ORISSA ELECTRICITY REGULATORY COMMISSION

BIDYUT NIYAMAK BHAWAN,
UNIT – VIII, BHUBANESWAR – 751 012
*** *** ***

Present : Shri D. C. Sahoo, Chairperson
Shri B. C. Jena, Member
Shri S.K. Jena, Member

CASE NOS. 139, 141, 143 & 145 of 2004

DATE OF HEARING : **27.01.2005, 19.01.2005, 22.01.2005 & 24.01.2005**

DATE OF ORDER : **22 .03.2005.**

IN THE MATTER OF : Applications for approval of Annual Revenue Requirement and Retail Supply Tariff under Section 62 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 for the year 2005-06.

O R D E R

This order is initiated on the applications filed by the DISTCOs, namely, Central Electricity Supply Company of Orissa Ltd. (CESCO), North-Eastern Electricity Supply Company of Orissa Ltd. (NESCO), Western Electricity Supply Company of Orissa Ltd.(WESCO), Southern Electricity Supply Company of Orissa Ltd.(SOUTHCO), holder of the Orissa Distribution and Retail Supply Licence, 1/1999, 3/1999, 4/1999 and 2/1999 registered as Case Nos. 139, 141, 143 & 145 of 2004 respectively, for determination of their Annual Revenue Requirements (ARR) and fixation of Retail Supply Tariffs for the Financial Year (FY) 2005-06. A brief history of the case is as follows:

1 PROCEDURAL HISTORY

1.1 The DISTCOs are required to file the applications for determination of Annual Revenue Requirement (ARR) and revision of Retail Supply Tariff (RST) for the ensuing financial year with the Commission by 30th November in accordance with Regulation 53 of OERC (Conduction of Business) Regulations, 2004 and Regulation 5 of OERC (Terms and Conditions for determination of Tariff) Regulation, 2004. Accordingly, the applications for ARRs and revision of RSTs for FY 2005-06 were submitted by both WESCO and SOUTHCO before the

Commission on 24.11.04, NESCO on 25.11.04 and CESCO on 27.11.04 respectively.

1.2 After receipt of applications, publications were made in one leading English and one Oriya newspaper on 02.12.2004 inviting objections. The licensees were also instructed to file their rejoinder to the suggestions and objections by 31.12.2004.

1.3 The Commission decided to take into consideration the annual revenue requirements and tariff applications for the year 2005-06 along with annual revenue requirements and tariff applications for the year 2004-05 through a combined hearing, as the hearing for determination of ARR and Tariff revision for FY 2004-05 could not be conducted for the reasons stated in the relevant portion of Tariff Order for FY 2004-05. Further, the Commission has also decided to dispose of the following tariff related matters along with the aforesaid Revenue Requirements and Retail Supply Tariff Applications during the ensuing Tariff hearing.

i) NESCO's application for recognition of Regulatory Assets for the past losses from 1999-2000 to 2002-2003 registered as case no. 135/04

ii) NESCO's application for special tariff for "Power Intensive Industries" for loads with contract demand of 25 MVA and above and less than 100 MVA, registered as case no.40/2004.

iii) Application of NESCO to keep in abeyance the implementation of Availability Based Tariff (ABT) till suitable meters for EHT & HT consumers are in position and suitable infrastructure is physically available on the ground and completion of 100% consumer metering, registered as combined case no. 65/2004.

These applications were taken up along with tariff hearing as the questions raised in those applications were tariff related. However, the orders in respect of those applications would be passed separately.

1.4 Based on such paper publications, the Commission received 18 Nos. of objections against CESCO, 18 Nos. of objections against NESCO, 21 Nos. of objections against WESCO & 15 Nos. of objections against SOUTHCO, detailed as under:-

The objectors against CESCO were : (1) M/s COSBOARD Industries Ltd., New Industrial Estate, Phase - II, Jagatpur, Cuttack, (2) Orissa Chamber of Housing Developers Association Ltd., 777, Sahid Nagar, Bhubaneswar, (3) Mr. R.P. Mohapatra, 775, Jayadev Vihar, Bhubaneswar, (4) M/S H.M. Electricals (P) Ltd. B/11 & B/12, New Industrial Estate, Jagatpur., (5) Coastal Orissa Steel Manufacturers' Assn. Aditya Complex, Chauliagang, Cuttack-753003, (6) M/s Aditya Steel Industries Ltd., Telengapentha, Cuttack, (7) M/s Aditya Alloys Ltd., Telengapentha, Cuttack, (8) District Small Scale Industries Association, Industrial Estate, Cuttack, (9) Orissa Small Scale Industries Association, Ajay-Binay Bhawan, Industrial Estate, Cuttack-753010, (10) Orissa Consumers' Association, Debajoyti Upobhokta Kalyan Bhawan, Biswanath Lane, Cuttack-753002, (11) Utkal Chamber of Commerce & Industry, N/6, IRC Village, Nayapalli, Bhubaneswar, (12) Confederation of Indian Industry, 8, Forest Park, Bhubaneswar, (13) East Coast Railway, B-2, Rail Vihar, Chandrasekharpur, Bhubaneswar, (14) Bharat Sanchar Nigam Ltd. Telecom Electrical Circle, Bhubaneswar, (15) Industrial Promotion & Investment Corporation of Orissa Ltd. (IPICOL), Janpath, Bhubaneswar, (16) Industries Department, Govt. of Orissa, (17) State Public Interest Protection Council, Talatelenga Bazar, Cuttack, (18) Xavier Institute of Management, Bhubaneswar.

The objectors against NESCO were : (1) Jindal Stainless Limited, 50-HIG, BDA, Jaydev Vihar, Bhubaneswar-751 013, (2) S.E. Railway, Garden Reach, Kolkata-700 043, (3) Rohit Ferro Tech Pvt. Ltd., 620-A, Saheed Nagar, Bhubaneswar, (4) Ferro Alloys Corpn. Ltd., GD-2/10, Chandrasekharpur, Bhubaneswar-751023, (5) Balasore Alloys Limited , Balgopalpur-756020, Balasore, Orissa, (6) The Industrial Development Corporation of Orissa Ltd., (7) The Tata Iron & Steel Co. Ltd., 273 Bhouma Nagar, Unit-IV, Bhubaneswar-751001, (8) Orissa Small Scale Industries Association at Ajay-Binay Bhawan, Industrial Estate, Cuttack-753010, (9) MSP Steels (P) Ltd., Haladiguna, P.O. Gobardhan, Dist. Keonjhar, (10) Utkal Chamber of Commerce and Industry Ltd., Plot No. 1/1-C, Jayadev Vihar, Nayapalli, Bhubaneswar-15, (11) IDCOL Ferro Chrome & Alloys Ltd. Jajpur Road, (12) Orissa Consumer's Association, Debajoyti Upobhokta Kalyan Bhawan, Biswanath Lane, Cuttack-753002, (13) East Coast Railway, O/o the Chief Electrical Engineer,B-2, Rail Vihar, Chandrasekharpur, Bhubaneswar – 751023, (14) Orissa Sponge Iron Manufacturers' Association, Plot No. 532, Satya Nagar, Bhubaneswar-751 007, (15) Bharat Sanchar Nigam Ltd. Telecom Electrical Circle, Bhubaneswar, (16) Industrial Promotion and Investment Corporation of Orissa Limited, IPICOL House, Janpath, Bhubaneswar-22, (17) Industries Department, Govt. of Orissa., (18) State Public Interest Protection Council, Talatelenga Bazar, Cuttack.

The objectors against WESCO were : (1) Organisation for Regional Imbalance& Social Justice of Society, Panitanki Road, Modipada, Sambalpur 768002, (2) Rourkela Steel Plant Retired Employees' Association, 'D' Block in front of NAC Market, Koel Nagar, Rourkela-769014, (3) M/s OCL India Limited, Rajgangpur-770017, (4) M/s Larsen & Toubro Limited Kansbahal Works: PO. Kansbahal-770034, Dist-Sundargarh, Orissa, (5) S.E. Railway, Garden Reach, Kolkata-700 043, (6) M/s Scan Spongiron Ltd, B-2, Jagannath Complex, Udit Nagar, Rourkela, Dist-Sundargarh – 770017, (7) M/s Scan Steel Ltd, Main Road, Rajgangpur, Dist-Sundargarh – 770017, (8) M/s Shrishti Ispat Ltd, Main Road, Rajgangpur, Dist-Sundargarh – 770017, (9) SAIL, Rourkela Steel Plant, Rourkela, (10) Sambalpur District Consumers Federation, Balaji Mandir Bhawan, Khetrajpur, Sambalpur-768003, (11) M/s Orissa Consumers' Association, Debajoyti Upobhokta Kalyan Bhawan, Biswanath Lane, Cuttack-753002, (12) Sundargarh District Employers' Association, AL-1, Basanti Nagar, Rourkela-12, (13) Neepaz Metaliks (P) Ltd., H-3, Civil Township, Rourkela-769004, (14) Shri R.P. Mahapatra, Plot No. 775(Pt), Lane-3, Jayadev Vihar, Bhubaneswar-13, (15) Utkal Chamber of Commerce and Industry Ltd., Plot No. 1/1-C, Jayadev Vihar, Nayapalli, Bhubaneswar-15, (16) Orissa Small Scale Industries Association, Ajaya-Binaya Bhawan, Industrial Estate, Cuttack-753010, (17) Orissa Sponge

Iron Manufacturers' Association, Plot No. 532, Satyanagar, Bhubaneswar-751007, (18) Bharat Sanchar Nigam Ltd. Telecom Electrical Circle, Bhubaneswar, (19) M/s Industrial Promotion and Investment Corporation of Orissa Ltd., IPCOL House, Janpath, Bhubaneswar-22, (20) Industries Department, Govt. of Orissa, (21) State Public Interest Protection Council, Talatelenga Bazar, Cuttack.

The objectors against SOUTHCO were : (1) M/s Jeypore Sugar Co, Ltd., Ramakrishna Buildings, 239, Anna Salai, P.B. No. 730, Channai-600 006, (2) Ganjam District Electricity Consumers Protection Association, Hinjilicut - Ganjam-761102, (3) Shri R.P. Mahapatra, Plot No. 775(Pt), Lane-3, Jayadev Vihar, Bhubaneswar-751 013, (4) Jayshree Chemicals Ltd., PO-Jayshree, Ganjam-761025, (5) Orissa Small Scale Industries Association, Ajay-Binay Bhawan, Industrial Estate, Cuttack-753010, (6) Utkal Chamber of Commerce & Industry Ltd., (UCCI),N/6, IRC Village, Nayapalli,Bhubaneswar-751 015, (7) Sri Prabhakar Dora,Co-Operative Colony, 3rd lane, Rayagada, PO/PS/Dist-Rayagada, (8) East Coast Railway, O/o the Chief Electrical Engineer,B-2, Rail Vihar, Chandrasekharpur, Bhubaneswar – 751023, (9) Industrial Promotion and Investment Corporation of Orissa Ltd., IPCOL House, Janpath, Bhubaneswar-751 022, (10) Orissa Consumers' Association, Debajoyti Upobhokta Kalyan Bhawan, Biswanath Lane, Cuttack-753002, (11) Bharat Sanchar Nigam Ltd. Telecom Electrical Circle, Bhubaneswar, (12) Berhampur Cold Storage Pvt. Ltd.Factor: Phulta, Via Konisi, Berhampur, (13) Industries Department, Govt. of Orissa, (14) State Public Interest Protection Council, Talatelenga Bazar, Cuttack, (15) Military Engineering Services.

1.5 In response to the letter No.JD(F)-175/04/2193 dated 30.12.2004, the representative from Energy Department, Govt. of Orissa, attended the public hearing on 19.01.2005.

1.6 The Commission issued public notices in the leading local Oriya and English daily newspapers on 31.12.2004 fixing the date of hearing as 19.01.2005 for NESCO, 22.01.2005 for WESCO, 24.01.2005 for SOUTHCO and 27.01.2005 for CESCO at 11 AM in the hearing hall at the Commission's office. The said publication included the names of all the valid objectors against the four licensees directing them to appear personally or through their authorised representatives or duly constituted attorney before the Commission on the date and time mentioned for public hearing in the public notices.

1.7 Accordingly, the public hearing was held in the hearing hall of the Commission at Bhubaneswar on19.01.2005, 22.01.2005, 24.01.2005 and 27.01.2005. The objectors or their authorised representatives and the representatives of licensees participated in the said hearing. The Commission heard all the objectors.

1.8 The original petitions registered as Case No.139, 141, 143 and 145 of 2004 dated 29.11.2004 are being disposed of by this order of the Commission.

1.9 During public hearing, one of the objectors had alleged that the filing was not supported by affidavit as required under Regulation-12 of OERC (Conduct of Business) Regulations, 2004. In this regard the Appendix-2, as prescribed in the

Regulation, reveals that the format of affidavit should consist of three parts. The affidavit provided by the licensee in support of the tariff application is found to be in accordance with the first two parts of the prescribed formats for affidavit found in the regulation. As regards the third part of the affidavit, as sworn in by the licensee, the same does not confirm to the third part of the prescribed affidavit. The Commission is of the opinion that the object of the third part of the prescribed affidavit has been made out in the sworn affidavit of the first two parts. That being so, the Commission does not find any serious discrepancy between the sworn affidavit and the prescribed format of the affidavit and as such, the above objector's allegation is also devoid of any merit.

1.10 It was also alleged that the tariff applications were not maintainable on the ground that the applications of four licensees were not accompanied with the prescribed fee. The Commission clarifies that though the Regulation 10 (5) of OERC (Conduct of Business) Regulation, 2004 postulates that the applicant licensees are to pay the fees fixed by the Commission while presenting the tariff application, no fees has been prescribed by the Commission as yet. Accordingly, four licensees have not rightly paid any fees while presenting the tariff applications to OERC.

1.11 The objector had also questioned how the Commission would take up a number of other applications on different subjects along with the tariff applications as mentioned in the Public Notice issued by the licensee. The Commission is of the view that the additional subject(s), which has (have) been clubbed for decision along with the present tariff application.

1.12 The objector had stated that DISTCOs had not filed ARR from 1st of April to 31st March 2007 by December 2003 for LTTS as per the direction of the Commission. The Commission clarifies that the LTTS applies to the four distribution and retail supply licensees in the state, namely CESCO, NESCO, SOUTHCO and WESCO. As per the LTTS order of the Commission dtd. 18.06.2003, only the DISTCOs shall file ARR and tariff proposals for 2004-05 by 31st December 2003, along with the LTTS filing for a period of 3 years i.e. from 2004-05 to 2006-07. In this tariff filing, the Commission has received ARR & tariff proposals for the years 2004-05 and 2005-06**.** In the absence of their filings as directed, the Commission is going ahead with finalisation of the Multi Year Tariff (MYT) principles from FY 2004-05 to FY 2006-07 based on the filings and the inputs from the participants during the course of public hearing.

1.13 One of the objectors complained that the representation of the objectors at the public hearing has been limited whimsically by the Commission. The Commission has never limited the number of objectors and has afforded ample opportunity to all the objectors, including the present objector even though he remained absent on all the four days of the public hearing of four DISTCOs and yet the Commission has taken its written objection into consideration.

2 ARR & RETAIL SUPPLY TARIFF PROPOSAL FOR 2005-06

2.1 The Distribution Licensees in Orissa namely, CESCO, 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	License No.	Licensed Areas (Districts)
1.	CESCO	1/1999	Puri, Khurda, Nayagarh, Cuttack, Denkanal, Jagatsinghpur, Angul, Kendrapara.
2.	NESCO	3/1999	Mayurbhanj, Keonjhar, Bhadrak, Balasore and major part of Jajpur.
3.	WESCO	4/1999	Sambalpur, Sundargarh, Bolangir, Bargarh, Deogarh, Nuapara, Kalahandi, Sonepur and Jharsuguda.
4.	SOUTHCO	2/1999	Ganjam, Gajapati, Kandhamal, Boudh, Rayagada, Koraput, Nawarangpur and Malkangiri.

2.2 The profile of the DISTCOs ending 31st March, 2005 is given in tabular form which potrays an overview of their current activities.

Table : 2

Item	Unit	CESCO	NESCO	WESCO	SOUTHCO
Total consumer strength (1.4.2005) (Projected)	Nos.	890,956	480,584	481,699	457,367
Total input (Projected)	MU	4140.00	2778.584	4028.000	1,630.000
Total billing (Projected)	MU	2565.86	1651.061	2,579.352	981.823
Total billing to consumers (Projected)	Rs. in crore	716.52	505.97	812.39	311.59

2.3 The comparative figures of consumption at different voltage levels as well as energy purchase in MU for FYs 2003-04 to 2005-06 taken from the DISTCOs' filings are indicated below to serve as an indicator of pattern of consumption.

Table : 3
Energy Sale & Purchase (MU)

	CESCO			NESCO			WESCO			SOUTHCO		
Category	03-04	* 04-05	*05-06	03-04	* 04-05	*05-06	03-04	* 04-05	*05-06	03-04	* 04-05	*05-06
LT	1478.27	1748.94	1874.03	602.55	674.23	820.41	732.04	775.35	821.00	561.59	597.94	659.46
HT	384.73	440.52	452.92	320.65	291.36	349.94	378.12	492.50	790.00	213.28	228.07	252.87
EHT	485.93	376.40	445.05	567.40	685.47	926.18	1197.55	1311.50	1184.00	149.95	155.81	216.22
Total Sale	2348.93	2565.86	2772.00	1490.60	1651.06	2096.52	2307.71	2579.35	2795.00	924.82	981.82	1128.55
Energy purchase	3899.58	4140.00	4200.00	2645.79	2778.58	3308.14	3784.18	4028.00	4150.00	1607.40	1630.00	1800.00
Overall Dist. loss (%)	39.00	38.00	34.00	43.70	40.58	36,63	39.02	35.96	32.65	42.46	39.77	37.30

Note : * Mark indicates the figures are projections.

2.4 The individual DISTCO has highlighted its projection for sale of energy during FY 2005-06 as follows:

2.4.1 **CESCO**

2.4.1.1 CESCO expects a growth rate of 8.0% in consumption in the domestic category for FY 2005-06. The Licensee has estimated growth of 10.0% for FY 2005-06 in respect of general purpose consumption. Consumption in respect of irrigation shall experience a meagre growth of the order of 5.0% during 2005-06, as compared to last year.

2.4.1.2 CESCO has projected rise of nominal 2.81% rise for HT category of consumers in FY 2005-06, as compared to FY 2004-05. The consumption has been projected based on the trends of FY 2004-05 and specific load growth expected in respect of the existing and new consumers etc.

2.4.1.3 CESCO has stated that the declining trend in EHT consumption in FY 2005-06 is attributable to considerable decrease in consumption pattern of M/s Nav Bharat due to use of CPP by the industry. However, they have projected 18% rise in EHT category in FY 2005-06, as compared to last year.

2.4.2 **NESCO**

2.4.2.1 NESCO expects a growth rate of 24.5% in consumption in the domestic category for FY 2005-06. The Licensee has estimated growth of 14.4% for FY 2005-06 in respect of general purpose consumption. Consumption in respect of irrigation shall experience a positive growth of the order of 14.5% during 2005-06, as compared to last year.

2.4.2.2 In respect of HT consumers, NESCO expects a growth rate of 20.11% for FY 2005-06 over and above the previous year's consumption.

2.4.2.3 EHT consumption is expected to register a growth rate of 35.12% during 2005-06, as compared to previous year with an estimated sale of 926.18 MU.

2.4.3 WESCO

2.4.3.1 For projecting the consumption of different categories, WESCO has analysed the past trends of consumption pattern for the last five years i.e. FY 1999-2000 to FY 2003-04. WESCO estimates growth rate of 7.4% in consumption in domestic category for FY 2005-06 over and above the previous year's consumption. They expect 1.5% rise in consumption under general purpose category as compared to previous year due to increase in consumption by the existing consumers as well as growth in consumers' strength. They also estimate a growth rate of 3.6% in consumption as compared to last year in respect of irrigation consumers.

2.4.3.2 WESCO has estimated as high as 60.41% rise in consumption in HT category during FY 2005-06 based on the trend of FY 2004-05.

2.4.3.3 WESCO expects a decline in consumption to the tune of 9.72% in respect of EHT consumers during FY 2005-06 as compared to FY 2004-05 due to operation of CPPs by RSP, Rourkela and INDAL.

2.4.4 SOUTHCO

2.4.4.1 SOUTHCO expects a growth rate of 10.6% in power consumption under domestic category, 8.8% under general purpose category and 15.9% under irrigation category for FY 2005-06 over and above previous year's consumption.

2.4.4.2 In respect of HT consumers, SOUTHCO expects growth in consumption to the tune of 10.87% during FY 2005-06 over and above the previous year's consumption. They expect this rise due to enhanced consumption by the existing consumers.

2.4.4.3 EHT sale for SOUTHCO is expected to register growth rate as high as 38.77% in consumption during 2005-06, as compared to previous year's consumption due to expected growth in existing and prospective consumers.

2.5 Voltage class-wise and major LT consumer class-wise energy off-take (projected) in terms of percentage during the period from FY 2003-04 to 2005-06 are presented in tables-4 and 5 below:

Table : 4
Voltage Class-Wise Growth in consumption (MU)

Company		**LT**	**HT**	**EHT**	**Total**
CESCO	2003-04	1478.27	384.73	485.93	2348.93
	2004-05	1748.94	440.52	376.40	2565.86
	% Rise	18.31	14.50	(-) 22.54	9.24
	2005-06	1874.03	452.92	445.05	2772.00
	% Rise	7.15	2.81	18.24	8.03
NESCO	2003-04	602.55	320.65	567.40	1490.60
	2004-05	674.23	291.36	685.47	1651.06
	% Rise	11.90	(-) 9.13	20.81	10.76
	2005-06	820.41	349.94	926.18	2096.53
	% Rise	21.68	20.11	35.12	26.98
WESCO	2003-04	732.04	378.12	1197.55	2307.71
	2004-05	775.35	492.50	1311.50	2579.35
	% Rise	5.92	30.25	9.52	11.77
	2005-06	821.00	790.00	1184.00	2795.00
	% Rise	5.89	60.41	(-) 9.72	8.36
SOUTHCO	2003-04	561.59	213.28	149.95	924.82
	2004-05	597.94	228.07	155.81	981.82
	% Rise	6.47	6.93	3.91	6.16
	2005-06	659.46	252.87	216.22	1128.55
	% Rise	10.29	10.87	38.77	14.94

Table : 5
Major LT Consumer Category-wise Load Growth (In MU)

	Domestic	General Purpose	Irrigation	Pub. Lighting	LT industries (S) Supply	LT industries (M) Supply	Specified Pub. Purpose	**P.W. Works**
CESCO								
Con. 03-04 (MU)	1040.83	244.91	34.13	16.18	41.91	39.08	28.77	32.47
Con. 04-05 (MU)	1254.61	276.56	46.66	20.62	46.53	45.19	21.16	37.61
Growth rate assumed (%)	20.5	12.9	36.7	27.4	11.0	15.6	(-) 26.5	15.8
Con. 05-06 (MU)	1354.41	304.22	49.00	19.36	46.69	46.35	18.51	35.53
Growth rate assumed (%)	8.0	10.0	5.0	(-) 6.1	0.3	2.6	(-) 12.5	(-) 5.5
NESCO								
Con. 03-04 (MU)	473.81	54.06	23.51	6.25	18.94	12.50	6.27	6.98

Con. 04-05 (MU)	540.14	56.45	24.68	6.44	19.51	12.88	6.58	7.32
Growth rate assumed (%)	14.0	4.4	5.0	3.0	3.0	3.0	4.9	4.9
Con. 05-06 (MU)	672.45	64.59	28.26	6.71	20.06	13.13	7.09	7.88
Growth rate assumed (%)	24.5	14.4	14.5	4.2	2.8	1.9	7.8	7.7
WESCO								
Con. 03-04 (MU)	491.38	91.59	50.57	7.78	24.71	33.42	12.02	13.32
Con. 04-05 (MU)	525.97	93.56	53.09	7.94	25.45	35.56	12.6	13.83
Growth rate assumed (%)	7.0	2.2	5.0	2.0	3.0	6.4	4.8	3.8
Con. 05-06 (MU)	565.00	95.00	55.00	8.00	26.00	37.00	13.05	14.35
Growth rate assumed (%)	7.4	1.5	3.6	0.8	2.2	4.1	3.6	3.8
SOUTHCO								
Con. 03-04 (MU)	405.64	76.92	15.73	7.85	17.42	19.96	9.04	7.55
Con. 04-05 (MU)	434.97	80.69	16.52	8.01	17.94	20.88	9.49	7.93
Growth rate assumed (%)	7.2	4.9	5.0	2.0	3.0	4.6	5.0	5.6
Con. 05-06 (MU)	480.93	87.77	19.15	8.76	19.32	22.93	10.25	8.64
Growth rate assumed (%)	10.6	8.8	15.9	9.4	7.7	9.8	8.0	9.0

2.6 Distribution Loss, Collection Efficiency and AT&C Loss

2.6.1 Business Plan

2.6.1.1 As directed by the Commission, all DISTCOs filed their business plan which was heard on 28th and 29th of October, 2004. During hearing, the DISTCOs tried to substantiate their claims to consider FY 2003-04 as the base year. NESCO, WESCO and SOUTHCO requested the Commission to adopt a pragmatic view for determination of future AT&C loss reduction target considering the vast geographical area, scattered consumer base, poor paying capacity, frequent occurrence of natural calamities and lack of retail price elasticity. It has been submitted by them that in case, stiff AT&C loss reduction target is considered by the Commission as compared to targeted reduction in AT&C loss projected for the FY2004-05, it will not be possible to achieve the same notwithstanding their best efforts and undertaking all the planned investments. As such, the cash flow of the Company will severely be jolted. However, NESCO, WESCO and SOUTHCO are of the opinion that the AT&C loss reduction of around 3% per annum is reasonable.

