ORISSA ELECTRICITY REGULATORY COMMISSION

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

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

CASE NOS. 44, 45, 46 & 47 of 2005

DATE OF HEARING : 28.01.2006, 30.01.2006, 01.02.2006 & 03.02.2006

DATE OF ORDER : 23.03.2006

IN THE MATTER OF : Applications for approval of Annual Revenue Requirement and Retail Supply Tariff under Section 62 & 64 and other applied provisions of the Electricity Act, 2003 read with relevant provisions of OERC (Terms and Conditions for determination of Tariff) Regulations, 2004 and OERC (Conduct of Business) Regulations, 2004 and other Tariff related matters, for the FY 2006-07.

O R D E R

The Commission initiated proceedings on the filing of Annual Revenue Requirement (ARR) and Retail Supply Tariff Applications (RST) of deemed Distribution Licensees (Western Electricity Supply Company of Orissa Ltd. (WESCO), North-Eastern Electricity Supply Company of Orissa Ltd. (NESCO), Southern Electricity Supply Company of Orissa Ltd.(SOUTHCO) and Central Zone Electricity Distribution and Retail Supply Utility. After commencement of the Electricity Act, 2003 and according to the first proviso of the Section 14 of the said Act, M/s WESCO, NESCO and SOUTHCO are operating in the State of Orissa as deemed distribution licensees and supplying power to the consumers in their respective area of supply. The Commission has revoked the licence of the erstwhile CESCO w.e.f. 01.04.2005 and has appointed Chief Executive Officer and Administrator (CEO&A) to manage the affairs of the Central Zone Electricity Distribution and Retail Supply Utility. By this common order, the Commission disposes off the aforesaid ARR and RST applications of the above mentioned deemed Distribution Licensees and Distribution Utility.

1 PROCEDURAL HISTORY

1.1 As per OERC (Conduct of Business) Regulations, 2004 and OERC (Terms & Conditions for Determination of Tariff) Regulations, 2004, the Distribution Licensees/Utilities/Deemed Distribution Licensees are required to file their Annual Revenue Requirement (ARR) and Retail Supply Tariff Application (RST) on or before 30th November in the prescribed format for ensuing financial year. Accordingly, the Distribution Licensees/Utility filed their Annual Revenue Requirement (ARR) and revision of Retail Supply Tariff (RST) Applications as below:

1. WESCO
2. NESCO
3. SOUTHCO
4. Central Zone Electricity Distribution and Retail Supply Utility

1.2 The said ARR & RST applications were duly scrutinized, admitted and registered as Case No.44/2005 (WESCO), 45/2005 (NESCO), 46/2005 (SOUTHCO) and 47/2005 (Central Zone Electricity Distribution and Retail Supply Utility).

1.3 The Commission directed the applicants to publish the ARR & Tariff Applications in the prescribed format in the leading and widely circulated Oriya and English newspapers in order to invite objections/suggestions from the general public. The said public notices were also posted in the Commission's website. The Commission had also directed the applicants to file their respective rejoinder to the objections filed by the objectors.

1.4 In response to the said public notices, the Commission received objections from the following objectors:

1.4.1 The objectors against WESCO's applications were: (1) M/s OCL India Limited, Rajgangpur-770017. (2) Dalmia Institute OF Science & Industrial Research (3) M/s Larsen & Toubro Limited Kansbahal Works: PO. Kansbahal-770034, Dist-Sundargarh, Orissa (4) M/s Orissa Consumers' Association & FOCO, Biswanath Lane, Cuttack-753002. (5) Utkal Chamber of Commerce and Industry Ltd., N/6, I.R.C. Village, Nayapalli, Bhubaneswar-15. (6) Top Tech Steels (P) Ltd., Power house Road, Rourkela-1 (7) OMKAR Steels Pvt. Ltd., F-9, Civil Township, Rourkela-4 (8) Refulgent Ispat (P) Ltd, Chikatmati, PO-Beldihi, Dist-Sundargarh (9) Sri Jagannath Alloys Pvt. Ltd, Basantinagar Road, Uditnagar, Rourkela-12 (10) Shubh Ispat Ltd., Jiabahal, Kalunga, Dist-Sundargarh (11) East Coast Railway, Rail Vihar,Chandrasekharpur, Bhubaneswar (12) S.E. Railway, Garden Reach, Kolkata-700 043 (13) Hari Machine Ltd., Rajgangpur-770017 (14) Organisation for Removing Regional Imbalances and Social Injustice in Society (ORRISIS), Kadambari Complex, Nayapara, Sambalpur-1 (15) Sudargarh District Employers' Association, AL-1, Basanti Nagar, Roukela-12. (16) Roukela Chamber of Commerce and Industry, Chamber Bhawan, Chamber point, Rourkela-769004 (17) M/s Scan Steel Ltd, Main Road, Rajgangpur, Sundargarh-770017 (18) 21st Century Ferro Alloys (P) Ltd., QQ-7, Civil Township, Rourkela-4 (19) Attitude Alloys Pvt. Ltd., UU-24, Civil Township, Rourkela-4 (20) Sri Radha Krishna Ispat Pvt. Ltd., Shop No.3, Ph-1, Purohit Market complex, Kacheri Road, Rourkela-12 (21) Shree Salasar Castings (P) Ltd., Balanda, Kalunga-770031, Sundargarh (22) Maa Laxmi Steels Pvt. Ltd., P-23, Civil Township, Rourkela-4 (23) Rural Development Department, Govt. of Orissa, Orissa Secretariate, Bhubaneswar (24) Orissa Lift Irrigation Corporation Ltd (OLIC), Nayapalli, Bhubaneswar (25) Shri R.P. Mahapatra, Plot No. 775(Pt), Lane-3, Jayadev Vihar, Bhubaneswar-13. (26) State Public Interest Protection Council, Talengabazar, Cuttack (27) Atma Ram Supkar, Jharuapara, Sambalpur. (28) Sambalpur District Consumer's Federation (29) Govt. of Orissa.

1.4.2 The objectors against NESCO's applications were: (1) Orissa Consumer's Association & FOCO, Biswanath Lane, Cuttack-753002 (2) Balasore Alloys Limited, Balgopalpur-756020, Balasore, Orissa. (3) S.E. Railway, Garden Reach, Kolkata-700 043. (4) IDCOL Ferro Chrome & Alloys Ltd. Jajpur Road, Jajpur (5) Rural Development Department, Govt. of Orissa, Orissa Secretariate, Bhubaneswar (6) Orissa Lift Irrigation Corporation Ltd (OLIC), Nayapalli, Bhubaneswar (7) The Tata Iron & Steel Co. Ltd., 273 Bhouma Nagar, Unit-IV, Bhubaneswar-751001. (8) Shri R.P. Mahapatra, Plot No. 775 (Pt), Lane-3, Jayadev Vihar, Bhubaneswar-751013. (9) Ferro Alloys Corpn. Ltd., GD-2/10, Chandrasekharpur, Bhubaneswar-751023 (10) Pankaj Industries Pvt. Ltd, Plot No.17, Village Matkamabeda, Industrial Area, Barbil, Orissa (11) Jindal Stainless Limited, 50-HIG, BDA, Jaydev Vihar, Bhubaneswar-751 013. (12) MSP Steels (P) Ltd., Haladiguna, P.O. Gobardhan, Dist. Keonjhar. (13) State Public Interest Protection Council, Talengabazar, Cuttack (14) East Coast Railway, Rail Vihar, Chandrasekharpur, Bhubaneswar (15) National Institute of Indian Labour, Beherasahi, Nayapalli, Bhubaneswar (16) Govt. of Orissa.

1.4.3 The objectors against SOUTHCO's applications were: (1) Orissa Consumers' Association & FOCO, Bhawan, Biswanath Lane, Cuttack-753002. (2) Prabhakar Dora, 3rd line, Cooperative Colony (Vidya Nagar), Rayagada-765001. (3) Grahak Panchayat, Friends Colony, Parlakhemundi (4) M/s VBC Ferro Alloys Ltd., Rayagada (5) Rural Development Department, Govt. of Orissa, Orssa Secretariate, Bhubaneswar (6) Orissa Lift Irrigation Corporation Ltd (OLIC), Nayapalli, Bhubaneswar (7) Shri R.P. Mahapatra, Plot No. 775(Pt), Lane-3, Jayadev Vihar, Bhubaneswar-751 013. (8) East Coast Railway, O/o the Chief Electrical Engineer, B-2, Rail Vihar, Chandrasekharpur, Bhubaneswar – 751023 (9) State Public Interest Protection Council, Talengabazar, Cuttack (10) Military Engineering Services, (Ministry of Defence).

1.4.4 The objectors against Central Zone Electricity Distribution and Retail Supply Utility applications were: (1) Dalmia Bharat Seva Trust, Chakratirtha Road, Puri-2 (2) Orissa Consumers' Association, & FOCO, Biswanath Lane, Cuttack-753002 (3) Utkal Chamber of Commerce & Industry, N/6, IRC Village, Nayapalli, Bhubaneswar (4) Pratap Kumar Mohapatra, Plot No. 1962, West Bindusagar Road, Old Town, Bhubaneswar (5) M/s COSBOARD Industries Ltd., New Industrial Estate, Phase - II, Jagatpur, Cuttack (6) IPI Steel Ltd, Dhenkanal (7) Rural Development Department, Govt. of Orissa, Orssa Secretariate, Bhubaneswar (8) Orissa Lift Irrigation Corporation Ltd (OLIC), Nayapalli, Bhubaneswar (9) State Public Interest Protection Council, Talengabazar, Cuttack (10) Surya Sponge Industries, B-40, Saheed Nagaer, Bhubaneswar (11) Mr. R.P. Mohapatra, 775, Jayadev Vihar, Bhubaneswar (11) Confederation of Indian Industry (CII), 8, Forest Park, Bhubaneswar (12) Rana Mitra, Kathagadasahi, Cuttack (13) East Coast Railway, O/o the Chief Electrical Engineer, B-2, Rail Vihar, Chandrasekharpur, Bhubaneswar – 751023 (14) Govt. of Orissa (15) Military Engineering Services, (Ministry of Defence)

1.5 The dates for hearing were fixed and it was duly notified in the leading English and Oriya daily newspapers mentioning the list of objectors. The Commission issued notice to the Govt. of Orissa represented by Department of Energy to send their authorised representative to take part in the ensuing tariff proceedings.

1.6 As a part of the consultative process, the Commission conducted public hearing in its premises and heard the applicants, objectors/their authorised representative and the representative of the State Govt. on 28.01.2006, 30.01.2006, 01.02.2006 & 03.02.2006.

1.7 Along with the ARR and Tariff Applications, the Commission also heard the parties on the following other tariff related matters.

1.7.1 Separate category of Tariff for Military Engineering Services (MES).

1.7.2 Review Petitions filed by WESCO, NESCO and SOUTHCO for review of Commission's order dated 26.02.2005 and 22.03.2005 passed in Case No.146/2004 and 147/2004 respectively.

1.7.3 The above review petitions were filed by the three Distribution Licensees i.e, WESCO, NESCO and SOUTHCO, for review of Commission's Order dtd. 26.02.2005 and 22.03.2005. The Commission on 04.07.2005, heard the petitioners and has passed the following orders.

"*The issues raised by the petitioners in the review petition can be addressed and finalized only through a process of public hearing as these are tariff related issues. Therefore, the cases are admitted and shall be heard during the next tariff hearing, which will be taken up after receipt of ARRs of the licensees by November, 2005. While filing ARRs the DISTCOs, viz, WESCO, NESCO & SOUTHCO should also take into account the impact of the issues now raised in the fresh petition, but not dealt in the tariff order for FY 05-06.*"

1.7.4 Being aggrieved by the aforesaid order of the Commission, the review petitioners (Distribution Licensees) preferred appeals before the Appellate Tribunal for Electricity (ATE), New Delhi. Along with other reliefs, the appellants prayed to quash the order of the Commission dtd. 04.07.2005.

1.7.5 The Hon'ble Tribunal by its order dtd. 20.10.2005 (passed appeal No.76, 77 & 78 of 2005) dismissed the said appeals and directed the appellants **"to pursue the review petition preferred by them before OERC and raise such pleas and contention as may be available to them in law."**

1.7.6 In accordance with the Commission's order dtd. 04.07.2005 and the Hon'ble Tribunal's above observations, it was decided by the Commission to dispose off the above review petitions along with the present ARR & Tariff applications of the Licensees.

1.8 Some of the objectors raised the following preliminary issues about the maintainability of ARR & RST applications:

1) The Commission at first should decide the Bulk Supply Tariff and then proceed to determine the Retail Supply Tariff.

2) The application of the applicant should be rejected as the figures reflected in the applications are not based on the audited accounts.

3) The performance and services of the licensees are highly deplorable and they should not be protected under the umbrella of tariff hike.

1.9 On the above preliminary issues, the Commission heard the objectors and the applicants. Regarding the issue No.1, the Commission is of the view that determination of tariff can be done in an integrated approach. In the last seven years, the Commission has adopted this method and no difficulties have been experienced owing to follow-up of such practice. On issue No.2, the Commission is of the view that filing of audited figures by the applicant is not a statutory requirement for consideration of ARR/Tariff Applications. However, reliable figures in tax audit wherever statutory audited accounts are not available can be taken as the base for consideration of licensees' applications. Regarding issues No.3, the Commission is always insisting for better performance of the licensees. But, rejection of licensees' ARR and Tariff applications will not serve any purpose in this direction. After considering all these preliminary issues, it is decided to proceed further to dispose off the matter as per provisions of law.

1.10 The Commission also called a special convened State Advisory Committee (SAC), meeting on 08.02.2006 for consultation of major issues relating to applicants ARR & Tariff proposals for FY 2006-07. The Commission examined and considered the valuable suggestions offered by the SAC.

2 ARR & RETAIL SUPPLY TARIFF PROPOSAL FOR 2006-07

2.1 The Distribution Licensees in Orissa namely, CESCO, NESCO, SOUTHCO and WESCO 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.	SOUTHCO	2/1999	Ganjam, Gajapati, Kandhamal, Boudh, Rayagada, Koraput, Nawarangpur and Malkangiri.
4.	WESCO	4/1999	Sambalpur, Sundargarh, Bolangir, Bargarh, Deogarh, Nuapara, Kalahandi, Sonepur and Jharsuguda.

2.2 A statement of Energy Sale, Purchase and Overall Distribution loss from FYs 2002-03 to 2006-07 for the four DISTCOs is given in tabular form below:

Table - 2
Distribution Loss

		2002-03	2003-04	2004-05	2005-06 (Estt.)	2006-07 (Estt.)
CESCO	Energy Sale (MU)	2310.600	2348.930	2252.350	2489.53	2678.11
	Energy Purchased (MU)	4055.791	3899.580	3849.310	4150.00	4164.00
	Overall Distribution Loss %	43	39	41	40	36
NESCO	Energy Sale (MU)	-	1490.599	1809.182	2099.006	2789.635
	Energy Purchased (MU)	-	2645.792	2985.677	3308.142	4200
	Overall Distribution Loss %	-	43.66	39.40	36.55	33.58
SOUTHCO	Energy Sale (MU)	-	924.82	960.00	1026.56	1122.70
	Energy Purchased (MU)	-	1607.40	1613.43	1682.00	1750.00
	Overall Distribution Loss %	-	42	40.50	38.97	35.88
WESCO	Energy Sale (MU)	-	2307.713	2577.250	2642.601	3082
	Energy Purchased(MU)	-	3784.179	4051.009	4150	4600
	Overall Distribution Loss %	-	39.02	36.38	36.32	33

2.3 AT&C Loss

2.3.1 The System Loss, Collection Efficiency and target fixed by OERC in reference to AT&C Loss for the four DISTCOs since FY 2003-04 and onwards are given as under :-

Table - 3
AT&C Loss

		2003-04	2004-05	2005-06 (Estimated)	2006-07 (Estimated)
CESCO	Dist. Loss (%)	39	38	40	36
	Collection Efficiency (%)	81	82	86	89
	AT&C Loss (%)	51	49	48	43
	OERC Target	51.10	49.37	44.96	40.37
NESCO	Dist. Loss (%)	-	39.40	36.55	33.58
	Collection Efficiency (%)	-	91	93	94
	AT&C Loss (%)	-	45.00	41.00	37.56
	OERC Target	-	42.96	39.95	36.08
SOUTHCO	Dist. Loss (%)	-	40.5	38.97	35.88
	Collection Efficiency (%)	-	91	91	93
	AT&C Loss (%)	-	45.86	44.5	40.4
	OERC Target	-	45.71	41.76	37.69
WESCO	Dist. Loss (%)	-	36.38	36.32	33
	Collection Efficiency (%)	-	92.06	92.4	94
	AT&C Loss (%)	-	41.43	41.16	37.02
	OERC Target	-	40.60	36.52	32.32

2.3.2 From the above table, it transpires that none of the distribution companies have achieved the benchmark fixed by OERC with regard to AT&C loss. Non-fulfilment of the target has been attributed by the DISTCOs to slow progress in investment due to delay in receipt of APDRP and World Bank funds, natural calamities, massive rural electrification programme, non-establishment of special courts and special police stations, non-availability of requisite funds owing to Escrow mechanism, non-payment of dues by govt. departments and public sector undertakings.

2.4 Metering

2.4.1 CESCO have submitted that they had provided meters to all un-metered consumers. They have also intimated that the 33 kv and 11 kv feeder metering is nearly completion and installation of meters to distribution transformers is in progress.

2.4.2 NESCO, SOUTHCO and WESCO stated that they inherited a system in which more than 70% of consumers were un-metered or had defective meters. The billing data bases were defective. They have intimated that they had initiated various measures, such as, installation of meters, formation of meter checking squads to detect tampered meters. An effort to sanitise the billing data base has also led to the discovery of fresh cases of non-functioning meters.

2.5 Detection and Regularisation of unauthorised consumers

2.5.1 CESCO have submitted that they have deployed ex-military personnel for de-hooking unauthorised connections and disconnection of non-paying consumers.

2.5.2 MRT squads have been deployed for vigilance activities, like, review of loads, checking of by-passing and tampering of meters, obtaining check meter reading and raising penal bills.

2.5.3 Teams have been deployed for verification of meter readings in case of doubtful cases.

2.6 Spot Billing Roll Out Plan

NESCO, SOUTHCO & WESCO have submitted that they have carried out spot billing in 6, 3 and 6 sub-divisions, respectively in their own areas of operation and they have proposed to cover all consumers under the umbrella of spot billing by the end of FY 2006-07. On the other hand, CESCO have stated that they have covered all the areas of their operation under spot billing.

2.7 APDRP Scheme

2.7.1 All the distribution companies have submitted unequivocally that they had undertaken upgradation and modernization programme under Govt. of India sponsored APDRP scheme. The capital outlay, in this regard, in respect of NESCO, SOUTHCO & WESCO during the FY 2005-06 was in order of Rs.19.51 crore, Rs.24.29 crore and Rs.87.63 crore, respectively. Further, they have proposed expenditure under this head for FY 2006-07 to be Rs.64.50 crore, Rs.58.48 crore and Rs.66.15 crore, respectively. On the other hand, capital outlay for CESCO sanctioned during 2003-04 was Rs.296.73 crore. The project is expected to be completed within FY 2006-07. All the DISTCOs have submitted that the capital outlay envisages metering, the new lines, substations, conducting renovation and modernisation of the existing substations.

2.8 Energy Audit

2.8.1 CESCO has submitted that the meters at all the 33/11 KV feeders and distribution transformers are under installation. The energy audit would be conducted after completion of the same.

2.8.2 NESCO, SOUTHCO & WESCO have categorically stated that they have initiated suitable measures for conducting energy audit. NESCO has completed the metering of all the 11 kV (393 nos.) and 52 nos. of 33 kV feeders and currently energy audit is being carried out on monthly basis of 33 kV feeders (5 nos.) and 11 kV feeder (4 nos.). SOUTHCO has completed the metering of all the 11 kV (416 nos.) and 135 nos. of 33 kV feeders and currently energy audit is being carried out on monthly basis of 33 kV feeders (53 nos.) and 11 kV feeders (96 nos.). WESCO has completed the metering of 504 feeder meters and 11631 distribution transformer meters and energy audit is being carried out on all the 33 kV feeders numbering 87.

2.8.3 NESCO, SOUTHCO & WESCO have intimated that energy audit in the 2nd phase would be conducted on 11 KV and LT level by including pre-dominantly domestic feeders and transformers. They have also proposed consumer indexing, consumer and network survey, painting of electrical address on poles, DTR at consumer premises. To determine and assess the AT&C loss, they have proposed for monthly energy accounting for 11 kV downwards.

2.8.4 NESCO, SOUTHCO & WESCO have given the estimated cost for conducting energy audit as under :-

Table – 4
Cost Estimate of Energy Audit

Details	NESCO		SOUTHCO		WESCO	
	Numbers	Estimated cost (Rs. Lac)	Numbers	Estimated cost (Rs. Lac)	Numbers	Estimated cost (Rs. Lac)
Total no. of consumers	520000	104.00	483410	96.68	444188	88.83
Total no. of poles	155010	12.40	339120	27.12	335625	26.85
Total no. of DTRs	11451	82.45	9185	66.13	12975	93.42
Total		198.85		189.93		209.11

2.9 Special Police Stations & Special Courts

NESCO, SOUTHCO & WESCO have requested the Commission to allow the cost to be incurred for establishing special police stations and special courts, in the ARR and RST application for FY 2006-07. They have further submitted that the effective utilisation of the above special police stations and special courts will facilitate staving off commercial losses and theft of materials. The cost for establishment of 4 police stations in each distribution company has been estimated at Rs.99.32 lakh only.

2.10 Data Sources

NESCO, SOUTHCO and WESCO have scrupulously complied with the information requested of the Commission for submitting the ARR and tariff for the year 2006-07 upto September, 2004 have been duly audited and the accounts upto 3/2005 have been audited for the purpose of Income Tax and tax audited accounts upto March, 2005. Copies of both the audited accounts have already been furnished to OERC. As such, the licensees, submit that the data furnished by them in the application are authentic and reliable.

2.11 Revenue Requirement

2.11.1 Sales Forecast

2.11.1.1 CESCO

Sales under LT category have been projected as 1692.42 MU on the basis of 3 years CAGR. The expected growth rate in it H.T. category for the FY 2006-07 is 23% over and above the figure of 2005-06.

2.11.1.2 NESCO

Sales have been projected considering past trend, tax audited account for FY 2004-05 and actual for first six months of current financial year. In the ensuing year, they have estimated LT consumption as 813.46 MU which is 14% higher than that of last year. The high growth of consumption under this category is attributable to massive rural electrification.

