

ORISSA ELECTRICITY REGULATORY COMMISSION

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

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

CASE NOS. 66, 67, 68 & 69 of 2008

DATE OF HEARING : 05.02.2009, 06.02.2009,
07.02.2009 & 09.02.2009

DATE OF ORDER : 20.03.2009

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 2009-10.

ORDER

The Distribution Licensees in Orissa namely, CESU, 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	Licensed Areas (Districts)
1.	CESU	Puri, Khurda, Nayagarh, Cuttack, Denkanal, Jagatsinghpur, Angul, Kendrapara.
2.	NESCO	Mayurbhanj, Keonjhar, Bhadrak, Balasore and major part of Jajpur.
3.	SOUTHCO	Ganjam, Gajapati, Kandhamal, Boudh, Rayagada, Koraput, Nawarangpur and Malkangiri.
4.	WESCO	Sambalpur, Sundargarh, Bolangir, Bargarh, Deogarh, Nuapara, Kalahandi, Sonepur and Jharsuguda.

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

PROCEDURAL HISTORY (Para 1 to 12)

1. As per OERC (Conduct of Business) Regulations, 2004 and OERC (Terms & Conditions for Determination of Tariff) Regulations, 2004, the Licensees are required to file their Annual Revenue Requirement (ARR) and Retail Supply Tariff Application (RST) on or before 30th November every year in the prescribed format for the ensuing financial year. Accordingly, all the distribution licensees (CESU, NESCO, WESCO & SOUTHCO) filed their Annual Revenue Requirement (ARR) and revision of Retail Supply Tariff (RST) Applications for FY 2009-10 on 01.12.2008 (as the last date, 30th Nov, 2008) was a holiday as permitted by Section 4 of the Limitation Act, 1963 and also as per Regulation 3(4) of OERC (Conduct of Business) Regulations, 2004. From the above provisions the ARR and tariff applications of DISCOMs is coming within the prescribed period of limitation.
2. From the above findings it is found that the ARR and Tariff Applications of the DISCOMs have been filed within the period of limitation and are accepted, since there is no delay in filing the said applications.
3. The said ARR & RST applications were duly scrutinized, admitted and registered as Case Nos.66/2008 (CESU), 67/2008 (NESCO), 68/2008 (WESCO) and 69/2008 (SOUTHCO), respectively.
4. The Commission directed the applicants to publish the ARR & Tariff Applications in the prescribed formats in the leading and widely circulated Oriya and English newspapers in order to invite objections/suggestions from the general public. The said public notices were also posted in the Commission's website www.oriarc.org. The Commission had also directed the applicants to file their respective rejoinder to the objections filed by the several objectors.
5. In response to the said public notices, the Commission received objections/suggestions from the following persons/ associations/ institutions/ organisations as mentioned below against each of the respective distribution licensees:

On CESU's application: -

6. (1) OCL India Limited, Plot No.1129, Mohanadi Vihar, Near Moon Hospital, Cuttack (2) Orissa Consumers' Association, Biswanath Lane, PS-Purighat, Dist-Cuttack (3) State Public Interest Protection Council, Orissa, Cuttack-753009 (4) East Coast Railway, Chandrasekharpur, Bhubaneswar-751017 (5) Sambalpur District Consumers Federation, Balaji Mandir Bhawan, Khetrampur, Sambalpur-768003 (6) Orissa Electrical Consumers' Association, Sibasakti Medicine Complex, B.K. Road, Cuttack-753001 (7) Maa Fuel Centre, Nalipur, Balichandrapur, Dist-Jajpur (8) Shri Ramesh Ch. Satpathy, Plot No.302(B), Beherasahi, Nayapalli, Bhubaneswar-751012 (9) Shri R.P. Mahapatra, Plot

No.775(Pt.), Lane-3, Jayadev Vihar, Bhubaneswar-751013 (10) Utkal Chamber of Commerce & Industry, N/6, IRC Village, Nayapalli, Bhubaneswar-751015 (11) Shri Prabhakar Dora, 3rd Floor, Vidya Nagar (Co-Operative Colony), PO/Dist-Rayagada-765001. All the above named objectors are present during tariff hearing except objector Nos. 3 & 7 but their written submissions which were filed before this Commission were taken into record and also considered by the Commission.

On NESCO's application: -

7. (1) Orissa Electrical Consumers' Association, Sibasakti Medicine Complex, B.K. Road, Cuttack-753001 (2) State Public Interest Protection Council, Orissa, Cuttack-753009 (3) East Coast Railway, Chandresekharapur, Bhubaneswar-751017 (4) Utkal Chamber of Commerce & Industry, N/6, IRC Village, Nayapalli, Bhubaneswar-751015 (5) M/s Ferro Alloys Corporation Ltd., GD 2/10, C.S. Pur, Bhubaneswar-751023 (6) Chief Electrical Engineer, S.E. Railway, Garden Reach, Calcutta-43 (7) IDCOL Ferro Chrome & Alloys Limited, Jajpur Road, Dist-Jajpur-755020 (8) Balasore Alloys Limited, 199, Forest Park, Bhubaneswar-751009 (9) Shri Ramesh Ch. Satpathy, Plot No.302(B), Beherasahi, Nayapalli, Bhubaneswar-751012 (10) M/s Rohit Ferro-Tech Limited, Kalinga Nagar Industrial Growth Complex, PO-Jakhpura-755027, Dist-Jajpur. (11) M/s Jagdamba Polymers Private Limited, 25, Ganeswarpur Industrial Estate, Balasore-756019 (12) North Orissa Chamber of Commerce & Industry, Ganeswarpur Industrial Estate, PO-Januganj, PS-Industrial Area, Dist-Balasore-756019 (13) Tata Steel Limited, 273, Bhouma Nagar, Unit-IV, Bhubaneswar-751001 (14) Shri R.P. Mahapatra, Plot No.775(Pt.), Lane-3, Jayadev Vihar, Bhubaneswar-751013 (15) Shri Prabhakar Dora, 3rd Floor, Vidya Nagar (Co-Operative Colony), PO/Dist-Rayagada-765001. All the above named objectors were present during tariff hearing except objector Nos. 2, 9, 11 & 15 but their written submissions which were filed before this Commission were taken into record and also considered by the Commission.

On WESCO's application: -

8. (1) Larsen & Toubro Limited, PO-Kansbahal-770034, Dist-Sundargarh., (2) Orissa Consumers' Association & FOCO, Biswanath Lane, Dist-Cuttack-2., (3) State Public Interest Protection Council, Orissa, Cuttack-753009., (4) OCL India Limited, AT/PO/PS-Rajgangpur-770017, Dist-Sundargarh., (5) Sambalpur District Consumers Federation, Balaji Mandir Bhawan, Khetrajpur, Sambalpur-768003., (6) Orissa Electrical Consumers' Association, Sibasakti Medicine Complex, B.K. Road, Cuttack-753001., (7) Chief Electrical Engineer, S.E. Railway, Garden Reach, Calcutta-43., (8) Shreeram Sponge & Steel Pvt. Ltd., Rajgangpur., (9) Bajarang Steel & Alloys Ltd., Plot No.31, Goibhanga, Kalunga, Dist-Sundargarh., (10) Shree Salsar Castings (P) Ltd., Balanda, P.O.Kalunga, Dist-Sundargarh-770031., (11) Rexon Strips Limited, Kamala Complex, Power House Road, Rourkela-769001., (12) Sreechem Resins Ltd., Rourkela., (13) Scan Steels Ltd., Main Road, Rajgangpur., (14) Shree Lingaraj Feeds Ltd., Kachery Road, Rourkela., (15) Shri Radha Krishna Pvt. Ltd. Goibhanga, Kalunga., (16) M/s Grihasti Udyog, Chhend Basti, Rourkela., (17) Refulgent Ispat Pvt. Ltd. Chikatmati, PO-Beldiha, PS-Brahmanitarang, Dist-Sundargarh., (18) Shri Ramesh

Ch. Satpathy, Plot No.302(B), Beherasahi, Nayapalli, Bhubaneswar-751012., (19) Dalmia Institute of Scientific & Industrial Research, Post Box No.2, Rajgangpur-770017, Dist-Sundargarh, Orissa., (20) Western Orissa Cold Storage Association, Baraipali, Sambalpur-768006., (21) Shri R.P. Mahapatra, Plot No.775(Pt.), Lane-3, Jayadev Vihar, Bhubaneswar-751013., (22) Utkal Chamber of Commerce & Industry, N/6, IRC Village, Nayapalli, Bhubaneswar-751015., (23) Shri Prabhakar Dora, 3rd Floor, Vidya Nagar (Co-Operative Colony), PO/Dist-Rayagada-765001. All the above named objectors were present during tariff hearing except objector Nos. 2, 3, & 23 but their written submissions which were filed before this Commission were taken into record and also considered by the Commission. Gram Vikash, Mohuda, Berhmapur was not an objector during hearing because its written submission received in this office after the due date for receipt of the objections/suggestions. But the Commission had considered the objections / suggestions of aforesaid objector while issuing this order.

