought about an amendment to the Regulation 80 (6) of OERC Distribution (Condition of Supply) Code, 2004 and included them under Public Water Works and Sewerage Pumping Installation category. Tariff for this category is lower than general purpose category. In that way the Swajala Dhara consumers have already got some relief from the Commission in terms of reduced tariff. However, they have pleaded this time before the Commission that under Swajala Dhara scheme funds collected from the beneficiaries i.e. rural poor is mostly spent on electricity bills, leaving very little amount for maintenance of the water distribution system. Therefore, a reduced tariff would help in the sustenance of the Scheme. But it is not possible on our part to allow them a reduced tariff different from PWW category due to existing regulatory provision. **However, considering the merit of the case, we direct that although tariff applicable to PWW and sewerage pumping shall be applicable to CWW, the licensee shall allow special rebate of 10% on total bill (except electricity duty and meter rent) as a special case to the Swajala Dhara consumers if the electricity bills are paid within the due date of normal rebate. This special rebate is in addition to the existing one otherwise permissible if payment is made within the prescribed time limit.**

Load Factor Incentive for Specified Public Purpose (HT category)

322. NIT, Rourkela agitated before us that they should be allowed load factor based incentive in energy charge by the licensee as they belong to HT Specified Public Purpose category. We concede to the demand of the objector and direct licensees that load factor based incentive shall be allowed by them to all HT Specified Public Purpose category henceforth.

Categorization of Consumers

323. ST & SC Development Department, Govt. of Orissa has requested for inclusion of schools and hostels attached to it under their administrative control in domestic category. The Regulation 80 of OERC Distribution (Condition of Supply) Code, 2004 has defined both domestic category and specified public purpose category. Therefore, in the light of the said Regulation the schools and hostel attached to it come under specified public purpose category and the Commission can not deviate from its own regulation to allow domestic tariff only to schools and hostels of ST & SC Development Department. However, at present the electricity bills of the ST and SC schools run by Govt. are being paid by ST & SC Development Department through their budget. Since the ST & SC hostels are situated invariably within the same campus or adjacent to the school building a common meter may be provided both for the school and the attached hostels and the entire electricity bill may be paid by State Govt. instead of collecting a token amount from the scholarships/ stipend given to the inmates of ST&SC hostels. Further in order to improve the quality of supply the ST&SC Development Dept. managed schools can go for the new scheme "Own Your Transformer (OYT) Scheme" so that these schools can avail special rebate of 10% of total bill (except electricity duty and meter rent) if payment is made within the stipulated period for rebate in addition to the normal rebate the consumer is otherwise eligible.

324. Orissa Layer Farmers Association have submitted before us that Poultry feed manufacturing units should come under Agro-Industrial Activities. The Regulation 80(5) (iii) of OERC Distribution (Condition of Supply) Code, 2004 provides that
- “80(5)(iii) Allied Agro Industrial Activities: This category relates to supply of power to “Cold Storages (i.e. a temperature controlled storage where flowers, fruits, vegetables, meat and fish can be kept fresh or frozen until it is needed) and includes chilling plant for milk and only the cold storages attached to processing units for meat, fish, prawns, flowers, fruits and vegetables”*
325. From the plain reading of the above provision it can be stated that poultry feed manufacturing units is not included in Allied Agro-Industrial Activities. The intension of the Commission for creating Allied Agro-Industrial Activities category is only to include cold storages and milk chilling plants under this category which is a Agri-product preservation activity. Upstream activities like Poultry feed production units can not be included in this category as the list can be extended to many more activities which are not truly agricultural. The definition of Agriculture by other authorities has no relevance here as categorization of electricity consumers are made according to Electricity Act, 2003 and Regulation made there under. Further more we want to reiterate that electricity tariff can't completely be substituted as a developmental instrument for any sector as the electricity utilities are also required to run on the same commercial basis as the feed units.
326. Rice Millers Association have also requested to include their activities under Agro-industrial Activities category. But due to the reasons cited above it is not possible to include them under Allied Agro-Industrial Activities.

Seasonal Industries

327. Balasore Ice Factory Owners' Forum submitted before us that their operation is fully dependent on marine fishing activities. Therefore, due to restriction of fishing by the Government in the month of April to June every year their energy demand reduces severely. But they continue to pay higher demand charges in those months due to the stipulation that demand charge should be calculated on the basis of maximum demand recorded or 80% of the contract demand whichever is higher. There is no provision of variable contract demand in OERC Supply Code to take care of reduction of demand in off season or otherwise for any industry like ice factories etc. Accepting the demand of Ice Factory Owners' Forum only will be discriminatory for other industries. However, the Commission has no objection if the licensees enter into special agreement to deal with the payment of the demand charges during statutory restriction imposed by Fishries Department. This type of arrangement was also made by NESCO earlier in its area vide their Office Order No. 9678 dtd. 13.10.2003.

KVAH Billing

328. The Reliance Infra managed DISCOMs have proposed KVAh billing instead of Kwh billing of all three phase – LT consumers, HT and EHT consumers including Railways. In this context the concept of PF incentive and PF penalty will no longer exist. They have also submitted that they will earn more revenue through this billing procedure. The scheme as envisaged may make the billing procedure hassle free for the licensees but will not remind directly the consumers about the benefit of higher power factor. Due to existence of PF penalty/incentive schemes, the consumers are being motivated to install power factor correction equipment which also benefits the licensees. Once the consumers are fully aware of the impact of var drawal, the

Commission may switch over to KVAh billing methodology in future for all consumers or selected categories of consumers.

Enhancement of Demand Charge of Consumers at HT Industrial (M) Supply having CD >70 KVA <110 KVA

329. The Commission took into consideration the submission of licensees to rationalize the demand charge for Medium Industry consumers drawing power at HT and having Contract Demand >70 KVA <110 KVA to the level of other HT industrial consumers. Since most of the consumers with CD of 70 KVA to 110 KVA are under the Medium Industry category and pay Rs.50/KW/month as Demand Charges, there is a tendency to suppress the contract demand and keep it within 110 KVA and get benefit in the demand charges. As our HT and EHT industrial tariff structure is a rationalized one we accept the contention of DISCOMs and revise the demand charges to Rs.150/KW or KVA/Month for HT industrial (M) supply and HT General Purpose <110 KVA categories of consumers.

Demand Side Management (DSM)

330. In the last Tariff Order we have directed to implement Bachat Lamp Yojana (BLY) which promotes replacement of inefficient incandescent bulbs with CFL by leveraging the sale of Certified Emission Rights (CERs) under the clean development mechanism of Kyoto Protocol. The DISCOMs have submitted that they have signed tripartite agreement under Orissa Lighting Energy Efficiency Programme with different agencies and Bureau of Energy Efficiency (BEE) in this regard. The Standing Committee on Energy of Orissa Legislative Assembly have also recommended the Government to supply of CFLs to consumers of Orissa to replace conventional electricity bulbs. It has come to the notice of the Commission that most of the CFLs used in Orissa are not used for reduction of electricity consumption but to avoid the impact of low voltage. However, after the implementation of the above programme most likely the CFLs will completely replace the incandescent bulbs.
331. Govt. of Orissa has also inter alia made it mandatory to use solar water heating system for all residential buildings, built on a plot of size 500 square yards and above falling within the limits of municipal committees/corporations and Orissa Urban Planning and Development Authority Sectors. Some other States like Karnataka, Uttarakhand, Rajasthan and West Bengal etc. have been allowing rebate on electricity use for installation and use of roof top solar water heating system. **Therefore, we direct that all the LT domestic consumers and HT bulk supply domestic consumers in the Municipal or NAC limits shall be allowed rebate 10 paise per unit in electricity consumption subject to ceiling of Rs.50 per month in addition to other rebate he is otherwise eligible for installation and use of roof top solar water heating system of minimum capacity of 100 liters per household after due verification by the licensee.**

Penalty for overdrawal of demand

332. Some DISCOMs have submitted before us that due to power deficit scenario in the State off peak hour overdrawal benefit should be abolished. The Commission has made a study of hourly demand curve vrs. frequency for the State of Orissa for FY 2009-10 which indicate that the hourly average demand of the State is low during off peak hours as defined by the Commission from 12 Midnight to 6 AM of the next day and frequency varies from around 49.63 Hz to 49.86 Hz during the same period in spite of overdrawal by the consumers. Therefore, there is no justification of

withdrawing off peak hour overdrawal benefit to the eligible consumers. The Commission has allowed consumers with two-part tariff to draw up to 120% of their contract demand during off peak hours (12 Midnight to 6 AM next day) without any penalty in demand charges. The Commission is of the opinion that drawl during off peak hours helps the system for maintenance of better frequency profile and flattening of load curve.

333. The Commission had issued Load Regulation Protocol under Section 23 of the Electricity Act, 2003 w.e.f. 14.01.2010 and kept it in abeyance on 11.05.2010. However, there were some confusion in the minds of the consumer regarding calculation of demand charge during Load Regulation. The Commission has issued clarification vide their Lr. No. DIR(T)-324/08/3985 dtd. 24.05.2010 in this regard which shall remain valid if Load Regulation Protocol is invoked in a future date until further order of the Commission. Therefore, the Commission directs as follows:

When there is no power regulation, Demand charges shall be calculated on the basis of 80% of CD or MD whichever is higher during the billing period. In case of power regulation, restricted CD shall be treated as contract Demand for Billing Purposes. Hence 80% of restricted Demand or actual Maximum Demand which ever is higher shall be utilized for billing purposes.

When Maximum Demand is less than the Contract Demand during hours other than off peak hours then the consumer is entitled for over drawal benefit limited to 120% of Contract Demand during off peak hours. If MD exceeds 120% of CD during off peak hours then the consumer is liable for overdrawal penalty only on the excess demand recorded over 120% of CD @ Rs.200/- per KVA per month. If Maximum Demand exceeds the Contract Demand during hours other than off peak hours then the consumer is not entitled to get off peak hour overdrawal benefit even if the drawal is more than the contract demand but within 120% of CD.

Incase of power regulation restricted demand shall be treated as CD for all purposes. However the incremental overdrawal over the restricted CD shall be chargeable @ Rs.400/- KVA p.m. instead of Rs.200/- KVA p.m i.e. once @ Rs.200/- per KVA per month for the entire demand recorded and then again @ Rs.400/- per KVA per month for the excess demand over CD during hours other than off peak hours or beyond 120% of the CD during off peak hours. To avail 120% overdrawal benefit the consumer should not draw more than the restricted CD during hours other than off peak hours in power regulation period.

Individual supply to Apartments / Colony and General Purpose Consumers

334. The Commission clarifies that in accordance with the provision under the OERC Distribution (Conditions of Supply) Code, 2004 supply to lawful occupier/owner of the flats/shops should be provided with power supply in case the concerned owner/occupier desires to receive power at a single point and **also the concerned occupier/owner can not be denied the individual connection**, if they so desire. However, DISCOMs can think of some sort of franchisee for User Association under Section 13 of the Electricity Act, 2003. User association of course, at its option, can avail HT-bulk supply tariff of the tariff schedule by owning its transformer. DISCOMs should facilitate such requests. Such Bulk Supply domestic consumer like the apartments/colony and general purpose consumer are entitled to the benefit of special rebate as is being extended under "Own-Your Transformer (OYT) Scheme" elaborated as under.

“Own-Your Transformer (OYT) Scheme”

335. Commission is aware that quite a good number of consumers taking power at low tension (400 V-3 phase connection or 230 V - single phase connection) are not satisfied with the quality of supply. There is a numerous complaints received at the Commission on account of low voltage at consumer end as well as frequent disruption in supply due to fault in LT lines, apart from declared/non-declared load shedding. Transformer burning problem due to overload and delay in replacing distribution transformer is quite prevailing. Consumers often pressing for installation of higher size of Distribution transformer in their area for availing proper voltage. DISCOMs, on its part, opines that mostly transformer capacity is more than adequate considering the connected load of the bonafide consumers, but transformers get burned due to overload mainly due to unauthorized abstraction of power by the non-bonafide consumers. The LT per unit realization by the licensee is extremely poor not commensurate to the tariff schedule mainly due to theft of electricity. ATC loss in LT distribution is very high above 50%, even touching 70 to 80% in some of the Divisions. The bonafide honest paying consumers suffers due to non-bonafide and non-paying consumers on quality supply.
336. Answer to this malaise, of course, lies with LT-less distribution and introduction of high voltage direct supply (HVDS) transformers single point bulk supply in the distribution system. Though Commission in different performance review, insisting upon to go for LT-less distribution, no tangible progress could not be achieved mainly due to lack of Capex programme and APDRP funding in the State.
337. Commission, in order go give some comfort to the honest and paying LT consumers, has introduced a scheme of ‘Own-Your Transformer – OYT Scheme’ where any consumer (domestic including commercial, LT industrial) or consumers groups may opt for owning HVDS or Distribution Transformer by paying the cost for transformer and associated equipment. In such a case, the licensee would extend a special concession of minimum 10% rebate on the total bill of the respective category apart from the normal rebate on payment of the bill by the due date. Although we feel that DISCOMs in their own right could have given any special concession from the ceiling tariff fixed by the Commission to have a WIN-and-WIN arrangement with any consumer, but for the sake of clarity, Commission in this Tariff order fixes the minimum rebate of 10% for LT less distribution.
338. We hope, the group consumers particularly apartment blocks/ resident colonies/LT industry and commercial establishments, in the first instance, would avail this benefit for reduction their own electricity bills by at least 10% as well as quality supply in the form of proper voltage and less disturbance in supply on payment for the cost of Transformer. The disturbance in HT system in any case is much less than LT system and voltage profile is better in HT than LT system. We advise DISCOMs to assist the consumers/consumer group who voluntarily opt for “OYT-Scheme” and make wide publicity the scheme to more and more number of group consumers can get single point supply as well as individual consumers could also own HVDS transformer. Licensee in its part will be benefited in form of ease of billing and collection of revenues being single point supply and assured revenue in time. Licensee also encourage individual or joint consumers who opt to own “HVDS” for getting quality supply, thereby taking a small step towards LT-less distribution. We hope the programme will be ‘WIN-AND-WIN’ situation for both consumer and licensee.

We fix a minimum 10% special concession over and above normal rebate on total bill (except electricity duty and meter rent) for such consumers who opt for OYT Scheme.

Power Factor Incentive/Penalty

339. Some of the objectors, particularly, the industry organizations pleaded for payment of incentive above 90% power factor and charging penalty from below 90% power factor. The DISCOMs have pleaded for reduction of incentive rate as with the existing Tariff Order, they have to pay a larger incentive component than the penalty they recover. The Commission in the tariff order for 2010-11 has stipulated for imposing penalty on consumers who draw power factor below 92%. There should be no power factor incentive or penalty from 92% to 97% and there is incentive for improvement of power factor above 97%. On examination of financial implications of present method of power factor incentive/penalty calculation the following information have been obtained from DISCOMs for the period April, 2010 to September, 2010.

Table - 40

Licensee	Incentive given (Rs. Lakhs)	Penalty received (Rs. Lakhs)
CESU	390.5	138.06
NESCO	1050.77	394.69
WESCO	1907.72	175.96
SOUTHCO	130.08	21.78

The above information shows that the consumers are mostly getting incentive by maintaining power factor above 97% and only a few consumers paying penalty for not being able to maintain power factor at least 92%.

340. The table above indicates that the consumer have taken a very proactive action of reactive compensation at its load end to avail the tariff incentive. This is a very welcome measure. When the reactive compensation were done at load end, the consumers not only helps himself in form of lower KVA drawl, thereby lower fixed charge, but more importantly helps in maintenance of proper voltage and reduction of current drawl, thereby reduction of energy loss in the system as square of the current. The power factor incentive payment is only incidental to make the capacitor installation by the consumer to be cost effective. The table below indicates reduction of KVA and I^2R loss at different power factor.

Table - 41

PF	KW	KVA	KVAr	KVAr as % of KW	Amp at 11KvPu	I^2R LossPu
100	100	100	0	0%	1.00	1.00
99	100	101	14.23	14%	1.01	1.02
98	100	102	20.16	20%	1.02	1.04
97	100	103	25.04	25%	1.03	1.06
96	100	104	28.6	29%	1.04	1.08
95	100	105	32.4	32%	1.05	1.10
94	100	106	34.4	34%	1.06	1.12
93	100	107	38.3	38%	1.07	1.14
92	100	108	42.4	42%	1.08	1.17
91	100	109	44.5	45%	1.09	1.19
90	100	111	46.6	47%	1.11	1.23

PF	KW	KVA	KVAr	KVAr as % of KW	Amp at 11KvPu	I ² RLossPu
80	100	125	72.6	73%	1.25	1.56
70	100	142	100	100%	1.42	2.02
60	100	166	132	132%	1.66	2.76
50	100	200	173	173%	2.00	4.00
40	100	250	224	224%	2.50	6.25
30	100	335	307	307%	3.35	11.22
25	100	400	387	387%	4.00	16.00
20	100	500	487	487%	5.00	25.00

341. The Commission is of firm opinion that it is the primary duty of the consumer to reduce its reactive drawl from the grid as low as possible. Such consumers who has not cared for reactive compensation and draws reactive power as high as more than 42% of its active power drawl (PF 0.92) shall be given a tariff disincentive to improve. The Commission is of the opinion that the majority of industrial consumer could, with minimal investment will be able to restrict its reactive power drawl within 25% to 42% of the active power drawl (between 92% to 97% power factor) for which the power factor will be tariff neutral. The Commission hopes that the reduction in monthly bill of the consumer as reduced fixed charge payment will make its capacitor installation cost effective. Such conscious consumers who improves its reactive drawl below 25% (97% power factor) and helps the licensee in maintaining voltage profile in the system and reduction of technical loss, should be at least acknowledged, in form a token incentive so that the majority of the consumer would like to be incentivised to maintain its power factor near unity. There should be no power factor penalty for leading power factor. All leading power factor drawl for incentive purpose will be deemed to be unity power factor.

Commission, therefore, fixes the power factor incentive/disincentive as under:

Table - 42

From 97% to 100%	1% incentive for every 1% power factor increase above 97%
From 92% to 97%	No incentive or disincentive
Below 92% upto and including 70%	0.5% penalty for every 1% fall from 92% upto and including 70% plus
From 70% to 30%	1% penalty for every 1% fall below 70% upto and including 30% plus
From 30% or below	2% for every 1% fall below 30%

(Pro-rata incentive/penalty shall be calculated pro-rate power factor; the power factor shall be calculated upto four decimal points)

342. The licensee may give a 3 months notice to install capacitor for reduction of reactive drawl failing which licensee may disconnect the power supply if the power factor falls below 30%.

Tariff for HT/EHT consumers

343. A study of the tariff structure at HT/EHT would show that the tariff structure has been generally rationalized. The rates are uniform for consumers with contract demand of 110 KVA and above receiving power either at HT/EHT except for the emergency power supply to the captive power plants. It includes consumers like general purpose, public water works and sewerage pumping, large industry, power intensive industry,

mini steel plant, railway traction and heavy industries. The energy charge is equal for all such category of consumers depending upon the voltage level. If the power factor and load factor remains same at HT or EHT for any category the overall per unit tariff shall be same. This is an indicator of moving towards cost based tariff structure. In fact, all HT/EHT categories can be rolled into one but for the differentiation in electricity duty imposed by the Govt.

Graded Slab Tariff for HT/EHT Consumers

- 344. Starting from FY 2008-09 the Commission has been encouraging higher consumption by prescribing low rates for higher load factor without any pre-condition. This is just opposite of slab rate tariff in LT category. This has been possible due to lower distribution loss at EHT level which is contrary to the LT category where more sales add more distribution loss to the system. This graded slab tariff would have the effect of reducing the tariff for all HT & EHT consumers for higher consumption and thereby reduce cross subsidy. But Demand charges and other charges as applicable would be chargeable in addition to the energy charges given in the Table below. The graded slab tariff would make tariff at HT & EHT level more competitive thereby opening up avenues for open access and harnessing of captive generation in the State. The incentive tariff hereby granted would promote better competition in the interest of consumers, as per the mandate in Section 61(c) of the Electricity Act, 2003.
- 345. Keeping the above factors in view the Commission determines the slab rate of energy charge for all HT & EHT consumers as follows: -

Table – 43
Slab rate of energy charges for HT & EHT (Paise per unit)

Load Factor (%)	HT	EHT
Upto 50%	475	470
> 50% = < 60%	430	425
> 60%	375	370

- 346. Load factor has to be calculated as per Regulation 2 (y) of OERC Distribution Code, 2004. However, in calculation of load factor, the actual power factor of the consumer during billing period shall be taken into consideration.

Charging of Security Deposit by licensee

- 347. Some of the objectors have demanded that security deposit in shape of Bank guarantee may be accepted and interest on security deposit be enhanced. The issue of security deposit has been dealt with in Regulation 19, 20, 21 and other allied provisions of OERC Distribution (Condition of Supply) Code, 2004. The Commission directs that all the provisions of the said Code should be strictly adhered to. Modification to the existing provision may be considered only after the distribution companies achieve financial turn around and are able to generate enough cash for timely taking up of repair and renovation of the existing old distribution network.

Demand charge in case of power cut

- 348. Some of the objectors pleaded that demand charge should be calculated on pro-rata basis for the actual period of power availability. Alternatively, demand charge may be exempted if there is power interruption for more than 50 hours in a month. In accordance with clause 85 (3) of OERC Distribution (Conditions of Supply) Code, 2004, during statutory power-cuts and power restrictions imposed by the licensee for

a period exceeding sixty hours in a month, the monthly demand charges shall be prorated in accordance with the period and quantum of demand restrictions so imposed. In the mean time the Commission in Case No. 1/2010 and 16/2010 has issued order (Protocol) on power Regulation in the State under Section 23 of the Electricity Act, 2003 which has been kept in abeyance since 11.05.2010. But in case of invocation of Load Regulation Protocol the demand of EHT Industries & HT Industries are to be restricted by 15% & 25% respectively. The demand charge of those industries whose load has been restricted shall be billed on the restricted demand and the load factor to be calculated also on the restricted demand. **Therefore, for billing purpose demand charges shall be calculated on maximum demand recorded or 80% of restricted contact demand which ever is higher.** In all other cases of unrestricted supply, the consumer is liable to pay the demand charges as per existing Regulation and or Tariff Order. This also conforms to the provision under Regulation 110 of the OERC Distribution (Condition of Supply) Code, 2004.

Remunerative Norm for availing power supply

349. Licensees for the purpose of transparency, while furnishing the estimate to the prospective consumers towards extension/augmentation should attach remunerative norms as stipulated in the OERC Distribution (Conditions of Supply) Code, 2004. In case it is found that the licensees are unwilling to furnish a remunerative calculation along with estimates for extension/augmentation of supply line, the affected consumers should approach the appropriate Grievance Redressal Forum for enforcement of their rights.

Meter Rent

350. Reliance managed DISCOMs have requested the Commission to allow to collect security deposit @ Rs.1099/- per single phase meter including the meter boxes from consumers conforming to the metering Regulation of CEA. As per Regulation 19(5) of OERC Distribution (Conditions of Supply) Code 2004, the licensee may require any consumer to give him reasonable security as shall be approved by the Commission for the payment to him of all money which may become due to him where any electric line or electrical plant or electric meter is to be provided for supplying electricity to such consumer, in respect of the provision of such line or plant or meter. On this issue, the Commission would like to reiterate its own order passed in Case No.139, 141, 143 and 145 of 2005 dt.22.03.2005 which is extracted below:

“8.33.16 56.(1) The licensee shall supply the meter (unless the consumer elects to supply the same), cut-out/ MCB / CB / load limiter to consumers at the time of providing new service connection or at any other time as required.

(2) In case of new connection/replacement of meter, the consumer, in accordance with Section 55 and regulations framed under Section 73 of the Act, may himself procure the meter either from the vendors certified by the licensee conforming to licensee’s technical specifications or requests the licensee to supply the meter and charge meter rent as per the tariff order. The licensee shall calibrate such meter at consumer’s cost and seal the meter. The consumer shall have the option to get the meter calibrated in any standard testing laboratory of the Electrical Inspector.

Alternatively, consumer may choose to pay the full cost of the meter provided by the licensee. No meter rent shall be chargeable in such cases.”

351. In view of the above, consumers should have the first option to provide the meter so that they could have a genuine correct meter. Withdrawal of recovery of meter rent should not be allowed as it will make the licensees complacent towards replacement of defective meters. In accordance with Sec.55 of the Electricity Act, 2003, the licensee may require the consumers to give him security for the price of a meter and enter into an agreement for the hire thereof unless the consumer elects to purchase a meter. In accordance with the OERC Regulation, meter rent is collectible when a licensee supplies a meter to a consumer whereas meter rent is not payable when it is supplied by the consumer. But present proposal of licensee to collect the full cost of the meter as security deposit does not appear to be justified as many of the consumers may not be able to pay the full cost of meter as security deposit. When full cost of the meter is recovered as security deposit there would be no necessity to collect meter rent. This is equivalent of forcing consumers to purchase meters without the option of licensee supplying the same. This is completely against the statutory provision and can not be accepted.
352. Therefore, meter rent and the cost of metering/lease should be maintained separately from the general revenue and expenses of the licensee. If the consumer intends to take the meter on hire, the licensee can charge meter rent.
353. In some cases licensee is demanding cost of cubicle metering from its consumers. Small and medium industries can ill afford such cost. It was pleaded that it should be made optional for consumers to bear the cost of the entire cubicle metering. In accordance with Central Electricity Authority (Installation and Operation of Meters) Regulations, 2006, Regulation 2(p) – *“Meter” means a device suitable for measuring, indicating and recording consumption of electricity or any other quantity related with electrical system and shall include, wherever applicable, other equipment such as Current Transformer (CT), Voltage Transformer (VT) or Capacitor Voltage Transformer (CVT) necessary for such purpose.* According to OERC Distribution (Conditions of Supply) Code, 2004, Reg.55 – *The licensee is authorized to review the status of meters already installed in the context of upgraded technologies becoming available.*
354. Hence, the licensee may install metering cubicles for the consumers. However, the cost may be recovered by the licensee in instalments if such consumers are not in a position to pay the price of such installation in a single instalment.
355. Like previous year, the Commission is concerned about the complaint that absence of records for old meters which creates a problem about last date up to which the meter rent could be recovered. The Commission directs that wherever records are not available collection of meter rent shall be stopped in case the rent has already been collected for the last 40 months which was allowed in the last tariff order.
356. The monthly rent, only for the meter as per the prescribed rate, shall be charged from the consumers to whom meter has been supplied by the licensee. The scale of meter rent including associated equipment applicable to various classes of consumers has been revised and is given below:

Table - 44

Type of Meter	Existing Meter Rent (Rs.)	Revised Meter Rent (Rs.)
1. Single phase electro-magnetic Kwh meter	15	20
2. Three phase electro-magnetic Kwh meter	30	40
3. Three phase electro-magnetic tri-vector meter	800	1000
4. Tri-vector meter for Railway Traction	800	1000
5. Single phase Static Kwh meter	35	40
6. Three Phase Static Kwh meter	100	150
7. Three phase Static Tri-vector meter	800	1000
8. Three phase Static Bi-vector meter	800	1000

357. We observe that there are delays for testing of meters leading to delay in extending new connection to the consumers. Besides that CEA Regulation provides testing of meters in accredited meter testing laboratories. The licensees should take into consideration the CEA directives on the matter and suitably strengthen their meter testing laboratories so that they can handle repair, replacement of defective meters which will reduce the number of consumer complaints on that account.

Connection Point for metering

358. Some of the EHT users, particularly, Railway pleaded that they have constructed a dedicated transmission line from STU (OPTCL) Grid S/S to their premises at their own cost. Generally, the lines are also not taken over by STU and they have to maintain the line by themselves. DISCOMs for billing purpose take the readings of the meter available at grid S/S end, even though, in certain cases, the meters are available at their own premises. The objector pleads that as the metering is done at Grid S/S end, the line losses are being borne by them. They request that the DISCOMs be prevailed upon to take the reading at the consumer end and bill them accordingly. DISCOM (CESU), in its rejoinder has stated that as per Clause 1.19 (25) of the OGC Regulations, 2006, the Connection Point is defined as a point at which User's plant and/or apparatus connects to the State transmission system for EHT consumers. Therefore, for billing and metering purpose, the meters provided at STU S/S should be taken into consideration.
359. The DISCOMs further opines that the practice of O&M of dedicated line by the users and the metering at the Grid S/S is prevailing since pre-Reform era. However, if OPTCL takes over the dedicated line and maintains and the meters are installed at consumer's end for joint meter readings of STU/DISCOM/user, they have no objection to prepare bill as per the joint meter readings.
360. As most of the consumers have agreed for the existing arrangement of maintaining line by themselves and metering at Grid S/S end and, in fact, entered agreement with OPTCL, we do not find any necessity for any change of the system at this point for some of the consumers like Railways.

Automated Meter Reading (AMR) System

361. DISCOMs have started taking initiatives for covering high value consumers under Automated Meter Reading (AMR) system. The AMR system is an effective instrument to detect any unauthorized interference with the meter situated in the consumer premises. More the numbers of consumers covered under it better would be the monitoring of revenue leakage due to tampering of meters. Therefore, we direct

that all the consumers having connected load more than 10 KW shall be covered under AMR system. We, hope that DISCOMs would have dialogue with the reputed meter manufacturers for supply, installation and maintenance of AMR for initial period (say 5 years) on payment of leasing charge from DISCOMs.

Quality of Supply and Service

362. Some of the objectors pleaded that, the quality of service of the licensees is extremely poor and hence the tariff should be linked to the quality of services offered by the licensees. Interruption, low voltage and unreliable supply are a matter of serious concern to the Commission. The Commission has been taking appropriate steps to verify the data furnished by the licensee through affidavits in this regard. Further, the Commission has been monitoring the performance parameters for meeting the supply standards as prescribed by it. The consumers are entitled for compensation when standard of performance of licensees go below the prescribed limit set by the Commission.

Issue of Street Light

363. The Commission time and again has directed that meters have to be provided for all consumers of electricity. The municipality shall have to enter into an agreement with the licensee for power supply. They should insist for meters. Once metering is completed the problem of 10 hours or 11 hours of billing in a day shall not arise. Therefore, all the licensees are directed to take up metering for street lighting. As such street light loads are on the increase. Until metering is in place the Commission directs that billing should be done assuming 11 hours burning time taking the average use of summer and winter seasons.

Industrial Colony Consumption

364. On the issue of energy consumption in Industrial colony limiting to maximum of 10% to be included in the first slab of 50% for incentive calculation and removal of the ceiling limit of 10% of total consumption for the colony consumption and charging it at domestic rate, it is observed that as per Regulation 80 i.e. 'classification of consumer' in the OERC Distribution (Condition of Supply) Code, 2004, the domestic category does not include residential colonies attached to industrial establishments where power supply is drawn through the meter of the industrial establishment. The Commission does not approve any change in the existing pattern of billing of colony consumption.

Exclusion of Annual Maintenance shutdown period from calculation of Load Factor.

365. Some objectors submitted that Annual Maintenance shutdown period should be excluded from calculation of load factor to avail the benefit of graded slab tariff in HT & EHT. In this connection, the Commission observes that in Order to avail the benefit in Tariff due to higher load factor the consumers should take adequate steps to segregate its maintenance period between different months of the year so that monthly load factor remains high. Hence, extension of any further benefit in this regard will not be appropriate.