In HT category, they have assumed 16% growth based on the trend of FY 2004-05 and specific load growth expected from the existing and new consumer.

The sales growth under EHT category has been shown as 57% based on the trend in FY 2005-06 and specific load growth expected from the existing and new consumers.

2.11.1.3 SOUTHCO

The growth rate under LT category has been estimated at 10.90% on energy consumption of 692.37 MU during the FY 2006-07 as compared to FY 2005-06.

In HT category, they have assumed 2.68% overall growth based on the trend of FY 2004-05 and specific load growth expected from the existing and new consumer.

Under EHT category the sales growth have been shown as 12.39% based on trend in FY 2004-05 and specific load growth expected from the existing consumers and shifting of load by M/s Hindustan Aeronautics Limited from HT category to EHT category.

2.11.1.4 WESCO

The growth under LT sector has been estimated as 11.88%. In HT category, they have assumed 21.55% growth based on the trend of FY 2004-05 and specific load growth expected from the existing and new consumers. In EHT category, the sales growth has been shown as 14.53%. The licensee has estimated an annual sales growth of 41% under large industry (EHT) category due to addition of two new consumers. The licensee has estimated annual sales growth of 56.25% in heavy industry category due to drawl by M/s Adhunik Metalic Ltd. during the ensuing year.

2.12 Inputs in Revenue Requirement

2.12.1 Power Purchase Expenses

Power purchase expenses have been estimated by 4 DISTCOs based upon distribution loss, present demand charges and energy charges. The DISTCOs have prayed to the Commission to suitably adjust the revenue requirement in the event of revision of BST.

2.12.2 Employees' Expenses

The employees' charges have been evaluated by the DISTCOs as a percentage rise (different for individual distribution company) over and above the previous year. This includes normal annual increment of the employees, anticipated enhancement on dearness allowance, emoluments for fresh recruits and key personnel in technical and commercial activities, disbursement of terminal benefits. NESCO, SOUTHCO & WESCO have projected the cost of terminal benefits based upon the actuarial valuation study.

2.12.3 Administrative & General Expenses

All the 4 DISTCOs have proposed enhancement of A&G expenses to the extent of 7% over and above the estimated A&G expenses for the FY 2005-06. In addition, NESCO, SOUTHCO and WESCO have projected extra A&G expenses under different heads for the FY 2006-07 as tabulated below :-

Table – 5
Additional A&G Cost

(Rs. in lakh)

Sl.No	Description	NESCO	SOUTHCO	WESCO
1	Receivable Audit (Special Audit as directed by the Commission)	52.00	46.20	50.00
2	Energy Audit	198.85	189.94	209.11
3	Cost on account of Special Police Stations	102.68	102.68	102.68
4	Spot Billing in all Divisions	390.00	218.72	215.40
5	Manpower Assessment Study	9.00	9.00	9.00
6	Fringe Benefit Tax	50.00	-	80.00
7	Micro Privatisation Expenses	75.00	-	-
	Total	**877.71**	**566.54**	**666.19**

2.12.4 Repair & Maintenance (R&M) Expenses

2.12.4.1 All four DISTCOs have estimated Repair and Maintenance Expenses @ 5.4% of Gross Fixed Assets (GFA) at the beginning of the year.

2.12.4.2 NESCO, SOUTHCO and WESCO have requested the Commission to direct GRIDCO to release Rs.2834.26 lakh, Rs.2136.43 lakh and Rs.2857.52 lakh respectively for the FY 2006-07 from the escrow account for meeting R&M expenses.

2.12.5 **Provision for Bad & Doubtful Debts**

2.12.5.1 CESCO has made provision towards provisions for bad and doubtful debts to the tune of Rs.18.70 crore @2.5% on gross revenue from sale of power.

2.12.5.2 NESCO, SOUTHCO and WESCO submitted that due to past losses and huge liability, it would be difficult for them to arrange working capital and the situation would worsen if the Commission does not recognise the short fall in collection efficiency. In order to make good the loss of short fall in collection efficiency, the licensees have considered the amount equivalent to the collection inefficiency as bad and doubtful debts while estimating the ARR for FY 2006-07. Considering the proposed collection efficiency of 94% for NESCO, 93% for SOUTHCO and 94% for WESCO for FY 2006-07, NESCO, SOUTHCO and WESCO have considered for bad and doubtful debts to the extent of 6%, 7% and 6% respectively as part of ARR for FY 2006-07.

2.12.6 **Depreciation**

All the four DISTCOs have adopted straight-line method for computation of depreciation at pre-92 rate.

2.12.7 **Loans and Outstanding Dues**

All the four DISTCOs have submitted that the Commission had passed order on 28th February, 2005 against case no. 115 of 2004 (Order on Approval of Business Plan). The method of treatment on passed loans and outstanding dues has been elaborated hear in as well as in the RST order for FY 2004-05 and 2005-06.

2.12.8 **Loan from GRIDCO**

2.12.8.1 CESCO have submitted that during loan reconciliation with GRIDCO, the interest payable has been finalized @ 13.837% for FY 1999-00 to 2002-03 and @ 8.5% for FY 2003-04 and no interest will be charged from the year 2004-05 onwards. No interest has been calculated on Rs. 174.00 Cr. provided by GRIDCO towards cash support. The differential interest of the past years may be allowed through ARR for FY 2006-07.

2.12.8.2 In line with the principle adopted by the Commission in its previous orders, NESCO, SOUTHCO & WESCO have not considered the interest liability of asset related (GRIDCO) loans while estimating ARR for FY 2006-07. The reconciled GRIDCO figures of loan including interest have come to Rs.13568.69 lakh for NESCO, Rs.13078.32 lakh for SOUTHCO & Rs.19877.15 lakh for WESCO.

2.12.8.3 The Commission is yet to pass orders on the petitions of NESCO, SOUTHCO & WESCO for mode of payment of these loans. Hence, they have not considered any liability towards such repayment.

2.12.9 **Power Bond**

2.12.9.1 The Commission vide RST order dtd. 22nd March, 2005 opined that GRIDCO/Govt. of Orissa should accept the mooted proposal by NESCO, SOUTHCO & WESCO for restructuring of NTPC Bonds with a 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 and the interest incentive to be received by GRIDCO from NTPC should be adjusted against reconciled outstanding BST dues of DISTCOs. Though the GOO did not endorse the proposal to the Commission while approving ARR from FY 2001-02 to FY 2005-06 had considered interest on the bonds @ 8.5% per annum. The licensees requests the Commission to allow interest on bonds @ 12.5% for FY 2006-07 and also allow differential interest on bond from 1st April, 2001 to March 2006. Accordingly, NESCO, SOUTHCO and WESCO have estimated interest including differential interest as Rs.64.71 crore, Rs.50.35 crore & Rs.34.00 crore, respectively for the FY 2006-07.

2.12.9.2 They have defaulted on interest payment towards NTPC Bonds and requested the Commission to allow it through amortisation of Regulatory Assets. The interest liability on this account has been worked out by DISTCOs as Rs.100.20 crore (NESCO), Rs.78.00 crore (SOUTHCO) and Rs.61.80 crore (WESCO).

2.12.10 **GRIDCO BST Outstanding Dues**

2.12.10.1 The Commission in its order dtd. 28th February, 2005 while approving the business plan of NESCO, SOUTHCO & WESCO had mentioned that the securitisation of BST outstanding dues to GRIDCO payable by DISTCO would be at 0% interest rate and the amount to be securitised for each DISTCO will be the date preceding when each company would start paying 100% BST bills of GRIDCO. Accordingly, NESCO, SOUTHCO & WESCO have not considered any interest on BST outstanding dues in the ARR for FY 2006-07.

2.12.10.2 Further, the Commission in the said order opined that State Government and Govt. undertaking’s dues to the DISTCOs shall be adjusted before securitising the outstanding BST dues of GRIDCO.

2.12.11 **APDRP Assistance**

2.12.11.1 In the ensuing year, CESCO has estimated a sum of Rs.110.00 Cr. to be received under APDRP scheme. As the Govt. of Orissa has passed its own share of APDRP Assistance to the extent of Rs.74.00 crore as loan, the interest has been calculated @12% on this assistance.

2.12.11.2 In the ensuing year, NESCO, SOUTHCO & WESCO have estimated Rs.64.54 crore, Rs.24.42 crore and Rs.66.15 crore, respectively to be received under APDRP Scheme. As per the scheme, out of 50% of the amount received from the State Government, 50% is to be treated as grant and balance 50% as loan @ 12% interest per annum and the balance 50% of the sanctioned amount is to be treated as counterpart funding to be availed from REC @ 8% per annum.

2.12.12 **Payment of Past Statutory Dues & Pressing Creditors**

NESCO, SOUTHCO & WESCO have submitted that the outstanding statutory dues as on 31st March, 2006 worked out to be Rs.26.54 Cr. (NESCO), Rs.26.99 Cr. (SOUTHCO) and Rs.27.20 Cr. (WESCO) for the year 2006-07. In addition, payment to the previous creditors had been estimated as Rs.10.00 Cr. (NESCO), Rs.6.42 Cr. (SOUTHCO) and Rs.9.00 Cr. (WESCO).

2.12.13 **Interest Capitalized**

NESCO, SOUTHCO & WESCO have shown the interest on loan outstanding at the beginning of the year as revenue expenses as a part of ARR. The interest on loan to be drawn during the ensuing year for capital works has been capitalized.

2.12.14 **Escrow Mechanism to facilitate the cash flow**

NESCO, SOUTHCO & WESCO have alleged that despite the directives from the Commission, GRIDCO is not allowing them to make payment from the escrow account in the order priorities fixed by the Commission. They have iterated that GRIDCO has started adjusting the surplus amount lying in the escrow account against the past outstanding BST dues and not allowing them to make payment to other lenders including NTPC. In view of above, the three licensees pray to be Commission for issuance of necessary directives to GRIDCO in this regard.

2.12.15 **Interest on Security Deposit**

NESCO, SOUTHCO & WESCO have submitted that the Commission in its RST orders for FY 2005-06 had allowed interest on security deposits @ 5% enhanced to 6%. Accordingly, the interest on security deposits for FY 2006-07 including the differential interest for FYs 2004-05 and 2005-06 has been worked out to be Rs.7.10 crore (NESCO), Rs.4.24 crore (SOUTHCO) & Rs.9.93 crore (WESCO).

2.12.16 **Non-Tariff Income**

NESCO, SOUTHCO & WESCO have proposed non-tariff income for FY 2006-07 to the tune of Rs.150 lakh, Rs.134 lakh and Rs.200 lakh respectively. However, NESCO and WESCO has proposed to abolish meter rent for all categories and hence not considered any income from meter rent.

2.12.17 **Past Losses and Regulatory Assets**

2.12.17.1 NESCO, SOUTHCO & WESCO have projected the past losses during the period from 1999-00 upto FY 2002-03 as tabulated below:

Table - 6
Past Losses and Regulatory Asset

(Rs. in Crore)

	Excess of clear profit over regulated profit	Inadequate RST	Unrealistic Distribution Loss	Non Recognition of Collection Efficiency (AT&C concept)	Difference in expenses approved while determining ARR against the audited accounts	Financial Impact due to change in sales mix, sales quantity, purchase quantity and price variance	**Total**
NESCO							
1999-00	-	6	45	49	4	14	118
2000-01	-	7	68	52	20	1	148
2001-02	-	89	26	72	16	11	214
2002-03	-	36	-4	55	35	23	145
Total	-	138	135	228	75	49	625
SOUTHCO							
1999-00	-	26	27	40	3	27	123
2000-01	-	31	36	33	18	3	121
2001-02	-	53	2	47	-6	9	105
2002-03	-	13	-15	43	6	14	61
Total	-	123	49	164	21	52	410
WESCO							
1999-00	(2)	-	65	70	2	(21)	114
2000-01	(30)	-	73	84	17	29	173
2001-02	2	-	50	89	26	2	169
2002-03	(63)	-	21	78	28	16	80
Total	(93)	-	209	321	73	26	536

2.12.17.2 The licensees have proposed to amortise the Regulatory assets in FY 2006-07 as given below:

Table – 7
Amortisation of Regulatory Assets in FY 06-07

(Rs in Crore)

Sl. No	Description	NESCO	SOUTHCO	WESCO
1.	Repayment of NTPC Bonds	100.200	78.00	61.80
2.	Outstanding accumulated interest on NTPC bonds	22.595	30.85	-
3.	Past Statutory Dues and Pressing Creditors	36.54	33.41	36.20
	Total	**159.33**	**142.26**	**98.00**

2.12.18 **Truing up of Revenue Gap for FY 2005-06**

Considering the variation between estimated revenue and actual expenditure during FY 05-06 due to reasons beyond the control of the DISTCOs, NESCO, SOUTHCO & WESCO have requested the Commission to allow truing up of uncovered gap to be treated as regulatory asset to the extent of Rs.77.00 crore (NESCO), Rs.65.00 crore (SOUTHCO) and Rs.8.90 crore (WESCO).

2.12.19 **Uncovered Gap for FY 2004-05**

NESCO & SOUTHCO have intimated that the Commission in its order dtd. 22nd March, 2005 has recognized the uncovered gap to be treated as regulatory assets for pass through in subsequent tariff. As such, the uncovered gap for FY 2004-05 based on the expenses and revenue approved by the Commission has been considered as a part of ARR for FY 2006-07.

2.12.20 **Loss of Revenue due to Non-drawl by Ferro Alloy Industries during 2003-04**

Based on the direction given by the Commission in its order dated 05.09.2005, NESCO has quantified the loss of revenue to the extent of Rs.33.26 crore due to non-drawal of power by Ferro Alloys units during FY 2003-04 and has requested the Commission to allow it in the ARR of FY 2006-07.

2.12.21 **Return On Equity**

CESCO, NESCO, SOUTHCO & WESCO have claimed ROE @16% on equity capital the amount being Rs.11.63 crore (CESCO), Rs.10.55 crore (NESCO), Rs.6.02 crore (SOUTHCO) and Rs.7.78 crore (WESCO), respectively.

2.13 **Summary of ARR and Revenue Gap**

The proposed revenue requirement for four DISTCOs have been projected in tabular form below:

Table - 8

Proposed Revenue Requirement of DISTCOS For 2006-07

(Rs. in crore)

A.	**Expenditure**	**CESCO**	**NESCO**	**SOUTHCO**	**WESCO**	**TOTAL**
	Cost of Power Purchase	524.66	517.20	202.05	632.17	1876.08
	Employee costs	172.40	81.59	72.92	86.88	413.79
	Repair & Maintenance	47.45	28.34	21.36	28.58	125.73
	Administrative and General Expenses	23.46	18.18	19.03	20.98	81.65
	Provision for Bad & Doubtful Debts	18.65	40.91	22.30	54.99	136.89
	Other expenses					0.00
	Depreciation	67.90	18.82	14.24	18.96	119.92
	Interest Chargeable to Revenue	31.82	87.22	64.73	62.38	246.15
	Carrying cost on Regulatory asset	0.00	0.00	0.00	0.00	0.00
	Sub-Total	886.34	792.26	416.63	904.94	3000.21
	Less: Expenses capitalised	0.00	1.90	1.46	3.38	6.74
	Less: Prior period expenses(Debit,credit)					
	Total expenses	886.34	790.36	415.17	901.56	2993.47
B.	**Special appropriation**					
	Previous Losses	792.68	255.51	226.26	106.90	1469.99
	Repayment of pricipal					
	Contingency reserve	0.0	0	0	0	0.00
	Total	792.68	255.51	226.26	106.90	1469.99
C	**Return on equity**	11.64	10.55	6.03	7.78	36.00
	TOTAL(A+B+C)	**1659.44**	**1056.42**	**647.46**	**1016.24**	**4499.46**
D.	**Less Miscellaneous Receipt**	31.22	1.5	1.34	2.00	**36.06**
E.	**Total Revenue Requirement**	1748.12	1054.92	646.12	1014.24	4463.40
F.	**Expected Revenue (Full year)**	747.85	681.87	318.58	914.47	2662.77
G.	**GAP (+/-)**	**-1000.27**	**-373.05**	**-327.54**	**-99.77**	**-1800.63**

2.14 Tariff Proposal

2.14.1 CESCO, based on estimated revenue requirement at the existing tariff, the revenue gap for FY 2006-07 comes to Rs.192.4155 crore. To avoid tariff shock, CESCO has proposed to treat this gap along with the past losses as regulatory asset and allow it to recover over the next three years (by FY-10) and the interest cost on account of the Regulatory Asset be allowed as a pass through.

2.14.2 NESCO, SOUTHCO & WESCO, based on estimated revenue requirement at the existing tariff, the revenue gap for FY 2006-07 for NESCO, SOUTHCO and WESCO works out to be Rs.390.70 crore, Rs.342.21 crore and Rs.138.27 crore, respectively. They have pointed out that in their review petitions before the Commission have significantly highlighted that there exists ample scope for reduction in GRIDCO's ARR mainly on account of additional revenue to GRIDCO through export of power, extra revenue earned by GRIDCO from UI charges. Accordingly, there would be reduction in GRIDCO's ARR requirement to the tune of Rs.219 crore, resulting in reduction of BST for FY 2006-07. They have further proposed marginal increase in fixed/demand charges and no increase in energy charges and abolition of the meter rent for all categories of consumers.

2.14.3 Considering the above facts, NESCO, SOUTHCO and WESCO envisage tariff increase in the order of 2.6%, 4.82% and 4.4%, respectively.

2.15 Tariff Rationalisation

2.15.1 Reduction in Cross-subsidy

2.15.1.1 The Commission, while setting tariffs, has adopted the LT, HT and EHT level cost of supply as benchmark for assessment of quantum of subsidies. Accordingly, CESCO has designed the category-wise tariffs on the said formula for the ensuing year to reduce the cross-subsidies. On the other hand, NESCO, SOUTHCO & WESCO have submitted that as they have not proposed any substantial tariff increase for any category, they have not attempted to reduce the cross-subsidies in the current tariff application.

2.15.2 Recovery from Fixed/Demand Charges

2.15.2.1 CESCO has proposed to enhance the fixed charges which constitutes 15% of the total revenue in 2005-06 to 30%. On the other hand, NESCO, SOUTHCO & WESCO, instead of any increase in variable charges, have proposed for hike in fixed charges. The estimated revenue from fixed charges for FY 2006-07 at the existing tariff which works out to 11.55% for NESCO, 14.47% for SOUTHCO and 15.85% for WESCO of the total revenue is proposed to be enhanced to 13.85% for NESCO, 18.38% for SOUTHCO and 19.42% for WESCO with revised tariff.

2.15.3 **Change in Tariff Structure**

2.15.3.1 **Demand charges for consumers having connected load more than 20 KW/22 KVA through HT voltage supply**

NESCO, SOUTHCO & WESCO have proposed that there is disparity in tariff between the HT consumers having contract demand below 110 KVA and above 110 KVA. To remove the disparity in the phased manner, they have proposed to increase in fixed charge from Rs.50 per KVA to Rs.100 per KVA category for HT industrial (medium industry) to HT general (commercial category).

2.15.3.2 **Payment of Demand Charges by Captive Power Plants (CPPs)**

Under existing RST, the CPPs are allowed to draw power under single part tariff i.e. without payment of demand charge. In several occasions, DISTCOs are saddled with additional monetary burden on account of payment of SMD when CPPs draw power on emergency basis. To avoid such an unforeseen burden, NESCO, SOUTHCO & WESCO have proposed demand charges on the MD recorded in the Meter of CPPs consumers along with normal energy charges. However, the minimum demand charge concept i.e. 80% of the contract demand should not be applicable to CPPs.

2.15.4 **Rebate on Prompt Payment**

NESCO, SOUTHCO & WESCO have prayed to the Commission to approve the rebate of 2% of the licensees for prompt payment of BST bills within 3 working days from the date of presentation of the BST bill.

2.15.5 **Category wise Tariffs**

Table - 9

Proposed Tariff Schedule Of CESCO'S Utilities For FY 2006-07

Sl. No.	Category of Consumers	Voltage of Supply	Demand Charge (Rs/KW/ Month)/ (Rs/KVA/ Month)	Energy Charge (P/KWh)	Customer Service Charge (Rs./ Month)	Monthly Minimum Fixed Charge for first KW or part (Rs.)	Monthly Fixed Charge for any additional KW or part (Rs.)	Rebate (P/ KWh)	DPS Per Month
	LT Category								
1	Domestic								
1.a	Kutir Jyoti < 30U/month	LT	30.00						
1.b	Others					50.00	30.00		
	(Consumption <= 100 units/month)	LT		200				10	2%
	(Consumption >100, <=200 units/month)	LT		260					
	(Consumption >200 units/month)	LT		325					
2	General Purpose <100 KW					50.00	30.00	10	2%
	(Consumption <=100 units/month)	LT		340					
	(Consumption >100, <=300 units/month)	LT		420					
	(Consumption >300 units/month)	LT		470					
3	Irrigation Pumping and Agriculture	LT		120		20.00	10.00	10	2%
4	Public Lighting	LT		330		75.00	50.00	1%	2%
5	L.T.Industrial (S) Supply	LT		350		50.00	30.00	10	2%
6	L.T.Industrial (M) Supply	LT		350		100.00	50.00	1%	2%
7	Specified Public Purpose	LT		350		100.00	50.00	1%	2%
8	Public Water Works <100 kW	LT		320		100.00	50.00	1%	2%
9	Public Water Works >= 100KW	LT		320	100.00	100.00	50.00	1%	2%
10	General Purpose >=100kw	LT		320	100.00	100.00	50.00	1%	2%
11	Large Industry	LT		320	100.00	100.00	50.00	1%	2%
	HT Category								
12	Bulk Supply - Domestic	HT	50.00	275	500.00			10	2%
13	Irrigation Pumping and Agriculture	HT	30.00	100	500.00				
14	Specified Public Purpose	HT	50.00	320	500.00			1%	2%
15	General Purpose<110 kva	HT	100.00	320	500.00			1%	2%

16	H.T.Industrial (M) supply	HT	50.00	320	500.00			1%	2%
17	General Purpose >=110 kva	HT	250.00	320	500.00			1%	2%
18	Public Water Works	HT	250.00	320	500.00			1%	2%
19	Large Industry	HT	250.00	320	500.00			1%	2%
20	Power Intensive Industry	HT	250.00	320	500.00			1%	2%
21	Ministeel Plant	HT	250.00	320	500.00			1%	2%
22	*Emergency Supply to CPP*	HT	250.00	400	500.00			1%	2%
23	Railway Traction	HT	250.00	320	500.00			1%	2%
24	Colony Consumption	HT	250.00	230				1%	2%
	EHT Category								
25	General Purpose	EHT	250.00	290	1,000.00			1%	2%
26	Large Industry	EHT	250.00	290	1,000.00			1%	2%
27	Railway Traction	EHT	250.00	290	1,000.00			1%	2%
28	Heavy Industry	EHT	250.00	290	1,000.00			1%	2%
29	Power Intensive Industry	EHT	250.00	290	1,000.00			1%	2%
30	Ministeel Plant	EHT	250.00	290	1,000.00			1%	2%
31	*Emergency Supply to CPP*	EHT	250.00	380	1,000.00			1%	2%
32	Colony Consumption	EHT	250.00	230					
	D.C. Services								
33	Domestic	LT							
34	General Purpose >=100 KW	LT							
35	L.T.Industrial (S) Supply	LT							

Any other Provision: Consumption in excess of 50% & upto 60% by EHT and HT Consumer shall be payable @ 210 paise/Kwh & 220paise/Kwh respectively and Consumption above 60% by EHT & HT consumer shall be payable @ 160 paise/Kwh & @180 paise/Kwh respectively.