On SOUTHCO's application: -

9. (1) Orissa Consumers' Association & FOCO, Biswanath Lne, Dist-Cuttack -2 (2) State Public Interest Protection Council, Orissa, Cuttack-753009 (3) East Coast Railway, Chandresekharapur, Bhubaneswar-751017 (4) Orissa Electrical Consumers' Association, Sibasakti Medicine Complex, B.K. Road, Cuttack-753001 (5) M/s Jayashree Chemicals Limited, PO-Jayashree, Ganjam-761025 (6) Shri Ramesh Ch. Satpathy, Plot No.302(B), Beherasahi, Nayapalli, Bhubaneswar-751012 (7) Southco Finance Cadere Employees Welfare Association, At-Kesav Nagar, Langipalli, PO-Berhampur, Orissa (8) Shri R.P. Mahapatra, Plot No.775(Pt.), Lane-3, Jayadev Vihar, Bhubaneswar-751013 (9) Utkal Chamber of Commerce & Industry, N/6, IRC Village, Nayapalli, Bhubaneswar-751015 (10) Shri Prabhakar Dora, 3rd Floor, Vidya Nagar (Co-Operative Colony), PO/Dist-Rayagada-765001. All the above named objectors were present during tariff hearing except objector Nos. 1, 2, 6 & 7 but their written submissions which were filed before this Commission were taken into record and also considered by the Commission. Gram Vikash, Mohuda, Berhmapur was not an objector during hearing because its written submission received in this office after the due date for receipt of the objections/suggestions. But the Commission had considered the objections/suggestions of aforesaid objector while issuing this order.
10. (i) The dates for hearing were fixed and it was duly notified in the leading English and Oriya daily newspapers mentioning the list of objectors. The Commission issued notice to the Govt. of Orissa represented by the Department of Energy to send their authorised representative to take part in the ensuing tariff proceedings.
- (ii) Section 94(3) of the Electricity Act, 2003, provides that the appropriate Commission may authorize any person, as it deems fit, to represent the interest of the consumers in the proceedings before it. Accordingly, in order to protect the interests of the consumers, the Commission appointed Nabakrushna Choudhury Centre for Development Studies, Chandrasekharapur, Bhubaneswar the premier Govt. of Orissa's Institute, as Consumer Counsel for objective analysis of the licensee's Annual

Revenue Requirement and tariff proposal. The report submitted by Nabakrishna Choudhury Centre for Development Studies and also the views put forth by its representative at the time of hearing were taken into record. The Commission had also appointed the following nine persons/organisations as consumer counsel to represent the interest of consumers from the areas of the Distribution Licensees: -

Table – 2

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

11. In its consultative process, the Commission conducted a public hearing at its premises on 05.02.2009 for CESU, 06.02.2009 for SOUTHCO, 07.02.2009 for NESCO & 09.02.2009 for WESCO. The Commission heard the applicants, objectors, Consumer Counsels and the representative of the Government. The written objections/ suggestions of the objectors, Consumer Counsels who remained absent during the hearing, but had submitted before the Commission were taken into record and considered by the Commission.
12. The Commission convened the State Advisory Committee (SAC) meeting on 12.02.2009 to discuss the ARR applications and tariff proposals of licensees. The members of SAC presented their valuable suggestions and views on the matter and the Commission considered the same.

ARR & RETAIL SUPPLY TARIFF PROPOSAL FOR 2009-10 (Para 13 to 74)

13. A statement of Energy Sale, Purchase and Overall Distribution loss from FYs 2006-07 to 2009-10 as submitted by DISCOMs is given below in a tabular form:

Table - 3
Distribution Loss

		2006-07 (Actual)	2007-08 (Actual)	2008-09 (Estt.)	2009-10 (Estt)
CESU	Energy Sale (MU)	2611.55	3045.11	3311.45	3977.46
	Energy Purchased (MU)	4623.664	5203.61	5341.04	6044.77
	Overall Distribution Loss %	43.52	41.51	38.00	34.00
NESCO	Energy Sale (MU)	2670.177	3203.777	2971.00	3104.00
	Energy Purchased (MU)	3998.686	4654.929	4296.00	4357.00
	Overall Distribution Loss %	33.22	31.17	30.84	28.77
SOUTHCO	Energy Sale (MU)	1034.234	1077.593	1182.96	1422.106
	Energy Purchased (MU)	1832.22	1975.27	2165.00	2350.00
	Overall Distribution Loss %	43.55	45.44	43.97	39.48
WESCO	Energy Sale (MU)	2972.423	3434.611	4083.00	4372
	Energy Purchased(MU)	4671.00	5377.00	6102.00	6290.00
	Overall Distribution Loss %	36.36	36.13	33.09	30.49

AT&C Loss

14. The System Loss, Collection Efficiency and target fixed by OERC in reference to AT&C Loss for the four DISCOMs since FY 2007-08 onwards are given hereunder :-

Table - 4
AT&C Loss

		2007-08 (Actual)	2008-09 (Estimated)	2009-10 (Estimated)
CESU	Dist. Loss (%)	41.51	38.00	34.00
	Collection Efficiency (%)	92.39	95.00	95.00
	AT&C Loss (%)	45.96	41.10	37.49
	OERC Target (AT&C Loss %)	34.96	32.84	As per Business Plan
NESCO	Dist. Loss (%)	31.17	30.84	28.77
	Collection Efficiency (%)	93.22	95.00	96.00
	AT&C Loss (%)	35.84	34.30	31.62
	OERC Target (AT&C Loss %)	30.45	29.00	As per Business Plan
SOUTHCO	Dist. Loss (%)	45.44	43.97	39.48
	Collection Efficiency (%)	94.00	94.00	95.00
	AT&C Loss (%)	49.00	47.34	42.51
	OERC Target (AT&C Loss %)	34.60	34.60	As per Business Plan
WESCO	Dist. Loss (%)	36.13	33.09	30.49
	Collection Efficiency (%)	93.65	95.50	96.56
	AT&C Loss (%)	40.18	36.10	32.88
	OERC Target (AT&C Loss %)	28.00	28.00	As per Business Plan

15. Non-fulfilment of the targets has been attributed by the DISCOMs, as usual, 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, alleged non-payment of dues by govt. departments and public sector undertakings.

Metering

16. CESU has already installed meters in 7282 DTRs out of 118194 by end of September, 2008. CESU has asked M/s Secure Meters to expedite the process of meter installation. In CESU area M/s PRDC has started a project on 'Energy Accounting and DT-wise loss assessment' covering 150000 consumers as on May, 2008. CESU has also planned to cover 100000 consumers under pillar box metering during FY 2008-09 by using three types of pillar boxes, having 4, 9 or 21 meter box facility.
17. The three Reliance Managed licensees stated that they inherited a system with large number of unmetered consumers or consumers having 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. They have also claimed 100% feeder metering. They are in the process of procuring 3000 AMRs (WESCO 1000 meters, NESCO 1500 meters and SOUTHCO 500 meters). They have also plan of installing 130400 nos. of single phase static meters and 9000 three-phase static meters.

Detection and Regularisation of unauthorised consumers

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

Spot Billing Roll Out Plan

19. NESCO and WESCO submitted that spot billing was being carried out in all their divisions whereas in case of SOUTHCO only 9 divisions had been brought under the umbrella of spot billing. NESCO, SOUTHCO and WESCO propose to cover majority of their consumers under spot billing fold during FY 2009-10. CESU has submitted that bills are being generated through spot billing machines in the entire CESU area since last four years with some dislocation because of change of the agency.