Special Tariff for Industries with Contract Demand of 100 MVA and above

366. Special Tariff for Industries with contract demand of 100 MVA and above and maintaining a guaranteed monthly off take of 80% load factor has been allowed since 1999-2000. The same tariff was discontinued with effect from FY 2008-09 when

Commission found that there was no taker of it. Subsequently, the Commission reintroduced it in FY 2009-10 due to pleading of some industries before the Commission. Now the Commission revises the special tariff to 400 paise per unit with effect from 01.04.2011. The other conditions to avail this tariff will remain same as before. This tariff will assure high revenue inflow to the distribution companies and help them to reduce the overall distribution loss.

Provisional / Average / Load Factor basis Billing

367. The provisional billing has been allowed by the Commission under Regulation 93 (8) and 99 of OERC Distribution (Condition of Supply) Code, 2004. The amount thus billed shall be adjusted against the bill raised on the basis of actual meter reading during subsequent billing cycle. Such provisional billing shall not continue for more than one meter reading cycle at a stretch. If the meter remains inaccessible even for the next cycle the licensee is free to proceed as per Section 163 of the Electricity Act, 2003 which may lead to cut-off the supply to the consumers. Therefore, the licensee must act expeditiously in case of inaccessibility of meter for reading purpose. In no case billing should be made on provisional basis for more than one billing cycle.
368. Average billing is allowed by the Commission under Regulation 97 of Supply Code, 2004 for the period the meter remains defective or is lost. The billing shall be made on the basis of average meter reading for the consecutive three billing periods succeeding the billing period in which the defect or loss was noticed. The Commission has not allowed average meter reading in any other case except in case of defective meter or when the meter is lost. Therefore, the licensee must desist from billing on average basis in other cases.
369. Load factor billing has been abolished by the Commission w.e.f. 01.04.2004. It should not be utilized as a substitute billing methodology when the licensee is unable to read meter for what so ever reason. Therefore, the Commission directs that the licensee must adhere to the codal provision strictly. The consumers are at liberty to take recourse to remedial measures as provided in the Electricity Act, 2003 and Supply Code, 2004.

Retail Supply Tariff (RST)

Domestic:

370. Commission have received a number of suggestion/petition on Domestic tariff from Individual consumers, Consumer Association, State Advisory Committee members and also from State Govt. Suggestion/opinion are quite diverse in nature. While many consumer association, NGOs and State Govt. has pleaded for a lower tariff particularly for such consumers who uses electricity only for basic needs and have a poor paying capacity; some of the consumers opined for abolition of slabs rate tariff on domestic category all together and have a uniform per unit tariff for all domestic consumption. Some of the consumers also opined for telescopic rate between the slabs so that on higher consumption per unit rate shall go down means the rate for 1st slab would be the highest and tapering down in the subsequent slab. In the existing tariff structure, the rate for the 1st slab is the least and progressively increases on higher consumption.
371. During course of discussion in the meeting of the State Advisory Committee held on 14.02.2011 the representatives of different DISCOMs pointed out that most of the consumers of 0-100 unit are manipulating their actual consumption to remain in 0-100 units slab. This was also shared by some of the members of SAC. Some members gave a suggestion to introduce a slab of 0-50 units and another slab of 50-100 units. Secretary DoE, GoO said that it may not be a bad idea to have 0-50 units and 50-100 units slabs and the Commission may take all actions to have a lower tariff for those two segments so that the annual tariff order does not pinch to relatively poor consumers. State Govt., however, on the other hand have intimated in their letter No.R&R-II-1/2011-1728/En dtd.28.02.2011 that presently Govt. will not provide any subsidy/subvention in terms of

Section 65 of the Electricity Act, 2003, for the purpose of irrigation, pumping and agriculture/Allied agriculture Activities/Allied Agro-industrial activities etc. Govt. have further informed in the said letter that the fixation of the limit of cross subsidy is to be decided by the Hon'ble Commission keeping in view the interest of the consumers and the utility. Hence, by implication, there is no commitment from the State Govt. to pay direct cash subsidy to DISCOMs on fixing a tariff lower than the average cost of supply of electricity in the State. State Govt. has left the issue of commercial sustainability of the licensee at the hand of the Commission to design the tariff structure so that high net worth consumer/upper middle class consumer using electricity for heating, ventilation, Air Condition (HVAC) as well as for entertainment purpose over and above the basic need of lighting to pay more in form of cross-subsidy.

372. For determination of tariff structure, we are guided by the provision of Act, Tariff Policy, National Power Policy wherein it has been specifically mandated to the State Commission that they should endeavour to keep the cross-subsidy within $\pm 20\%$ of average cost of supply and try to progressively reduce the cross-subsidy element. Keeping the above policy and opinion of various stakeholders, we design the tariff structure for domestic category in the State, as under:

The 1st Slab Domestic

373. Commission has been flooded with numerous suggestion for both increasing the existing limit of 0-100 units, as well as reduction of consumption limit in the 1st Slab. Some of the SAC members, requested for reduction of the unit of 1st slab of domestic tariff as it caters to a target consumer base who are mainly from rural area and belong to APL category. Sometimes a bonafide BPL consumer, may in a particular month, due to any reason crosses its consumption threshold limit of 30 units may come under this 1st slab of domestic tariff. Asking such target, consumers from highly subsidized rate to economic rate may not be practically feasible and the licensee may face difficulties in collection of electricity bill. Therefore, the SAC members pleaded that the Commission may like to fix the rate of 1st slab at the existing subsidised rate of Rs.1.40/Kwh. DISCOM, particularly, CESU intimated that they have come across a number of instances where unscrupulous consumer, may be in connivance of meter reader and DISCOM staff, artificially make their electricity bill in a month within 100 Kwh, whereas the meter could be OK. Many consumers also apply for a second connection just to avail the benefit of concessional 1st slab tariff. DISCOM therefore proposes for reduction in the limit of the 1st slab of Domestic tariff.
374. Considering all the views of the stakeholders, licensee and members of the State Advisory Committee, we fix the 1st slab of domestic tariff at 0-50 units/month at 140 P/unit same as that of the last year.

Subsequent slab rates for Domestic

375. In regard to the subsequent slabs, Commission also received diverse opinion of keeping the number of slabs to bare minimum to sufficient more number of slab catering to each target consumers of lower-middle, upper-middle, rich and very rich category of consumers. Commission also received suggestion to have differential rate for Rural and Urban/semi-urban consumers in line with tariff design in many other states like Karnataka, Gujrat, Rajasthan etc.
376. Commission on careful consideration of suggestion of stakeholders fixes the tariff slabs and rate of Domestic category as under for the FY 2011-12. While fixing the tariff, Commission is aware of its primary responsibility of commercial sustainability of the licensee apart from social need of the consumers of the State.
- | | | |
|----------------------|---|------------|
| From 50 – 200 units | - | 350 p/Kwh. |
| From 200 – 400 units | - | 430 p/Kwh. |
| Above 400 units | - | 480 p/Kwh. |

377. Commission, while fixing the tariff has noted that any consumer consuming upto 200 units shall be asked to pay for first 50 units at 140 p/Kwh and the subsequent 150 units at 350 p/kwh, thus, averaging to Rs.297.50 p/kwh which is 27% lower than average cost of supply of the state at 408 p/kwh. Similarly, a consumer consuming upto 400 units a month, his average rate works out to 361 p/unit which is again 11.5% lower than the average cost of supply. In other words, the average domestic consumer consuming upto 200 and 400 units a month are being cross-subsidized by 27% and 11.5% by the other category of consumers i.e. Commercial and Industrial category. The domestic category of consumer consuming only 600 units in a month or more are being charged at average cost of supply or more.

We have noted that even within the above increase in domestic rate, the electricity rate for domestic consumer in the state is comparatively lower than majority of the states of the country as well as in the neighbouring states.

Tariff for Kutir Jyoti Consumers

378. The BPL household electrification work in Orissa has been taken up through different schemes of Central Government and State Government such as RGGVY, BGJY and Biju Saharanchhal Vidyut Karan Yojana.

Table - 45
Village Electrification as on 15.02.2011 under RGGVY Projects
and Under BGJY as on 25.02.2011

Total Census villages	Villages Electrified	% of Electrification
47529	-	-
Under RGGVY	13566	29
Under BGJY	7269	15
Others	15514	33
Total	36349	77

379. Under the RGGVY scheme 16533 un-electrified/de-electrified villages, 29202 nos. partially electrified villages, 40706 nos. of un-electrified habitation and 3211880 nos. of BPL households for electrification shall be covered. These schemes cover vast numbers of BPL households who would be given free electric connection by the year 2012 in mission mode in pursuance of the objective of Electricity for all by the year 2012. National Electricity Policy of Government of India in Para 5.5.2 provides that

“A minimum level of support may be required to make the electricity affordable for consumers of very poor category. Consumers below poverty line who consume below a specified level say 30 units per month may receive special support in terms of tariff which are cross-subsidized. Tariff for such designated group of consumers will be atleast 50% of the average (overall) cost of supply.”

380. Different DISCOMs have proposed rise in numbers and consumption in Kutir Jyoti Scheme (BPL household electricity supply) in the current year 2010-11 and also in the ensuing year 2011-12 which is tabulated below:

Table - 46

DISCOMs	Nos. of Kutir Jyoti Consumers at the beginning of FY 2010-11	Kutir Jyoti consumption in first six months of FY 2010-11 (in MU)	Estimated Kutir Jyoti consumption in FY 2010-11 (in MU)	Nos. of Kutir Jyoti consumers by 1st April, 2011	Proposed Kutir Jyoti consumption in FY 2011-12 (in MU)
CESU	11361	4.20	8.40	172219	150.00
NESCO	46370	4.162	30.577	168450	88.486
WESCO	9492	3.164	20.700	114298	230.00
SOUTHCO	21992	1.706	17.283	202897	76.643
Total	89215	13.232	76.96	657864	545.129

381. From the above table it is estimated that there will be rise of about 568649 nos. (657864 – 89215) of Kutir Jyoti consumers by the end of the current year over the last year. RE schemes are executed through HVDS system which reduces loss. DISCOMs propose that the numbers of Kutir Jyoti consumers shall reach about 40 lakhs by the end of ensuing year 2011-12 and they would consume additional 468.169 MU (545.129 MU - 76.960 MU) in FY 2011-12 over and above the consumption of existing consumer of current year. This has happened due to addition of Kutir Jyoti consumers in phases in the coming year. The Commission has accordingly allowed power purchase to them. The average cost of supply for FY 2011-12 has been estimated at 408.87 Paise per Unit. As per the mandate of National Electricity Policy tariff for those category should not be less than 204.4 paise per unit. At the present rate of domestic tariff for monthly consumption of 30 units the Kutir Jyoti consumers should have paid Rs.62/including fixed charges. But the Commission has not revised the Kutir Jyoti electricity charges and has kept it at the level of previous year due to the fact that all the consumers in Kutir Jyoti category will come to the network in various phases throughout the ensuing year and cross-subsidy impact due to this would be gradual.
382. The Govt. representative during last SAC meeting held on dtd14.02.2011 brought to the notice of the Commission that we are living in a socialistic state and we can not make only BPL families accountable for the rise of cross-subsidy. We can allocate Govt sponsored low cost power to the low end consumer and high cost power to high end consumers. He further pointed out that as per his experience during the filed visit, some of the BPL consumers have numbers of ceiling fans, TVs with pucca flooring. Their consumption cannot be less than 30 units per month. There are no difficulties for the distribution companies to bill them as any other domestic consumers. The real problem lies in taking timely correct reading of the consumption of electricity. He suggested that verification by a 3rd party should be conducted regarding loss on account of power consumption of the BPL families and other category of consumers. Unless and until the actual loss at the ground level is assessed, Govt. would not like to give any subsidy on account of the assumed loss arising out of power consumption of BPL families up to 30 units per month. However, the Commission may decide minimum monthly charges to the BPL families taking into account the present rate vis-à-vis the rise in the cost of generation, procurement, transmission and supply and distribution cost after scrutiny and prudent check, he suggested.
383. Orissa has a population of 46.41% (2004-05) below poverty line which requires special support whereas all India average is 27.5% only. This incidence of poverty is higher in rural Orissa which would be electrified through RGGVY and BGJY. In view

of the special consideration needed for the genuine BPL families the Commission decides that the existing monthly minimum fixed charges of Rs.30.00 per month for consumption upto 30 units per month would also continue in 2011-12. We, however, make it clear that if the BPL families consume energy more than 30 units per month the normal tariff applicable to domestic consumer at LT level would be applicable for the entire consumption.

384. We would like to agree with the findings of Govt. representative during his field visit that all BPL families not necessarily would limit their use upto 30 units per month. In that case the loss apprehended by the DISCOMs on this account may not be correct. It requires verification if necessary by a third party. Further, the quadripartite agreement signed among REC, State Government, CPU and DISCOMs relating to arbitration of disputes needs to be examined vis-à-vis the provisions contained in Clause H and I of the said agreement regarding the liability of payment of revenue subsidy which presupposes engagement of franchisees for which Bulk Supply Tariff shall be determined in a manner that ensures their commercial viability. Hence the Commission would review the issue as and when required based on further feed backs from different stakeholders and results of verification of the field level data.
385. We further note that the consumption of 1 unit/day has been worked out for an average consumption of 200 w. for 5 hrs. in a day. We advise the licensee as well as Govt. to distribute free or at a subsidized rate CFL bulbs through CDM mechanism / Bachat Lamp programme of BEE to all BPL consumers, in first instances, so that any bonafide BPL consumer for his primarily lighting need and occasional other use can easily maintain his consumption at 30 units in a month.

Industrial Tariff

Average cost of supply:

386. Industrial Associations in their objection, among others, have suggested that the Commission may calculate the average cost of supply not for state as a whole covering all consumers, but calculate the cost of supply on voltage wise i.e. (i) Avg. cost of supply on EHT - for consumers getting power at 33 kV or above. (ii) Avg. cost of supply on HT - for consumers getting power at 11 kV and (iii) Avg. cost of supply on LT supply - for consumers getting power at 230V single phase supply or 400V – three phase supply. The Commission, in any case, determines the average tariff applicable to EHT, HT and LT consumers, so that the same could be compared to the average cost of supply on applicable voltage level. The industrial association suggested that as per the tariff policy, the State Commission is mandated to charge maximum plus 20% more on EHT/HT consumers on average cost of supply in form of cross-subsidy. The Commission, further, mandated for progressively reduce the +20% cross-subsidy charge on HT/EHT industrial tariff.
387. Any tariff determination as suggested by the Industry association on the above principle would translate the highest tariff on LT consumers. The cost of supply on LT is the highest due to higher technical and commercial (AT&C) loss and high network cost on LT supply. The tariff on HT and EHT consumers would be relatively cheaper. In other words, the tariff applicable for LT consumers (domestic/commercial/LT industry) would be much higher compared to large and heavy industries availing power on HT/EHT consumers.
388. A total diametrical opposite to the above view has been advocated by the consumer association that it is the ultimate consumer who bears all the burnt of any price rise. Some consumers association strongly pleaded that the Commission could allocate cheaper power secured from state hydro stations and other cheaper state thermal

stations to the domestic, agricultural, LT Industrial consumers, and leaving the costlier power procured from Central Sector Thermal Station for high end large and heavy industrial consumers. It would mean for tariff determination and amount of cross-subsidy, the Commission will be required to calculate one average cost of supply considering the relatively cheaper. Stations and another average cost of supply considering the costlier central sector thermal station, and then allocate different consumer categories for tariff determination to power sourced from cheaper and costlier generating stations.

389. Commission has carefully considered these above diverse views and takes the responsibility of careful balancing act between the interest of various stakeholders. We reiterate that calculation of one average cost of supply for whole state as a whole pooling all types of Generators and all categories of consumers availing power at different voltage level not only be simple but scientific but failsafe. Any differentiation in calculation of average cost of supply either on voltage-wise, generation wise, or consumer wise would not only require elaborate metering arrangement for data collection, but as well as require a lot of subjective assumption and conjunction. The issue on principle of average cost of supply has also been debated in the number of fora including all SERCs and has been studied by the Forum of Regulator (FOR). The FOR, on examination the issue in details, has recommended for average cost of supply for the State as a whole is a practical solution, at least for the present context of Indian Power Sector. The Commission, therefore, would like to continue its established principle to calculate one average cost of supply for state as a whole for the FY 2011-12, as under:

Table – 47
Average Cost (per Unit) FY 2011-12

Expenditure	Approved (11-12)
Cost of Power Purchase	5,206.88
Transmission Cost	561.94
SLDC Cost	4.04
Total Power Purchase, Transmission & SLDC Cost(A)	5,772.86
Employee costs	775.79
Repair & Maintenance	169.51
Administrative and General Expenses	125.17
Provision for Bad & Doubtful Debts	43.77
Depreciation	98.91
Interest Chargeable to Revenue including Interest on S.D	130.69
Sub-Total	1,343.84
Less: Expenses capitalised	-
Total Operation & Maintenance and Other Cost	1,343.84
Return on equity	36.00
Total Distribution Cost (B)	1,379.84
Amortisation of Regulatory Asset	42.30
Total Special Appropriation (C)	42.30
Total Cost (A+B+C)	7,195.00
Approved Saleable units (MU)	17,597.37
Average Cost (per Unit)	408.87

The 'Average cost of supply' for the State as a whole thus worked out Rs.4.08/Kwh.

Cross-Subsidy in Tariff

390. Section 62 of the Electricity Act, 2003 empowers OERC to determine tariff for retail sale of electricity. While doing so, the Commission is to be guided by National Electricity Policy and Tariff Policy under the provision of Section 61 (i) of the said Act. The term cross-subsidy has not been defined in the Electricity Act, 2003, the National Electricity and the Tariff Policy. None of them also provide for methodology for computing cross-subsidy. The amount of cross-subsidy received /contributed by various consumer categories is dependent on the way the cost of supply is calculated. Such calculation may be:
- Average cost of supply
 - Cost of supply voltage wise
 - Cost of supply to various consumer categories
391. As explained in para under industrial tariff above, the Commission after careful consideration of the suggestion of all stakeholders reiterates its standing decision to determine the ‘average cost of supply’ of the State as a whole to calculate the level of cross-subsidy of different consumers at different voltage level. Considering average cost of supply for FY 2011-12 the Commission has computed level of cross-subsidy for different voltage as follows:

Table - 48

Year	Level of Voltage	Average cost of supply for the State as a whole (P/U)	Tariff (P/U)	Cross-Subsidy (P/U)	Percentage of Cross-subsidy above/below or cost of supply
1	2	3	4	5 (4) – (3)	6
2009-10	EHT	263.00	295.05	32.05	12.19%
	HT		308.68	45.68	17.37%
	LT		179.99	-83.01	-31.56%
2010-11	EHT	327.37	379.93	52.56	16.06%
	HT		383.68	56.31	17.20%
	LT		219.21	-108.16	-33.04%
2011-12	EHT	408.87	477.43	68.56	16.77%
	HT		482.43	73.56	17.99%
	LT		300.34	-108.53	-26.54%

392. From the above table it can be inferred the cross-subsidy received by LT consumers have been gradually decreasing..The Commission has tried to keep HT and EHT tariff which basically belong to industrial consumers within $\pm 20\%$ of the cost of supply as mentioned above. There may be some consumers in HT and EHT groups who if function efficiently, will be eligible for different tariff concession such as PF rebate, ToD rebate, early payment rebate and rebate for ‘Take or pay’ tariff etc. If all those rebates are availed by them and factored in their tariff then their tariff can come down further and become more or less equal to cost of supply of the State as a whole (408.87 paise per unit).

FINANCIAL ISSUES FY 2011-12 (Para 393 to 528)

Employee Cost

393. The petitioners WESCO, SOUTHCO, NESCO and CESU in their ARR and tariff petition for the FY 2011-12 have projected enhanced employees cost as against the approved cost for FY 2010-11. A comparison of the approved Employee cost for FY 2010-11 and proposed cost by DISCOMS for FY 2011-12 is shown in table below.

Table – 49

(Rs. Crore)

	WESCO		NESCO		SOUTHCO		CESU	
	Approved FY 2010-11	Proposed FY 2011-12	Approved FY 2010-11	Proposed FY 2011-12	Approved FY 2010-11	Proposed FY 2011-12	Approved FY 2010-11	Proposed FY 2011-12
Basic Pay+ GP	74.72	86.38	62.07	98.46	49.10	59.43	83.72	113.87
Additional Employee Cost		1.26		1.26			15.94	18.13
Dearness Allowance	24.66	56.14	20.48	64.82	16.20	38.63	27.63	62.63
HRA	11.21	15.55	9.31	18.95	7.36	10.70	12.56	22.77
Others	6.85	13.67	4.95	10.58	3.08	6.15	7.94	33.90
Terminal benefit	51.81	190.55	51.13	147.44	58.22	170.88	75.84	78.12
Sub-Total	169.25	363.55	147.94	341.51	133.96	285.79	223.63	329.42
Less: Expenses Capitalized	2.52	0.85	0.36	1.02				
Total Cost	166.73	362.70	147.58	340.49	133.96	285.79	223.63	329.42
% rise over the approval of 2010-11		117.53		130.71		113.340		47.30

394. The table above reveals that for the ensuing year the licensees have proposed a substantial rise in employee's cost compared to the approval for the FY 2010-11. WESCO, NESCO, SOUTHCO and CESU have projected an increase percentage over the approval for the FY 2010-11 at 117.53%, 130.71%, 113.34% and 47.30% respectively. The projected enhancements in case of WESCO, NESCO and SOUTHCO is mainly attributable to higher estimation towards Terminal liabilities based on the actuarial valuation appointed by these distribution companies. The enhancement in case of NESCO and CESU is also projected due to sizeable recruitment envisaged to the tune of 1256 and 1819 number respectively during FY 2010-11, on the basis of which Salary components has also been substantially increased.

395. The audited accounts of the licensees are now available with the Commission upto the following years:

Table – 50

Name of DISCOMs	Year
WESCO	2009-10
NESCO	2009-10
SOUTHCO	2009-10
CESU	2008-09

396. The Commission allows Employee cost in terms of the MYT principles enunciated for the control period FY 2008-09 to 2012-13 FY in its order dated 17.02.2011. The relevant portion of said order is reproduced below:

“12. Employee Cost – DISCOMs in their submission have submitted to allow Employee cost as uncontrollable cost instead of controllable cost as per first LTTS order, since it is subjected to pay commission recommendation, wage board revision, inflation, load growth, attrition rate, large scale deployment of manpower due to large scale rural electrification etc. Some objectors submitted that revisions may be allowed but linked to efficiency. Commission after considering all the facts and submissions decides to treat the Employee cost as controllable cost for the second controllable period also. Employee costs would be allowed in the ARR after prudent check by the Commission. Employee’s costs have to be linked to improved efficiency and higher compensation can’t be claimed without earning through improvement in performance efficiency.

Wages and salaries during the control period would include the base year values of Basic pay, Grade Pay and dearness allowance escalated for annual salary increments and inflation based on Govt. notification. Terminal liabilities would be provided based on a periodic actuarial valuation in line with the prevailing Indian accounting standards. The financial impact of any award by Govt. of India/Govt. of Orissa shall be taken care of in subsequent year in truing up.

397. In order to arrive at the estimates of requirement under Basic Pay including Grade Pay, the assessment of number of employees as on 31.03.2011 and 31.03.2012 is essential. Regarding number of employees, DISCOMs have submitted the information on the induction and reduction in the number of employees from year to year in their ARR submissions. The position upto the year ending 2011-12 as proposed by the Licensees is depicted in table below:

Table – 51

Employees Proposed (2011-12)	WESCO	NESCO	SOUTHCO	CESU
No. of employees as on 31.03.2010	4893	4087	3489	5133
Add: Addition during 2010-11	171	1256	314	1819
Less: Retirement/Expired Resignation during 2010-11	287	240	321	
No. of employees as on 31.03.2011	4777	5103	3482	6952
Add: Addition during 2011-12	304	84	299	
Less: Retirement/Expired/ Resignation during year 2011-12	300	269	195	
No. of employees as on 31.03.2012	4781	4918	3586	7979

398. CESU for the year 2010-11 has projected a massive induction of 1819 employees. However as reported by them the induction upto Feb 2011 was 1383 number of employees. Similarly in case of NESCO they have projected to induct 1256 number of employees during the year 2010-11. NESCO in this regard was asked to furnish details of induction during the current year 2010-11. NESCO informed that only 37 numbers of employees have been inducted till Feb 2011. Therefore in both the cases of CESU and NESCO there has been over estimation of the projected employees to be inducted. WESCO and SOUTHCO informed that they have inducted the projected employees of 171 and 314 respectively.

399. Commission while computing employee cost has taken into consideration actual inductions made during the year 2010-11 and projected employees in the ARR for FY 2011-12. The induction of number of employees as projected in their ARR for FY 2011-12 by WESCO, NESCO and SOUTHCO is approved at 304, 314 and 299 respectively. In case of CESU 500 numbers of employees are approved for induction during FY 2011-12.
400. The Commission in view of the above discussions approves following number of employees to the DISCOMs for FY 2011-12:

Table – 52

Sl No.	Employees Approved (2011-12)	WESCO	NESCO	SOUTHCO	CESU
1.	No. of employees as on 31.03.2010	4893	4087	3489	5133
2.	Add: Addition during FY 2010-11	171	37	314	1383
3.	Less: Retirement/Expired Resignation during 2010-11	287	240	321	511
4. (1+2-3)	No. of employees as on 31.03.2011	4777	3884	3482	6005
5. (1+4)/2	Average no. of employees for FY 2010-11	4835	3986	3486	5569
6.	Add: Addition during FY 2011-12	304	314	299	500
7.	Less: Retirement/Expired/ Resignation during year 11-12	300	269	195	514
8. (5+6-7)	No. of employees as on 31.03.2012	4839	4031	3590	5555
9. (5+8)/2	Average no. of employees for FY 2011-12	4808	3957	3536	5780

401. The Commission in past years during scrutiny of the ARRs, considers the audited accounts for the previous years as Basic Pay and DP as the base for determining the Basic Pay for the next period. However, during the scrutiny of the audited accounts of the DISCOMs for the previous years, it is revealed that Basic Pay has been considered along with the past arrears due to revision of 6th pay recommendations. For the purpose of determining the Basic Pay for the ensuing year FY 2011-12 it is necessary to know correctly the Basic pay for the previous years. Any inclusion of other components such as arrears would overstate the base figure to be taken for the determination of subsequent year's Basic Pay. Therefore Commission has to be absolutely certain about the correctness of the current Basic Pay for the previous year. Commission, therefore, while scrutinising of the last year's ARR i.e FY 2010-11 relied on the information regarding Basic pay including Grade pay actually paid for the last four to five months of the previous year.
402. The Commission in accordance with the MYT principle allows 3% escalation on Basic Pay and Grade Pay, towards normal annual increment on year to year basis. The Commission has adopted the same method of arriving at the Basic pay and grade pay as was done in the previous year and explained in the para above. In order to arrive at the Basic pay and Grade pay for the ensuing year i.e FY 2011-12, the Basic Pay and GP actually paid during last four months of the current year i.e FY 2010-11, is averaged and extrapolated for the whole year. The basic pay and GP for the ensuing year is thereafter calculated by escalating current year's average basic pay and GP at the rate of 3% on the basis on the average number of employees for the current and ensuing year. A table below shows such calculation of the Basic Pay and Grade Pay for FY 2011-12 on the basis of above discussion.

Table- 53**(Rs. Crore)**

	WESCO	NESCO	SOUTHCO	CESU
Basic+GP drawn in 10/2010	5.46	4.48	4.13	6.13
Basic+GP drawn in 11/2010	5.33	4.55	4.14	6.36
Basic+GP drawn in 12/2010	5.23	4.51	4.16	6.29
Basic+GP drawn in 1/2011	5.24	4.53	4.14	6.31
Avg Basic Pay + GP	5.32	4.52	4.14	6.27
Pro-rated for FY 2010-11	63.78	54.21	49.71	75.27
Approved for FY 2011-12	65.33	55.44	51.94	80.47

403. On the basis of the calculation in the above table, Commission after taking into consideration the normal annual increment of 3% over the prorated figure of FY 2010-11 and factoring the same with the average number of employees during FY 2010-11 and FY 2011-12, approves Basic Pay and Grade Pay for the ensuing year 2011-12 in respect of four DISCOMs as detailed below:

Table – 54**(Rs. Crore)**

Name of the DISCOM	Approved Basic Pay with Grade Pay for FY 2011-12
WESCO	65.33
NESCO	55.44
SOUTHCO	51.94
CESU	80.47

404. As regards Dearness Allowance the rate of DA after the 6th Pay revision the approved rates for last one year and estimation by the DISCOMs for ensuing year is given in the table below:

Table – 55

DA Rate effective from	Rate	Status
1.01.09	22%	Approved By GoO
1.07.09	27%	Approved By GoO
1.01.10	35%	Approved By GoO
1.07.10	45%	Approved By GoO
1.01.11	50%	Estimated
1.07.11	55%	Estimated
1.01.12	60%	Estimated
1.07.12	65%	Estimated

405. The DA rate as it stands now is 45% with effect from 1.07.10. The next revisions are due with effect from 1.01.11 and 1.07.11 which would have bearing on the DA estimation for FY 2011-12. According to the previous trend and likely revision in future it would be prudent to consider DA rate at an average of 55% for the FY 2010-11. DA has accordingly been calculated at such rate for the ensuing year FY 2011-12.
406. For the year 2010-11 Medical Reimbursement has been approved at the rate of 5% over Basic Pay and Grade Pay. House rent allowance is approved at an average rate of 15% of the Basic Pay and Grade Pay instead of 20% considering the fact that many employees are availing quarters. On the scrutiny of Audited Accounts, it is also seen that the HRA as a proportion to the Basic Pay and GP is about 15% and hence such rate is allowed towards HRA.

407. Commission allows CESU for provision towards engagement of Contract and Outsourced employees in the ARR. CESU has submitted details of wages bill of contractual and outsourced personnel of for FY 2010-11. The actual expenses on Contractual and outsource for the current year i.e FY 2010-11 is averaged and extrapolated for the whole year. According to such calculation, the payment during the current year is arrived at Rs 20.26 crores. In view of such payment during the current period, the projection made by the CESU at Rs18.13 cr. for the ensuing year 2011-12 is reasonable and allowed. The table summarises such a scenario:

Table – 56

(Rs. in Crores)

Expenses on contractual and Outsourced Employees of CESU			
	Contractual	Outsource	Ex-Service Men
August-10	0.59	0.71	0.35
September-10	0.62	0.71	0.35
October-10	0.6	0.71	0.35
November-10	0.62	0.71	0.35
December-10	0.64	0.71	0.35
January-11	0.7	0.71	0.35
Total for FY 2010-11	3.77	4.26	2.10
Prorated for 2010-11			20.26
Proposed for FY 2011-12			18.13
Allowed for 2011-12			18.13

408. The Commission from time to time have been insisting on induction of additional man power to carry out energy audit for reduction of commercial losses of the utilities. The licensees are being repeatedly directed to fill up the vacancies due to retirement and attrition so as not to affect services to the consumer. At the same time the Commission makes it absolutely clear that mere addition of manpower is not going to improve delivery of services and collection of revenue unless productivity of the employees is ensured by holding them accountable to the management. The principle of hire and fire should be followed to ensure accountability. Engagement should be made on contract basis for a definite period which can be renewed subject to satisfactory performance and increased productivity.