2.6.1.2 CESCO in their filing stated that the shortfall in achievement of reduction in losses as compared to targets specified by the Hon'ble Commission and in the Kanungo Committee report was primarily attributable to factors like, slow progress of investments due to delay in receipt of APDRP and World Bank funds, non-availability of funds for capital investments and maintenance of distribution network, natural calamities, etc. Moreover, both, Kanungo Committee and the OERC have assumed that the Government Departments and undertakings shall make payments to CESCO in regular manner. However, in reality this has not happened and consequently, the reduction in losses as suggested by the Kanungo Committee and the OERC, could not be achieved by CESCO. Hence, the technical and commercial losses have remained at almost constant level. The massive rural electrification has also fuelled to increase in AT&C loss. CESCO has targeted reduction of AT&C loss by 4% for FY 2005-06.

2.6.1.3 AT&C Loss figures furnished by the DISTCOs are given in table-6 below:

Table : 6
Distribution Loss, Collection Efficiency and AT&C Loss

	CESCO			**NESCO**			**WESCO**			**SOUTHCO**		
Segment	03-04	*04-05	*05-06	03-04	*04-05	*05-06	03-04	*04-05	*05-06	03-04	*04-05	*05-06
Overall distribution loss (%)	39	38	34	43.70	40.58	36.63	39.02	35.96	32.65	42.46	39.77	37.30
Collection efficiency (%)	81	82	83	93.69	94.00	93.00	88.26	89.29	89.68	86.91	88.00	91.72
AT&C Loss (%)	51	49	45	47.16	44.14	41.06	46.18	42.82	39.60	50.47	46.99	42.50

Note : * Mark indicates the figures are projections.

2.7 NESCO, WESCO and SOUTHCO have devised the following measures for reduction of AT&C loss.

2.7.1 **Consumer Metering**

2.7.1.1 Large scale metering, rectification of erroneous bills and removal of ghost consumers.

2.7.1.2 Deployment of meter checking squad. In absence of speedier judicial remedies, the violation of law continues. Under these circumstances, NESCO, WESCO and SOUTHCO have appealed for continuation of Load Factor Billing.

2.7.2 **Regularisation and Spot Billing**

2.7.2.1 Regularisation of unauthorised consumers.

2.7.2.2 Heightening of vigilance activities by deployment of squads.

2.7.2.3 Verification of meter readings in doubtful cases.

2.7.2.4 Deployment of different groups for reassessment of load, prevention of by-pass and tampering of meters etc.

2.7.2.5 Mass checking by the executives in specific areas.

2.7.2.6 Installation of check meters in the premises of LT/HT industrial consumers.

2.7.2.7 Provision of installation cubicles and XLPE cable to curb theft by HT industrial consumers.

2.7.2.8 Provision of audit meters for a group of industries in the same area or vicinity and deployment of guards on the spot to prevent tampering/damage of meters.

2.7.2.9 Introduction of spot billing in urban areas.

2.8 Apart from the above, NESCO, WESCO and SOUTHCO have undertaken the following measures:

2.8.1 **APDRP scheme**

Works under, the APDRP scheme have been launched to provide meters to feeders and transformers at various voltage level. The scheme includes strengthening and upgradation of the existing distribution network as well as installation of new lines and sub-stations, reconductering etc.

2.8.2 **Energy Audit**

Meters at all the 33 kV feeders and 11 kV feeders have already been installed. For conducting Energy Audit, senior officers have been deployed for energy audit purpose. The resultant analysis has facilitated to pin point high loss prone areas.

2.8.3 **Outsourcing of Revenue Collection in Rural Areas**

Outsourcing of Revenue Collection by introduction of input based franchisees in rural areas is being promoted in line with the spirit of Electricity Act 2003. This will cover major portion of rural consumers and lead to rapid loss reduction and higher collection efficiency in rural areas.

2.8.4 **Data sources**

NESCO, WESCO and SOUTHCO have already furnished Audited Accounts upto September, 2003 as per Companies Act and Accounts upto March, 2004 have been audited as per Income Tax Rules.

2.8.5 **PMU works**

Measures under PMU works have been taken for installation of new sub stations and line including up-gradation and renovation of the existing network. The Scheme has, however, been closed on 30.06.04.

2.9 **Steps taken by CESCO as loss reduction measures**

2.9.1 Detection and regularisation of unauthorised consumers and use of Spot Billing in the entire area of CESCO.

2.9.2 CESCO has provided meters to all un-metered consumers.

2.9.3 De-hooking operation brought to limelight un-authorised consumers who are being persuaded to regularisation of connection.

2.9.4 Verification of meter readings in doubtful cases.

2.9.5 Intensification of vigilance activities by deployment of squads.

2.10 **Energy Audit**

The energy audit will be undertaken after completion of installation of meters.

2.11 **Outsourcing of Revenue Collection in Rural Areas**

Appointment of franchisee as pilot study.

2.12 **APDRP scheme**

CESCO has undertaken Distribution System up-gradation and modernisation program under APDRP Scheme. The Scheme involves a capital outlay of Rs. 296.73 crore, which includes metering, new lines and sub-stations, re-conductoring, renovation and modernisation of existing sub-stations. Meters have been procured for all the 33 KV feeders, 11 KV Feeders and Distribution transformers under APDRP Scheme and the installation of meters are under progress. Meters under APDRP scheme have been procured. Installation of meters is under progress.

2.13 **Data sources**

Strengthening MIS including software and systems for monitoring and detection of illegal abstraction of energy.

2.14 **PMU Works**

Measures under PMU works have been taken for installation of new sub stations and lines including up-gradation and renovation of existing network. The Scheme has been closed on 30.06.04.

2.15 **Inputs in Revenue Requirement**

The main constituent of Revenue Requirement is power purchase cost which varies with the change in BST. The other part is the cost of distribution which is almost fixed in nature and mainly comprises expenses on account of employees, administration and general expenses, repair and maintenance expenses, depreciation, loans and outstanding dues, interest on loans and power bonds, appropriation to contingency reserve, past losses and provision for bad and doubtful debts. In addition, the DISTCOs are expected to earn a reasonable return on its equity capital based on the methodology prescribed by the Commission. The cost of power purchase includes the cost of energy lost on account of technical and commercial losses of the distribution system. The DISTCOs are also required to meet the cost of capital of new investments needed to improve system reliability and quality of power supply. The DISTCOs are to recover all these revenue expenditures from the consumers at the rate to be determined by the Commission for the concerned period.

2.16 **Power Purchase**

The cost of power purchase has been derived by the DISTCOs based on estimated consumption together with distribution energy loss level at the existing BST. The DISTCOs have prayed to the Commission to suitably adjust the revenue requirement in the event of revision of BST.

2.17 **Employees' cost**

The employees 'cost has been evaluated by the DISTCOs as a percentage rise (different for individual DISTCO) over and above the previous year. This includes normal annual increment of the employees, anticipated enhancement in Dearness Allowance, emoluments for new recruits and key personnel in technical and commercial activities. NESCO, WESCO and SOUTHCO submitted that they have worked out the terminal benefits considering the report of the actuary.

2.18 **Administration and General expenses**

2.18.1 CESCO has requested for a hike in A&G expenses to the tune of 5%.

2.18.2 NESCO, WESCO and SOUTHCO have indicated that the lease rent of meters due to delay in releasing World Bank fund, outsourcing of rural collection, analysis of consumer database and consumer tagging, providing round the clock security over HT consumers etc. have increased the A&G expenditure. Hike in service tax and introduction of education cess have aggravated the situation. NESCO, WESCO and SOUTHCO have requested for a hike in A&G expenses to the tune of 12%, 3% and 11% respectively as compared to FY 2004-05.

2.19 **Repair and Maintenance expenses**

2.19.1 CESCO has projected hike of 5% in R&M expenses from that of 2003-04.

2.19.2 NESCO, WESCO and SOUTHCO have highlighted the relevant Section of the Commission's order for FY 2003-04 which stressed the need for preventive maintenance to avoid major break down of the run down condition of inherited network. They have escalated R&M expenses by 5.4% on Gross Fixed Assets (GFA) as per OERC's guidelines.

2.20 **Provision for Bad and Doubtful Debts**

2.20.1 CESCO has made a provision of 15% for bad and doubtful debts on the incremental debtor.

2.20.2 NESCO, WESCO and SOUTHCO have projected bad and doubtful debts as nil in view of the adoption of concept of AT&C loss as the performance parameter.

2.21 **Depreciation**

All the DISTCOs have calculated depreciation in Straight Line Method at pre-92 rate.

2.22 **Loans and Outstanding Dues**

2.22.1 DISTCOs submitted that the assumptions with respect to outstanding loans and dues have been considered in line with the Commission's last orders.

2.22.2 CESCO has submitted that they have considered interest @ 8.5% on GRIDCO loan (back to back) as per the Commission's Order. They further stated that no interest has been considered on GRIDCO loan of Rs. 174.00 crore provided to them towards difference of payment including cash support as the same is sub-judice before the Commission.

2.22.3 Regarding interest on GRIDCO loans, NESCO, WESCO and SOUTHCO requested the Commission to consider 0% rate of interest on GRIDCO loan, provided the Commission allows the carrying cost on loans in the ARR of GRIDCO. They also pray to the Commission to restructure/reschedule repayment terms of loan as proposed in the business plan.

2.22.4 NESCO, WESCO and SOUTHCO have proposed in their Business Plan to restructure the NTPC Bond in line with Ahluwalia Committee Report.

2.22.5 Regarding World Bank loan, they submitted that the Govt. of Orissa has linked the 30% grant to performance target i.e. the DISTCOs should reduce the distribution loss as per the target scheduled by the Govt as well as improve the collection efficiency.

2.22.6 In the ensuing year, CESCO, NESCO, WESCO and SOUTHCO have estimated the amount of Rs.111.27 crore, Rs.77.32 crore, Rs.50.64 crore and Rs.49.83 crore respectively to be received under APDRP scheme. As per the scheme, out of the 50% of the amount received from the State Govt., 50% is to be treated as grant and balance 50% as loan carrying interest @ 12% pa. The balance 50% of the sanctioned amount is to be treated as counterpart funding to be availed from REC/PFC @ 8.5% pa.

2.23 BST Outstanding Dues

Regarding GRIDCO's BST outstanding dues, NESCO, WESCO and SOUTHCO propose to securitise the outstanding amount with GRIDCO as per the business plan. Further, they have proposed that no interest should be paid on BST dues duly securitised. The outstanding dues would be repaid over a period of ten years including a moratorium period of three years. In case of any change in interest rate and terms of payment, the same should be taken care of in the ARR for FY 2005-06.

2.24 Interest on Security Deposit

In accordance with the Section 47(4) of the Electricity Act, 2003 read with OERC Distribution (Conditions of Supply) Code, 2004, Section 21 mandates payment of interest on consumer's security deposit. The DISTCOs proposed to pay interest on security deposit for FY 2004-05 (10 months) and FY 2005-06 @5% interest per annum. They also prayed to the Commission to exempt them from paying penal interest for non-payment of security deposit in May, 2005 related to FY 2004-05 under provision of Section 21 of OERC Distribution (Conditions of Supply) Code 2004.

2.25 Rural Electrification

The DISTCOs stated that they would undertake the rural electrification works to the extent of availability of funds from Govt. of Orissa. They would like to submit further that the impact of accelerated Rural Electrification Programme on AT&C loss reduction and estimated revenue from sales at the existing tariff had not been incorporated in the ARR for FY 2005-06. They pray to the Commission that the impact of accelerated RE programme should be taken into account in the ARR for the ensuing year and accordingly, revision should be made in the AT&C loss reduction target.

2.26 Past losses and Regulatory assets

2.26.1 NESCO, WESCO & SOUTHCO have proposed for creation of regulatory asset equivalent to the cash losses for the period from 1999-00 to 2002-03 as per their audited accounts and to be amortised in future years over a period of time. They further prayed that they should be permitted to recover the interest @10% per annum on regulatory asset as the carrying cost till the regulatory asset is amortised. However, they have proposed a part of such assets to be amortised and included in the ARR for FY 2005-06.

2.26.2 A summary of aggregated revenue requirement and the proposed revenue gap of the DISTCOs at existing tariff for FY 2005-06 is given in table-7.

Table : 7
Summary of Annual Revenue Requirement for 2005-06

Rs. in Crore

DISTCOs	**CESCO**	**NESCO**	**WESCO**	**SOUTHCO**
FY	05-06	05-06	05-06	05-06
Power Purchase Cost	558.60	410.50	561.28	225.00
Employee cost	127.36	70.40	69.94	64.79
A & G expenses	20.53	11.18	14.02	9.91
Repair & maint. Expenses	35.10	29.05	28.99	18.51
Provision for Bad Doubtful debt	18.945	0	0	0
Depreciation	63.021	19.29	19.29	16.93
Interest	43.895	45.98	55.76	38.66
Interest on Security Deposit	0	0	0	4.04
Carrying cost on past losses @10%	0	0	0	0
Contribution to Contingency Reserve	0	2.02	2.01	1.78
TOTAL	**867.45**	**588.42**	**751.29**	**379.62**
Previous loss	726.265	0	0	0
Total Revenue Requirement	**1593.72**	**588.42**	**751.29**	**379.62**
Reasonable Return	11.64	10.55	7.78	6.03
Amortisation of Regulatory Assets	0	95.33	70.00	60.00
Revenue Gap for FY 2004-05		188.63	110.70	150.12
Annual Revenue Requirement	**1605.35**	**882.93**	**939.77**	**595.77**
Revenue Generation based on existing tariff	772.40	474.08	735.23	291.98
Revenue gap	**832.95**	**408.85**	**204.54**	**303.79**

2.27 **Summary of Tariff Proposal for FY 2005-06**

2.28 **CESCO** :

2.28.1 Based on estimated revenue requirement and revenue realisation at the existing tariff, the revenue gap for FY 2005-06 works out to Rs. 832.94 crore. CESCO has projected the revenue gap considering the revenue collection at the existing tariff.

2.28.2 CESCO states that the revenue generation from sale of power on the proposed tariff would be Rs. 964.27 crore.

2.28.3 CESCO has proposed that the Revenue Gap may be treated as a Regulatory Asset and be allowed to recover it in the next three years (FY 2007 to FY 2009) and the interest on account of the regulatory asset be allowed to be recovered as a pass through in the Tariff.

2.28.4 CESCO has left the matter to the Commission in respect of fixing the rate of interest for carrying this asset each year.

2.29 **NESCO**, **WESCO & SOUTHCO** :

2.29.1 Based on estimated Revenue Requirement and Revenue at the existing tariff, the revenue gap for FY 2005-06 had been worked out by NESCO, WESCO and SOUTHCO, as Rs. 408.85 crore, Rs. 204.54 crore and Rs. 303.79 crore respectively. They stated that the amount of revenue gap for FY 2005-06 includes (i) Revenue gap of FY 2004-05 and (ii) Amortisation of regulatory assets. NESCO, WESCO and SOUTHCO had further submitted that the revenue gap had been projected considering the revenue collection at the existing tariffs.

2.29.2 The average tariff increase required to bridge the entire revenue gap becomes too high. It will result in sudden tariff shock to consumers. Further, following the principle of gradual reduction in cross subsidy, the tariffs for subsidising categories cannot be increased substantially. They felt it would not be in the interest of the sector to increase the tariffs beyond reasonable level. NESCO, WESCO and SOUTHCO propose to bridge the revenue gap partly through the retail supply tariff increase and to make good the balance gap, measures such as reduction in Bulk Supply Tariff, subsidy from State Government and/or any other appropriate mechanism, should be resorted to.

2.29.3 NESCO, WESCO and SOUTHCO are of the opinion that with the changed circumstances, the bulk supply tariff can be reduced substantially which can be utilised to bridge the revenue gap to certain extent. The reduction in Bulk Supply Tariff is envisaged mainly due to:

- Increase in Non Tariff Income of GRIDCO through trading of power.
- Reduction in Cost of Power Purchase from Central Generating Stations due to revision in generation norms by CERC.
- Reduction in Cost of Power Purchase from OPGC.
- Receipt of incentive from NTPC on account of Bonds issued by Orissa Govt. against the past dues of NTPC upto 30.09.2001.
- Refund on account of excess payment to NTPC in absence of approved tariff of NTPC ER Stations by CERC with effect from 01.04.2000.

- Refund on account of excess payment to NTPC for TTPS over and above the reduction of Rs. 87.65 crore reduced by the Commission as per clause 5.25 of (BST of GRIDCO) tariff order dated 28.6.2003.

2.30 Tariff Rationalisation

2.30.1 Reduction in Cross Subsidy

2.30.1.1 The tariff did not reflect the cost of supply during OSEB regime, rather it was related to the paying capacity of the consumers and the Govt. would provide subsidy to the Electricity Sector. This has led to significant distortion in the rate structures and consumption patterns. Increasing costs of the Utilities have resulted in abnormal rise in the industrial tariffs making captive generation lucrative. The tariff disparity has also crept in collusion and theft. Further, subsidised electricity to certain categories has led to inefficient and wasteful consumption.

2.30.1.2 The new regulatory regime attempts to address all these issues to restore the financial viability of the Utilities while improving the quality of supply to the consumers to acceptable levels. On the basis of the tariffs awarded by the Commission during previous years, the process of reduction in the cross-subsidies in the Sector has been initiated. The Commission, while setting the tariffs, has adopted LT, HT and EHT level cost of supply as the benchmark for estimation of the prevalent cross-subsidies.

2.30.1.3 Based on similar philosophy, NESCO, WESCO and SOUTHCO and CESCO have designed the category-wise tariffs based on estimated LT, HT and EHT level cost of supply for the ensuing year and have attempted to reduce the cross subsidies. As an attempt to reduce the corss-subsidy, CESCO has proposed higher average tariff rise for subsidized category than the subsidising category. The movement average tariff towards cost of supply for subsidised categories is provided in the Annexure. However, CESCO has proposed to raise demand charges and no hike in energy charges in case of HT and EHT consumers.

2.30.2 Recovery from Fixed / Demand Charges

The DISTCOs have submitted that with the existing tariff structure, only a meagre portion of the revenue is recovered through the fixed/demand charges against the total fixed costs which attracts uncertainty in the revenue. They submitted that the recovery from fixed charges should be increased in a phased manner as higher fixed charges impact the small consumers adversely.

2.30.3 **Change in Tariff Structure**

2.30.3.1 The Commission in its Tariff Order dated 19.01.2001 has approved lower tariffs in respect of HT and EHT. The lower tariff has been approved for load factor between 50-60% and for load factor above 60% as compared to the tariffs for load factor below 50%.

2.30.3.2 NESCO, WESCO and SOUTHCO have submitted that as the load factor of the large consumer increases, the additional power purchase is required for catering to the consumption. They have to procure this additional power at rate higher than the average rate linked to UI charges. Therefore, the lower tariff rates for higher load factor will result in net loss to them and would adversely affect their finances. They further submitted that uniform tariff should be charged irrespective of the load factor and hence, they have proposed uniform rates in their petitions.

2.30.4 **Consideration of Power Factor while computing Load Factor**

Under the existing regulation, the power factor @ 0.9 is being multiplied to compute KW. The DISTCOs have submitted that the power factor may be calculated considering 0.9 or actual power factor / actual KW, reading or Contract Demand in KW whichever is higher while computing the load factor in case, the slab tariff continues.

2.30.5 **Rebate on Prompt Payment**

2.30.5.1 The Commission vide clause 5.45 of its BST Order dated 28-6-2003 approved that the Licensee could avail a rebate of 2% for prompt payment of BST bill within 48 hours of presentation of BST Bills. Further, the Commission vide clause 7.4.2 of the RST Order dated 28-6-2003, has directed to pay the rebate to all consumers except domestic, commercial, irrigation and small industry category, if payment was made within three days of bill presentation and seven days in case of other consumers. Considering above, it has been prayed by the DISTCOs to approve the rebate of 2% for prompt payment of BST bills within three working days from the date of their presentation.

2.30.6 **Load Factor Billing**

2.30.6.1 Though, the Commission in its Order dated 28.06.2003 notified on 12.11.2003 has issued directives for discontinuance of the load factor billing, NESCO, WESCO and SOUTHCO apprehends that it may not be possible to complete the entire metering programme before 30.9.2005 due to administrative difficulties and financial crunch. In view of the above, they have requested the Commission to extend the continuation of load factor billing up to 30.09.2005.

2.31 **Special Incentive Tariff to Power Intensive Industry maintaining High Load Factor**

2.31.1 NESCO pointed out that the Commission in its Order dated 22.03.2000, in case no.1 of 2000 stated that "any special agreement proposing grant of concessional tariff to three industrial consumers of a particular category shall not be compatible with the prevailing tariff order of the Commission. We may, however, observe that decision for creating a sub-category under Power Intensive Industries for prescribing a lower tariff may be taken during the next annual requirement exercise and the consequential tariff proceedings." The licensee requested the Commission to consider and to create sub-categories under "Power Intensive Industries" for industries as mentioned below and allow special tariff as proposed in this ARR and tariff application:

	Contract Demand	Rate
1	$\geq$ 25 MVA but < 50 MVA	Rs.2.30
2	$\geq$ 50 MVA but < 100 MVA	Rs.2.20

2.31.2 The petitioner further submitted that these EOUs are competing in the international market. In the event of being not provided a special tariff to these industries, there would be a reduction in off take/stoppage of production which would adversely affect the financial position of NESCO and Orissa Power Sector as a whole.

2.31.3 The petitioner further appealed to the Commission to allow special tariff to the Ferro Alloys Industries having Contract Demand between 25 MVA and 50 MVA and 50 MVA and 100 MVA separately.

2.32 **CESCO made the following submissions**

2.32.1 CESCO proposes that a service charge may be levied on the consumer for dishonored cheques @ Rs.200/- for LT service and Rs.1000 /- for HT service for every bounced cheque.

2.32.2 CESCO proposes to collect one time deposit of Rs.1500/- from single phase domestic and General purpose consumers (less than 100KW) for providing the service connection alongwith materials. No meter rent will be charged to such consumers. However, such consumer is required to pay the security deposit as per prevailing rate.

2.32.3 CESCO proposes to give single point power supply to all apartments, market complexes, colonies etc. of different departments and developers.

2.32.4 CESCO has proposed revision of reconnection charges for FY 2005-06 as given in Table : 8 below.

Table : 8

Connection Type	Charges (Rs.)
Single Phase Domestic	100
Single Phase Other Consumer	200
Phase Line	400
HT & EHT line	2000

2.33 **Category wise Tariffs**

The average existing and proposed tariff for LT, HT and EHT categories have been indicated in Annexure.

2.34 **PRAYER**

2.34.1 In the aforesaid facts and circumstances, NESCO, WESCO and SOUTHCO pray that the Hon'ble Commission may be pleased to:

- Take the accompanying ARR and Tariff Petition on record.
- Approve the Annual Revenue Requirement for FY 2005-06 including the revenue gap for FY 2004-05 and Amortisation of Regulatory Assets.
- Approve the category wise tariffs to bridge the revenue gap.
- In case increase in retail tariffs is not sufficient to bridge the entire revenue gap, the revenue gap shall be bridged by other measures such as reduction in BST and/or Government Subsidy.
- To allow to add/change/alter/modify application at a future date.
- Consider actual AT & C loss in FY 2003-04 as base level for setting future AT & C loss reduction trajectory.
- Any other relief, order or direction which the Hon'ble Commission deems fit be issued.

2.34.2 Apart from above, NESCO made the following appeal:

Consider to create a sub-category under power intensive industries under different slabs for industries with load of 25 MVA and above with a guaranteed minimum load factor of 80%.

2.34.3 In the aforesaid facts and circumstances, CESCO prays that the Hon'ble Commission may be pleased to:

- Take the accompanying ARR and Tariff Application on record.
- Approve the Annual Revenue Requirement for FY 2005-06.
- Approve the category wise tariffs to bridge the revenue gap.
- Allow a voltage wise loss stipulation for computing revenue requirement.