APDRP Scheme/ Biju Gram Jyoti/System Improvement Scheme

20. The three Reliance Managed Companies submitted that this scheme has been short closed in the X Plan and that in XI Plan the Govt. of India has debarred privatized distribution utilities from availing funds earmarked in the scheme. For funding of System Improvement Scheme WESCO, NESCO, SOUTHCO and CESU have proposed a loan of Rs.31.5 Crore, Rs.34.36 Crore, Rs.6.82 Crore and

Rs.57.85 Crore, respectively from Power Finance Corporation at an interest rate of 13.5% per annum.

Energy Audit

21. CESU has submitted that Energy Audit is being carried out in 75 nos. of 33 KV feeders out of 109 feeders. Similarly, 504 nos. of 11 KV feeders are metered out of 584 feeders. Energy Audit was being carried out in 17 nos. of 11 KV feeders.
22. NESCO, SOUTHCO & WESCO have categorically stated that they have initiated suitable measures for conducting energy audit. WESCO, NESCO and SOUTHCO submitted that currently Energy Audit was being carried out on a monthly basis on all the 33 KV feeders.
23. All the Reliance managed DISCOMs submitted that Energy Audit was being carried out as a team effort with segregation in to three different groups under administrative control of Energy Audit Cell.
24. They have also proposed consumer indexing, consumer and network survey, painting of electrical addresses 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.
25. NESCO, SOUTHCO & WESCO have given the estimated cost for conducting energy audit as under:-

Table – 5
Cost Estimate of Energy Audit

Details	Rate (Rs.)	NESCO		SOUTHCO		WESCO	
		Numbers	Estimated cost (Rs. Lac)	Numbers	Estimated cost (Rs. Lac)	Numbers	Estimated cost (Rs. Lac)
Total no. of consumers	45/Cons.	214546	96.55	304238	136.90	250000	112.50
Total no. of poles	15/Pole	155768	23.37	204364	30.66	250000	37.50
Total no. of DTRs	200/DTR/ Month	8961	215.06	6098	146.35	5600	134.40
Total			334.98		313.91		284.40

They have considered the aforementioned cost of energy audit in their ARR submissions for FY 2009-10 as part of A&G expenses.

Special Police Stations & Special Courts

26. WESCO, NESCO and SOUTHCO have submitted that one police station each in their area has already started functioning at Burla, Balasore and Berhampur respectively. As per Notification No. 47514 dtd. 23.10.2008 of Home Deptt., Govt. of Orissa, another 29 nos. of Energy Police Stations all over Orissa are to be formed out of which WESCO, NESCO, SOUTHCO will have 9, 5 and 9 police stations respectively. They have proposed Rs.3.81 Crore, Rs.2.27 Crore and Rs.3.74 Crore in that order as their financial impact in FY 2009-10 under A&G

expenses towards defraying the expenditure on functioning of Energy Police Station.

Franchisee Operation

27. CESU has proposed to start franchisee in the areas of RGGVY by involving two self-help groups (SHGs) from December, 2008. They have also proposed to start franchisee operation in Orikanta Section (Salipur) simultaneously. NESCO submitted that Dharmasala and Jajpur town subdivisions had been brought under input based franchisees operation. Another two nos. of sub-divisions namely Khaira and Tihidi under Bhadrak circle will be put under franchisee within FY 2008-09. SOUTHCO submitted that at present two nos. of subdivisions comprising 33000 consumers under GNED division were covered under input based franchisee. They have also proposed to bring another two nos. of subdivisions under input based franchisee system. NESCO and SOUTHCO have proposed Rs.2.47 Crore and Rs.1.34 Crore, respectively as expenses towards franchisee operation under A&G head.

Data Sources

28. NESCO, SOUTHCO, WESCO and CESU have scrupulously complied with the information requested by the Commission for submitting the ARR and tariff for the year 2009-10. The accounts upto March, 2008 have been duly audited as per Companies Act for all the Reliance managed DISCOMs. In case of CESU audited account is available upto March, 2007. Copies of the audited accounts have already been furnished to OERC. The licensees have relied upon the audited accounts upto March, 2008 except CESU for compilation of data and preparation of this ARR. As such, the licensees submit that the data furnished by them in the application are authentic and reliable.

Revenue Requirement

Sales Forecast

29. The four distribution utilities have forecasted their sales figures for the year 2009-10 as detailed below with reasons for sales growth.

Table – 6

Licensee/ Utility	LT Cons (MU) 2009-10 (Estt.)	% Rise above FY 08-09	Remarks	HT Cons (MU) 2009-10 (Estt.)	% Rise above FY 08- 09	Remarks	EHT Cons (MU) 2009-10 (Estt.)	% Rise above FY 08-09	Remarks
CESU	1761.99	10	Due to RE and categorywise growth.	950.97	18	Past trend & load growth expected	1264.50	39	Load growth from existing & new consumers
NESCO	1233.249	24	Impact of RE programmes & growth from existing & new consumers	511.848	-11.27	Declining consumption by steel industries and shifting of HT load to EHT.	1358.564	-3	Recession in the steel industries and consequent reduction of their CD.
SOUTHCO	936.447	26.26	Impact of RE programme & growth from existing & new consumers	260.250	4.45	Trend of 2007-08 & growth from existing & new consumers (>1MVA)	226.408	1.49	Based on the specific load of each industry.
WESCO	1281.00	20.17	Impact of RE programme & growth from existing & new consumers, metering of all irrigation consumer.	1518.00	2.92	Trend of 2007-08 & growth from existing & new consumers	1573.00	2.01	Trend of FY 2007-08 & growth from existing & new consumers subject to availability of OPTCL network.

Inputs in Revenue Requirement

Power Purchase Expenses

30. It has been derived basing on consumption estimates and distribution energy loss levels. While estimating Power purchase expenses WESCO has considered the BSP @ 158.25 P/U including transmission charges of 21 P/U. NESCO and SOUTHCO have calculated a BSP of 119.30 P/U and 70 P/U excluding transmission charges, respectively. WESCO and NESCO have calculated BSP at lower rates as they have a pending case regarding this in ATE. The average SMD for WESCO, NESCO and SOUTHCO for FY 2009-10 have been projected as 1000 MVA, 710 MVA and 380 MVA respectively. The DISCOMs have prayed to the Commission to suitably adjust the revenue requirement in the event of revision of BSP other than that prayed for. CESU has estimated energy input of 6044.77 MU for the year 2009-10 based on the estimated consumption of 3977.46 MU and distribution loss of 34%. The power purchase expenses have been estimated basing on the current bulk supply tariff of 122.5 paisa per KWH

including transmission charges of 21.00 paisa per KWH. At this price the total power purchase cost is arrived at Rs.740.49 cr.

Employees' Expenses

31. For the year FY 2009-10 all the DISCOMs have projected employee expenses considering the revised scale of all the employees of executive cadre as per 6th Pay Commission with effect from 01.01.2006 and wage revision w.e.f 1st April 2005 for workers. They have submitted to include the impact of emoluments for fresh recruits and key personnel in technical and commercial activities and contribution to different terminal benefit funds. NESCO, SOUTHCO & WESCO have projected the cost of terminal benefits based on the actuarial valuation study. CESU for the year 2009-10 estimated the employee cost considering an overall increase of 40% over the estimated expenditure of 2008-09. For projecting the terminal benefit for FY 2009-10 CESU has taken pension @ 12% of the (basic + DP), Gratuity @4% of the (basic + DP) and leave encashment as one month (basic + DP).