Terminal benefit

409. The DISCOMs have projected significant increase in their terminal liability for the ensuing year FY 2011-12. A comparative position of the approved terminal liability in ARR of FY 2010-11 vis-a-vis projection made by the DISCOMs for FY 2011-12 is given in the following table:

Table – 57

(Rs in Crore)

Name of the Company	Approved for FY 2010-11	Proposed for FY 2011-12	Percentage increase (in %)
WESCO	51.81	190.55	267.79
NESCO	51.13	147.44	188.36
SOUTHCO	58.22	170.88	193.51
CESU	75.84	78.12	3.01

410. WESCO, NESCO and SOUTHCO in their submission have stated that the estimate on contribution to the pension fund, gratuity fund and leave encashment to be made for the FY 2010-11 is based on the actuarial valuation study carried out by M/s Bhudhev Chaterjee as on 31.03.2010 and projections provided for the FY 2010-11 and 2011-12. These licensees have assumed that the trend in the requirement of Terminal Benefit Corpus for the FY 2010-11 shall continue for the year 2011-12.
411. CESU has projected its requirement of Rs 78.12 cr. towards terminal benefit for FY 2011-12 considering 3% enhancement over the approved amount of Rs 75.84 cr. in the ARR for FY 2010-11.
412. Commission in its RST Order for FY 2009-10 at para 349 observed the following:
“349. Therefore, the Commission would like to appoint an independent actuary in due course to assess the terminal liabilities upto 31.03.2010, in respect of four DISCOMs in view of the likely revision of pay and allowances based on the recommendation of the 6th Pay Commission and Wage Board award. After receiving the actuary’s valuation the Commission would take necessary steps funding the same after dues scrutiny and basing on the performance of DISCOMs in mobilizing additional revenue.”
- Commission accordingly appointed M/s Darashaw & Company Pvt. Ltd., Mumbai as actuary for undertaking assessment of pension, gratuity and leave encashment liability of the employees of four DISCOMs (WESCO, NESCO, SOUTHCO & CESU) and OPTCL upto 31.03.2009 with projection for FY 2009-10 and FY 2010-11.
413. Actuary has now submitted the valuation report towards such valuation. A summary of such valuation is given in the table below:

Table – 58
Actuarial Valuation as given by the Actuary M/s DARASHAW, Mumbai
(Rs. in Crore)

	OPTCL	WESCO	NESCO	SOUTHCO	CESU
31.03.09					
Pension	843.66	290.91	267.44	271.37	528.46
Gratuity	53.84	32.77	30.38	28.22	54.32
Leave	52.08	34.24	29.74	27.61	62.42
Total	949.58	357.92	327.56	327.2	645.20
31.03.10					
Pension	864.87	301.97	278.2	281.22	552.8
Gratuity	59.12	36.52	32.61	31.16	57.71
Leave	58.02	37.13	32.37	30.68	67.7
Total	982.01	375.62	343.18	343.06	678.21
31.03.11					
Pension	885.10	310.17	285.88	293.18	571.63
Gratuity	66.09	38.69	36.17	34.13	61.53
Leave	64.67	40.1	35.85	33.84	73.41
Total	1015.86	388.96	357.9	361.15	706.57

414. The expected corpus liability as per funds approved in the ARRs from FY 1999-00 onwards till FY 2010-11 is stated in the table below:

Table – 59

(Rs. in Crores)

Expected Corpus Availability					
	OPTCL	WESCO	NESCO	SOUTHCO	CESU
OB as on 01.04.99 & Fund transfer from GRIDCO to DISTCOMs subsequently	184.07	70.77	68.00	67.39	138.56
Allowed by the Commission in the ARR's					
1999-00	11.68	6.71	5.62	7.78	0.00
2000-01	25.22	6.27	7.07	7.07	0.00
2001-02	27.74	7.92	7.00	6.63	6.09
2002-03	30.52	8.08	7.21	6.81	6.27
2003-04	33.57	8.96	7.56	7.57	6.90
2004-05	117.54	11.30	8.35	9.40	3.25
2005-06	40.62	12.06	8.92	10.03	3.51
2006-07	44.68	12.07	9.55	9.73	13.19
2007-08	55.38	16.36	15.30	13.97	18.28
2008-09	51.34	37.02	25.16	24.49	48.10
2009-10	76.94	37.04	27.19	20.53	49.68
2010-11	140.20	51.81	51.13	58.22	75.84
Sub-Total	655.43	215.6	180.06	182.23	231.11
Grand Total	839.5	286.37	248.06	249.62	369.67

415. The differential funding requirement as per the valuation report and the expected corpus availability is accordingly arrived and shown in the table below:

Table – 60

(Rs. in Crores)

Differential Funding requirement as per valuation (Rs. in cr.)			
Licensee	Valuation as per Actuary (as on 31.03.2011)	Expected corpus availability (as on 31.03.2011)	Difference to be funded
OPTCL	1015.86	839.5	176.36
WESCO	388.96	286.37	102.59
NESCO	357.9	248.06	109.84
SOUTHCO	361.15	249.62	111.53
CESU	706.57	369.67	336.90

416. In accordance with the above calculations, Commission decides to fund the requirement of WESCO, NESCO and SOUTHCO of Rs. 102.59 cr, Rs 109.84 cr and Rs 111.53 cr respectively in two instalments. One instalment along with the carrying cost for the deficit amount is accordingly approved for FY 2011-12 to WESCO, NESCO and SOUTHCO to the tune of Rs. 55.91, Rs. 59.86 and Rs. 60.78 respectively. The differential funding required for CESU is on the higher side to the tune of Rs. 336.90. It would not be therefore possible to fund the requirement in two instalments. Commission therefore decides to allow the funding of differential requirement to CESU in three instalments. Accordingly an amount of Rs.131.39 with carrying cost for the balance amount towards terminal liabilities for FY 2011-12 is approved for CESU. The balance requirement would be funded in next two years in

case of CESU and one year in case of WESCO, NESCO and SOUTHCO. The table below depicts the manner of differential funding requirement as per valuation report:

Table – 61

(Rs. Crores)

Differential Funding requirement as per valuation						
Licensee	Valuation as per Actuary (as on 31.03.2011)	Expected corpus availability	Difference to be funded	Fraction allowed	Carrying cost for the balance amount	Approved for FY 2011-12
OPTCL	1015.86	839.50	176.36	176.36	0.00	176.36
WESCO	388.96	286.37	102.59	51.30	4.62	55.91
NESCO	357.9	248.06	109.84	54.92	4.94	59.86
SOUTHCO	361.15	249.62	111.53	55.77	5.02	60.78
CESU	706.57	369.67	336.90	112.30	19.09	131.39

417. Commission accordingly allows following amounts towards terminal Liabilities of DISCOMs for FY 2011-12.

Table – 62

(Rs. Crores)

Name of the DISCOM	WESCO	NESCO	SOUTHCO	CESU
Amount to be charged to ARR (in Crore)	55.91	59.86	60.78	131.39

418. It is pertinent to mention here that the Hon'ble ATE in appeal No. 52, 53 and 54 of 2007 filed by WESCO, NESCO and SOUTHCO aggrieved over the approval of their ARR and for determination of Retail Supply Tariff in respect of FY 2007-08 have pronounced following judgement dated 8th November, 2010 with regard to issue of Employee Cost. The extract of the same judgement is reproduced below:

“37. (v) The next issue is with reference to Employee Cost and Administrative and General Expenses. The State Commission has provisionally allowed the amount towards payment of terminal liabilities similar to the previous year. The findings of the State Commission that the requirement of the fund has gone up in the light of the fact that there has a reduction in employees cost, as a result of superannuation is a contradiction in terms. In fact, the increase in the number of superannuation's would result in increase in requirement of terminal benefit fund. In the financial year 2008-09, the Commission has acted upon the actuarial valuation and given the benefit of the same in the ARR. In our view, this benefit would apply to the Appellants in respect of FY 2001-08 also. XXXX”

419. The Commission has taken note of the observation made by the Hon'ble ATE in the said order while approving the ARR of Licensee for FY 2011-12. The Commission in this regard has however preferred Civil Appeal against the above judgement of the Hon'ble ATE before the Hon'ble Supreme Court in the appeal, CA no. D 4688 of 2011.

420. In light of the discussions in the foregone paragraphs, the Employee cost proposed by the DISCOMs vis-à-vis approval by the Commission for FY 2011-12 is shown in the table below:

Table – 63
Employee Cost

(Rs. in crore)

Sl.	DISCOM	WESCO			NESCO			SOUTHCO			CESU		
		Appr 2010-11	Prop 2011-12	App 2011-12	Appr 2010-11	Prop 2011-12	App 2011-12	Appr 2011	Prop 2011-12	App 2011-12	Appr 2010-11	Prop 2011-12	App 2011-12
1	Basic Pay + GP	74.72	86.38	65.33	62.07	98.46	55.44	49.10	59.43	51.94	83.72	113.87	80.47
2	Arrear 6th pay and Wage Board											26.31	
3	Addl. Emp. Cost		1.26			1.26					15.94	18.13	18.13
4	DA	24.66	56.14	35.93	20.48	64.82	30.49	16.20	38.63	28.57	27.63	62.63	44.26
5	Other allowance		1.27			3.83			1.00	1.00		1.11	
6	Bonus	0.25	0.25	0.25	0.40	0.40	0.40		0.20	0.20	0.85	0.55	0.55
7	Total Emoluments (1 to 5)	99.63	145.30	101.51	82.95	168.77	86.33	65.30	99.26	81.71	128.14	222.60	143.40
8	Reimbursement. of medical expenses	3.74	4.32	3.27	3.10	4.99	2.77	2.45	2.97	2.60	4.19	3.66	4.02
9	Leave Travel Concession	0.30	0.30		0.30	0.3		0.08	0.09	0.09	1.13	0.57	0.57
10	Reimbursement of HR	11.21	15.55	9.80	9.31	18.95	8.32	7.36	10.7	7.79	12.56	22.76	12.07
11	Interim relief of Staff											0.09	
12	Encashment of Earned Leave		5.94						0.18				
13	Honorarium		0.15						0.02				
14	Payment under workmen compensation Act	0.1	0.10	0.10	0.15	0.15	0.15	0.18	0.15	0.15	0.21	0.1	0.1
15	Ex-gratia		0.25			0.02			1.08				
16	Other Staff Costs				0.02	0.02	0.02		0.05	0.05	0.6	0.54	0.54
17	Total Other Staff Costs (7 to 15)	15.35	26.61	13.17	12.88	24.41	11.24	10.07	15.24	10.68	18.69	27.72	17.30
18	Staff Welfare Expenses	1.1	1.1	1.1	0.98	0.88	0.88	0.37	0.42	0.42	0.96	0.98	1.98
19	Terminal Benefits (Pension + Gratuity + Leave)	51.81	190.55	55.91	51.13	147.44	59.86	58.22	170.87	60.78	75.84	78.12	131.39
20	Total (6+16+17+18)	167.89	363.56	171.68	147.94	341.50	158.31	133.96	285.79	153.59	223.63	329.42	294.08
21	Less : Empl. cost capitalized	0.85	0.85	0.85	0.36	1.02	1.02						
22	Total Employee Cost	167.04	362.71	170.83	147.58	340.48	157.29	133.96	285.79	153.59	223.63	329.42	294.08

For four distribution companies total approved for 2010-11 Rs. 672.21 cr. Total proposed for 2011-12 Rs.1318.40 cr. and total approved for 2011-12 Rs.775.79 cr.

Administrative and General Expenses:

421. The Administrative and General Expenses broadly covers property related expenses, communication expenses, professional charges, conveyance and travelling expenses, material related expenses and other expenses. The licensees have projected their estimates for FY 2011-12 in their ARR in the following manner which are compared with approved A&G expenses for previous year FY 2010-11.

Table - 64

(Rs. crore)

A&G Proposed for FY 2010-11	Approved 2010-11			Ensuing year FY 2011-12 (Proposed)		
	Normal A&G	Additional A&G	Total A&G	Normal A&G	Additional A&G	Total A&G
DISCOM						
WESCO	20.75	4.04	24.79	24.40	14.00	38.40
NESCO	13.87	3.24	17.11	14.06	26.34	40.40
SOUTHCO	11.94	6.02	17.96	21.39	18.04	39.43
CESU	29.90	5.96	35.86	51.38	9.90	61.28

422. WESCO, NESCO & SOUTHCO have submitted that they have forecasted the A&G expenses for FY 2011-12 by considering 7% increase over the approved A&G expenses for FY 2010-11 mainly to account for inflation and additional expenses under different heads to comply with the various directives of the Commission and for reduction of losses. They have proposed to undertake following initiatives for the ensuing year to be met under A&G expenses.

- Operating expenses of Customer Care centers in each Divisions
- Introduction of Spot Billing in various Divisions
- Introduced Energy Audit at 33 and 11kV feeders
- Consumer Indexing & Pole scheduling of all the consumers
- Automation of the operation and customer activity through IT intervention
- Increase Collection through establishing computerized cash collection centers, jana seva Kendra and e-seva Kendra.
- Implementation of One-Time settlement Scheme subject to approval of the Commission.
- Development of franchisee in the Licensee's area
- Cess as per the Building and other construction Workers (RE&CS) Act, 1996 & Building and other construction Workers Welfare Cess Act, 1996.

423. WESCO, NESCO, SOUTHCO and CESU have also proposed additional A&G expenses including normal A&G expenses as indicated above. The proposed additional A&G expenses is mainly towards Automated meter reading activities, Energy Audit – Recurring cost, Consumer Indexing and networking documentation, Spot billing, , Energy Police Station, Franchisee expenses, Cess on building construction and electrical installations etc.

The Commission in its order on MYT principles for the second Control period (FY 2008-09 to FY 2012-13) dated 28.02.2011 have decided to the following

“In view of the submissions and facts the Commission would continue to allow normal Administrative and General Expenses @7% escalated over the base year value during the second control period also. In addition to above Commission would also allow expenses in addition to the normal A&G expenses for special measures undertaken by the DISCOMs towards reduction of AT&C losses and improving collection efficiency, after prudent check. “

424. The Commission observes that A&G expenses is a controllable cost as defined in the MYT order and the DISCOMs would not be allowed more than the approvals in the truing up exercise. The DISCOMs should make efforts to expend A&G expenses prudently and put efforts to curb wasteful and avoidable expenses. The Commission further observes that with the declining employee base, computerized and IT automation the A&G expenses should be declining over the years. Commission in previous ARR approvals for FY 2009-10 and FY 2010-11 have been allowing additional expense towards Customer Care expenses, Expenses on IT automation and Special police station as proposed by the Licensees.

425. Commission in its query to Licensees asked to furnish the details of actual expenses made on additional A&G expenses vis-à-vis approval in the ARR, during the year FY 2010-11:

Table- 65**(Rs. crore)**

Additional A & G Expenses	WESCO		NESCO		SOUTHCO		CESU	
	Approved	Actual Expenses (upto Nov 2010)	Approved	Actual Expenses (upto Nov 2010)	Approved	Actual Expenses (upto Nov 2010)	Approved	Actual Expenses (upto Feb 11)
Expenses for Customer Care Centers/ Call Centres	0.02	0.11	0.30	0.58	2.28	0.93	1.16	3.88
Special Police Station.	3.81	0.17	2.27	2.90	3.74	0.05	4.8	1.3
Automation/ IT expenses	0.21		0.67	0.22				
Total Additional Expenses	4.04	0.28	3.24	3.70	6.02	0.98	5.96	5.18

426. WESCO, NESCO and SOUTHCO have also claimed Annual Inspection Fees of lines and substations to be recovered through ARR as a payment to State Government on installation of lines and substations. Commission in this regard observes that such fees shall be component on the Normal A&G expenses allowed in the ARR. However Commission may take a view to allow it separately as additional A&G expense on submission of documentary evidence including demand note raised by the State Government.

427. Commission scrutinised the proposal towards A&G expense for the ensuing year FY 2011-12. The Commission has considered an escalation of 7% over the normal A&G expenditure for the last year tariff FY 2010-11 towards normal A&G expenditure for the ensuing year i.e. FY 2011-12 in terms of the MYT order for the current control period.

Additional Expenditure under A&G

Energy Police Station

428. As regards additional expenditure, Commission approves expenses towards Customer Care as proposed by the DISCOMs for FY 2011-12. Regarding additional expenses on the Special Police Station, Govt of Orissa have notified for establishment of 34 nos. of Energy Police station all over the state. Out of the total 34 energy police stations nine nos. of police stations are to be established in WESCO area, nine in SOUTHCO, five in NESCO and eleven in CESU area. In WESCO area only one number of Energy PS has been operationalised and there is much needed to be done in this regard by the DISCOM. In NESCO area out of five numbers of sanctioned Energy PS, three numbers have been operationalised as of now. In SOUTHCO area out of nine numbers of Energy PS six numbers have been operationalised as yet. In CESU 11 numbers of Energy police stations are to be established out of which six numbers of police stations have already started functioning. CESU have further submitted that another two numbers of police stations would also be established before the end of the current financial year FY 2010-11. DISCOMs in their last ARR filing submitted that all the allotted Energy Police stations would start functioning from 1.04.2010 in their area of operation. This has not been done and another about half of the sanctioned Energy police stations are yet to be established in the entire state. Commission have been emphasising on the reduction of AT& C losses and

without effective participation of the Energy Police station such a task would not be achieved as desired. Commission in order to fully functionalise the Energy Police stations therefore allows the expenses towards on this account as proposed by the DISCOMs in their ARR. Commission expects that all the 34 Energy Police Stations as approved by the Government of Orissa would be functional by the end of the ensuing year FY 2011-12. DISCOMs therefore are required to be in close contact with Government of Orissa in order to operationalise these Energy Police stations. As regards expenditure on Automation and IT expenses, Commission allows expenses as proposed by the Licensees.

429. Govt. in the meantime has also decided that a senior level IPS officer in the office of D.G. Police will look up the functioning of the energy police stations. The state govt. have also decided to post a Nodal officer in the rank of an Additional S.P. in the range Head Quarters to oversee the day to day functioning of the energy police stations. The Commission expects the State Govt. to see with the arrangement proposed to oversee the energy police stations are become effective as already advised earlier. The State govt. should adopt the West Bengal Model where a very senior police officer at the level of IG works with the West Bengal State Electricity Distribution Company Limited and is responsible for theft prevention, detection, prosecution and liaison with the police. We would therefore, consider having one senior Officer working with the Energy Department and being responsible for theft prevention and detection in all the four DISCOMs. He could supervise and monitor the working of all the Energy Police Stations and ensure their effective functioning. As an officer of the State's Police Administration, he could liaise easily with the police and act as a bridge between the Electricity Utility and the police. Any way the initiative has to be taken by the distribution companies to workout an effective way to prevent theft of electricity.
430. The Hon'ble ATE in appeal No. 52, 53 and 54 of 2007 filed by WESCO, NESCO and SOUTHCO aggrieved over the approval of their ARR and for determination of Retail Supply Tariff in respect of FY 2007-08 have pronounced following judgement dated 8th November, 2010 with regard to issue of Administrative and General Expenses. The extract of the same judgement is reproduced below:
- “37. (v) XXXX In regard to Administrative and General Expenses, the State Commission has also disallowed the additional costs n account of distribution of spot billing on consumers conducting of energy audit. These activities were initiated by the Appellants as non introduction of the spot billing and not conducting energy Audit were some f the grounds for seeking revocation of the license of the Appellants by the State Commission. However, the expenditure on carrying out their activities was not allowed in the ARR for FY 2007-2008 even though the Appellants had submitted details of the expenditure to the State Commission. Therefore, finding of the State Commission on this issue can not be held valid. Accordingly, this point is also answered in favour of the Appellants.”*
431. The Commission has taken note of the observation made by the Hon'ble ATE in the said order while approving the ARR of Licensee for FY 2011-12. The Commission in this regard has however preferred Civil Appeal against the above judgement of the Hon'ble ATE before the Hon'ble Supreme Court in the appeal, CA No. D 4688 of 2011.
432. In view of the observations as above, the total A&G expenses allowed for FY 2011-12 to the DISCOMs are summarized below:

Table - 66

(Rs. in Crore)

A & G Expenses Approved for FY 2011-12	WESCO	NESCO	SOUTHCO	CESU
Normal A&G expenses (Escalated @7% over FY 2010-11)	22.20	14.84	12.78	31.99
Additional expenses:				
Expenses for Customer Care Centers/ Call Centers	0.35	0.58	1.76	1.16
Special Police Station.	2.27	2.90	5.33	4.80
Automation/IT expenses	0.99	0.22		
Inspection Fee for inspection of electrical installations	5.00	5.00	5.00	8.00
Total Additional A&G Expenses	8.61	8.70	12.09	13.96
Total A&G expenses	30.81	23.54	24.87	45.95

Training of Personnel -Rs.2.00 cr. out of normal A&G expenditure

433. Training of officers and staff of the utilities has been the most relevant aspect for development of the organization. This is more so important in view of the lack of knowledge with regard to evolving technologies and best practices being used by the other organizations. Commission, therefore, attaches much importance to the training of personnel of the utilities in order to match them with the best in the business. Utilities consequently should have a calendar of training schedule for their employees in order to upgrade their skills and infuse motivation to take their task efficiently. Commission in order to bring about more seriousness to the training of utility personnel earmarked a sum of Rs.50 lakhs towards training programme for each DISCOM out of normal A&G expenses for FY 2010-11 for the respective DISCOMs. Commission in line with last year's order directs Licensees to earmark Rs. 50 lakhs towards training programme for FY 2011-12.
434. In order to bring about more efficiency in billing and collection activity and in order to stream line the billing and collection process, Commission in the RST order for FY 2010-11 directed the DISCOMs to adopt dynamic billing and collection system in their area of operation. DISCOMs are directed to report to the Commission the compliance of the same by 31st May 2011.

Repair and Maintenance Expenses:

435. The distribution companies in their ARR and tariff petition for FY 2011-12 have proposed an enhanced requirement over the previous year's approved expenses in the following manner:

Table – 67

(Rs. in crore)

R&M Proposal FY 2011-12	Approved for FY 2010-11	Proposed for the Year 2011-12	% rise proposed over approved figure for FY 2010-11
WESCO	34.77	50.21	30.75
NESCO	37.22	76.66	51.45
SOUTHCO	26.11	50.13	47.92
CESU	51.19	62.55	18.16
Total	149.29	239.55	

As revealed from the above table that WESCO, NESCO, SOUTHCO and CESU have enhanced requirement in the R&M expenses with percentage of 30.75%, 51.45%,

47.92% and 18.16% respectively over and above approved expenses for the previous FY 2010-11.

436. The Commission analyzed the pattern of spending in R&M by the Licensees, through the information available in the audited accounts of the companies. Commission now has the audited figures in respect of WESCO, NESCO and SOUTHCO upto 2009-10 and for CESU upto 2008-09. The approved and audited figures are updated and given in the table below.

Table - 68

(Rs in Crore)

R&M Expenses	WESCO		NESCO		SOUTHCO		CESU	
	Approved	Audited	Approved	Audited	Approved	Audited	Approved	Audited
Years								
99-00	14.43	15.9	14.22	16.19	12.63	13.39	19.05	24.01
00-01	14.43	10.25	14.22	11.02	12.63	7.31	19.57	19.92
01-02	13.62	10.12	16.32	7.02	15.57	9.29	23.43	15.6
02-03	15.33	8.04	14.62	5.65	16.82	6.43	22.11	25.04
03-04	16.89	16.27	17.59	8.84	16.38	9.93	24.12	21.22
04-05	17.28	12.85	17.66	11.13	13.25	8.43	31.95	20.27
05-06	21.3	9.61	22.63	11.21	18.55	6.07	33.67	12.26
06-07	24.25	12.44	24.48	12.88	17.35	5.54	41.31	22.09
07-08	23.82	12.37	24.43	13	18.38	5.5	43.64	25.11
08-09	25.66	17.90	25.87	20.86	19.08	7.79	41.87	34.79
09-10	27.01	18.01	27.88	22.79	20.73	11.59	40.46	Not Audited
10-11*	34.77	18.63*	37.22	10.84*	26.11	8.58*	51.19	23.49*

*Note - * Expenditure made in R&M upto January 2011 as per cash flow submitted by the Licensee*

437. The Commission observes that in recent years DISCOMs have improved their spending on R&M activities and expects that such trend should continue in the coming years. However, there remains yet much to be done about spending in R&M activities in order to maintain the existing fragile network. The DISCOMs are heavily dependent upon the escrow relaxation in order to spend on the R&M activities. During the current year all the DISCOMs have availed very less amount from escrow account towards R&M. DISCOMs have stated that due to insufficient revenue in the Escrow account, they have not been able to avail the escrow amount due. A table below shows the comparison between the relaxation due and relaxation availed on account of R& M during the year:

Table - 69

(Rs. In Crore)

Escrow Relaxation on R&M FY 2010-11	WESCO	NESCO	SOUTHCO	CESU
Relaxation Due	34.77	37.22	26.11	51.19
Relaxation Availed	17.08	10.84	6.06	17.08
	Upto Feb-11	Upto Jan-11	Upto Jan-11	Upto Jan-11

438. Commission is aware that timely and efficient R&M activities are essential to the optimum utilisation of the distribution network. The Commission is not averse towards allocation of higher amounts on R&M activities but the DISCOMs have to exhibit sincerity of purpose by undertaking adequate R&M activities and increased revenue collection out of current as well as arrears in order to enable Commission to

allow more money by way of ESCROW relaxation. Non relaxation of ESCROW is not the problem; the real problem is inadequate revenue collection efforts. If sufficient revenue is collected there will be no difficulty in allowing withdrawal from ESCROW account after meeting the BST, salary and other important item of expenditure.

439. Many objectors during the hearing process stated that the procedures adopted by Licensees for procurement of materials are not being followed in a transparent manner and there have been reports of procurement of substandard and cheap materials. This in turn results in increased interruptions, improper voltage, increased incidents of loss of human and animal life and does not augur well for the already fragile network. The Commission therefore observes that Licensees need to have a proper and transparent procedure on procurement of materials. The Licensees should not resort to any adhocism in procurement of materials and plan well in advance such that the spares and equipments are available as and when required. The Commission therefore in order to ensure adherence of proper and transparent procurement procedure adopted by the Licensees, may do so by an order for third party inspection and verification if necessary.
440. The Commission allows the R&M expenses based on the principles enunciated in the MYT order for the second Control period (FY 2008-09 to FY 2012-13) dated 28.02.2011 and have decided therein to the following:

In view of such a scenario the Commission decides to continue to allow the R&M expenses at the rate of 5.4% of GFA only on assets owned by the respective distribution companies

The position of gross fixed asset as on 31.03.2011 for the purpose of determination of R&M is given in the Table below:

Table – 70
GFA as on 31.03.11

Particulars	(Rs. in crore)			
	WESCO	NESCO	SOUTHCO	CESU
Gross Book Value as on 01.04.1996	139.867	137.89	122.41	188.697
Addition 1996-97	13.74	13.54	12.02	18.53
1997-98	16.84	16.6	14.74	22.72
1998-99	0	0	0	0
1999-00	53.32	41.11	37.53	87.16
2000-01	19.90	26.83	13.80	85.09
2001-02	19.58	30.63	20.72	67.25
2002-03	21.31	30.55	7.64	127.01
2003-04	35.14	28.63	12.60	88.42
2004-05	71.74	55.09	39.78	66.26
2005-06	23.52	30.2	13.89	-95.95
2006-07	22.21	30.73	11.10	22.57
2007-08	24.79	32.49	18.91	35.52
2008-09	35.16	92.14	31.85	38.68
2009-10	38.07	101.34	10.70	117.08
2010-11	16.90	81.44	29.84	52.61
Total up to 2009-10	552.09	749.21	397.53	921.65
Note- CESU's addition during 2009-10 based on ARR filing				

441. In the FY 2009-10, WESCO, NESCO, SOUTHCO and CESU have proposed following amounts towards asset addition as tabulated below:

Table – 71

(Rs. crore)

Proposed addition of Fixed Assets FY 2010-11	WESCO	NESCO	SOUTHCO	CESU
Land Building Furniture and Fixtures	1.40	6.33	0.85	
RE/LI/MNP	5.83		5.90	
PMU		6.55	12.63	
APDRP	1.05		0	
S.I. Scheme	8.12	37.21	2.51	
Deposit work		49.72		54.60
Metering & others	4.75			
RGGVY	270.00	504.24		
Biju Gram Jyoti	22.50	40.70	91.84	
Capex Plan (GoO)		35.62		120.81
Other works	0.54		5.41	
Total	314.19	680.37	119.14	175.41

442. In order to approve asset addition during FY 2011-12, scheme wise asset addition considered by the Commission are discussed below:

443. RGGVY & Biju Gram Jyoti Scheme - The asset addition under these Schemes shall be entirely funded by Govt. of India and Govt. of Orissa and the projects are being carried out by the Central PSUs as per the terms of agreement. Once the assets are handed over to the Licensees they would be responsible to operate and maintain those assets. As regards R&M of the assets, Commission in its tariff order for FY 2009-10 observed that the State Govt. should provide revenue subsidy to the DISCOMs to compensate for undertaking such non remunerative work under RGGVY & Biju Gram Jyoti Scheme. DISCOMs were advised to approach State Government in this regard for obtaining revenue subsidy. DISCOMs in their present petition for the ARR of FY 2011-12 have submitted that Government of Orissa have not provided any revenue subsidy for undertaking works under RGGVY & Biju Gram Jyoti Scheme. DISCOMs have submitted to allow the R&M on the RGGVY & BGJY assets in order to maintain those assets. In the event the State Government provides revenue subsidy, the R&M of the corresponding year may be reduced. The have further submitted that if such funds are not provided by the State Government, they would not be responsible to maintain RGGVY & Biju Gram Jyoti Scheme assets which have been entrusted by the terms of the agreements made by the GoO, GoI and DISCOMs. In view of such a stalemate Commission advises Government of Orissa to share its obligation to provide quality supply to the lifeline consumers as mandated in the Electricity Act 2003. Government of Orissa therefore may consider allocating revenue subsidy in order to enable Licensees to maintain and operate these lines. Government of Orissa in its letter no. 1728/En dated 28 Feb 2010 addressed the issue of ' O&M expenditure for maintenance of assets created under RGGVY and BGJY Schemes' in the following manner:

As regards the assets of RGGVY Scheme, the State Govt. REC, CPSU and DISCOMs have signed a quadripartite agreement and the DISCOMs are bound by the terms and conditions of that agreement. As per Para-N of the agreement Govt. of Orissa shall be the owner of the assets created on implementation of the individual projects as posed by the DISCOMs with the concurrence of Govt. of Orissa and sanction by REC under

the national programme Govt. of Orissa have authorized the DISCOMs to operate and maintain these assets to effect power supply in the project area and derive consequential benefit out of the assets created under the projects.

As regards the assets of BGJY it is clarified that as per the para-8 of the guidelines on successful completion of the projects all the assets created under the BGJ shall be handed over by the executing agency to the respective DISCOMs for maintenance. Regarding ownership of the assets after they are charged and handed over through a signed document, the said matter has not been decided. As the DISCOMs are to derive the consequential benefit from the assets, they are to meet the O&M expenses for maintenance of the assets. The DISCOMs cannot claim the O&M expenses from the Govt.