- Allow the past losses as regulatory assets to be set off in future years through Tariff along with interest to be decided by the Commission.
- In case increase in tariffs are not sufficient to bridge the entire revenue gap, the revenue gap shall be bridged by other measures such as reduction in BST and/or Govt. subsidy.
- Consider actual AT&C loss in FY 2003-04 as base level for setting future AT&C loss reduction. Make the proposed tariff applicable with effect from April-01, 2005.
- Any other relief, order or direction which the Hon'ble Commission deems fit be issued.

3 OBJECTIONS AND QUERRIES RAISED DURING THE HEARING PROCESS

3.1 At the beginning of the hearing, the Commission's staff gave a brief presentation as a preface regarding the Annual Revenue Requirement of the DISTCOs, salient features of their filings as well as the objectors' findings and comments there on. The Commission has considered all the issues raised by the participants in their written petitions as well as the oral submissions during the public hearing process. 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 2004-05 and 2005-06. Based on their nature and type, these objections have been categorised broadly as indicated below:

3.2 Procedural simplicity and inexpensiveness

3.2.1 The Commission was requested to introduce a simplified and comparatively inexpensive procedure for submission of any application with the Commission.

3.2.2 Contents of the application should be advertised in the newspaper or the licensees may be directed to supply copies to the objectors free of cost. Besides the Commission should dispense with filing of objections through affidavit and that too in six copies. There was a request to the Commission not to call upon the objector to serve the copies of their objection to the licensee, as it has become costlier.

3.2.3 Some objectors submitted that the licensees should make the copy of application available to the consumers under intimation to the Commission under affidavit.

3.3 Inconsistency in the Data Base

3.3.1 Objectors in general were critical about the data inconsistency found in the ARR and Tariff filing of all the licensees. Some objectors complained about lack of information and transparency in the filing of the licensees with a request to the Commission to direct the licensees for supply of balance-sheet.

3.3.2 Some objectors pointed out that the licensee is under the obligation to submit audited reports and utilise the audited figures for the purpose of submission of tariff filing which need to be checked.

3.3.3 There was a request to furnish the application afresh following the principles of multi-year tariff.

3.4 **Sales Forecast**

3.4.1 Some objectors pointed out that there is no nexus between purchase of power and sale of units. The projection of sales figure by DISTCOs is inaccurate as a larger number of meters measuring the consumption, are defective and also the consumer metering is awaiting completion. In the absence of authenticated data, the implementation of LTTS would result in unequitable tariff and the licensees would make super-normal profit.

3.4.2 Doubts were raised about the accuracy of the sales projections submitted by the licensees which they said had no basis and are imaginary. One objector opined that the sales should be higher than those projected.

3.5 **Distribution Loss**

3.5.1 Some objectors stated that the higher distribution loss projected by NESCO, WESCO and SOUTHCO for FY 2003-04 is enigmatic. They had projected higher distribution loss in FY 2003-04 as compared to FY 2002-03 irrespective of their nature of consumption, consumer mix, geographical location etc., whereas CESCO has not joined the bandwagon in this regard. There is consistency in figures submitted by CESCO. All the data furnished by the DISTCOs are manipulative in nature and not based on audit report. There was vehement objection to the proposal of the licensees to consider FY 2003-04 as the base year for the purpose of calculating distribution loss.

3.5.2 Some objectors pointed out that in CESCO area, the HT and EHT industrial consumers consume 32% against 36% HT and EHT consumption in the State. One objector submitted that in SOUTHCO area, the industrial consumers consume 23% out of total sale of SOUTHCO. Hence, the actual loss for CESCO and SOUTHCO, up to FY 2003-04 according to him, shall be above 50% and 43.95% respectively. The benchmark for distribution loss as fixed by the Commission for CESCO and SOUTHCO for FY2003-04 is 25.94% and 23% respectively. The licensees have mentioned nowhere in their application that achievement of the targeted reduction in loss is beyond their control. The Govt. is not doing their duties in loss reduction process. Therefore, the Commission was requested not to pass on the higher loss to consumers.

3.5.3 Many of the objectors suggested that the computation of transmission and distribution loss should be done only considering the input at HT and excluding EHT consumption as DISTCOs bill the EHT consumers at zero loss.

3.5.4 The objectors expressed their deep concern over the non-achievement of benchmarks fixed by OERC as yardstick of performance and efficiency by the DISTCOs despite huge investment for improvement and extension of power sector during post-reform period. The load growth is much below the expectation.

3.5.5 One of the objectors requested the Commission that distribution loss should be calculated subtracting the sale to INDAL as the supply to INDAL is made at EHT having no loss.

3.5.6 The objectors in general were very vehement in their criticism about the inefficiency of DISTCOs in bringing down T&D loss in spite of repeated orders of the Commission and were unanimous that the Commission under no circumstances should review the T&D loss figure based on the audit report of the licensees but should stick to its own order.

3.6 Collection Efficiency

3.6.1 The objectors said unanimously against the inefficiency of the licensees in collecting the revenue billed. They requested the Commission not to accept their plea of the assumed collection efficiency. The consumers should not pay for their inefficiency on this account. The objectors further stated that the amount which could not be collected during the concerned period, might have been collected, at least a part thereof, by the licensees during the subsequent period. They requested the Commission to direct the licensees to furnish the past period collection and current collection separately. Some objectors pointed out that the Govt. dues cannot be termed as non-collectible/ bad debt.

3.7 AT&C Loss

3.7.1 Objectors were of the opinion that AT&C should be the criteria for measurement of performance but not for the purpose of revenue requirement.

3.7.2 One objector mentioned that the least AT&C loss and the highest billing efficiency of a model division should be taken into account as a reference for calculation of AT&C loss.

3.7.3 An objector categorically pointed out that if the benchmarks fixed by the Commission are taken into account to evaluate the Aggregated Revenue Requirement for the financial year 2004-05 of the licensees, there would be surplus in revenue instead of deficit which would, in turn, reduce the Tariff. He also highlighted that the Commission had fixed the AT&C loss based on Kanungo Committee's recommendations. He requested the

Commission not to consider higher AT&C loss projected by the licensees than the benchmarks fixed by the Commission.

3.8 Performance Standard of the Licensees

3.8.1 Objectors highlighted that the standard of performance and the guaranteed performance furnished by the licensees are not tenable. In practice, the consumers are not getting the supply at the rated voltage of 230 volt and urged the Commission to institute an independent inquiry to check the correctness of the statement submitted under affidavit. It was emphasised that the licensees should arrange for interaction with the consumers to understand their problems.

3.8.2 Other objectors expressed their views regarding poor performance of the licensees, such as, erroneous billing, delay in rectification of the erroneous bills, harassment of consumers.

3.8.3 Objectors complained about unscheduled and frequent interruptions in supply, voltage variation and frequency excursion beyond the prescribed limit.

3.8.4 Railways pointed out that erratic power supply affects adversely on their equipment as well as their performance and requested the Commission to direct the licensee to ignore the over shooting of MD not attributable to them requiring feed extension.

3.9 Consumer, Feeder and Transformer Metering

3.9.1 Some objectors stated that the licensees have neither completed 100% consumer metering nor feeder and transformer metering till date, despite the Commission's directive in its last tariff order to complete the same within the time frame fixed by the Commission on the pretext of uneven flow of fund.

3.9.2 Some objectors also mentioned that the plea of poor flow of fund for completion of consumer metering is not tenable as the licensee is at liberty to allow the consumers to procure meters of their own. The licensee is reluctant to intimate the cost of meter, even on request. The Commission should direct the licensee to intimate the cost of meters, if asked for or alternatively they should display this in their offices for knowledge of the consumers.

3.9.3 One objector from SOUTHCO area stated that in the event of the meter being supplied by the consumer, the licensees advise the consumer to get the meter tested from the Govt. Testing Laboratory and to furnish the test report to them inspite of having the adequate testing arrangement of their own. The objector prayed to the Commission to direct the licensee to arrange for testing of the meter purchased by the consumer and collection of the certificate from the testing authority by the licensees.

3.9.4 He further mentioned that Elimi meters are being installed instead of China meters due to their scarcity, as intimated by the Licensees. The Elimi meters had registered bad performance. The Commission should advise the licensees to install China meters. The Commission should direct the licensee not to recover the cost of the meter in the form of the meter rent from the consumers beyond its landed cost.

3.9.5 One objector from WESCO stated that the licensees have ceased the system of meter- checking.

3.9.6 There was a suggestion to the Commission to advise the DISTCOs to install pre-paid meters.

3.9.7 Some objectors urged the licensees to recover the cost of meter in ten equal installments and the meter rent should be determined after taking into account depreciation.

3.10 Load Factor Billing

Some objectors stated that the licensees should strictly observe the Commission's order with regard to stoppage of load factor billing w.e.f. 01.04.2004, whereas, the licensees have prayed the Commission for extension of load factor billing upto 30th September, 2005. Inspite of having full consumer metering, as submitted by CESCO, load factor billing still continues in case of defective meters which is in contravention of the relevant Regulation framed by OERC. If the Commission at all considers their prayer, the L.F. Billing is to be done considering 0.1 instead of 0.2 for LT domestic consumers and 0.15 instead of 0.3 for LT general purpose consumers. In case of tampered meters, the Commission should direct the licensees to follow Section 126 (1) of the Act.

3.11 Incentive for Power Factor improvement

3.11.1 Some objectors requested the Commission to restore the incentive for improvement in Power Factor from 90% and onwards which would compensate for the expenditure incurred by the consumers owing to installation of Capacitor Bank in their system.

3.11.2 Some objectors opined that the incentive for power factor improvement should be at par with penalty imposed on the industrial consumers having low power factor.

3.11.3 Some objectors pointed out that other states allow 5% rebate as incentive for maintaining high power factor.

3.12 Special Tariff

3.12.1 The objectors requested the Commission to introduce special tariff for higher load factor to the tune of 90% irrespective of the load demand by the industry.

3.12.2 It was expressed by the objectors that special tariff @ Rs.2.05/unit for the contract demand of 100 MVA and above is purely ornamental as there has been practically no consumer drawing such a huge demand of load. He further added that SOUTHCO's proposal does not envisage any special tariff.

3.12.3 The objectors indicated that the grading of tariff should be based on mainly load factor for a particular bandwidth ranging from 50% onwards. Some objectors asked for graded tariff for the industries ranging from 10 MVA and above. They also loud stressed on the need for introduction of special tariff in the interest of overall improvement of industrial health of the State.

3.12.4 An objector appealed to the Commission to advise SOUTHCO for continuance of the special tariff they are enjoying till now. Most of the objectors requested the Commission to consider the NESCO's proposal for special tariff for power intensive industries. This will encourage industrial consumption at EHT, improve financial health of the utility and reduce overall T&D loss.

3.12.5 Some objectors prayed for bringing down tariff for HT category having lower loss level and to introduce single part tariff for power intensive industries drawing power at HT and EHT even for a contract demand as low as 1 MW.

3.12.6 An objector stated that WESCO has been subsidising INDAL by providing special tariff @ Rs.1 82 per unit.

3.13 Revision of RST & Poor Quality of Service

3.13.1 The objectors unanimously mentioned that since pre-reform period the tariff has been revised ten times bringing about enhancement in RST tariff to the tune of four times up to 2002. But there has been steady deterioration in quality of services which has reached low ebb. Although, they are reimbursing the employees cost, R&M expenditure, etc., the licensees are grossly neglecting repair and maintenance of lines, sub-stations etc.

3.13.2 It was indicated that there was around 90 to 100 times tripping in three months period in the supply provided by WESCO and that voltage has gone down to 25/26 KV at 33 KV lines.

3.14 Failure of Power Sector Reform in Orissa

3.14.1 One objector pointed out that non-performance by the licensees is attributable to non-compliance with the recommendations made by Kanungo Committee, duly accepted by Govt. of Orissa. He expressed that no real benefit had been derived from the Reform in Power Sector launched seven years back.

3.14.2 The objectors pointed out that in absence of efficient, economical and competitiveness among the DISTCOs in Orissa, the power sector reform has been defeated.

3.15 **Remunerative Norms to be followed by the licensees**

3.15.1 An objector desired to know the number of applications the present licensees had received division-wise and year-wise from various consumers for supply of power at LT/HT/EHT. He also urged to be apprised of division-wise estimates sanctioned for supply bifurcated into Govt./Private categories following remunerative norms. In this context, he intimated the Commission that the licensees are not following the statutory norms, as a result of which consumers applying for new installations are facing harassment.

3.15.2 A builders' representative stated that the builders do encounter problems in taking supply during construction. In case the builder has applied for power supply beyond 70 kw, they are asked to take the supply at HT and bear all cost towards new sub-station, HT line etc. instead of estimating the same adopting remunerative norms. The licensee inflates the cost of deposit work by 35% over 1998 rate, causing abnormal delay in approval/permission and execution of the work. The Commission should allow the consumer to execute the work under the licensee's supervision after due approval of the estimate by the Commission. He also stressed upon the reluctance on the part the licensee to furnish the bill in respect of execution of deposit works.

3.16 **Security Deposit**

3.16.1 Some objectors stated that the licensees are asking the consumers for producing the documents towards security deposit, they have deposited with the licensee while taking the supply. In most of the cases, the consumers being the recipient of supply earlier, are unable to produce them. It is incumbent upon the licensees to keep in safe custody records relating to security deposit based on which the interest is to be calculated and security deposit remitted to the licensee in the month of May 2005 for FY 2004-05 as per provision of Regulation 21 of OERC Distribution (Condition of Supply) Code, 2004.

3.16.2 Some objectors requested the Commission to direct the licensees to calculate the amount of security deposit in accordance with the Regulation, 2004 framed by OERC and not as per their sweet will. One year extension for making Regulation does not imply that interest payment could be deferred on the basis of this pretext. It should be paid considering the date on which or Act, 2003 came into force i.e, 10.6.2003. He prayed the Commission to direct the licensees to incorporate the interest component in the energy bill as a separate item and should be programmed in the computer for making the computation easier. He further prayed to the Commission to notify the bank rate in the event of change of the same and direct the licensees to pay interest on Security Deposit to the consumers at the revised rate. The Commission should direct SOUTHCO to pay interest on security deposit at PLR rate on annual basis as per Regulation 21 of OERC Distribution (Condition of Supply) Code, 2004.

3.16.3 Railways requested the Commission to exempt them from paying the security deposit and direct the licensee to refund/ adjust the same lying with the licensee.

3.16.4 One objector stated that WESCO is realising additional security deposit for every enhancement of contract demand in respect of any old connection by applying load factor formula treating such connection as a new one which is a gross violation of the Commission's directive. He appealed to the Commission to direct WESCO to refund their excess security deposit.

3.17 **Delayed Payment Surcharge (DPS)**

3.17.1 The objectors iterated that DPS @2% per month, which comes to 24% per annum, is too high. They clarified that the Commission levied such a high percentage in earlier orders due to the fact that the prevailing borrowing rate was around 18% at that time. However, due to decline in borrowing rate, the same logic for maintaining DPS @2% per month does not hold good. They further indicated that the defaulted consumers are penalised twice i.e. loss on account of rebate and at the same time becomes liable to make additional payment as penalty. Some of the objectors proposed to levy DPS at the prevailing PLR of the bank rate which, they feel, would be a reasonable penalty in case of delay in payment.

3.17.2 There was a suggestion that the DPS should be maximum 2% more than the bank rate.

3.17.3 One of the objectors prayed to the Commission to exempt the Govt. consumers to pay DPS in the interest of the State's development.

3.17.4 The objectors, in this context, quoted the Commission's order against Case No.61/2002 – "the monthly charges as calculated with other charges and surcharge on account of delayed payment, if any, shall be payable by the retail and distribution licensee within 30 days from the date of bill". In view of above, the objectors prayed to the Commission to allow the grace period of 30 days to retail consumers. The industrial consumers also joined hands with other objectors on this issue.

3.17.5 Railways requested the Commission to direct the licensee to pay DPS in case the legitimate demand due to Railways got inordinately delayed by the licensee.

3.17.6 Most of the industrial objectors appealed to the Commission for allowing three working days, instead of two working days for enabling them to avail the prompt payment rebate.

3.17.7 One of the objectors requested the Commission to allow the industries 30 or at least 20 days for making payments.

3.18 **Reduction of Railway Traction Tariff**

3.18.1 Railways representative prayed to the Commission to reduce the traction tariff which, he feels is high. A lion share of the revenue earned, is to be spent to meet the energy bills and no fund is left with them for development work. He appealed to the Commission to keep in view the verdict of the Hon'ble Apex Court on cross subsidy for determination of Railway Traction Tariff. He solicited introduction of single part tariff and resolution of their long pending issue regarding time period of integration.

3.18.2 Further, it was stated that WESCO's tariff proposal is not in conformity with the Electricity Act, 2003 which envisages "Tariff progressively reflects cost of supply and also reduces and eliminates cross-subsidies within the period to be specified by the appropriate Commission". He requested the Commission to reduce the traction tariff. He appealed to the Commission to reconsider the time period of integration from existing 15 minutes to 30 minutes for measurement of SMD as it is in vogue in some of the states.

3.19 **Monthly Minimum Fixed Charges**

The objectors urged that the monthly minimum fixed charges should be realised from the consumers consuming paltry energy. For others, it should be adjusted with their monthly energy bills.

3.20 **Contract Demand**

3.20.1 One objector pointed out that SOUTHCO is billing to the consumers as per the contract demand irrespective of the actual maximum demand registered in the meter whereas WESCO is billing at the actual. The Commission indicated that the method adopted by SOUTHCO is in line with the Commission's Order. However, the Commission viewed that SOUTHCO should ask the consumers, who might not be aware of the excess payment they are making, to reduce their contract demand to avoid such excess payment in future, if any.

3.20.2 One objector highlighted that higher consumption incentive is nullified due to overdrawl of contract demand. He urged for introduction of higher incentive for higher consumption. He requested the Commission to waive penal provision on contract demand for excess drawl. He further added that the demand charge @ Rs.200/- is too high. He requested the Commission to reduce or eliminate the same. The Commission advised the objector to enhance the contract demand, if the actual drawl exceeds contract demand frequently.

3.20.3 One objector intimated that failure in hydel generation in WESCO area affects the supply of power in the state which is a common phenomena, but the charges are not reduced therefor.

3.20.4 One objector requested for abolition of minimum contract demand.

3.20.5 The representative of industries pointed out that CESCO has forbidden the SSI consumers to draw power during peak hours.

3.21 **Arrear Dues and Bad Debt**

3.21.1 One objector indicated to the Commission that when GRIDCO transferred liabilities and assets to DISTCOs, it was envisaged that 50% of arrear dues collected by the DISTCOs should be remitted to GRIDCO. The objectors wanted to know the status of collection of arrear dues lying with the DISTCOs and the amount remitted to GRIDCO on this account so far and an enquiry may be conducted to find out the amount of money collected not deposited with GRIDCO.

3.21.2 The objectors pointed out that the inefficiency in collection has been embedded in the ARR filing of NESCO, WESCO and SOUTHCO as they have furnished the same on the basis of AT&C loss instead of normal accounting practice of provision for bad and doubtful debt. CESCO, on the other hand, has projected 15% of the incremental debt as provision for bad and doubtful debt in their ARR filing. The objectors requested the Commission not to consider any of the above propositions for determination of tariff.

3.21.3 One objector raised the query as to whether the delayed payment by the Govt. should be treated as Bad Debt.

3.22 **Past Losses/Regulatory Asset**

3.22.1 The objectors were categorical not to accept the prayer of the licensees for admitting Regulatory Asset as a recognition of their past loss. They expressed that the licensees had not furnished item-wise and year-wise break up of past losses to facilitate the Commission to understand whether these were controllable or not. Moreover, they doubted authenticity of these figures.

3.22.2 An objector stated that the entire matter being an enigma, should be rejected outright along with their proposal for carry forward charge on Regulatory Asset as a pass through in the Tariff.

3.22.3 An academician stated that the inclusion of accumulated past losses in the tariff is beyond the accounting principles. However, he suggested that the Commission may allow it partly and ask the licensees for detailed analysis.

3.23 **Asset Register**

3.23.1 Objectors mentioned that the licensees are yet to submit their Asset Registers and prayed to the Commission that in absence of Asset Registers, they should not be allowed depreciation on Assets.

3.23.2 An objector pointed out that the life of a machine being considered as 25 years, higher rate of depreciation should not be allowed.

3.24 **BST Dues to GRIDCO**

The objectors highlighted that the licensees are not paying the BST dues in time to GRIDCO and consequently, losing the rebate thereon, although they have been collecting dues against the RST Bills from the consumers, thus depriving the consumers from lower power purchase cost.

3.25 **Interest on Loans and Bonds**

3.25.1 Some objectors stated that due to non-payment of the BST dues to GRIDCO, arrears are being piled up. The arrears BST dues have been securitised in the form of NTPC Power Bonds and interest is being paid on them. He requested the Commission not to pass on the interest in tariff as the consumers have already paid their dues to the licensees and the default of the licensees to pay BST bills in time, should not be loaded on the consumers.

3.25.2 One objector mentioned that interest on borrowing has drastically gone down, the benefit of which could be availed of by the licensees in the form of swapping of loans.

3.25.3 An objector stated that interest on loans constitutes a major part of expenditure. He suggested for restructuring of the loan by retiring loans bearing higher rate of interest.

3.26 **Audited Accounts**

3.26.1 The objectors expressed that the audited accounts from FY 2000-01 to FY 2003-04, being the measuring rod for determination of tariff, are yet to be submitted by the licensees. They appealed to the Commission to reject the applications on this ground.

3.26.2 An objector emphasised on introducing regulatory accounting process without waiting for statutory audit report.

3.27 **Investment by the licensees**

3.27.1 The objectors pointed out that the licensees especially NESCO, WESCO and SOUTHCO are reluctant to pump money into electricity sector. On the other hand, they are incurring expenditure and leading a lavish life.

One of the objectors stated that GRIDCO and CESCO have exceeded all the boundaries as far as unproductive expenditure is concerned.

3.27.2 An objector pointed out that the licensees, in the name of safety, are incurring expenditure which sometimes are higher than the cost of assets to be safeguarded.

3.27.3 An objector pointed out that instead of giving them nominal return, a debt equity ratio of 70:30 may be considered and follow the concept of Return on Capital which may inspire the licensees to infuse capital into the power sector. He stated that the reasonableness of the investment is to be judged.

3.27.4 One of the objectors pointed out that the investment of WESCO in this sector is Rs.48 crore i.e. 10% of the assets transferred which is even much less than the consumer's contribution (Rs.149 crore) in the form of security deposit. The objectors appealed to the Commission to direct the licensees to invest in electricity sector for improvement of their financial health and at the same time to discard the extravagant expenditure.

3.27.5 An objector pointed out that the licensees are computing HT loss as 8% on uniform basis. He stated that there is justification for providing guard against meter tampering at HT. He informed the Commission that CESCO intends to incur huge expenditure towards inspection fees, hire charges for vehicle, etc. including a sum of Rs. 337.47 lakh for watch and ward whereas the other DISTCOs have asked for much less amount.

3.28 Categorisation of Consumers

3.28.1 BSNL submitted that they have been awarded the status of Industrial Undertaking by the Finance Act, 2002-03 vide sub-clause III (a) below Item No-III, Clause (aa) of Section 72 (a), Sub-section 7. As the business of Telecommunication is coming under the purview of Industries, they appealed to the Commission to consider them as Industrial Consumer.

3.28.2 Berhampur Cold Storage Pvt. Ltd. alleged that the licensee had considered the spare motors/equipment while determining their contract demand. Thus, the load factor on inclusion of these equipment, cannot be more than 50%. The cold storage units being susceptible to fluctuating weather conditions and power failure, spare motors/equipment are kept to meet the eventuality. The objector appealed to the Commission to consider them as Agro-Industrial Consumer as they deal with agriculture products.

3.28.3 Objectors requested to treat fabrication industries under industry(s) category instead of general purpose for the purpose of tariff determination.

3.28.4 Some objectors urged to include Hotels under industrial tariff as per IPR.

3.28.5 The Military Engineering Services prayed to the Commission to recategorise them as domestic consumer instead of general purpose.

3.28.6 One objector stated that the industrial colonies should come under domestic tariff.

3.29 **Govt. subsidy**

Some objectors pointed out that subsidy on account of rural electrification, energisation of L.I. points and kutir-joyti program are not paid by the Govt. They also mentioned that inter-state tariff comparison is not relevant as 50% of power is available from the cheaper source like hydro and pit head thermal plants.

3.30 **Fixation of Tariff**

3.30.1 Industries urged to fix the tariff commensurate with the paying capacity of the consumers. They requested the Commission to provide for Tariff concession @ 25% for off-peak hours consumption as well as to levy single part tariff on actual consumption / minimum free units for SSI Units having load up to 100 kw.