Table - 10
Category wise Average Existing and Proposed Tariff at L.T. for NESCO, SOUTHCO & WESCO

SL No.	Category of Consumers	Existing Average Tariff (Rs./ Kwh)			Proposed Average Tariff (Rs. Kwh)		
		NESCO	SOUTHCO	WESCO	NESCO	SOUTHCO	WESCO
1	Domestic	1.83	1.85	1.92	1.92	1.96	2.02
2	General Purpose <100KW	3.73	3.87	4.05	3.81	3.93	4.12
3	Irrigation	1.23	1.20	1.19	1.23	1.20	1.19
4	Public Lighting	3.23	3.24	3.24	3.25	3.26	3.26
5	LT Industrial (S) Supply	3.81	3.62	3.58	4.14	3.86	3.80
6	LT Industrial (M) Supply	3.74	3.74	3.59	3.97	3.96	3.76
7	Specified Public Purpose <100 KW	3.74	3.71	3.68	3.85	3.82	3.77
8	Specified Public Purpose =>100 KW	3.74	4.03	3.68	3.85	4.46	3.77
9	Public Water Works <100KW	3.49	3.54	3.53	3.54	3.61	3.60
10	Public Water Works =>100KW	-	4.94	3.69	-	5.38	3.82
11	General Purpose >=100 KW	-	4.21	3.81	-	4.47	3.97
12	Large Industries	4.01	4.31	3.84	4.23	4.64	4.01
	LT Category	**2.09**	**2.28**	**2.31**	**2.18**	**2.38**	**2.40**

Table - 11
Category wise Average Existing and Proposed Tariff at HT & EHT Categories NESCO, SOUTHCO & WESCO

Category	Existing Avg. Tariff (Rs / kWh)			Proposed Avg. Tariff (Rs / kWh)		
	NESCO	SOUTHCO	WESCO	NESCO	SOUTHCO	WESCO
HT Categories						
Bulk Supply Domestic	2.25	2.33	2.22	2.28	2.40	2.26
Specified Public Purpose (Public Institution)	3.94	3.59	3.13	4.40	3.88	3.21
HT General Purpose	3.26	3.26	3.43	3.59	3.40	3.58

Category	Existing Avg. Tariff (Rs / kWh)			Proposed Avg. Tariff (Rs / kWh)		
=> 110 KVA						
Public Water Works	4.52	3.31	3.66	4.84	3.41	3.84
HT Industrial (M) Supply	3.36	3.80	3.62	3.72	4.57	4.23
Large Industry	3.64	3.63	3.19	3.82	3.81	3.31
Power Incentive Industry	-	-	3.01	-	-	3.11
HT general purpose	3.62	-	3.43	3.78	-	3.58
Mini Steel Plant	2.47	-	2.42	2.54	-	2.49
Railway Traction	3.68	-	3.56	3.86	-	3.71
Emergency Power Supply to CPP	3.99	-	-	3.99	-	-
Special Tariff	2.29	2.40	-	2.30	2.40	-
Colony consumption	-	2.30	2.30	-	2.30	2.30
Total HT	3.17	3.14	3.02	3.31	3.27	3.14
EHT Categories						
Large Industry	3.49	3.33	2.51	3.67	3.48	2.60
Railway Traction	6.54	3.96	3.58	7.46	4.23	3.76
Heavy Industry	-	-	3.98	-	-	4.52
Power Intensive Industry	2.69	3.18	6.71	2.78	3.48	7.67
Special Tariff	2.12	-	-	2.12	-	-
Mini Steel Plant	-	-	4.07	-	-	4.37
Colony Consumption	-	2.30	2.30	-	2.30	2.30
Total EHT	2.24	3.67	3.09	2.26	3.89	3.26

2.16 **Loss reduction programme for FY 2006-07**

CESCO has devised the following action plan for reduction of system losses :-

- Focus on implementation of commercial procedure and billing based on meter reading, timely billing and its proper distribution, effective complaint redressal and credit control activities.
- Implementation of monthly spot billing.
- To provide meters to all un-metered/consumers with defective meters.
- Through MRT to prevent meter tampering by industries.

- Emphasis on formation of village committee.
- Continuation of de-hooking squard.
- Monitoring loss reduction target at division level.
- Introduction of meter reading cards and check meter readings.
- Strengthening MIS including software for monitoring and detection of theft.
- Installation of AMR instrument to know meter reading and other parameters for remote place for all HT consumers.
- Appointment of franchisee.

2.17 **Increase in Reconnection Charges**:

CESCO has proposed a hike in the reconnection charges as follows:

Table - 12

Proposed re-connection charges for FY 07

(In Rs.)

Connection Type	Charges
Single Phase Domestic Consumer	100.00
Single Phase Other Consumer	200.00
3 Phase Line	1000.00
HT & EHT Line	2000.00

2.18 **Service Connection charges**

CESCO has proposed one time deposit of Rs.1500/- from single phase domestic and general purpose consumer (<100 KW) for providing service connection and materials.

2.19 **DPS for non-paying consumers**

CESCO has proposed that DPS @2% per month may be levied on an category of consumers to motivate them to pay their dues within due date.

2.20 **Prayer**

2.20.1 **CESCO:**

- Take the accompanying ARR and Tariff Application of the Utility on record.
- Approve the Annual Revenue Requirement of the Utility for FY 2006-07.
- 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 asset to be set off in future years through Tariff along with interest to be decided by the Commission.
- In case increases 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 Government subsidy.
- Consider actual AT&C loss in FY 2004-05 as base level for setting future AT&C loss reduction.
- Make the proposed tariff applicable with effect from April-01, 2006.
- Any other relief, order or direction, which the Hon'ble Commission deems, fit to be also issued.

2.20.2 **NESCO, SOUTHCO & WESCO**

- Take the accompanying ARR and Tariff Petition on record.
- Approve the Annual Revenue Requirement for FY 2006-07 including amortisation of regulatory asset, truing up of uncovered gap for FY 2005-06 and uncovered gap for FY 2004-05 based on expenses and revenue approved by the Commission.
- Approve the category wise fixed charges so as to increase the revenue
- Bridge the Revenue Gap through combination of increase in Retail Supply Tariff, Reduction in Bulk supply Tariff, Government Subsidy etc.
- Any other relief, order or direction which the Hon'ble Commission deems fit be also issued.

In addition, WESCO and SOUTHCO have proposed the following:

- Recognise issues raised by the Licensees in its application for Review of RST Orders for FY 2004-05 and FY 2005-06.

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 thereon. The Commission has considered all the issues raised by the participants in their written as well as oral submissions during the public hearing. Some of the objections were found to be of general nature whereas others were specific to the proposed Revenue Requirement and Tariff filing for the financial year 2006-07. Based on their nature and type, these objections have been categorised broadly as indicated below:

3.2 Legality of the ARR and tariff application

3.2.1 One objector stated that the application for determination of ARR as well as fixation of tariff as filed by the DISTCOs is illegal. Unless the Bulk Supply Tariff or Transmission tariff has been fixed, the RST should not be determined. He further added that the notification is not in accordance with the law. Hence, it should be rejected. The objector further stated that for fixing the RST, the ARR to be determined first and then the RST should be fixed. He iterated that while filing the tariff application, it should be submitted under affidavit along with requisite fees. The licensees in their filing should also furnish a statement that the data are based on records only. One of the objectors highlighted that as the shareholder agreement with Reliance Energy Limited had expired since long, it is running the business in an illegal manner.

3.3 Procedural simplicity and inexpensiveness

One objector stated that he was persistently persuading with the Commission to make the process of filing the objections simpler and cheaper, but this is yet to be implemented by the Commission. He questioned the use of filing six copies of the objection with affidavit.

3.4 Review of operations of the year 2004-05 & 2005-06 (Estt) and Performance Estimates in FY 2006-07

3.4.1 The objectors in general stated that the distribution licensees had not improved their performance since inception of reform and the honest consumer should not be saddled with extra payment on account of inefficiency of the licensee. In this context, they categorically pointed out that despite Commission’s directive, no complaint register in substation has been maintained. They highlighted that the rural Orissa is deprived of getting uninterrupted power supply. The supply in rural areas is at low voltage. Under such circumstances, the tariff should not be raised. One objector pointed out that the Commission should ask the licensee regarding the nexus between power purchased and power sold as a result of which margin of earning derived out of such a deal. The revenue shortfall should be bridged by improving the performance and not by way of enhancement in tariff. The objectors also alleged that the accounts of the DISTCOs have not been audited for the period from FY 2002-03 onwards. As such, the filing is based on imaginary and manipulated statements.

3.4.2 The objectors requested the Commission to examine/scrutinize:

i) Whether the DISTCOs have complied with the direction of the Commission issued in the earlier orders and regulations?

ii) Whether they are following least cost power purchase as directed by the Hon’ble High Court by its order dated 03.02.2003?

iii) Whether distribution loss has been brought down as per the direction of the Commission?

iv) Whether employees have been made accountable to their gross negligence in attending to consumer complaints and the licensee has made efforts to break the utility nexus between the employees and consumers?

v) Whether the licensees have followed power purchase agreement faithfully?

vi) Whether they follow the complaint handling procedure in true spirit?

3.4.3 One objector stated that tariff should be such that it should ensure incentive for good performers and penalty for the poor one. As such, it should be performance oriented.

3.4.4 One objector stated that the quality of service provided by the licensee is very poor. The licensee's local office is reluctant to render any assistance or to provide any information to the consumers as and when asked for.

3.4.5 One objector stated that the licensees are violating the norm for supply of electricity in regard to timeliness of supply. He further highlighted that the relevant regulation is being systematically flouted on the prevailing short supply of meters, pipes etc.

3.4.6 One objector stated that in case of theft of conductor relating to lift irrigation, it is not being replaced by a new one and additional money is being claimed from the consumers. In case of burning of transformers even, the power is not restored by replacing the damaged transformers on the nebulous plea that the villagers connected to the line, had not paid the arrear dues.

3.4.7 The Govt. representative stated that in case of rampant theft of conductor at LI points, the Commission should lay down policy with regard to the agency bearing the expenditure towards replaced conductor.

3.4.8 One objector stated that the licensees are harassing the consumers in various forms, if they approach GRF for redressal of their grievances.

3.4.9 One objector stated that there is frequent power interruption in WESCO's area. As a result, the industries are adversely affected.

3.5 Distribution Loss

The objectors stated that the target for distribution loss as recommended by the Kanungo Committee, duly accepted by the Commission and Govt. of Orissa has not been achieved by the DISTCOs. Even their own commitment in the business plan duly approved by the Commission has not been adhered to. Every year, they merely come forward with enhanced loss figures as compared to the benchmark fixed by the Commission. In this context, the objectors pointed out that EHT consumers having zero loss should not be included for computation of overall loss. The performance parameters should be only on HT & LT loss. One of the objectors pointed out that the general public is under the impression that reform in electricity sector is only to increase the tariff and not to improve the performance of the licensees. He raised doubt on the authenticity of the loss figures furnished by the licensees and categorically opined that it is vague and fictitious. He urged the Commission that if additional power beyond the Commission's approved figure is purchased at a higher rate, the consumers should not be burdened with such high cost power. He stated that the Commission's approval for procurement of power in physical and financial terms is akin to budget. One objector stated that the licensees had failed to meet the distribution loss targets, as stipulated by OERC from time to time.

3.6 **AT&C Loss**

The objectors pointed out that the DISTCOs have failed squarely to boost up their collect efficiency. The objectors stated that though the Commission, in its earlier orders allowed incentive to linemen for increased billing and collection, but in fact, the Superintending Engineers are rewarded with bonze. One objector stated that the officer in charge of collection should be accountable for less billing and less collection and the differential amount should be recovered from his salary. He further stated that the Commission should examine the modality for preparation of bills. The objectors brought to the notice of the Commission that the bills are served in rural areas after a lapse of six months or one year. They pointed out that the poor villagers could pay ill-afford to such a cumulative huge amount at a time. One objector stated that the reasons for low collection of revenue assigned by the licensees, are factually incorrect. He reiterated that OSEB would not produce bogus bills at the end of the financial year. One of the objectors pointed out that the AT&C loss calculation is erroneous as the units wrongly billed are not withdrawn. An objector alleged that unscrupulous employees of the licensees in connivance with the consumers are reducing the amount in bills. As regards Govt. dues on current bills, the Govt. representative stated that 85% to 92% of the bills had been paid. The arrear dues are awaiting reconciliation. He further stated that the benchmark fixed by OERC with regard to AT&C loss should be strictly followed. The base line data should be checked in line with the National Tariff Policy.

3.7 **Metering**

3.7.1 The objectors pointed out that till today the consumer has not been provided with the meter card. They appealed to the Commission that good meters should be installed instead of old/repaired meters for assessing the consumption accurately. In this context, they informed the Commission that the licensees are still going on with unmetered/defective metered supply. Some objectors pointed out that all the four DISTCOs, on pretext of harsh ground reality, are evading the Commission's order and have not yet installed the meters. One objector stated that according to the orders of the Commission, the consumer metering should have been completed by 31.03.2004. He highlighted that the data submitted in proforma P-13 is indicative of the fact that large no. of domestic, LI, street light consumers have no meter or defective meters. He requested the Commission to verify as to whether the monthly energy bills of such consumers have been calculated on load factor basis. He alleged that street light consumers have not been metered in order to recover more amount than the actual energy consumed.

3.7.2 Regarding the proposal of the NESCO, SOUTHCO and WESCO for abolition of meter rent, one objector stated that the above proposal aims at burdening the consumer with supply of meter. He requested the Commission to direct the above DISTCOs to supply meters whenever a consumer opts for the same according to the relevant regulation.

3.7.3 Some of the objectors pointed out that DISTCOs are compelling the consumers to agree with the installation of cubical metering system and make payment thereof. The objectors requested the Commission to pass orders directing all DISTCOs to bear the cost of cubical metering if the licensees want installation of the same. Some objectors pointed out that lift irrigation points have yet been metered only to the extent of 35% despite Commission's order. The Govt. representative stated that the metered consumers should be suitably incentivised.

3.8 Spot Billing Roll Out Plan

The objectors pointed out that in spot billing system, there is no scope for knowing the tariff for the units they have consumed or the amounts of interest on security deposit they are going to receive. The objectors appealed to the Commission that in such a system, the rear side of the bill should contain the necessary information.

3.9 APDRP Scheme

One of the objectors stated that the fund under APDRP is mis-utilized by the licensees. This needs investigation. The Govt. representative stated that CESCO should spend Rs.34 crore by the end of March 2006 under APDRP scheme. He further added that more manpower be provided by CESCO to complete the job within March, 2006. He further stated that materials under APDRP scheme, are being inspected by a third party in SOUTHCO's store.

3.10 Energy Audit

The objectors iterated that the licensees are flouting the Commission's order by adopting dilly-dally tactic in installation of meters inspite of Commission's clear-cut direction for completion of metering and commencement of energy audit - distribution transformer-wise. The objectors alleged that the DISTCOs were reluctant to comply with the Commission's directive on the apprehension that the actual loss in distribution would be revealed. The Govt. representative highlighted that the progress of distribution transformer metering in CESCO is poor (25%). He requested CEO, CESCO to complete such metering to facilitate the conduct of energy audit. He requested the Commission to introduce local area base incentive/dis-incentive for conducting energy audit as per GoI tariff policy.

3.11 Administrative & General Expenses

The objectors stated that the consumers should not be required to bear any cost incurred by the licensees for verification of consumer ledger. The entire cost should be to the account of the DISTCOs. One objector alleged that SOUTHCO has earned a huge sum of money illegally towards meter rent. He further added that the cost for engaging advocates for wrong billing can be treated as a misappropriation of fund.

3.11.1 **Provision for Bad & Doubtful Debts**

The objectors pointed out that the Reliance Energy Limited Controlled DISTCOs, namely, NESCO, SOUTHCO and WESCO should have maintained records with regard to write-off of bad debt as on 01.04.1996 and 01.04.1999 and 50% of the arrear amount collected should be passed on to GRIDCO. One objector alleged that NESCO and SOUTHCO, in some cases, have written off huge amount of revenue.

3.11.2 **Interest on Security Deposit**

3.11.2.1 The objectors pointed out that the DISTCOs have not paid interest on security deposit since the date of appointment of the Act i.e. 10th June, 2003 and onwards on the plea that they had started paying interest on security deposit from the date of publication of the OERC Regulation, 2004. The objectors alleged that the licensees had taken advantage of the ignorance of the consumers. They further stated that the Commission cannot change the date for payment of interest on security deposit. Thus, it should be paid with effect from 10th June, 2003.

3.11.2.2 One objector requested the Commission to exercise requisite check as to whether money collected from security deposit is being properly utilised.

3.11.2.3 One objector stated that the billing cycle for steel plants should be 15 days instead of one month and the security deposit should be reduced to one month instead of two months.

3.11.3 **Rural Electrification under MNP & RGGVY**

The Govt. representative stated that MNP works should also be completed by this year as RGGVY would be taken up next year. One objector pointed out that the fund under MNP had been mis-utilized by the licensees. This needs investigation.

3.12 **Tariff Rationalisation**

3.12.1 **Reduction in Cross-subsidy**

3.12.1.1 The objectors stated that if the cross-subsidy is reduced then only the tariff could be rationalised. In this context, they stated that the subsidising categories of consumers are supposed to know the quantum of cross subsidy they are paying. The objectors pointed out that the licensees had not filled up the Commission’s format in this regard.

3.12.1.2 One of the objectors iterated that the supply points for drinking water in villages should have the cheapest tariff.

3.12.2 Recovery from Fixed/Demand Charges

3.12.2.1 One of the objectors stated that there should be proportionate reduction in demand charges, as WESCO could not meet the demand.

3.12.2.2 One of the objectors pointed out that demand charge should not be included in tariff. Another objector stated that in case of part surrender of contract demand within three years, the entire incentive availed of had to be refunded. He requested the Commission to consider proportionate reduction in incentive on this account.

3.12.3 Change in Tariff Structure

3.12.3.1 One objector mentioned that due to adverse market conditions some industries resorted to shut down their plant after operating it for a short tenure. However, NESCO is imposing on them the demand charges as per terms and conditions of the agreement meant for five years. NESCO is neither incurring any expenditure nor has any CD agreement with GRIDCO. Hence, NESCO should not burden the consumer unnecessarily with the demand charge. However, compensation to NESCO, if any, may be determined on the capital investment made by NESCO on this account.

3.12.3.2 The EHT consumers intending for extension has to bear the cost for such extension in addition to the cost for installation of sub-station in his own premises. For drawing power, he has to obtain clearance from GRIDCO/OPTCL and has to pay various charges and the respective DISTCO only by forwarding the application to GRIDCO for power supply and executing the agreement, earns exorbitant profit. Hence, the cost of such extension should be borne by DISTCOs following the remunerative norms specified in Appendix-1 of the Distribution Code, 2004.

3.12.3.3 One objector stated that rebate in TOD tariff should be raised from 10 paise to 20 paise.

3.12.4 Category wise Tariff

One objector stated that NESCO had been misinterpreting the tariff order for FY 2005-06 wherein the concept of discount in the energy charges upto 50% LF has been introduced. The petitioner requested the Commission to modify/add certain stipulations in the tariff order of 2005-06 as below:

i) The discounted tariff with guaranteed monthly LF should be allowed to continue.

ii) The tariff applicable to a particular class of industrial consumer should be the same for all such consumers irrespective of whether it was installed before or after 01.04.2005. In this context, he contested the contention of the representative of the GOO that a differential tariff for old and new consumers can be specified in line with the IPR. He stated that it is inequitable, discriminatory and hence contrary to the electricity laws.

iii) The minimum contract demand should be of 2000 KVA to avail of the facility of discounted tariff in line with the stipulation in Regulation 80 (13) of the OERC Distribution (Conditions of Supply) Code, 2004 relating to power intensive industries.

iv) The discount for both mini-steel plants and other industries should be the same i.e. 25%.

v) The guaranteed monthly load factor should be reduced to 70%. Alternatively, a lower discount may be allowed for guaranteed monthly load factor of 70%.

vi) The load factor should be calculated based on the actual maximum demand or 80% of the contract demand, whichever is higher.

vii) The power factor for the purpose of computation of energy consumed should be 0.9.

viii) The penalty and incentive for lower and higher power factor envisaged in the last RST order is heavily weighed in favour of the licensee. The consumers, therefore, should have the option to operate at power factor of around 0.9 as against the present PF of around 0.98. This will adversely affect the transmission and distribution system leading to low voltage, higher losses and over loading of the lines and sub-stations. As such, for wrong interpretation by NESCO of the tariff order, such damage should not be allowed. Alternatively, the Commission may provide incentive for higher PF with a baseline of 0.98.

ix) Higher power factor results in definite financial advantage to the DISTCOs in the form of lower demand charges, reduced losses and increase in the system capacity to supply power. Hence, no further benefit should be allowed.

x) A period of 21 days in a year may be allowed to the industries for annual maintenance of the plant and machinery. There shall be no guarantee payment for the month(s) in which shut down is taken for annual maintenance. Alternatively, an annual guaranteed LF of 75% instead of 80% as stipulated in the tariff order, may be considered subject to adjustment at the end of the financial year.

xi) The monthly LF should be calculated on the duration for which supply was made available. Every interruption should be treated as equal to the actual period or 30 minutes whichever is higher.

xii) The guaranteed monthly LF should be calculated on the basis of contract demand instead of considering the excess drawl during off-peak hours. Alternately, LF should be calculated separately for the drawl during peak and off-peak hours.

3.12.5 One objector enquired about the reason for charging temple at commercial rate. Another objector stated that for any EHT consumer tariff should be @Rs.2 per/unit.