444. Commission is not sure of addition of assets under RGGVY & Biju Gram Jyoti Scheme for the purpose of determination of R&M and depreciation during FY 2010-11. As regards the RE/LI, APDRP, PMU schemes these are ongoing schemes. Hence, Commission allows the asset addition proposed by the licensee.
445. System Improvement Scheme- WESCO, NESCO, SOUTHCO and CESU have projected asset addition of an amount of Rs.8.12 crore, Rs.37.21 crore, Rs. 2.51 and Rs.175.41 crore respectively under system improvement scheme. In reply to the query raised in this account, the companies submitted the actual amount drawal of SI loan by end of February, 2011 from REC. As revealed from their submissions, SOUTHCO has received Rs 34 lakhs from REC. NESCO, WESCO and CESU have not received any amount towards SI loan during the current year. Hence, Commission allows asset addition on SI on going projects based on their Capital works in progress based on audited data. WESCO, NESCO and CESU are accordingly allowed Rs 3.33 crores, Rs. 25.16 crores and Rs. 19.85 crores as asset addition under S.I. Scheme.
446. Deposit works- NESCO and CESU have proposed asset addition under deposit work to the tune of Rs. 49.72 crores and Rs 52.61 crores. This is found to be reasonable, as the same is a spill over of work of previous year. Hence, Commission allows the same.
447. Metering and others- These are also ongoing programmes hence Commission allows the same as proposed by the Licensees
448. In view of the discussions in the foregone paragraphs, the asset addition during 2010-11 is determined and approved as detailed below:

Table – 72

	(Rs. crore)			
Approved addition of Fixed Assets FY 2010-11	WESCO	NESCO	SOUTHCO	CESU
Land Building Furniture and Fixtures	1.41		5.90	0
RGGVY			0	
Biju Gram Jyoti			0	
RE/LI/MNP	5.83		5.90	
PMU		6.56	12.63	
APDRP	1.05			
System Improvement	3.33	25.16		
Deposit work		49.72		52.61
Metering & others	4.75			
RGGVY				
Biju Gram Jyoti				
Other works (including PMGY)	0.53		5.41	
Total	16.90	81.44	29.84	52.61

449. The Gross Fixed Assets as on 31.03.2011 calculated on the basis of the asset addition allowed in the above table is given as below:

Table - 73

(Rs. in crore)

Particulars	WESCO	NESCO	SOUTHCO	CESU
Gross Book Value as on 01.04.1996	139.867	137.89	122.41	188.697
Addition 1996-97	13.74	13.54	12.02	18.53
1997-98	16.84	16.60	14.74	22.72
1998-99	0	0	0	0
1999-00	53.32	41.11	37.53	87.16
2000-01	19.90	26.83	13.80	85.09
2001-02	19.58	30.63	20.72	67.25
2002-03	21.31	30.55	7.64	127.01
2003-04	35.14	28.63	12.6	88.42
2004-05	71.74	55.09	39.78	66.26
2005-06	23.52	30.2	13.89	-95.95
2006-07	22.21	30.73	11.1	22.57
2007-08	24.79	32.49	18.91	35.52
2008-09	35.16	92.14	31.85	38.68
2009-10	38.07	101.34	10.70	117.08
2010-11	16.90	81.44	29.84	52.61
Total up to 2010-11	552.09	749.21	397.53	921.65
Note- CESU's asset addition during 2009-10 based on ARR filing				

450. As stated above, the Commission allows the R&M expenses based on the principles enunciated in the MYT order for the second Control period (FY 2008-09 to FY 2012-13) dated 28.02.2011 have decided to the following

In view of such a scenario the Commission decides to continue to allow the R&M expenses at the rate of 5.4% of GFA only on assets owned by the respective distribution companies

451. The position of Gross Fixed Asset as on 31.03.2011 were computed based on their audited accounts available for the previous years. After taking into consideration the addition of assets during the FY 2010-11 and the position of GFA as on 31.03.2011 the approved R&M for FY 2011-12 is given in the table below:

Table - 74

(Rs. in crore)

R&M for FY 2011-12	WESCO		NESCO		SOUTHCO		CESU	
	Proposed	Approved	Proposed	Approved	Proposed	Approved	Proposed	Approved
Gross fixed asset as on 01.04.2011	929.77	552.09	1419.58	749.21	928.36	397.53	1158.25	921.65
% of GFA	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%
R&M on GFA	50.21	29.81	76.66	40.46	50.13	21.47	62.55	49.77
Special R&M for addition of RGGVY and BJGY assets		7.00		7.00		7.00		7.00

Total R&M approved for FY 2011-12		36.81		47.46		28.47		56.77
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452. Besides the normal R&M expenses allowed on the basis of 5.4% of GFA, Commission allowed in addition a sum of Rs.5 crore provisionally towards R&M expenses to each of the four DISCOMs on account of asset addition under RGGVY and BGJY in the RST order for FY 2010-11. The approval of Rs. 5 crore was subject to detailed scrutiny in next tariff processing for FY 2011-12. From the filing it is revealed that no asset under RGGVY or BGJY has been transferred to the Licensees. These assets continue to be with the Government of Orissa. However in line with the previous RST order for FY 2010-11, Commission allows an additional sum of Rs. 7.00 crore to each DISCOM for FY 2011-12 besides the normal R&M expenditure approved @ of 5.4% on the Gross Fixed Assets.

Interest on Loan

453. The source-wise interest on loan proposed by the four DISCOMs for FY 2011-12 is given in the table below:

**Table – 75
Proposed Loans FY 2011-12**

(Rs. Crore)

Source	WESCO	NESCO	SOUTHCO	CESU
GRIDCO loan	-	-	-	-
World Bank loan	11.82	11.57	7.79	79.38
Power Bond – Differential Amount	13.65	32.8	30.68	-
APDRP Net of 50% grant (GoO)	0.66	0.76	0.72	9.91
REC/PFC (Counter Part Funding APDRP) and SI Scheme	6.19	5.22	2.02	2.13
Interest on security deposit	20.79	14.26	4.93	18.39
CAPEX (REC)			5.67	
Govt. of Orissa Capex loan	2.86	3.08	10.6	2.81
Other interest and finance charges	9.52	5.00	4.49	-
Total interest before capitalisation	65.49	72.69	66.90	112.62
Less: Interest Capitalised	3.15	3.17	4.89	
Total Interest proposed	62.34	69.52	62.01	112.62

454. In order to approve the interest on loans the position of individual loan as on 1.04.2011 is discussed below:

GRIDCO back to back loan (PFC/REC etc.)

Licensees have not proposed any loan for FY 2011-12 in their filing. Hence no interest on the said loan has been considered for FY 2011-12.

World Bank Loan

455. In line with the Commission's previous order, the licensees have calculated the interest on World Bank Loan @ 13%, considering 30% of loan as grant and balance 70% as loan. WESCO, NESCO and SOUTCO besides interest liability have also proposed repayment liability of Rs. 9.10 crore, Rs 9.13 crore and Rs. 7.26. crore. The loan balance (Net of 30% grant) is projected by the DISCOMs along with the interest for the FY 2011-12.

456. After analysis of the loan position the approval of interest on the same is given in the table below:

Table – 76

(Rs. in Crore)					
World Bank Loan	Loan as on 31.3.2011	Repayment Due in 2011-12	Loan as on 31.3.2012	Interest for FY 2011-12 (Proposed)	Interest for FY 2011-12 (Approved)
WESCO	90.96	9.10	81.86	11.82	11.23
NESCO	91.28	9.13	82.15	11.57	11.27
SOUTHCO	65.34	7.26	58.08	7.79	7.79
CESU	204.51	0	204.51	69.99	26.59
Total	452.09	25.49	426.6	101.17	56.88

Re-securitisation of NTPC Power Bonds.

457. WESCO, NESCO and SOUTHCO in their filing have submitted to allow the differential interest (12.5% p.a - 8.5% p.a) of Rs.13.64, Rs.32.80 and Rs 30.68 Crores respectively on the bond amount from 1st October 2000 to 31st March 2007 in the ARR of FY 2011-12.
458. WESCO, NESCO & SOUTHCO in their filling have submitted that the matter of power bond has been taken up by the Commission in the RST appeal for FY 2006-07 filed (759 of 2007) before the Hon'ble Supreme Court. They have further submitted that GRIDCO may be directed to realize the settlement amount from the DISCOMs only after adjustment of past payment as per Bond subscription Agreement and directions of the Commission in this regard. As the Bonds were issued on behest of GRIDCO to securitize the NTPC dues, after settlement of bond dues, GRIDCO should not be allowed to profiteer at the cost of consumer of Orissa. The licensees have submitted that the dispute on power bond between the licensees can be settled by the Commission since it has sole jurisdiction to be decided on the dispute under provisions of Electricity act, 2003 and OER Act, 1995. Further Hon'ble ATE while disposing the appeal no. 52, 53 & 54 of 2007 filed by WESCO, NESCO & SOUTHCO, directed for recovery of actual interest i.e @12.5%. The licensees have accordingly filed to allow the differential interest between 12.5% p.a and 8.5% p.a on the bond amount from 1st October, 2000 to March, 2007 in the ARR for FY 2011-12.
459. The Hon'ble ATE in appeal No. 52, 53 and 54 of 2007 filed by WESCO, NESCO and SOUTHCO aggrieved over the approval of their ARR and for determination of Retail Supply Tariff in respect of FY 2007-08 have pronounced following judgement dated 8th November, 2010 with regard to issue of interest on NTPC Bonds. The extract of the same judgement is reproduced below:

“37. Our findings are summarized as under

- (i) *The first issue is interest on NTPC bonds. The Appellants issued bonds worth Rs.400 crores in favour of GRIDCO to be assigned to NTPC in terms of the Minutes of Tripartite Meeting dated 24.10.2000 at an interest rate of 12.5% to scrutinize the outstanding payments to NTPC. Subsequently, in September, 2001, Government of India announced the Scheme of One Time Settlement of dues of Central PSUs wherein tax free bonds were to be issued to Central PSUs on relaxed terms and carrying an interest of only 8.5% while GRIDCO securitized its own outstandings to NTPC under the One Time Settlement*

Scheme of Government of India at an interest rate of 8.5% and also subsequently finally settled the outstandings by one time cash payment, the Bonds issued by the Appellants continued to carry interest of 12.5%. The State Commission took the matter with Government of Orissa seeking its views and decision on securitization of bonds of Rs.400 cr. of the Appellants under One Time Settlement Scheme. There is however no response from Government of Orissa. Only GRIDCO informed that their negotiation with NTPC on the issue are still underway. In spite of the fact that GRIDCO has been charging interest @12.5% from the Appellants for last many years the State Commission has been allowing interest rate of 8.5% on NTPC bonds in the ARR of the Appellants. In the impugned Order also interest rate of 8.5% has been allowed. This Tribunal in its Judgement dated 13.12.2006 relating to the FY 2006-07 decided this issue in favour of the Appellants and directed the State Commission to allow interest @12.5% on NTPC bonds in the ARR of the Appellants as a pass through. We are of the view that whatever interest cost is paid by the Appellants to GRIDCO should be allowed as pass through in the ARR of the Appellants. This point is decided in favour of the Appellants.”

460. The Commission has taken note of the observation made by the Hon’ble ATE in the said order while approving the ARR of Licensee for FY 2011-12. The Commission in this regard have preferred Civil Appeal against the above judgement of the Hon’ble ATE before the Hon’ble Supreme Court in the appeal, CA no. D 4688 of 2011.

461. The Commission has dealt this issue in the tariff order for FY 2009-10, the relevant extract of which is quoted below:

“In this regard the Commission has dealt extensively in earlier RST order for FY 2008-09 in para 379 to 391. A final decision in the matter will be taken after the pronouncement of the judgement by Hon’ble Supreme Court of India in this matter vide CA No. 759/2007. As such, the Commission does not consider any interest towards the same for the FY 2009-10.”

462. In view of the case being sub-judice in the Hon’ble Supreme Court in CA No.759/2007 and CA no. D 4688 of 2011, Commission has not considered any interest towards re-securitisation of NTPC Power Bonds for FY 2011-12. Further since in seize of the issue, the inter-ministerial committee has been constituted vide Govt of Orissa notification no. PPD-TH-14/10/ 933 dated 06/02/2010 and at present the three DISCOMs are not paying any interest to GRIDCO on NTPC Bond, therefore there is no need to burden the consumers on this account.

463. However Commission in their Business plan order dated 20.03.2010 has given the following direction with regard to NTPC bond. The relevant extract of the said order is reproduced below:

“ 70. Commission find that, WESCO, NESCO and SOUTHCO, in their audited accounts for the year 2006-07 and 2007-08 have not shown any liability towards the Bond, which were earlier appearing in the audited accounts upto FY 2005-06. In this connection the comments of the Auditor SRB Associates, Chartered Accountant for the FY 2006-07 is mentioned below:

“Refer to Note no. B.10 of Schedule – 20 for redemption of power Bond made during the year. GRIDCO has not agreed to the payment / adjustment effected by the Company in respect of Power Bonds on the ground that redemption of Power Bonds by way of adjustment is not in terms of the Subscription Agreement dated 25th

September, 2001 and Bond Certificates. Resultantly, there is over/under statement of “Payable/Receivable – Bond and other Adjustment with GRIDCO” to that extent.”

Therefore, Commission is of the opinion that since the matter is sub-judice in the Apex Court. WESCO, NESCO and SOUTHCO are directed to reflect the same in their audited accounts, till the case is finalized.”

Further Commission in para 85 of the Business Plan order (sub para iii, iv and vi) have given the following directions

- iii) *GRIDCO should take steps to allow the DISCOMs (WESCO, NESCO and SOUTHCO) to create, first charge over the immovable asset as security to REC / PFC on the assets added after 31.3.2001. This works out to Rs.413.23 cr. Upto 31.3.2008excluding assets created out of World Bank loan (Rs.532.04 cr – Rs.118.81 cr).*
- iv) *Both GRIDCO and DISCOMs shall mutually identify the assets created after 31.03.2001 for Rs.413.23 crore upto 31.3.2008 that are to be hypothecated against the loan to be availed from the financial institutions such as REC & PFC. The assets created during 2008-09 and that may be created thereafter can also be hypothecated.*
- vi) *The Reliance managed DISCOMs are directed to make provision for the GRIDCO power Bond of Rs.400 crore in their Balance sheet till the matter is decided by Supreme Court (Para – 70).*

464. Pending the decision of Honble’ Supreme Court in the above matter both GRIDCO and DISCOMs (WESCO, NESCO and SOUTHCO) are directed to comply with the orders of the Commission as above.

Capex Loan from Government of Orissa

465. The Commission in its order on Business Plan for DISCOMs pertaining to FY 2008-09 to FY 2012-13 dated 20/03/2010 envisaged total investment of Rs 5000 crore to undertake CAPEX programme. Govt. Of Orissa subsequently have notified Capital Expenditure (CAPEX) Programme for Distribution Companies of Orissa in their letter no. 9230/ En. dated 21.10.2010 for providing financial support to the tune of Rs.2400 Cr. in distribution sector which includes the grant of Finance Commission, state budgetary support and counterpart funding by the DISCOM. The basic objective of this programme is system improvement, establishment of reliable system, reduction of AT&C losses to a sustainable level and improvement of quality of supply to the consumer of the state. The scheme envisages investment of Rs. 2400 Cr. to be spent under the scheme over the period of four financial; years i.e. FY 2010-11 to FY 2013-14, out of which Govt. of Orissa provide Rs. 1,200 Cr. And DISCOMs will invest Rs. 1,200 Cr. from their own source/ or through market borrowing as per the following table:

Table – 77

(Rs. in Crore)

Financial Year	2010-11	2011-12	2012-13	2013-14	Total
State Govt. (out of which)	300.00	400.00	250.00	250.00	1200.00
a. FC Grant	0.00	200.00	150.00	150.00	500.00
b. SS to FC Grant	0.00	66.67	50.00	50.00	166.67
c. Loan to GRIDCO for	0.00	66.67	50.00	50.00	166.67

Financial Year	2010-11	2011-12	2012-13	2013-14	Total
counterpart to FC Grant					
d. State's own contribution	300.00	66.66	0.00	0.00	366.66
DISCOMs (out of which)	0.00	200.00	400.00	600.00	1200.00
a. Counterpart DISCOMs share for FC Grant	0.00	66.67	50.00	50.00	166.67
b. DISCOMs contribution	0.00	133.33	350.00	550.00	1033.33
Total CAPEX	300.00	600.00	650.00	850.00	2400.00

466. Out of the state Government support of Rs. 1200 crore:

- a) Grant of Rs. 500 Cr. From 13th FC is to be initially passed on as loan with 0% interest.
- b) Rs. 166.67 Cr. Of matching State share against 13th FC grants as loan with 0% interest.
- c) Rs. 166.67 Cr. Of Loan to GRIDCO for 1/3rd counterpart funding to FC Grant with 4% interest.
- d) Rs. 366.66 Cr. As budgetary support in shape of soft loan with 4% interest.

Loan of Rs. 666.67 Cr. Bearing 0% interest (SL 3.1 "a" & "b") may be considered for conversion in t grant after full utilization of the loan for the specified purpose and achievement of loss reduction target of 3% p.a.

GoO shall release funds to GRIDCO and GRIDCO in turn shall pass on the same to Distribution Companies on on-lending basis i.e. with the same terms and conditions based on which the funds are released to GRIDCO by the State Government.

The loan will be released in two equal instalments every year. The second instalment of State Government support in each year except the first year i.e. 2010-11 will be released only if the AT & C loss reduction target in the previous year is achieved and DISCOMs have arranged counterparts fund fore the CAPEX.

467. The repayment of loan shall be secured through payment security mechanism of escrow on receivables of DISCOMs from sale of power.

The loan will have a moratorium period of 05 (Five) years for repayment of principal as well as interest. The loan would be repaid by DISCOMs through GRIDCO in 15 (Fifteen) years starting from the 6th year i.e. from subsequent year following the expiry of the moratorium period.

The legal documents for State Government support will be made through two sets of agreement viz. one loan agreement between State Government & GRIDCO and another subsidiary loan agreement between GRIDCO & each DISCOM.

468. The DISCOMs under the CAPEX programme of Govt. of Orissa have projected to receive the funds due for 2010-11 by January & February, 2011. The table below shows the anticipated receipt and the repayment of Govt. Of Orissa CAPEX loan for FY 2010-11 & 2011-12 as filed in their ARR.

Table- 78

Rs. In Crore)

Govt of Orissa CAPEX Loan	WESCO	NESCO	SOUTHCO	CESU
Receipt from GoO				
FY 2010-11	58.50	63.00	61.50	117.00
FY 2011-12	78.00	84.00	82.00	156.00
Total Receipt from GoO	136.50	147.00	143.50	273.00
Counter part Funding				
FY 2010-11	10.00	12.38	5.75	86.00
FY 2011-12	39.00	29.62	41.00	100.00
Total Counterpart Funding	49.00	42.00	46.75	186.00

Note- The above anticipated loan covers both 0% and 4% rate of interest from Govt. of Orissa.

469. On scrutiny of their ARR's and further query it has been revealed that no amount towards the Govt. of Orissa CAPEX programme has been received by the licensees till date. However since Govt of Orissa is committed to the CAPEX program it is expected that the amounts due for FY 2010-11 would be received by March 31st 2011. As stipulated in the scheme, the loan will have a moratorium period of 05 (Five) years for repayment of principal as well as interest. The loan would be repaid by DISCOMs through GRIDCO in 15 (Fifteen) years starting from the 6th year i.e. from subsequent year following the expiry of the moratorium period.
470. Considering the fact that there would be no interest impact till the moratorium period of five years, Commission decides not to allow the interest on capex loan while approving the ARR for FY 2011-12.

Accelerated Power Development Reform Programme (APDRP)

471. Licensees in their filling have submitted that no amount has been estimated to be spent under APDRP scheme during the ensuing year FY 2011-12. The interest liability on APDRP has been considered on the adjusting loan only @ 12%.
472. The interest liability on loans from GoO & REC/PFC is computed on the basis of the actual expenditure of APDRP during the current year and balance expenditure to be incurred during the ensuing year. The DISCOMs have not projected any receipts on account of APDRP loan from GoO or REC/PFC during the years FY 2010-11 & 2011-12. They have already utilized the amounts received during the previous years. Accordingly, the loans availed and anticipated receipts along with approved interest for FY 2011-12 are tabulated below:

Table - 79

(Rs. crore)

APDRP	Funds availed upto FY 2009-10		Receipt during FY 2010-11 & 2011-12		Repayment during FY 2010-11 & 2011-12		Balance upto FY 2011-12		Interest due for FY2011-12		Total interest approved for FY 2011-12
	GoO	REC/PFC	GoO	REC/PFC	GoO	REC/PFC	GoO	REC/PFC	GoO	REC/PFC	
WESCO	5.48	8.14					5.48	8.14	0.66	1.10	1.76
NESCO	6.36	9.54				2.29	6.36	7.25	0.76	0.92	1.69
SOUTHCO	6.62	4.23			0.66	1.03	5.96	3.20	0.75	0.50	1.26
CESU	37.09	26.63				7.10	37.09	19.53	4.45	2.77	7.22

System Improvement Scheme:

473. WESCO and SOUTHCO have estimated to avail long-term loan of Rs.4.12 crores, and Rs.4.90 crores respectively during FY 2011-12 for funding the System Improvement Schemes and claimed the interest thereon in the total Revenue Requirement. In a reply to the query raised by the Director (Tariff), the licensees reported that they are yet to receive any amount on this account during the current year. Commission in the ARR allows interest on the loan amount availed up-to December of the current financial year along with the interest on continuing loan. Commission therefore allows the following interest on the continuing loan only under the System Improvement Scheme to WESCO, NESCO and SOUTHCO to be included in the revenue requirement for FY 2011-12 as indicated below:

Table - 80

(Rs Crores)

System Improvement scheme	Opening Balance as on 1.04.2010	Proposed Loan for FY 2010-11	Loan received from REC during FY 2010-11	Anticipated repayment during 2010-11	Balance as on 31.03.2011	Interest for FY 2011-12 (Approved)
WESCO	10.23	4.12			10.23	1.38
NESCO	9.74			0.81	8.93	1.23
SOUTHCO	9.65	4.90		0.80	8.85	1.19
CESU					0.00	Nil

Interest on Security Deposit

474. The Interest on security deposit is allowed by the Commission as per the OERC Distribution (Conditions of Supply Code) 2004. The said regulation provides that The Licensee shall pay interest on security deposit of the consumer at the Bank rate notified by RBI provided that the Commission may direct a higher rate of interest from time to time by notification in official gazette.
475. The prevailing bank rate as notified by RBI is 6% per annum. The Commission accordingly allows the interest at the rate of 6% on the closing balance on consumer's security deposit as on 31.03.2011 as shown in the table below:

Table - 81

(Rs.crore)

Interest on Consumer's Security Deposit	Proposed interest on Consumer's SD for FY 2011-12	Cosumer's Security as on 31.03.2011	Approved interest on Consumer's SD for FY 2011-12
WESCO	20.79	346.47	20.79
NESCO	14.26	237.74	14.26
SOUTHCO	4.93	77.55	4.65
CESU	18.39	306.37	18.38

476. **Interest to be Capitalised-** The Commission examined the item Interest during construction and observes that the Licensees have proposed to capitalize the interest on system improvement works only, Commission has allowed the Interest on system improvement works based on the actual loan drawal during the FY 2010-11. Further Licensees submitted to complete the System Improvement works during the FY 2011-12. Hence the Commission does not feel it necessary to adjust any amount towards interest during construction.

477. Accordingly the total interest on loan proposed by DISCOMs and approved by the Commission for FY 2010-11 is summarized below:

Table - 82
Total Annual Interest

(Rs. crore)

Loans of DISCOMs	WESCO			NESCO			SOUTHCO			CESU		
	Approved 2010-11	Proposed 2011-12	Approved 2011-12	Approved 2010-11	Proposed 2011-12	Approved 2011-12	Approved 2010-11	Proposed 2011-12	Approved 2011-12	Approved 2010-11	Proposed 2011-12	Approved 2011-12
World Bank loan	11.23	11.82	11.23	11.28	11.57	11.27	8.97	7.79	7.79	26.59	79.38	26.59
NTPC Bond – Differential amount		13.65			32.80			30.68			-	
Carrying Cost(NTPC bond and default in securitization obligation)		-			-			-			-	
APDRP Net of 50% grant (GoO)	0.66	0.66	1.76	0.76	0.76	1.69	0.73	0.72	1.26	4.45	9.91	7.22
REC/PFC		6.19			2.02			2.02			2.13	
(Counter Part Funding APDRP)	1.03			0.97			0.5			2.77		
SI Scheme	1.38	-	1.38	1.34	-	1.23	1.19	-	1.19		-	0
Interest on security deposit	19.47	20.79	20.79	12.21	14.26	14.26	4.02	4.93	4.65	15.56	18.39	18.38
Capex (REC)								5.67				
Gov of Orissa Capex Loan		2.86	0		3.08	0		10.6	0		2.81	0
Other interest and finance charges		9.52			5.00			4.49			-	
Total interest	33.77	65.49	35.16	26.56	69.49	28.45	15.41	66.90	14.89	49.37	112.62	52.19
Less Interest Capitalised		3.15			3.17			4.89			0	
Interest chargeable to revenue	33.77	62.34	35.16	26.56	66.32	28.45	15.41	62.01	14.89	49.37	112.62	52.19

Financing costs of short term loans/cash credits for working capital

478. The commission in its Order dated 28.02.2011 on MYT principles for the second control period (2008-09 to 2012-13) have set out principle for allowing Financing costs of short term loans/cash credits for working capital in the following manner:

The Commission during the first control period allowed Working capital as the shortfall in collection beyond the target set for collection efficiency minus amount approved towards bad and doubtful debt. DISCOMs have submitted to link the

interest on working capital to the prevailing Prime Lending Rate (PLR) for short term borrowing on SBI as on April 1st of the relevant year. DISCOMs further submitted that this cost should be considered as uncontrollable factor since financing cost is market driven and subject to interest rate fluctuation.

The Commission for the remaining years of the second control period has set collection efficiency of 99% for all the four DISCOMs in its Business plan order dated 20.03.2010. As per the principle in the LTTS order for first control period, the amount of working capital is the approved shortfall in collection minus amount approved towards bad and doubtful debt. For FY 2011-12 and 2012-13 the approved collection efficiency target is 99%. The remaining 1% would be treated as Bad and Doubtful debt. Hence there is no allowance for working capital for these years in the second control period. The Commission, therefore, do not consider any requirement towards working capital.

479. In view of the above principle of the MYT no financing on working capital is allowed to the DISCOMs in the ARR for FY 2011-12.

Depreciation

480. DISCOMs have calculated depreciation at Pre-92 rate on the up-valued asset base plus asset addition after 01.04.1996 for FY 2011-12. The depreciation amounts claimed by the four DISCOMs are given as under.

Table - 83

(Rs. in crore)

Year	WESCO	NESCO	SOUTHCO	CESU
FY 2011-12	33.27	51.16	20.25	88.74

481. The Hon'ble High Court in their judgement dated 28/02/2003 and 14/03/2003 in Misc Case No. 7410 and 8953 of 2002 have directed to calculate the depreciation on the pre-upvalued cost of assets at pre-92 rate on the Transmission and Distribution assets as on 01.4.96 apportioned amongst GRIDCO and DISCOMs. Regarding calculation of depreciation the Commission observed following in the RST order for FY 2009-10:

388. *The Commission has extensively dealt with the matter of calculation of depreciation in successive tariff orders and in the last tariff order for FY 2008-09 (para 399 to 406) considering the book value of the fixed asset as on 1.04.1996 at the pre-upvalued cost and subsequent asset additions thereof in later years. The Commission adopts the same principle for determination of depreciation for FY 2009-10.*

482. The four DISCOMs took over the distribution business from GRIDCO from 1.04.1999 onwards in their area of business. GRIDCO was earlier carrying out both the business of bulk supply and distribution for the period from 1.08.1996 to 31.03.1999. The year-wise asset addition for such period (1.08.1996 to 31.03.1999) is based on the audited accounts of GRIDCO. The asset addition thereafter from 1.04.1999 has been based on the audited annual accounts of the DISCOMs. For ascertaining the asset addition in case of WESCO, NESCO and SOUTHCO audited accounts upto FY 2009-10 are available with the Commission. In case of CESU audited accounts upto FY 2008-09 are available.
483. The gross book value as on 01.04.1996 and year wise asset addition thereafter till FY 2009-10 and during FY 2010-11 have already been discussed while calculating R&M

expenses and accordingly the position of assets as on 1.04.2011 has been depicted in the Table No. 70 under R&M expenses.

484. The depreciation is calculated on the approved asset base as on 1.04.2011 at Pre-92 rate in pursuance to the directive of the Hon'ble High Court. The classification of assets has been done proportionately based on the audited accounts and tariff filing submitted by DISCOMs. Accordingly, the Commission approves the following amount towards depreciation for the year 2010-11.

Table - 84

(Rs. in crore)

Year	WESCO	NESCO	SOUTHCO	CESU
Asset value as on 01.04.2011	552.09	749.21	397.53	921.65
Depreciation for FY 2011-12	20.83	28.44	15.06	34.57

Provision for Bad & doubtful debts

485. The WESCO, NESCO, SOUTHCO and CESU have proposed to consider the amount equivalent to the collection inefficiency as Bad and doubtful debts while estimating the ARR for FY 2011-12 which is shown in the table below:

Table - 85

(Rs. in crore)

Bad & Doubtful Debt FY 2011-12 (Proposed)	WESCO	NESCO	SOUTHCO	CESU
Proposed revenue billed (Rs. In Crores)	1557.93	1359.38	517.44	1786.05
Proposed Collection efficiency (%)	98%	98%	98%	99%
Proposed Collection inefficiency (%)	2%	2%	2%	1%
Proposed Bad and Doubtful debt (Rs. In Crores)	47.16	27.19	10.35	17.86

486. WESCO, NESCO & SOUTHCO in their filing, have submitted to employ AT&C loss as the bench mark for determination of ARR instead of the distribution loss target. They have further submitted that considering the past accumulated losses had huge liabilities it would be extremely difficult for them to arrange working capital finance to bridge the revenue gap, the revenue gap which would arise due to non recognition of collection efficiency in determination of tariff. Hence the gap between the billing and collection efficiency may be allowed as bad debt, since it is difficult for the licensee to arrange working capital fund.
487. From the above table it is revealed that the DISCOMs essentially propose to treat the entire uncollected amount beyond the collection efficiency as bad and doubtful debt. In other words the DISCOMs have assumed that there would be no collection of arrears and all such amount beyond collection efficiency level would be treated as bad and doubtful debt. The said proposal of the DISCOMs is unjust for the consumers as this would mean passing of the entire collection inefficiency of the DISCOMs through ARR. Further if any amount is not collected during a current financial year it may be collected in subsequent year. Hence entire uncollected amount cannot be treated as bad debt. It may be clarified that amount treated as bad and doubtful debt would represent the amount that may not be collected during the year in which bill is raised but some amount out of the amount may be collected in subsequent years/years.

488. The commission in its Order dated 28.02.2011 on MYT principles for the second control period (2008-09 to 2012-13) have set out principle for allowing bad and doubtful debt in the following manner:

The Business Plan order of the Commission in case nos. 41, 42 & 43 of 2007 & case no.22 of 2008 order dated 20.03.2010 have approved collection efficiency of 99% for FY 2011-12 and FY 2012-13 the balance two years of the control period. In light of these facts and submissions made thereof Commission in the remaining two years of the control period Commission shall allow on normative basis Bad and Doubtful debt of 1% of the total annual revenue billing in HT and LT sales only.