3.30.2 IPICOL appealed to the Commission to provide attractive Industrial Tariff for rapid industrialisation of the State. They pointed out that surplus power could be better utilised for industrialisation instead of exporting the power outside the State as the Govt. of Orissa has estimated revenue earnings from the upcoming industries to the tune of Rs.2,600 cr. which need to be encouraged by offering an attractive tariff for industrial growth.

3.30.3 Govt. representative stated that the Commission ought to venture for gradual reduction of cross-subsidy as per the Act.

3.30.4 The representative of mini-steel industries appealed to the Commission not to discriminate while fixing tariff for large industries, power intensive industries and mini-steel plants using the same raw materials, identical power consumption per MT and having similar finished product.

3.30.5 The objectors highlighted that as per the Sovan Kanungo Committee recommendations as accepted by the Govt., the power tariff should not be enhanced for five years. They were of the opinion that the proposed tariff hike would be an undue favour extended to the licensees. They requested the Commission to link the tariff with the quality of supply and services rendered by the licensees. The objectors appealed to the Commission for introduction of peak and off peak tariff for improvement of the system and reduction in tariff.

3.30.6 There was a request for uniform tariff for all consumers. There should not be any tariff rise as the licensees are operating much below the benchmarks, laid down by the Commission. Industries having 27MW load with a guaranteed load factor of 90% should be allowed special tariff @ Rs. 1.82 per unit. The tariff for street light and water supply should not be enhanced.

3.30.7 There was a request to keep the tariff within the reasonable limit failing which captive generations would troop in.

3.30.8 Sponge Iron Companies appealed to the Commission to revise the tariff downward.

3.30.9 There was a prayer for uniform BST.

3.30.10 IDCOL Ferro Chrome & Alloys Ltd. requested the Commission not to discriminate in tariff between IDCOL and other ferro-chrome alloys and industries.

3.31 **Single point supply to flats, market complex, etc. proposed by CESCO**

3.31.1 An objector criticised the proposal of CESCO for offering single point supply to ownership residential flats, market complex, etc. He mentioned that CESCO had not indicated any reason behind such proposal. He stated that out of vast consumer strength of CESCO, hardly 5% belong to the above categories. He further pointed out that the licensees are duty bound as per licence condition to provide power supply to the individual consumers. In fact, in absence of a single owner, as is the case for flat and market complex, the licensees should not give single point supply.

3.31.2 The objector further mentioned that the licensee gives illegal connection to builders for distribution of power which is in contravention of Sections 12 & 13 to the Electricity Act, 2003. He referred to Section 5 of the Electricity Act, 2003 which envisages local distribution/franchisee in rural areas. He further added that the licensees can not entrust the job of distribution to the society.

3.32 **General**

3.32.1 Organisation representing consumer's group in their written submission stated the following:

3.32.1.1 To minimise the power drawal bills, power cuts in disguise of interruption are being resorted to. The State having surplus power, should not have power cuts.

3.32.1.2 Non provision of fuse at the pole facilitates the unauthorised consumers for excess drawal, besides giving rise to accident.

3.32.1.3 The licensees have retained the past employees and have engaged considerable number of persons against heavy payment resulting in increase in the administrative overheads.

3.32.1.4 None of the DISTCOs has been able to meet the challenge of hooking.

3.32.1.5 The OERC has never examined the tariff application of the licensees right from the beginning.

3.33 M/s H. M. Electrical, in their written filing, had intimated that CESCO, after placement of order for supply of distribution transformers, a part of which has already been executed and payment received, has changed the technical specifications.

3.34 Some objectors urged that bills, documents of the licensee should be in Oriya. They prayed further the qualified unemployed persons engaged in business under the patronage of Govt. should be brought to domestic category. One of the members of Bijuli Adalat should be nominated amongst the registered electricity consumers' association and some free units of electricity should be provided to the senior citizens.

4 REPLIES MADE BY THE LICENSEES

At the outset, all the Chief Executive Officers (CEOs) of the licensees individually gave presentation showing their revenue requirements for FY 2004-05, their achievements they expect during the year and the proposed planning to augment not only the network alone, but also the business as a whole. The objections raised by the objectors on some issues, were general in nature and specific objections were also raised by some of them in respect of the licensee against his submission to the Commission for ARR and revision of Tariff. The Commission during hearing also solicited some clarifications on the queries raised by the objectors. The CEOs of CESCO, NESCO, WESCO and SOUTHCO in respect of the queries made by the objectors and the Commission have replied as under:

4.1 Inconsistency in the Data Base

The CEOs of NESCO, WESCO and SOUTHCO clarified that the figures submitted in the business plan were unaudited ones. However, subsequently the audited figures were available and based on audited accounts, the tariff filings have been made.

4.2 Legality of acceptance of the filing

The CEOs of DISTCOs responded that the actual figures are culled from the audited accounts and the projections for the prospective years are based on those figures and not arbitrarily. Hence, the allegation of submission regarding false data under affidavit, does not hold good.

4.3 Sales forecast

The CEOs of DISTCOs indicated that the sales forecast have been projected for LT category based on Compounded Annual Growth Rate (CAGR) principle/ past trend. For load growth under HT and EHT category, two factors, viz. enhancement of consumption by the existing consumers and the expected load to be taken by the prospective consumers have been taken into account. Hence, the data furnished, are not fictitious.

4.4 Distribution loss

4.4.1 NESCO, WESCO and SOUTHCO categorically stated that the enhancement in distribution loss for the FY 2003-04 as compared to FY 2002-03 is attributable to rectification of erroneous bills. CEO, CESCO pointed out that method for loss calculation is erroneous. He further added that the sale has been enhanced due to adoption of correct method and OERC's benchmark. As a loss reduction measure, CESCO intends to make proper survey on industrial feeders.

4.4.2 In response to the objectors' query regarding the loss which was 49% during GRIDCO period, subsequently fixed by the World Bank to 39% and the loss remaining almost stagnant during 1996-2004, DISTCOs pointed out that by merely providing a few vehicles and deployment of minuscule number of security guards, theft of electricity, pilferage etc. can not be curtailed. Separate Police stations with Special Court (s) for this purpose, as has been done in Andhra Pradesh, should be provided to arrest the theft of electricity. CESCO pointed out that the rural electrification is a mandate from Govt. of India as per the Act. In fact, till date, the rural people think that the electricity is a free commodity.

4.5 Collection efficiency

NESCO, WESCO and SOUTHCO indicated that collection efficiency has improved by providing spot billing which provides for monthly collection. Regarding the improvement towards efficiency in billing/collection, DISTCOs intimated that energetic steps have been taken for its improvement. In this context, the Commission advised the licensees to accept account payee cheque only as a precautionary measure against fraud. As regards discrimination in disconnection of power supply in case of Govt. connections due to default in payment, CEO, CESCO replied that they had already effected such disconnection barring emergency services like hospitals, but the supply had to be restored within a short period under pressure.

4.6 AT&C loss

CEO, CESCO pointed out that during the regime of AES, ATC loss which was 61% had gone down to 57% in the subsequent period. All the DISTCOs were of unanimous opinion that due to non-receipt of World Bank and APDRP fund from the Government of Orissa in time, the substantial progress in metering and augmentation of distribution network could not be achieved which in turn, had retarded the loss reduction programme. In this context, CESCO pointed out that AT&C loss would further increase due to rural electrification which is a mandate from Govt. of India as per the Act.

4.7 Performance standard of the licensees

With regard to a specific query raised by one objector, about meter malfunctioning, CEO, SOUTHCO stated that Elimi meters purchased against the

World Bank Fund with five years' guarantee. The meters had developed teething problems in software which was subsequently rectified by the suppliers free of cost and has been performing well at present. Regarding frequency of tripping of distribution lines, SOUTHCO submitted that record of tripping is maintained in a register round the clock. He however, mentioned that for LT substations, there is no such system of recording the data round the clock. Only in the event of failure of the LT sub-station, the failure is only recorded. In response to the complaint lodged by South Eastern Railways regarding the low voltage and power interruption, WESCO clarified that it is due to the fact that the S.E.Railways are fed from Rajgangpur sub-station which is at a distant place from the point of supply.

4.8 Consumer, feeder and transformer metering

Metering in respect of consumers, feeders and transformers has been undertaken under APDRP scheme and also under World Bank Funding. The installation of meters including the Energy Audit Meters, is being carried out simultaneously. Echoing the query raised by one of the objectors about the huge number of un-metered consumers, the Commission asked CEO, SOUTHCO how they are billing the un-metered consumers. In response, SOUTHCO submitted that most of the un-metered consumers fall under the Kutir-Joyti category. However, he intimated that action has already been initiated to provide meters to them also. All the licensees in this context further intimated that in case of doubt in consumption recorded in a meter, necessary investigation is carried out.

4.9 Load factor billing

In response to the prayers made by NESCO, WESCO and SOUTHCO for continuance of Load Factor Billing in respect of defective metered/un-metered consumers, the Commission stated that Load Factor Billing had been discarded vide Tariff Order for FY 2003-04.

4.10 Incentive for power factor improvement

In response to the prayer of the objectors for restoration of the incentive scheme for considering 0.9 as power factor for computation of load factor, the CEOs opposed it saying that the load factor goes up as the denominator is reduced for such assumption and thus causes loss of revenue in this process. They also urged that in order to maintain good power factor of the system, the industrial consumer should have almost unit power factor and in no case it should go below 90%. Hence, there is no justification to incentivise the consumers with power factor above 90% at the cost of the licensees. They also indicated that some consumers do over compensation in their system, thereby injecting VAR into the grid. In order to check such practice, provision for imposition of penalty should be made in such cases.

4.11 **Special tariff**

4.11.1 In reply to the query of the objectors regarding introduction of special tariff for industries having higher consumption, the licensees welcomed the suggestion of the objector for introduction of special tariff for new and existing power intensive industries to be considered by the Commission/State Govt. by way of grant/subsidy to the licensee to recover the loss of corresponding revenue.

4.11.2 In this context, the Commission asked the licensees why they are opposing the introduction of ABT which has already been incorporated in the Commission's tariff order for FY 2003-04. The licensees replied that due to non-installation of requisite meters, the implementation of the same is not feasible at the moment.

4.12 **Revision of RST & Poor Quality of Service**

CEO, WESCO categorically indicated that no RST revision had taken place since last three years which, if evaluated considering the inflation rate, in real terms the tariff has gone down. Regarding quality of services, all the DISTCOs mentioned that they are very keen to render quality services to the consumers, but they are not able to do so due to paucity of fund.

4.13 **Failure of Power Sector Reform in Orissa**

The licensees pointed out that that the power situation has improved dramatically since reform. CEO, CESCO stated that AES being a multi-national company, fled leaving Orissa distribution sector high and dry, as they could not manage the adverse situation. As per agreement of handing over the business, old people in the sector remained and their performance cannot be expected to rise over night. Hence, progress could be expected commensurate with the ground realities. Further, to the query of the objectors regarding the violation of Kanungo Committee's Recommendation, CEO, CESCO responded that Kanungo Committee also recommended that to bring the reform back on rail, the World Bank and the DFID should come forward to fill the revenue gap with an interim financing estimated at Rs.3240 crore. The licensees indicated that for improvement in quality of power supply and less interruptions, they have proposed for installation of more number of 33/11 KV sub-stations, distribution transformers, LT line with AV conductors and introduction of spot billing machine for serving EC bills on monthly basis to all consumers.

4.14 **Remunerative Norms to be followed by the licensee**

4.14.1 In reply to the query of the objectors, the licensees categorically stated that they are following the remunerative norms.

4.14.2 SOUTHCO, in response to the specific query of one objector in his licensed areas, furnished the division-wise details indicating the number of applications sanctioned in each division under the remunerative scheme.

4.15 **Security deposit**

4.15.1 In response to the appeal of Railways for exemption of providing security deposit, the Commission pointed out that there is no such provision in the Act.

4.15.2 In response to the allegation of other objectors regarding the excess amount charged towards security deposit by the licensees in some cases, the licensees stated that the matter would be investigated and if found true, necessary steps would be taken for their refund.

4.15.3 In response to the allegation of M/s Jeypore Sugar Company Ltd., CEO, SOUTHCO pointed out that they are no longer their consumer as there is neither any agreement with them nor they have deposited any money towards security deposit thereof. However, the representative of Jeypore Sugar stated that Rs.50 lakh towards security deposit has been remitted to SOUTHCO.

4.15.4 Regarding the date of calculating the interest on security deposit, the licensees pointed out that this is payable from the date of enactment of Regulation, 2004 and not from the appointed date i.e. 10th June, 2003 on which the Act came into operation. They further mentioned that the Act has empowered the State Commission to frame regulations within a period of one year from the date of appointment.

4.16 **Delayed payment surcharge**

4.16.1 In response to the query made by the objectors regarding increasing the period for availing rebate by the bulk consumers, the licensees stated that they are liable to pay power purchase bills to GRIDCO within the same period on their presentation for availing the rebate. However, if the Commission/GRIDCO extends the time limit for availing rebate, they would share the benefit on the same line with consumers.

4.16.2 Regarding the query raised by the objectors, in respect of the period for making payment by the domestic, general purpose, and other like categories of consumers, the licensees stated that sufficient time is provided to the consumers to make payment within due date. However, they maintained studied silence regarding the percentage leviable as DPS.

4.16.3 CEO, CESCO requested the Commission that the consumers are to pay the security charges because the licensee has to provide security for the check meters installed in the premises of consumers and arrest theft and pilferage of energy.

4.17 **Monthly Minimum Fixed Charges**

4.17.1 The licensees stated that fixed charges are to be borne by the licensees irrespective of drawal by any of the consumers. They opined that the status quo may be maintained so as to facilitate the licensees to recover a part of their fixed expenses.

4.17.2 The licensees highlighted that due to super cyclone and other unavoidable factors, many industries had become sick. The licensees pointed out that minimum charges for providing lighting load as security measure to these industries, are needed.

4.18 **Contract Demand**

In response to the allegation made by some objectors, CEO, SOUTHCO pointed out that they are levying demand charges on the consumers in accordance with the existing tariff order. The Commission advised them to ask the concerned consumers whether they are willing to reduce their contract demand commensurate with the actual consumption of energy.

4.19 **Arrears Due and Bad Debt**

4.19.1 Shri U.K. Panda replied as under to the query raised by one objector regarding violation of the provisions under the transfer scheme, 1998 by DISTCOs as far as sundry debtors and obsolete stocks are concerned.

It was stipulated in the scheme that any collection out of old outstanding arrears would be shared equally between the licensee and GRIDCO. He pointed out that as per Regulation, the collections effected from consumers are first adjusted against current arrears and the balance against old dues and the licensees have not collected any amount towards old arrears. He further stated that collection of arrears made by them is out of the good debtors which was transferred by the DISTCOs to GRIDCO along with matching current liability.

In respect of obsolete stocks, he stated that in conformity with the accepted best accounting principles, provision for obsolete stock is made as to exhibit the actual and usable stocks and spares. Similar provision was made under the transfer scheme. Any realisation of such obsolete stock will be to the credit of the licensee and should be duly recognised while determining the ARR.

4.19.2 CEO, WESCO mentioned that out of two transfer schemes i.e. in the year 1996 and 1998, the DISTCOs are concerned with the transfer scheme of 1998 only.

4.20 **Past losses/Regulatory Asset**

The licensees stated that they had incurred huge loss since privatisation of the sector and required compensation to turn around the sector. In this context, they quoted the recommendation of Kanungo Committee for an assistance of Rs.3240 crore by DFID/World Bank for making the sector financially viable.

4.21 **Asset Register**

4.21.1 In response to the objectors' query, WESCO stated that they have furnished the asset register upto 31.03.1999.

4.21.2 NESCO and SOUTHCO stated that they are going to submit the same shortly.

4.21.3 CESCO intimated that the asset register is under scrutiny. He further intimated that out of 29 accounting units of CESCO, the asset register of 19 accounting units are already complete. The works are in progress for balance 10 accounting units. He further stated that the asset register would be submitted within a month.

4.22 **BST Dues to GRIDCO**

The DISTCOs stated that they are running short of fund due to the following factors:

- Non-implementation of the recommendation of Kanungo Committee to keep in abeyance the impact of upvaluation of assets from FY 1999-00.
- Non-availability of cost reflective tariff.
- Non-recognition of realistic loss level while determining tariff.

Consequently, GRIDCO failed to make payment to generators in time.

4.23 **Interest on Loans and Bonds**

4.23.1 GRIDCO have securitised its outstanding power purchase dues with NTPC and the interest on such securitisation has been considered by the Hon'ble Commission in their BST tariff order FY 2003-04.

4.23.2 They further stated that the GRIDCO loan from PFC/REC availed by GRIDCO, has been passed on to the licensees by GRIDCO w.e.f. 01.04.1999 through an agreement. There was a back to back arrangement with the DISTCOs wherein DISTCOs were expected to service these loans to GRIDCO and GRIDCO in turn to service these loans to PFC/REC. They intimated that due to poor financial condition of the licensees, the loan servicing could not be done in time to GRIDCO and consequently, GRIDCO failed to service the same to PFC/REC. They further indicated that the Commission had allowed 8.5% interest in the past on such loan as against 13.837% as per the terms of loan agreement. The licensees urged that the payment of interest on such PFC/REC loan should be allowed in the ARR of GRIDCO and recovered through BST. The licensees further submitted that GRIDCO loan should be restructured and securitised with zero percent interest and the loan to be repaid over a period of ten years with moratorium of three years.

4.23.3 In respect of World Bank loan, the licensee calculated interest @13% as per project implementation agreement with Govt. of Orissa considering 30% of loan as grant and balance 70% as loan. The moratorium period and repayment period of the World Bank loan has been considered as per World Bank's stipulation and communicated to Govt. of Orissa. The licensees vehemently protested saying that the GOO is not agreeable to consider 30% loan as grant to the DISTCOs.

4.23.4 As regards NTPC power bonds, the licensees stated that they issued bonds worth Rs.400 crore in favour of GRIDCO w.e.f. 01.10.2000 with interest @12.5% per annum payable half yearly with repayment period of seven years including a moratorium period of four years. The securitisation was made by the licensees in terms of a tripartite minutes of discussion signed (MOD) amongst GOO, GRIDCO and NTPC. It was further agreed in the MOD that the recommendations of the Montek Singh Ahluwalia Committee for securisation of the dues payable to NPTC will also be made applicable to this bond as and when such recommendations were accepted by GOI. Due to various reasons beyond the control of the licensee, it was not possible for the licensees to service the bonds.

4.23.5 In the ensuing year, CESCO, NESCO, WESCO and SOUTHCO have estimated the amount of Rs.111.27 crore, Rs.77.32 crore, Rs.50.64 crore and Rs.49.83 crore respectively to be received under APDRP scheme. As per the scheme, out of the 50% of the amount received from the State Govt., 50% is to be treated as grant and balance 50% as loan carrying interest @ 12% pa. The balance 50% of the sanctioned amount is to be treated as counterpart funding to be availed from REC/PFC @ 8.5% pa.

4.24 Audited Accounts

NESCO, WESCO and SOUTHCO intimated that they have already submitted the audited accounts for the period upto 2002-03 and audited accounts for the period as per Tax Audit for FY 2003-04. CESCO intimated that due to non-cooperation by the auditor namely, M/s Love Lock Lwis, they could not furnish up to date audited accounts to the Commission. However, necessary measures have already been taken to furnish the same at the earliest.

4.25 Government subsidy

4.25.1 The licensees welcomed the suggestions by the objectors for compensating the operational loss on account of rural electrification and kutir jyoti by Govt. of Orissa by way of grant/subsidy to the licensees and requested the Commission and the State Govt. to consider this proposal.

4.25.2 They also stated that the Govt. from the standpoint of socio-economic consideration, should protect certain class of consumers from stiff hike in tariff, if desired, by way of awarding subsidy/grant to the respective licensees.

4.26 **Single point supply to flats, market complex, etc. proposed by CESCO**

4.26.1 CEO, CESCO stated that builders get supply on authorisation by the owners.

4.26.2 He pointed out that although the meters are locked in a room on the ground floor of the apartments, the duplicate key of the room is kept with the society. Hence, the scope of tampering with the meters cannot be obviated.

4.26.3 He further intimated that quite a number of apartments are being constructed at Bhubaneswar and Cuttack. As per the present procedure, CESCO is providing individual connection to each occupant of the apartment and separate connection is given for the general purpose like running of lift, common lighting, pump etc. The society formed by the apartment owners deposit the cost of power with CESCO for the common purpose consumption.

4.26.4 He emphasised that the purpose behind providing single point power supply to all apartments and market complexes is to facilitate all the owners to pay their dues to the society within their premises and avoid the torture of standing in CESCO's collection counter.

4.27 **General**

4.27.1 CESCO pointed out that although GRIDCO earned Rs.25 crore in first eight months, but in their application, they have shown it as nil.

4.27.2 WESCO pointed out that emergency power supply is to be addressed by the Commission.

4.28 **Observation of State Advisory Committee (SAC)**

4.28.1 The SAC constituted under Section 87 of the Electricity Act, 2003 met for the third time on 2nd February 2005 to deliberate on the tariff related issues pending before the Commission. The discussion related to the review application pending before the Commission for the FY 03-04, the Annual Revenue Requirement and Tariff Application for the FY 05-06, of all licensees. Further, application of WESCO, NESCO, SOUTHCO for recognition of regulatory assets for the past losses from 99-00 to 02-03, application for special tariff for Power Intensive Industries, implementation of Availability Based Tariff were discussed.

4.28.2 Members in general, were concerned about the consumer services offered by the licensees and wanted them to be more consumer friendly through awareness campaign, interaction with consumer groups and licensee's staff, training of lower level functionaries of licensees for handling consumer grievances. Other suggestions included simplification of the procedures for tariff filing for larger participation of objectors including supply of application free of cost, publication of gist of notices in local languages.

4.28.3 Members offered their views on host of issues like cross subsidy in tariff, bench marking of T&D loss, correctness of data filing, improvement in metering, accuracy in load forecast, penalty for non-performance by the employees, linking tariff to performance, payment of interest on security deposit, additional security deposit, increase in AT&C Loss on account of rural electrification, determination of peak and off-peak tariff.

4.28.4 In addition views were expressed regarding segregation of past losses and allowing only uncontrollable losses as pass through in tariff, benefit from trading of power & UI charges to be set off against past losses and the issue of revisiting past losses on receipt of audit reports.

4.28.5 Early clearance of govt. dues, revisiting of distribution loss, collection efficiency, AT&C loss were also some of the major issues deliberated upon. Minutes of the meeting among the SAC members have been circulated and the Commission have given due consideration to these views expressed by the Hon'ble members in the present tariff order.

5 COMMISSION'S OBSERVATIONS

On detailed scrutiny and examination of the Revenue Requirement and the RST applications for the financial year 05-06 along with clarifications submitted by the licensees before the Commission, the written and oral submission of the objectors and the views of the members of the State Advisory Committee, the Commission passes the order as detailed below:

5.1 Multi Year Tariff (MYT)

The Commission has already addressed this issue in the RST order for the FY 2004-05 and would like to reiterate that the control period for MYT regime will cover the period from 2003-04 to 2007-08.

5.2 T&D Loss, Collection Efficiency and AT&C Loss

5.2.1 So far as T&D Loss, Collection Efficiency and AT&C Loss are concerned, the parameters have already been approved for the Control Period ending 2007-08 in the OERC RST order for the FY 2004-05 as reproduced below.

Table : 9
Distribution Loss (%)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
NESCO						
ARR		43.66	40.58	36.63		
Approval	41.38	43.66	38.00	35.00	32.00	29.00
WESCO						
ARR		39.02	35.96	32.65		
Approval	38.29	39.02	34.00	31.00	28.00	25.00
SOUTHCO						
ARR		42.47	39.77	37.30		
Approval	39.14	42.44	39.00	36.00	33.00	30.00
CESCO						
ARR		39.76	38.00	34.00		
Approval	43.03	39.76	39.00	36.00	33.00	30.00

Table : 10
Collection Efficiency (%)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
NESCO						
ARR		93.69	94.00	93.00		
Approval	81.46	88.11	92.00	93.00	94.00	94.00
WESCO						
ARR		88.26	89.29	89.68		
Approval	85.40	88.26	90-00	92.00	94.00	96.00
SOUTHCO						
ARR		86.91	88.00	91.72		
Approval	82.55	84.15	89.00	91.00	93.00	94.00
CESCO						
ARR		81.00	82.00	83.00		
Approval	78.92	81.18	83.00	86.00	89.00	92.00

Table : 11
AT & C Loss (%)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
NESCO						
ARR		47.22	44.14	41.06		
Approval	52.25	50.36	42.96	39.55	36.08	33.26
WESCO						
ARR		46.18	42.82	39.60		
Approval	47.30	46.18	40.60	36.52	32.32	28.00
SOUTHCO						
ARR		50.00	46.99	42.49		
Approval	49.76	51.56	45.71	41.76	37.69	34.20
CESCO						
ARR		51.21	49.18	45.22		
Approval	55.04	51.10	49.37	44.96	40.37	35.60

5.3 **Performance Targets**

For the first control period, the Performance Targets shall relate to the system losses and the collection efficiency for different consumer categories, along with the AT&C losses. The licensee will be expected to perform and improve its efficiency as per the overall AT&C targets fixed by the Commission.