3.13 **DPS for non-paying consumers**

One objector stated that around 85% to 90% of LT consumers are paying within due date. Only 10% pay later with DPS. Hence, the onus of credit for better collection should not go to the licensee.

3.14 **Remunerative Norms**

One objector requested the Commission to check whether the DISTCOs had instructed all the divisions in their respective areas to follow the remunerative norms while preparing the estimate for extension of the electrical installations for power supply. He further impressed upon the Commission to direct all DISTCOs to attach a copy of the remunerative calculation with the estimate in all cases where the estimated amount becomes Rs.25,000/- or more. In other cases, a certificate should be given on the estimate confirming that the remunerative norms have been followed and should indicate separately the amount payable by the consumer as well as the amount to be borne by the DISTCO. However, SOUTHCO confirmed during hearing that they have already instructed the divisions to follow the remunerative norms while making estimate for extension of supply. One objector stated that the licensees are flouting the licence condition, as they do not furnish the estimate on remunerative norm basis.

3.15 **Military Engineering Service (MES)**

The representative from MES highlighted that some of the States had considered concessional tariff. He further informed that there is no uniformity in the extent of concession provided by the states. The Commission advised the representative to submit the relevant documents by February, 2006. The representative of MES appealed to the Commission that they should not be treated at par with other bulk consumers/industries. The Commission enquired about the percentage of expenditure on account of electricity charges out of the total monthly expenditure of their establishment.

3.16 **S.E. Railways & E.C. Railways**

The objectors from railway pointed out that the concerned DISTCOs takes meter readings only and nothing else for supplying power to railways. The power comes from GRIDCO, the bulk supplier, through OPTCL, the transmission licensee. As such, they should be allowed to take power at the prevailing BST rate in addition to transmission charges thereon. They categorically indicated that the nature of Railway load is such that it cannot exceed load factor of 50% even in the busiest track. Their load is distributive in nature taking power from different load points. Keeping the above factor in view, they appealed to the Commission for allowing combined maximum demand. They pleaded that the Commission may pass order for ignoring the rise in maximum demand during feed extension from one TSS to another in emergency.

3.17 Review Petition filing by SOUTHCO against OERC order dated 22.03.2005

One objector stated that although the Commission in the notice for tariff hearing clearly indicated that the review petitions filed by the DISTCOs against OERC's RST order for 2005-06 dated 22.03.2005 would be taken up during the tariff hearing, no DISTCO had either submitted any application or brought to the notice of the Commission for discussion of the proposed item during the hearing. As such, the review petitions against OERC's order dated 22.03.2005 filed by the DISTCOs should be summarily rejected.

4 REPLIES MADE BY THE LICENSEES

The objections raised by the objectors on certain issues, were general in nature and specific objections were also raised by some of them in respect of the licensees against their submission of ARR and revision of tariff to the Commission for the FY 2006-07. The Commission during hearing also solicited some clarifications on the queries raised by the objectors. The CEOs of CESCO, NESCO, representative of SOUTHCO and WESCO responded to the queries made by the objectors and the Commission as under :-

4.1 Legality of the ARR and Tariff Application

In reply to the objections raised by one objector regarding the modalities for filing the tariff application, the CEOs or their representative stated that they are in conformity with the OERC (conduct of business) Regulations, 2004. As such, the Commission has duly accepted the submissions being legally valid.

4.2 Review of operations of the year 2004-05 & 2005-06 (Estt) and Performance Estimates in FY 2006-07

4.2.1 In response to the allegation of the objectors regarding improvement in performance, CEO's/representative stated that they have ensured improvement of quality of power supply with less interruption and better voltage by installing a large number of 33/11 KV sub-stations, distribution transformers, LT line with AB conductors.

4.2.2 The Commission highlighted that during 1999-2000 to 2004-05, R&M expenses in respect of WESCO was approved to the tune of Rs.92.18 crore excluding the cost of manpower, whereas expenditure against this was Rs.73.49 crore. On the other hand, due to lack of maintenance, the number of fatal accidents is the highest out of four DISTCOs.

4.2.3 In response to the query raised by one objector regarding supply of information to the consumer, when asked for, the representative of SOUTHCO expressed regret over the matter and assured the Commission to enquire into the matter and action as deemed fit will be taken.

4.2.4 Regarding interruption in supply, CEO, CESCO pointed out that interruption and voltage fluctuation is beyond the control of the licensee because of transmission lines inadequacy.

4.2.5 Regarding Replacement of Burnt Transformer and snapping of conductors, CEO&A stated that rectification work in this regard was being carried out with utmost promptness. CEO, CESCO further stated that he had arranged transformer wise load survey distribution in rural areas and suggested that considering distribution transformer as the cost center, the concerned executive engineer should be held responsible if the targeted loss reduction and collection efficiency is not maintained.

4.2.6 Regarding the redressal of grievances, CEO, CESCO pointed out that he had set up customer care centers for quick redresal of the grievances.

4.3 Distribution Loss, Collection Efficiency and AT&C Loss

4.3.1 CEO, CESCO stated categorically that distribution loss which was 49% in FY 01-02 had been reduced to 39% during FY 03-04. Further, the collection efficiency has registered to 86% during 2005-06 as compared to the figure during FY 04-05. He pointed out that they have been able to make the BST bill in full by virtue of improvement in collection efficiency. He further stated that collection efficiency is more in rural areas than in urban areas. Regarding the less billing, the CEOs/representative stated that due to removal of ghost consumers and the fictitious bills thereon, the billing has gone down.

4.3.2 Regarding Govt. dues, CEO, CESCO pointed out that reconciliation of disputed bills is going on.

4.3.3 In response to the query regarding action taken against the unscrupulous employees who in collusion with the consumers had promoted hooking and power obstruction, CEO, CESCO stated that suitable disciplinary and legal action had been taken against such employees.

4.3.4 In response to the allegation made by the objectors about grant of gratuitous benefit to some consumers by way of reducing amount in their electricity bills, CEO, CESCO asked them to furnish specific cases, enabling him to enquire into the matter.

4.4 Metering

4.4.1 The Commission enquired about the mode of billing in case of the consumers having defective meters. SOUTHCO reiterated that average of 3 months of past reading is taken into account while preparing the bill. The Commission further questioned why lift irrigation and street light consumers had not been provided with meters and directed the CEOs to provide the meters without further delay.

4.4.2 Regarding installation of meter box, the Commission asked the licensees with reference to payment for such installation i.e., whether the cost is to be borne by the consumers. The licensees stated that the cost was being borne by the licensees. However, the Commission was sceptical about this statement and stated that in that case there should not be any complaint by the consumers in this regard.

4.4.3 Regarding the proposal for doing away with the meter rent proposed by NESCO, SOUTHCO & WESCO, the Commission questioned the rationale behind such proposal. The licensees pointed out that the method of calculation of meter rent being cumbersome, they are inclined to avoid it. However, the Commission expressed the view that it is not an invidious task warranting waival of meter rent inasmuch as are of computers will alleviate the problem.

4.4.4 CEO, CESCO denied the allegation that consumers were being forced to procure meters and intimated that rather they were supplying meters to them from their own sources and in case consumers were willing to supply the meter, those were being installed by CESCO. This is in accordance with the stipulation provided in OERC Regulations.

4.4.5 CEO, CESCO alleged that meters in villages were being rampantly destroyed/tampered. Hence, he has advised to stop installation of meters in those areas.

4.5 **Spot Billing Roll Out Plan**

CEO, CESCO stated unequivocally that they had introduced spot billing 100% in Rural and Urban areas which has helped the consumers to get their bills in time. SOUTHCO in this context iterated that they had introduced spot billing in limited scale. However, they have planned to extend it to all areas in phases after sorting out the problem arising out of the software with M/s. Phonix. WESCO and NESCO reiterated the same position in this regard.

4.6 **APDRP Scheme**

4.6.1 Regarding APDRP fund, CEO, CESCO stated that the amount spent on system improvement can be paid back within two years. He laid stress on recruitment of technical personnel, as there is acute shortage of manpower in the sector. He cited the extent of scarcity by stating that one diploma engineer has perforce to remain on charge of 3 to 4 sections. The Commission was of the view that CEO, CESCO has been vested immense power to recruit staff in consultation with the supervisory body.

4.6.2 As regards the allegation by the objectors regarding misappropriation of APDRP fund by purchase of inferior quality materials, SOUTHCO stated that there is no denying the fact that insulated cables had been purchased from M/s Amardeep amounting to Rs.2 crore (approximately) and was inspected by the CEO himself in New Delhi. It was further informed that procurement for NESCO, SOUTHCO & WESCO, was being controlled by the Central Purchase Group (CPG) of Reliance Energy Limited (REL), Mumbai and the materials were inspected at site by two advisers appointed by M/s REL.

4.6.3 In response to the allegation regarding billing, he stated that data collected by SOUTHCO has to be transmitted to the Central Office. The

Commission feels that further engagement of third party, a Mumbai based company (subsidiary of REL), for collection of data for billing is infructuous.

4.7 **Energy Audit**

Regarding energy audit, CEO, CESCO stated that metering of feeders, Distribution Transformers of feeders, DISTCOs is in progress. The CEO, WESCO stated that they have engaged a consultant for conducting energy audit in limited areas. The Commission stated that engagement of consultant could have been easily avoided had the data of energy audit been collected from Price Waterhouse Coopers (PWC). In some specific feeders PWC conducted energy audit as per the direction of the Commission which could be utilized effectively.

4.8 **Remunerative Norms**

Regarding observance of the remunerative norms, the CEOs/representative stated that they are scrupulously following the remunerative norms laid down by the Commission. In response to the objections raised by the objectors regarding collection of up gradation charges for 33KV lines, the Commission questioned licensees the authority for such collection. CEO, WESCO stated that the maximum demand had gone up during off peak period requiring the system upgradation they had charged additional amount from OCL.

4.9 **Administrative & General Expenses**

4.9.1 In response to the query raised by the Commission regarding extravagant expenditure on account of deployment of vehicles, the licensees stated that for enhancement of collection, vehicles are being deployed. The Commission advised to ensure cost effectiveness while incurring expenditure on this account.

4.9.2 Regarding huge employees cost, CEO, CESCO stated that CESCO have to incur such expenditure because of engagement of 6000-7000 employees and payment of terminal dues to the retired employees as per the assessment made by actuaries.

4.10 **Interest on Security Deposit**

While responding to the allegation raised by the objectors regarding the rate of interest payable on security deposit @ 5%, CEO, CESCO stated that the same is being paid in conformity with the OERC Distribution (Conditions of Supply) Code, 2004 and RST order for FY 2005-06. CEO, WESCO stated that during transfer of asset at the time of privatization, only Rs.10 crore on account of security deposit has transferred to WESCO. The Commission wanted to know how much had been collected towards security deposit since 1999 till date. The Commission further directed that the amount of security deposit collected should remain in the respective division and need not be remitted to the headquarter. The Commission advised the three REL managed DISTCOs to enquire into the exact amount security deposit collected so far.

4.11 **Consumers' Classification**

With regard to the query as to whether VBC Company will be treated as a new consumer or not, the Commission advised SOUTHCO to follow the principles laid down in IPR. In this context, the Govt. representative stated that the date of commencement of commercial production should be taken into account, while determining the status of the industrial consumers.

4.12 **S.E. Railways and E. C. Railways**

4.12.1 In response to the proposal of East Coast Railway to keep the railway tariff constant, CEO, CESCO stated that no proposal for hike in railway tariff has been proposed for the ensuing year.

4.12.2 Regarding computation of SMD, in case of railways, the licensees stated that the railways are to pay demand charges on maximum demand recorded in the individual meter and not on the basis of SMD, as the licensees in turn are paying demand charges to OPTCL on the basis of demand recorded at each grid point. Hence, the prayer of the railways should not be considered.

4.12.3 Regarding asset register, CEO, CESCO stated that the same for FY 2001-02 has been prepared. He further stated that the asset register for FY 2003-04 to be completed by March 2006 and the same for FY 2004-05 & 2005-06 would be undertaken thereafter.

4.12.4 With regard to the query i.e. gap between the actual and approved figures of expenditure, the CEOs/representatives iterated that the gap is being taken into the fold of Regulatory Asset which is being calculated on actuals only.

4.13 **Rebate and Penalty**

4.13.1 Regarding over drawl penalty CEO, CESCO stated that such penalty had been levied on consumers exceeding the contract demand in line with OERC's RST order for FY 2005-06.

4.13.2 Regarding rebate, CEO CESCO pointed out that part of the rebate obtained from GRIDCO, is transferred to consumers. Regarding DPS, CEO CESCO pointed out that it is levied on the consumers as per the direction of the Commission envisaged in the RST order for FY 2005-06. He further stated that DPS has not been estimated and adjusted in subsequent years.

4.13.3 In response to the objectors' claim for introducing two types of energy charges during day time and night time, CEO, CESCO submitted that as GRIDCO is charging one uniform rate for peak and off-peak consumption of power in its BST bills to the licensee, it may not be possible to charge two separate rates of energy charges.

4.13.4 In response to the proposal of the objectors for special concession to a particular category of consumers, CEO, CESCO pointed out that as the tariff is fixed as per the supply cost at different voltage level will be tantamount to cross subsidization by the other category of consumers.

4.13.5 As regards the proposal for providing incentive from 40% instead of 50% on base level load factor, CEO, CESCO stated that it comes under the purview of the Commission.

4.13.6 In response the query of one objector about the name of the company, CEO CESCO stated that after revocation of license of CESCO by OERC, the management of Central Zone Electricity Distribution and Retail Supply Utility has been vested with the CEO&A who has been directed to comply with the all license conditions.

4.14 **Restoration of Supply of Consumers under OLIC Category**

With regard to OLIC plea for restoration of power supply in case of burnt of transformer, the Commission advised the licensees to segregate the OLIC supply line from the rest of the consumers under the same transformer.

4.15 **Special Police Station and Special Courts**

CEO, NESCO alleged that the local police stations had expressed their reluctance to register complaints against theft of electricity. As a result, the miscreants are enjoying merrily the benefit of electricity free of cost. As such, the good consumers have started evading payment. The Govt. representative stated that in case of non-acceptance of the complaint by the local police station, the licensees personnel can directly lodge the complaints with the local district authority. CEO, WESCO stated that neither special police station nor special court has yet been established. The Govt. representative asked whether they have remitted the requisite amount to the Govt. for this purpose.

4.16 **Fixation of lower limit of contract demand**

Regarding fixation of lower limit of contract demand for industries, the Commission enquired from the CEO, WESCO how many industries were falling with this limit. He stated that only one industrial unit qualifies for the same. CEO, NESCO stated that at present 30 nos. of consumers having contract demand of 2 MVA and above are under NESCO. He submitted that after the pronouncement of last tariff order, no significant industrial growth has taken place. He highlighted that due to such discounted tariff, the negative revenue requirement of Rs.22.31 crore for FY 2005-06 had been approved by the Commission. Hence, further lowering of contract demand will aggravate the situation. In this context, he pointed out that such type of special tariff is a discrimination under section 62(3) of the Electricity Act, 2003. The Commission advised the licensees to react on the proposal of consumers for reduction of lower limit of contract demand from 5 MVA to 2 MVA.

4.17 **Computation of Load Factor on Annual basis**

In response to the proposal made by the objectors about calculation of the load factor annually, CEO, NESCO stated that some consumers draw power more than their contract demand in KVA during off peak hours to avail of the benefit of drawing additional 20% of contract demand without paying over drawl penalty to make good the shortfall in load factor for less drawl in the previous period. He disagreed with the proposal saying that this may heed to negative impact in the ARR of NESCO.

4.18 **Calculation of Load Factor considering 0.9 as P.F.**

Regarding calculation of load factor considering 0.9 as power factor, CEO, NESCO highlighted that no regulation stipulates that the load factor shall be calculated by multiplying 0.9 power factor. He submitted that NESCO is calculating load factor based on the OERC Regulation 2(gg) and review order dated 20.04.2005.

4.19 **Power Factor Incentive**

In response to the appeal of the objectors to the Commission in respect of power factor incentive, CEO, NESCO stated that power factor being the inverse function of demand (in MVA), the consumers should install capacitor bank for achieving high power factor to safeguard their own interest. He further highlighted that the cost of installation of capacitor bank is recovered within a year due to the benefit the consumer gets in the form of lower demand charges.

4.20 **Computation of Load Factor excluding Plant Annual Maintenance Shut Down/ Non-Supply by GRIDCO/OPTCL**

4.20.1 Regarding the exclusion of annual maintenance shut down period from calculation of load factor, the licensees stated that the consumers' annual maintenance depend on their plant requirements and varies from industry to industry. They further highlighted that the load factor achieved by the consumers even during annual shut down periods remains above 80%. As such, there is no valid ground for considering the omission of annual maintenance shut down period from calculation of load factor.

4.20.2 Regarding the deduction of no. of hours from calculation of load factor in case of non-supply by GRIDCO/OPTCL, the licensees submitted that had there been no consideration of the above non-supply of power, the consumption slab for availing of incentive tariff would have been on higher side or withdrawn.

5 OBSERVATION OF THE STATE ADVISORY COMMITTEE (SAC)

5.1.1 The SAC constituted under Section 87 of the Electricity Act, 2003 met for the sixth time on 8th February 2006 to deliberate on the Annual Revenue Requirement and Tariff Application for the FY 2006-07, of utilities, namely, OHPC, OPTCL, GRIDCO, CESCO, NESCO, SOUTHCO and WESCO.

5.1.2 The Director (Tariff), OERC gave a graphic presentation on the ARR and tariff application for the FY 2006-07 of the above mentioned utilities. Members in general expressed their concern about the poor performance of the licensees rendering requisite services to the consumers, high distribution loss, non-investment by private entrepreneurs, GRIDCO's proposal for stiff hike in bulk supply price, proposed rise in R&M expenses by OPTCL despite its failure to spend the approved amount in the previous tariff orders, etc.

6 COMMISSION'S OBSERVATION

6.1 For determination of tariff, the State Commission, among other things, shall be guided by National Electricity Policy (NEP), National Tariff Policy (NTP) in terms of Section 61(i) of the Electricity Act, 2003. In conformity with Section 3 of the Electricity Act, Govt. of India has already notified the NEP on 12th Feb.'05 followed by NTP on 6th Jan.'06. The NEP chalks out a vision of self-sustainable power sector by ensuring recovery of cost of service from the consumers, competitiveness in distribution, a minimum level of support to render the electricity affordable for consumers of very poor category, reduction of cost subsidies progressively and gradually, etc. The objectives of NTP are to :-

(a) Ensure availability of electricity to consumers at reasonable and competitive rates;
(b) Ensure financial viability of the sector and attract investments;
(c) Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks;
(d) Promote competition, efficiency in operations and improvement in quality of supply.

6.2 The determination of Annual Revenue Requirement (ARR) and Tariff is a statutory obligation of the Commission by which the Commission carves out the roadmap for continued development of the electricity sector by balancing the conflicting interests of various stakeholders. In fact, the measures taken by this Commission since its inception have been vindicated in the aims and objectives of NEP and NTP.

6.3 Multi Year Tariff

According to the NTP, the MYT framework with a control of 3 to 5 years is to be adopted for any tariffs to be determined from April 1, 2006. The Commission in its order dated 8th June, 2003 and 12th November, 2003 in Case No.8/2003 had set forth the Long Term Tariff Strategy (LTTS) for implementation. The Business Plan approved by the Commission vide its order dated 28.02.2005 in Case No.115 of 2004 in respect of all the distribution licensees acts as a sequel to LTTS. The five year control period encompassing FY 2003-04 to 2007-08 has been envisaged in the Business Plan. The relevant extract of LTTS principles is reproduced below :-

"4.LTTS PRINCIPLES

The LTTS sets out the principles by which the Annual Revenue Requirements of the Licensees will be determined for each of the Control Period. The Retail Supply Tariffs and Bulk Supply Tariffs will continue to be awarded through the Commissions Orders on ARR filings/ Tariff

Proposals during these years of the Control Period, i.e., for the years FY 2003-04, FY 2004-05, FY 2005-06 and FY 2006-07.

Tariffs are essentially a risk-sharing mechanism. Efficient risk allocation principles dictate that in order to minimize the overall costs, only those risks should be allocated to the Licensee where it is best placed to manage and mitigate them. It is important to be sensitive to the fact that the Licensees had urged before the Commission that their risk bearing capacity stands greatly reduced. Therefore the risk elements that are allocated to Licensees (Controllable) should be such that that they are directly within the control of the Licensees or can be managed by the Licensees and have significant impact on the system performance and financial stability. The LTTS seeks to incentivise licensees to reduce "Controllable Costs". For the purpose of the LTTS, network and financing costs and Aggregate Technical & Commercial (AT&C) losses are considered as "Controllable". Any financial loss arising from the performance falling short of the targets in these areas will, normally, not be recoverable through tariffs. Similarly, any financial gain arising from performing better than targets will not be adjusted against revenue requirement, and licensees will retain such gains during the Control Period.

The gains or losses arising from factors that are not under the control of the Licensees shall be deemed as "Uncontrollable" and will be recoverable through tariffs in the ensuing year(s) of the Control Period as special appropriation. These primarily relate to fuel cost changes that affect the cost of power purchase, inflation, exchange rate variations, etc that may affect networking and financing costs. If and where uncontrollable elements/costs are forecasted for the computation of revenue requirement, corresponding adjustments to reflect actual values will be made in the ensuing year(s) revenue requirement. The forecasts should be done with adequate due-diligence so as to reasonably reflect expected normal business operations in electricity sector in Orissa. There are also a number of uncontrollable risk events arising out of force majeure conditions changes in the laws of the land, judicial pronouncements, Government policies and directions, and economy-wide influences, which have cost implications. These too will be recoverable through tariff of future year(s), to the extent they are not covered by Governmental subventions.

Comprehensive, timely and reliable data capable of independent verification is an essential requirement under the LTTS framework. Reliable and timely information will help the Commission effectively design the LTTS framework and the Performance Targets as well as make appropriate adjustments allowed under these Principles. The Licensees must take steps and set up systems and procedures to ensure availability of timely and reliable data.

Standards for quality of supply and consumer service will be monitored closely and penalties for not achieving the targets will be introduced in a phased manner."

6.4 The retail supply tariff is being determined based upon ARR and tariff proposal filed by the licensees for the FY 2006-07 and in accord with the LTTS principles. Apart from the cost of power purchase, the revenue requirement covers the network costs as depicted below :-

6.4.1 O&M Costs comprise wages and salaries, repairs and maintenance, administrative and general expenses, provision for bad debts based on prudential norms.