Administrative & General Expenses

32. CESU has projected A&G Expenses of Rs.63.95 Crore and has proposed 8.7% hike compared to the expenses envisaged during previous year (Rs.58.83 Crore). NESCO, SOUTHCO & WESCO have proposed enhancement of A&G expenses to the extent of 7% over and above the approved A&G expenses for the FY 2008-09 mainly on account of inflation and additional special expenses under different heads to comply with the various directives of the Commission and for reduction of losses. In addition, NESCO, SOUTHCO and WESCO have projected extra A&G expenses under different heads for the FY 2009-10 as tabulated below :-

Table – 7
Additional A&G Cost

(Rs. in Crore)				
Sl. No.	Description	NESCO	SOUTHCO	WESCO
1	Energy Audit	3.34	3.13	2.84
2	Spot Billing in all Divisions	4.16	3.52	1.80
3	Fringe Benefit Tax for 2009-10	0.40	0.40	0.90
4	Expense of customer care/Mini Call Centre	.60	1.70	1.349
5	Mobile Customer Care Van	-	0.58	0.42
6	Energy police station	2.27	3.74	3.87
7	Manpower assessment study/Training	0.05	0.50	0.70
8	Input Based Franchisee	2.47	1.34	3.91
9	Automation expenses – IT/Arrear Collection	4.40	2.60	2.00
10	Customer Satisfaction Survey	0.05		-
11	Insurance for Third party and power transformer	-	0.16	-
	Total	17.76	17.71	17.44

Repair & Maintenance (R&M) Expenses

33. All four DISCOMs have estimated Repair and Maintenance Expenses @ 5.4% of Gross Fixed Assets (GFA) at the beginning of the year. Reliance Managed DISCOMs have also prayed for recovery of the shortfall of the past period FY2000 to FY 2008 along with the estimated cost for FY 2010.
34. NESCO, SOUTHCO and WESCO have requested the Commission to direct GRIDCO to release Rs.105.47Crore, Rs.106.22 Crore and Rs.94.91 Crore respectively for the FY 2009-10 from the escrow account for meeting R&M expenses. CESU has projected an expenditure of Rs.51.44 cr for the year FY 2009-10.

Provision for Bad & Doubtful Debts

35. CESU has made provision towards bad and doubtful debts to the tune of Rs.60.61 Crore based on 5% of the total sales revenue. It is also based on the collection efficiency and ageing analysis of receivables for FY 2007-08 and FY 2008-09.
36. NESCO, SOUTHCO and WESCO submitted that due to past losses and huge liability, it would be difficult for them to arrange working capital and the situation would worsen if the Commission does not recognise the short fall in collection efficiency. In order to make good the loss or short fall in collection efficiency, the licensees have considered the amount equivalent to the collection inefficiency as bad and doubtful debts while estimating the ARR for FY 2009-10. Considering the proposed collection efficiency of 96% for NESCO, 95% for SOUTHCO and 96.56% for WESCO for FY 2009-10, they have considered for bad and doubtful debts to the extent of 4%, 5% and 3.44% respectively as part of ARR for FY 2009-10.

Depreciation

37. All the four DISCOMs have adopted straight-line method for computation of depreciation at pre-92 rate. No depreciation has been provided for the asset created during the year.

Loans and Outstanding Dues

38. NESCO, WESCO and SOUTHCO have submitted that the Commission had passed an order approving their business plan on 28th February, 2005 in Case no.115 of 2004. Subsequently, a clarificatory order on the same subject was also issued on 20th July, 2006. With the gaps in ARR of three Reliance Managed Companies, there is more likelihood of default by them in repayment of instalment as envisaged in the order mentioned above. There is no incentive for them for retention of fund after payment of BSP, monthly instalment towards securitised amount and other OERC approved expenditure. Hence, they have urged the Commission to follow the procedure as laid out in the transaction documents for the sale of Central Zone Electricity Distribution and Retail Supply Utility.

Loan from GRIDCO

39. CESU has submitted that no interest has been calculated on GRIDCO loan including Rs.174 Crore cash support as per the Order of the Commission.

Power Bond

40. WESCO, NESCO & SOUTHCO issued bonds worth Rs.400 Crore in favour of GRIDCO to be assigned to NTPC w.e.f 1st October, 2000 @ 12.5% interest. The Commission in its last tariff order had allowed interest @ 8.5% (tax free) on those bonds as per the recommendation of Alhuwalia Committee. The Commission in its order advised the Govt. to pass on the benefits to the end users of electricity on account of the relief 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. The licensee requests the Commission to allow the differential interest between 12.5% p.a. and 8.5% p.a. on this bond amount from 1st October, 2000 to March, 2007 in the ARR for FY 2009-10. WESCO, NESCO and SOUTHCO have estimated Rs.13.64 Crore, Rs.32.80 Crore and Rs.30.68 Crore, respectively towards the differential interest. GRIDCO has already settled the outstanding dues of power bonds with NTPC through one time settlement with waiver of interest on such bonds by Rs.91.5 Crore for all the DISCOMs upto 31st March, 2007. The Reliance Managed DISCOMs submit that GRIDCO may be directed to give the details of the settlement amount which shall be reimbursed by the DISCOMs to GRIDCO after adjustment of past payments/ adjustments. They further submit that the amount of rebate availed by GRIDCO are to be reduced from dues of Power Bond.

GRIDCO BST Outstanding Dues

41. 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 DISCOMs would be at 0% interest rate and the amount to be securitised for each DISCOMs 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 2009-10. Further, the Commission in the said order opined that State Government and Govt. undertakings dues to the DISCOMs should be adjusted before securitising the outstanding BST dues of GRIDCO. Subsequently, OERC in its supplementary order (Case No.115/2004) dtd.20.07.2006 directed for payment of securitised BST and loan outstanding in equal monthly instalments for a period of ten years.

APDRP Assistance

42. CESU submitted that they have availed Rs.35.52 Crore from PFC Ltd. @ 12% per annum and Rs. 37.09 Crore from Govt. of India @ 12% per annum under APDRP Scheme of Xth Plan.
43. In the ensuing year, NESCO, SOUTHCO & WESCO have estimated nothing to be expended under APDRP Scheme. For the assistance already availed by the licensees previously interest @ 12% per annum has been considered for the ensuing year on the existing loan. NESCO, SOUTHCO and WESCO have estimated an interest of Rs.0.76 Crore, Rs.1.23 Crore and Rs.0.65 Crore, respectively on this account.

Capital Expenditure Programme

44. WESCO, NESCO and SOUTHCO propose capital expenditure plan and capex related expenses on the different programmes like RGGVY, Biju Gram Jyoti Yojana, System Improvement, etc. The expenditure proposed under this head for these licensees are Rs.757.06 Crore, Rs.511.62 Crore and Rs.387.72 Crore respectively. Besides the above, SOUTHCO also proposes to incur CAPEX for construction of 33 KV lines and upgradation of 33 KV substations capacity for evacuation of power from newly constructed 132 KV Grid substation and for facilitating OPTCL to abandon 132/11 KV system. For the same scheme Rs.6.97 Crore has been estimated to be expended through loan from the banks.
45. CESU has planned to incur capital expenditure for upgradation of the system, metering, transmission network etc. to reduce the loss. It has estimated Rs.57. 85 Crore to be expended in the ensuing year on this account.

Payment of Past Statutory Dues, Pressing Creditors & Inspection Fees

46. NESCO, SOUTHCO & WESCO have submitted that the outstanding statutory dues as on 31st March, 2008 worked out to be Rs.166.26 Crore (NESCO), Rs.99.72 Crore (SOUTHCO) and Rs.111.08 Crore (WESCO) to be considered for the year 2009-10. In addition, they have also to pay outstanding inspection fees. WESCO, NESCO and SOUTHCO have requested to amortize these amounts as regulatory asset.

Interest Capitalized

47. 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. The total interest estimated for financial year 2009-10 for WESCO, NESCO and SOUTHCO are Rs.2.13 Crore, Rs.1.93 Crore and Rs.1.82 Crore respectively.

Interest on Security Deposit

48. NESCO, SOUTHCO & WESCO have submitted that the interest on security deposits @ 6 percent per annum (Bank rate) for FY 2009-10 have been worked out to be Rs.10.52 Crore (NESCO), Rs.4.06 Crore (SOUTHCO) & Rs.16.95 Crore (WESCO).

Non-Tariff Income

49. NESCO, SOUTHCO & WESCO have proposed non-tariff income for FY 2009-10 to the tune of Rs.9.95 Crore, Rs.9.72 Crore and Rs.16.89 Crore respectively. However, they have proposed to abolish meter rent for all categories and hence not considered any income from meter rent.