489. The Commission in line with the above quoted Order on MYT principles allows on normative basis Bad and Doubtful debt of 1% of the total annual revenue billing in HT and LT sales only. Hence the amount of Bad and doubtful debt as proposed by the DISCOMs and approved by the Commission for FY 2011-12 is summarized below:

Table – 86
Bad & Doubtful Debt FY 2011-12

(Rs. in Crore)

DISCOMs	Proposed FY2011-12		Approved FY2011-12		
	Revenue	Bad debt	Total Revenue	Revenue at HT and LT	Bad debt
WESCO	1557.93	47.16	2,199.30	1354.05	13.54
NESCO	1359.38	27.19	1,808.68	891.39	8.91
SOUTHCO	517.44	10.35	716.79	515.11	5.15
CESU	1786.05	17.86	2,384.80	1616.40	16.16

Truing Up for DISCOMs

490. WESCO, NESCO and SOUTHCO in their ARR application have proposed true up of revenue gap for FY 2009-10 based on the available audited accounts and Truing up for FY 2010-11 considering the variation in estimated revenue and expenses during FY 2010-11 beyond the control of the Licensee. The said proposal is given in the table below:

Table - 87

(Rs. in Crore)

Year	WESCO	NESCO	SOUTHCO
Revenue Gap for FY 2009-10	37.36	5.23	176.73
Revenue Gap for FY 2011-12	182.05	261.42	123.11

491. The Commission in last four successive tariff orders had undertaken truing up exercise of cost and revenue of DISCOMs based on audited accounts available with the Commission. The first truing up was taken in the RST order of 2007-08 wherein provisional true of ARR with audited accounts was done for the years FY 1999-2000 to FY 2005-06. Subsequently in the RST orders of FY 2009-10 further true up was extended upto the FY 2007-08 for WESCO, NESCO & SOUTHCO and upto FY 2006-07 for CESU. The Commission based on these provisional true up exercise has also been granting amortization of regulatory assets every year to the DISCOMs who have landed up with negative Regulatory Asset, while finalizing their ARR. Based on the earlier true up Commission has allowed in successive ARR, amortization of regulatory assets in the following manner:-

Table - 88**(Rs. in crore)**

Year	WESCO	NESCO	SOUTHCO	CESU
2006-07	-	41.36	31.91	
2007-08	-	41.36	31.91	43.23
2008-09	-	65.00		118.00
2009-10	-		19.00	151.00
Total amortization allowed		147.72	82.82	312.23

492. In the last RST Order for FY 2010-11 the Commission had undertaken Truing up exercise of cost and revenue of DISCOMs based on audited account available with the Commission. In such exercise audited accounts for WESCO, NESCO and SOUTHCO were available upto FY 2008-09 and in case of CESU audited account for 2007-08. In the meantime DISCOMs have submitted audited accounts for following years:

WESCO	-	FY 2009-10
NESCO	-	FY 2009-10
SOUTHCO	-	FY 2009-10
CESU	-	FY 2008-09

493. Accordingly truing up exercise of the DISCOMs has been taken upto the years of availability of audited account as indicated above. The principle followed for the current true up are the same as those have been adopted and described in the RST Order of FY 2010-11. (Para 475)

“475. As regards the principle for true up, Commission in its last RST order for FY 2009-2010 discussed about those principles. The relevant para 401 of the said order is reproduced below:

“401. The principles adopted for true up purpose are discussed in the following table:

Table -63

	FY-00	FY-01	FY-02	FY-03	FY-04	FY-05	FY-06	FY-07	FY-08
Power Purchase Cost	As per the audited accounts, power purchase costs accepted in full								
Distribution Losses	Audited Distribution losses accepted		Distribution losses as per Kanungo Committee filing		Benchmark losses as per the Business Plan order accepted for true-up				
Sales	As per Audited Accounts		Estimated, as per Actual Power purchase and D-Loss as filed by the DISCOMs		Estimated as per the Actual Power Purchase Costs and benchmark Distribution losses as per the Business Plan order				
Employee Cost	Allowed as per Audited actuals								
A&G Expenses	Allowed as per figures approved in the ARR								
R&M Expenses	Allowed as per Audited actuals								
Provision for bad and doubtful debt	Allowed as per figures approved in ARR.								
Depreciation	Allowed as per Audited actuals								
Interest chargeable to Revenue	Allowed as per Audited actuals								
RoE	Not considered as a part of true up								
Contingency reserve	Not considered as a part of true up								

494. In the said exercise WESCO & NESCO have landed with positive regulatory gap and SOUTHCO & CESU have negative regulatory gap. The summary of the truing up exercise is given below in a tabular form.

Table – 89
True up of DISCOMs **(Rs. in Cr.)**

	WESCO	NESCO	SOUTHCO	CESU
1999-00	(21.74)	(65.79)	(43.60)	(140.18)
2000-01	(50.78)	(53.43)	(50.59)	(84.93)
2001-02	8.80	(83.28)	(34.90)	(35.69)
2002-03	36.21	(21.92)	(18.49)	(69.05)
2003-04	48.08	(21.31)	(39.12)	(18.73)
2004-05	32.86	(64.90)	(86.51)	13.34
2005-06	123.32	54.67	4.75	(30.84)
2006-07	107.45	70.08	(20.76)	2.66
2007-08	149.15	84.76	40.32	53.79
2008-09	192.68	144.02	71.25	(9.90)
2009-10	245.89	168.97	(45.47)	-
TOTAL	871.93	211.85	(223.12)	(319.53)
Regulatory Assets allowed				
2006-07	0.00	41.36	31.91	0.00
2007-08	0.00	41.36	31.91	43.23
2008-09	0.00	65.00	0.00	118.00
2009-10	0.00	0.00	19.00	151.00
Total Regulatory Assets allowed	0.00	147.72	82.82	312.23
NET TOTAL	871.93	359.57	(140.30)	(7.30)

495. Detailed summary table of each DISCOM is also given below:

Table - 90

WESCO	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Total Gap
Gap in Revenue Requirement	(10.12)	(27.64)	23.22	(10.08)	65.57	(37.98)	(20.87)	57.05	168.79	(115.66)	67.88	
Gap in Revenue from Sale of Power	(11.88)	(53.41)	(10.76)	(14.72)	(65.79)	18.41	31.80	(16.48)	(19.69)	283.51	216.91	
Total Gap (for the year)	(22.00)	(81.05)	12.46	(24.80)	(0.22)	(19.56)	10.92	40.57	149.10	167.85	284.79	
Add: Approved gap in ARR allowed by the Commission	0.26	30.27	(3.66)	61.01	48.30	52.42	112.40	66.88	0.05	24.83	(38.90)	
Gap considered for True up	(21.74)	(50.78)	8.80	36.21	48.08	32.86	123.32	107.45	149.15	192.68	245.89	
Total Gap(+/-)												871.93
Regulatory Gap allowed in previous ARRs -	NIL											
Total Gap towards true up after allowing Regulatory assets (+/-)												871.93
Note: Since WESCO has positive Regulatory gap no regulatory asset is allowed for FY 2011-12												

Table - 91

NESCO	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Total Gap
Gap in Revenue Requirement	(35.25)	29.37	23.79	30.23	85.86	(53.10)	(3.50)	94.70	24.41	497.76	(45.94)	
Gap in Revenue from Sale of Power	(19.46)	(72.36)	(16.17)	(14.39)	(72.66)	7.39	80.48	(16.85)	60.28	(364.86)	214.54	
Total Gap (for the year)	(54.71)	(42.99)	7.62	15.84	13.20	(45.72)	76.98	77.86	84.69	132.90	168.60	
Add: Approved gap in ARR allowed by the Commission	(11.08)	(10.44)	(90.90)	(37.76)	(34.51)	(19.18)	(22.31)	(7.78)	0.07	11.12	0.37	
Gap considered for True up	(65.79)	(53.43)	(83.28)	(21.92)	(21.31)	(64.90)	54.67	70.08	84.76	144.02	168.97	
Total Gap(+/-)												211.85
Regulatory Asset allowed by the Commission in ARRs												
2006-07												41.36
2007-08												41.36
2008-09												65.00
Total Regulatory Assets allowed												147.72
Total Gap towards true up after allowing Regulatory assets (+/-)												359.57
Note: Since NESCO has positive Regulatory gap no regulatory asset is allowed for FY 2011-12												

Table - 92

SOUTHCO	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Total Gap
Gap in Revenue Requirement	16.97	14.13	29.51	40.23	36.86	(45.88)	37.38	29.87	5.19	(33.94)	(23.71)	
Gap in Revenue from Sale of Power	(34.66)	(33.61)	(11.28)	(45.34)	(26.65)	(6.36)	(17.02)	(5.31)	38.91	105.13	(22.44)	
Total Gap (for the year)	(17.69)	(19.48)	18.23	(5.11)	10.21	(52.24)	20.35	24.55	44.10	71.19	(46.15)	
Add: Approved gap in ARR allowed by the Commission	(25.91)	(31.11)	(53.13)	(13.38)	(49.33)	(34.27)	(15.60)	(45.31)	(3.78)	0.06	0.68	
Gap considered for True up	(43.60)	(50.59)	(34.90)	(18.49)	(39.12)	(86.51)	4.75	(20.76)	40.32	71.25	(45.47)	
Total Gap(+/-)												(223.12)
Regulatory Asset allowed by the Commission in ARRs												
2006-07												31.91
2007-08												31.91
2008-09												0.00
2009-10												19.00
Total Regulatory Assets allowed												82.82
Total Gap towards true up after allowing Regulatory assets (+/-)												(140.30)

Table - 93

CESU	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09		Total Gap
Gap in Revenue Requirement	(68.52)	(14.68)	7.23	34.52	76.00	28.82	(60.35)	(45.29)	(0.96)	(137.25)		
Gap in Revenue from Sale of Power	(50.14)	(54.29)	(32.91)	(201.63)	(102.30)	18.14	38.13	55.71	51.69	124.34		
Total Gap (for the year)	(118.66)	(68.97)	(25.68)	(167.11)	(26.30)	46.95	(22.22)	10.42	50.73	(12.91)		
Add: Approved gap in ARR allowed by the Commission	(21.52)	(15.96)	(10.01)	98.06	7.57	(33.61)	(8.62)	(7.76)	3.06	3.01		
Gap considered for True up	(140.18)	(84.93)	(35.69)	(69.05)	(18.73)	13.34	(30.84)	2.66	53.79	(9.90)		
Total Gap(+/-)												(319.53)
Regulatory Asset allowed by the Commission in ARRs												
2006-07												0.00
2007-08												43.23
2008-09												118.00
2009-10												151.00
Total Regulatory Assets allowed												312.23
Total Gap towards true up after allowing Regulatory assets (+/-)												(7.30)

496. WESCO, NESCO and SOUTHCO in Appeal No. 52, 53 & 54 of 2007 challenged the determination of Retail Supply Tariff in respect of the FY 2007-08 by the Commission before Hon'ble ATE. The Hon'ble ATE in its judgment dtd. 8th November, 2010 directed the following regarding truing up exercise and amortization of regulatory assets.

“37. (vi) The last issue is relating to the Truing up and amortization of regulatory assets. The truing up cannot be a process where the projections are compared with the projections. According to the Appellants, they had undertaken the audit of the past receivables as per the guidelines of the State Commission and submitted the same to the Commission in the month of March 2008. We, therefore, direct the State Commission to revisit this issue after taking into account the audit of the past receivables of the Appellants.”

497. The Commission has taken note of the observation made by the Hon'ble ATE in the said order while approving the ARR of Licensee for FY 2011-12. The Commission in this regard has however preferred Civil Appeal against the above judgement of the Hon'ble ATE before the Hon'ble Supreme Court in the appeal, CA no. D 4688 of 2011.

498. In this regard the Commission earlier observed the following in Para 478 of the RST Order for FY 2010-11.

“478. In line with the earlier order of the Commission holds the opinion that the outcome of the order on receivable audit has some bearing on the income of GRIDCO and hence decides to undertake final truing up exercise after the pronouncement of the final order on receivable audit for DISCOMs.”

499. The Commission in the mean time has pronounced the final order on receivable audit in Case No. 68, 69, 70 & 71 of 2007 dtd. 14.01.2011 and has directed following for compliance of DISCOMs.

“21. To summarise the Commission decides and directs as follows:

- i. The Commission decides in principle to consider the following receivable as bad debt completely:
 - (a) Receivables of all LD/ permanently disconnected consumers.
 - (b) Receivables of ghost consumers
- ii. Licensees are directed to furnish consumer-wise list of all LD, PDC and ghost consumers in a soft copy along with hard copy duly certified by concerned SDOs and respective auditors.
- iii. The list should be submitted to the Commission on or before 28.02.2011.
- iv. The final truing up exercise in respect of bad debt shall be carried out after the licensees submit the data within the scheduled date as stated above.”

500. As per the above direction of the Commission the DISCOMs were required to submit the requisite information by 28.02.2011. On the basis of receipt of such information the Commission would have decided on the quantum of non-recoverable amount for each DISCOM to be written off and finalization of the truing up exercise in the ARR for FY 2011-12 towards bad and doubtful debt. However no DISCOM has filed the requisite information within the date line given by the Commission. SOUTHCO has in-fact prayed for extension of time for submission of such information. In view of such a scenario the quantum of non-receivable up to 31st March, 2005 cannot be finalised in terms of the order of the Commission in this regard dated 14.01.2011 and therefore the truing up in this ARR is approved on provisional basis.

501. The Commission on the basis of the truing up exercise allows the amortization of Regulatory assets to SOUTHVO and CESU in the ARR of 2011-12 who have landed up with negative Regulatory Assets, in the following manner:

Table – 94

(Rs. Crore)

Year	WESCO	NESCO	SOUTHCO	CESU
Amortization of Regulatory Assets for FY 2011-12	Nil	Nil	35.00	7.30

Return on Equity

502. WESCO, NESCO and SOUTHCO in their ARR filing have submitted that due to negative returns(gaps) in their ARR and carry forward of huge Regulatory Assets in previous years, the Licensee could not avail the ROE over the years, which otherwise would have been invested in the company for improvement of the infrastructure. They have further submitted that the ROE to be allowed on the amount of the equity and the accrued ROE for the previous years.

503. The Commission in its Order towards approval of MYT principles for FY 2008-09 to 2012-13 have enunciated the return all share holder equity in the following manner:

The Commission observes that return on equity incentivises the investor for the equity infusion to the business. A return of 16% suitably covers the risk associated with the distribution business. The Commission after considering of all the facts would continue to allow 16% return on equity on the approved equity capital infusion. Adjustments on account for variations between the actual and approved values of equity capital shall be made in the ARR subsequently in truing up.

504. The Commission examined the audited annual accounts of WESCO, NESCO and SOUTHCO for FY 2009-10 and the account of FY 2008-09 in respect of CESU. The position of share capital (Equity Base) of each company as reflected in their aforesaid accounts is given below:

Table - 95

(Rs. in crore)	
Name of the Company	Share Capital (Equity Base)
WESCO	48.65
SOUTHCO	37.66
NESCO	65.91
CESU	72.72

505. From the audited accounts of WESCO, NESCO and SOUTHCO for FY 2009-10, it is revealed that there has been no infusion of owner's capital by the DISCOMs and the share capital initially invested while acquiring the distribution Licence by the Licensees remaining unchanged. The Commission thus allows a return of 16% on the equity base (share capital) in terms of MYT principles and approves following amounts against the proposed ROE:

Table - 96

(Rs. in crore)				
Particulars	WESCO	NESCO	SOUTHCO	CESU
Amount proposed by DISCOMs	9.03	12.33	8.11	11.64
Amount approved by the Commission	7.78	10.55	6.03	11.64

Miscellaneous receipts

506. The miscellaneous receipts proposed by the licensees for the FY 2011-12 against the approved for FY 2010-11 are given in the table below:

Table - 97

(Rs. in crore)				
	WESCO	NESCO	SOUTHCO	CESU
Amount approved for FY 2010-11	28.98	41.72	17.20	34.73
Amount proposed for FY 2011-12	20.58	24.31	6.50	20.27

507. The miscellaneous receipt of the DISCOMS is mainly on account of meter rent, commission for collection of ED, miscellaneous charges, interest on loans and advances, interest on bank deposit, DPS, over drawl penalty, supervision charges and other miscellaneous receipts. It is observed from the audited accounts that the actual miscellaneous receipts of DISCOMs is much more than the proposed receipts in the ARR. The audited accounts are available upto the year 2009-10 in case of WESCO, NESCO and SOUTHCO and upto FY 2008-09 in case of CESU.
508. The Hon'ble ATE in appeal No. 52, 53 and 54 of 2007 filed by WESCO, NESCO and SOUTHCO aggrieved over the approval of their ARR and for determination of Retail Supply Tariff in respect of FY 2007-08 have pronounced following judgement dated

8th November, 2010 with regard to issue of Miscellaneous Income. The extract of the same judgement is reproduced below:

“37. (iv) The next issue is relating to Miscellaneous Income. According to the Appellants, the cost of meters has not been included in the ARR as per the State Commission’s policy and therefore meter rent ought not be treated as revenue in the ARR. Similarly, it is disputed question as to whether the distribution licensee has right to retain Commission for collecting the electricity duty. Unless the Appellants are entitled to retain this Commission, the same should not be included in the projected revenue for the year. In our view, if cost of meters is not allowed in the ARR of the Appellants, the meter rent shall also not be included in the miscellaneous income of the Appellants. Also unless the Appellants are entitled to retain the Commission on collection of electricity Duty the income on the Commission ought not be included in the Miscellaneous income. Therefore, this point is answered in favour of the Appellants.”

509. The Commission has taken note of the observation made by the Hon’ble ATE in the said order while approving the ARR of Licensee for FY 2011-12. The Commission in this regard has however preferred Civil Appeal against the above judgement of the Hon’ble ATE before the Hon’ble Supreme Court in the appeal, CA no. D 4688 of 2011.

510. The position of miscellaneous receipts during the last two years of audited accounts available to the Commission is tabulated below:

Table - 98

(Rs. in crore)

Year	WESCO		NESCO		SOUTHCO		CESU	
	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2007-08	2008-09
Misc. Receipt	50.41	63.44	42.91	59.74	14.99	17.36	46.68	58.85
Less: DPS & OD penalty	17.51	22.73	6.41	10.55	0.96	0.71	4.1	14.48
Net Misc Receipt	32.90	40.71	36.5	49.19	14.03	16.65	42.58	44.37
Average Receipt	36.81		42.85		15.34		43.48	

511. Commission observes that the receipts under miscellaneous receipts are of fluctuating nature and the reasonable estimate of future receipts would be the analysis of past actual trends. The Commission thus estimates the average actual receipts for last two years audited accounts available to the Commission as the likely receipts during the ensuing year FY 2011-12 and which is calculated in the above table. The miscellaneous receipts thus approved by the Commission for FY 2011-12 are shown in the table below:

Table - 99

(Rs. in crore)

WESCO	NESCO	SOUTHCO	CESU
36.81	42.85	15.34	43.48

Revenue Requirement

512. In the light of above discussion, the Commission approves the revenue requirement of 2011-12 of four DISCOMs, as shown in **Annexure-A**.

513. A summary of the approved revenue requirement, expected revenue at the approved tariff for FY 2011-12 and approved revenue gap for FY 2011-12 by the Commission is given below:

Table - 100

(Rs. Crore)

DISCOM	Revenue Requirement FY 2011-12		Expected Revenue FY 2011-12		Gap (-)/Surplus(+)	
	Proposed	Approved	Proposed	Approved	Proposed	Approved
WESCO	2,230.35	2,182.96	1557.93	2,199.30	(-) 672.42	(+) 16.34
NESCO	2,125.23	1,790.48	1359.38	1,808.68	(-) 765.85	(+) 18.20
SOUTHCO	1,062.04	705.50	517.54	716.79	(-) 544.50	(+) 11.29
CESU	2,457.47	2,377.60	1786.05	2,384.80	(-) 671.42	(+) 7.20
Total	7875.09	7056.54	5220.90	7109.57	(-) 654.19	(+) 53.03

Treatment of Surplus Revenue and Revenue Gap

514. As shown in the table above the Commission has approved surplus to the tune of Rs.16.34 Cr, Rs.18.20 Cr, Rs.11.29Cr and Rs.7.20Cr to WESCO, NESCO, SOUTHCO and CESU respectively. The surplus revenue earned by WESCO, NESCO and CESU should be treated towards liquidation of past power purchase dues of GRIDCO. In case of SOUTHCO since they have landed up with negative true up amount of Rs.140.30 cr, the surplus revenue earned by SOUTHCO should be treated as Regulatory Assets to be liquidated against the said negative true up amount.

515. The Commission hereby directs that the surplus revenue in case of DISCOMs shall be maintained by the company in its own fund and shall not be utilised for any other purpose or shall not be transferred to any other account without specific approval of the Commission. Any surplus has to be utilized to clear the outstanding dues of the GRIDCO at the first instance as directed by the Commission's orders towards Escrow relaxation for DISCOMs discussed below:

516. The Commission vide its order dated 12.04.2010 read with order dtd. 01.01.2011 in Case No. 3/2010 and in its order dtd. 02.11.2010 in Case No.34/2010 have fixed the manner and order of priority for releasing fund to distribution companies by releasing

fund from Escrow account. Accordingly the GRIDCO is to allow escrow relaxation as indicated below:

“(A) From Current Revenue

a. *Current BST dues, current Transmission charges, SLDC charges and license fees payable by the Distribution Companies, the energy bill of DISCOMs in respect of direct power purchase from CGPs or other agencies if any.*

b. *Employees cost as approved by the Commission in this tariff order for FY 2010-11 and for subsequent years.*

c. *Monthly R&M expenditure as approved by the Commission in the tariff order for FY 2010-11 and for subsequent years.*

d. *The monthly obligation for repayment of principal and interest in respect of loan obtained/ to be obtained from the financial institutions for capex programme/system improvement.*

e. *Average monthly obligation of the defaulted arrear BST as approved by the Commission in the RST order for 2008-09 and 2009-10 and for the subsequent years, if any.*

f. *The balance amount towards arrear of BSP dues as approved in the securitization order of the Commission dated 01.12.2008.”*

(B) From Arrear Revenue

The collection to be made out of the arrear outstanding as on 01.4.2010 / beginning of the relevant financial year would be utilised in order of priority as indicated below:-

(i) *50% of the monthly arrear collection would be utilised towards payment of the balance arrear revised salary worked out up to 31.3.2009.*

(ii) *Balance 50% of the monthly arrear collection would be utilized towards arrear BST dues as approved in the securitization order dated 01.12.2008.*

517. This above direction of the Commission as indicated in para-516 towards escrow relaxation would be applicable for all the DISCOMs for FY 2011-12.

518. Further vide Order dtd. 01.01.2011 in Case No. 3/2010, the Commission gave the following direction:

“(iii) GRIDCO is directed to relax escrow towards repair and maintenance in each month to DISCOMs proportionately based on the figures approved in the ARR of 2010-11, considering the revenue deposited in escrow and the LC limit allowed by the banks to DISCOMs taken together. If the DISCOMs fail to draw the amount earmarked towards R&M for a quarter at the end of next quarter, the claim of DISCOMs will automatically lapse and the unutilized amount shall not be carried over to next period.

(iv) WESCO, NESCO and SOUTHCO should open letter of credit in the form prescribed by the bank and communicate the same to GRIDCO.

(v) In each month WESCO, NESCO and SOUTHCO should give the following statements to GRIDCO:

a. Amount of revenue collected

b. Amount deposited in escrow account

c. Amount paid to GRIDCO, OPTCL, SLDC

d. Amount drawn towards employees cost, R&M

e. Amount diverted from SOD account. Statement of arrear collection out of the amount outstanding at the beginning of the year and deposited in escrow account.”

519. The above order of the Commission as stated in Para in 518 is also applicable to all DISCOMs including CESU for the financial year 2011-12.

Receivables of GRIDCO from DISCOMs

520. GRIDCO in its filing submitted that during the current financial year the DISCOMs have not paid any amount towards arrear dues as directed by Hon'ble Commission in the BSP order dtd.20.03.2010 (Para No.486). The Commission has also directed DISCOMs in different tariff orders for payment of arrear dues by DISCOMs to GRIDCO, which have not been complied by all DISCOMs. Since, the amounts are considered in ARR of GRIDCO, the non-payment by DISCOMs has affected the finance of GRIDCO. The following table as filed by the GRIDCO indicates detailed position of arrear approved in ARR of different years vis-a-vis actual amount paid by DISCOMs

Table - 101

		WESCO	NESCO	SOUTHCO	CESU	Total
A.	Amount approved by Commission					
	2006-07	36.83	41.36	31.91	-	110.10
	2007-08	36.83	41.36	31.91	43.23	153.33
	2008-09	36.83	65.00	-	118.00	219.83
	2009-10	0.00	0.00	19.00	151.00	170.00
	Total:	110.49	147.72	82.82	312.23	653.26
B.	Amount paid by DISCOMs					
	2006-07	52.00	59.84	-	-	111.84
	2007-08	4.40	57.58	9.53	-	71.51
	2008-09	-	80.72	5.86	32.47	119.05
	2009-10	2.00	0.00	9.69	80.50	92.19
	Total:	58.40	198.14	25.08	112.97	394.59
	Default (B-A)	(-)52.09	+50.42	(-)57.74	(-)199.26	(-)258.67

521. In this regard the Commission observes that regarding securitization of outstanding dues the Commission in their Business Plan order dtd.20.7.2006 and in securitization order dated 01.12.2008 finalised the securitized amount as on 31.3.2005. The Commission considered this date as cut-off date since after such period the DISCOMs started paying 100% of current BST bill to GRIDCO in full without any default.
522. The securitization order of the Commission dtd.01.12.2008 finalized the following amounts as on 31.3.2005 to be discharged by the respective DISCOMs to GRIDCO in 120 monthly (maximum) equal installments starting from FY 2006-2007 and ending in 2015-16. This is shown in the table below:

Table - 102

(Rs. in crore)

A. Loan Balance	WESCO	NESCO	SOUTHCO	CESU
Principal	138.46	94.64	134.36	307.61
Interest	60.31	41.05	58.43	162.86
Sub-total (A)	198.77	135.69	192.79	470.47
B. Outstanding BST dues with DPS				
Opening balance as on 01.04.99	46.18	41.66	26.50	80.16
Arrear from 01.04.99 to 31.03.05	118.41	194.83	47.19	605.20
DPS on above	58.72	87.20	32.02	526.41
Sub-total (B)	223.31	323.69	105.71	1211.77
Grand Total (A+B)	422.08	459.38	298.50	1682.24

523. From the year 2006-07 to 2009-10, Commission in their RST order have determined the amounts over and above the current BST bills to be adjusted against the securitization of BST dues. Since the starting year of securitization is from the FY 2006-07, any excess amount paid by DISCOMs over and above 100% BST bill during 2005-06 and before shall be adjusted fully towards amortization of principals and interests of NTPC Bond. A statement showing the amount approved by the Commission in the ARR from 2006-07 to 2009-10 and the amount paid by the licensee over and above the 100% current BST bills, adjustment against the securitized amount, adjustment against NTPC Bond and balance default amount is given in Table below.

Table – 103

(Rs. in crore)

	WESCO	NESCO	SOUTHCO	CESU	Total
A. Amount approved by Commission					
2006-07	36.83	41.36	31.91	-	110.10
2007-08	36.83	41.36	31.91	43.23	153.33
2008-09	36.83	65.00	-	118.00	219.83
2009-10	0.00	0.00	19.00	151.00	170.00
Total:	110.49	147.72	82.82	312.23	653.26
B. Amount paid by DISCOMs (C+D)					
2006-07	52.00	59.84	-	-	111.84
2007-08	4.40	57.58	9.53	-	71.51
2008-09	-	80.72	5.86	32.47	119.05
2009-10	2.00	0.00	9.69	80.50	92.19
Total:	58.40	198.14	25.08	112.97	394.59
C. Amount to be adjusted against securitized dues					
2006-07	36.83	41.36	-	-	78.19
2007-08	4.40	41.36	9.53	-	55.29
2008-09	-	65.00	5.86	32.47	103.33
2009-10	2.00	-	9.69	80.50	92.19
Total	43.23	147.72	25.08	112.97	329.00
D. Amount to be adjusted against NTPC Bond					
2006-07	15.17	18.48	-	-	33.65
2007-08	-	16.22	-	-	16.22
2008-09	-	15.72	-	-	15.72
2009-10	-	-	-	-	-
Total	15.17	50.42	-	-	65.59
E. Default (A-C) in securitization amount					
2006-07	0.00	0.00	31.91	0.00	31.91
2007-08	32.43	0.00	22.38	43.23	98.04
2008-09	36.83	0.00	(-) 5.86	85.53	116.50
2009-10	(-) 2.00	0.00	9.31	70.50	77.81
Total	67.26	0.00	57.74	199.26	324.26

524. As revealed from the table above, except NESCO, all the three DISCOMs have not complied with the direction of the Commission on payment of outstanding dues mentioned in tariff orders of different years. These outstanding amount approved by the Commission in different tariff orders are to be adjusted against the total outstanding dues mentioned in para 20 of the securitisation order of 01.12.2008.

Commission, therefore, directs the defaulting DISCOMs to ensure payment of outstanding dues that falls short of the amount approved by the Commission in different years by the end of 2011-12 by taking systematic steps to collect the arrears outstanding as on 01.04.2010 and as on 01.04.2011.

525. Over and above the amount paid by the DISCOMs as mentioned in the above table, the following amounts resulting to downward revision in BST in 2007-08 as computed by GRIDCO are to be adjusted against securitized dues.

Table - 104
(Rs. Crore)

WESCO	88.31
NESCO	3.32
SOUTHCO	11.07
CESU	93.37
Total	196.07

526. Taking into consideration of the above amount a table showing dues as per OERC Order dtd. 01.12.2008 payment and adjustment made upto 31.03.2010 and balance amount outstanding as on 31.03.2010 is depicted below:

Table - 105

Sl. No.	Particulars	WESCO	NESCO	SOUTHCO	REL Total	CESU	Grand Total
1.	BST						
	OB 01.04.1999	46.18	41.66	26.50	114.34	80.16	194.50
	From 01.04.1999 to 31.03.2005	118.41	194.83	47.19	360.43	605.20	965.63
	Sub-Total	164.59	236.49	73.69	474.77	685.36	1160.13
2.	DPS on Above	58.72	87.20	32.02	177.94	526.41	704.35
3.	Loan						
	Principal	138.46	94.64	134.36	367.46	307.61	675.07
	Interest	60.31	41.05	58.43	159.79	162.86	322.65
	Sub-total	198.77	135.69	192.79	527.25	470.47	997.72
4.	Outstanding as on 31.03.2005 vide OERC Order dtd. 01.12.2008 (1+2+3)	422.08	459.38	298.50	1179.96	1682.24	2862.20
5.	Downward revision of BST in 2007-08 adjusted against securitized dues	88.31	3.32	11.07	102.7	93.37	196.07
6.	Payment by DISCOMs over and above the current BST from 2006-07 to 2009-10	43.23	147.72	25.08	216.03	112.97	329.00
(i)	2006-07	36.83	41.36	-	78.19	-	78.19
(ii)	2007-08	4.40	41.36	9.53	55.29	-	55.29
(iii)	2008-09	-	65.00	5.86	70.86	32.47	103.33
(iv)	2009-10	2.00	-	9.69	11.69	80.50	92.19
7.	Sub-Total (5 +6)	131.54	151.04	36.15	318.73	206.34	525.07
8.	Balance (4-7)	290.54	308.34	262.35	861.23	1475.90	2337.13

527. Therefore, the Commission reiterates that directions given vide order dtd.01.12.2008 relating to securitization of receivables of GRIDCO as on 31.03.2005 must be scrupulously followed by the DISCOMs.
528. As regards re-securitization of NTPC Bond the final decision will be taken after the pronouncement of the judgment of Hon'ble Supreme Court of India in this matter vide CA No.759/2007 and taking into account the recommendation of the Inter-Ministerial Committee.

DETERMINATION OF TARIFF (Para 529 to 575)

529. The determination of tariff by the Commission has been done after examination of all details based on the records submitted by the Licensees, written and oral representations of the objectors.
530. The electricity tariff in Orissa had not undergone any change in general from 01.02.2001 to 31.03.2010, except for changes in certain incentive schemes. This in turn means decline in tariff in real terms as the inflation effect has been absorbed in the efficiency gain achieved by the licensees to the benefit of all groups of consumers. In the last Tariff Order for FY 2010-11 the Commission has raised the tariff by 22.20% over and above the tariff of FY 2009-10. Similarly for ensuing year FY 2011-12 tariff has been raised by 19.74% also over FY 2010-11.