(a) The emoluments shall take into account incremental effects of dearness allowance based upon Govt. notification from time to time and annual increments. Provision for terminal benefits based on a periodic actuarial valuation shall be allowed.

(b) For Repair &Maintenance, 5.4% on the opening gross asset value shall be allowed.

(c) For Administrative and General expenses, the base year value escalated by 7% every year shall be allowed during the control period.

(d) No adjustment in the ARR shall be effected on account of the differential value between actual value and the targeted performance for the O&M cost during the control period.

6.4.2 The Commission shall allow 2.5% of the total annual revenue billings from sale of power as the prudential norm for provisioning of bad and doubtful debt during the control period.

6.4.3 **Financing costs**: The financing costs on the approved capital investment plan for ongoing and future investment shall be allowed by the Commission. The licensee can be allowed to retain the saving in financing cost owing to effective implementation of the project in financial and physical terms. Similarly, financial losses on account of time and cost over runs will be to the account of the licensee. However, the licensee shall present its case to the satisfaction of the Commission on both saving and losses.

6.4.4 The Deptt. of Energy Notification No.1068/E dated 29.01.03 envisages that "The effect of up-valuation of assets of OHPC and GRIDCO indicated in notification No.52010 dated 01.04.96 and No.5207 dt.01.04.1996 would be kept in abeyance from the financial year 2001-02 prospectively till 2005-06 or the sector turns around, whichever is earlier to avoid re-determination of tariff for past years and also re-determination of asset of various DISTCOs. For this purpose, depreciation would be calculated at pre-92 norms notified by the GOI." As such, the depreciation shall be calculated for the assets at pre-1992 norms.

6.4.5 The Commission in its letter No.460 dtd.22.03.2005 had advised the state Govt. in terms of section 86 of the Electricity Act, 2003 to keep in abeyance the up-valuation of assets as well as moratorium on debt servicing to the state government for a period of five years beyond FY 2005-06 i.e. till FY 2010-11 as the sector has not so far turned around. The Govt. was reminded in the matter vide Commission's letter No.1968 dt.16.12.2005 to accept its recommendations to avoid a tariff shock to the consumers. The projected additional liability on this account could have a adverse impact on the consumer tariff. Till date, the Govt.'s decision has not been received. The Govt. representative during the course of public hearing indicated that at least return on equity on 25% of the asset of old OHPC stations and the principal on loans taken by the OHPC for construction of UIHEP may be considered by the Commission as a pass through.

6.4.6 The objectors unanimously were in disagreement with the aforesaid view of the Govt. They further submitted as there has been no sectoral turn around and the CERC regulations do not permit such recovery, effect of up-valuation should not be considered while determining tariff for FY 06-07. *The CERC (Terms and Conditions of Tariff) Regulations, 2004 notified on 26th March, 2004 at para 56(II)(a)(I) stipulates that the value base for the purpose of depreciation shall be the historical cost of the asset. In OERC regulation, it has also been prescribed for the purpose of tariff determination and the rate of depreciation could be linked to the useful life of the asset, calculated on straight-line method. This is in line with the CERC regulation also. In view of this, the Commission could continue calculate depreciation on the basis of historical cost.*

6.4.7 Any variation between the projected and actual *cost of assets* for *calculation of* depreciation shall be adjusted at the end of Control Period to reflect the actual assets at the corresponding period.

6.4.8 Interest on long-term capital investment is to be allowed in the revenue requirement based on the forecast capital investment plan. Any adjustment in the ARR shall be made for variation in actual and forecast value of interest cost for loans at the end of the Control Period.

6.4.9 Working capital proposed by the Commission shall cover the shortfall in cash collection beyond the target set for collection efficiency during the control period. This shortfall shall be determined after considering the provisions for bad and doubtful debt.

6.4.10 The Commission shall allow 16% return on equity of the DISTCOs.

6.4.11 The most significant component in the revenue requirement of the licensee is the cost of power purchase. The extract of paragraphs 6 & 8 on sales and power purchase as well as the revised forecast of LTTS order is quoted below :-

"6. SALES AND POWER PURCHASE

6.1 The Commission shall approve an annual retail electricity sales forecast for each of the Licensees for the Control Period. The sales forecast shall be made consumer category-wise and slab-wise. At *the beginning of the Control Period, the Commission will also approve the forecast of power purchase and power purchase costs for each year of the Control Period. The forecasts should be done with due diligence so as to reasonably reflect expected normal business operations in electricity sector in Orissa. These forecasts would not normally undergo annual revision, except in the case of variations in excess of 10% in the quantum of purchase of electricity. This will encourage the licensee to attract subsidising consumers and to improve the sales mix by conversion of consumption in the LT categories to the HT categories through the introduction of LT-less distribution systems, thereby reducing the overall system losses.*

8. REVISED FORECASTS

8.1 The Commission may consider stipulating submissions based on revised forecasts for power purchase, power purchase costs and electricity sales for the Control Period at each ARR/Tariff Proposal filing, subject to para 6.1 above. The Commission shall, however examine these forecasts for reasonableness and consistency before approving the Annual Revenue Requirement of the licensees.

8.2 The Commission may consider using these revised forecasts instead of the forecast approved at the beginning of the Control Period, if after examination of all relevant information the Commission is convinced that there are reasonable grounds for revision."

6.4.12 An analysis of the submission made by the DISTCOs, especially NESCO and WESCO reveals that there is a wide variation between the figures approved for purchase of power and their projections for FY 2006-07 because of a substantial rise in sale of power to HT & EHT categories which was not foreseen by the licensees at the time of preparation of Business Plan. It has been our commonplace practice for the last few years to assess the requirement of power purchase for the ensuing year based on the actual purchase for the last completed financial year and for the first half of the current financial year. This principle has stood the test of time and it is also in conformity with the National Tariff Policy which, inter alia, provides that a utility shall be allowed all prudently incurred expenses towards the cost of power purchase.

6.4.13 The LTTS order also provides for pass through of uncontrollable costs arising out of force- majeure conditions.

6.4.14 The LTTS also lays down the axiom that the losses and gains arising on account of sale of any surplus power to any entity outside the State shall not constitute a part of licensee's revenue requirement.

6.5 The Commission also is very much concerned about the supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates to the consumers of the State as spelt out in the NTP. The Commission has already determined and notified the standards of performance of the licensee with respect to quality, continuity and reliability of service to all classes of consumers in its Regulation, 2004. **The Commission has also fixed the deadline as 15th October, 2005 for payment of compensation by the DISTCOs for failure to maintain the desired standards of performance expected from them**.

6.6 The Commission has also specified that the AT&C loss shall be the criteria for determination of the performance of the DISTCOs that provide them the handle for improvement in the field of distribution loss and the collection efficiency. However, the distribution loss will be taken into consideration in assessing sale to consumers by the DISTCOs from year to year while determining the ARR. **This principle is being adopted mutatis mutandis for the year 2006-07.**

6.7 The NTP provides that AT&C loss reduction should be incentivised by linking return in a MYT framework to an achievable trajectory. The Commission has approved a plan for incentive for improved AT&C loss in the approved Business Plan, the extract of which is reproduced below :-

> *(xi)(c)* ***Incentive for improved AT&C loss***
>
> After having determined the AT&C loss from the Business Plan period for the purpose of measurement of performance of different distribution companies we would like to observe that there could be possibilities when the DISTCOs perform better and improve upon than the parameters fixed by the Commission and earn incentives. To ally the apprehension of the consumers about runaway profit earned by the DISTCOs, the Commission would stick to the provisions regarding treatment of profit more than the approved return on account of improved performance in Clause 5, sub-clause 5(H) of OERC (Terms & Conditions for Determination of Tariff) Resolution, 2004 which is quoted hereunder:-
>
> *"**Profit Sharing:** (a) the licensee will be provided with an approved return at the beginning of the period under review. (b) However, the licensee, if it makes more profit than the approved return on account of improved performance, the Commission shall treat the profit beyond the approved return in the following manner;*
>
> *(i) In case, one-third amount to be declared by the licensee as dividends to the shareholders, is not paid out as dividend, it shall be eligible to be treated as part of equity to that extent and earn returns on the same. Any future declaration of dividend from this shall lead to commensurate decrease in the equity base for the purpose of returns.*
>
> *(ii) One-third amount to be returned back to consumers by way of reduction in the consumer bills as rebate.*
>
> *One-third amount shall be kept as tariff balancing reserve, which shall be used to reduce sharp rise in ARR in future years. The Commission may*

allow a part of the total reserve to be returned back to the consumers every 3 years by way of reduction in ARR. The amount in tariff balancing reserve shall not be eligible to be treated as part of equity and would not earn any return for the shareholders. Any return earned on this reserve shall be added back to this reserve."

6.8 The NTP provides for an independent assessment of baseline data for various parameters for every distribution circle of the licensee which shall have to be completed latest by March, 2007. The Commission had conducted sample energy audit initially on five feeders through an independent group of professionals which was followed up for another 20 nos. of 11 kV feeders with mixed loads. In the meantime, some progress has been made in the field of metering right from the grid substation upto the consumer end by the licensees. The Commission has been reviewing the status of metering of 33/11 KV feeders, distribution transformers and consumers at the end of every two months. The progress as reported by the DISTCOs are as under:

Table - 13

Status of metering of DISTCOs as on 30th September, 2005

Items	CESCO	NESCO	WESCO	SOUTHCO	TOTAL
Feeder metering position					
No. of 33 kv feeders	125	52	87	159	423
No. of 33 kv feeder metering	122	52	87	135	396
No. of 11 kv feeders	584	393	417	416	1810
No. of 11 kv feeder metering	579	389	417	416	1801
No. of 33/11 kv transformers	347	234	237	208	1026
No. of 33/11 kv transformer metering	81			30	111
No. of distribution transformers	16915	12199	12975	9302	51391
No. of distribution transformer metering	4274	11451	12168	8993	36886
Consumer metering position					
Total number of consumers	898091	481649	444188	465222	2289150
Total number of meters	898091	439071	439548	457232	2233942
Total number of working meters	799431	337306	425549	441772	2004058
Percentage of working meters	89%	77%	97%	97%	90%

6.9 The Commission is not satisfied with the performance of DISTCOs especifically with respect to energy audit. The huge investment that has gone into the metering of all these installations should not go waste due to the inaction on the part of the licensees to monitor the outputs and take corrective measures, wherever necessary, for effective reduction of technical and commercial losses. The licensees must carry out energy audit including the distribution transformer, consumer indexing and pole scheduling to localise the loss level at every distribution transformer area and pinpoint the person or person responsible for such losses. **Apart from correct metering for reduction of commercial loss, the licensee also shall take remedial steps for reduction of technical losses through relocation of substations, up-gradation of transformer capacity, re-conductoring and other system improvement works.**

6.10 **The Commission, however, will carry out circle-wise independent assessment of the various performance parameters by March, 2007 through a group of independent professionals which hitherto could not be carried out due to paucity of funds.**

6.11 The National Tariff Policy envisages that the Commission shall also institute a system of independent scrutiny of financial and technical data submitted by the licensee. In fact, during the course of the last public hearing it was revealed that around Rs.271.71 crore reportedly have been spent towards R&M by the DISTCOs during 1999-2005. Objections are being frequently raised by the consumer groups as well as the objectors during the course of public hearing on the poor quality of maintenance being undertaken by the licensees. **The Commission shall, therefore, be satisfied with the quality of maintenance work. The Commission contemplates engagement of a team of professionals for carrying out an in-depth study in this regard.**

6.12 The Electricity Act aims at a cost reflective tariff which has been well nigh impossible because of high incidence of cross subsidization within the consumer classes. The impact of cost reflective tariff on common consumers can be mitigated by providing subvention to GRIDCO so that the rise in the BST can be restricted. Such a measure will reduce the revenue requirement of GRIDCO as well as of the distribution licensees to have the benefit of lower BST. Alternatively, Govt. may offer subsidy to certain deserving categories of consumers for some years to come.

6.13 The Govt. was requested to intimate the quantum of subsidies or subventions to be provided, as stipulated in section 65 of the Electricity Act, 2003. OERC can factor in the same as input for the tariff design and offset an anticipated tariff shock. The Govt. representative submitted during the course of tariff hearing that the govt has already granted relief to appropriate class of electricity consumers by way of reduction in electricity duty. He further submitted that the grant of subsidy to the power sector across the board might be counter-productive and not acceptable to the State Govt.

6.14 As recognised in the NTP, the tariff setting has to be such as to progressively reflect the efficient and prudent cost of supply of electricity. Consumers below poverty line and consuming below a specified level, say 30 units per month, may receive a special support through cross-subsidy. Tariffs for such designated group of consumers will be at least 50% of the average cost of supply. This provision may be examined after a period of five years.

6.15 The weighted average cost of LT supply estimated for the financial year 2006-07 is 294 paise per unit. OERC has prescribed the tariff for Kutir Jyoti consumers consuming upto 30 units per month at a flat rate of Rs.30 per month. Computed with reference to current tariff for a domestic consumer consuming 30 units per month, the total charge exclusive of meter rent payable by him comes to Rs.62.00

per month. This includes Rs.20 towards monthly minimum fixed charge and Rs.42.00 towards EC @ 140 paise per unit. Keeping this in view, the charge payable by Kutir Jyoti has been kept at Rs.30 per month which is 50% of the corresponding class of domestic consumers.

6.16 The NTP envisages that the tariff shall be within plus or minus of 20% of the average cost of supply by the end of 2010-11. With the price level of 295 paise per unit, the tariff of the subsidising category should not be lower than 235 paise per unit and should not go beyond 353 paise per unit by 2010-11 at the current price level.

6.17 The Commission has been following the two part tariff featuring separate fixed and variable charges for all consumers with contract demand of 100 KVA or above. On the other hand, a consumer with CD 100 MVA has been allowed a single part tariff of 200 paise per unit at a load factor of 80% and power factor of 0.9 to provide a stable load to the grid and continuous flow of revenue to the licensees.

6.18 Consumers with CD less than 100 KVA and below are essentially covered under single part tariff because of absence of meters of appropriate configuration for recording maximum demand. As such, meters are not cost effective for very small loads. In case of such consumers, MMFC is realised to cover the expenses in connection with metering, billing, meter reading and attending to consumer complaints.

6.19 The Commission has also accepted the principle of Time of Day tariff since 01.04.2005 providing a rebate @ 10 paise per unit on consumption during the off-peak hours. The Commission has defined the peak hour as between 7. A.M. to 10.A.M. and 6 P.M. to 10 P.M. **As such, the TOD tariff shall be applicable from 10 P.M. to 6 A.M. of the next day.**

6.20 As envisaged in the NTP for giving incentive for metered consumption the **Commission's earlier order of billing only on the basis of meter reading instead of load factor shall remain in force. Metering and billing in the absence of meter will be regulated in accordance with the provision of OERC Distribution (Conditions of Supply) Code, 2004.**

6.21 According to NTP, pass through of past losses or profits should be allowed to the extent caused by uncontrollable factors. During the transition period, controllable factors should be to the account of the utilities and the consumers as determined under the MYT framework. It further lays down that the facility of regulatory asset to limit tariff impact in a particular year should be done only as an exception.

6.22 While the Commission accepts the axiom enshrined in the NTP, it has to take into a pragmatic view with respect to recovery of regulatory assets. The high level of subsisting Transmission and Distribution losses imposes restrictions on raising the consumer tariff. With progressive reduction of T&D loss and efficiency gains, the regulatory assets accumulated till date can be distributed over a number of years to avoid a tariff shock to the consumers in the same breath can provide a comfort to the distribution utilities. **In view of the foregoings, the Commission decides**

to allow a portion of the accumulated regulatory asset of NESCO and SOUTHCO for recovery through the tariff for the year 06-07. Further, as WESCO, has been carrying a huge cash surplus, they are required to pay off the outstanding dues owed to GRIDCO.

6.23 The ensuing year's revenue requirements have been determined following the principles enunciated above along with the relevant issues that have been raised by the objectors and the staff of the Commission. Valuable suggestions made by them have been given due consideration. We do not find it appropriate to comment on each one of the objections. The objections and suggestions especially with respect to financial aspects and tariff design have been dealt with by us in the latter part of this order. This, however, does not preclude us to dwell upon subjects unrelated to revenue requirement/tariff.

6.24 On detailed scrutiny and examination of the Revenue Requirement and the Retail Supply Tariff applications for the financial year 06-07 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 determines the various elements for computation of the revenue requirement as detailed below:

6.25 **Determination of quantum of energy to be purchased**

The Commission had approved the power purchase figures for 06-07 in respect of the distribution licensees in the Business Plan. The licensees have now projected purchase figures for the FY 06-07 which are at variance with the approved figures specially in respect of NESCO and WESCO. Hence, the quantum of power to be purchased for the FY 2006-07 has been assessed based on the actual purchase for the FY 2004-05 and quantum of power purchased from April, 2005 to January, 2006 and the expected addition of load projected by the licensees subject to prudence check.

6.25.1 **Power Purchase**

The quantum of power to be purchased for the FY 2006-07 in respect of the four distribution companies have been assessed as under :

* **<u>CESCO</u>**

Power purchase by CESCO from 4/05 to 1/06	:	3470.97 MU
Prorated for a period of 12 months	:	4165.16 MU
Business Plan figure for 06-07	:	3990 MU
No additional load growth proposed at EHT	:	
Load growth shall be met by reduction of distribution loss		
Proposed drawl by licensee for 06-07	:	4164 MU
Hence approved for 06-07	:	4164 MU

* **SOUTHCO**

Power purchase by SOUTHCO from 4/05 to 1/06	:	1409.41 MU
Prorated for a period of 12 months	:	1691.30 MU
Business Plan figure for 06-07	:	1856 MU
Additional load growth proposed at EHT	:	50 MU
Proposed drawl by licensee for 06-07	:	1750 MU
Hence approved for 06-07	:	1691+50=1741 rounded to 1750

* **WESCO**

Power purchase by WESCO from 4/05 to 1/06	:	3470.37 MU
Prorated for a period of 12 months	:	4164.44 MU
Average of last three months drawl for WESCO	:	357.69 MU*
Expected annual drawl with the above average	:	4292.28 MU
Business Plan figure for 06-07	:	4200 MU
Additional load growth proposed at EHT/HT	:	311 MU
Total expected drawl	:	4292+311=4603
Proposed drawl by licensee for 06-07	:	4600 MU
Hence approved for 06-07	:	4600 MU

* **NESCO**

Power purchase by NESCO from 4/05 to 1/06	:	2774 MU
Prorated for a period of 12 months	:	3329 MU
Average of last three months drawl for NESCO	:	303 MU*
Expected annual drawl with the above average	:	3636 MU
Business Plan figure for 06-07	:	3317 MU
Additional load growth proposed at EHT/HT (Inclusive of 400 MU for JINDAL in place of 510)	:	533 MU
Total expected drawl	:	3636+533=4169
Proposed drawl by licensee for 06-07	:	4200 MU
Hence approved for 06-07	:	4169 MU

Note –*(i) For the purpose of computation of drawl for the FY 2006-07, the average of Nov.'05, Dec.'05 and Jan.'06 has been considered, as this average is higher than 10 monthly average.

(ii) Loss at HT for additional loads not considered.

6.26 **Distribution Loss, Collection Efficiency and AT&C Loss**

6.26.1 The parameters approved for the Control Period ending 2007-08 in respect of T&D loss, Collection Efficiency and AT&C loss as approved by the Commission in the Business Plan are reproduced below.

Table - 14
Distribution Loss (%)

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

Table - 15
Collection Efficiency (%)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
NESCO	81.46	88.11	92.00	93.00	94.00	94.00
WESCO	85.40	88.26	90-00	92.00	94.00	96.00
SOUTHCO	82.55	84.15	89.00	91.00	93.00	94.00
CESCO	78.92	81.18	83.00	86.00	89.00	92.00

Table -16
AT & C Loss (%)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
NESCO	52.25	50.36	42.96	39.55	36.08	33.26
WESCO	47.30	46.18	40.60	36.52	32.32	28.00
SOUTHCO	49.76	51.56	45.71	41.76	37.69	34.20
CESCO	55.04	51.10	49.37	44.96	40.37	35.60

6.26.2 The quantum of energy to be sold will be determined after deducting quantum of loss in distribution, applying the bench-mark loss level, as approved by the Commission in the Business Plan where the variation remains within 10% ceiling limit between the percentage of sale at HT & EHT level, as approved in the Business Plan and the projections for 2006-07.

6.26.3 The quantum of energy to be sold at different voltage level i.e. at EHT, HT & LT and the levels of distribution loss to be applied for determination of expected revenue is worked out as under:

6.26.4 **CESCO & SOUTHCO**: 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 arrived at applying the bench-mark loss level on the quantum of power purchase as mentioned above.

6.26.5 **WESCO & NESCO**

6.26.5.1 In case of WESCO the projected EHT sale is 1000 MU as against 1473 MU projected in the Business plan. In case of

NESCO the projected sale is 1320 MU as against 1014 MU projected in Business Plan.

6.26.5.2 At HT in case of WESCO, the projected sale for 06-07 is 1286 MU as against 699 MU projected in the Business Plan. In case of NESCO the projected sale at HT is 554 MU against 422 indicated in the Business Plan.

6.26.5.3 Thus, Business Plan projection of EHT/HT sale for WESCO and NESCO has gone haywire owing to spurt in load growth.

6.26.5.4 While computing the overall distribution loss in the Business Plan, sale at EHT, HT and LT was combinedly taken into consideration. As EHT sale bears the stamp of zero loss, T&D loss in respect of WESCO and NESCO has been calculated excluding sale at EHT level as indicated below.