Amortisation of Regulatory Assets

50. WESCO, NESCO and SOUTHCO have submitted that Regulatory asset may be amortized to the extent of cash requirement during the year 2009-10. They have only included the amortization of regulatory assets to the extent of actual liability towards payment of statutory dues payable to the employees trust like pension etc which are given below:

Table – 8
Amortisation of Regulatory Assets in FY 2009-10

(Rs in Crore)

Sl. No.	Description	NESCO	SOUTHCO	WESCO
1.	Statutory dues towards trusts	103.56	99.72	111.08
2.	Inspection Fees	18.13	10.16	22.17
3.	10% of past losses upto FY 2007-08	-	66.89	48.33
4.	Outstanding interest on World Bank & APDRP loan	62.70	-	-
5.	Past Statutory Dues and Pressing Creditors	-	8.50	-
	Total	184.39	185.27	181.58

Truing up of Revenue Gap for FY 2008-09

51. Considering the variation between estimated revenue and actual expenditure during FY 2008-09 due to reasons beyond the control of the DISCOMs, NESCO, SOUTHCO & WESCO have requested the Commission to allow truing up of uncovered gap of Rs.71.87 Crore (NESCO), Rs.64.67 Crore (SOUTHCO) and Rs.128.83 Crore (WESCO) to be considered as estimated revenue gap for FY 2008-09 to be trued up in the ARR of FY 2009-10.

Return on Equity / Reasonable Return

52. CESU has claimed Rs.11.64 Crore as ROE calculated @16% on equity capital. WESCO, NESCO and SOUTHCO have submitted that due to negative returns (gaps) in the ARR and carry forward of huge regulatory assets in previous years the licensees could not avail the ROE. They have prayed for ROE on the equity and the ROE for the previous years to be allowed in ARR of FY 2009-10. This would increase the availability of additional funds for the consumer services. Therefore, WESCO, NESCO and SOUTHCO have assumed a reasonable return of Rs.9.03 Crore, Rs.12.23 Crore and Rs.8.11 Crore respectively including accrued RoE.

Summary of ARR and Revenue Gap

53. The proposed revenue requirement for four DISCOMs have been projected in tabular form below:

Table – 9
Proposed Revenue Requirement of DISCOMs for 2009-10
(Rs. in Crore)

	WESCO	NESCO	SOUTHCO	CESU
	2009-10	2009-10	2009-10	2009-10
Expenditure	Proposed	Proposed	Proposed	Proposed
Cost of Power Purchase	995.39	611.35	213.85	740.48
Employee costs	182.79	163.12	172.28	229.35
Repair & Maintenance	94.91	105.47	106.22	51.46
Administrative and General Expenses	37.05	30.66	33.74	50.96
Provision for Bad & Doubtful Debts	47.78	36.20	18.20	60.61
Depreciation	27.44	24.11	24.45	73.46
Interest Chargeable to Revenue including INT on SD	46.20	58.88	46.41	81.46
Sub-Total	1,431.56	1,029.79	615.15	1,287.78
Less: Expenses capitalised	2.47	0.93	2.38	
(A) Total expenses	1,429.09	1,028.86	612.77	1,287.78
Amortisation of Regulatory Asset	181.58	184.39	185.27	
Past Losses(TRUING UP)	128.83	71.87	64.67	
Contingency reserve	2.88	2.52	2.55	
(B) Total	313.29	258.78	252.49	
(C) Return on equity	9.03	12.23	8.11	11.64
TOTAL(A+B+C)	1,751.41	1,299.87	873.37	1,299.42
Less Miscellaneous Receipt	16.89	9.95	9.72	17.27
TOTAL DISTRIBUTION COST	1,734.52	1,289.92	863.65	1,282.15
Total Revenue Requirement	1,734.52	1,289.92	863.65	1,282.15
Expected Revenue(Full year)	1,388.87	905.01	364.00	1,212.27
GAP(+/-)	(345.65)	(384.91)	(499.65)	(69.88)

Tariff Proposal

54. CESU in its tariff proposal estimated revenue requirement of Rs.1299.42 (including ROE) at the existing tariff rates. The revenue generation from sale of power on proposed tariff will be Rs.1229.54 Crore (Rs.1212.27 + Rs.17.27). Accordingly the revenue gap for FY 2009-10 is projected at Rs.69.88 Crore excluding past losses. The revenue gap has been projected considering the revenue collection at the existing tariff rates. In such a scenario CESU has proposed that the revenue gap may be bridged by part revision of retail tariff as suggested by them which includes, among other things, the following.

- (a) The existing slabs in graded consumption tariff in Domestic & General purpose category may be reviewed and reduced suitably; so that the practice of multiple connections to a single premise is discouraged.
 - (b) The difference between the first slab and second slab rates for the above two categories of consumers may be reduced by increasing the first slab rate and decreasing the second slab rate with equal amount.
 - (c) The General Purpose category who avail supply in HT with CD of less than 110 KVA are highly incentivised with reduced demand rate in comparison to those having CD of ≥ 110 KVA and lower energy rate in comparison to those having equal CD but availing supply in LT. It is proposed that the Demand Charge for these consumers may be revised upward equalizing with that applicable to GP category with $CD \geq 110$ KVA. Otherwise the energy rate may be enhanced suitably.
55. WESCO, NESCO and SOUTHCO have proposed to bridge the revenue gap through combination of Increase in Retail Supply Tariff, Reduction in Bulk Supply Tariff and Grant/Subsidy from State Government in an appropriate manner. Based on estimated revenue requirement at the existing tariff, the revenue gap for FY 2009-10 for NESCO, SOUTHCO and WESCO works out to Rs.384.91 Crore, Rs.499.65 Crore and Rs.345.65 Crore, respectively at tariff proposed by them which includes revenue gap of last year and amortisation of regulatory asset.

Tariff Rationalisation

Recovery from Fixed/Demand Charges

56. NESCO, SOUTHCO & WESCO have proposed similar demand charges for consumers having contract demand of 70 KVA and above and below 110 KVA availing power supply in HT with that of consumers having contract demand of more than equal to 110 KVA at HT. They have also asked for fixation of monthly minimum fixed charges/demand charges for LT industrial (S), LT industrial (M) and public water works in terms of KVA instead of KW for arresting the low power factor as well as for compensating for higher drawl in KVA demand.

Payment of Demand Charges by Captive Power Plants

57. The three licensees have submitted that on several occasions there were additional burden on account of payment of Simultaneous Demand Charges (SMD) by the Distribution Licensees to GRIDCO due to drawl of Power by CPPs without any load management on emergency basis during peak hours. To avoid such unforeseen Cost, they have proposed that the energy charges applicable to the respective tariff category on the energy consumption along with demand charges as applicable in the respective category may also be applicable to CPP. They have again submitted that the minimum demand charge concept i.e. 80% of the contract demand may also be applicable to CPP as a standby charge for infrastructure provided to them.

Change in Tariff Structure

Tariff for medium industrial consumers

58. WESCO, SOUTHCO & NESCO proposed that the tariffs for Medium Industries might be considered at par with general purpose consumers so that it would indirectly incentivise them to take connection at HT to avail the benefit of tariff.

Monthly Minimum Fixed Charge for consumers with contract demand <110 KVA

59. WESCO, SOUTHCO and NESCO proposed that the Monthly Minimum Fixed Charges for such consumers should be levied at Contract Demand or Maximum Demand whichever is higher instead of recorded demand rounded to nearest 0.5KW requiring no verification irrespective of agreement.

Demand Charges and Monthly Minimum Fixed Charges

60. The above three licensees claim that the revenue recovery on account of demand charges is less than the fixed distribution cost. Hence they request the Commission to allow them to recover full fixed distribution cost by suitably revising the demand charges and monthly minimum fixed charges as applicable to the respective category during the ensuing year.

KVAH Billing for LT Industrial Consumers

61. All the Reliance Managed Licensees propose KVAH based tariff for all three phase industrial consumers receiving supply in LT and HT and for which presently no PF penalty is provided in the tariff. These industries may be charged with the same rate presently applicable for KWH consumption.

Applicability of Power Factor Incentive

62. WESCO, NESCO and SOUTHCO claim that they forego more revenue in power factor incentive than what is being recovered from the penalty. Hence, they propose to consider power factor incentive for the PF more than 97% in place of 95% and the power factor penalty may be chargeable to the consumer if the power factor is less than 95%. They have also proposed to include some additional consumers in both LT and HT categories under the PF penalty/incentive scheme.

Off Peak Incentives

63. CESU submitted that 80% of the static energy meters installed are having four zone facility one of them is 10 PM to 7 AM next day. Presently off peak incentives is allowed for consumption from 10 PM to next day 6 AM. They have requested the Commission to address the issue by allowing the off peak benefit as per the defined off peak hours. Otherwise off peak hours may be redefined suitably.

Overdrawal during Peak and Off Peak

64. CESU has proposed that consumers who over draw during peak hours might not be eligible for overdrawl benefit during off peak hours.