5.4 **Grant of subsidy and subvention by Govt. of Orissa**

The Commission is convinced that subsidies are not in harmony with the spirit of the Electricity Act 2003. As a result of total withdrawal of subsidies in Orissa, the tariff rise has to be of considerable magnitude if cost reflective tariff has to be adopted for 2005-06. In response to the Commission's query to ascertain whether Govt. was prepared to grant subsidy or subvention to reduce the impact of tariff increase, the State Govt. has clearly stated that the whole objective of Power Sector Reform is to make the power sector self- sustaining and any grant of subsidy to this sector may be counter productive unless a particular class of consumers is hard- hit deserving subvention/subsidy from the State Government.

5.5 **Consumer Classification and Tariff**

5.5.1 Some of the objectors submitted that categorisation for electricity tariff should match the criteria fixed by the Industries Department of Govt. for classifying industries. It is not possible for us to agree with this suggestion. Firstly, price of electricity should progressively reflect the cost of supply in accordance with Section 61(g) of the Electricity Act, 2003. The cost of supply can be fairly determined with reference to the investment made, quantum of connected load, timing of supply and voltage at which it is supplied. Hence, electricity price has to be in relation to these factors. Secondly, the purpose of classification by Industries Department and other departments of Govt. are for different purposes like preferential treatment in financing, taxes, etc. which have no relevance for determining price of electricity. Thirdly, electricity charges are to be non-discriminatory from economic point of view. As such, it may not be possible to synchronize the pricing of electricity in keeping with classification decided by the Industries Department.

5.5.2 (a) The representative from Govt. of Orissa pleaded that, hotels should be classified under the industrial category. Since the Dept. of Industry allows them the benefits due to an industry, there is no justification for them to be billed at General Purpose tariff. It needs to be noted that for the purpose of applicability of electricity tariff the classification of an electricity consumers as prescribed in OERC Distribution (Condition of Supply) Code, 2004 is only applicable.

(b) He further pleaded that IT industries should be covered under industrial category. Here it may be clarified that, the IT industries are to be classified under industrial category in line with the provision under OERC Distribution (Condition of Supply) Code, 2004.

(c) He iterated that, Govt. offices should be categorised under specified public purposes instead of General Purpose, as they do not run on commercial lines. The Commission would like to clarify that, in accordance with the provisions under the OERC Distribution (Condition of Supply) Code, 2004, general purpose category relates to supply of power to the premises which are used for office, business, general purpose or other purposes not covered under any other category where the non-Domestic load exceeds 20% of the total connected load and specified public purpose category relates to supply of power to (a) religious institutions, (b) educational institutions (including their hostels), (c) hospitals, dispensaries and primary health centres owned by government, local bodies and charitable institutions (recognised as such by Income Tax Dept.), (d) electric crematorium and (e) non-commercial sports organisations. Hence accordingly, Govt. offices should be covered under general purpose category.

5.5.3 Some of the representatives from industries sector submitted that fabrication industries should be covered under Small Scale Industry category and some other pleaded that Agro Industries should be covered under Industrial category. The Commission would like to clarify that, cold storage, agro industries and fabrication units fall under the appropriate industrial category in accordance with the OERC Distribution code 2004.

5.5.4 Similarly, representative from BSNL pleaded that, BSNL should be classified under the industrial category, since the Finance Act 2002/03 envisages that, the business of telecom, services, whether basic or network and including radio paging, domestic satellite services, network of traffic, broad band network and internet services come within the ambit of industrial undertakings. We have considered the forceful submissions putforth by the representative and observe that, the said provision under the Finance Act, has been stipulated for the purpose of income tax and is not applicable to consumer classification under the OERC Distribution (Condition of Supply) Code, 2004. Besides, BSNL is engaged in commercial activities and has to be classified under appropriate G.P. category.

5.6 Railway Traction Tariff

5.6.1 The question of providing a reasonable tariff for Railway Traction raised by the S.E. Railway was also considered by OERC. The Commission would like to clarify that the railway traction tariff in Orissa is at par with HT or EHT tariff structure depending upon the voltage of supply. Railway traction tariff is lower in Orissa. Therefore, railways should have no grouse on this account.

5.6.2 The railways had also raised the issue of a single part tariff which is today applicable only to very large industries with a guaranteed off-take to which category the railways does not belong.

5.6.3 The Railway's further concern about recording and charging of maximum demand for individual supply points as per the existing system turned out to be totally unrealistic as the railways were moving loads for all substations along the track. It may be mentioned that the railway traction supply is from the EHT network of the GRIDCO and the billing is done by the various supply companies to the railways in their area of license.

5.6.4 The Commission observes that since separate agreements are executed for individual traction loads, it will not be possible to adopt SMD for billing on the basis of simultaneous maximum demand recorded in contiguous substations.

5.6.5 The railways also pleaded that the integration period of 30 minutes for measurement of maximum demand in respect of railway traction ought to be allowed in stead of the existing provision of 15 minutes. The Commission deliberated on this issue and observed that 30 minutes integration period for all categories has been provided in the Regulation of ASEB, Ahmedabad Electricity Company, MPSEB, HSEB, DVP, Gujurat, Maharashtra, Tamil Nadu. Fifteen minute integration period has been provided by UPERC, APERC for loads more than 4000 KVA, and for railway traction by WBSEB. Some SEBs have introduced one hour integration period. Further, with implementation of ABT, which calls for recording of Maximum Demand with fifteen minutes integration period for generators and all consumption, it will not be possible to change over to integration period of thirty minutes as suggested by Railways.

5.6.6 **Uniform Retail Tariff :** Most of the objectors advocated in favour of uniform retail tariff throughout the state . Historically, uniform tariffs have been adopted in Orissa, and in many states of India, despite significant cost differences to serve different jurisdictional area as defined in the licence conditions. The Commission feels that though cost-based tariff are more efficient, it would be desirable to give some more time to shift away from uniform retail tariff. **Accordingly for the year 2005-06, the Commission decides to adopt uniform Retail Tariff for the entire State.**

5.6.7 **Cross Subsidy :** Some objectors suggested reduction in cost of subsidies. Section 61(g) of the Electricity Act, 2003 mandates that that the tariff progressively should reflect the cost of supply of electricity and also, reduce and eliminate cross-subsidies within the period to be specified by the Appropriate Commission.

5.6.8 The tariff structure inherited by the Commission was undoubtedly a distorted one. In the past years, the Commission has attempted rationalisation of tariff structure with a view to effecting progressive increase in tariff for those categories of consumers who are paying less than the average cost of the supply. Some of the objectors cited the recent example of WBERC tariff order for the year 2002-03 in which they have introduced cost based tariff for all categories of consumers in terms of Hon'ble Appex Court order passed in Civil Appeal No. 4037 of 2002.The Commission is of the opinion that introduction of cost based tariff will give a severe tariff shock to the consumers of subsidised categories in Orissa and also will lead to widespread resentment and unrest among the consumers. Thus, the Commission will adopt uniform tariff to all categories of consumers gradually, thereby eliminating cross-subsidy altogether in future.

5.7 **Quality of Supply & Service**

Some of the objectors pleaded that, the qualty of services 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.

5.8 **Charging of Security Deposit by licensee**

Some of the objectors pleaded that the method of computation of additional security deposit in case of enhancement of contract demand might be spelt out by the Commission since the licensee is some time charging the security deposit at the differential amount of security deposit between the enhanced CD and the original CD, thereby causing financial additional burden on the consumer. The Commission after examining the issue clarifies that the additional security deposit should be computed on the additional contract demand only.

5.9 **Demand charge in case of power cut**

Some of the objector 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. After examining the proposal, the Commission clarifies that 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, 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 so imposed. In all other cases the consumer is liable to pay the full demand charges.

5.10 **Power Supply to Apartment**

5.10.1 CESCO in its application submitted that single point power supply to all apartments and market complexes, colonies of different departments and developers may be allowed. No individual connection may be provided by CESCO to the above category of consumers.

5.10.2 Some of the objectors pleaded in favour of individual supply to all occupants of the apartments. 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 should be provided in case the concerned owner/occupier desires to receive power at a single point and also the concerned occupier/owner cannot be denied the individual connection, if they so desire.

5.11 **Metering of street lights**

5.11.1 Issues that street light metering has not been done and billing is done on load factor basis was raised during the course of the hearing. In view of the provisions under the Electricity Act, 2003, the Commission directs that all street lighting points must be metered and no load factor billing is permissible.

5.11.2 The switching ON and OFF of street lights will be done by the staff of the licensee. Replacement of bulbs, fittings and maintenance thereof shall be carried out by the municipal staff.

5.12 **Remunerative Norm for availing power supply**

Some of the objectors pleaded that the licensees are not following the remunerative norm for providing new connections. The Commission is concerned about the issue and directs that the remunerative norms as stipulated in the OERC Distribution (Conditions of Supply) Code, 2004 for availing new connection must be strictly followed by the licensee.

5.13 **Tariff Hike**

5.13.1 It was discernible from the filings before OERC that the currently proposed tariff would have to be much higher as compared to those of the immediate previous years even after pruning all expenditure items by the Commission on the same lines as in the past. Many objectors had alleged that there should be no revision in tariff since licensees have not achieved desired improvements and had not been able to reduce the T&D loss substantially. We ourselves have been very much concerned with the performance of the licensees and have been suo motu monitoring the same in various ways.

5.13.2 Another recurring objection against tariff increase has been the constraint of affordability. The domestic consumers have urged to leave them out of tariff increase because they cannot afford and they cannot pass on the burden which the commercial and industrial consumers can do. On the other hand, commercial and industrial consumers have pleaded that their products cannot be competitive and therefore their tariff should be reduced rather than increased. Every category has pleaded that tariff, if increased, should be for other categories. We cannot fully ignore the affordability factor because safeguarding interest of consumers is one of the main parameters in tariff fixation. But affordability cannot be the prime consideration Section 61(d) of the Electricity Act, 2003 envisages safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner.

5.14 **Rural Electrification**

5.14.1 The distribution companies submitted that, the impact of accelerated RE programme on the ARR should be considered in the ARR for the FY 2005-06 and accordingly revision should be made in the AT&C loss reduction targets.

5.14.2 The Commission is aware of the fact that the State Government has taken up Rural Electrification work in a massive scale in consonance with the national agenda to achieve 100% Rural Electrification by 2007 and providing electricity to all households by 2012. While extending power facilities to every nook and corner of the State necessary precautionary measures have to be taken to avoid further loss to the power system. In fact, extension of lines would mean additional technical loss apart from commercial loss which can be prevented by taking the following measures as detailed below:-

5.14.2.1 Off grid supply/distributed generation should be encouraged in remote villages situated away from GRID.

5.14.2.2 In case the electrification is done by extending the grid supply then the extension should be on High Voltage Distribution System (HVDS) by extending the HT lines up to the load centre of the village. Then LT distribution can be done by installing small capacity transformers like 10 KVA, 16 KVA, 25 KVA to cater to the needs of the villagers. Service connections can be extended directly from the LV side of the transformers to the consumer's premises. If deemed necessary, Aerial Bunched Conductors (ABC) can be used for extending LT supply to distant points which cannot be reached through normal service connection wires.

5.14.2.3 Village Committees may be set up to look after load development, load management, billing and collection in the village.

5.14.2.4 On the LV side of the transformer, a meter is to be installed which will record the total energy supplied by the transformer. The village committee can be billed based on this meter reading on a suitable tariff to be approved by OERC depending on the mix of load in the village. Franchisee(s) or village committee(s) shall be entrusted with billing, collection and regularisation of unmetered connection to improve billing and collection efficiency in rural areas and achieving loss reduction in the process. Even 11 KV feeders can be handed over to the franchisee(s) whose remuneration can be fixed beyond a certain benchmark of performance. Franchisees do not need a distribution licence as provided under the 7th proviso of section 14 of the Electricity Act, 2003.

5.14.2.5 The extension of lines in the village should be done only after firm commitment from the consumers by way of giving advance security deposit/paying for the cost of extension etc.

5.14.2.6 The capital investment required for rural electrification will be fully funded by the State Govt. through various GOI sponsored schemes such as APDRP, PMGY, MPLAD, MLALAD etc. as 100% capital subsidy to DISTCOs.

5.14.2.7 The Commission is of the view that aforesaid precautionary measures will reduce commercial loss substantially. **The Commission, therefore, directs DISTCOs to adopt measures mentioned above while taking up rural electrification.**

6 FINANCIAL ISSUES

6.1 Operation & Maintenance Expenses

6.1.1 The operating expenses for distribution and retail supply may be considered under the following heads:-

(i) Employees Cost

(ii) Administration & General Expenses

(iii) Repair and Maintenance Expenses

(iv) Less expenses capitalized

6.1.2 The Commission had spelt out in para 5.6.2 of the LTTS order dtd.18.06.2003, the parameters to be adopted for O&M costs, an extract of which is given below:-

xxxxxxxxx xxxxxxxxxxxxx

"5.6.2.1 These comprise the Wages and Salaries, Repairs and Maintenance and Administrative and General expenses and prudential norms of provisioning for bad debts. With regard to O&M Costs, the Commission shall determine the Base Year Values for the Control Period and these values shall be based on the audited accounts for FY 2002-03.

5.6.2.2 For Wages and Salaries during the Control Period, the base year values of Basic Pay and Dearness Allowance escalated for annual salary increments and inflation based on Govt. notification shall be allowed. Provisioning for terminal liabilities like pension and gratuity liabilities, based on a periodic actuarial valuation in line with the prevailing Accounting Standards issued by ICAI, shall be allowed.

5.6.2.3 For Repairs and Maintenance, 5.4% applied on the opening gross asset value shall be allowed.

5.6.2.4 For Administrative and General Expenses, the base year value escalated by 7% every year for the control Period.

5.6.2.5 No adjustments in the Annual Revenue Requirements shall be made on account of actual values being different from these Performance Targets for the O&M costs during the Control Period."

6.1.3 The aforesaid principles have been followed in determining the various elements of O&M expenses for the year 2005-06.

6.1.4 The Commission has already received the audited accounts of WESCO, NESCO and SOUTHCO for the purpose of tax-audit for the FY 2003-04. As the tax audit figures are available for the FY 2003-04, the Commission will treat these figures as the base year values for determination of expenditures during the subsequent years in respect of WESCO, NESCO and SOUTHCO. In the absence of audited account of CESCO, the Commission has decided to treat the values approved in the tariff order of 2003-04 as the base year figures for determination of expenditures for FY 2005-06.

6.2 Employees Cost

6.2.1 Major components of Employees Cost proposed by four DISTCOs for the FY 2005-06 as per their latest filing are given in table below.

Table : 12

Rs. in crore

Particulars	**WESCO**	**NESCO**	**SOUTHCO**	**CESCO**
Basic Pay	29.29	30.05	28.00	70.79
Dearness Allowance	20.57	21.03	19.60	33.65
H.R.A.	4.66	5.71	3.01	11.91
Other	4.62	4.14	2.91	7.50
Terminal benefit (Pension & Gratuity)	12.50	11.14	11.27	3.51
Total	71.64	72.07	64.79	127.36
Less capitalized	1.70	1.67	-	-
Net	69.94	70.40	64.79	127.36

6.2.2 The actual expenditure for 2003-04 based on the annual accounts prepared for Tax Audit purposes for WESCO, NESCO and SOUTHCO and the figure approved by the Commission in the tariff order for 03-04 are given in the table below:

Table : 13

Rs. in crore

Particulars	**WESCO**		**NESCO**		**SOUTHCO**		**CESCO**
	Actual	**Approved**	**Actual**	**Approved**	**Actual**	**Approved**	**Approved**
Basic Pay	26.67	28.55	22.68	25.79	24.09	25.94	52.40
DA	15.29	17.42	12.85	15.72	13.65	15.70	31.72
HRA	4.40	4.28	3.86	4.46	3.65	2.00	7.62
Others	2.66	4.48	2.67	3.84	2.69	1.71	10.22
Terminal benefit	10.32	8.96	7.62	7.56	8.73	7.57	6.90
Total	59.34	63.69	49.68	57.37	52.81	52.92	108.86
Less capitalized	1.91	2.90	1.42	1.20	-	-	-
Net	57.43	60.79	48.26	56.17	52.81	52.92	108.86

6.2.3 From the table it emerges that expenditure under the head "Basic Pay" for the FY 2003-04 as approved by the Commission is more than the actuals in case of WESCO, NESCO and SOUTHCO.

6.2.4 The Commission in accordance with earlier orders allows 3% escalation over the basic pay towards normal annual increment in respect of all DISTCOs.

6.2.5 As regards DA, the State Govt. Notification on DA rate from time to time are given below.

Table : 14

With effect from	**DA (%)**
01.01.2001	43
01.7.2001	45
01.01.2002	49
01.7.2002	52
01.01.2003	55
01.7.2003	59
01.01.2004	61

6.2.6 In the past years, there has been a periodic rise in DA on 1st of January and 1st of July of each year. With an anticipated half yearly rise in DA @ 3% the annual average DA rate may be around 70%. The Commission approves the D.A. rate of 70% over the Basic pay for the FY 2005-06.

6.2.7 The three DISTCOs WESCO, NESCO and SOUTHCO in their subsequent filing have made provision towards additional expenditure in salary due to induction of new employees. The additional manpower proposed by 3 DISTCOs during 2005-06 are WESCO – 716 nos., NESCO – 1139 nos. and SOUTHCO – 693 nos. The licensees have given justification for induction of the additional employees. As a result of such induction, the DISTCOs propose to incur the following additional expenses as WESCO – Rs.1.41 crore, NESCO – Rs.4.88 crore and SOUTHCO – Rs.3.18 crore. Commission analyses and approves the same to be included in Employees Cost for FY 2005-06.

6.2.8 An uniform method of estimating one month salary (Pay+DA) in a span of two year period is adopted for estimating the encashment of leave salary. All other allowance claimed by the licensees are found reasonable except some minor adjustment in case of CESCO. While projecting the figures of other allowances Commission escalates the amount by 5.2% over approved figure of 2004-05 to factor in average rise of W.P.I. and C.P.I.

6.3 Terminal Benefits

6.3.1 WESCO, NESCO and SOUTHCO have claimed terminal benefits based on actuarial valuation. The actuary has ascertained the actuarial value of gratuity and pension as on 30.9.2002 and fixed rates for contribution for 2003-04 as under:

Table : 15

	WESCO	**NESCO**	**SOUTHCO**
Gratuity	4.36%	4.33%	4.29%
Pension	18.69%	17.47%	18.81%

6.3.2 The Commission views that provisioning for terminal liabilities like pension and gratuity based on periodic actuarial valuation should be done in line with prevailing Accounting Standard issued by the ICAI. The same should be done by an independent actuary to be appointed by the Commission from time to time.

6.3.3 Provisions of the Clause (ii) para 28 of Accounting Standard 15 issued by ICAI dealt in Annual actuarial valuation is produced below:

"*In case the liability for retirement benefits is funded through creation of a trust, the cost incurred for the year should be determined actuarially. Such actuarial valuation should normally be conducted at least once in every three years. However, where the actuarial valuations are not conducted annually, the actuary's report should specify the contributions to be made by the employer on annual basis during the inter-valuation period. This annual contribution (which is in addition to the contribution that may be required to finance unfunded past service cost) reflects proper accrual of* *retirement benefit cost for each of the years during the inter-valuation period and should be charged to the statement of profit and loss for each such year. Where the contribution paid during a year is lower than the amount accrued liability as certified by the actuary, the shortfall should be charged to the statement of profit and loss for the year. Where the contribution paid during a year is in excess of the amount required to be contributed during the year to meet the accrued liability as certified by the actuary, the excess should be treated as a pre-payment."*

6.3.4 CESCO has claimed the terminal benefit on cash outflow basis and the Commission approves the same. The Commission calculates the terminal benefits of WESCO, NESCO and SOUTHCO based upon the rate of contribution given by actuary. However, these are subject to final determination by the independent actuary to be appointed by the Commission.

6.3.5 A statement showing details of employees cost proposed by the licensees and approved by the Commission for 2005-06 are given below :

Table : 16

Rs. in crore

Sl. No.	Particulars	WESCO		NESCO		SOUTHCO		CESCO	
		Prop.	App.	Prop.	App.	Prop.	App.	Prop.	App.
1	Salaries	29.29	28.30	30.05	24.06	28.00	25.55	70.79	55.59
2	Addl. Emp. Cost	-	1.41	-	4.88	-	3.18	-	-
3	DA	20.57	19.81	21.03	16.85	19.60	17.89	33.65	38.91
	Sub Total (1 to 3)	49.86	49.52	51.08	45.79	47.60	46.62	104.44	94.50
4	Other allowance	1.07	1.06	0.45	0.45	0.52	0.52	1.96	1.25
5	Bonus	-	-	-	-	-	-	-	-
6	Total Emoluments (1 to 5)	50.93	50.58	51.53	46.25	48.13	47.14	106.40	95.75
7	Reimbursement of medical expenses	0.88	0.85	0.97	0.97	0.84	0.84	2.13	1.67
8	Leave Travel Concession	-	-	0.07	0.07	-	-	0.59	-
9	Reimbursement of HR	4.66	4.67	5.71	4.10	3.01	3.01	11.91	8.08
10	Interim relief of Staff	-	-	-	-	-	-	0.09	0.12
11	Encashment of Earned Leave	2.08	2.00	2.10	1.70	0.65	1.81	2.13	3.94
12	Honourarium	-	-	-	-	-	-	0.09	-
13	Payment under workmen compensation Act	0.20	0.20	0.06	0.06	0.08	0.08	0.13	0.13

14	Ex-gratia	-	-	-	-	0.05	0.05	-	-
15	Other Staff Costs	-	-	0.03	0.03	-	-	0.26	-
16	Total Other Staff Costs	7.82	7.72	8.93	6.93	4.63	5.79	17.34	13.94
17	Staff Welfare Expenses	0.40	0.40	0.47	0.47	0.77	0.77	0.10	0.10
18	Terminal Benefits	9.32	8.99	8.92	7.15	9.34	8.17	3.51	3.51
19	Gratuity	3.18	3.07	2.21	1.77	1.93	1.86	-	-
	Total (6+16+17+18+19)	71.64	70.76	72.07	62.56	64.79	63.73	127.36	113.30
	Less : Employees cost capitalized	1.70	1.70	1.67	1.45	-	-	-	-
	Net Employees Cost	69.94	69.06	70.40	61.12	64.79	63.73	127.36	113.30

6.4 Administration & General Expenses

6.4.1 The A&G expenses include expenses on communication, professional charges, property related expenses, conveyance and travelling, training, other expenses and material related expenses.

6.4.2 The Commission has examined the licensee's proposal on A&G Expenses & take into consideration the tax audit figures under the head of A& G expenses for the year 03-04 for WESCO, NESCO and SOUTHCO. Since the audited figures in respect of CESCO are not available the Commission considers the approved figures in the tariff order of 03-04 as it's base.

6.4.3 Objectors in general expressed concern about rising trend in A&G expenses and requested that this expenditure should be kept under control. There was general dissatisfaction about expenditure proposed under the head of vehicles and travels.

6.4.4 The Commission appreciates introduction of innovative schemes particularly those, which are participative, consumer friendly like introduction of spot billing system, Advance Meter Reading Techniques. But at the same time, the Commission observes that the benefit accruing on account of introducing the scheme should offset the expenditure proposed to be incurred. The tangible benefits like improvement in percentage of billing and collection, reduction in bad debt, reduction of transmission and distribution loss, etc. should have been projected along with the proposed expenditure.

6.4.5 The Commission in its order on LTTS have set out the principle of calculation of A&G expenses @7% over the base year value every year for the control period putting a limit on the expenditure. The A&G expenses for FY 2005-06 as proposed by DISTCOs and approved by the Commission are indicated in the table below:

Table : 17

Rs. in crore

	WESCO		**NESCO**		**SOUTHCO**		**CESCO**	
	Prop.	Appr.	Prop.	Appr.	Prop.	Appr.	Prop.	Appr.
A&G expenses	14.02	13.39	11.18	8.42	9.91	8.29	20.52	10.51

6.5 **Repair & Maintenance (R&M)**

6.5.1 The Commission in its order on LTTS have set forth the principle of calculation of Repair & Maintenance Expenses @ 5.4% on the value of opening gross fixed asset.

6.5.2 WESCO, NESCO & SOUTHCO have estimated the R&M expenses @ 5.4% on the value of the opening gross fixed asset, whereas CESCO has proposed a hike of 5% over the estimated figure of 2004-05.

6.5.3 The Commission allows R&M expenses @ 5.4% on the value of gross fixed asset, as at the beginning of the year for each of the licensees.