Table - 17

SL.NO.		WESCO	NESCO
1.	Sale at L.T. from 04/05 to 12/05	526.81 MU	582.2 MU (4/05 to 01/06)
2.	Prorated for 12 months	702.41 MU	698.64 MU
3.	Sale as per Business Plan at LT	850.95 MU	819.25 MU
4.	Dist. Loss as per Business Plan at L.T.	52.96%	51.71%
5.	Current level of loss at LT	>60%	60%
6.	Estimated purchase	4600 MU	4169 MU
7.	Business Plan loss at HT+LT	43.1%	46.1%
8.	Sale applying Business Plan loss at HT+LT	3047.7 MU	2855.5 MU
9.	Sale at EHT as per licensee	1000 MU	1320 MU
10.	Sale at HT as per licensee	1286 MU	568 MU
11.	Balance sale at LT	761.7 MU	967.5 MU

6.27 Over all Distribution Loss (%) approved for the FY 2006-07

Table - 18

NESCO	WESCO	SOUTHCO	CESCO
31.51%	33.75%	33.00%	33.00%

6.28 Expected Revenue for the FY 2006-07

6.28.1 The Anticipated Power Purchase (MU) & Energy Sale (MU) as computed above have been tabulated below:

Table - 19

ITEMS	NESCO	WESCO	SOUTHCO	CESCO	TOTAL
Power Purchase (MU)	**4169.0**	**4600.0**	**1750.0**	**4164.0**	**14683.0**
Sale (MU)					
EHT	1320.0	1000.0	192.7	395.9	2908.6
HT	568.0	1286.0	247.0	589.8	2690.7
LT	967.5	761.7	732.8	1804.2	4266.1
TOTAL	2855.5	3047.7	1172.5	2789.9	9865.5

6.28.2 The computation of expected revenue based on the Actual Average Revenue (P/U) as reported by the licensees is given below:

Table - 20

	NESCO	Average Revenue (P/U) - from April,05 to January,06	Net Revenue (Rs. cr)	WESCO	Average Revenue (P/U)- From April,05 to December,05	Net Revenue (Rs. cr)
Sale (MU)						
EHT	1320.0	271.8	358.7	1000.0	350.5	350.5
HT	568.0	347.5	197.4	1286.0	328.0	421.8
LT	967.5	216.2	209.1	761.7	248.5	189.2
TOTAL	2855.5	270.6	765.2	3047.7	305.8	961.5

Table – 21

	SOUTHCO	Average Revenue (P/U)- From April,05 to January,06	Net Revenue (Rs. cr)	CESCO	Average Revenue (P/U)- From April,05 to January,06	Net Revenue (Rs. cr)	ALL ORISSA	Net Revenue (Rs. cr)
Sale (MU)								
EHT	192.7	415.7	80.1	395.9	338.6	134.1	2908.6	923.38
HT	247.0	334.4	82.6	589.8	373.3	220.2	2690.7	921.91
LT	732.8	254.6	186.6	1804.2	262.7	473.9	4266.1	1058.89
TOTAL	1172.5	300.4	349.3	2789.9	297.7	828.1	9865.5	2904.18

6.28.3 **The Commission observes that the norms for Distribution loss, as determined by the Commission, are binding on the licensee and as such, any loss of revenue on account of non-achieving the above normative parameters will not be a pass through in tariff.**

6.29 **Calculation of Billing Efficiency**

The Commission directs the licensee to calculate billing efficiency for the financial year based on current billing and collection. The collection out of current billing and outstanding arrears needs to be separately recorded.

6.30 **Consumer Classification and Tariff**

The 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 related 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. As such, it may not be possible to synchronize the pricing of electricity with classification decided by the Industries Department.

6.31 **Railway Traction Tariff**

6.31.1 The question of providing a reasonable tariff for Railway Traction raised by the Railways 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, as compared to many other states. Therefore, railways should have no grouse on this account.

6.31.2 The rationale behind railways claim for a single part tariff which is applicable for emergency power supply to captive power plants being intermittent in nature and to very large industrial consumers with a contract demand of 100 MVA and above with a guaranteed off-take at 80% is not sustainable as railways do not belong to any such category. Besides, every other consumer with contract demand of 100 KVA and above availing power supply at HT/EHT is covered under two part tariff following the principle of economic rationality for recovery of fixed and variable charges separately.

6.31.3 Railways pleaded that payment of maximum demand charges from each of traction substation could be replaced by a system of simultaneous maximum demand recording in contiguous substation. It may be mentioned that the railway traction supply is given by different licensees from the EHT network of the OPTCL and billing is done for the supply made against agreements executed between the supply licensees and the consumer. 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.

6.31.4 The railways also contended that the integration period of 30 minutes for measurement of maximum demand in respect of railway traction ought to be allowed instead of the existing provision of 15 minutes. With implementation of ABT, energy accounting has to be done on 15 minutes integration period for the uses of the system which will include all EHT consumers of the state. Hence, it is not justifiable to change over to the integration period of 30 minutes, as proposed by Railways.

6.31.5 Railway suggested for availing traction power supply from GRIDCO instead of availing in from DISTCOs. It is clarified that in the regime of open access, railways can have option to purchase power from any agencies other than the licensees in accordance with the relevant Regulation.

6.32 **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 areas as defined in the licence conditions. The Commission feels that though cost-based tariff is more efficient, it would be desirable to give some more time to shift away from the uniform retail tariff. **Accordingly, for the year 2006-07, the Commission decides to adopt uniform Retail Tariff for all distribution licensees.**

6.33 **Charging of Security Deposit by licensee**

6.33.1 Some of the objectors pleaded that, the licensee should pay interest on security deposit to the consumers at the prime lending rate at which nationalized banks normally lend money to it on Cash Credit Account and similar other facilities during the year. It may be noted that, after the issue of the tariff order for FY 2005-06, the Commission issued a separate order in July, 2005, directing the licensees to pay the interest on consumers' security deposit @ 6.0% i.e. at actual instead of 5.0% approved earlier by the Commission in the RST Order for FY 2005-06.

6.33.2 Some of the objectors pleaded that consumer security deposit may be reduced to one month actual consumption since the bills are paid on 16th of the successive month.

Deliberating on this issue, the Commission feels that, it may be possible to raise fortnightly consumption bills by the licensees (two nos. of bills in a month) for EHT & HT consumers where numbers are around 1800 nos. In that case, security deposit for one month can be considered and incorporated in the Regulation, if deemed necessary.

6.33.3 Bank Guarantee be accepted in lieu of cash Security Deposit to reduce the burden on consumers.

6.33.4 Delayed payment of Additional Security Deposit beyond a period of 30 days should carry interest at bank rate instead of 15% per annum as provided in the regulation.

6.33.5 The amount of Security Deposit and interest accrued on it may be shown in the monthly bill of the consumer.

These issues have already been addressed in the OERC Regulation. The licensees and the consumers shall follow the stipulations of the regulation scrupulously.

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

Some of the objectors pleaded that demand charge should be calculated on pro-rata basis for the actual period of power availability. Alternatively, demand charge may be exempted if there is power interruption for more than 50 hours in a month. 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 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. This also conforms to the provision under Regulation 110 of the OERC Distribution (Condition of Supply) Code, 2004. However, consumers otherwise affected can claim compensation from the licensee in accordance with OERC (Licensees Standard of Performance) Regulation, 2004.

6.35 **Remunerative Norm for availing power supply**

Some of the objectors pleaded that the licensees are not following the remunerative norm for providing new connections. Remunerative norms as stipulated in the OERC Distribution (Conditions of Supply) Code, 2004 for availing new connection is binding both on the consumers and licensee which has to be strictly followed. Affected consumers should approach the appropriate Grievance Handling Mechanism for enforcement of their rights.

6.36 **Meter Rent**

6.36.1 WESCO and NESCO and SOUTHCO have proposed for abolition of meter rent. Objects have been complaining that the licensees are continuing to charge the meter rent even after recovery of the entire cost of the meter. On this issue, the Commission would like to reiterate its own order passed in Case No.139, 141, 143 and 145 of 2005 dt.22.03.2005 which is as under :

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

(2) In case of new connection/replacement of meter, the consumer, in accordance with 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."

6.36.2 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.

6.36.3 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/-

6.37 Special Tariff for Mini-Steel Plants

6.37.1 Some objectors pleaded that a special tariff for mini steel plants should be allowed to continue for at least three years. In this context, the Commission analysed the performance of the mini steel plants in the state for the period from April, 2005 to September, 2005. It is observed that prior to 01.04.05 i.e. in the month of March, 05 in WESCO consumption by this category was 16.182 MU with a revenue billing of Rs.499.54 lakhs. The subsequent growth in revenue is not commensurate with the growth of consumption. Many of those industries are operating at load factor of around 80%. Plants operating at 80% LF are entitled to incentive tariff in place which works out to 293 paise per unit at a power factor of 0.9 and is reduced to Rs.289.06 paise per unit at a power factor 0.99. Inter state comparative study of tariff indicates that such a tariff is one of the lowest in India. The Commission in para 8.28 of its order dt.23.03.05 directed that the mini steel plants both existing and upcoming should be allowed a discount for a period of one year after which the matter was to be reviewed to ascertain how far the concessional tariff has boosted load growth. **For the reasons explained earlier, the Commission does not**

consider it necessary to continue with the said discount which ceases with effect from 01.04.2006.

6.37.2 Besides, the expected rise did not materialise which indicate that reduced electricity tariff cannot be construed as the criteria for the growth of mini steel plants and there are other factors that contribute the decline/growth of such industries.

6.38 **Special Tariff for different HT/EHT consumers**

6.38.1 Some of the objectors pleaded for different tariff for sub-categories like steel industry, cement industry, food processing industry within the large industry category. A study of the tariff structure and HT/EHT would show that, the tariff structure is fully rationaised. The rates are uniform for consumers with contract demand 110 KVA and above receiving power either at HT/EHT except for the emergency power supply to the captive power plants and for consumers with CD 100 MVA and above. It includes consumers like general purpose, public water works and sewerage, pumping, large industry, power intensive industry, mini steel plant, railway traction and heavy industries. The per unit rate of electricity is equal for such category of consumers provided that the power factor and load factor remains same at HT or EHT. This is an indicator of moving towards cost based tariff structure. In fact, all HT/EHT categories can be rolled into one but for the differentiation in electricity duty imposed by the Govt. **For the reasons explained above, the Commission, therefore, does not consider it necessary to differentiate between various classes of consumers except where it is a legacy for the past for some specific reasons.**

6.38.2 Considering the presentation made by IPICOL regarding addition of new industries particularly in the steel sector and in order to encourage new industries in the State, the Commission in its last tariff order for FY 2005-06 provided financial incentive in the form of discount for higher consumption. It was hoped that higher sale would compensate for the discount being offered to the industries. The order stipulated that, new industries with contract demand of 5 MVA and above coming into operation on or after 01.04.2005 fulfilling the criteria will be allowed a discount of 25% on the energy charge upto 50% load factor in the existing tariff. But it was observed that, no such industry had come forward after 01.04.2005 to avail this benefit which simply remained on paper. **Hence, it is not considered necessary to continue this facility in 06-07.**

6.39 **Incentive for Higher Consumption**

6.39.1 Some objectors proposed to withdraw the condition of not reducing contract demand during next 3 years to entitle a consumer to avail load factor incentive at different slabs. The purpose for giving incentive on higher consumption was to encourage consumption so as to maximise the capacity utilisation with a future action plan for assessment of energy requirement and revenue realisation for a definite period. Predictability of the consumption pattern would help to sustain a stable tariff regime.

Flexibility of reduction of CD would make the planning process for future requirement of energy and revenue realisation unpredictable. Therefore, those who are willing to avail of this benefit should be prepared not to reduce their contract demand for a period of three years effective from 01.04.2005.

6.39.2 Some objectors suggested that, for the purpose of computation of incentive for higher consumption, load factor should be calculated based on the Maximum Demand in place of MD or CD, which ever is higher. In this context, it may be clarified that Load Factor has been defined in the OERC Regulation following the standard practice in industry. The objective of incentive tariff is to encourage the best utilisation of the existing capacity. When the maximum demand is less than the contract demand then there is no full utilisation of the capacity created. The industries who are availing this concession must appreciate that power consumed in excess of 60% is billed @ of 150 paise per unit at EHT which is today even less than the variable cost of the central generating stations. It is, therefore, necessary that, a suitable mechanism be inbuilt to the tariff structure so that the highest utilisation capacity takes place at the lowest possible cost. As such, the Commission does not find it justifiable to link the definition of load factor with the concessional incentive tariff.

6.40 Incentive for higher consumption to HT and EHT group of consumers

6.40.1 The existing provision of incentive tariff for HT & EHT consumers was examined. **The Commission does not like to make any change in the existing provision.**

6.40.2 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.

6.40.3 The Commission directs that the intra-state ABT shall be applied to all State generators and loads at 132 KV and above voltage level in accordance with the guidelines/regulations to be subsequently framed by OERC for implementation with effect from 01.04.2006. 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.

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

6.40.5 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 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 as mentioned in Table below.

Table - 22

	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**

6.41 **Method for Determination of Incentive**

6.41.1 **Some objectors during the tariff hearing were of the view that, the maximum demand recorded during off peak hours that is from 10 PM to 6 AM of the next day, attracting no penalty up to a consumption level of 120% should not be taken into consideration while calculating the load factor. It may be mentioned here that a consumer is availing a benefit being permitted to draw 20% additional energy without levy of penalty. Therefore, it will not be appropriate to further incentivise him by ignoring the maximum demand recording during these hours.**

6.41.2 **Calculation of the consumption ratio for a month will be as follows.**

6.41.3 **Actual units consumed in a month based on meter reading / CD or MD whichever is higher in KVA X PF X 730 hours in a month.**

6.41.4 **The power factor will be taken at a normative level of 0.9.**

6.41.5 **Demand Charges as applicable would be chargeable in addition to the above**

6.42 **Load Factor Incentive for HT/EHT consumer**

Some objectors pleaded for reduction of load factor incentive of the first slab from 50% to 40%. **For the reasons explained in the forgoing paragraph there is no justification of allowing incentive from the level of 50% to 40%.**

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

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 off take 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 the said tariff.**

6.44 **Special Tariff for Power Intensive Industries**

6.44.1 **This shall continue as approved in our tariff order dt.22.03.05 in para 8.26.**

6.44.2 The Commission had taken into consideration the appeal made by the consumers to calculate the incentive based on the annual consumption figures. The conditions envisaged a monthly guaranteed off take of 80% implying that when a consumer consumes at a level less than 80% the payment has to be made as if the utilization has been upto the level of 80%. There could be certain months in which the level of consumption may be below 80% and some months above 80%. The consumption above the level of 80% helps the consumer to get a lower tariff. An averaging of the consumption over the whole year may enable a consumer to reach the level of 80% but at the same time may deprive them of lower tariff for the months during which they were operating at a level higher than 80%. The profit or loss on this account can be anybody’s guess. **The Commission does not like to depart from the principle and does not approve the computation of load factor on annual basis.**

6.45 **Incentive Tariff & Over Drawl Penalty**

On the issue of exemption from overdrawl penalty by consumers availing incentive tariff, the Commission would like to observe that Load Factor Incentive has been designed for better capacity utilisation. Unplanned overdrawl will burden the system and may affect other consumers connected to the system like dip in voltage and tripping of feeders, besides putting the utilities in difficulty in the ABT regime when they are required to give a 15 minutes day ahead schedule of their demand. The intension of the Over Drawl Penalty is to alert the consumers to predict a realistic demand so that the DISTCOs in turn will be in a position to project their estimated demand to GRIDCO. **Hence, Incentive tariff should not be linked with Over Drawl Penalty which is on a different footing.**

6.46 **Period of Agreement**

6.46.1 Some objectors suggested that the period of agreement should be reduced to one year. The matter relates to the provisions under OERC Distribution (Conditions of Supply) Code, 2004. The provision in Form 3 under Regulation 15 stipulates that

“the agreement shall commence from the date of its execution and shall continue to be in force until the expiry of five years from the date of supply, and thereafter shall so continue until the same is determined by either party giving to the other, two calendar month’s notice, in writing, of its intention to terminate the Agreement.”

6.46.2 Further, the projection of loans and estimate for investment plans for distribution licensees are based on the premise that an existing load continues for at least five years. In case the period of agreement is reduced, there may be situation when frequent terminations and executions of agreements will take place. Also it may so happen that resources created may be left under utilized. **Therefore, in view of the above facts,**

the Commission does not accept the proposal given by the objectors for reduction of agreement period to one year.

6.47 **Exclusion of annual maintenance shutdown period from calculation of load factor**

Some of the objectors submitted that, annual maintenance shutdown period should be excluded from calculation of load factor for the purpose of incentive tariff with guaranteed minimum off take at a load factor of 80%. In this context, the Commission observes that, in order to avail load factor incentive, the consumer should take adequate steps to run his industry efficiently so that down time is minimised. Load Factor of 80% guaranteed minimum off take has been considered leaving a gap of 20% towards any shut down on account of annual maintenance. Hence, extension of any further benefit in this regard will not be appropriate. **The Commission directs that non-availability of power supply due to failure on the part of the licensee shall have to be dealt with in accordance with OERC (Licensees' Standard of Performance) Regulation, 2004.**

6.48 **Industrial Colony Consumption**

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

6.49 **Military Engineering Services (MES), Ministry of Defence**

6.49.1 MES (Military Engineering Services) pleaded for a separate tariff under the status of a deemed licensee. As clarified by the Ministry of Power, Govt. of India letter Dt.26.07.2004 MES under provision of Section 14, MES, shall be deemed to be a licensee but shall not be required to obtain a license under this Act, 2003. The deemed licensee is empowered to carry out power supply, related works and maintenance of the electrical system within their jurisdiction.

6.49.2 MES establishment is directly connected to the distribution network of a DISTCO for receiving power supply. DISTCOs pay the cost of power purchase to GRIDCO and bear the cost of transmission and the transmission loss payable to OPTCL. In case MES chooses to purchase power from GRIDCO they shall be required to pay in addition charges for cross-subsidy surcharge. Perhaps it may be more economical for the MES establishment to continue to remain as a bulk consumer under DISTCO and distribute the power supply within their area.

6.50 **Tariff Hike**

6.50.1 Between 05-06 and 06-07, there has been a perceptible difference in the cost of power purchase from the thermal generating stations due to substantial rise in cost of coal and oil. This occurred due to import of coal and increase in price of oil to meet the power demand which alone added to a burden around Rs.200 crore in form of fuel surcharge payable by GRIDCO to the generating stations viz. Farakka, Kahalgaon, TSTPS, Kaniha, Ib thermal, OPGC and TTPS, Talcher. The OERC Regulation provides for recovery of fuel surcharge from the consumers in addition to normal tariff and charges payable for meeting the revenue requirement. The Commission has taken into consideration the aforesaid facts but ***was of the considered opinion that this extra rise on account of imported coal will be off set against reduction of AT&C loss.*** Besides, to avoid a tariff shock to the general consumers, the commission has left an uncovered gap of more than of Rs.503 crore for the year 06-07 for GRIDCO with an observation that this gap be met through proceeds out of trading of surplus power and UI charges. Shortfall, if any, for the ensuring year 06-07 may have to be bridged by taking working capital loans. The Commission cherishes that during the years ahead, the sustained efficiency gain in operation of distribution licensees may be helpful in meeting the uncovered gap. The Commission has worked out these alternatives presuming, the year 06-07 shall be a year with normal hydro availability. **In case of such continued rise in the cost of fuel and oil or in the event of hydro failure the additional expenses on this account, if required, may have to be recovered through levy of fuel surcharge as provided in OERC (Conduct of Business Regulation) 2004 in conformity with LTTS principles**.

6.50.2 It was apparent 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 improvement in rendering consumer services and had not been able to reduce the T&D loss substantially. The Commission have been very much concerned with the poor performance of the licensees and have been suo motu monitoring the same in various ways.

6.50.3 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. As such, the industrial consumers pleaded for reduction in cross subsidy. Each 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 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. Further, Tariff Policy stipulates that, the Regulatory Commissions need to strike the right balance between the requirements of the commercial viability of distribution licensees and consumer interests.

6.51 **Rural Electrification**

6.51.1 On this issue we are reiterating the views as approved in the tariff order dt.22.03.2005 for the financial year 05-06. The same shall apply for the ensuing year also.

6.51.2 The distribution companies submitted that, the impact of accelerated RE programme on the ARR should be considered in the ARR for the FY 2006-06 and accordingly revision should be made in the AT&C loss reduction targets.

6.51.3 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:-

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

6.51.3.2 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 necessary, Aerial Bunched Conductors (ABC) can be used for extending LT supply to distant points which cannot be reached through normal service connection wires.

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

6.51.3.4 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 consolidated 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.

6.51.3.5 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.

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

6.51.3.7 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 work.**

6.52 FINANCIAL ISSUES

6.52.1 Operation & Maintenance Expenses

6.52.1.1 The operating expenses for distribution and retail supply are considered under the following heads:-

(i) Employees Cost

(ii) Administration & General Expenses

(iii) Repair and Maintenance Expenses

6.52.2 Employees Cost

6.52.2.1 Major components of Employees Cost proposed by four DISTCOs for the FY 2006-07 as per their latest filing are given in the table below.

Table - 23

(Rs. in crore)

Particulars	**WESCO**	**NESCO**	**SOUTHCO**	**CESCO**
Basic Pay	33.61	32.22	29.68	83.39
Dearness Allowance	26.55	25.45	21.97	36.34
H.R.A.	5.28	6.44	4.88	12.86
Other	6.36	4.91	4.73	7.46
Terminal benefit (Pension & Gratuity)	15.08	12.57	11.66	32.35
Total	86.88	81.59	72.92	172.40
Less capitalized	3.38	1.90	-	-
Net	83.50	79.69	72.92	172.40

6.52.2.2 The actual expenditure for 2004-05 based on the annual accounts prepared for Tax Audit purposes for WESCO, NESCO and SOUTHCO and the special audit figure for the FY 2002-03 in respect of CESCO are given in the table below:

Table - 24

(Rs. in crore)

Particulars	**WESCO 2004-05**	**NESCO 2004-05**	**SOUTHCO 2004-05**	**CESCO 2002-03**
Basic Pay	27.90	23.35	22.43	43.86
DA	16.83	14.26	13.48	46.05
HRA	4.40	3.78	3.69	
Others	2.30	2.80	2.65	
Terminal benefit	11.02	7.95	8.11	
Total	62.45	52.14	50.36	
Less capitalized	2.51	1.22	-	
Net	59.94	50.92	50.36	89.91

6.52.2.3 From the accounts of CESCO, it is found that out of the total employees cost of Rs.89.91 crore, Rs.43.86 crore is towards basic pay and balance towards DA, other allowances and terminal benefit, the break up of which has not been supplied. The staff strength of CESCO as on 31.03.2003 was 7729 which has declined to 7010 by 31.03.2005. The basic pay as found from the audit report of 02-03 has been prorated for the FY 04-05 corresponding to the reduced number. Thereafter, appropriate escalation factor have been applied to determine the basic pay for FY 06-07.

6.52.2.4 The Commission, in accordance with earlier orders, allows 3% escalation over the basic pay on year to year basis towards normal annual increment in respect of all DISTCOs treating the audited figures as the base for determination of the basic pay for 2006-07.

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

Table - 25

With effect from	DA (%)
01.07.2004	64
01.01.2005	67
01.07.2005 (Declared by Central Govt.	71

6.52.2.6 In the past, there has been a periodic rise in DA on every 1st day of January and July of each year. With an anticipated half yearly rise in DA @ 3% the annual average DA rate arrived at around 77%. The Commission approves the D.A. rate of 77% over the Basic pay for the FY 2006-07.