Reconnection charges

65. WESCO, NESCO and SOUTHCO have asked for increase in reconnection charges so that it will act as a deterrent to non-paying consumers. The reconnection charges were last revised in 2004.

Table – 10
Proposed Re-Connection charges for FY 2008-09

(In Rupees)				
Connection Type	Existing Rate	WESCO	NESCO	SOUTHCO
Single Phase Domestic Consumer	50	75	75	75
Single Phase Other Consumer	100	150	150	150
3 Phase LT Consumer	200	300	300	300
HT & EHT Consumer	1000	1500	1500	1500

Special Tariff for JCL under SOUTHCO

66. SOUTHCO proposes a special tariff rate of 257 p/kwh to M/s. JCL with mutual consent for the FY 2009-10 which will be submitted to the Commission for approval.

Delayed Payment Surcharge for consumers

67. WESCO, NESCO & SOUTHCO submitted that DPS should be made applicable to all categories of consumers without any discrimination

Rebate on prompt payment

68. WESCO, NESCO and SOUTHCO have prayed for approval of rebate of 2% to the licensee for prompt payment of BST bill within three working days from the date of presentation of the BST bill.

Agro-industrial Consumers

69. CESU has submitted that most of its HT Agro-industrial consumers are actually sea food processing units who preserve the processed food in temperature control chambers till export. Hence, the licensee has requested the Commission to review the matter as these consumers are getting windfall profit. WESCO, NESCO and SOUTHCO have also requested the Commission to review the definition of Agro-industrial category. They have also cited a Supreme Court judgement where it has been held that Pisciculture is excluded from agriculture. Following the above judgement they have requested the Commission to exclude Pisciculture, poultry and animal husbandry from the purview of Agro-industrial category.

Bulk Energy Billing Software Audit

70. WESCO, NESCO and SOUTHCO have requested the Commission to issue direction for audit of the bulk energy billing software of GRIDCO by an independent agency.

Service Charges for Door to Door Collection

71. The Reliance Managed DISCOMs have proposed to introduce a service charge of Rs.10 per bill for door to door collection to encourage consumers to make payment at collection counters.

Tariff Schedule

72. CESU has not submitted any proposed tariff schedule. On the other hand WESCO, NESCO and SOUTHCO have proposed the following retail tariff schedule.

Table – 11

PROPOSED RETAIL SUPPLY TARIFF FROM 1st APRIL, 2009

Sl. No.	Category of Consumers	Voltage of Supply	Demand Charge (Rs./KW/ Month)/ (Rs./KVA/ Month)	Energy Charge (P/kWh)	Customer Service Charge (Rs./Month)	Monthly Minimum Fixed Charge for first KW or part (Rs.)	Monthly Fixed Charge for any additional KW or part (Rs.)	Rebate (P/kWh)/ DPS
	LT Category							
1	Domestic							
1.a	Kutir Jyoti < 30U/month	LT	FIXED MONTHLY CHARGE--->			50		
1.b	Others							10
	(Consumption <= 100 units/month)	LT		160		30	15	
	(Consumption >100, <=200 units/month)	LT		230		30	15	
	(Consumption >200 units/month)	LT		310		30	15	
2	General Purpose < 110 KVA							10
	(Consumption <=100 units/month)	LT		350		40	25	
	(Consumption >100, <=300 units/month)	LT		410		40	25	
	(Consumption >300 units/month)	LT		450		40	25	
3	Irrigation Pumping and Agriculture	LT		150		30	15	10
	Agro Industrial Consumers (S) <22 KVA	LT		170		30	15	10
	Agro Industrial Consumers (M) >=22 KVA			350		80	50	10
4	Public Lighting	LT		350		30	15	DPS/Rebate
5	L.T. Industrial (S) Supply	LT		350		80	50	10
6	L.T. Industrial (M) Supply	LT		350		80	50	DPS/Rebate
7	Specified Public Purpose	LT		350		80	50	DPS/Rebate
8	Public Water Works and Swerage Pumping<110 KVA	LT		350		80	50	10
9	Public Water Works and Swerage Pumping >=110 KVA	LT	250	350	30			10
10	General Purpose >= 110 KVA	LT	250	350	30			DPS/Rebate
11	Large Industry	LT	250	350	30			DPS/Rebate
	HT Category							
12	Bulk Supply - Domestic	HT	30	230	250			10
13	Irrigation	HT	30	100	250			10
	Agro Industrial Consumers (S) <22 KVA	HT	30	140	250			10
	Agro Industrial Consumers (M) >=22 KVA	HT	100	As indicated in the	250			10
14	Specified Public Purpose	HT	100		250			DPS/Rebate

15	General Purpose < 110 KVA	HT	100	notes below.	250			10
16	H.T .Industrial (M) Supply	HT	100		250			DPS/Rebate
17	General Purpose >= 110 KVA	HT	250		250			DPS/Rebate
18	Public Water Works & Swerage Pumping	HT	250		250			10
19	Large Industry	HT	250		250			DPS/Rebate
20	Power Intensive Industry	HT	250		250			DPS/Rebate
21	Ministeel Plant	HT	250		250			DPS/Rebate
22	Railway Traction	HT	250		250			DPS/Rebate
23	Emergency Supply to CPP	HT	250		250			DPS/Rebate
24	Colony Consumption	HT	0	230	0			DPS/Rebate
	EHT Category							
25	General Purpose	EHT	250	As indicated in the notes below.	700			DPS/Rebate
26	Large Industry	EHT	250		700			DPS/Rebate
27	Railway Traction	EHT	250		700			DPS/Rebate
28	Heavy Industry	EHT	250		700			DPS/Rebate
29	Power Intensive Industry	EHT	250		700			DPS/Rebate
30	Ministeel Plant	EHT	250		700			DPS/Rebate
31	Emergency Supply to CPP	EHT	250		700			DPS/Rebate
32	Colony Consumption	EHT	0	230	0			DPS/Rebate
	D.C. Services		RATE FOR D.C. SUPPLY					
34	Domestic	LT	SAME AS RATE AT SL. 1					10
35	General Purpose < 110 KVA	LT	SAME AS RATE AT SL. 2					10
36	L.T. Industrial (S) Supply	LT	SAME AS RATE AT SL. 5					10
Note:	Energy Charges for HT & EHT Consumers							
	Load Factor (%)	HT	EHT					
	up to 50%	310 p/u	300 p/u					
	>50% = <60%	235 p/u	212 p/u					
	>60%	230 p/u	212 p/u					
(i)	Three phase consumers with static meters are allowed to avail TOD Tariff excluding Public Lighting @10 Paise/unit for energy consumed during off pick hours.Drawal by the industries during off-peak hours upto 120% of Contract Demand without levy of any penalty has been allowed. The "Peak Hours" is defined as 6.00 A.M. and 6.00 P.M. and "Off-peak hours" for the purpose of tariff is defined as from 10.00 P.M. to 6.00 A.M. of the next day.							
(ii)	Tariff as approved shall be applicable in addition to other charges as approved in the tariff order. Other charges including meter rent and reconnection charges remains unchanged. No meter rent shall be payable after the full cost of the meter is recovered.							
(iii)	Power factor incentive for HT & EHT consumers will be applicable above power factor of 97%.							
(iv)	The billing demand in respect of consumers with Contract Demand of less than 110 KVA having static meters should be the highest demand recorded in the meter during the Financial Year irrespective of the Connected Load, which shall required no verification.							
(v)	Prospective small consumers requiring new connection upto and including 3 KW load shall only pay a flat charge of Rs.500/- towards new connection excluding security deposit as applicable as well as processing fee of Rs.25/-.							
(vi)	In case of installation with static meter/meter with provision of recording demand, the recorded demand rounded to nearest 0.5 KW shall be considered as the contract demand requiring no verification irrespective of the agreement. Therefore, for the purpose of calculation of Monthly Minimum Fixed Charge (MMFC) for the connected load below 110 KVA, the above shall form the basis.							

Negative Cash Flow approved in WESCO RST 2008-09

73. The WESCO has a negative cash balance as on 1st April, 2008 as it was not able clear its monthly BSP bills on account of higher rate of BSP. Hence, with the negative cash balance WESCO is not able to clear its monthly BSP bills within 48

hours to get 2% rebate till date. They have requested for some relief to improve the cash flow position in the ensuing year.