6.5.4 The gross fixed asset as on 01.4.96 and year wise addition to fixed asset, as approved by the Commission upto 2004-05 has been worked out in table-30 under para 6.12.8. Accordingly, R&M expenditure has been calculated and given in the table below :

Table : 18

Rs. in crore

Particulars	**WESCO**		**NESCO**		**SOUTHCO**		**CESCO**	
	Prop.	**App.**	**Prop.**	**App.**	**Prop.**	**App.**	**Prop.**	**App.**
Gross fixed asset as on 31.3.2005 (Revised submission)	536.96	394.47	537.95	419.12	473.31	343.47	N.A.	623.57
% of R&M	5.4	5.4	5.4	5.4	-	5.4	N.A.	5.4
Repair & Maintenance for 2005-06	28.99	21.30	29.05	22.63	18.51	18.55	35.10	33.67

6.6 **Interest on Loan**

6.6.1 The source wise interest on loan proposed by the four DISTCOs are given in the table below:

Table : 19

Rs. in crore

Source	WESCO	NESCO	SOUTHCO	CESCO
GRIDCO loan	11.02	8.01	10.31	21.71
World Bank loan	19.87	11.89	9.47	12.28
NTPC Bond	8.76	12.07	9.39	-
APDRP Net of 50% grant	2.63	8.72	3.93	9.90
REC/PFC (Counter Part Funding)	3.72	-	5.56	-
Interest on security deposit (1 year 10 months)	9.75	5.28	4.04	-
Total	55.75	45.97	42.70	43.89

6.6.2 CESCO in its filing has not given the detailed break up of interest on loan from different sources. However, this break up was obtained from their soft copy available to the Commission at a later date.

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

6.7.1 At the time of reform and restructuring distribution assets were transferred from GRIDCO to the DISTCOs. Project related loans taken by GRIDCO for the purpose of creation of distribution assets from PFC, REC were also transferred to the DISTCOs. However, GRIDCO continued to serve the lenders for the loans taken for both transmission and distribution assets. On the other hand, distribution companies were bound by Subsidiary Loan Agreement to service the transferred loans through back to back arrangement.

6.7.2 DISTCOs propose that the project related asset loan may be recovered through bulk supply tariff. The revenue requirement of DISTCOs takes into consideration the bulk supply tariff as well as the cost of distribution. Once the project related loan liabilities are not serviced through the back to back agreement, it will have the impact of raising the revenue requirement of GRIDCO. This in turn will raise the bulk supply tariff. With rise in BST, the input cost of DISTCOs will go up but it will be neutralised due to non-service of interest payment by back to back arrangement to GRIDCO for asset loans. The net effect of income and expenditure on DISTCOs remains the same. It has the advantage of up front monthly recovery of these loan elements through BST rate as LC is already in place.

6.7.3 Therefore, the Commission directs for appropriate amendment in the Subsidiary Loan Agreement & GRIDCO to service the interest liability to PFC, REC and other institutions for the asset loan taken for TRANSCO and DISTCOS.

6.7.4 Now, GRIDCO will be reimbursed for the interest on DISTCO related loan through BST. Obviously, the net effect on DISTCO for servicing of asset related loan remains unchanged, but asset loans differ from company to company. With the same rate of interest on project related loan, liabilities were different from company to company. With recovery through BST, it is likely that a company with high asset loan may get an undue profit unless a differential BST is in place. Naturally, this aspect is to be taken into consideration while designing the tariff.

6.7.5 The revenue requirement of GRIDCO for the year 2005-06 will take into account the total interest liabilities on asset related loans. In case of DISTCOs, the interest liability of asset related loans will not be taken into consideration for the purpose of revenue requirement calculation.

6.7.6 The summary of back to back loan as per GRIDCO and as per DISTCOs is given in the table below:

Table : 20

Summary of back to back loan including GRIDCO portion of IBRD loan (Position as on 31.03.2004)

Rs. in crore

Source	WESCO	NESCO	SOUTHCO	Reliance Total	CESCO	Total
As per GRIDCO	138.81	94.64	134.36	367.81	307.62	675.43
As per DISTCOs	129.60	94.31	121.31	345.22	255.46	600.68
Difference	9.21	0.33	13.05	22.59	52.16	74.75

Note : Back to back loan of GRIDCO does not include cash support of Rs.174 crore availed by CESCO.

6.7.7 The Commission in their previous orders directed the DISTCOs as well as GRIDCO to reconcile the loan amount. But they failed to reconcile the same till date. The Commission viewed it seriously and directs the licensees in Tariff Order for 2004-05 to reconcile the same by 31.03.2005 and submit the joint reconciliation statement.

6.8 World Bank Loan

6.8.1 The Commission had held in the past that the State Government shall on lend the World Bank loans on terms available to them from the Government of India to DISTCOs treating 70% as loan and 30% as grant. Any change in the arrangement will unduly affect the consumers of the state.

6.8.2 The Commission approves the same and allows it to be passed on to tariff. The proposals subscribed by the DISTCOs and approved by the Commission for the FY 2005-06 are indicated in table below:

Table : 21

Rs. in crore

Source	WESCO		NESCO		SOUTHCO		CESCO	
	Prop.	**Appr.**	**Prop.**	**Appr.**	**Prop.**	**Appr.**	**Prop.**	**Appr.**
Interest	19.87	11.25	11.89	11.08	9.47	9.47	20.46	20.46
Less capitalised	-	-	-	-	-	-	8.18	8.18
Net	19.87	11.25	11.89	11.08	9.47	9.47	12.28	12.28

6.9 **Re-securitisation of NTPC Bonds**

6.9.1 WESCO, NESCO and SOUTHCO have given adequate justification for reassignment of NTPC bond of Rs.400 crore issued by these companies earlier to GRIDCO at a rate of 12.5% per annum interest. There was stipulation during the reassignment that this amount will be dealt with subsequently as per recommendation of Ahluwalia Committee. The proposed securitisation as per Ahluwalia Committee will permit GRIDCO and DISTCOs by way of receipt of incentives from NTPC. It also provides a longer time for repayment of the amount. to avail the incentives for benefiting power sector in Orissa in terms of one time settlement of NTPC dues recommended by the Ahluwalia Committee. GRIDCO has no objection to the proposal of rescheduling the NTPC bonds provided the same is acceptable to NTPC as well as the guarantor, the Government of Orissa.

6.9.2 The reassignment of these bonds to GRIDCO will require the guarantee of the Government of Orissa for which adequate safeguard need to be incorporated to ensure that the public exchequer under no circumstances is put in an embarrassing situation of servicing these liabilities in the event of failure on the part of WESCO, NESCO or SOUTHCO to meet their obligation of repayment of principal along with interest. It is a fact that resecuritisation of these bonds in favour of GRIDCO will be a great boon to the power sector in Orissa due to reduction in interest rate from 12.5% to 8.5% and associated incentives. This relief will directly benefit the consumers in the state.

6.9.3 The sum and substance of the proposal is that GRIDCO/GOO should accept the proposal for restructuring of NTPC bonds with tenure of 15 years including a moratorium period of five years with effect from 01.10.2001 with an interest rate of 8.5% per annum. The interest incentive to be received by GRIDCO from NTPC should be adjusted against reconciled outstanding BST dues of DISTCOs.

6.9.4 GRIDCO would service the restructured NTPC bonds on half-yearly basis, whereas DISTCOs shall make payment on this account on a monthly basis. Moreover, GRIDCO shall be entitled to recover the interest and the principal on such bonds by way of first charge over the revenue collection.

There will be a back to back arrangement by which the three DISTCOs will service these bonds to GRIDCO.

6.9.5 At any point of time energy dues of DISTCOs are pending with the State Government for payment. This can be used as a fall back arrangement in the worst scenario of DISTCOs failing to clear this portion dues for payment. The priority of payment of current dues by DISTCOs to GRIDCO shall be in the following order:

(a) Interest payment of Securitisation of NTPC Bonds.

(b) BST bills

(c) Salaries etc.

6.9.6 The Commission would therefore advise the Government to accept the proposal to benefit the endusers of electricity on account of the reliefs that would be available if securitisation shall be done in line with the one time settlement scheme approved by the Government of India to be made effective from 01.10.2001 i.e., the date of which the Government of Orissa securitised the outstanding NTPC dues amounting to Rs.1102 crore excluding these bonds worth Rs.400 crore with similar tenure.

6.9.7 The Commission in line with earlier orders calculates the interest at 8.5% and for 2005-06 approves the amount against each of three DISTCOs as give in the table below:

Table : 22

Rs. in crore

Source	**WESCO**		**NESCO**		**SOUTHCO**	
	Prop.	Appr.	Prop.	Appr.	Prop.	Appr.
NTPC Bond	8.76	8.76	12.07	14.20	9.39	11.05

6.10 Accelerated Power Development Reform Programme (APDRP)

6.10.1 The DISTCOs have proposed the following amount of loan/grant to be received during 2004-05 and 2005-06.

Table : 23

Rs. in crore

Source	**Loans**		**Grant**		**Total**	
Year	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
WESCO	65.72	37.98	21.91	12.66	87.63	50.64
NESCO	75.75	29.00	25.25	9.67	101.00	38.67
SOUTHCO	79.50	37.37	26.50	12.46	106.00	49.83
CESCO	111.27	111.27	37.09	37.09	148.36	148.36

6.10.2 During the course of hearing, the Commission enquired about the amount of loan and grant actually received upto December 2004 and amount really spent under APDRP scheme during 2004-05.

6.10.3 The DISTCOs in their reply revised the quantum of loan received/to be received during FY 2004-05. The revised figures are as under:-

Table : 24

Rs. in crore

Source	Counter part funded loan	Loan + Grant from State Govt.	Total
WESCO	21.91	10.95 + 10.96	43.82
NESCO	25.46	12.73 + 12.73	50.92
SOUTHCO	26.50	13.26 + 13.26	53.02
CESCO	74.18	0.00 + 37.09	111.27

6.10.4 But the actual receipt of APDRP loan till date for WESCO, NESCO, SOUTHCO and CESCO are Rs.5.09 crore, Rs.5.95 crore, Rs.6.22 crore and Rs.37.09 crore, respectively.

6.10.5 The Commission, therefore, in their tariff order did not allow any interest on APDRP loan to WESCO, NESCO and SOUTHCO during 2004-05 since the amount received was quite negligible. But in case of CESCO, as the amount of Rs.37.09crore was received during 2003-04, the Commission allowed interest on APDRP loan only to CESCO.

6.10.6 Under these circumstances, Commission is not convinced with the optimistic plan of APDRP outlay proposed by DISTCOs for the year 2005-06. The Commission, therefore, considers the impact of interest on loan amount proposed by four DISTCOs upto 31.3.2005 as a part of revenue requirement for 2005-06 to be passed on to the tariff. The proposal subscribed by the DISTCOs and approved by the Commission towards interest on APDRP loan is indicated in the table below:

Table : 25

Rs. in crore

Source	WESCO		NESCO		SOUTHCO		CESCO	
	Prop.	Appr.	Prop.	Appr.	Prop.	Appr.	Prop.	Appr.
Interest	6.35	3.17	8.72	3.69	9.49	3.84	21.88	10.76
Less Capitalised	-	0.79	-	0.92	-	0.96	11.98	3.15
Net	6.35	2.38	8.72	2.77	9.49	2.88	9.90	7.61

6.11 **Interest on Security Deposit**

6.11.1 WESCO, NESCO and SOUTHCO have made provision for an amount of Rs.9.75 crore, Rs.5.28 crore and Rs.4.04 crore respectively on security deposit for a period of one year and ten months. The rate of interest on security deposit is assumed at 5% per annum.

6.11.2 On scrutiny of the annual accounts for 2003-04 prepared for tax audit purposes, the amount of security deposit on WESCO, NESCO and SOUTHCO are shown at 106.35 crore, 57.60 crore and 44.70 crore, respectively. Interest impact on the above amount for a period of one year and ten months at a rate of 5% works out to 9.75 crore, 5.28 crore and 4.04 crore, respectively. The Commission approves the same.

6.11.3 Thus, interest on loan proposed by DISTCOs and approved by the Commission for the financial year 2005-06 is summarised below:

Table : 26

ANNUAL INTEREST

Rs. in crore

Source	**WESCO**		**NESCO**		**SOUTHCO**		**CESCO**	
	Prop.	**Appr.**	**Prop.**	**Appr.**	**Prop.**	**Appr.**	**Prop.**	**Appr.**
GRIDCO loan	11.02	0.00	8.01	0.00	10.31	0.00	21.71	0.00
World Bank – Net of capitalisation	19.87	11.25	11.89	11.08	9.47	9.47	12.28	12.28
APDRP	6.35	2.38	8.72	2.77	9.49	2.88	9.90	7.61
Power Bond	8.76	8.76	12.07	14.20	9.39	11.05	0.00	0.00
Interest on security deposit	9.75	9.75	5.28	5.28	4.04	4.04	-	-
Total	55.75	32.14	45.97	33.33	42.70	27.44	43.89	19.89

6.12 **Depreciation**

6.12.1 For the FY 2005-06, the four DISTCOs have claimed the following amount towards depreciation calculated at pre-92 rate, as prescribed by Govt. of India.

Table : 27

Rs. in crore

Year	**WESCO**	**NESCO**	**SOUTHCO**	**CESCO**
2004-05	15.23	16.55	11.44	54.36

6.12.2 The depreciation was being calculated at post-94 rate as prescribed by Govt. of India on asset base that was revalued on 01.4.96. The Commission, in order to neutralize the impact of revalued cost on the tariff, had directed in the tariff order dtd.19.4.2002 to calculate depreciation at pre-92 rate which is substantially low as compared to post-94 rate linked to the life of the assets. The intention was to balance the interest of the consumers as well as the licensees. This would avoid front loading of the tariff but at the same time would ensure necessary cash flow for the licensee for loan repayment and funds for asset replacement.

6.12.3 The Commission have extensively dealt in the tariff order dated 23.06.2003 the subject of asset valuation and calculation of depreciation and treats the asset base as on 01.04.1996 of WESCO, NESCO, SOUTHCO and CESCO as Rs.139.867 crore, Rs.137.89 crore, Rs.122.41 crore and Rs.188.697 crore respectively.

6.12.4 The year-wise addition upto 2003-04 for the four DISTCOs are based on the figures approved by the Commission in the tariff order for 2004-05.

6.12.5 For the year 2004-05, scheme-wise addition of assets proposed by four DISTCOs are given as under :

Table : 28

Rs. in crore

	WESCO	NESCO	SOUTHCO	CESCO
PMU	48.02			
RE/MNP & depositable	16.98	64.99	73.07	14.32
APDRP	62.16	26.77	23.41	-
PMGY	-	47.16	53.80	87.17
Metering	3.18	-	1.62	-
Other (S.1)	6.21	0.64	0.31	-
Total	136.55	139.56	152.21	101.49

6.12.6 Though the four DISTCOs have assumed huge fixed asset addition under APDRP scheme, they have availed very negligible amount of loan and grant. The actual receipt of loan as reported by the Distcos in their subsequent filing are given as under.

Table : 29

Rs. in crore

WESCO	NESCO	SOUTHCO	CESCO
5.95	5.95	6.22	37.09

6.12.7 CESCO received APDRP loan during 2003-04. In view of the above, the Commission does not take into consideration the addition of assets proposed by WESCO, NESCO and SOUTHCO under APDRP scheme. However, for CESCO only a part of the total amount of Rs.37.09 crore has been considered towards fixed asset addition during 2004-05.

6.12.8 A table showing Gross Book value as on 01.4.96, year-wise asset addition from 1996-97 to 2004-05 depreciation thereon (3.76%) is given as under :

Table : 30

Rs. in crore

Particulars	WESCO	NESCO	SOUTHCO	CESCO
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	79.27
2001-02	19.58	30.85	19.26	57.73
2002-03	21.31	30.55	7.64	52.18
2003-04	35.43	29.69	17.98	85.36
2004-05	74.48	92.06	98.09	31.92
Total	394.47	419.12	343.47	623.57
Average rate (%)	3.76	3.76	3.76	3.76
Depreciation	14.83	15.76	12.91	23.45

6.12.9 The weighted average rate of depreciation is 3.76% as per the tariff order dated 24.06.2003.

6.13 Provision for Bad & doubtful debts

6.13.1 WESCO, NESCO & SOUTHCO have estimated the expected revenue from the current FY 2004-05 on the basis of cash collected by them. They have been pleading for acceptance of the concept of AT&C loss for the purpose of determination of revenue by them for each financial year and claim the gap between the revenue requirement and the cash collected for subsequent recovery. Permitting recovery of this uncollected revenue through revenue requirement will have the impact of raising the tariff substantially and unnecessarily penalising the paying consumer and affording incentive to non-paying consumer for the inefficiency of the distribution licensee. The objectors in general during the course of public hearing were unanimous that AT&C loss concept may serve as an indicator for measurement of overall performance of a licensee but should not be considered for the purpose of determination of revenue gap. In support of their contention, they have stated that AT&C loss measures both the T&D loss as well as the collection efficiency. Any amount uncollected during a particular year cannot be fully written off towards bad and doubtful debts as electricity is a continuing business and neither the consumer nor the licensee can afford to dispense with the services. The licensee collects the money with delayed payment surcharge as per the tariff orders in vogue. It is expected that only a small component of the total revenue would fall under the category of bad and doubtful debt unless the licensees are indulgent enough to pursue about collection and disconnection of power supply.

6.13.2 It has been a prudent industrial practice to consider 2.5% towards bad and doubtful debt in a business like electricity which also flows from the observation by A.G. (Audit), Orissa that the provision for bad and doubtful debt in a year shall not exceed 15% of the incremental debtor, which incidentally works out to 2.5% of the revenue from the sale of power. This has been a standard practice followed right from, the date of OSEB and in the reform scenario there is no reason why this level of 2.5% should be enhanced. On the other hand, the Commission expects that the distribution utilities will improve upon the collection efficiency and reduce bad debt which directly will constitute an incentive to the DISTCOs and will raise the percentage of return on their equity.

6.13.3 The LTTS sets out principles on provision of bad and doubtful debt. The extract of LTTS order is reproduced below:

"5.6.3.1 The Commission shall allow 2.5% of the total annual revenue billings from sale of power as prudential norm for provisioning of bad and doubtful debts to Licensees for the Control Period. The Performance Standards in relation to the collection efficiency have been arrived at after considering this provisioning requirement.

5.6.3.2 The provisioning of bad and doubtful debts shall be on the revenue from sale of electricity forecast and shall be subject to adjustment in the Annual Revenue Requirements on account of any changes to be made to the forecast of sale of electricity on the basis of actuals."

6.13.4 As such, the Commission allows 2.5% of gross sales towards provision for bad and doubtful debt in respect of four DISTCOs.

6.14 **Past Losses and Regulatory Assets**

6.14.1 The Commission examined submission of the DISTCOs to allow pass through of the accumulated past losses upto 31st March 04 on account of unrealistic distribution loss level target fixed for determination of retail supply tariff, non-recognition of collection efficiency, expenses in excess of the revenue requirement, procurement of higher quantity of power and the price variance, lower sale to consumers and denial of clear profit. The Commission had directed in tariff order of 2004-05 to address these issues in subsequent orders. The detail of their claim on this account covering upto the financial year 2004-05 have been given in para 2.26.

6.14.2 In this connection, the Commission observe that the Distribution Companies approach the Commission through their business plan for restructuring their existing financial liabilities inclusive of securitisation of outstanding dues payable to GRIDCO and resecuritisation of NTPC bonds in favour of GRIDCO on account of failure of DISTCOs to pay the power purchase dues. The Commission is of the opinion that notwithstanding any claim made by the companies the fact remains that the accumulated liabilities have been securitised by issue of bonds allowing interest in tariff to be recovered through BST. DISTCOs are being protected as the Commission has allowed securitisation of all such liabilities. Acceptance of DISTCOs' claim on similar account implies passing of the burden twice to the consumers.

6.14.3 An analysis of tax audited accounts submitted by WESCO, NESCO and SOUTHCO for FY 2003-04 as well as the management account of CESCO reveals that these companies started with receivables amounting to Rs.850 crore as on 1st of April, 1999 which has ballooned to 2400 core at the end of 31st March 04. This is an exhibition of gross inefficiencies on the part of these companies to mop up revenue due to them from the consumers with a cascading effect of non-payment by them to GRIDCO and failure of GRIDCO in turn to pay the generators.

6.14.4 Further, analysis discloses that of the receivables, 62.4% has been shown as provision towards bad debt without supporting documents. It is needless to mention that such a provision is a very tall order on all counts. The Commission considers it as unacceptable which need to be substantiated by audit of all consumers account. However, with collection of a part of receivables the licensees will be able to wipe out the outstanding liabilities, as evidenced from Audit Report. In view of the above, the Commission does not consider it necessary to allow the past loss or regulatory assets as claimed by the licensees.

6.15 Dues payable to GRIDCO by DISTCOs out of receivables as on 01.4.1999

6.15.1 The Commission examined the objection raised during the public hearing about dues of GRIDCO payable by DISTCOs out of the receivables as on 31st March, 1999 as envisaged in the transfer scheme notification at the time of privatisiation of distribution business of GRIDCO. According to that notification, GRIDCO and DISTCOs shall have an arrangement whereby any collection out of the receivables against which provision have been made for the year 1998-99 will have to be shared equally between GRIDCO and DISTCOs. This was countered by the DISTCOs who stated that they have not made any collection against those arrears.

6.15.2 In the absence of any authenticated data about the position of payment by the consumers, it is well nigh impossible difficult to arrive at any conclusion. The Commission, however, desires that the account of the individual consumer beginning of 1st April, 1999 till date needs to be audited to ascertain the claims and counter claims of the contending parties.

6.16 Return on Equity

6.16.1 The four DISTCOs have proposed the return on equity to be included in their revenue requirement. In accordance with OERC Terms and Conditions for Determination of Tariff) Regulation, 2004, the Commission shall provide a reasonable return to the investors to attract capital. The Return on Equity may be linked to the RBI bank rate plus a margin for the investment risk in the power sector.

6.16.2 This aspect was examined while approving the tariff order for the FY 03-04 and in the LTTS order passed by the Commission wherein it has been provided that 16% return on equity shall be allowed to the licensees while determining the revenue requirement.

6.16.3 The Commission examined the annual accounts of WESCO, NESCO and SOUTHCO for FY 03-04 and the account of 99-00 in respect of CESCO. The position of share capital for each of the companies as taken from the aforesaid accounts are given below:

Table : 31

Rs. in crore

Name of the Company	**Share Capital**
WESCO	48.65
SOUTHCO	37.66
NESCO	65.91
CESCO	72.72

6.16.4 After allowing a return of 16% on equity, the proposed and approved figures are given in the table below:

Table : 32

Rs. in crore

Particulars	**WESCO**	**NESCO**	**SOUTHCO**	**CESCO**
Amount proposed by DISTCOs	7.78	10.55	6.03	11.64
Amount approved by the Commission	7.78	10.55	6.03	11.64

6.17 **Miscellaneous receipts**

6.17.1 The miscellaneous receipts proposed by the licensees in form No.F-13 are given in the table below:

Table : 33

Rs. in crore

WESCO	**NESCO**	**SOUTHCO**	**CESCO**
5.57	3.53	6.19	29.46

6.17.2 The Miscellaneous receipts of WESCO, NESCO and SOUTHCO contain only the meter rent. But in case of CESCO, the miscellaneous receipts include the meter rent as well as DPS. The Commission is of the view that the DPS is an integral part of miscellaneous revenue and considers it reasonable to be included in the miscellaneous receipts. On verification from the tax audit report 2003-04, it is revealed that DPS for WESCO, NESCO and SOUTHCO are Rs.5.83 crore, Rs.8.96 crore and Rs.4.93 crore respectively. In view of the above, the Commission approves the miscellaneous receipt as shown in the table below:

Table : 34

Rs. in crore

Particulars	**WESCO**	**NESCO**	**SOUTHCO**	**CESCO**
Meter rent	5.57	3.53	6.19	29.46
DPS	5.83	8.96	4.93	-
Total	11.40	12.49	11.12	29.46

6.18 **Revenue requirement**

6.18.1 In the light of above discussion, the Commission approves the revenue requirement of 2005-06 of four DISTCOs, is given in Annexure-A.

6.18.2 An extract of the revenue requirement, expected revenue and revenue gap for FY 2005-06 approved by the Commission is given below:

Table : 35

Rs. in crore

Name of the Company	**Revenue Requirement**		**Expected Revenue**		**GAP**	
	Prop.	**Appr.**	**Prop.**	**Appr.**	**Prop.**	**Appr.**
WESCO	934.20	734.67	846.94	847.07	-87.26	112.40
NESCO	879.40	549.09	557.34	526.78	-322.06	-22.31
SOUTHCO	589.58	335.57	353.24	319.97	-236.34	-15.60
CESCO	1575.89	695.47	742.95	686.84	-832.94	-8.63
Total	3979.07	2314.80	2524.23	2380.66	-1478.60	65.86
GAP for 04-05	3164.61	2192.08	2208.13	2157.44	-956.48	-34.64
GAP upto 05-06	7143.68	4506.88	4732.36	4538.10	-2435.08	31.22

6.19 **Treatment of Surplus Revenue and Revenue Gap**

6.19.1 The Commission hereby directs that the surplus revenue in case of WESCO shall be maintained by a company in its own fund and shall not be utilised for any purpose or shall not be transferred to any other account without specific approval of the Commission.