531. **The present tariff structure**

LT supply upto 100 KW/110 KVA

Kutir Jyoti consumers: Monthly Fixed Charge (Rs./Month)

Other classes of consumers:

- (a) Energy Charge (Paise/unit)
- (b) Monthly Minimum Fixed Charge (MMFC) (Rs./KW/ Month)

LT supply with connected load 110 KVA and above

- (a) Demand Charge (Rs./KVA)
- (b) Energy Charge (Paise/unit)
- (c) Customer Service Charge (Rs./Month)

HT Consumers

- (a) Demand Charge (Rs./KVA, Rs./KW)
- (b) Energy Charge (Paise/Unit)
- (c) Customer Service Charge (Rs./Month)

EHT Consumers

- (a) Demand Charge (Rs./KVA)
- (b) Energy Charge (Paise/Unit)
- (c) Customer Service Charge (Rs./Month)

532. Consumers covered under two-part tariff are not required to pay the MMFC but are to pay Demand Charge and Customer Service Charge. Consumers covered under single-part tariff and liable to pay MMFC will neither pay the Demand nor the Customer Service Charge.
533. In addition, certain other charges like power factor penalty/incentive, prompt payment rebate, meter rent, delayed payment surcharge, over drawal penalty/incentive, other

miscellaneous charges, etc. are payable in cases and circumstances mentioned in the later part of this order.

534. The details of charges applicable to various categories of consumers classified under OERC Distribution (Conditions of Supply) Code, 2004 are discussed hereafter.

Tariff for Consumers Availing Power Supply at LT

The consumers availing power supply at LT with CD less than 110 KVA has to pay MMFC and energy charges as described below:

535. The MMFC is payable by the consumers with contract demand less than 110 KVA supplied power at LT. This is intended to meet a component of the fixed cost incurred in the system for meeting the consumer's load and also to recover the expenses on maintenance of meter, meter reading, preparation of bills, delivery of bills, collection of revenue and maintenance of customer accounts.
536. The Commission decides that the existing rate of MMFC should continue for FY 2011-12 also, except LT Industrial (S) Supply and LT Industrial (M) Supply. Accordingly, the rates applicable to all such customers who are to pay MMFC are given below:

Table – 106

MMFC for LT consumers

Sl. No	Category of Consumers	Monthly Minimum Fixed Charge for first KW or part (Rs.)*	Monthly Fixed Charge for any additional KW or part (Rs.)
		Approved For FY 2011-12	
	LT Category		
1.	Domestic (other than Kutir Jyoti)	20	15
2.	General Purpose LT (<110 KVA)	30	25
3.	Irrigation Pumping and Agriculture	20	10
4.	Allied Agricultural Activities	20	10
5.	Allied Agro-Industrial Activities	80	50
6.	Public Lighting	20	15
7.	LT Industrial (S) Supply	80	35
8.	LT Industrial (M) Supply	100	50
9.	Specified Public Purpose	50	50
10.	Public Water Works and Sewerage Pumping <110 KVA	50	50

* When agreement stipulates supply in KVA this shall be converted to KW by multiplying with a power factor of 0.9 as per Regulation 2 (j) of OERC Distribution (Conditions of Supply) Code, 2004.

537. Some consumers with connected load of less than 110 KVA might have been provided with simple energy meters which record energy consumption and not the maximum demand. But the OERC Distribution (Conditions of Supply) Code, 2004, provides that "contract demand for loads of 110 KVA and above shall be as stipulated in the agreement and may be different from the connected load. Contract Demand for a connected load below 110 KVA shall be the same as connected load. However, in case of installation with static meter/meter with provision of recording demand, the recorded demand rounded to nearest 0.5 KW shall be considered as the contract

demand requiring no verification irrespective of the agreement. Therefore, for the purpose of calculation of Monthly Minimum Fixed Charge (MMFC) for the connected load below 110 KVA, the above shall form the basis. The licensees are directed to follow the above provision of Regulation strictly.

Energy Charge (Consumers with connected load less than 110 KVA)

Domestic

- 538. The Commission is aware of the paying capability of our BPL consumers. Therefore, the Kutir Jyoti consumers will only pay the monthly minimum fixed charge @ Rs.30/- per month for consumption upto 30 units per month. In case these consumers consume in excess of 30 units per month, they will be billed like any other domestic consumers depending on their consumption.
- 539. The Commission is also conscious of affordability of non-Kutir Jyoti consumers. Keeping this in view the Energy Charge for supply to domestic consumers availing low tension supply has been revised as follows:

<u>Domestic consumption slab per month</u>	<u>Energy charge</u>
Upto and including 50 Units	140 paise per unit
From 51 to 200 units	350 paise per unit
From 201 to 400 units	430 paise per unit
Balance units of consumption	480 paise per unit

- 540. In accordance with the provision under the OERC Distribution (Condition of Supply) Code, 2004, initial power supply shall not be given without a correct meter. **Load factor billing has been done away w.e.f. 1st April, 2004, as stipulated in the Commission’s RST order for FY 2003-04.** As such licensees are directed not to bill any consumer on load factor basis.

General Purpose LT (<110 KVA):

- 541. The Commission reviewed the existing tariff structure and decided to revise the existing rates and the revised rates are as follows:

Table -107

Slab	Existing Energy charge (P/U)	Revised Energy charge (P/U)
First 100 units	420	480
Next 200 units	530	590
Balance units	590	660

Irrigation Pumping and Agriculture

- 542. The Commission decides that the Energy Charge for this category will remain unchanged i.e. 110 paise per unit for supply at LT. Consumers in the irrigation pumping and agriculture category availing power supply at HT will pay 100 paise per unit.

Allied Agricultural Activities

- 543. After hearing the stakeholders the Commission decides not to revise the energy charge of this category since allied agricultural activities are very much related to agriculture. The Commission, therefore, decides that energy charge for allied agricultural activities shall be 120 paise per unit at LT and 110 paise per unit at HT.

Allied Agro-Industrial Activities

544. The Commission after careful consideration decides not to revise the tariff of this category and it shall be to 320 paise per unit at LT and 310 paise per unit at HT.
545. The estimated overall average cost of supply for FY 2010-11 for the State as a whole is 408.87 paise per unit. The Commission, in keeping with its objective of rationalisation of tariff structure by progressive introduction of a cost-based tariff, has linked the Energy Charge at different voltage levels to reflect the cost of supply. The following revised tariff structure has been adopted for all loads at LT except domestic, general purpose, irrigation pumping, allied agricultural activities and allied agro-industrial activities.

Voltage of Supply

LT

Energy Charge

480 paise per unit

The above rate shall apply to the following categories:

- 1) Public lighting
- 2) LT industrial(S) supply
- 3) LT industrial(M) supply
- 4) Specified Public Purpose
- 5) Public Water works and sewerage pumping < 110 KVA
- 6) Public Water works and sewerage pumping => 110 KVA
- 7) General Purpose => 110 KVA
- 8) Large Industries

Tariff for consumers availing power supply at LT with contract demand of 110 KVA and above are given hereafter.

Customer Service Charge at LT

546. The Commission examined the present level of Customer Service Charge being levied on the consumers with connected load of 110 KVA and above and decided to continue with the existing level of Customer Service Charge.

Table - 108

Category	Voltage of Supply	Customer Service Charge (Rs. per month)
Public Water Works (=>110KVA)	LT	30
General Purpose (=>110KVA)	LT	30
Large Industry	LT	30

Demand Charges at LT:

547. The Commission examined the existing level of Demand Charge of Rs.200/KVA/month payable by the consumers with a contract demand of 110 KVA and above. The Commission studied the Demand Charges for similarly placed consumers of other utilities. After examination of the details, the Commission has decided not to change the present rate of Demand Charge of Rs.200/KVA/month payable by the consumers with contract demand of 110 KVA and above which shall be payable in addition to the energy charge. This shall include Public Water Works and Sewerage Pumping, General Purpose Supply and Large Industry of contract demand of 110 KVA or more.

Voltage of Supply
LT (110 KVA & above)

Demand charge
Rs.200/ KVA/month

Tariff for HT & EHT Consumers

Customer Service Charge for consumers with contract demand of 110 KVA and above at HT & EHT:

548. All the consumers at HT and EHT having CD of 110 KVA and above are liable to pay customer service charge. This charge is meant for meeting the expenditure of the licensees on account of meter reading, preparation of bills, delivery of bills, collection of revenue and maintenance of customer accounts etc. The licensee is bound to meet these expenses irrespective of the level of consumption of the consumer. The customer service charges as existing hitherto remain unchanged as per details in the table below:

Table - 109

Category	Voltage of Supply	Customer service charge (Rs./month)
Bulk Supply (Domestic)	HT	Rs.250/- for all categories
Irrigation Pumping and Agriculture	HT	
Allied Agricultural Activities	HT	
Allied Agro-Industrial Activities	HT	
Specified Public Purpose	HT	
General Purpose (HT >70 KVA <110KVA)	HT	
HT Industrial (M) Supply	HT	
General Purpose (=>110KVA)	HT	
Public Water Works and Sewerage Pumping	HT	
Large Industry	HT	
Power Intensive Industry	HT	
Mini Steel Plant	HT	
Emergency Supply to CGPs	HT	
Railway Traction	HT	
General Purpose	EHT	Rs.700/- for all categories
Large Industry	EHT	
Railway Traction	EHT	
Heavy Industry	EHT	
Power Intensive Industry	EHT	
Mini Steel Plant	EHT	
Emergency Supply to CGPs	EHT	

Demand Charge for consumers with contract demand of 110 KVA and above at HT & EHT

549. The Commission examined the existing level of Demand Charge of Rs.200/KVA/month payable by the consumers with a contract demand of 110 KVA and above. The Commission studied the Demand Charges for similarly placed consumers of other utilities. After thorough examination, the Commission has decided not to change the present rate of Demand Charge of Rs.200/KVA/month payable by the consumers with contract demand of 110 KVA and above. The class of consumers and the voltage of supply to whom this charge shall be applicable are listed below.

HT Category

General Purpose (=>110 KVA)

Public Water Works and Sewerage Pumping

Large Industry

Power Intensive Industry

Mini Steel Plant

Railway Traction

EHT Category

General Purpose

Large Industry

Railway Traction

Heavy Industry

Power Intensive Industry

Mini Steel Plant

550. Consumers with contract demand 110 KVA and above are billed on two-part tariff on the basis of reading of the demand meter and the energy meter. They are also allowed to maintain loads in excess of their contract demand. The Demand Charge reflects the recovery of fixed cost payable by the consumers for the reservation of the capacity made by the licensee for them. To insulate the licensee from the risk of financial uncertainty due to non-utilisation of the contracted capacity by the consumer it is necessary that the consumer pays at least a certain amount of fixed cost to the licensee. To arrive at that cost the Commission studied the pattern of demand recorded by the demand meters of all such consumers of the licensee for the period from April, 2010 to September, 2010. The Commission after taking into consideration this aspect has decided that **the existing method of billing the consumer for the Demand Charge on the basis of the maximum demand recorded or 80% of the contract demand, whichever is higher should continue.** The method of billing of Demand Charge in case of consumers without a meter or with a defective meter shall be in accordance with the procedure prescribed in OERC Distribution (Conditions of Supply) Code, 2004. Again in case of statutory load restriction the contract demand shall be assumed as the restricted demand.
551. As per the OERC Distribution (Conditions of Supply) Code, 2004, for contract demand above 70 KVA but below 555 KVA, supply shall be at 3-phase, 3-wire, 11 kV. However, these consumers connected prior to 01.10.95 may be allowed to continue to receive power at LT. But there are some consumers in the category of Domestic, Irrigation Pumping, Allied Agricultural Activities, Allied Agro-Industrial Activities, Specified Public Purpose, General Purpose (>70 KVA <110KVA) and HT Industrial (M) Supply who have availed power supply at HT. **For such types of consumers the Commission has decided to allow the existing Demand Charges to continue except for Bulk Supply Domestic, General purpose (>70 KVA <110KVA) and HT Industrial (M) Supply consumers.** Accordingly, the rates applicable to all such customers who are to pay demand charges are given below:

Table - 110

Category	(Rs./KW)
Bulk Supply Domestic	15
Irrigation pumping	30
Allied Agricultural Activities	30
Allied Agro-Industrial Activities	50
Specified public purpose	50
General purpose (>70 KVA <110KVA)	150
HT Industrial (M) Supply	150

552. However, the billing demand in respect of consumers with Contract Demand of less than 110 KVA having static meters should be the highest demand recorded in the meter during the Financial Year irrespective of the Connected Load, which shall require no verification.

Energy Charge for consumers with contract demand of 110 KVA and above

553. The Commission, aiming at rationalisation of tariff structure by progressive introduction of a cost-based tariff, has set the Energy Charge at different voltage levels to reflect the cost of supply. While determining Energy Charge, the principle of higher rate for supply at low voltage and gradually reduced rate as the voltage level goes up has been adopted. The existing tariff structure has been revised for all loads of 110 KVA and above as follows:

Voltage of supply

Energy Charge

HT

475 paise per unit

EHT

470 paise per unit

554. However, the Commission has made certain exceptions to the above provisions in respect of Domestic, Irrigation Pumping, Allied Agricultural Activities and Allied Agro-Industrial Activities consumers availing power at HT. Similarly, Emergency supply to CGPs and Colony consumption at both HT and EHT level have also been exempted.

HT Supply for Irrigation pumping, Allied Agricultural Activities and Allied Agro-Industrial Activities Consumers

555. With a view to avoid steep rise in tariff in respect of Irrigation pumping, Allied Agricultural/Agro-Industrial Activities availing power at HT and for encouraging Agro-Industrial growth, the Energy Charge is fixed for them as follows:

Category

Energy Charge

Irrigation Pumping

- 100 paise per unit

Allied Agricultural Activities

- 110 paise per unit

Allied Agro-Industrial Activities

- 310 paise per unit

Industrial Colony Consumption

556. Since the purpose of incentive scheme is to encourage higher consumption by the EHT & HT consumers, the Commission after reviewing the scheme, directs that, the units consumed for the colony shall be separately metered and the total consumption shall be deducted from the main meter reading and billed at 450 paise per unit for supply at HT and 440 paise per unit at EHT. For the energy consumed in colony in

excess of 10% of the total consumption, the same shall be billed at the rate of Energy Charge applicable to the appropriate class of industry.

Emergency power supply to CGPs/Generating stations

557. Industries owning CGPs/ Generating Stations have to enter into an agreement with the concerned DISCOMs subject to technical feasibility and availability of required quantum of power/energy in the system as per the provision under the OERC Distribution (Condition of Supply) Code, 2004. For them, (i) a flat rate of 640 paise/kwh at EHT and (ii) 650 paise/kwh at HT would apply. If on verification it is established that SMD of DISCOMs has increased because of overdrawl by the CGP, Demand Charge @Rs.200/KVA shall be payable over the excess of contract demand for that industry in addition to the energy charges in case of (i) & (ii) above.

Peak and off-peak tariff

558. Section 62(3) of the Electricity Act, 2003 mandates as follows:

“The Appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.”

559. Further, in accordance with the provision of para 7(a) (i) of OERC (Terms and Conditions for Determination of Tariff) Regulation, 2004, a differential tariff for peak and off-peak hours is essential to promote demand side management. The Commission would encourage the distribution licensee to move towards separate peak and off-peak tariffs. Accordingly, the Commission decides that off-peak hours for the purpose of tariff shall be treated from 12 Midnight to 6.00 AM of the next day. Three-phase Consumers barring those mentioned below having static meters, recording hourly consumption with a memory of 31 days and having facility for downloading printout drawing power during off-peak hours shall be given a discount at the rate of 10 paise per unit of the energy consumed during this period. This discount, however, will not be available to the following categories of consumers.

- i) Public Lighting Consumers
- ii) Emergency supply to captive power plants

560. The load curve of the Orissa Power system indicates wide variation between peak and off peak hours. One significant finding is the ratio between off peak load and peak load of the Orissa system. Ordinarily, ratio of 1.2:1 between peak to off peak appears to be ideal indicating very effective utilization of the existing capacity. This ratio in the Orissa system is much higher than this for all the months of the year. Higher demand at peak load means high loss. Tariff structure shall encourage shifting of loads from peak hours to off peak hours. This may be possible either through bonus or penalty mechanism subject to availability of static meter with TOD facilities. In the present tariff structure there is a provision of reduced tariff in the off peak hour as an incentive. There is no disincentive for drawl at peak hours.

Incentive for improvement in power factor

561. The Commission decides that incentive for maintenance of high power factor shall be given as a percentage of the monthly Demand Charge and Energy Charge and shall be applicable to the HT/EHT consumers who are liable to pay power factor penalty. **The**

rate of this incentive will be 1% for every 1% rise above the PF of 97% upto and including 100% on the monthly Demand Charge and Energy Charge. All leading power factor drawal for incentive purpose will be deemed to be unity power factor.

Power Factor Penalty

562. The Commission also orders for continuance of the power factor penalty as a percentage of monthly Demand Charge and Energy Charge on the following HT/EHT categories of consumers:

- (i) Large Industries
- (ii) Public Water Works (110 KVA and above)
- (iii) Railway Traction
- (iv) Power Intensive Industries
- (v) Heavy Industries
- (vi) General Purpose Supply
- (vii) Specified Public Purpose (110 KVA and above)
- (viii) Mini Steel Plants
- (ix) Emergency supply to CGP

Rate of Power Factor Penalty:

- i) 0.5% for every 1% fall from 92% upto and including 70% plus
- ii) 1% for every 1% fall below 70% upto and including 30% plus
- iii) 2% for every 1% fall below 30%

There shall not be any power factor penalty for leading power factor determined through meter.

Other Charges

The Commission authorises levy of other charges by the licensees as given below:-

Over drawl during off peak hours

563. As per the existing tariff provisions, there is no penalty for overdrawal during off-peak hours upto 120% of the contract demand. The off-peak hours is defined as 12 Midnight to 6 AM of the next day. However, any consumer overdrawal during hours other than off-peak hours shall not be eligible for overdrawal benefit during off-peak hours. In case of Statutory Load Regulation deemed contract demand shall be the restricted contract demand.

Penalty for overdrawal of power above the contract demand

564. The existing rate of penalty, however, will continue for overdrawal during hours other than the off-peak hours and off-peak hours.

Metering on LT side of Consumers Transformer

565. As per Regulation 54 of OERC Distribution (Conditions of Supply) Code, 2004 Transformer loss, as computed below has to be added to the consumption as per meter reading.

Energy loss = $(730 \times \text{rating of the transformer KVA}) / 100$.

Loss in demand = 1% of the rating of the transformer in KVA (for two part tariff)

Incentive for prompt payment

566. The Commission examined the existing method of incentive and its financial implications. The Commission has decided to grant incentive for early and prompt payment as below:

- a) A rebate of 10 paise/unit shall be allowed on energy charges if the payment of the bill (excluding all arrears) is made by the due date indicated in the bill in respect of the following categories of consumers.

LT: Domestic, General purpose <110 KVA, Irrigation Pumping and Agriculture, Allied Agricultural Activities and LT Industrial (S), Public Water Works and Sewerage Pumping.

HT: Bulk supply Domestic, Irrigation Pumping and Agriculture, Allied Agricultural Activities, General purpose >70 <110 KVA, Public Water Works and Sewerage Pumping.

- b) Consumers other than those mentioned at para 'a' above shall be entitled to a rebate of 1% (one percent) of the amount of the monthly bill (excluding all arrears), if payment is made within 3 working days of presentation of the bill.

567. Special Rebates

- (a) All Swajala Dhara consumers shall get 10% special rebate on total bill (except electricity duty and meter rent) in addition to other rebates they are otherwise eligible if the electricity bill is paid within the prescribed due date of normal rebate.
- (b) All consumers in "Take or Pay" tariff shall get 5% rebate in total electricity bill (except electricity duty and meter rent) in addition to normal rebate they are otherwise eligible.
- (c) All consumers in Own Your Transformer (OYT) Scheme shall get 10% rebate on respective tariff category on the total electricity bill (except electricity duty and meter rent) for paying the bills within stipulated period in addition to the normal rebate the consumer is otherwise eligible.
- (d) All LT domestic consumers and HT bulk supply domestic consumers in the Municipal and NAC limits shall be allowed rebate of 10 paise per unit in electricity consumption subject to ceiling of Rs.50 per month in addition to other rebate he is otherwise eligible for installation and use of roof top solar water heating system of minimum capacity of 100 liters per household after due verification by the licensee.

Delayed Payment Surcharge

568. The Commission has examined the present method and rate of DPS and has decided that if payment is not made within the due date, Delayed Payment Surcharge shall be charged for every day of delay at 1.25% per month on the amount remaining unpaid (excluding arrears on account of DPS) in respect of categories of consumers as mentioned below:

- i) Large industries
ii) LT/HT Industrial (M) Supply
iii) Railway Traction
iv) Public Lighting
v) Power Intensive Industries

- vi) Heavy Industries
- vii) General Purpose Supply ≥ 110 KVA
- viii) Specified Public Purpose
- ix) Mini Steel Plants
- x) Emergency supply to CGP
- xi) Allied Agro-Industrial Activities
- xii) Colony Consumption

Reconnection Charge:

569. The Commission decides to allow the existing re-connection charges to continue.

Table - 111

Category of Consumers	Rate Applicable
Single Phase Domestic Consumer	Rs.75/-
Single Phase other consumer	Rs.150/-
3 Phase line	Rs.300/-
HT & EHT line	Rs.1500/-

570. The rate of tariff as determined above is reflected in **Annexure-B**.

Rounding off of consumers billed amount to nearest rupee

571. The Commission directs for rounding off of the electricity bills to the nearest rupee and at the same time directs that the money actually collected should be properly accounted for.

Charges for Temporary Supply

572. The tariff for the period of temporary connection shall be at the rate applicable to the relevant consumer category. Connection temporary in nature shall be provided as far as possible with pre-paid meters to avoid accumulation of arrears in the event of dismantling of the temporary connection etc.

New Connection Charges for LT

573. The Commission direct that prospective small consumers requiring new connections upto and including 3 KW load should pay a flat charge of Rs.1000/- as well as processing fee of Rs.25/- excluding security deposit as applicable towards new connection charges. This is intended to do away with the vexatious practice of preparation of estimate in respect of small consumers. In those cases preparation of estimate is not required to avoid unnecessary delay. The flat charge of Rs.1000/- includes inspection fees but does not include processing fees of Rs.25 and security deposit as applicable.

Fuel Surcharge Adjustment Formula

574. The Commission has already prescribed a fuel surcharge adjustment formula for the distribution licensees in the OERC (Conduct of Business) Regulations, 2004, which shall continue to be valid.

Effective date of Tariff

575. The revised tariff schedule shall be made effective from 01.04.2011. The Commission has received a number of suggestions/objections that a billing cycle do not fall on the first day of the month. Pro-rata concession of previous tariff should be given in the first month (April) of the electricity bill of the ensuing tariff period. DISCOMs opined that in order to have pro-rata adjustment, they have faced a lot of procedural

difficulties for such a large number of domestic and commercial consumers and request the Commission for direction on simplified procedure. The Commission is of the view that the DISCOMs raises the bill on the basis of meter reading for which the consumer has already availed the consumption of electricity. In order to simplify the procedure, we stipulates that if the metering and billing date falls within 15th of April'11 (including 15th), the bill for the consumers will be prepared on pre-revised rate i.e. tariff applicable for the FY 2010-11. If the billing and metering date falls on or after 16th of April, 2011 the bill will be prepared at the revised tariff rate i.e. Tariff applicable for 2011-12. The DISCOMs should ensure that the billing cycle of any consumer should not be disturbed due to the above stipulations.

DIRECTIVES OF THE COMMISSION ON VARIOUS ISSUES (Para 576 to 642)

Maintenance of Distribution System:

576. The Commission in para 566 of ARR and Retail Supply Tariff for FY 2010-11 has stipulated as under :

“The licensees are required to comply with the directions of the Commission as well as the long-term and short-term recommendations of the enquiry teams. As reported, the licensees have complied some of the recommendations and also taken up some long term recommendations of the enquiry committees as system improvement measure. Hence, the Commission will continue to engage a team of professionals for carrying out technical audit on status of the compliances to the recommendations/directions with reference to the aforesaid enquiries during the financial year 2010-11.”

577. The Commission feels that the present unsatisfactory conditions of the power supply has arisen because of poor maintenance and lack of monitoring of performance of various elements of the distribution system. The Commission is receiving the reports of poor quality of supply mainly because of failure of lighting arrestors, Insulators, Circuit Breakers and jumpers.

578. In respect of distribution licensees, the Commission had also engaged teams of independent experts to enquire into the maintenance of Distribution lines & S/Ss under different electrical circles of CESU, SOUTHCO, WESCO & NESCO.

Summary of some of the recommendations made by the Enquiry Team on distribution system:

Provision of lightning arrestors/replacement of damaged one in all S/Ss.

- Regular measurement of earthing at every locations and proper record keeping.
- Regular checking of connectors and joints.
- Replacement of worn out arcing AB switches.
- Operation of all breakers and their mechanism must be checked at least once in a month.
- Daily checking of Battery electrolyte specific gravity. Cell tester and Hydrometers must be made available at all 33/11 kV S/S.
- Proper fencing and compound walls should be provided in all S/Ss for safety & security.

- Long, overloaded 11 kV feeders should be provided with intermittent S/Ss.
- Load balancing, pruning of tree branches, replacement of damaged insulators & lightning arrestors.

In addition to that, the Commission has also directed that

“The Licensee should choose one 33/11 kV S/S in each division at a time and make it fully equipped with all necessary equipments so that it meets load without overloading with improved voltage condition to set an example for other to follow. Thereafter, the Licensee should concentrate on another S/S and so on to improve all the S/Ss available in its area of operation”.

579. DISCOMs are furnishing the compliance reports with respect to aforesaid enquiries and the Commission is monitoring it regularly. Although most of the short term recommendations have been attended to, still a number of long term recommendations are yet to be complied. Hopefully, DISCOMs shall complete the pending works in recent future anyway latest by 31.03.2012, in order to extend quality & reliable power to their consumers. The supply situation will definitely further improve after implementation of the recommendations and execution of investment proposals approved by the Commission under system improvement and CAPEX programmes which can be seen at the annexed part containing features both for OPTCL & DISCOMs.

Evaluation of the Standards of Performance of Electricity Distribution Companies Licensees):

580. The Distribution Licensees are furnishing to the Commission the level of performance achieved by them in periodic manner. The Commission is making publication of such information furnished by the Distribution Licensees under Section 59 (2) of the Electricity Act, 2003. The Commission now has decided that before publishing such information for 2009 onwards, it shall conduct third party auditing of such information in order to cross check the authenticity of the licensees submission through independent expert/agencies. In the mean time, the Commission has amended the OERC (Licensee’s Standard of Performance) Regulation, 2004 and has empanelled a panel of firms/experts willing to carry out such work. Further, the empanelled groups have been asked to furnish their quotation based on the information memorandum and financial bid documents prepared by the Commission’s staff. The process is going on and the 3rd party audit shall start early.

Monitoring the quality of Power Supply and Standards of Performance:

581. The Commission has noted that the quality of power supply to the consumers is allegedly poor and there are frequent complaints from the consumers about the poor Standard of Performance. The matter was discussed in the SAC Meeting and a Monitoring Committee was formed with three members of SAC, two officials from OERC, Govt. Representative and the senior officials from the Transmission and Distribution utilities. The Committee has adopted one section each of the DISCOMs (Balikuda, Kanisi, Kamarda and Badagaon of CESU, SOUTHCO, NESCO & WESCO respectively) for turning them into model sections. With the above objectives, the committee members visited the sections to have a first hand assessment of the present status. The DISCOMs have submitted their requirements for the sections to the Committee.

582. It has also been advised that while attempting to turn around the sections into model one, there should be no attempt to incur extravagant expenditure on material, manpower or other resources so as to reap maximum benefit out of least possible cost. The DISCOMs have been advised to look into the area of distribution automation, improved staff mobility & communication and new technological interventions to optimize the use of the existing manpower. They were also requested to fill up the vacant posts with technically qualified manpower and resort to temporary outsourcing wherever required and to review the final requirement after completion of the exercise. The Commission has also directed DISCOMs to stick to the time line and complete the recommended works, which is non-negotiable agenda to show-case model section. Simultaneously action plan of other sections for pre-assessment of overall requirements be prepared and taken up concurrently by DISCOMs suo motu, based on the findings from the areas selected by the Monitoring Committee.

Payment of Compensation to the consumers.

583. OERC (Licensees Standard of Performance) Regulation, 2004 has specified that the licensees should pay compensation to the consumers on default of rendering service to them within the stipulated time period. As reported by the licensee, only CESU has paid compensation of Rs.18700.00 to one of the consumer Smt. Sarojini Satpathy after intervention of GRF and vetted by the Ombudsman and the Hon'ble High Court. No other compensations have not been reportedly paid by any licensees. The licensees are hereby directed to strictly adhere to the principle set in the Standard of Performance Regulation in the matter of Payment of Compensation.

584. **Other Initiatives for framing of Regulations/ Amendments to existing Regulations.**

- (i) Finalisation of OERC (Renewable Purchase Obligation and its Compliance) Regulations, 2010:

In accordance with the provisions under Section 861(e) read with Section 61(h), 86 of the Electricity Act, 2003, the Commission, for promotion of co-generation and generation of electricity from renewable sources of energy has framed OERC (Renewable Purchase Obligation and its Compliance) Regulations, 2010. The said Regulations has been framed to provide suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of Electricity from such sources, a percentage of total consumption of electricity in the area of a distribution licensee. The Commission after hearing on 06.07.2010 and considering the views of the stake holders, public and taking into account the relevant provisions of the Electricity Act, 2003, stipulations of National Tariff Policy, recommendations of NAPCC/FOR/CERC has finalized the Regulations on Renewable and Co-generation Purchase Obligation. The aforesaid approved Regulation has been sent on 19.11.2010 for publication in the Extraordinary Orissa Gazette. The Commission has also designated Orissa Renewable Energy Development Agency (OREDA) as State Agency for registration and to undertake functions under OERC (Renewable and Co-generation Purchase Obligation and its Compliance) Regulations, 2010.

- (ii) Regulations on Demand Side Management (DSM)

The Commission is mandated under Section 23, 42(1), 61 and 86 (2) of the Electricity Act to maintain efficient system of supply using economically the

resources with optimum investment etc. Clause 5.9.2, 5.9.4 and 5.9.6 of the National Electricity Policy envisages adoption of Demand Side Management, Energy conservation measures and load management techniques. As per the National Electricity Policy, the Regulatory Commission, among other things, is required to ensure adherence to energy efficiency standards by utilities. Hence, in exercise of the powers conferred by Clause (zp) of sub-section (2) of Section 181 of the Electricity Act, 2003, the Commission has framed a draft Orissa Electricity Regulatory Commission (Demand Side Management) Regulations, 2011. In this regard, a consultative paper on Demand Side Management has also been prepared. The proposed Regulations and Consultative paper has been sent to the stake holders to offer their views/opinions. The same is also available in the Commission's website: www.orierc.org for information of all concerned. The suggestions received in this regard are under active consideration and the Commission shall take appropriate action for publication of the said Regulation in the official gazette.