Conflict of Interest being the same Management in GRIDCO and OPTCL

74. WESCO, NESCO and SOUTHCO have requested the Commission to make a distinct, separate and independent management of GRIDCO and OPTCL. They have further requested the Commission to allow DISCOMs to have choice for making payment either to OPTCL or GRIDCO considering the availability of funds.

Prayer:

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

- Take the accompanying ARR and Tariff Petition on record.
- Approve the Annual Revenue Requirement for FY 2009-10 including amortisation of regulatory assets and truing up of uncovered gap for FY 2007-08 based on expenses and revenue approved by the Commission.
- Bridge the Revenue Gap through combination of reduction in BSP, grant/subsidy from the State Government of Orissa and/or increase in Retail Supply Tariff.
- Reconsideration of revised estimate of WESCO for FY 2008-09 with respect to power purchase of 6102 MU with SMD of 960 MVA.
- Direct GRIDCO to relax Escrow in this priority keeping in view the interest and better services to the consumers of Orissa
 - Payment of current Bulk Supply Tariff bills
 - Employee Expense
 - R&M Expense
 - A&G Expense
 - Remaining 50% to be utilised for past dues of GRIDCO and rest 50% for system improvement
- SOUTHCO's consumption mix is skewed towards LT consumption; the SOUTHCO is incurring huge loss as compared to other DISCOMs. Even if Distribution losses are reduced hypothetically by 20 %, still SOUTHCO will end up in incurring losses. Therefore there is an urgent need for substantial reduction in BST for SOUTHCO.
- Any other relief, order or direction which the Commission deems fit be also issued.

OBJECTIONS AND QUERRIES RAISED DURING THE HEARING (Para 75 to 110)

75. Hearing of ARR and Tariff application of all the DISCOMs for the FY 2009-10 started with a Power Point Presentation by them to the Commission and the objectors. This was followed by a Presentation by representative of Nabakrushna Choudhury Centre for Development Studies, Bhubaneswar who had been appointed as consumer counsel. He presented the gist of the submission by the licensee, queries and rejoinder pertaining to the submission and also made their own queries and objection regarding ARR and tariff filing. Then the objectors who were present during the hearing made their observations regarding the submission of the licensees. Subsequently, Director (Tariff) raised certain queries and observations regarding the same application. 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 2009-10. Based on their nature and type, these objections have been categorised broadly as indicated below:

Comments of Nabakrushna Choudhury Centre for Development Studies – the Consumer Counsel on Tariff application

76. In accordance with Section 94(3) of Electricity Act, 2003 which stipulates that the appropriate Commission may authorize any person as it deems fit to represent the interest of consumers in the proceedings before it, the Commission for the third time in succession has engaged Nabakrushna Choudhury Centre for Development Studies as consumer counsel for receiving quality inputs/feed back on the tariff matters in the interest of different sections of consumers for the FY 2009-10. Dr. Sibalal Meher of the Centre presented an analysis of the applications and some of the important observations are as follows:
- (i) DISCOMs have not taken effective steps to reduce distribution loss in the line of recommendations of the Kanungo Committee and OERC.
 - (ii) DISCOMs have not followed any scientific method of demand forecasting in order to show high distribution loss.
 - (iii) DISCOMs have not taken any effort to collect arrears in order to reduce deficit.
 - (iv) There is a scope for reduction of ARR by reducing distribution cost, and disapproving reasonable return and bad and doubtful debt.
 - (v) The commission should reduce tariff instead of revising it upward.
77. The Commission had also appointed different consumer organizations as Consumer Counsels apart from Nabakrushna Choudhury Centre for Development Studies for different distribution licensee's area. They are as follows:
- CESU:-** (i) Federation of Consumer Organisation, (FOCO), Biswanath Lane, Cuttack (ii) Shri A.B. Routray, Orissa Electrical Consumer Association, Siva Sakti Medicine Complex, Cuttack – 753001, (iii) Secretary, Confederation of Citizen Association, Bhubaneswar & (iv) Secretary, Prayas, Pune.

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

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

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

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

All the above Consumer Counsels except Secretary, PRAYAS Energy Group and Grahak Panchayat, Paralakhemundi were absent during hearing.

The observation of the Consumer Counsel, who were present during the hearing can be summarized as follows:

- The licensees have not improved their efficiency and standard of performance as per expectation of the consumers.
- In rural pockets, restoration of power supply is usually uncertain after fuse cut.
- Due to ignorance of both urban and rural communities, they are unable to demand compensation. The compensation amount prescribed by the Commission is very very negligible. The instance of compensation claimed by the consumers is also few and far between.
- Reconnection takes 2-3 days time in rural areas and some hours in urban areas. For reconnection, the CESU's employee often demand extra charges for transportation of ladder etc. beyond the bill amount.
- There are large number of complaints on hooking and power theft both in urban and rural areas.
- Many poles/transformers/cables are in hazardous condition in rural areas causing threat to human and animals.
- There is late delivery of bills and erroneous bills are served.
- Bill related complaints are rarely registered. Correction of bills is impossible without bribes.
- Almost all the bills are being served just before the scheduled date of payment as a result rebates cannot be availed by the consumers.
- The licensee's employee should have uniform and I-card with blood group printed, so that they can be easily identified. This is necessary to prevent impersonation and trespassing by the miscreants.
- Meter test report is not being provided to the single phase consumers.
- Licensee is not acknowledging the disconnection date, time and reason of disconnection.
- Licensee is suppressing the truth and not providing information to the consumer.
- The ARR application should be rejected for non-compliance of the statutory provisions like Sec.56 (2) and Sec.126 of the Electricity Act, 2003.

- Collection of power factor penalty is a forcible collection.
- Consumers having higher consumption are required to be encouraged in tariff by giving benefit to them.
- The loss mentioned in the Tariff application by the licensee is false and fabricated because information is not being supplied to the consumers as and when requested.
- Licensee is not providing information under RTI Act to the public on the plea that the matter is subjudice before the High Court of Orissa.

Legality of the ARR and tariff application

78. One objector stated that the applications for determination of ARR as well as fixation of tariff as filed by the DISCOMs are illegal. That the law contemplates that the Commission has to determine licensee's revenue for the purpose of fixing the tariff first, but not on composite application which is confusing and would be in contravention of law. The notice published by the licensee inviting objections does not conform to the requirement of law and does not disclose for what purpose such revenue requirement are asked for without giving details to confuse the consumer public. He again reiterated that the licensees have failed to provide details as required under the regulation of the Commission for consideration of its application as such the application may be rejected which is based on incorrect and manipulated statement of facts/materials/accounts. The licensees have not produced the audited accounts for FY 2006-07 and FY 2007-08, hence their application for ARR may not be allowed.

Procedural simplicity and inexpensiveness

79. Some objectors submitted that the procedure/method adopted by the Commission for disposal of tariff application is not only cumbersome but also based on no uniformity and beyond the scope of almost all the consumers and hence should be made simple and inexpensive. Regulation to that effect be suitably framed to enable the public to file purposeful objection and effectively participate in the disposal of the application made by the licensee.

Review of operations of the year 2007-08 & 2008-09 (Estt) and Performance Estimates in FY 2009-10

80. The objectors in general stated that the distribution licensees have not improved their efficiency and standard of service, performance and had not reduced T&D losses etc. as directed from time to time for which the Commission should not penalise consumers to make good of losses of licensees for their maladministration, inefficiency, corruption, mismanagement, unnecessary expenses, etc. The licensees taking full advantage of the cost plus tariff determination and are projecting ever increasing cost without any improvement, rather deterioration, in its performance. They highlighted that even till this date constant low voltage supplies, power cuts in the disguise of disruption and disruption continues months together due to burning of transformer and removal/theft of conductors, etc.
81. One objector pointed out that the Commission should ask the licensee regarding the nexus between power purchase and power sold and 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 DISCOMs have not been audited for the period from FY 2007-08 onwards. As such, the filing is based on imaginary and manipulated statements.