6.19.2 The Commission further recognises the revenue gap in respect of the other three DISTCOs and orders that this gap will be treated as a regulatory assets for pass through in subsequent tariff orders on receipt of audited accounts.

7 DETERMINATION OF TARIFF

a) The determination of tariff by the Commission has been done after examination of all details based on the records submitted by the Licensee, written and oral representations of the objectors and after duly consulting the State Advisory Committee.

b) The electricity tariff in Orissa has not undergone any change from 01.02.2001 to 31.03.2005 due to regulatory control. 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. Another landmark development is the abolition of minimum charge for classes of consumers and introduction of a monthly minimum fixed charge for the low voltage group of consumers to recover expenses related to meter reading, billing and consumer service.

c) The Commission has tried to rationalise the tariff structure so as to ensure that there is a progressive decline in the rate of tariff for those who are paying more than the average cost of supply. The Commission has been taking steps for rationalisation of tariff i.e. gradually adopting a uniform rate for all consumer categories using electricity on the same voltage of supply which is a good measure of the cost of supply. The Commission considers it reasonable to determine tariff and charges as in the following paragraphs.

d) The tariff structure as it exists for different voltage of supply are summarised.

7.1 LT supply upto 100 KW/110 KVA

7.1.1 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)

7.1.2 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)

7.1.3 HT Consumers :

(a) Demand Charge (Rs./KVA, Rs./KW)

(b) Energy Charge (Paise/unit)

(c) Customer Service Charge (Rs./Month)

7.1.4 **EHT Consumers**

(a) Demand Charge (Rs./KVA)

(b) Energy Charge (Paise/unit)

(c) Customer Service Charge (Rs./Month)

7.1.5 **DC Services :** Same as LT Supply for consumers with CD less than 100 KW

7.2 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.

7.3 In addition, certain other charges like power factor penalty, incentive, prompt payment rebate, meter rent, delayed payment surcharge, over drawal penalty/incentive, tariff for special class of consumers, other miscellaneous charges, etc. are payable in cases and circumstances mentioned in the later part of this order.

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

7.5 **Tariff for Consumers Availing Power Supply at LT**

7.5.1 **Monthly Minimum Fixed Charge (MMFC) for consumers with contract demand of less than 110 KVA**

7.5.1.1 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.

7.5.1.2 The Commission decides that the existing rate of MMFC should continue as there has been no change in the Demand Charge payable by the distribution companies to the bulk supply Licensee **except that for Specified Public Purpose and Public Water Works where the MMFC for the first KW has been reduced from Rs.80/- per KW to Rs.50/- per KW.** Accordingly, the rates applicable to all such customers are given below:

Table : 36

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.)
	LT Category		
1	Kutir Jyoti	30	
2	Domestic (other than Kutir Jyoti)	20	10
3	General Purpose LT (<110 KVA)	30	20
4	Irrigation	20	10
5	Public Lighting	20	10
6	LT Industrial (S) Supply	40	30
7	LT Industrial (M) Supply	80	50
8	Specified Public Purpose	50	50
9	Public Water Works	50	50

7.5.1.3 Consumers with connected load of less than 110 KVA are provided with simple energy meters which record energy consumption and not the maximum demand. The OERC Distribution (Condition of Supply) code, 2004, provides that contract demand for a connected load below 100 KW shall be the same as the connected load. However, if the supply is made through a static meter or a meter with MDI, then the reading of the meter, showing maximum demand will be treated as the Contract Demand, irrespective of the agreement. Therefore, for the purpose of calculation of MMFC the above shall form the basis.

7.6 Energy Charge

7.6.1 Consumers with connected load less than 110 KVA

7.6.1.1 The Commission in moving towards a cost-based tariff structure and as a first step has started rationalising various charges linked to the voltage of supply which reflects the cost of supply to that particular category of consumers.

7.6.1.2 The estimated overall average cost of supply for 2005-06 for the State as a whole is 267 paise/unit and 41 P/U for supply at LT. The Commission examined the level of consumption and consumer mix of different licensees and decides the rates as follows :

7.6.2 **Domestic :** The Commission is conscious of affordability consideration for non-Kutir Jyoti consumers with connected load of 1 KW and below. Dwelling units with five light points and two fan points with normal use may not exceed about 100 units per month on an average.

The consumption above 200 units will henceforth be billed at a reduced rate of 310 paise/unit in place of existing rate of 320 paise/unit.

Keeping this in view the Energy Charge for supply for domestic consumers availing low tension supply shall be as under :-

Domestic consumption slab		**Energy charge**
First 100 Units	-	140 paise per unit
Next 100 units	-	230 paise per unit
Balance units of consumption	-	310 paise per unit

7.6.3 The Kutir Jyoti consumers will also pay the monthly minimum fixed charge @ Rs.30/- per month.

7.6.4 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 with effect from 1st April, 2004, as stipulated in the Commission's RST order for FY 2003-04. Some licensees have requested for reintroduction of LF billing. The Commission does not vie with their pleading and reiterates that all bills must be based on consumption recorded by a correct meter.

7.6.5 **General Purpose LT (<110KVA) :** The Commission reviewed the existing tariff structure and decided to continue the existing rates which are as follows :

Slab		**Energy charge**
First 100 units	-	320 paise/unit
Next 200 units	-	410 paise/unit
Balance units	-	450 paise/unit

7.6.6 **Irrigation :** The Commission decides that the Energy Charge for this category will remain unchanged i.e. 110 paise/unit for supply at LT. Consumers in the irrigation category availing power supply at HT will pay 100 paise/unit.

7.6.7 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. 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 following tariff structure as is existing has been adopted for all loads at LT.

VOLTAGE OF SUPPLY	ENERGY CHARGE
LT	320 paise/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

7.6.8 The rate of tariff as determined above is reflected in Annex-H.

7.7 Tariff for consumers availing power supply at LT WITH CONTRACT DEMAND 110 KVA and above.

7.7.1 Customer Service Charge

7.7.2 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 : 37

Category	Voltage of Supply	Customer Service Charge (Rs./month)
Public Water Works	LT	30
General Purpose (≥110KVA)	LT	30
Large Industry	LT	30

7.8 Demand Charges

7.8.1 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.

Voltage of Supply	Demand charge
LT	Rs.200/ KVA/month

7.9 Tariff for HT & EHT Consumers

7.9.1 Customer Service Charge for consumers with connected load of 110 KVA and above

The licensee is vested with the obligation of providing service to a consumer once connected to the power system of the licensee and incurs an expenditure for meeting the cost 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 fore remains unchanged as per details in the table below:

Table : 38

Category	Voltage of Supply	Customer service charge (Rs./month)
Bulk Supply (Domestic)	HT	250
Irrigation	HT	250
Specified Public Purpose	HT	250
General Purpose (HT <110KVA)	HT	250
HT Industrial (M) Supply	HT	250
General Purpose (=>110KVA)	HT	250
Public Water Works	HT	250
Large Industry	HT	250
Power Intensive	HT	250
Mini Steel Plant	HT	250
Emergency Supply to CPPs	HT	250
Railway Traction	HT	250
General Purpose	EHT	700
Large Industry	EHT	700
Railway Traction	EHT	700
Heavy Industry	EHT	700
Power Intensive Industry	EHT	700
Mini Steel Plant	EHT	700
Emergency Supply to CPPs	EHT	700

7.9.2 **Demand Charge for consumer with contract demand of 110 KVA and above**

7.9.2.1 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. The Commission also took into consideration the Demand Charge being paid by the distribution licensee to the bulk supply licensee. 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
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
No Demand charge has been prescribed for emergency supply to CPPs.

7.9.3 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 consumer for the reservation of the capacity made by the licensee for the consumers. 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 a period of one year from April, 2003 to March, 2004. The Commission after taking into consideration this aspect have 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.

7.9.4 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, specified public purpose, general purpose (<110KVA) and HT Industrial (M) Supply who have availed power supply at HT. For such types of consumers the Commission have decided to allow the existing Demand Charge to continue as indicated below :-

	(Rs./KW)
Domestic	10
Irrigation	30
Specified public purpose	50
General purpose (<110KVA)	50
HT Industrial (M) Supply	**50**

7.9.5 Bills should be raised for these categories of consumers on the basis of their contract demand/connected load calculated in kW.

7.10 Energy Charge for consumer with contract demand of 110 KVA and above

7.10.1 The Commission, aiming at rationalisation of tariff structure by progressive introduction of a cost-based tariff, has related 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 following existing tariff structure has been adopted for all loads of 110 KVA and above.

VOLTAGE OF SUPPLY	ENERGY CHARGE
HT	300 paise/unit
EHT	290 paise/unit

7.10.2 However, the Commission has made certain exception to the above provision in respect of domestic and irrigation consumers availing power at HT.

7.10.3 **HT Supply for Domestic (Bulk) and Irrigation :** With a view to avoiding steep rise in tariff in respect of domestic (bulk supply) and irrigation category availing power at HT, the Energy Charge is fixed at @ 230 paise/unit and @ 100 paise/unit respectively.

7.10.4 **Industrial Colony Consumption:** Since the purpose of incentive scheme is to encourage higher consumption by the EHT & HT consumers, the Commission after reviewing the scheme, amends the provision stipulated in the RST order for the FY 2003-04 and directs the units consumed for the colony shall be separately metered and the total consumption shall be deducted from the main meter reading and billed @ 230 paise/unit for supply at HT and 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.

7.11 **Tariff for Emergency Supply to CPP at HT**

The Commission decides that the existing tariff at a rate of 400 paise/unit as energy charge and Rs.250 per month as Customer Service Charge for Emergency Supply to CPP at HT will remain unchanged.

7.12 **Emergency power supply to CPPs/Generating stations**

Such industries owning CPP / Generating Stations have to enter into an agreement with the concerned DISTCOs 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, a flat rate of 420 paise/kwh at EHT and 440 paise/kwh at HT would apply while for others who draw only 25% of capacity of highest unit would pay @ 380 paise/kwh and 400 paise/kwh at EHT and HT respectively. In case of over drawl beyond 25% of the rated capacity they will have to pay @ 420 paise/kwh and 440 paise/kwh at EHT and HT respectively for the period of over drawl as per existing provision.

7.13 **Incentive for higher consumption to HT and EHT group of consumers**

7.13.1 The existing provision of incentive tariff for HT & EHT consumers was examined.

7.13.2 The Commission analysed the consumption in respect of all HT & EHT consumers for the period April, 2003 to March, 2004.

7.13.3 The Commission took cognizance of the marginal cost of power procurement from NTPC stations due to additional drawal by the consumers on account of grant of incentive in the form of reduction of Energy Charges for maintaining high load factor.

7.13.4 WESCO, NESCO and SOUTHCO submitted that as the load factor of a large consumer increases, the additional power purchase is required for catering to such consumption. The Licensee has to procure this additional power at a rate higher than the average rate linked to UI charges. Thus, the lower tariff rates for higher load factor will result in net loss to the Licensee and will adversely affect the finance of the Licensee. Therefore, WESCO, NESCO and SOUTHCO submitted that uniform tariffs should be charged irrespective of the load factor.

7.13.5 CESCO appreciated the prevailing incentive tariff for HT & EHT based on slab rate of consumption.

7.13.6 The Commission takes a broader view of the power scenario in the country and has to take into account the impact of ABT which will require payment of fixed charges by GRIDCO to the central generating stations requiring optimum utilisation of energy received from these facilities.

7.13.6.1 The Commission directs that the intra-state ABT will be applied to all State generators and loads at 132 KV and above voltage level in accordance with the guidelines/regulations to be framed by OERC for implementation. This means they will have overdrawl penalty or incentive as will be determined in 15 minutes integration period recorded through a static meter with memory facility of 30 days and facilities for down loading the data by way of print outs.

7.13.7 The tariff structure for various categories of Power Intensive Industries prevailing elsewhere in the country and impact of switching over of these industries to CPPs. have been examined.

7.13.8 After taking all these factors into consideration, the Commission has come to the conclusion that since the Demand Charge is same for all HT and EHT consumers higher consumption means higher plant utilisation and resulting in reduced fixed cost per unit. The Commission, like previous years decides to apply the incentive tariff for any consumer availing power supply at HT or EHT who becomes eligible for the same at the existing rate.

7.13.9 The Commission decides to provide incentive in shape of reduced Energy Charge to those HT/EHT consumers who maintain high level of consumption. The normal Energy Charges for EHT and HT consumers shall be @ 290 and @ 300 paise/unit respectively.

7.14 **Method for Determination of Incentive**

7.14.1 Incentive shall be available to those consumers who will not reduce their contract demand during the next three financial years starting from FY2005-06.

7.14.2 For the purpose of determination of eligibility for incentive tariff, actual Load Factor in percentage achieved as defined in the OERC Distribution (Conditions of Supply) Code, 2004 will be considered.

7.14.3 The Load Factor shall be with reference to maximum demand (e.g. MD X PF X number of hours in a month).

7.14.4 WESCO, NESCO and SOUTHCO submitted that, in case of meter recording the KW, the same should be considered for computation of load factor. The Comission accepts their proposal for computation of Load

Factor, since as per the character of the electrical system, MVA and PF are adversely related, i.e. as MVA increases, the Power Factor decreases, which is crystalised from the table as under.

Table : 39

PF	KVA
1	1
0.99	1.01
0.98	1.02
0.97	1.031
0.96	1.042

7.15 As per exact tariff formula, in case the Load Factor exceeds 50%, the consumer is entitled to incentive as indicated in the table below:

Table : 40

	HT	**EHT**
Load Factor up to 50%	300 p/u	290 p/u
>50% = <60%	200 p/u	180 p/u
>60%	170 p/u	150 p/u

7.15.1 Demand Charges as applicable would be chargeable in addition to the above.

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

7.16.1 A special tariff for industries with a load of 100 MVA and above was prescribed by OERC to encourage prospective large consumers to avail power from the licensee and to ensure that such large industries do not set up captive power plants.

7.16.2 The Commission in the tariff order for FY 2003-04 had approved a rate of 200 paise/unit for consumption by industries with a contract demand of 100 MVA and above and maintaining a guaranteed monthly load factor of 80%. These consumers will not pay monthly Demand Charge and shall pay only a consolidated Energy Charge. They will have to restrict their maximum demand within the contracted capacity. In case the maximum demand exceeds the contracted capacity, Demand Charge as applicable to the relevant consumer category will be payable only on the maximum demand in excess of the contract demand. The Commission approves the continuance of this tariff.

7.16.3 The rate of tariff as determined above is reflected in Annex-H.

8 SPECIAL TARIFF POWER INTENSIVE INDUSTRIES

8.1 In accordance with OERC Distribution (Condition of Supply) Code, 2004, an industry is classified under the power intensive category where power is substantially utilised as raw material involving electro-chemical or electro-metallurgical process with contract demand of 2000 KVA and above. NESCO has requested to allow special tariff by creating a sub-category for the Ferro Alloys industries which are covered under power intensive category.

8.1.1 The licensee submitted that the Ferro Alloys Industries are export oriented units and unless a viable tariff is provided they would not be able to compete in international market. These industries were unwilling to avail power from NESCO at the retail tariff approved by OERC for which NESCO entered into special agreement by offering them a lower rate and encouraging them to draw power from NESCO. The licensee is apprehensive that unless special tariff is allowed there would be reduction in off take/stoppage of production by these industries which would adversely affect the financial health of licensee and the State of Orissa.

8.1.2 NESCO further contend that in case of lower drawal by these industries there would be surplus power in the state to be sold outside the states at a price lower than the proposed special rate which in no way will benefit the state consumers.

8.2 The petitioner, therefore, request the Commission to allow special tariff to Ferro Alloys industries having contract demand 25 MVA and above upto 50 MVA and 50 MVA and above upto 100 MVA in line with the conditions laid down by the Commission for the industries having a contract demand of 100 MVA and above to prevent them to mitigate by availing open access. This will create a win-win situation for both NESCO as well as these industries.

The proposed tariff structure of NESCO is given below:-

Contract Demand	**Rate (P/U)**
≥ 25 MVA but < 50 MVA	Rs.2.30
≥ 50 MVA but < 100 MVA	Rs.2.20

(The tariff is applicable only for a guaranteed take off of 80% of contract demand)

8.3 SOUTHCO has also requested to allow Special tariff for Power Intensive Industries category of consumers maintaining minimum guaranteed load factor of 80% or more to improve the consumption under HT/EHT category. This would not only benefit the consumers, but also ensure financial viability of SOUTHCO.

8.4 CESCO vide their letter no.5654 dt.14.03.02 intimated the Commission that pursuant to orders of the Hon'ble High Court of Orissa passed on 13.03.2001 in Case No.76/2001 arising out of Misc. Case No.93/2001 has allowed a concessional tariff to M/s. Naba Bharat Ferro Alloys Limited for the financial year 02-03 at the rate of Rs.2.05 per unit upto 40% load factor and Rs.1.80 per unit above load factor of 40% along with the demand charge at the rate of Rs.200.00 per KVA.

8.5 An analysis of these facts is given as under:-

Four Ferro Alloys Industries as mentioned below had entered into Special Agreement with NESCO for availing power supply.

Table : 41

Name of the Industry	Contract Demand in MVA	Voltage of supply	Date of special agreement with DISTCOs
Charge Chrome Plant, TISCO, Bamnipal	30	132 KV	07.08.2001 -with NESCO initial agreement
Ispat Alloys, Balgopalpur	28 enhanced to 35 MVA w.e.f.01.11.04	132 KV	06.07.2001-with NESCO
FACOR, Bhadrak	25	132 KV	06.10.99 with NESCO. Sppl. Agreement 18.07.94
Ferro Chrome Plant, Jajpur Road(Govt. of Orissa Undertaking)	10.7 7.778/10.7 w.e.f. 01.10.2002	33 KV	25.10.99

8.6 The consumption pattern of these industries during the last five years as reported by the licensee is as follows:

Table : 42

Figures in MU

Year	TISCO	Ispat Alloys	FACOR	Ferro Chrome Plant	Total
1999-00	154.72	132.64	116.14	24.22	427.73
2000-01	133.74	154.54	150.49	51.32	490.10
2001-02	167.03	50.57	0.44	36.11	254.16
2002-03	183.75	228.82	0.07	56.15	468.79
2003-04	96.43	260.91	120.48	64.18	542.00
2004-05 (upto Feb'05)	153.17	254.62	156.90	58.88	623.59

8.7 Rates of normal tariff effective from 01.02.2001 vis-à-vis Special Tariff for Ferro Alloys Industries offered by NESCO along with the applicable BST are given below:

Table : 43

	EHT(132 KV)	**HT (33 KV)**
Demand Charge Rs/KVA	200	200
Energy Charge P/kwh Upto 50% >50 <60 >60	 2.90 1.80 1.50	 3.00 2.00 1.70
Calculated average tariff at 0.9 power factor and 90% load factor	264.93	279.38
Special Agreement rate offered by NESCO	2.16	2.21
Bulk Supply Tariff rate	1.30	X

8.8 From para 6.6 above, we have noticed that Ferro Alloys based industries consumed 542.00 MU. The Licensee supplied power through Special Agreement(s) with a unit rate of Rs.2.16/kwh (with a guaranteed off take of 80% of the Contract Demand) and earned a revenue of Rs.117.07 crore.

8.9 These Power Intensive Industries appealed to the Commission for continuance of the special agreements with NESCO, which was registered as Case No.114/04. The Special Agreements was to expire on 09.12.04. The Commission has directed that the special arrangements will continue upto 31st March, 05, till the Commission decides the issue. This direction become necessary as NESCO expressed their unwillingness to continue further with the special agreement and had issued notice for termination of the agreement from 09.12.04. On the other hand, these industries have strongly pleaded that they would not be able to continue to draw power at the tariff in force for which they have requested to allow them the special rate.

8.10 In this connection, the extracts of the Commission order in Case No.114/04 is quoted below:

"13. Fact remains that the Ferro Alloys Units during the OSEB regime and GRIDCO till 31.03.1999 enjoyed a special tariff by way of allocation of least cost NTPC power to them with wheeling charges. The said arrangement was cancelled after the distribution companies were privatized. Retail Supply Tariff as determined by the Commission was made applicable to them. According to the Ferro Alloys Units, power being a raw material for their product, the high cost tariff made their business unviable. So taking these aspects into consideration NESCO entered into an agreement giving a concessional tariff to these units which were subsequently approved by the Commission based on a directive from the Hon'ble High Court of Orissa.

14. The arrangement of power supply under the provisions of the special agreement continues till date including the terms and conditions of tariff as mutually agreed by the parties without the approval of the Commission for which the gap between the normal tariff and special tariff is being absorbed by NESCO in their business interest. The CEO, NESCO submitted that they shall have no objection if the Commission agrees to accept the special tariff for the purpose of calculation of revenue requirement when approved."

8.11 Further, an extract of our order dt.22.03.2000 in Case No.1/2000 is given below:-

"Any special agreement proposing grant of concessional tariff to three industrial consumers of a particular category shall not be compatible with the prevailing tariff order of the Commission. We may however observe with the decision for creating a sub category under Power Intensive Industries for prescribing a lower tariff may be taken during the next annual revenue requirement exercise the consequential tariff proceeding."

8.12 We have also noted the request of other industries during the course of public hearing suggesting that there should be no discrimination by allowing any special tariff to any category. Tariff may be fixed on the basis of load factor and power factor.

8.13 The representative of mini steel industries submitted during public hearing not to discriminate while fixing tariff between Power Intensive Industries and mini steel plants using same raw material, identical power consumption etc.

8.14 Counter arguments were also advanced suggesting that concession may be given for a higher off take for ensuring financial viability of the industries as well as reduction of loss by the licensee for supply of power at HT/EHT instead of exporting power outside the state at a rate lower than the industrial tariff of Orissa.

8.15 To address the aforesaid issues, the Commission in the instant case would like to state its own order passed in Case No.25/2001 dealing with Special Agreement for supply of power to Aluminum Smelter of INDAL;

"10.2 Export of power outside the State is susceptible to regulatory risk and other uncertainties. Contracts for export of power even at marginally higher rate can be a short term solution to deal with the surplus power position of the State and in any case the requirement of the consumers of Orissa and the interests of industrialization of the State has to take precedence. We have to protect and promote industries who propose to set up new plants in the state and also interests of the existing industries of the State. (In this context WESCO's proposal to supply power to INDAL at a reasonable tariff level has good merit.)
10.6 The nature of supply for the proposed industry is that it can provide a sustained load and revenue to the licensee and hence stands on a different footing from similar other power intensive industries who are not in a position to provide a guaranteed load factor and large contract demand of 50 MW.

10.8 It will be extremely logical that a special tariff may be provided for this kind of industry who assures a monthly guaranteed load factor with its consequential benefits and a guaranteed off take of reasonably large load to get a reduced tariff compared to other industries who do not provide such guaranteed off take. In this perspective special agreement may be permitted for consumers of installed capacity of 50 MW and above with a guaranteed off take of 90% load factor.

10.9 In order to attract industries to the State it is perhaps necessary to give a signal to the intending industries to set up their plants with an attractive rate to utilise the present power situation in the State in particular and the region in general.

11.1 After having examined the submissions made by the licensee, INDAL and other participants in the proceeding, the Commission is of the opinion that the licensee has tried to establish that very large consumers with a guaranteed load factor and guaranteed off take should be treated on a different footing from industries engaged in similar activities but not capable of operating their plants on a sustained load factor basis.

12 INDAL is asking for a tariff that will make its product internationally competitive or at least allow it to survive. But the tariff it is asking for is much less than the cost of any new thermal generation plant. If GRIDCO were to purchase power to meet this additional load then the tariff at which they are asking that power would have meant a loss of revenue to GRIDCO. But the Commission has to think of accepting a tariff less than the marginal cost of generation as the State is required to meet the obligation of fixed cost of dedicated generating stations and central allocation in the post ABT scenario. Therefore, the comparison has to be made between the variable cost of these dedicated generating stations versus the tariff the industry is asking for in a surplus situation. The Commission is not in favour of approving a tariff only because such a tariff will make the industry competitive in the market – nationally or internationally. But if lower tariff can result in lessening the overall burden of fixed cost for the Bulk Supply licensee arising out of long term contract and central sector allocation, the Commission would consider it approvingly.