6.52.2.7 The three DISTCOs namely, WESCO, NESCO and SOUTHCO in their revised filing has assumed extra cost due to induction of additional manpower as per detailed below:

Table - 26

	WESCO	NESCO	SOUTHCO
No. of employees to be inducted during 2006-07	1150	1000	1151
Annual Cost (Rs. crore)	3.01	3.36	3.73
Extra cost on account of regularization of staff inducted during 2005-06 (Rs. Cr.)	3.22	5.07	5.04
Total	6.23	8.43	8.77

6.52.2.8 CESCO in its subsequent filing projected Rs.6 crore for hiring the service of outside agency towards billing and collection etc.

6.52.2.9 The extra expenses due to induction of additional manpower cause strain on the financial position of licensees. The Commission before allowing such an addition would like to be satisfied about the prudence of the proposal.

6.52.2.10 The Commission from time to time have been insisting for induction of additional manpower to carry out energy audit on sustained basis for reduction of commercial losses of the utility. The licensee is also being repeatedly directed to fill up the vacancies due to retirement and attrition so as not to affect the services to the consumer.

6.52.2.11 The Commission keeping in view the proposal submitted by the licensee in this respect as well as the trend of past expenditure has to be satisfied that the expenditure to be incurred should be reasonable, realistic and prudent. For this purpose, an analysis of the approved and audited figures of the past years is given in the table below.

Table – 27

(Rs. Crore)

Year	WESCO		NESCO		SOUTHCO		CESCO	
	Approved	Audited	Approved	Audited	Approved	Audited	Approved	Audited
1999-00	48.62	54.01	39.84	44.61	43.87	44.30	82.75	97.92
2000-01	56.92	55.17	46.26	46.47	46.26	45.61	89.37	99.58
2001-02	56.86	57.09	49.60	51.88	47.53	47.34	93.27	95.31
2002-03	58.16	58.66	51.11	52.22	48.53	47.58	95.63	89.91
2003-04	60.79	59.49	56.17	49.68	52.92	48.40	108.86	NA
2004-05	65.18	62.45	54.31	52.14	56.85	50.36	107.49	NA

6.52.2.12 Medical reimbursement has been allowed @3% of the basic pay. House rent allowance expressed as a percentage of the basic pay as ascertained from the audit report has been applied for determination of HRA for the year 2006-07. Encashment of leave salary has been allowed 15 days of the basic pay plus DA.

6.52.3 **Terminal Benefits**

6.52.3.1 WESCO, NESCO, SOUTHCO and CESCO have claimed terminal benefits based on actuarial valuation. The actuary has ascertained the actuarial value of gratuity and pension in respect of WESCO, NESCO and SOUTHCO as on 30.9.2002 and upto 31.03.2005 in respect of CESCO and fixed rates for contribution as under:

Table - 28

	WESCO	**NESCO**	**SOUTHCO**	**CESCO**
Gratuity as % of basic + DA	4.36	4.33	4.29	3.98
Pension as % of basic + DA	18.69	17.47	18.81	12.66

6.52.3.2 The Commission is yet to finalise the actuaries for determination of the terminal benefits payable to the employees of the license. The rate of contribution as proposed by WESCO, NESCO, SOUTHCO and CESCO are provisionally accepted until finalisation of the figures by the actuaries to be appointed by the Commission.

6.52.3.3 The Commission after taking into consideration the aforesaid facts have arrived at total Employees Cost for the FY 2006-07, as indicated in the table below.

Table - 29

(Rs. in crore)

Sl. No.	Particulars	WESCO		NESCO		SOUTHCO		CESCO	
		Prop.	App.	Prop.	App.	Prop.	App.	Prop.	App.
1	Salaries	33.61	29.60	32.22	24.77	29.68	23.80	83.39	44.77
2	Addl. Emp. Cost	-	6.23	-	8.43	-	8.77	-	6.00
3	DA	26.55	22.79	25.45	19.07	21.96	18.32	36.34	34.47
4	Other allowance	1.11	1.11	0.46	0.46	0.42	-	2.12	2.12
5	Bonus	-	-	-	-	-	-	-	-
6	Total Emoluments (1 to 5)	61.28	59.73	58.14	52.74	52.07	51.23	121.85	87.36
7	Reimbursement of medical expenses	1.01	0.89	0.97	0.74	0.92	0.71	2.30	1.34
8	Leave Travel Concession	-	-	0.07	0.07	-	-	0.00	-
9	Reimbursement of HR	5.28	4.67	6.44	3.99	4.88	3.91	12.86	7.16
10	Interim relief of Staff	-	-	-	-	-	-	0.10	0.10
11	Encashment of Earned Leave	2.51	2.18	1.75	1.83	1.43	1.76	2.30	3.30
12	Honourarium	-	-	-	-	-	0.02	0.10	0.10
13	Payment under workmen compensation Act	0.20	0.20	0.10	0.10	0.13	0.13	0.14	0.14
14	Ex-gratia	1.10	-	0.97	-	1.01	-	-	-
15	Other Staff Costs	-	-	0.10	0.10	0.15	0.15	0.28	0.28
16	Total Other Staff Costs	10.10	7.94	10.40	6.83	8.54	6.68	18.09	12.44
17	Staff Welfare Expenses	0.42	0.42	0.48	0.48	0.64	0.55	0.11	0.11
18	Terminal Benefits (Pension)	11.25	9.79	10.07	7.65	9.48	7.92	32.35	13.19
19	Gratuity	3.84	2.28	2.50	1.90	2.19	1.81	-	-
	Total (6+16+17+18+19)	86.88	80.16	81.59	69.60	72.92	68.18	172.40	113.10
	Less : Employees cost capitalized	3.38	3.38	1.90	1.62	-	1.46	-	-
	Net Employees Cost	83.50	76.78	79.69	67.98	72.92	66.72	172.40	113.10

6.52.4 Administration & General Expenses

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

6.52.4.2 The Commission has examined the licensee's proposal on A&G expenses & verified the same with the audited figures under this head for past years. It is revealed that the actual expenditure incurred by the licensees is always more than the figures approved by the Commission.

6.52.4.3 The Commission in its order on LTTS have set out the principle of calculation of A&G expenses @7% escalation over the base year progressively. In addition to the normal A&G expenses, the licensee have submitted additional expenses to be incurred by them on account of receivable audit, cost on account of special police stations and special courts, energy audit, spot billing in all divisions, manpower assessment study, fringe benefit tax, etc. The Commission, after careful study, has allowed the expenses such as one time expenditure on receivable audit to be carried out under the orders of the Commission. The cost of maintenance of special police stations and special courts are also being allowed to be passed on to tariff as the Govt. has not agreed to bear the expenses in connection with the establishment of these set up. As regards expenditure on energy audit, the Commission would like to clarify that the additional expenses for engagement of personnel to carry out energy audit has already been provided under the head 'employees expenses'. Therefore, we do not consider it necessary to allow any further expenditure for the energy audit under the A&G. Other expenses like manpower assessment study, fringe benefit tax, are subject to prudence check with adequate justification for such expenditure which we do not find them convincing. This should preferably done within the permitted normal A&G expenses.

6.52.4.4 Additional expenditure for spot billing does not appear to be justified as this is intended to replace the existing system of billing on which expenditure is being incurred from the current A&G head. However, the expenditure under this head will be permitted, as and when the companies come out with the details of such expenditure subsequently.

6.52.4.5 The A&G expenses for FY 2006-07 as proposed by DISTCOs and approved by the Commission are indicated in the table below:

Table - 30

(Rs. in crore)

	WESCO		NESCO		SOUTHCO		CESCO	
	Prop.	Appr.	Prop.	Appr.	Prop.	Appr.	Prop.	Appr.
Normal A&G expenditure	14.32	14.32	9.40	9.01	13.36	9.41	23.46	11.25
Additional expenditure on:								
Receivable Audit	0.50	0.43	0.52	0.44	0.46	0.44	-	0.83
Special Police Stations	1.03	1.03	1.03	1.03	1.03	1.03	-	1.03
Spot Billing in all Divns.	2.15	-	3.90	-	2.19	-	-	-
Manpower assessment study	0.09	-	0.09	-	0.09	-	-	-
Energy Audit	2.09	-	1.99	-	1.90	-	-	-
Fringe benefit tax	0.80	-	0.50	-	-	-	-	-
Micro-privatisation	-	-	0.75	-	-	-	-	-
Total	20.98	15.78	18.18	10.48	19.03	10.88	23.46	13.11

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

6.52.5.1 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 which the four DISTCOs followed suit.

6.52.5.2 The permitted and actual expenditure of the various companies over the years is given in the table below :

Table - 31

(Rs. in crore)

Years	WESCO		NESCO		SOUTHCO		CESCO	
	Apprvd.	audited	Apprvd.	audited	Apprvd.	audited	Apprvd.	audited
99-00	14.43	15.90	14.22	16.19	12.63	13.39	19.05	24.01
00-01	14.43	10.25	14.22	11.02	12.63	7.31	19.57	19.92
01-02	13.62	10.12	16.32	7.02	15.57	9.29	23.43	15.60
02-03	15.33	8.04	14.62	5.65	16.82	6.43	22.11	25.04
03-04	16.89	16.27	17.59	8.84	16.38	9.93	24.12	NA
04-05	17.28	12.91	17.66	10.28	13.25	8.30	31.95	NA
Total	**91.98**	**73.49**	**94.63**	**59.00**	**87.28**	**54.65**	**140.23**	**84.57**

6.52.5.3 As emerged from the above statistical particulars, the licensees reportedly spent Rs.271.71 crore as against Rs.414.07 crore approved by the Commission during 1999-00 to 2004-05. The

Commission has already observed in para 6.11 about the follow up action to be taken to ascertain the quality of maintenance and genuineness of this expenditure.

6.52.5.4 The gross fixed asset as on 01.4.2006 and R&M expenditure for 2006-07 as approved by the Commission are given below :-

Table – 32

(Rs. in crore)

Particulars	WESCO		NESCO		SOUTHCO		CESCO	
	Prop.	**App.**	**Prop.**	**App.**	**Prop.**	**App.**	**Prop.**	**App.**
Gross fixed asset as on 01.04.2006	529.17	449.07	524.86	453.31	395.64	321.29	878.72	764.94
% of R&M	5.4	5.4	5.4	5.4	5.4	5.4	5.4.	5.4
Repair & Maintenance for 2006-07	28.58	24.25	28.34	24.48	21.36	17.35	47.45	41.31

6.52.6 **Interest on Loan**

6.52.6.1 The source-wise interest on loan proposed by the four DISTCOs is given in the table below:

Table - 33

(Rs. in crore)

Source	WESCO	NESCO	SOUTHCO	CESCO
GRIDCO loan	00	00	00	00
World Bank loan	11.33	11.37	9.35	36.86
NTPC Bond	39.91	64.71	50.35	-
APDRP Net of 50% grant	1.33	1.73	2.27	11.91
REC/PFC (Counter Part Funding)	2.18	2.31	2.77	-
Interest on security deposit (1 year 10 months)	9.94	7.10	4.24	5.22
Less Interest Capitalised	2.31	-	4.25	22.17
Total	62.38	87.22	64.73	31.82

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

6.52.7.1 The Commission in its order dtd. 22.03.2005 has stated that the revenue requirement of GRIDCO for the FY 2004-05 will take into consideration the total interest liability on account of assets transferred to the distribution companies relating to PFC and REC. In case of DISTCOs, the interest liability of asset related loans shall not be taken into consideration for the purpose of revenue requirement calculation.

6.52.7.2 The Commission, in its order, directed the DISTCOs as well as GRIDCO to reconcile their back to back loan amount. Except

CESCO, the other three DISTCOs have reconciled the principal amount of loan outstanding as on 31.03.20005.

6.52.7.3 The summary of back to back loan as per DISTCOs and GRIDCO is given below.

Table - 34

Summary of back to back loan including GRIDCO portion of IBRD loan (Position as on 31.03.2005)

(Rs. in crore)

Source	**WESCO**	**NESCO**	**SOUTHCO**	**CESCO**	**Total**
As per GRIDCO	138.46	94.64	134.36	307.61	675.07
As per DISTCOs	138.46	94.64	134.36	277.68	645.14
Difference	NIL	NIL	NIL	29.93	29.93

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

6.52.8 **World Bank Loan**

6.52.8.1 In line with the Commission's previous order, the licensees have calculated the interest on World Bank Loan @ 13%, considering 30% of loan as grant and balance 70% as loan.

6.52.8.2 The loan balance (Net of 30% grant) projected by the DISTCOs along with the interest for the FY 2006-07 is depicted in the table below:

Table - 35

(Rs. in crore)

	Loan as on 31.3.2006	**Repayment Due 2006-07**	**Loan as on 31.3.2007**	**Interest Due 2006-07**
WESCO	90.96	9.10	81.86	11.33
NESCO	91.28	9.13	82.15	11.37
SOUTHCO	72.59	7.26	65.33	9.35
CESCO	204.51	-	204.51	36.86
Total	459.34	25.49	433.85	68.91

6.52.8.3 The Commission approves the interest impact in line with the previous order as indicated below:

Table – 36

(Rs. in Crore)

WESCO	NESCO	SOUTHCO	CESCO
11.23	11.27	8.97	26.59

6.52.9 **Re-securitisation of NTPC Bonds**

WESCO, NESCO & SOUTHCO issued bonds worth Rs. 400 crore in favour of GRIDCO to be assigned to NTPC w.e.f 1st October, 2000 @ 12.5% interest. The Commission in its last tariff order has allowed interest

@ 8.5% (tax free) on those bonds as per the recommendation of Alhuwalia Committee. The Commission in its order advised the Govt. to pass on the benefits to the end users of electricity on account of the reliefs that would be available if securitisation shall be effected in line with the one time settlement scheme approved by the Govt. of India to be made effective on 01.10.2001. But, GOO has not yet communicated its decision. As a result, the licensee while proposing their revenue requirement have calculated the interest impact @ 12.5% per annum w.e.f. 1st October, 2000 onwards. The interest liability for the year 2006-07 along with differential interest for the past years i.e. (12.5% - 8.5%), as projected by the three DISTCOs on this account amounts to Rs.39.91 crore, Rs.64.71 crore and Rs.50.35 crore for WESCO, NESCO and SOUTHCO respectively. The Commission approves the interest @8.5% on the loan amount of Rs.400 crore as applicable for NTPC tax free bonds . It is the business of the licensee to take appropriate action for settlement of the dues to avail the benefit of reduced rate of 8.5%. Accordingly, the Commission approves the interest @ 8.5% on the aforesaid loan as detailed below :-

Table - 37

(Rs. in crore)

Source	**WESCO**		**NESCO**		**SOUTHCO**	
	Prop.	Appr.	Prop.	Appr.	Prop.	Appr.
NTPC Bond	39.91	8.76	64.71	14.20	50.35	11.05

6.52.10 **Accelerated Power Development Reform Programme (APDRP)**

6.52.10.1 The DISTCOs have proposed the following amount towards APDRP loan during 2005-06 and 2006-07.

Table - 38

(Rs. in crore)

Year	Up to 2004-05	For the year 2005-06	For the year 2006-07	Up to 2006-07	Interest
WESCO	2.55	13.56	49.62	65.73	3.51
NESCO	2.98	16.12	48.41	67.51	4.04
SOUTHCO	3.11	22.22	54.17	79.50	5.04
CESCO	59.34	13.27	110.00	182.61	11.91

6.52.10.2 The Commission takes into consideration the plan of APDRP outlay proposed by the DISTCOs for the year 2005-06 & 2006-07. The proposed fixed asset addition during 05-06 under this head matches with the scheduled loan drawl. On completion of these projects they start earning revenue for which the interest payable on the scheduled drawl for 05-06 is allowed as a pass through in the revenue requirement of 06-07.

6.52.10.3 During 2006-07, loans drawn against APDRP projects will be utilised to create assets which may become operational by end of the financial year. The interest payable on this account obviously will be treated as interest during construction. The loan drawl and the completion of the projects are expected to be carried out throughout the year. Thus, it is assumed that interest liability on the licensee shall accrue for a period of six months and also shall be capitalised. Accordingly, the interest approved by the Commission is for FY 06-07 given in the table below:

Table - 39

(Rs. in Crore)

	Interest	**Interest During Construction**	**Net Interest**
WESCO	3.82	2.32	1.50
NESCO	4.04	2.26	1.78
SOUTHCO	4.96	2.45	2.51
CESCO	13.44	7.02	6.42

6.52.11 **Interest on Security Deposit**

6.52.11.1 The WESCO, NESCO, SOUTHCO & CESCO have made provision towards interest on security deposit for Rs.9.94 crore, Rs.7.10 crore, Rs.4.24 crore & Rs.5.22 crore respectively for the year 2006-07. The rate of interest of security deposit is assumed at the prevailing rate of 6% per annum. On the other hand, the Commission holds the view that the interest earned on account of security money available with them shall be taken into account while determining the miscellaneous receipts. At this stage, it is difficult to work out the quantum of interest so earned on the security money deposited in different financial instruments. Keeping this in view, the Commission at present approves the interest outgo on security deposit as proposed by DISTCOs.

6.52.11.2 The total interest on loan proposed by the DISTCOs and approved by the Commission for the year 2006-07 is summarised below:

Table - 40
Annual Interest

(Rs. in crore)

Source	**WESCO**		**NESCO**		**SOUTHCO**		**CESCO**	
	Prop.	**Appr.**	**Prop.**	**Appr.**	**Prop.**	**Appr.**	**Prop.**	**Appr.**
GRIDCO loan	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00
World Bank –Net of capitalisation	11.33	11.22	11.37	11.27	9.35	8.97	36.86	26.58
APDRP	3.51	3.82	4.04	4.04	5.04	4.96	11.91	13.44
Power Bond	39.91	8.76	64.71	14.20	50.35	11.05	-	-
Interest on security deposit	9.94	9.94	7.10	7.10	4.24	4.24	5.22	5.22
Total	64.69	33.74	87.22	36.61	68.98	29.22	53.99	45.24
Interest Capitalised	2.31	2.31	-	2.26	4.25	2.45	22.17	7.02
Interest Chargable to Revenue	62.38	31.43	87.22	34.35	64.73	26.77	31.82	38.22

6.52.12 **Depreciation**

6.52.12.1 For the FY 2006-07, the four DISTCOs have claimed the following amount towards depreciation. WESCO, NESCO & SOUTHCO have calculated depreciation at Pre-92 rate whereas CESCO has applied Post-94 rate, prescribed by Govt. on India.

6.52.12.2 The depreciation amount claimed by the four DISTCOs are given as under.

Table - 41

(Rs. in crore)

Year	**WESCO**	**NESCO**	**SOUTHCO**	**CESCO**
2004-05	18.96	18.82	14.24	67.9

6.52.12.3 The Commission have extensively dealt with the matter in the last tariff order considering the book value of the fixed asset as on 1.04.1996. The Commission adopts the same principle for determination of depreciation for FY 2006-07.

6.52.12.4 The year-wise asset addition after 01.04.1996 and up to 1998-99 are based on the audited data of GRIDCO. From 1999-2000 to 2004-05, the same is based on the Audited Annuals accounts in respect of WESCO, NESCO & SOUTHCO.

6.52.12.5 Of late, CESCO has filed the annual accounts along with special audit report up to 2002-03. It is revealed that the figures of asset addition during 2002-03 is Rs.127.01 crore, whereas the figure filed by CESCO is Rs.74.24 crore. The Commission examined the figure in detail and adopts the same in its ARR as reasonable for the purpose of determining the asset base. For the years 2003-04 & 2004-05 also, the figures as submitted by CESCO in its filing are considered for determining the asset base.

6.52.12.6 A table showing gross book value as on 01.04.1996 and year wise asset addition thereafter till FY 2004-05 duly approved by the Commission is depicted below.

Table - 42

(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	16.60	14.74	22.72
1998-99	0	0	0	0
1999-00	53.32	41.11	37.53	87.16
2000-01	19.90	26.83	13.80	85.09
2001-02	19.58	30.63	20.72	67.25
2002-03	21.31	30.55	7.64	74.24
2003-04	35.43	28.63	12.60	62.23
2004-05	43.67	55.45	35.54	92.74
Total	363.657	315.42	277.01	698.66

6.52.12.7 For the year 2005-06, scheme-wise addition of assets proposed by four DISTCOs and approved by the Commission are given as under for calculation of depreciation:

Table - 43

(Rs. in crore)

	WESCO	**NESCO**	**SOUTHCO**	**CESCO**
PMU	47.11	28.31	14.43	30.26
RE/MNP	12.16	27.91	4.39	13.24
APDRP	15.59	14.96	17.09	22.78
Other	10.55	0.90	8.36	-
Total	85.41	72.08	44.27	66.28

6.52.12.8 The Commission will carry out a comprehensive analysis of the expenditures approved as against the actuals as per the audit report at the end of the control period for the purpose of calculation of deprecation.

6.52.12.9 The Commission directs the licensees to abide by the license conditions with regard to the submission of capital expenditure programme for each year costing more than Rs.5 crore in time for approval.

6.52.12.10 The Commission calculated the depreciation on the approved asset base at Pre–92 rate. The classification of assets has been done proportionately based on the statutory audited accounts, tax audited accounts and tariff filling submitted by DISTCOs. Accordingly, the Commission approves the following amount for the year 2006-07 under the head depreciation.

Table - 44

(Rs. in crore)

Year	**WESCO**	**NESCO**	**SOUTHCO**	**CESCO**
Asset as on 01.04.2006	449.067	453.31	321.28	764.94
Depreciation for FY 2006-07	17.02	17.18	12.17	28.84

6.52.13 **Provision for Bad & doubtful debts**

6.52.13.1 WESCO, NESCO & SOUTHCO have estimated @ 6%, 6% & 7% of the billed amount respectively towards provision for Bad & doubtful debt. CESCO has calculated the same @ 2.5% on the revenue billed.

6.52.13.2 WESCO, NESCO & SOUTHCO in their filing, have submitted that the gap between the billing and collection efficiency may be allowed as bad debt, since it is difficult for the licensee to arrange working capital fund.

6.52.13.3 The Commission examined submission of DISTCOs. Further analysis of the audited accounts of three DISTCOs WESCO, NESCO & SOUTHCO reveals that the licensees do not exercise prudence while estimating provision towards bad and doubtful debts. The Commission in their last order observed that provision for bad and doubtful was of very tall order on all counts. A comparative statement of the bad debt provision as per the annual accounts vis-à-vis approval is given in the table below:

Table – 45

(Rs. in Crore)

	Annual account (1999-2000 to 2004-05)	**Approved (1999-2000 to 2004-05)**	**Excess Provision**
WESCO	412.19	88.50	323.69
NESCO	282.78	59.57	223.21
SOUTHCO	214.56	44.65	169.91

6.52.13.4 The Commission expresses its deep concern about the manner companies are maintaining the annual accounts without adhering to the norms directed by the Commission.