Safety measures and Inspection of electrical installations thereof:

585. The Commission has been receiving inputs from media and enquiry reports of the CEI (T&D), GOO that electrical accidents are happening frequently in almost all areas under different DISCOMs leading to death & damage to property. Most of the accidents are due to the snapping of conductors and non-tripping of the feeders because of absence of breakers or the required protection arrangement. Some accidents have also occurred due to non-adherence to safety rules and lack of proper use of safety gadgets by the employees of DISCOMs. Moreover, it appears that the increasing trends in electrical accidents are mainly due to unsafe operation, non adherence to safety rules and absence of statutory inspections by the Electrical Inspectorate (either due to non-payment of inspection fees by the DISCOMs or due to lack of timely inspection by the inspectorate). The statistics available on year wise accident details in the State, submitted by the Electrical Inspectorate, during the meeting on 01.03.2011 (shown hereunder), also establishes that the electrical accidents are increasing during the last 5 years.

Table - 112

Year	Year wise Accident Details in the State							
	No. of Accidents Reported			No. of Human being Electrocuted			No. of Animal Electrocuted	No. of Accidents Enquired
	Fatal	Non-Fatal	Total	Death	Injured	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2005-06	107	41	148	102	43	145	24	15
2006-07	108	33	141	90	33	123	48	18
2007-08	135	32	167	93	34	127	90	28
2008-09	165	30	195	120	33	153	102	22
2009-10	166	34	200	135	38	173	78	19
2010-11 (11/10)	160	53	213	116	64	180	138	52
Total	841	223	1064	656	245	901	480	154

586. The Commission have sometimes analyzed some of the report on Electrical Accidents furnished by the CEI(T&D). The following are the primary reasons for continued happening of the accidents.
- (2) The safety measures/provisions under the Electricity Act, 2003, I.E. Rules, 1956 etc are being repeatedly flouted by the suppliers and the general public.
 - (3) Persons having no licensing certificate of competency are allowed to do works on electrical systems.
 - (4) Safety equipments are rarely used.
 - (5) Proper line clearance is not taken.
587. It is generally being felt that all stakeholders should be sensitized to their duties and responsibilities under the statute to minimize such accident, loss of life and damages to property. The Commission feels that though there is no express provision for advance payment of inspection fees by suppliers but there is also no prohibition of such deposit in advance for statutory inspection required for safe operation of the distribution system. In order to have a control over the increasing trend in electrical accidents, the Commission decides to earmark a certain amount towards inspection fees out of the total provision under A&G in the ARR of 2011-12 towards inspection fees for inspection of critical electrical installations of the distribution network by making proper prioritization of inspection taking into account the vulnerability to electrical accidents.
588. It is expected that all stakeholders including the Distribution Licensees, Electrical Inspectorate etc. shall take all precautions to keep the establishments in order and follow the the Rules & Regulations framed in this regard scrupulously and also to sensitise the general public so that the electrical accidents are minimized.
589. Taking all the above facts in to consideration, the Commission hereby directed as hereunder:
- The DISCOMs should identify the critical distribution network for inspection on urgent and priority basis and accordingly deposit the inspection fees in advance out of the fund earmarked under inspection fees which forms a part of the A&G expenses approved by the Commission in the ARR of the respective years. To start with Commission provides Rs.23 Crore (.Rs.5.00 Crore for each of the three Reliance Managed Distribution Companies and Rs.8.00 Crore for CESU) for inspection fees for the year 2011-12 for enabling the DISCOMs to prioritize the inspection of critical electrical installations keeping in view their vulnerability to accidents.
 - DISCOMs should appoint Electrical Safety Officers, in terms of the requirement under CEA (Measures relating to safety and Electric Supply) Regulations, 2010 for ensuring observance of safety measures in their organisation for construction, operation and maintenance of distribution system.
 - The Electrical Safety Officer should initiate the inspection of 33/11 KV grid S/S and its incoming 33 KV lines and all outgoing 11 KV feeders emanating from 33/11 KV s/s system from safety angle and furnish report to the CEO of concerned DISCOM with copy to the Commission. The safety officer, in association with field officer shall attempt to furnish self certification, as per the prescribed format of Electrical Inspector and submit to the Electrical Inspector for their vetting and/or further independent check inspection. He has

to ensure the use of safety gadgets by the field employees during their duty and conduct random surprise check, so that safety precautions are adhered to the field officer. He should ensure proper operation of protection equipments, relay co-ordination in distribution network and furnish report alongwith his observation or recommendation, if any, to the concerned CEO/V.P for further necessary action. CEO/V.P. should review the work of the safety officer once in each quarter and take up the required steps on the report of the safety officer for overall safe operation of the distribution system.

- In view of the mandatory obligation cast upon the Electrical Inspector to make periodic inspection of existing installations, it is desirable to strengthen the Inspectorate with adequate resources to carry out such obligation due to expected increase in the work load of inspection for new installations in the event of proposed accelerated CAPEX by the DISCOMs and OPTCL in next 3 to 4 years.
- The Chief Electrical Inspector being the Nodal Officer to ensure safety of electrical installation should take proactive action. In case there is persistent failure or negligence in the part of DISCOMs to observe safety norms, prosecution should be initiated and exemplary punishment should be awarded to such defaulting officers.
- Further, to ensure that the engineers of the Licensees are well versed with various provisions of Electricity Laws, Standards, Codes, Acts etc, the Commission had advised the GoO vide Letter No.1829 dt.17.10.07 to revive the conducting of professional examination for the engineers of the licensee/OHPC/OPGC. However, in view of the provisions contained in Regulation 7 of the CEA(Measures relating to safety and Electric Supply) Regulations, 2010, the licensees should take appropriate actions as regards to safety measures for operation and maintenance of transmission, distribution system. This would ensure adherence of safety parameters and minimize Electrical Accidents.

Need for Prompt Grievance Redressal

590. As per the clause 19.2(b) of License Conditions of DISCOMs, there is an existing Complaint Handling Procedure for disposal of consumer complaints at the Licensees' level. Aggrieved consumers can approach the Junior Engineer/SDO/Executive Engineer for disposal of their complaints and there is a time bound schedule for disposal at different levels up to the Superintending Engineer. Each Division is required to have a Consumer Cell to deal with consumer complaints.
591. The Consumer can also approach the Commission directly under Section 142 of the Electricity Act, 2003 if any provision of the Act or any regulation is violated by the licensee but Commission by itself cannot look to the merit of the grievances. But, however, the Commission has set up its own Grievance Redressal Cell to monitor disposal of consumer complaints by the licensee. Complaints that are submitted directly to the Commission are forwarded to the concerned GRFs/Distcoms for necessary action. The Commission also reviews the effectiveness of redressal of consumer grievances by the licenses in its review of performance of the licensees.
592. Status of consumer grievances forwarded to Licensees by OERC during the year 2010-11 (from April, 2010 to January, 2011) reveals that the licensees are not serious

in taking timely action to redress the grievances of the consumers. This speaks volume of their lack of commitment to the cause of the consumers.

Table - 113

SI No	Name of DISCOMs	Consumer Complaints		
		Registered	Disposed	Pending
1	CESU	91	22	69
2	WESCO	10	1	9
3	NESCO	32	Nil	32
4	SOUTHCO	7	1	6

Even when complaints are forwarded to utilities by OERC for redressal, due to faulty consumer grievance redressal mechanism and lack of coordination between Head Office and field offices, complaints are not redressed timely. As a result, there is anguish and wounded feeling among the paying honest consumers and therefore some times they are not cooperating with the utilities. This also leads to revenue loss and ever ending litigation.

593. It appears that there is no mechanism for internal grievance redressal of Utilities, they do not follow their own Complaint Handling Procedure properly. Despite several resolutions by the SAC no weekly date is fixed at section/sub-division/division level exclusively for complaint redressal. This has to be ensured.
594. Though the Licensees' Minimum Standards of Performance Regulation 2004 mandates standards of performance in each area of power distribution such as restoration of power supply, normal fuse-off, line breakdowns, distribution transformer failure, period of scheduled outages, voltage variations, complaints about meters, new connections/addition of load, transfer of ownership and conversion of services, reconnection of supply following disconnection due to non-payment of bills, etc., the licensees are violating the standard of performance.
595. While the Regulation calls for a time bound action to ensure compliance & compensation is automatic/ claimed in all instances of violation of the same as per Distribution (Conditions of Supply) Code, 2004, none of the State utilities - except for a single case by CESU - have paid compensation till date. This is all the more serious.
596. The concept of Customer Care is practically non existent among State utilities. There are few Customer Care Centres. All these exist at head quarters level only. But, these should be implemented at Divisional headquarters.
597. In many rural/urban areas bills are not served on time or at all. There is single point bill collection which is often distant from the village & inconvenient for consumers. Moreover, Collection is often scheduled after the pay date, thus depriving consumers from rebate for timely payment. Basic facilities to consumers such as Spot Bill, Electronic Clearance System (ECS)/ Cheque payment are not available in all towns.
598. In some cases meters are non existent or defective, new connections are delayed, low voltage and voltage fluctuation is usual occurrence, transformer burning due to over load is frequent & the burnt transformers are not replaced on time, ostensibly because of huse arrears pending for collection of the affected area.
599. Consumers face many difficulties in getting new connections. Single window system for new connection is yet to be introduced & consumers often are harassed for getting connections. This discourages the unauthorized users of electricity to come forward to

take connection legally. This has a serious dampening effect on the willing users of electricity to come to the billing fold as bonafide consumer.

600. Though OERC has designed software whereby consumers can get information regarding their consumer profile online, this facility is available only to consumers of Bhubaneswar. Energy Pass Books/ Meter Books are not provided to all consumers. Despite several letter from the Commission, Boards displaying addresses of GRF/Ombudsman and Compensation Schedule are not put up in all Bill Collection Centres/Division offices/ Sub-Divn. Offices/ Section office which should be done without any further delay.

The consumer friendly approach is to yet to be shown even though a decade has passed since reform was introduced.

GRF/OMBUDSMAN

601. When the Electricity Act, 2003 came into force w.e.f. 10th June 2003; a statutory provision was made for disposal of consumer complaints by a two tier mechanism consisting of Grievance Redressal Fora and Ombudsmen. The OERC framed a regulation called the OERC Grievance Redressal Forum and Ombudsman Regulation, 2004 which was notified in July 2004. Under its provisions, if the licensee fails to address complaints in time the consumer can approach the GRF and subsequently the Ombudsman for relief. At present there are 12 GRFs and 2 Ombudsmen working in the State.
602. As per reports of GRFs & Ombudsmen to the OERC, from April 2010 till December 2010, 3086 number of consumer complaints was received and 2937 disposed of by the GRFs. 63 cases came up for appeal before the two Ombudsmen and 58 were disposed of at the end of December, 2010. The position has been indicated below:

- (i) **Disposal of Consumer Complaints by OMBUDSMEN from April 2010 to December. 2010**

Table - 114

Name of Ombudsman	Opening Balance	No. of cases received	No. of cases disposed	No. of cases pending
Ombudsman-I	3	25	23	5
Ombudsman-II	14	38	35	17

- (ii) **Implementation of orders of Ombudsman (2009-10) by Licensees as submitted by Ombudsman**

Table - 115

Name of Licensee	Name of Ombudsman	Opening balance of cases	No. of cases registered	No. of cases disposed	No. of orders passed in favour of consumers	No. of orders implemented by the licensees	No. of orders pending for implementation as on 31.03.2010
CESU	Ombudsman-I	13	46	56	43	22	21
SOUTHCO	Ombudsman-II	0	6	5	4	2	2
NESCO	Ombudsman-II	3	28	27	26	3	23
WESCO	Ombudsman-II	2	29	27	16	6	10
State total		18	109	115	89	33	56

(iii) **Implementation of orders of GRF (2009-10) by Licensees as submitted by GRF**

Table - 116

Name of Licensee	Name of GRF	Opening balance of cases pending with GRF	No. of cases registered by GRF	No. of cases disposed by GRF	No. of orders passed in favour of consumers	No. of orders implemented by the licensees	No. of orders pending for implementation as on 31.03.2010
NESCO	Balasore	10	293	293	262	215	47
	Jajpur	6	357	356	322	204	118
SOUTHCO	Berhampur	0	183	619	609	353	256
	Jeypore	7	81	82	71	57	14
WESCO	Burla	14	201	210	201	140	61
	Rourkela	38	932	812	739	581	158
	Bolangir	16	482	424	399	63	336
CESU	Bhubaneswar	7	213	218	198	191	7
	Khurda	15	123	119	109	103	6
	Cuttack	41	109	136	122	119	3
	Dhenkanal	26	96	78	75	67	8
	Paradeep	89	72	116	101	55	46
State total 2009-10		269	3142	3463	3208	2148	1060

(iv) **Disposal of Consumer Complaints by GRFs from April 2010 to December, 2010**

Table - 117

Sl. No.	Utility	Name of GRF	Complaints Registered	Complaints Disposed	Complaints Pending
1	CESU	Bhubaneswar	819	810	9
2		Khurda	74	70	4
3		Cuttack	174	163	11
4		Dhenkanal	35	35	0
5		Paradeep	110	109	1
6	NESCO	Balasore	348	331	17
7		Jajpur	340	340	0
8	SOUTHCO	Berhampur	159	132	27
9		Jeypore	46	38	8
10	WESCO	Burla	43	30	13
11		Rourkela	418	412	6
12		Bolangir	520	467	53
13	State Total		3086	2937	149

603. The basic intention of creating GRF/Ombudman is to dispose of consumer grievances as quickly & effectively as possible. The GRF shall decide the complaint expeditiously and shall communicate its decision to the complainant within a period not exceeding 45 days of the receipt of the complaint by them. In case of Ombudsman, they shall decide the representation generally within two months from the date of the receipt of the representation of the consumer. The GRF orders shall be implemented as per the time limit stipulated in their orders. In case there is a genuine difficulties on the part of the licensee to implement GRF order within due date and licensee needs extension, it should approach GRF prior to the due date intimating the action so far taken by them for implementation of the order and reason for extension

of time. In case of implementation of orders of Ombudsman, the licensee shall comply with the award within 15 days of the receipt of the acceptance of the orders by the consumer and the licensee shall intimate the compliance to the Ombudsman.

604. It is observed that orders of GRFs/Ombudsman are not implemented by utilities in time in spite of clear regulatory & legal provisions. It is in the interest of the utilities to redress consumer grievances timely & provide minimum SoP rather than to waste time & money on litigation on such matters. The Commission has taken a stern view on such violation & penal action under Section-142 against concerned officers in such cases is being initiated.
605. The GRF is statutory body created by the utilities & should therefore be considered as part & parcel of their organization where as Ombudsman is a statutory body created by Commission. As such it is the utility's responsibility to ensure that the GRF/Ombudsman orders are implemented in time. Unfortunately the DISCOMs are not cooperating whole heartedly with the GRFs & Ombudsman. This is not only unfortunate but highly undesirable. The Commission cannot hesitate to initiate proceeding under Section 142 of the Electricity Act, 2003 of prompt compliance is not made.
606. Proper staffs, infrastructure & funds should be provided to GRFs/Ombudman so that they can operate in an efficient manner. Many GRFs are not provided with proper offices with rooms for members, staffs & hearing hall. They lack basic facility such as furniture, seating space, drinking water, toilet, stationeries, A.C, computer, telephone & fax. Adequate supporting staffs including a bench clerk/steno and peon necessary to type orders, keep records, file reports & maintain accounts. One vehicle with full time driver & adequate fuel allowance for commuting of members & for camp courts should be provided. Bills of GRFs should not be held up & co-opted member should get sitting allowance in time imprest funds should be adequate.
607. Currently two of the GRF members are officers appointed by the utility while the third is a co-opted member appointed by the Commission.
608. Members of GRFs/Ombudsman should be provided with mandatory training of at least one month after their appointment on electricity/Regulatory laws so that they are able to write orders which can stand up to legal scrutiny. Frequently GRFs are passing orders which either are not in consonance with the existing regulations or/and are written in language & manner which is not comprehensible. A format for the orders may be designed in consultation with Law division OERC.
609. It is frequently noticed that concerned senior officers of the DISCOMs are not appearing before the GRFs/ Ombudsman and are frequently taking time extension beyond the statutory limit. This practice should not be allowed & GRFs/ Ombudsman should pass ex-parte orders whenever this occurs.
610. It is found that many GRFs/Ombudsman are not maintaining records in the proper format nor providing monthly/quarterly data in proper format to the Commission. This is a mandatory requirement & must be complied properly.
611. It is seen that GRFs/Ombudsman are not granting compensation even in cases where it is automatically entitled. GRFs/Ombudsman should grant compensation where due.
612. As per Commissions guide lines GRFs/Ombudsman are required to hold a minimum number of camp courts so that consumer grievances are redressed without any in-convince/delay. These courts should be organized properly with prior notice & utility

should co-operate fully with GRFs/Ombudsman in the matter. An annual compilation of date, venue & case disposal during camp courts may be provided to Commission for information.

613. Unless the grievances of the honest and paying consumers are attended to with all promptitude and willingness to serve the consumers better is exhibited in the day to day activities of the licensees at different levels, the licensees would continue to face the uncomfortable question “When your service is poor, why should we pay?” The Commission directs that all the four distribution companies revamp their redressal mechanism at different levels and enlist the support of the consumers to sternly deal with the unscrupulous consumers who are very often being aided and abated by some of the dishonest employees. The year 2011-12 should be declared as consumers’ year by the licensees.

Issues on Theft and Vigilance

614. Loss due to theft & pilferage, with or without connivance of utility staff, constitutes the greatest obstacle to the viability & improved performance of the distribution sector in the State. The utilities have therefore been directed to set up active & efficient vigilance divisions functioning under Chief Vigilance Officers (CVOs) to detect & take swift penal action against theft & pilferage.
615. It is seen that the Vigilance Cell and MRT staff have reported serious negligence or connivance of the officers, staff in the matter of theft of electricity and other irregularities in collection. Prompt and exemplary action should be taken against such erring officers and staff based on the enquiry report of the vigilance staff.
616. On the other hand, the officers and employees who have done good work in reducing loss, increasing the collection, their contribution should be acknowledged and they should be felicitated in the public forum. Cash incentive may also be given to encourage them to do better work in the coming days. In short, the VP/CEO must ensure quick finalization of the disciplinary proceeding and encourage the good workers and officers for their better performance.
617. The Commission during the performance review of distribution companies for 2009-10 conducted in May, 2010 had directed, among other things, that the vigilance staff and energy police stations should be effectively utilized in detecting unauthorized abstraction of electricity by high end consumers. Besides this, the vigilance staffs are to enquire into the allegation and complaint against the employees of distribution companies as well as the consumers indulging in unauthorized abstraction of electricity. Instruction was also given to assign daily or monthly target for the vigilance wing as well as the energy police stations.
618. But from the information furnished by distribution companies, it appears that the vigilance wing has become merely an ornamental institution without making any substantive addition to the effective functioning of the distribution companies particularly in the matter of preventing stealing of electricity and initiating action against the dishonest employees and consumers. Definite plan of action has not been worked out to utilize the existing energy police stations in detection of theft of electricity and preparing proper evidence against the dishonest consumers for awarding exemplary punishment.
619. The Commission has also taken up monitoring of performance of the DISCOMs in this regard. However, the Commission is of the view that adequate action has not been taken by the DISCOMs to make effective functioning of their respective Vigilance

Wings. Enquiry conducted on complaints regarding theft or corruption is often not taken seriously and follow up action is not taken. Timely FIRs are not lodged and followed up at Energy Police Stations. As a result rate of conviction is very low and EPS are not functioning properly.

620. The expenditure of DISCOMs towards Energy Police Station is given in the table below: The DISCOMs should ensure higher revenue collection at least 10 times the expenditure increased towards energy police station.

Table - 118

(Rs. crore)

Additional A & G Expenses	CESU	NESCO	WESCO	SOUTHCO
	Actual Expenses (upto Feb 11)	Actual Expenses (upto Nov 2010)	Actual Expenses (upto Nov 2010)	Actual Expenses (upto Nov 2010)
Special Police Station.	1.3	2.90	0.17	0.05

621. State Govt. have sanctioned establishment of 34 energy police stations to curb theft of electricity and by now 15 number of Energy Police Stations have started functioning. However, due to want of adequate police personnel these Energy Police Stations are yet to function effectively. The table below shows how the energy police stations are not being effectively utilized.

Table - 119

Details of Theft cases in DISCOMs

DISCOMs	Year	No. of FIRs registered	No. of arrested and forwarded to Court	No. not arrested/ forwarded to court	No. of cases arrested/ forwarded in previous years and cases filed in court in the current year	Total no. of cases filed in Court	No. of cases arrested/ forwarded but cases not filed in Court	No. of cases disposed by Court	Cases pending for disposal by Court
CESU	2008 (July to Dec)	45	29	16	1	30	0	0	30
NESCO		32	32	0	0	32	0	0	32
SOUTHCO		26	0	26	0	0	0	0	0
WESCO		3	3 + 3(FIRs registered prior to July 2008)	0	0	6	0	0	6
CESU	2009 (Jan to Dec)	294	185	109	297	406	0	0	436
NESCO		52	11	41	0	27	0	1	58
SOUTHCO		45	0	45	0	0	0	0	0
WESCO		77	5	72	0	5	0	0	11
CESU	2010 (Jan to Dec)	473	337	21	0	0	18	0	870
SOUTHCO		133	1	34	0	0	0	0	99
NESCO	2010 (Jan to Feb)	5	0	5	1	1	0	1	57
WESCO		0	0	0	0	0	0	0	11

622. The various problem relating to theft of electricity should be discussed in the district coordination committee constituted as per notification No.1335 dtd.05.10.2004 of Energy Department. Daily target should be assigned for the CVO/AVO and the

Energy Police Stations for detection of theft by high end consumers like commercial establishments, professional educational institutions. Nursing homes, Hospitals, Hotels, Industries, Fabrication units, Haulers, Rice Mills, Vehicle show houses, garages, etc. Day to day monitoring should be done by the CEO/VP at the corporate level and SE and Executive Engineers at the circle and divisional level. The CEO/VP must keep close contact with RDC, IG/DIG of the range, District Collectors and Superintendent of Police as well as S.P. Vigilance of the concerned areas. As asked by Energy Department in their letter No.1857 dated 04.03.2011 addressed to the Superintendent of Police of various districts, the prescribed monthly reports on functioning of police stations should be submitted by 15th of the succeeding month with a copy to Secretary, OERC.

Demand Side Management

623. In view of the huge power demand, limited availability of conventional energy resources, growing environmental concerns and sustained economic growth the management of utilization of energy resources is of utmost importance in the present environment. There is a need for an integrated approach focused on operational efficiency, improved power generation, loss reduction in transmission and distribution system and efficient end use of electric energy. To propagate DSM, the Commission has drafted regulation to initiate demand side management namely “Orissa Electricity Regulatory Commission (Demand Side Management), Regulation 2011”. There is a huge potential for saving energy in various sectors of the economy. The report of the National development council indicates the potential for energy consumption in industrial, agricultural and domestic sector as given below:

<u>Sector</u>	<u>Conservation Potential</u>
Industrial	- upto 25%
Agricultural	- upto 30%
Domestic	- upto 20%

624. The Demand Side Management can be achieved with a two fold strategy both by management of supply side and demand side as given below:

Table - 120

Supply side	Demand side
Improving existing thermal power station performance	Industrial Sector
Upgradation of grid management	Domestic Sector
Improvement in sub transmission and distribution	Commercial Sector
Technology Upgradation programme	Agriculture Sector

625. The distribution utilities have a greater role to play in DSM activity of the system.
- Every distribution licensee should constitute a DSM cell to monitor the policies to be implemented in its area of operation.
 - The authorities in charge of DSM cell should be empowered adequately to execute the functions assigned to him under DSM Regulations.
626. The responsibilities of DSM cell are as follows:
- Load research and development of base line data
 - Formulation of DSM plan

- Design and development of DSM projects including cost benefit analysis, plans for implementation, monitoring and reporting and for measurement and verification
 - Seeking necessary approvals to DSM plan and individual programmes
 - Implementation of DSM programme
627. The Commission vide previous tariff orders has taken numbers of initiative to manage both supply and demand side of energy flow. While energy audit has been made mandatory to the DISCOMs to curtail loss in supply side, various tariff related measures like TOD rebate, off peak over drawl benefit, power factor incentive, rebate for installing solar water heater etc are introduced to manage supply side of energy flow. It is the responsibility of DISCOMs to minimize losses in supply side of electric energy. The main reasons for high technical loss in supply side are:
- Multiplicity of transformers
 - extended T&D network beyond specified length
 - inadequate reactive compensation and poor voltage regulation
 - Corona losses
 - Overloading of transmission lines
 - Improper locations of power and distribution transformers
 - Inappropriate choices of voltages
 - High ratio of HT to LT lines
 - Unbalanced loading of transformer, transmission lines and LT system
 - Over frequency of the system
 - Lower conductor sizes
 - Poor construction and Maintenance practices
628. Apart from managing the loss of energy in supply side the DISCOMs should also put their effort to their level best in minimizing the consumption of energy in demand side of energy flow. The distribution utilities can minimize the energy requirement in demand side by regulating supply in domestic, commercial, agriculture and industrial sectors in its area of operation with various measures as briefed below.

Domestic & Commercial Sector

629. Domestic and commercial sector plays a vital role where energy can be saved. Energy savings in these sectors can be promoted by educating the consumer to use energy efficient equipments. If necessary, education in energy conservation be introduced in school. Some of measures are mentioned below:
- Use of fluorescent tube in place of incandescent lamp
 - Switching off light when not in use particularly during lunch hours and during leaving offices
 - Good quality of wiring and appliances
 - Use of solar cooker for heating of water and cooking of food during day hours
 - Hot food should be allowed to cool before loading into refrigeration
 - Frequent opening of fridge door be avoided

Agriculture Sector

630. The demand of energy in this sector is increasing rapidly. Energy conservation in this sector can be promoted by following techniques.
- It is a fact that the motors and pumps used in this sectors are inefficient (i.e. 30% efficiency) whereas the recommended scope for operational efficiency is 55%. Therefore considering the economic and quick yielding results, mandatory regulations may be imposed on agricultural pump sets owners to resort to modernization of their working systems so as to raise the overall efficiency not below 55%. Special jet pumps are one of the possible solution for tube wells.
 - The main aspect of the flat rate tariff gives opportunity to the purchaser for buying big pump sets and user avoid switching off the power. Hence metered supply is essential
 - Shunt capacitors also need to be provisioned to improve power factor
 - Keeping discharge pipe close to the ground level as possible
 - Use of PVC rigid pipes are recommended and sharp bends should be avoided
 - Periodical maintenance of transformers and use of proper size of fuse.

Industrial Sector

631. The pattern of energy consumption in this sector is around 40% and therefore this sector should be the priority area for energy conservation. Energy conservation in this sector can be promoted by following measures.
- Avoid use of single or over size motors
 - Avoid non-standard welding set as it consumes more power
 - Avoid lower size/improper cable as it leads to increase in losses
 - Proper lubrication of motor
 - Avoid pulley drive. Use of direct coupling is effective
 - In case of large industries, the power needs to be supplied at the High Voltage i.e. at 11 KV, 33 KV or 66 KV according to the requirement of recommended load of 100 KW, 3 MW or 5 MW respectively.
 - Instead of shutting down the feeder as a whole, it is worth while to allot quota of units during power cut programme.
632. It is clear that there is a considerable scope for improvement in our transmission and distribution system. Therefore every utility must analyze its strength and weakness to meet the challenge of reduction of T&D losses. The energy conservation potential in the domestic, agriculture and industrial sector should be given adequate attention and thrust, this will reduce our system demand which will be advantageous for better management of load.
633. The Commission have designed retail tariff 2011-12 with a view for saving energy by avoiding unnecessary use and reducing the requirement through energy efficient electronic gadgets and equipments. The use of electricity at higher slab in domestic consumption beyond 400 units is being charged at the rate of Rs 4.80 per units. Besides ABT Regulation, 2007 is to be implemented w.e.f 01.07.2011, so that the use is restricted to the availability and higher drawal from the scheduled quantum will attract penal rate.

System Improvement

634. As regards to the improvement to the existing infrastructure, the Commission had directed for installation/up-gradation alongwith replacement of burnt transformers, load balancing, earthing, installation checking, provision of breakers, boundary walls with gates in all distribution S/Ss, DT metering and energy audit etc. In compliance to the aforesaid directives by the Commission, from the status report as on 31.12.10 submitted by the distribution licensees, it is found that licensees are well behind the target set by the Commission. It is being consistently observed that the DISCOMs particularly NESCO and WESCO are too callous in their approach in submitting the progress in the System Improvement works. The Commission while emphasizing the need for improvement in the existing infrastructure directs the licensees to bring about the development of the distribution infrastructure in the next financial year. Each DISCOM is required to take up repair and renovation specially in respect of following items of work as tabled bellow in order to improve the quality of supply giving priority to rural areas.

Table - 121

Sl No	Work to be carried out	Target for CESU	Individual Target for NESCO, WESCO & SOUTHCO
1	Upgradation and installation of new distribution transformers	1000	800 each
2	Complete the energy audit of each distribution transformer by the end of 2011-12.	100 %	100 %
3	Load balancing in 3-phases of DTR	2000	1500 each
4	Conversion of single phase to 3-phase line	150 KM	100 KM each
5	Provision of 33 & 11 KV Crt. Breaker	100 % to complete	100 % to complete
6	Provision of stringing of AB cables	300 KM	250 KM each

635. The fund required for such minimum special repair/renovation of distribution network is to be met out of the R&M expenditure approved for the year 2011-12 as well as from the collection of arrear outstanding as on 01.04.2011. Based on the flow of revenue, GRIDCO will relax the Escrow account in order to enable the Distribution Company to take up the minimum special repair/ renovation work as indicated above. The Commission has approved Rs.169.51 crore under R&M for 2011-12 against Rs.149.29 crore approved for 2010-11 as indicated below:

Table - 122

(Rs. in crore)

	CESU	NESCO	WESCO	SOUTHCO
R&M Expenditure approved for FY 2011-12	56.77	47.46	36.81	28.47

636. With regard to the System Improvement works where the target has not been fixed by the Commission the licensees are to set their own target and submit before the Commission before 15th May 2011.

Delegation of Power

637. The licensees should adequately delegate the authority to their field officers for carrying out normal maintenance works like construction of boundary walls, keeping

the sub-stations neat and clean so that the quality of supply will improve. It is a matter of regret that no progress has been made on the issue of delegation of power as per the guideline provided by the Commission vide letter No OERC/4967 Dtd 21/09/2010.

Cost Data

638. The licensees' donot seem to be sincere in submitting the cost data in time. Despite the directive of the Commission during the half yearly review in the month of December 2010 none of the DISCOMs have submitted the Cost Data so far. The licensees are directed to submit the cost data up to 2010-11 latest by 15th May, 2011

Collection of Arrear

639. For repayment of GRIDCO dues the DISCOMs must have to give utmost importance to the collection of arrears from its consumers. From the submissions of the DISCOMs during the performance review in the month of December 2010, the arrear outstanding of the DISCOMs are as given below.