12.2 *This price has, however, to be linked to the prevailing bulk supply tariff and the fuel price adjustment. The duration of agreement should not exceed four years as earlier proposed by WESCO and the principle of tariff setting may be reviewed thereafter. The principle now adopted should find incorporated in the tariff proceeding so as to be effective for the year 2002-03 as a special tariff in pursuance of a special agreement. This is accepted with the objective of attracting large investment to the State to provide a base load for the grid, prevent over frequency conditions, bring in a steady stream of revenue to the licensee, ensure availability of cross subsidy to the various classes of consumers, create conditions for drawal of power from the grid, dissuade installation of CPP, help reduction in payment of fixed overhead charges for NTPC stations after implementation of the ABT and help utilisation of the surplus power in the State and region.*

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8.16 Many of the reasons adduced in the aforesaid order are equally relevant today and in the instant case the Commission is satisfied about the necessity of retaining these **Power Intensive Industries** in the system who could consume around 700 MU of power and provide substantial amount towards cross subsidies to the various group of consumers, ensure steady revenue and help in reducing T&D loss of the licensee.

8.17 The Commission while approving the Special Agreement for supply of power to INDAL in Case No.25/01 in para 10.8 had permitted a special rate of 182 p/u for consumers with installed capacity of 50 MW and above with a guaranteed off take of 90% load factor.

8.18 It was presented to the Commission during the course of tariff hearing by IPICOL that a good number of new industries are likely to be established in the years ahead. IPICOL made a prayer for an affordable, reasonable and competitive tariff to be in place to attract new industries in the state for rejuvenation of the industrial sector and utilization of the surplus power i.e. being exported outside the state. The Commission is equally concerned about the growth of industrial activities in the state particularly HT and EHT loads which will not only bring additional revenue to the state exchequer and create avenues for employment in the state but also lead to improvement of the financial health of the utilities.

8.19 Arguments were forwarded on behalf of the consortium of large industries that GRIDCO exports power at a rate lower than the industrial tariff existing in the state which is benefiting other states. They offered to consume more power so as to bring in additional revenue if they are allowed to purchase power at a price that makes them internationally competitive.

8.20 Even, requests were made for allowing industries a tariff of 182 paise per unit i.e. the rate at which the agreement with INDAL has been signed by WESCO for 50 MW of power for a period of four years.

8.21 The Commission had allowed a tariff lower than the marginal cost of generation to meet the obligation of fixed cost of dedicated generating station and central allocation in the past keeping in view ABT scenario. It was a case of '*situation extra ordinary'* as some means were to be found out for disposal of bottled up generation within the region as the higher generation available was also causing high frequency in the system due to low consumption in a large pool. The situation has undergone sea change thereafter. Inter-regional links have been established. This has offered an opportunity for transfer of substantial surplus power available in the state. In view of the present scenario, there is no need to sell power at a rate lower than the marginal cost of generation. As such, the question of allowing a tariff single part tariff of 182 paise does not arise. The duration of Special Agreement for 50 MW demand at 90% load factor with INDAL is valid upto 31.08.2005 and at present no other Power Intensive Industry with a connected load of 50 MW is available to utilize this power inside the state.

8.22 An analysis of these facts and figures establishes to our satisfaction that there is a necessity for allowing financial incentive to those industries who could provide a steady stream of revenue by utilising substantial quantum of power with a guaranteed off take in the best interest of the state's power sector that would be beneficial for the industries as well as the licensees.

8.23 The Commission under Section 62(3) is empowered to fix an appropriate tariff taking into consideration 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 supply is required.

8.24 With regard to the proposal to allow any concessional tariff to industries of 1 MW and above it needs to be clarified that a special tariff can be offered only for a guaranteed off take with reasonably large loads preferably at EHT, leading to reduction of overall T&D loss of DISTCOs.

8.25 The scope is open to industries through open access to obtain power from outside the state. In that event, the utilities and the general consumers of the state would be adversely affected. Therefore, industries must be encouraged for drawl of more power from the state grid to provide a suitable financial base to the power sector in the state. It is projected by IPICOL that there exists positive signs for addition of loads, if a suitable tariff is provided to these industries.

8.26 In view of the aforesaid facts, the Commission concurs with the proposal of NESCO to allow a special tariff to those industries which had enacted agreement(s) to avail power at the special rate from NESCO upto 09.12.04 irrespective of the contract demand.

Table : 44
Existing tariff for Power Intensive /Other Industries

	AT E.H.T.	**AT H.T.**
Demand Charge	200 KVA	200 KVA
Energy Charge	290 P/U	300 P/U
Consumption in excess of 50% LF	180 P/U	200 P/U
Consumption in excess or 60% LF	150 P/U	170 P/U

8.26.1 **The Commission, therefore, without upsetting the existing tariff structure of power intensive industries at HT and EHT directs that the industries covered under special agreement will be allowed a discount of 25% on the energy charges upto 50% load factor.**

8.26.2 **However, the overall monthly charge shall be limited to 230 p/u where overall rate exceeds 230 p/u.**

8.26.3 **To avail of this benefit, these industries covered under the arrangement shall execute an agreement with the licensee for drawl of power for a period of three years with a monthly guaranteed minimum off take at load factor of 80%.**

8.26.4 **For the purpose of special agreement, the load factor shall be calculated in the manner prescribed in clause 2(y) of OERC Distribution (Conditions of Supply) Code, 2004.**

8.27 The Commission takes into consideration the presentation made by IPICOL regarding addition of new industries particularly in the steel sector. The Commission is desirous of encouraging new industries in the state. Therefore, the Commission has decided to provide financial incentive in the form of discount for higher consumption to attract new industries. It is hoped that higher sale will compensate the discount being offered to the industries. The conditions for grant of discount are as follows:

8.27.1 **The industries must agree for drawal of power at least for a period of one year.**

8.27.2 **They may give a monthly guaranteed minimum off take at the load factor of 80%.**

8.27.3 **The load factor shall be calculated in the manner prescribed in clause 2(y) in OERC Distribution (Conditions of Supply) Code, 04.**

8.27.4 **The existing tariff for industrial EHT and HT consumers has been indicated in the table-44 above. Without changing the tariff structure, new industries with contract demand of 5 MVA and above coming into operation on or after 01.04.2005 fulfilling the aforesaid criteria will be allowed a discount of 25% on the energy charge upto 50% load factor in the existing tariff.**

8.28 During the course of the public hearing, it was brought to the notice of the Commission by mini steel plant consumers there could be a boom in the sector if electricity tariff could be reduced to make these entities commercially viable. Requests were also made from IPISTEEL, Dhenkanal to provide a lower tariff as it is an industry referred to BIFR. The Commission takes these appeals into consideration and directs that a discount **for a period of one year will** be available to the mini steel plants - both existing and upcoming at the rate of 20% in the first slab upto 50% load factor provided they fulfill the conditions as stated in para 8.27 above. The above order will be reviewed after one year to ascertain how far this concessional tariff has boosted load growth.

8.29 However, the aforesaid industries which can not give commitment for a guaranteed off take of 80%, normal tariff approved by OERC shall be applicable to them.

8.30 Special tariff for industries with contract demand of 100 MVA and above as existing in the tariff shall continue.

8.31 Peak and off-peak tariff

8.31.1 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."

8.31.2 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 may 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 10.00 PM to 6.00 AM. Three phase Consumers barring those mentioned at (i), (ii) and (iii) below having static meters, recording hourly consumption with a memory of 30 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) Consumers covered under special agreement.

ii) Consumers who are otherwise covered under any concessional tariff like mini steel plant, new HT and EHT consumers coming into operation on or after 1st April 2005 and consumers covered under special tariff having CD of 100 MVA and above.

iii) Public Lighting Consumers.

8.32 Incentive for improvement in power factor

8.32.1 Some of the objectors pleaded for restoring incentive for improvement in power factor from 90% and above and penalty at the same rate for low power factor. The Commission examined the desirability of continuing with the present method of incentives permissible to the consumers for improvement in power factors. On examination of financial liabilities and considering similar provisions adopted by other Commissions, the Commission does not approve any change in the existing provision and directs 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 0.5% for every 1% rise above 97% upto and including 100% on the monthly Demand Charge and Energy Charge as is existing.

8.32.2 **Power Factor Penalty :** The Commission also orders for continuance of the power factor penalty as a percentage of monthly Demand Charge and Energy Charge on the following 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 CPP

Rate of Power Factor Penalty :-

i) 0.5 for every 1% fall from 90% upto and including 60% plus
ii) 1% for every 1% fall below 60% upto and including 30% plus
iii) 2% for every 1% fall below 30%

8.33 **Other Charges**

8.33.1 The Commission authorises levy of other charges by the licensees as given below :-

8.33.2 **Over drawl during off peak hours: As per the existing tariff provisions, there is no penalty for overdrawal out side the peak hours upto 120% of the contract demand. In the absence of frequency related metering, the pious objective of the Commission in helping the flattening of load curve and containing the frequency is not being achieved. The Commission after taking all these factors into consideration has decided that the existing facility which is now available to the consumers will continue.**

8.33.3 **Penalty for overdrawal of power above the contract demand:** The existing rate of penalty, however, will continue for overdrawal during peak hours. When the maximum demand exceeds the contract demand during peak hours, such excess demand is liable for a penalty and payable at the prescribed rate of Demand Charge. For this purpose 'the peak hours' is defined as 700 hrs to 1000 hrs and 1800 hrs to 2200 hrs.

8.33.4 **Metering on LT side of Consumers Transformer :** Transformer loss, as computed below has to be added to the consumption as per meter reading.

Energy loss = 730 X KVA rating of the transformer/100.
Loss in demand = 1% of the rating of the transformer (for two part tariff)

8.33.5 **Incentive for prompt payment**

Some of the objectors pointed out that rebate period of 3 days is very short and consumers may not be able to avail the rebate due to paucity of time. NESCO, WESCO, SOUTHCO and CESCO in their RST applications for 2005-06 have estimated the rebate on account of prompt payment within 3 days of presentation of bill and rebate of 10 paise/unit for payment within 7 days during the FY 2005-06 as indicated under.

Table : 45

Proposed Rebate (Rs.cr) for the FY 2005-06				
	Existing Tariff		Proposed Tariff	
	Rebate @ 10p/u	Prompt Payment Rebate @1%	Rebate @ 10p/u	Prompt Payment Rebate @1%
NESCO	1.82	1.18	1.88	1.26
WESCO	1.3	4.38	1.3	4.92
SOUTHCO	1.76	1.77	1.77	1.37
CESCO	9.41	0.43	9.41	3.21

8.33.6 Hence, it is expected that to avail such heavy amount of rebate, consumers should put in extra efforts and make payment of bills in time.

8.33.7 The Commission examined the existing method of incentive and its financial implication. 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 arrears and electricity duty) is made by the due date indicated in the bill or within a period of 7 (seven) days from the date of receiving the bill in respect of the following categories of consumers.
LT : Domestic, General purpose <=110 kva, Irrigation and LT Industrial (S) Supply
HT : Bulk supply domestic, General purpose <=110 kva and irrigation

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 arrears and electricity duty), if payment is made within 3 days of the presentation of the bill.

8.33.8 **Delayed Payment Surcharge : 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 in place of 2% 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) Public Water Works
iv) Railway Traction
v) Public Lighting
vi) Power intensive industries
vii) Heavy industries
viii) General Purpose Supply
ix) Specified Public Purpose
x) Mini Steel Plants
xi) Emergency supply to CPP

8.33.9 **The Commission further directs that the provision for Delayed Payment Surcharge @2% per month in respect of domestic, general purpose <=110 kva, irrigation and LT industrial (S) supply categories of consumer as stipulated in the RST order for FY 2003-04 will not be applicable with effect from the date of implementation of this Tariff order.**

8.33.10 **Customer Charge :** As indicated in Annex-H there shall be no change in the existing rate of customer charge.

8.33.11 **Re-connection Charge :** The existing rates of reconnection charge as below shall continue :-

Single Phase Domestic Consumer	Rs.50/-
Single Phase other consumer	Rs.100/-
3 Phase line	Rs.200/-
HT & EHT line	Rs.1000/-

8.33.12 **Rounding off a consumer billed amount to nearest rupee :** The Commission directs for rounding off of the electricity bills to the nearest rupee and at the same time direct that the money actually collected should be properly accounted for.

8.33.13 **Temporary Connection Charges**

8.33.13.1 The tariff for the period of temporary connection shall be at the rate applicable to the relevant consumer category.

8.33.13.2 Connection temporary in nature shall be provided with pre-paid meters to avoid accumulation of arrears in the event of dismantling of the temporary connection etc.

8.33.14 **New Connection Charges for LT : The Commission in its previous tariff orders had directed that prospective small consumers requiring new connections upto and including 3 KW load should pay a flat charge of Rs.500/-. This was intended to do away with the vexatious practice of preparation of estimate in respect of**

small consumers. However, preparation of estimate for connection above 3 KW load was envisaged in these orders. The Commission directs that, the above provision of a flat charge of Rs.500/- for prospective small consumers requiring new connections upto and including 3 KW load will continue without any change.

8.33.15 **Fuel Surcharge Adjustment Formula :** The Commission has already prescribed a fuel surcharge adjustment formula for the distribution licensee in the OERC (Conduct of Business) Regulations, 2004, which shall continue to be valid.

8.33.16 **Meter Rent :** Some objectors submitted that despite the stipulation in the RST order for FY 2003-04, the licensees are continuing to charge the meter rent even after recovering the entire cost of the meter. The provisions under the OERC Distribution (Condition of Supply) code, 2004, is as under :

"**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 Sections 55 and regulations framed under Section 73of 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."

8.33.17 Therefore, meter rent and the cost of metering / lease should be maintained separately from the general revenue and expenses of the licensee. The consumer has to be allowed to exercise first option to purchase an appropriate meter. If the consumer intends to take the meter on hire, the licensee can charge meter rent. **The licence is directed to allow the consumer to own the meter by paying its legitimate cost if he/she so desires, in one instalment or can pay meter rent till the landed cost is recovered.** In such a case, if the meter becomes defective or lost, the case should be dealt with in accordance with provisions under OERC (Condition of Supply) Code, 2004.

8.33.18 The monthly rent only for the meter as per the existing 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 is given below:-

	Type of Meter	Rent in Rupees
1.	Single phase electro-magnetic Kwh meter	15/-
2.	Three phase electro-magnetic Kwh meter	30/-
3.	Three phase electro-magnetic trivector meter	800/-
4.	Trivector meter for Railway Traction	800/-
5.	Single phase Static Kwh meter	35/-
6.	Three Phase Static Kwh meter	100/-
7.	Three phase Static Trivector meter	800/-
8.	Three phase Static Bivector meter	800/-

8.34 Consumer Services

8.34.1 Interest on Security Deposit

8.34.1.1 Section 47(4) of the Electricity Act, 2003 read with Para 21(1) of the OERC (Conditions of Supply) Code, 2004, para 21(1) stipulates payment of interest on security deposit of the consumer.

8.34.1.2 Objectors raised the issue about the date of implementation of the provision for payment on interest on security deposit.

8.34.1.3 Para 21(2) of the Regulation provides that *"the interest accruing to the credit of the consumer shall be adjusted annually in the amounts outstanding from the consumers to the licensee as on first of May every year and the amount becoming due form the consumer to the licensee immediately thereafter.*

The licensee shall duly show the amounts becoming due to consumer towards interest on the security deposit in the bills raised on the consumer."

8.34.1.4 The OERC Distribution (Conditions of Supply) Code became effective from 5th August, 2004 in accordance with the orders of the Hon'ble High Court of Orissa in OJC WP(C) 7160 of 2004. The Commission, therefore, directs that the interest on security deposit shall be payable from the date the Regulation came into force and the interest thereon shall be payable at the bank rate notified by the Reserve Bank of India as stipulated in the Regulations.

8.34.2 **Information to Consumers on Billing and Payment**

8.34.2.1 Umpteen number of complaints have been received from the consumers about erroneous billing and incorrect entry of revenue receipts. To become a customer friendly, the onus lies with the licensees to keep the consumers abreast of the conditions of working of the meter, the pattern of consumption, the monthly payments, etc. This assumes significance, as the licensees have to work out the interest on security deposit every year and credit the accrued thereon interest to consumer's account as on 1st of May of every year.

8.34.2.2 The Commission has been allowing a lot of expenditure on administration and general expenses on the plea of the licensee that investment is being made in computer hardware and software for improve billing. The Commission expects the licensee to calculate billing efficiency for the current financial year based on current billing and collection, exhibit separately arrears in respect of each consumer as at the beginning of each financial year. Collection out of current billing and outstanding arrears need to be separately recorded. Such information of vital nature can be shared with the consumers, by way of computerised statement of meter reading, billing and payment to the consumer for a period of last twelve months. Every time one makes payment, a printed money receipt on the date of payment can be issued. The licensees are advised to develop suitable mechanism to achieve this which will go in a big way in attending a consumer friendly environment.

8.34.3 **Billing and Collection Improvement**

Use of technology for updating information is the order of the day. All the licensees should provide networking of collection from the consumers within their license areas as well as provide accessibility to consumers to get themselves appraised of the status of billing and collection at least for a period of past twelve months. This information should be available in respective websites of the licensees also.

8.34.4 **Voluntary Disclosure by Unauthorised Consumers**

It is commonplace knowledge that a large number of users of electricity are unauthorisedly hooking to the distribution system augmenting T&D loss thereby lowering revenue collection of the licensee. While administrative measures like establishment of special courts and police stations will be helpful for prevention of such unauthorised users, the

Commission feels that the licensees should take proactive steps to regularise these unauthorized consumers by following certain simple hassle free procedures to improve their revenue by expanding the consumer base. The licensees should carry on sustained campaign for regularization of such unauthorized users by affording them opportunity to become regular consumers. Once an unauthorised user requests for regularization, the licensee should obtain a declaration about his connected load, etc. after a site visit and immediately enroll him as a consumer and the licensees subsequently may take expeditious steps for installation of meters in his premises. He should be treated as regular consumer from the day he informs the licensee. The consumer on his part should only submit the test report as required under the safety rules for which, if required, the licensee should extend the requisite support in his own interest. This scheme will remain in operation for a period upto 30.9.2005. Prior to luncheon of this scheme, wide publicity should be given. Any consumer opting for the scheme shall pay one and half times of the normal tariff for the particular category. This payment shall be made for a period of three months in case of Domestic and Agriculture Consumer and six months in case of other categories subsequent to installation of meter from the date of connection for the preceding period and shall be billed as a regular consumer thereafter.

8.35 **Expected revenue for the FY 2005-06 based on the anticipated sale at the approved tariff**

8.35.1 **Determination of quantum of energy to be sold**

8.35.1.1 The load growth and the quantum of energy to be purchased for the FY 2005-06 and the approved distribution loss (%) has already been stipulated in the Commission's order approving the Business Plan of the distribution companies (CaseNo.115 of 2004). The quantum of energy to be sold will be determined after deducting the units deemed to have been lost in distribution applying the bench-mark loss level, as adopted by the Commission.

8.35.1.2 The Anticipated Energy Sale (MU) has been computed applying Distribution Loss (%) on the Energy to be purchased (MU) as tabulated below.

Table : 46

ITEMS	**NESCO**	**WESCO**	**SOUTHCO**	**CESCO**
	2005-06	**2005-06**	**2005-06**	**2005-06**
Power Purchase (MU)	3308.14	4150.00	1800.00	3930.00
Distribution Loss (%)	35.00	31.00	36.00	36.00
Anticipated Sale (MU)	2150.29	2863.50	1152.00	2515.20

8.35.2 **Category wise projected sale at voltage level**

8.35.3 The projected sale at EHT and HT has been kept at the same level, as proposed by the Distribution licensees. The quantum of sale at LT has been arrived at after deducting the proposed sale at HT & EHT from the total sale as tabulated below.

Table : 47
As approved by OERC

ITEMS	NESCO	WESCO	SOUTHCO	CESCO
	2005-06	**2005-06**	**2005-06**	**2005-06**
Anticipated Sale (MU)	2150.29	2863.50	1152.00	2515.20
LT	874.17	889.50	682.91	1617.23
HT	349.94	790.00	252.87	452.92
EHT	926.18	1184.00	216.22	445.05

8.35.4 **The category wise sale at LT**

The category wise sale at LT has been computed by apportionment of the differential figure at LT (i.e the difference between the approved total sale and approved sale at HT & EHT) amongst all the categories under LT.

8.35.5 **Expected Revenue from the Approved Tariff :** The computation of expected revenue based on the revised rates as approved by the Commission in paragraphs infra is given below:

Table : 48
Revenue from Approved Tariff

Licensee	Sale (MU)	Net total revenue after rebate -(10p/u) (Rs. Cr)	Av. Tariff (p/u) (net)	Av. Tariff (p/u)-LT (net)	Av. Tariff (p/u)-HT (net)	Av. Tariff (p/u)-EHT (net)
WESCO	2863.50	847.07	295.82	238.66	344.30	306.25
NESCO	2150.29	526.78	244.98	207.04	339.57	245.05
SOUTHCO	1152.00	319.97	277.75	235.11	313.46	370.68
CESCO	2515.20	686.84	273.08	250.12	313.28	315.59
TOTAL	8680.99	2380.66	274.24	235.87	331.57	292.32

8.36 **Demand estimation in respect of the DISTCOs for FY 2005-06**

The Commission in its order approving the Business Plan of the four distribution companies (Case No.115 of 2004) has already approved the energy input figures up to the FY 2007-08 as tabulated below.

Table : 49
Demand Estimation In (MU)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
NESCO						
Business Plan		2645.79	2,850.00	2,849.00	2,858.00	2,861.00
ARR	2396.76	2,645.79	2,778.58	3,308.14		
Approved for Business Plan	2396.76	2,645.79	2955.05	3,308.14	3,317.14	3,320.14
WESCO						
Business Plan		3,789.00	3,652.00	3,711.00	3,761.00	3,824.00
ARR	3354.74	3,784.18	4,028.00	4,150.00		
Approved for Business Plan	3354.74	3,784.18	4,028.60	4,150.00	4,200.00	4,263.00
SOUTHCO						
Business Plan		1,607.00	1,638.00	1,698.00	1,754.00	1,818.00
ARR	1556.00	1,607.40	1,630.00	1,800.00		
Approved for Business Plan	1556.00	1,607.40	1,613.31	1,800.00	1,856.00	1,920.00
CESCO						
Business Plan	4056.00	3,900.00	4,140.00	4,200.00	4,260.00	4,320.00
ARR	4055.47	3,899.54	4,140.00	4,200.00		
Approved for Business Plan	4055.47	3,899.54	3,872.88	3930.00	3990.00	4050.00

8.37 The Commission is likely to issue the Open Access Regulations consequent to which there may be a necessity for reconsideration of the revenue calculation and tariff of the licensees. This may require amendment to the existing tariff and revenue requirement calculation made hereunder, if considered necessary. In the light of our findings, the Commission decides as follows :-

(a) The Commission does not approve the licensees' calculation of revenue requirement and proposal for tariff for FY 2005-06.

(b) The tariff schedule of various classes of consumers, as approved by the Commission is at Annex-H.

8.38 While parting with the above matter, it will be appropriate to mention here that during course of hearing relating to tariff matters, the NESCO's application (Case

No.135/04) was heard at length. In its application, NESCO had prayed for recognizing and accepting the past losses of Rs.625 crores by the Commission which were not recovered through tariff as regulatory assets for its amortisation through future tariff. While taking care of such application of NESCO, the matter has been dealt with in the order.

8.39 The application of NESCO (Case No.40/04) was heard at length. In the said application NESCO had prayed for approving the special tariff proposed for power intensive industries by appropriately structuring the revenue requirement of NESCO for the FY 2004-05 and allow NESCO to trade the surplus power available to it in the event of reduction/shifting of the consumption by the power intensive industries. While taking care of such application of NESCO, the matter has been dealt with in the order.

8.40 The joint applications of NESCO, WESCO & SOUTHCO (Case No.65/04) were also heard. In the joint applications, the above named three Distcos prayed for allowing Regulation 58,59 & 60 of OERC Distribution (Conditions of Supply) Code, 1998 to continue so that the consumers can be billed on load factor basis or on the basis of average of previous three months consumption in case of unmetered connection and defective meters and not to withdraw load factor billing from 1st April, 2004 in toto. Besides the above, the three Distcos have also made a common prayer for keeping in abeyance the implementation of the Available Based Tariff to each of them, till suitable meters for EHT & HT consumers are in possession and suitable infrastructure is physically available. While taking care of such application of Distcos, the matter has been dealt with in the order.

8.41 Lastly, the review petition filed by the Department of Energy, Govt. of Orissa (Case Nos.167, 168, 169, 170 & 171 of 2003) was also heard. In all these cases, the Govt. made a common prayer to review the order dt.28.06.2003/12.11.2003 for financial year 2003-04. All these were heard and vide a common order dt.11.02.2005 such review petitions of Govt. have been separately disposed of.

8.42 The existing Retail Supply Tariff along with the modifications as stipulated in the order shall be effective from 1st April, 2005 until further orders.

The applications of M/s NESCO, WESCO, SOUTHCO and CESCO are disposed off accordingly.

Sd/-	**Sd/-**	**Sd/-**
(S.K. Jena)	**(B.C. Jena)**	**(D.C. Sahoo)**
Member	**Member**	**Chairperson**