6.52.13.5 In line with the LTTS principle, the Commission allowed in the past 2.5% of the total sales revenue towards provision for bad and doubtful debts. The Commission now accepts the same principle and approves the following amount towards provision for bad and doubtful debt for the year 2006-07.

Table – 46

(Rs. in Crore)

	Proposed	**Approved**
WESCO	54.99	24.04
NESCO	40.91	19.13
SOUTHCO	22.30	8.73
CESCO	18.65	20.70

6.52.14 **Carrying Cost**

The Commission in its Business Plan had approved the concept of carrying charges for financing the gap between the permitted collection efficiency and collectible revenue excluding bad debt on pragmatic consideration. For the FY 2006-07, the Commission has approved the collection efficiency of WESCO, NESCO, SOUTHCO and CESCO at 94%, 94%, 93% and 89% respectively. Out of 100% revenue requirement 2.5% is excluded towards bad and doubtful debt leaving a margin of 97.5%. The difference between the approved collection efficiency and the revenue excluding bad debt as stated above works out to 3.5%, 3.5%, 4.5% and 8.5% for WESCO, NESCO, SOUTHCO and CESCO respectively. The Commission calculates the working capital requirement and allows interest rate of 10% on this working capital towards carrying charges and approves an amount of Rs.3.37 crore, Rs.2.68 crore, Rs.1.57 crore and Rs.7.04 crore for WESCO, NESCO, SOUTHCO and CESCO, respectively.

6.52.15 **Past Losses and Regulatory Assets**

6.52.15.1 WESCO, NESCO and SOUTHCO have submitted to the Commission to recognize, acknowledge and accept the regulatory assets claimed by them on account of inadequate retail supply tariff, on realistic distribution loss, non-recognition of collection efficiency (AT&C concept), differences in expenses approved while determining ARR against the audited accounts, financial impact due to change in sales mix, sales quantity, purchase quantity, price variance and allow amortization of regulatory assets through recovery of tariff in future years to service the non-asset bearing liability.

6.52.15.2 On this score, WESCO has requested regulatory asset of Rs.536 crore, NESCO Rs.625 crore and SOUTHCO Rs.410 crore upto FY 2002-03.

6.52.15.3 WESCO, NESCO and SOUTHCO have requested that a portion of the regulatory assets claimed upto 2002-03 and the uncovered gap of 2004-05 and 2005-06 may be allowed for recovery during 2006-07.

6.52.15.4 The amount so requested comes to Rs.106.90 crore, Rsa.255.51 crore and Rs.226.26 crore, respectively for WESCO, NESCO & SOUTHCO. CESCO has submitted to allow Rs.792.68 crore towards past losses. The DISTCOs in their submission have stated that amortisation of regulatory asset is required for meeting various obligations such as repayment of NTPC bonds, outstanding interest on NTPC bonds and pressing creditors.

6.52.15.5 The Commission on the issue of pass through of past losses and regulatory asset would like to reiterate the views passed in our tariff order dtd.22.3.2005 which is reproduced below.

6.52.15.6 *"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.*

6.52.15.7 *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.*

6.52.15.8 *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 Rs.2400 crore 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.*

6.52.15.9 *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*

6.52.15.10 *Thus, the claims of regulatory assets and past losses stands rejected."*

6.52.15.11 However, the Commission in their previous orders from 1999-2000 onwards, left the uncovered gap while approving the ARR for the respective years which is shown in the table below.

Table – 47
Regulatory Gap Approved by Commission

(Rs. in Crore)

Years	WESCO	NESCO	SOUTHCO	CESCO
1999-00	-12.53	-19.48	-35.32	-18.03
2000-01	-6.88	-36.03	-52.67	-51.03
2001-02	-3.66	-90.90	-53.13	-10.00
2002-03	61.03	-37.77	-13.38	98.07
2003-04	48.31	-34.51	-49.33	7.57
2004-05	52.42	-19.18	-34.27	-33.61
2005-06	112.40	-22.31	-15.60	-8.63
Total	251.09	-260.18	-253.7	-15.66

6.52.15.12 From the above table, it is evident that the uncovered gap in respect of NESCO & SOUTHCO are substantial subject to prudence check. WESCO lands with a surplus figures whereas in case of CESCO the uncovered gap is only to the extent of Rs.15.66 crore. The Commission recognises the same as regulatory assets and allows to amortise a part of the regulatory asset to pass on to the tariff for the year 2006-07. Accordingly, the Commission approves an amount of Rs.41.36 crore and Rs.31.91 crore to NESCO & SOUTHCO respectively towards amortisation of regulatory asset.

6.52.15.13 It is very much imperative that the back to back arrangement between DISTCO and GRIDCO should be scrupulously followed so that GRIDCO is in a position to make a principal repayment of Rs.480.12 crore. In view of this the following directions are issued:

6.52.15.14 As on 31.03.2005 the regulatory assets of NESCO and SOUTHCO are Rs.241 crore and Rs.219.43 crore respectively. The Commission is now allowing Rs.41.36 crore to NESCO and Rs.31.91 crore to SOUTHCO out of the accumulated regulatory asset for recovery during the FY 06-07 through tariff. The sums now allowed equals to 10% of the total receivables of GRIDCO from these companies as on 31.03.05. It is directed that GRIDCO may recover these amounts through the existing escrow arrangement in monthly instalment and adjust it towards the outstanding dues of these companies.

6.52.15.15 Similarly, Rs.36.83 crore may be realised from the escrow account of WESCO by GRIDCO for adjustment against the receivables from WESCO. As far as CESCO is concerned the extent of recovery to be made will be decided during the finalisation of sale deed of the utility.

6.52.15.16 The Commission would like to clarify that the recoveries now directed are over and above the amount which these companies are required to pay as per various subsisting agreements with them.

6.52.15.17 The Commission expects that the gap of Rs.504.47 crore of GRIDCO left uncovered to restrict the rise in BST and reduce burden on DISTCOs should be bridged to the extent possible by realisation of outstanding dues realisable from various DISTCOs and utilities outside the state. In this connection, any surplus available with WESCO after meeting the expenses of power purchase and other statutory dues in accordance with the Commission’s order/agreement shall be paid by WESCO to GRIDCO to liquidate WESCO’s own payables to GRIDCO.

6.52.15.18 As indicated in the Business Plan, any collection out of arrears from the consumers will have to be deposited with GRIDCO for liquidation of past outstanding dues as GRIDCO is carrying a burden of power purchase liability of Rs.263 crore to various generators and the interest component on these passed on to the consumers through tariff every year. Liquidation of GRIDCO's dues will reduce the interest burden and in turn, will be helpful both for GRIDCO, DISTCOs as well as the consumers.

6.52.16 **Return on Equity**

6.52.16.1 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 infuse capital. To make it lucrative, the Return on Equity may be linked to the RBI bank rate plus a margin for the investment risk in the power sector. 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.

6.52.16.2 The Commission examined the annual accounts of WESCO, NESCO and SOUTHCO for FY 2004-05 and the account of 2002-03 in respect of CESCO. The position of share capital for each of the companies as taken from the aforesaid accounts are given below:

Table - 48

(Rs. in crore)

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

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

Table - 49

(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

6.52.17 **Miscellaneous receipts**

6.52.17.1 The miscellaneous receipts proposed by the licensees for the FY 2006-07 are given in the table below:

Table - 50

(Rs. in crore)

WESCO	NESCO	SOUTHCO	CESCO
2.00	1.50	1.34	31.22

6.52.17.2 The Miscellaneous receipts of WESCO, NESCO and SOUTHCO contain only the meter rent. In case of CESCO, the miscellaneous receipts include the meter rent, DPS and other receipts. On verification from the statutory audit report for the FY 2003-04, it is revealed that the miscellaneous receipts of WESCO, NESCO and SOUTHCO amount to Rs.17.19 crore, Rs.17.76 crore and Rs.11.85 crore, respectively.

6.52.17.3 The licensees have not indicated the extent of earning of interest on account of security deposit available with them. The licensee shall indicate such earning and submit to the Commission in subsequent tariff filings. The interest earning will be set off against the interest payment to work out the net impact on the revenue requirement due to payment of interest on security deposit. The miscellaneous receipts approved by the Commission are shown in the table below:-

Table - 51

(Rs. in crore)

WESCO	NESCO	SOUTHCO	CESCO
17.19	17.76	11.85	31.22

6.52.18 **Revenue requirement**

6.52.18.1 In the light of above discussion, the Commission approves the revenue requirement of 2006-07 of four DISTCOs, as shown in Annexure-A.

6.52.18.2 An extract of the revenue requirement, expected revenue at the existing tariff and revenue gap for FY 2006-07 approved by the Commission is given below:

Table - 52

(Rs. in crore)

Name of the Company	Revenue Requirement		Expected Revenue		GAP	
	Prop.	Appr.	Prop.	Appr.	Prop.	Appr.
WESCO	1014.24	894.62	875.98	961.51	-138.26	66.89
NESCO	1054.92	773.00	664.25	765.22	-390.67	-7.78
SOUTHCO	646.12	400.63	303.91	349.29	-342.21	-51.34
CESCO	1659.44	835.92	745.98	828.15	-913.46	-7.77
Total	4374.72	2904.17	2590.12	2904.17	-1784.60	0.00

6.52.19 **Treatment of Surplus Revenue and Revenue Gap**

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

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 Licensees, 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 31.03.2006 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 below.

7.1 **LT supply upto 100 KW/110 KVA**

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

7.1.2 Other classes of consumers :

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

7.1.3 **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)

7.1.4 **HT Consumers :**

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

7.1.5 **EHT Consumers**

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

7.1.6 **DC Services**

7.1.6.1 Same as LT Supply for consumers with CD less than 100 KW.

7.1.6.2 **To maintain uniformity in the Supply voltage, the Commission feels that the DC system operating in Cuttack and other places needs to be phased out and converted to AC system. This should be completed within a period of two years commencing from 01.04.2006.**

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. Accordingly, the rates applicable to all such customers are given below:

Table - 53

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 loads of 110 KVA and above shall be as stipulated in the agreement and may be different from the connected load. Contract Demand for a connected load below 110 KVA shall be the same as connected load. **However in case of installation with static meter/meter with provision of recording demand, the recorded demand rounded to nearest 0.5 KW**

shall be considered as the contract demand requiring no verification" irrespective of the agreement. Therefore, for the purpose of calculation of 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 the 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 FY 2006-07 for the State as a whole is 295 paise/unit and 456 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**

7.6.2.1 The Commission is conscious of affordability consideration for non-Kutir Jyoti consumers with connected load of 1 KW and below.

7.6.2.2 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**.

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-B.**

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 - 54

Category	**Voltage of Supply**	**Customer Service Charge (Rs./month)**
Public Water Works (>=110KVA)	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 contract demand 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 for remains unchanged as per details in the table below:

Table - 55

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

7.9.2.2 **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 the period from April, 2005 to September, 2005. 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** :-

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

7.9.5 **However in case of installation with static meter/meter with provision of recording demand, the recorded demand rounded to nearest 0.5 KW shall be considered as the contract demand requiring no verification irrespective of the agreement.** 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.

7.11 **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, directs that, the units consumed for the colony shall be separately metered and the total consumption shall be deducted from the main meter reading and billed @ 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.

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

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.

7.13 **Peak and off-peak tariff**

7.13.1 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."

7.13.2 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), (iii) and (iv) 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 with CD of 100 MVA and above.
iii) Public Lighting Consumers.
iv) Emergency supply to captive power plants.

7.14 **Incentive for improvement in power factor**

7.14.1 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 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 **95% in place of 97%** upto and including 100% on the monthly Demand Charge and Energy Charge.

7.14.2 **Power Factor Penalty**

7.14.2.1 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

7.14.2.2 **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%

7.15 **Other Charges**

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

7.15.1 **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. The Commission has decided that the existing facility now available to the consumers will continue in the interest of a stable frequency regime by providing load during the off-peak hours.**

7.15.2 **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 0700 hrs to 1000 hrs and 1800 hrs to 2200 hrs.

7.15.3 **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)

7.15.4 **Incentive for prompt payment**

Some of the large consumers 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 2006-07 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 - 56
Proposed Rebate (Rs. crore) for the FY 2006-07
At Existing Tariff

	Prompt Payment Rebate @1%
NESCO	3.5
WESCO	4.82
SOUTHCO	1.24
CESCO	2.21

7.15.5 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.

7.15.6 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 in respect of the following categories of consumers.**

LT: Domestic, General purpose < 110 kva, Irrigation and LT Industrial (S), Public Water Works and Sewerage Pumping

HT: Bulk supply domestic, General purpose <110 kva and irrigation, Public Water Works and Sewerage Pumping

b) **Consumers other than those mentioned at para 'a' above shall be entitled to a rebate of 1% (one percent) of the amount of the monthly bill (excluding arrears and electricity duty), if payment is made within 3 days of the presentation of the bill.**

7.15.7 **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 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

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

7.15.9 **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/-

7.15.10 **Rounding off of 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 directs that the money actually collected should be properly accounted for.

7.15.11 **Charges for Temporary Supply**

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

7.15.11.2 **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.**

7.15.12 **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.**

7.15.13 **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.

7.16 **Consumer Services**

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

7.16.1.1 Umpteen number of complaints have been received from the consumers about erroneous billing and incorrect entry of revenue receipts. To become customer friendly, the onus lies on 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 interest accrued thereon to consumer's account as on 1st of May of every year.

7.16.1.2 **Consumer Arrears: The licensees are directed to exhibit separately arrears in respect of each consumer as at the beginning of each financial year**.

7.16.2 **Information about Consumer Billing & Collection**

7.16.2.1 Information on billing and collection of vital nature can be shared with the consumers, by way of statement of meter reading, billing and payment by the consumers for a period of last twelve months. Every time one makes payment, a money receipt on the date of payment can be issued. The licensees are advised to develop suitable mechanism to achieve this which will go a big way in achieving a consumer friendly environment.

7.16.2.2 Use of technology for updating information is the order of the day. All the licensees should gear up their machinery to 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.

7.16.2.3 The Commission with a view to boost up collection efficiency, directed the DISTCOs to introduce the Spot billing system. Spot billing system introduced by CESCO is yielding positive results. It is reported by CESCO that the introduction of spot billing has improved billing, helped identification of ghost consumers, improved collection and liquidity position. NESCO, WESCO & SOUTHCO are yet to introduce spot billing in a greater scale for all of their consumers. **The Commission directs that all the above three licensees shall start spot billing early for their consumers. The Commission also expects the licensees to adopt for spot collection preferably through account payee checks to improve their collection efficiency.**

7.16.2.4 It is relevant to mention that the average per unit collection from the domestic consumers in urban areas of WESCO is 40 p/u. This is most deplorable inasmuch as after five years of privatisation of the DISTCOs, the licensees are not rising to the occasion to collect the bills which they are serving to the consumers and are persistently failing to take measures as directed by the Commission for improvement in billing and collection. In this context, it is very much essential that spot billing and spot collection should be introduced as proposed above.

7.16.2.5 The Govt. of Orissa represented by the Jt. Secretary, Rural Dev. Deptt. appeared before the Commission and submitted that due to the economic backwardness of the rural people in Orissa, a reduced tariff may be allowed to the consumers under rural water supply schemes which at present is payable at the rate of Rs.3.20 p/u apart from the fixed charges of Rs.50/- per KW. The Commission gave a serious consideration to the prayer made by the objector. The fact is that for all the consumers of the state a voltage based tariff is being applied except for very special categories like the domestic and irrigation. The Govt. have not submitted the components of expenditure involved in the total cost of supply of water to the consumers which would have been helpful to know the percentage of expenditure on electricity. **As a first step the Commission has decided to allow a rebate of 10 p/u for consumers covered under this category for payment within the due date.**

7.16.2.6 It was presented on behalf of the Orissa Lift Irrigation Corporation that due to massive theft of conductor from lift irrigation point a large number of points have become defunct affecting the agricultural production of the state. It was pointed on behalf of the licensee that repeated thefts on their part makes it difficult to replace the conductors most of which are drawn in paddy fields. The Commission took into consideration the issues raised by the OLIC and the rejoinder of the licensee and has come to the conclusion that it is the responsibility of the licensee to maintain continuity of power supply to every consumer. Frequent theft of conductor cannot be a ground for denial of power supply for the vulnerable sections of the consumers, many of whom are not aware about their own rights. Besides, the Commission have been allowing operation and maintenance expenses which also covers theft of conductors and burning of transformers. **The licensees must take adequate steps for removal of the conductors and keep it in safe custody during off season as well as during disconnection of power supply due to non payment. These must be refixed during the working season or after reconnection of power supply due to disconnection**. **Under no circumstances, the LI points and other consumer supplies shall remain defunct on the ground of theft of conductors or disconnection of power supply.** At the same time, collection of revenue from such kind of consumers as well as disconnection must be promptly followed up by the licensees. The licensee shall take up the help of the village committees and consumer associations for prevention of theft.

7.16.2.7 **Replacement of burnt transformers**: During the course of public hearing, some objectors raised the issue that in case of burning of the distribution transformer, the legitimate consumers are being deprived of power supply due to non-replacement of such transformer, as almost all the licensees are bent upon collection of 30% of the outstanding dues of all the consumers of the area. **The Commission directs that, in case of burning of transformer the licensees should not deprive the legitimate consumers for getting power supply and they should take timely action for replacement of the transformer and at the same time must ensure that no**

unauthorised and defaulted consumer remains connected to such transformers for power supply.

It is observed that the number of transformers are failing due to overloading. Hence, the licensees are directed to take adequate steps to avoid burning of transformer due to overloading/ unbalance loading and for other reasons through regular monitoring.

7.17 **The Consumer Satisfaction Survey**

As stipulated in the Commission's LTTS order, a Consumer Satisfaction Survey is intended to bring out several aspects of performance and service that are not easy to capture through the first initiative of obtaining information of select quality parameters from the licensee. The Commission is extremely concerned about the quality of supply that should be available to all classes of consumers through out the State for which the Commission would like to elicit the views from the consumers on quality of service and also make them aware of their rights regarding performance standards to be made available to them by the licensee. **The Commission, therefore, would take the initiative of putting in place a system and procedure to take feed back directly from the retail consumers including industrial consumers and Govt. Departments for which the consumer cell in the Commission will be fully activated during the ensuing financial year.**

7.18 **Special Court & Special Police Station**

7.18.1 According to the Section 153 of the Electricity Act, 2003, the State Government may, for the purposes of providing speedy trial of offences, constitute as many Special Courts as may be necessary for such area or areas, as may be specified in the notification. Accordingly, as informed by the Deptt. of Energy, Govt. of Orissa vide letter dt.02.08.2005, the Finance Deptt. has observed that, a clear cut mechanism has to be worked out in which the Distribution Companies will directly compensate for establishment cost of 29 police stations(excluding 5 Police Stations already established), supervisory staff and 30 Jr. Steno-cum-Computer Assistants for the establishment of Special Courts. The annual financial implication for creation of the same would be Rs.8.00 cr. The distribution companies have projected huge cost on this account for the FY 2006-07 and have proposed to allow the same in the ARR. But no action plan for establishment of Special Police Stations and Special Courts have been devised/submitted by the DISTCOs. It was opined in the SAC Meeting that, the cost for same should be borne by the State Govt. without burdening the electricity consumers.

7.18.2 OERC in its letter dt.25.08.2005 has suggested to the State Govt. that, if the State Govt. so desires, the actual expenses of Police Stations and Special Courts may be collected from the licensees. The licensees will directly deposit the amount with Govt. instead of collecting the same through license fees to avoid accounting complications. Further, the Commission also suggested that, to start with four Special Courts exclusively to try the electricity related offences may be set up at Bhubaneswar, Sambalpur, Baleswar and Berhampur, besides having 29 electricity police stations. In that event, the anticipated cost of Rs.8.00 crore will be substantially reduced and the ultimate burden on the consumers through enhanced tariff will be less.

7.19 **Loss reduction through People's Participation**

7.19.1 It is now reported by the distribution companies that 97% of the consumers have been provided with meters. Out of which 90% are reported to be in working order. The Commission have been insisting for consumer/feeder/transformer (C-F-T) metering for correct assessment of technical losses and billing to the consumers on the basis of correct meters. It was thought that addition of meters in the system would help reduction of Transmission and Distribution Loss which is possibly not happening to the extent anticipated.

7.19.2 Our concern is that in spite of reported level of metering in feeders, transformers and at consumer end there has not been perceptible decline in the level of transmission and distribution loss. Unless the transmission and distribution loss is tackled appropriately, balancing of revenue requirement will continue to pose a problem for which all stakeholders i.e. the consumers, the licensee and the state government should come together to find a solution possibly in line with the framework envisaged in section 5 of the Electricity Act, 2003 for bulk purchase of power and management of local distribution in rural areas, Panchayat Institutions, Users Associations, Cooperative Society, Non–Government Organisation or Franchisees. The licensees should make a move in this direction.

7.20 The Commission does not approve the licensees' calculation of revenue requirement and proposal for tariff for FY 2006-07.

7.21 The tariff schedule of various classes of consumers, as approved by the Commission is at Annex-B.

7.22 While parting with the above matter, it will be appropriate to mention here that during course of hearing relating to tariff matters, the Petition of Military Engineering Services (Ministry of Defence) for grant of Separate Category of tariff for Military Engineering Services (Ministry of Defence) was heard. While taking care of such application of MES, the matter has been dealt with in the order.

7.23 The Review petition filed by WESCO, NESCO & SOUTHCO for review of the orders dtd.26.02.2005 and 22.03.2005 in Case No.146 of 2004 and 147 of 2004 respectively were also heard. While taking care of such application of DISTCOs, the matter has been dealt with in the order.

7.24 The existing Retail Supply Tariff along with the modifications as stipulated in the order shall be effective from 1st April, 2006.

With regard to GRIDCO's application for determination of Bulk Supply Price for the FY 2006-07 (Case No. 42/2005); the Hon'able High Court of Orissa, on 31.01.2006, has passed interim order in Misc. Case No. 114/2006 (arising out of WP(C) No.165/2006), as follows:-

> ***"As an interim measure, we direct that the proceeding in case No. 42 of 2005 shall continue but the order passed therein shall be subject to the result of the writ application."***

As the Bulk Supply Price is a major component of Retail Supply Tariff, so the Commission is of the considered view that this retail tariff order for Distribution Licensees/Utility shall be subject to the result of the aforesaid writ application.

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**