Table – 123
Net Arrear Position of DISCOMs

Sl. No.		CESU	NESCO	WESCO	SOUTHCO	Total
1	Arrear as on 31.03.2010 (Rs Cr)					
	EHT	24.56	26.01	-12.63	0.73	38.67
	HT	49.92	28.07	-1.62	9.89	86.26
	LT & Govt	1304.98	656.48	772.94	408.47	3142.87
	Total	1379.46	710.56	758.69	419.09	3267.8
	% EHT	1.78	3.66	-1.66	0.17	1.18
	% HT	3.62	3.95	-0.21	2.36	2.64
	% LT & Govt.	94.60	92.39	101.88	97.47	96.18
	% Total	100	100	100	100	100
2	Collection against Arrear(Rs Cr)	28.93	25.15	14.16	11.65	79.89
3	Arrear Added during the period 01.04.2010 to 30.09.2010(Rs cr)	151.31	122.48	97.95	34.24	405.98
4	Arrear as on 30.09.2010(Rs Cr)					
	EHT	50.54	49.4	12.1	0.98	113.02
	HT	72.37	31.77	p-	10.15	109.88
	LT & Govt	1378.93	726.72	834.79	442.2	3382.64
	Total	1501.84	807.89	842.48	453.33	3605.54
	% EHT	3.37	6.11	1.44	0.22	3.13
	% HT	4.82	3.93	-0.52	2.24	3.05
	% LT & Govt.	91.82	89.95	99.09	97.54	93.82
	% Total	100	100	100	100	100

640. From the above submissions of the DISCOMs it is clear that the amount of arrear receivable by the DISCOMs are far more than the amount payable to GRIDCO. The above table shows that the performance of the licensees in collection of arrear is very poor. The Commission had set target for collection of arrear vide the Performance review minutes for FY 2009-10 at Rs 200 Cr each for CESU, NESCO and WESCO while Rs 100 Cr for SOUTHCO. During the ensuing FY 2011-12 CESU, NESCO, WESCO & SOUTHCO are directed to collect at least Rs 250 Cr, Rs 225 Cr., Rs. 225 Cr. and Rs. 125 Cr. respectively from the arrears that may be outstanding as on 01.04.2011. 50% of the arrear thus collected shall be paid to GRIDCO towards the

outstanding securitised amount worked out as on 31.03.2005 vide Commission's Order dated 01.12.2008 in case no 115/04. The balance 50% of the arrear collected shall be utilised to clear the arrear of revised pay and allowances. The DISCOMs are to work out a well planned strategy to achieve the target of collection of arrears. GRIDCO shall release the fund from the escrow account as per the direction and stipulation made by the Commission in its Order dated 12/04/2010 and 1/1/2011 in case no 3/2010.

Target for Franchisee Operation

641. Franchisee envisages participation of public in management of electricity and hence a linkage between people and the electricity provider of the area. Thus for effective collection and qualitative supply to the consumers franchisee activities needs to be encouraged. The Commission during performance review meeting in December, 2010 had given a target for introduction of atleast one micro franchisee in a section. With approximately 5 DTRs per franchisee and 100 consumers per DTR the target was to bring under atleast 500 consumers per section in each DISCOM. Thus the target for CESU with 250 Sections was to cover 1,25,000 consumers while for NESCO and WESCO with 125 Sections 62,500 consumers and for SOUTHCO with 135 Sections 65,500 consumers by the end of December 2010.
642. Now for the ensuing year 2011-12 the Commission directs the DISCOMs to further spread the franchisee activity by at least setting up 3(three) Nos of Micro-Franchisees per Section by the end of the Current Financial Year i.e 2011-12. Thus the target for FY 2011-12 will be to cover up at least 3,75,500 consumers for CESU and 1,87,500 consumers for NESCO & WESCO and 2,02,500 for SOUTHCO by the end of the Current Financial year as per the Table below:

Table - 124

	No of Sections	No of DTRs per Micro Franchisee	No of Consumers per DTR	No of Franchisees Target per Section	Total no of consumers covered
CESU	250	5	100	3	3,75,500
NESCO	125	5	100	3	1,87,500
WESCO	125	5	100	3	1,87,500
SOUTHCO	135	5	100	3	2,02,500

Apart from handing over of franchisees the licensees must ensure the cumulative increase in realization from the franchised area by providing effective support both technically and logistically.

Implementation of Intra-State ABT

643. OERC (Intra-State ABT) Regulation, 2007 was published in Orissa Gazette on 14.02.2008. As per Regulation 1 (III), OERC (Intra-State ABT) Regulation, 2007 is in force from 14.02.2008 i.e. the date of publication in the Official Gazette.
644. The Commission would decide shortly the exact date of implementation of Intra-State ABT (Phase-I) for commercial settlement of UI & Reactive Energy Account.

The Areas of Concern and Road Map for the Power Sector

645. The distribution sector is the most vital but weakest link in the entire value chain of the power sector. If the distribution sector doesn't become financially viable, the transmission and generation would be seriously affected. It is, therefore, necessary

that all out efforts should be made to strengthen and to ensure the financial viability of the distribution sector. For this to happen, the power utilities should be allowed to operate on commercial principle. In other words the costs of generation, transmission and distribution have to be recovered from the beneficiaries.

646. Good governance is one of the important pillars of the reforms of power sector. The DISCOMs are required to enforce strict discipline among the staff, train them regarding the need for good behaviour and prompt services to the consumers. This also includes inter-alia good economic governance and strengthening the institutions of the Regulatory Commission. It should be a part of the initiative of the State Govt. For power sector, reform to take off, there is a need for reforms in the down stream sector of coal, petroleum and natural gas and transportation.
647. Coming to the Orissa specific problems the present high level of AT&C loss of 39.15% (2009-10) is quite unsustainable. 50% of this loss can be ascribed to theft of electricity at different levels with/without the connivance of the employees of the distribution companies. There is urgent need to tackle this menace of theft of electricity at different levels. Balance 50% of loss arising out of the old and dilapidated distribution network can be prevented by system upgradation for which the Govt. have already launched a Capex programme of Rs.2400 crore starting from FY 2010-11 to 2013-14. Out of Rs.2400 crore the State Govt. will provide Rs.1200 crore (Rs.666.67 crore with 0% interest, Rs.533.33 Cr with 4% interest) and the balance Rs.1200 crore would be provided by the distribution companies as a counter part funding. If they achieve reduction of 3% AT&C loss per annum on the average Rs.833.34 crore (13th Finance Commission grand Rs.500 Cr + State Govt. Share Rs.166.67 Cr. + GRIDCO's Share Rs.166.67 Cr as a counter part funding) can be converted to grant.
648. Expected benefits of the Power Sector Reforms in the State would materialize only if the utilities bring in efficiency in operations, optimize costs, reduce commercial and technical losses, improve quality of service delivery in order to ensure greater customers' satisfaction and take strong measures, whenever and wherever required, to make the consumers pay for the electricity used. Regrettably, at present out of every 100 units of electricity sold to the consumers in the State, only 63 units are billed and sale price of only 61 units is being realised. Obviously, this business model is unsustainable and unviable. The distribution segment would be financially and operationally viable only when the energy actually consumed is metered, billed and the electricity charges are collected in full. While the billing and collection efficiency of the distribution companies has to improve substantially; they also have to effectively tackle the malady of theft of electricity.
649. A multi pronged approach that incorporates all areas of utilities performance improvement is the need of the hour. It surely has the potential to turn around the distribution segment of the sector besides resulting in other benefits. Such initiatives should be accorded high priority at the utilities level with dedicated teams both at management level and operation level so that there are no hindrances in implementation and there is complete commitment from top management to effect changes. Once this happens, the impact of reform shall be felt to a much great extent and benefits will trickle down to all stakeholders.
650. Before departing we would like to summarize the key points in this year's Tariff Orders.
Highlights of Tariff for 2011-12
➤ As per Sections 61, 62, 65 & 86 of the Electricity Act, 2003, Para 8.3.2 of the National Tariff Policy, 2006 and Para 5.5.2 of the National Electricity Policy, 2005 the Electricity Regulatory Commission has to determine tariff keeping in

view, commercial viability and operational efficiency of the Generation, Transmission, Supply and Distribution utilities as well as the interest of consumers. While determining the Energy Tariff for FY 2011-12, the Commission has balanced the interest of all stake holders and passed its Order on 18.03.2011

- For the year 2011-12 the Energy Tariff for Irrigation Pumping and Agriculture, Allied Agricultural Activities, Allied Agro-Industrial Activities and Kutir Jyoti (BPL) tariff up to 30 units has remained unchanged. The Tariff for Kutir Jyoti (BPL) consumers has remained constant from FY 2001-02 to FY 2010-11 at Rs.30.00 per month flat.
- The LT tariff in Irrigation Pumping and Agriculture, Allied Agricultural Activities, Allied Agro-Industrial Activities have remained unchanged at 110 p/u, 120 p/u, 320 p/u respectively. Similarly in HT tariffs for above categories have remained unchanged at 100 p/u, 110 p/u and 310 p/u respectively.
- While the Energy Tariff for domestic consumer was 140 p/u upto 100 units from FY2001-02 to FY2010-11 and now for FY 2011-12 it has remained unchanged within 0-50 units. The tariff for next 50 – 200 units, 200 -400 units and 400 units beyond have been fixed at 350 p/u, 430 p/u and 480 p/u respectively. In FY 2011-12 the Bulk Domestic Supply Tariff at HT has risen from 410 p/u to 420 p/u, i.e. by 10 p/u.
- Swajala Dhara consumers under Public Water Works and Sewerage Pumping Installation category shall get special 10% rebate if electricity bills are paid within due date of normal rebate.
- The ‘Take or Pay’ tariff has been re-introduced. HT and EHT consumers having contract demand more than 110 KVA can give their willingness in writing to pay for energy charge as per actual drawal or 75% load factor of the contract demand per month whichever is higher upto the validity of this tariff order. During the validity period no downward revision of the contract demand shall be allowed. Such HT and EHT consumers shall also be allowed 5% special concession in its total bill. For calculation of load factor the contract demand wherever mentioned in KVA the actual power factor shall be taken into consideration.
- A new scheme called “Own Your Transformer – OYT Scheme” has been introduced for LT consumers intending to avail power at 11 KV for quality supply paying for the cost of high voltage distribution scheme (HVDS) single phase or three phase distribution transformer as the case may be. Existing HT bulk supply domestic category of consumers who have already paid for the transformers or intending to pay for the cost of transformer would also be covered under OYT scheme. A 10% special rebate for those consumers shall be allowed on respective tariff category on the total electricity bill both on energy and demand charge for paying the bill within stipulated period in addition to the normal rebate the consumer is otherwise eligible.
- Power factor incentive for HT & EHT consumers will be applicable above power factor of 97% and power factor penalty shall be applicable below the level of 92%. The rate of incentive and penalty has been revised w.e.f. 01.04.2011 as mentioned below:

The rate of power factor incentive shall be 1% for every 1% rise above the PF of 97% up to and including 100% on the monthly demand charges and energy charges. Similarly power factor penalty shall be

- (a) 0.5% for every 1% fall from 92% upto and including 70% plus
- (b) 1% for every 1% fall below 70% upto and including 30% plus
- (c) 2% for every 1% fall below 30%

There shall not be any power factor penalty for leading power factor determined through meters only.

- Special Tariff for industries of contract demand 100 MVA and above and guaranteed monthly off-take of 80% shall pay a consolidated energy charge of 400 Paise/Unit.
- In FY 2011-12 there has been a minimum hike of 0 paise and maximum of 70 p/u in the domestic category. Similarly in industry, there has been minimum hike of 90 p/u and maximum of 100 p/u.
- HT Industries who have their own Captive Power Plants but purchase emergency energy from GRIDCO will have to pay Energy Tariff @ 650 per unit for HT category and @ 640 per unit in EHT category. This rate was 530 p/u for HT and 510 p/u for EHT respectively, in FY 2010-11. Thus, the Tariff hike for CGPs has been 120 p/u in HT and for EHT it is 130 p/u.
- The average Energy Tariff for EHT consumers has gone up from 379.93 p/u in FY 2010-11 to 477.43 p/u in FY 2011-12 and in HT category, it has risen from 383.68 p/u in 2010-11 to 482.43 in 2011-12. Similarly, for LT consumers, the average Energy Tariff has risen from 219.21 p/u to 300.34 p/u.
- The average energy tariff for all categories of consumers is approximately 404.01 p/u in FY 2011-12 compared to 320.58 p/u last year.
- Of this Retail Tariff of 404.01 p/u, GRIDCO's Power Purchase Cost is 231.65 paisa, 25 paisa is OPTCL's Transmission Tariff, the SLDC's cost is 0.18 paisa per unit and the remaining 147.18 paisa is the Distribution Cost.
- Out of GRIDCO's Power Purchase Cost of 231.56 paisa, CESU's Bulk Supply Cost is 219 p/u, NESCO's and WESCO's BST is 262 p/u each and SOUTHCO's is 135 p/u, but the four DISCOMs will pay uniform transmission cost of 25 paisa to OPTCL.
- The Generation Tariff of Orissa Hydro Power Corporation for 2011-12 has been hiked to 65.96 p/u against 62.51 p/u in 2010-11.
- Against approval of 57.67 p/u for 2009-10 and 62.51 p/u for 2010-11 for state hydro power the actual was 73.43 p/u and 71.44 p/u upto December, 2010 respectively.
- For State thermal against approval of 181.23 p/u for 2009-10 and 199.78 p/u for 2010-11 the actual was 216.77 p/u and 212.77 upto December, 2010 respectively, while the approved rate state thermal generation for 2011-12 is 221.25 p/u.
- For Central thermal against approval of 197.31 /u for 2009-10 and 243.54 p/u for 2010-11 the actual was 226.58 p/u and 305.55 p/u upto December, 2010 respectively while for 2011-12 the rate approved is 331.05 p/u.

- As a whole from all sources of purchase by GRIDCO against approval of 148.27 p/u for 2009-10 and 174.58 p/u for 2010-11 the actual rate paid was 201.72 p/u and 203.35 p/u upto December, 2010 respectively while the rate approved for 2011-12 is 210.32 p/u.
- While the Commission approved Power Purchase cost of 174.58 p/u from different sources for GRIDCO in 2010-11, by September 2010-11 GRIDCO had purchased power @208.49 p/u. In 2011-12 a Power Purchase Cost of 210.32 p/u had been approved which is a hike of 20.47% over last year. GRIDCO sold power to the DISCOMs at an overall average Bulk Supply Tariff rate of 170.25 p/u (CESU-157 p/u, NESCO-195 p/u, WESCO-194 p/u and SOUTHCO-90 p/u) in 2010-11. In 2011-12 an overall average BST of 231.65 p/u (CESU-219 p/u, NESCO-262 p/u, WESCO-262 p/u and SOUTHCO-135 p/u) has been approved which is 36.06% higher than last year. In other words, the overall average BST has gone up by 61.40 p/u.
- In 2010-11, OPTCL's transmission cost was approved at 23.50 p/u and in 2011-12 this has been increased to 25 p/u which means a hike of 1.50 p/u.
- Retail Tariff for consumers is determined after taking into consideration the Power Purchase Cost, Establishment Cost, Transmission Cost and Distribution Cost. The Retail Tariff approved by the Commission for FY 2010-11 was 320.58 p/u and for FY 2011-12 it is 404.01 p/u. There has been average hike of 83.43 paise in the Retail Tariff this year of which 61.40 p/u will go to GRIDCO and 1.50 p/u to OPTCL and the remaining 20.53 p/u will be the share of the DISCOMs. Out of this amount, the DISCOMs will bear increased cost of repair and maintenance of lines and Sub stations, interest payment, employees' salary and pension, inspection fees for inspection of distribution network etc.

Table - 125
Tariff for 2010-11 and 2011-12 proposed vis-à-vis Approved

Name of Licensee/Generator	OHPC	GRIDCO	OPTCL	SLDC	DISCOMs
Proposed ARR for FY10-11 (Rs. Cr)	422.96	5,484.42	1,443.52	14.91	6,513.42
Approved ARR for FY 10-11 (Rs. Cr)	361.88	4,242.44	480.93	7.77	5,009.35
Proposed ARR for FY11-12 (Rs. Cr)	443.97	6,926.91	1,573.69	13.85	7,875.10
Approved ARR for FY 11-12(Rs. Cr)	382.16	6016.92	572.43	8.80	7056.53
% Rise proposed for 2011-12 over approved 2010-11	22.7%	63.3%	227.2%	78.3%	57.2%
% Rise approved for 2011-12 over approved 2010-11	5.6%	41.83%	19.0%	13.3%	40.87%
Proposed tariff for 2010-11(P/U)	75.27	262.89	68.72	0.71	284.2*
Approved Tariff for FY 10-11 (P/U)	64.40 [#]	170.25	23.50	0.38	320.58
Proposed tariff FY 2011-12(P/U)	79.01	304.41	68.68	0.60	510.34**

Name of Licensee/Generator	OHPC	GRIDCO	OPTCL	SLDC	DISCOMs
Approved Tariff for FY 11-12 (P/U)	68.01 [#]	231.65	25.00	0.38	404.01
% Rise proposed in Tariff for 2011-12 over approved 2010-11	22.7%	78.8%	192.3%	57.9%	59.2%
% Rise approved in tariff of 2011-12 over approved 2010-11	5.6%	36.06%	6.4%	0.0%	19.74%***

* Based on BST, transmission tariff rate of 2009-10

** Based on existing BST, transmission tariff of 2010-11

*** On Revenue to Revenue basis 22.20% in 2010-11 and 19.74% in 2011-12 (Tariff to tariff 26.02%)

All OHPC figures given in the above table are excluding Machkund. Approved average tariff including Machkund are 62.51 P/U and 65.96 P/U for FY 2010-11 & 2011-12 respectively.

651. The Hon'ble ATE in Appeal Nos. 77,78 & 79 of 2006 in respect of RST FY 2006-07, Appeal Nos. 52,53 & 54 of 2007 in respect of RST for FY 2007-08 and Appeal Nos. 26, 27 & 28 of 2009 in respect of RST Order dtd. 20.03.2009 for FY 2008-09 and Appeal Nos. 160,161 & 162 of 2010 in respect of RST Order dtd. 20.03.2010 for FY 2010-11 filed by WESCO, NESCO & SOUTHCO have raised several issues such as those concerning interest on NTPC bonds, distribution loss, mode of calculation of estimated sales and income and truing exercises etc. In the first two sets of cases aforesaid the Hon'ble ATE has passed its orders and the Commission has preferred appeals against those order before the Hon'ble Supreme Court vide Civil Appeal No. 759 of 2007 and Civil Appeal No. D.4688 of 2011. In the last two sets of appeals aforesaid the Hon'ble ATE has not yet delivered its judgments. Thus in the four sets of appeals the matter are pending either in the Hon'ble Supreme Court or in the Hon'ble ATE. The matters pertain to tariff for the last four years namely for FY 2006-07, 2007-08, 2008-09 & 2009-10. In none of these cases CESU the other Distribution Company has preferred any appeal or has been impleaded as respondents. After above cases are finally disposed of, the effect of these final judgments on tariff determination for the then ensuing tariff – i.e, tariff ensuing at the time of final judgments – will be taken into consideration by the Commission.

652. The revised Retail Supply Tariff as stipulated in the order shall be effective from 1st April, 2011 and shall be in force until further orders.

The applications of CESU bearing Case No.146/2010, NESCO bearing Case No.147/2010, WESCO bearing Case No.148/2010 and SOUTHCO bearing Case No.149/2010 are disposed of accordingly.

Sd/-
(B. K. MISRA)
MEMBER

Sd/-
(K. C. BADU)
MEMBER

Sd/-
(B. K. DAS)
CHAIRPERSON

ANNEXURE -A

REVENUE REQUIREMENT OF DISCOMS FOR THE FY 2011-12

(Rs. in Crore)

Expenditure	WESCO		NESCO		SOUTHCO		CESU		TOTAL	
	Proposed (11-12)	Approved (11-12)	Proposed (11-12)	Approved (11-12)	Proposed (11-12)	Approved (11-12)	Proposed (11-12)	Approved (11-12)	Proposed (11-12)	Approved (11-12)
Cost of Power Purchase	1,414.86	1,737.06	1,243.36	1,394.63	325.03	368.96	1,808.82	1,706.23	4,792.07	5,206.88
Transmission Cost		165.75		133.08		68.33		194.78	-	561.94
SLDC Cost		1.19		0.96		0.49		1.40		4.04
Total Power Purchase, Transmission & SLDC Cost(A)	1,414.86	1,904.00	1,243.36	1,528.67	325.03	437.78	1,808.82	1,902.41	4,792.07	5,772.86
Employee costs	363.55	170.83	341.51	157.29	285.79	153.59	329.42	294.08	1,320.27	775.79
Repair & Maintenance	50.21	36.81	76.66	47.46	50.13	28.47	62.55	56.77	239.55	169.51
Administrative and General Expenses	38.40	30.81	40.41	23.54	39.43	24.87	61.28	45.95	179.52	125.17
Provision for Bad & Doubtful Debts	47.16	13.54	27.19	8.91	10.35	5.15	17.86	16.16	102.56	43.77
Depreciation	33.27	20.83	51.16	28.44	20.25	15.06	88.74	34.57	193.42	98.91
Interest Chargeable to Revenue including Interest on S.D	62.34	35.16	70.19	28.45	62.01	14.89	97.43	52.19	291.97	130.69
Sub-Total	594.93	307.98	607.12	294.10	467.96	242.03	657.28	499.72	2,327.29	1,343.84
Less: Expenses capitalised	0.85		1.02		2.30				4.17	-
Total Operation & Maintenance and Other Cost	594.08	307.98	606.10	294.10	465.66	242.03	657.28	499.72	2,323.12	1,343.84
Return on equity	7.78	7.78	12.23	10.55	8.11	6.03	11.64	11.64	39.76	36.00
Total Distribution Cost (B)	601.86	315.76	618.33	304.65	473.77	248.06	668.92	511.36	2,362.88	1,379.84
Amortisation of Regulatory Asset	48.67		21.11		144.54	35.00		7.30	214.32	42.30
True up of Past Losses	182.05		261.42		123.10				566.57	-
Contingency reserve	3.49		5.32		2.10				10.91	-
Total Special Appropriation (C)	234.21	-	287.85	-	269.74	35.00	-	7.30	791.80	42.30
Total Cost (A+B+C)	2,250.93	2,219.76	2,149.54	1,833.32	1,068.54	720.84	2,477.74	2,421.07	7,946.75	7,195.00
Less: Miscellaneous Receipt	20.58	36.81	24.31	42.85	6.50	15.34	20.27	43.48	71.66	138.47
Total Revenue Requirement	2,230.35	2,182.96	2,125.23	1,790.48	1,062.04	705.50	2,457.47	2,377.60	7,875.09	7,056.53
Expected Revenue(Full year)	1,557.93	2,199.30	1,359.38	1,808.68	517.54	716.79	1,786.05	2,384.80	5,220.90	7,109.57
GAP at existing(+/-)	(672.42)	16.34	(765.85)	18.20	(544.50)	11.29	(671.42)	7.20	(2,654.19)	53.04

ANNEXURE - B

RETAIL SUPPLY TARIFF EFFECTIVE FROM 1ST APRIL, 2011

Sl. No.	Category of Consumers	Voltage of Supply	Demand Charge (Rs./KW/Month)/ (Rs./KVA/Month)	Energy Charge (P/kWh)	Customer Service Charge (Rs./Month)	Monthly Minimum Fixed Charge for first KW or part (Rs.)	Monthly Fixed Charge for any additional KW or part (Rs.)	Rebate (P/kWh)/ DPS
LT Category								
1	Domestic							
1.a	Kutir Jyoti < 30U/month	LT	FIXED MONTHLY CHARGE ---->			30		
1.b	Others							10
	(Consumption <= 50 units/month)	LT		140.00		20	15	
	(Consumption >50, <=200 units/month)	LT		350.00		20	15	
	(Consumption >200, <=400 units/month)	LT		430.00		20	15	
	Consumption >400 units/month)	LT		480.00		20	15	
2	General Purpose < 110 KVA							10
	Consumption <=100 units/month)	LT		480.00		30	25	
	Consumption >100, <=300 units/month)	LT		590.00		30	25	
	(Consumption >300 units/month)	LT		660.00		30	25	
3	Irrigation Pumping and Agriculture	LT		110.00		20	10	10
4	Allied Agricultural Activities	LT		120.00		20	10	10
5	Allied Agro-Industrial Activities	LT		320.00		80	50	DPS/Rebate
6	Public Lighting	LT		480.00		20	15	DPS/Rebate
7	L.T. Industrial (S) Supply	LT		480.00		80	35	10
8	L.T. Industrial (M) Supply	LT		480.00		100	50	DPS/Rebate
9	Specified Public Purpose	LT		480.00		50	50	DPS/Rebate
10	Public Water Works and Sewerage Pumping <110 KVA	LT		480.00		50	50	10
11	Public Water Works and Sewerage Pumping >=110 KVA	LT	200	480.00	30			10
12	General Purpose >= 110 KVA	LT	200	480.00	30			DPS/Rebate
13	Large Industry	LT	200	480.00	30			DPS/Rebate
HT Category								
14	Bulk Supply - Domestic	HT	15	420.00	250			10
15	Irrigation Pumping and Agriculture	HT	30	100.00	250			10
16	Allied Agricultural Activities	HT	30	110.00	250			10
17	Allied Agro-Industrial Activities	HT	50	310.00	250			DPS/Rebate
18	Specified Public Purpose	HT	50		250			DPS/Rebate
19	General Purpose > 70 KVA < 110 KVA	HT	150		250			10
20	H.T. Industrial (M) Supply	HT	150		250			DPS/Rebate
21	General Purpose >= 110 KVA	HT	200		250			DPS/Rebate
22	Public Water Works & Sewerage Pumping	HT	200		250			10
23	Large Industry	HT	200		250			DPS/Rebate
24	Power Intensive Industry	HT	200		250			DPS/Rebate
25	Mini Steel Plant	HT	200		250			DPS/Rebate
26	Railway Traction	HT	200		250			DPS/Rebate
27	Emergency Supply to CGP	HT	0	650.00	250			DPS/Rebate
28	Colony Consumption	HT	0	450.00	0			DPS/Rebate
EHT Category								
29	General Purpose	EHT	200		700			DPS/Rebate
30	Large Industry	EHT	200		700			DPS/Rebate
31	Railway Traction	EHT	200		700			DPS/Rebate
32	Heavy Industry	EHT	200		700			DPS/Rebate
33	Power Intensive Industry	EHT	200		700			DPS/Rebate
34	Mini steel Plant	EHT	200		700			DPS/Rebate
35	Emergency Supply to CGP	EHT	0	640.00	700			DPS/Rebate
36	Colony Consumption	EHT	0	440.00	0			DPS/Rebate

Note:

**Slab rate of energy charges for HT & EHT consumers
(Paise per unit)**

Load Factor (%)	HT	EHT
Upto 50%	475	470
> 50% = < 60%	430	425
> 60%	375	370

For details, the orders of the Commission may be referred.

Note:

- (i) Energy consumption slab in LT domestic category has been modified for FY 2011-12 with the creation of two new slabs such as >200 <= 400 and >400 Units/Month and modification of existing slab to 0 - <=50, 50 - <=200 Units/Month.
- (ii) The tariffs for “Irrigation Pumping and Agriculture” and “Allied Agricultural Activities” and “Allied Agro-Industrial Activities” have remained unchanged for FY 2011-12.
- (iii) The reconnection charges have remained unaltered for FY 2011-12.
- (iv) The meter rents remain unaltered for FY 2011-12.
- (v) Prospective small consumers requiring new connection upto and including 3 KW load shall only pay a flat charge of Rs.1000/- as service connection charges towards new connection excluding security deposit as applicable as well as processing fee of Rs.25/-. The service connection charges include the cost of material and supervision charges.
- (vi) In case of installation with static meter/meter with provision of recording demand, the recorded demand rounded to nearest 0.5 KW shall be considered as the contract demand requiring no verification irrespective of the agreement. Therefore, for the purpose of calculation of Monthly Minimum Fixed Charge (MMFC) for the connected load below 110 KVA, the above shall form the basis.
- (vii) The billing demand in respect of consumer with Contract Demand of less than 110 KVA having static meters should be the highest demand recorded in the meter during the Financial Year irrespective of the Connected Load, which shall require no verification.
- (viii) Three phase consumers with static meters are allowed to avail TOD rebate excluding Public Lighting and emergency supply to CGP @10 paise/unit for energy consumed

during off peak hours. Off peak hours has been defined as **12 Midnight to 6 AM** of next day.

- (ix) All the LT domestic consumers and HT bulk supply domestic consumers in the Municipal or NAC limits shall be allowed a rebate of 10 paise per unit in electricity consumption subject to ceiling of Rs.50 per month for installation and use of roof top solar water heating system of minimum capacity of 100 liters per households after due verification by the licensee. This shall be in addition to all other rebates the consumer is otherwise eligible.
- (x) Swajala Dhara consumers under Public Water Works and Sewerage Pumping Installation category shall get special 10% rebate if electricity bills are paid within due date of normal rebate.
- (xi) Drawal by the industries during off-peak hours upto 120% of Contract Demand without levy of any penalty has been allowed. “Off-peak hours” for the purpose of tariff is defined as from **12 Midnight to 6.00 A.M.** of the next day. The consumers who draw beyond their contract demand during hours other than the off-peak hours shall not be eligible for this benefit. When Statutory Load Regulation is imposed then restricted demand shall be treated as contract demand.
- (xii) General purpose consumers with Contract Demand (CD) < 70 KVA shall be treated as LT consumers for tariff purposes irrespective of level of supply voltage. As per Regulation 76 (1) (c) of OERC Distribution (Conditions of Supply) Code, 2004 the supply for load above 5 KW upto and including 70 KVA shall be in 2-phase, 3-wires or 3-phase, 3 or 4 wires at 400 volts between phases.
- (xiii) The ‘Take or Pay’ tariff has been re-introduced. HT and EHT consumers having contract demand more than 110 KVA can give their willingness in writing to pay for energy charge as per actual drawal or 75% load factor of the contract demand per month whichever is higher upto the validity of this tariff order. During the validity period no downward revision of the contract demand shall be allowed. Such HT and EHT consumers shall also be allowed 5% special concession in its total bill. For calculation of load factor the contract demand wherever mentioned in KVA the actual power factor shall be taken into consideration.

(xiv) A new scheme called “Own Your Transformer – OYT Scheme” has been introduced for LT consumers intending to avail power at 11 KV for quality supply paying for the cost of high voltage distribution scheme(HVDS) single phase or three phase distribution transformer as the case may be. Existing HT bulk supply domestic category of consumers who have already paid for the transformers or intending to pay for the cost of transformer would also be covered under OYT scheme. A 10% special rebate for those consumers shall be allowed on respective tariff category on the total electricity bill both on energy and demand charge for paying the bill within stipulated period in addition to the normal rebate the consumer is otherwise eligible.

(xv) Power factor incentive for HT & EHT consumers will be applicable above power factor of 97% and power factor penalty shall be applicable below the level of 92%. The rate of incentive and penalty has been revised w.e.f. 01.04.2011 as mentioned below:

The rate of power factor incentive shall be 1% for every 1% rise above the PF of 97% up to and including 100% on the monthly demand charges and energy charges. Similarly power factor penalty shall be

- iv) 0.5% for every 1% fall from 92% upto and including 70% plus
- v) 1% for every 1% fall below 70% upto and including 30% plus
- vi) 2% for every 1% fall below 30%

There shall not be any power factor penalty for leading power factor determined through meters only. (For detail please refer Commission’s Order)

(xvi) Special Tariff for industries of contract demand 100 MVA and above and guaranteed monthly off-take of 80% shall pay a consolidated energy charge of 400 Paise/Unit.

(xvii) The printout of the record of the static meter relating to MD, PF, number and period of interruption shall be supplied to the consumer wherever possible with a payment of Rs.500/- by the consumer for monthly record.

(xviii) Tariff as approved shall be applicable in addition to other charges as approved in this Tariff order w.e.f. 01.04.2011. However, for the month of April, 2011 the pre-revised tariff shall be applicable if meter reading / billing date is on or before 15.04.2011. The revised tariff shall be applicable if meter reading/billing date is on 16.04.2011 or afterwards. The billing cycle as existing shall in no case be violated by the DISCOMs.