82. The objectors requested the Commission to examine/scrutinize:
 - i) Whether the DISCOMs have complied with the direction of the Commission issued in the earlier orders and regulations?
 - ii) Whether licensee has followed its power purchase agreement faithfully?
 - iii) Whether T&D loss has been arrested or brought down as directed by the Commission in its earlier order?
 - iv) Whether preparation of bill and collection thereof is prompt and accurate and efficient?
 - v) What is the accountability of the employees of the licensees who are not attending to the complaints of the consumers?
 - vi) What is the reason of mismatch between performance review figures and that now submitted by the licensee?
 - vii) Whether NESCO is still continuing to bill the HT & EHT consumer on the basis of consumption ratio for the year 2008-09?
 - viii) Whether remunerative calculation is being attached to the estimate?
83. Some objectors stated that the quality of service provided by the licensee is very poor. Many objectors stated that low voltage, power cuts in the disguise of disruption and continued disruption owing to burnt transformer are order of the day. One objector stated that there has been formal power cuts in Bhadrak area on each Wednesday on the plea of maintenance. There exists absolutely no justification in enhancing the tariff rates so long as such unscrupulous acts are not redressed properly.
84. There is no competition among distribution companies, which is one of the important aspects of electricity reform. The monopoly of CESU is leading to complacency as a result of which the desired outcome is not achieved.
85. Though there is a provision as well as direction by OERC to provide information under the RTI Act, 2005 regarding various issues, the licensees are avoiding to provide information under the pretext that the matter is subjudice before the Higher Court which has granted stay.
86. The provision of bad and doubtful debts needs to be further subdivided into fake debts which is raised on consumers having no existence in person or the premises.
87. Some objectors stated that there is frequent power interruption in WESCO's area, as a result, the industries are adversely affected.
88. One objector stated that after 10 years of reform the licensees are submitting expenditure on consumer indexing for approval. It should be noted that all the new deposit work estimates are covered with pole scheduling/consumer

scheduling. The existing network was also indexed earlier. Hence expenditure on consumer indexing should not be allowed.

Distribution Loss

89. The objectors stated that the performance of the licensees to reduce the distribution losses as per the norms determined by the OERC since 1997 which were revised upwards w.e.f. FY 2002 is not at all satisfactory. 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 DISCOMs. Even their own commitment in the business plan duly approved by the Commission has not been adhered to. The true performance of the DISCOMs relating to distribution loss is camouflaged by adding the zero loss energy sold at EHT. There is thus no pressure on licensees to improve the system to supply power to the low end consumers or to reduce losses. That the licensees are not projecting the correct loss in the HT and LT sector, in spite of earlier observation of the Commission. Every year, they merely come forward with enhanced loss figures as compared to the benchmark fixed by the Commission. The performance parameters should be only on HT & LT loss. The declared loss by the licensee is unrealistic as a large chunk of consumers are still unmetered and having defective meters. While taking full advantage of cost plus tariff determination the distribution licensees are projecting ever increasing cost without any improvement in their performance.

Collection Efficiency

90. Some objectors stated that it is the responsibility of the licensees to collect their own revenue including the arrear revenue. They have requested the Commission to stipulate the level of collection to be made from the current dues for the year as well as the level of collection from the arrear dues and the licensees shall exhibit the collection data accordingly. One objector stated that when the entire staff of the licensees are engaged in revenue collection work, there is no reason as to why the full collection is not done. The sharp increase in the receivables is alarming and is a burden to the consumers (as on 01.4.08, WESCO – Rs.648.84 Crore, NESCO – Rs.593.90 Crore, SOUTHCO – Rs.225.34 Crore, CESU – Rs.1459.32 Crore). There is no provision in the Electricity Act, 2003 or any other Regulation that power supply can't be disconnected to Govt. consumers who are in arrears for years together.

AT&C Loss

91. One objector stated that amounts not collected cannot be treated as bad debt and AT&C concept should not be implemented as it hides the inefficiency of the licensee. The licensee should exhibit the collection separately for current and arrears. The licensees must disconnect power supply to Govt. installation due to non-payment of bills. The revenue receipts relating to surcharge, arrear revenue etc. have not been exhibited. The licensees are hiding intentionally the arrear collection prior to 01.04.1999 as 50% of the amount is to be paid to GRIDCO/State Govt.

Metering

92. One objector stated that although Reform Programme mandates 100% metering, still the licensees are making bills basing on empirical formula. Present metering policy of distribution utility is contravening the Act 2003. It is discouraging the consumers to have their own meters. On the other hand the distribution utilities are interested for procuring meters at higher cost which burdens the consumers through the tariff. The same objector has suggested for low cost meters with specification required under CEA Regulation instead of insisting on higher specification with higher cost meters. It is seen that no licensee is collecting security on meters from consumers as per Section 47 of the Act. The present trend of high meter burning and tampering of meters can be reduced only when Section 47 of said Act will be implemented. Therefore, he has prayed that the licensee may be directed to take security on the meter under Section 47 of the Electricity Act, 2003. In case the meter rent is withdrawn on the ground that no sales tax is applicable to the consumer, resulting in no change of ownership, the licensee will have no obligation to replace the meter in time which leads to incorrect readings of the energy consumption by the use of old meters.

Energy Audit

93. One objector stated that though Commission ordered that feeder metering and distribution transformer metering should be completed as early as 2003-04 and the licensees claim to have substantially implemented the same the actual energy audit data is not being submitted. In the absence of such data the 'actuals' or 'projected' distribution loss can't be substantiated and should not be accepted by the Commission. Energy Audit report should be submitted first. Instead of doing so the licensees has been asking every year for funds for consumer indexing, pole scheduling etc which should be disallowed.

Administrative & General Expenses

94. One objector has requested the licensees to justify the additional expenditure proposed in the above account in terms of increased billing, increased collection and reduction in employee cost which in turn when allowed by the Commission shall not affect the consumers though recovered from the customers. They have further requested the licensees to give details regarding benefits derived from present operation of customer care centres, special police stations, franchisee operations and other related issues which have been implemented partly by the licensees. They have also proposed to follow a need based approach in order to curtail wasteful expenditure. Inspection fee is a statutory levy by the Govt. of Orissa and entitlement of the exchequer. In this regard it is proposed that the Commission may advise the Govt. of Orissa to fix a lump-sum fee like license fee as there will be substantial addition of network assets during future years which are low revenue generating assets providing power supply to the BPL category consumers. Some objectors further alleged that DISCOMs are incurring huge expenditure on A&G cost, rents, legal expenses and auditor's fees etc.

Provision for Bad & Doubtful Debts

95. The objectors pointed out that the provision of 2.5% of the accrued revenue as bad debt is unusually high. The licensees have been vested with power to disconnect power supply for non-payment within 15 days of receipt of the bill by the consumers. The truing up for bad and doubtful debts should also be made every year to take into account only such dues which are not collectable and have been written off from the books of the licensees based on audited accounts. One objector stated that the licensees' proposal of treating collection inefficiency as bad debt is similar to making negative as positive.

Security Deposit

96. Railways demanded that security deposit should be waived for railways as it has never defaulted for payment of energy bill. The objector demanded that security deposit in the shape of bank guarantee may be accepted in lieu of cash. At present the Regulation provides for pre-paid meters but the same is not made available to the consumers. Section 47 (4) of the Electricity Act, 2003 mandates the licensees to pay interest equivalent to the bank rate or more as may be specified by the concerned State Commission. OERC has fixed interest rate at 6% where as the bank rate is not less than 12%.

Single part BSP

97. Some objectors demanded that the Commission may revert to the system of two-part tariff while approving the Bulk Supply purchase by different Distribution Licensees. The amounts payable by the distribution licensees towards bulk supply is not directly affected by the load factor and power factor of the consumer in case of adoption of single part BSP. The Licensee should submit to the Bulk Supplier the monthly demand and energy requirement. Penalty should be imposed for over drawl. The minimum demand charges should be based on 80% of projected demand by the Licensee in a particular month.

Pass through of Past Losses

98. The truing up should not be allowed for inability to meet the distribution loss and collection efficiency targets. Amortization of regulatory assets may be disallowed since it is a reflection of inefficient management of the licensee.

Tariff Rationalisation

Reduction in Cross-subsidy

99. The objectors stated that the orders of the Commission determining the incentive tariff for HT & EHT consumers has resulted in increase in the Cross Subsidy, which is contrary to the principle envisaged in the OERC (Terms & Conditions of Determination of Tariff) Regulations, 2004 and the National Tariff Policy. 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 were supposed to know the quantum of cross subsidy they were paying. For the determination of average cost of supply, the bulk supply price should be considered on the basis of average cost of power procurement from different sources plus a trading margin as determined by CERC.

Recovery from Fixed/Demand Charges

100. Some Ferro Alloys industries demanded that in view of meltdown in global economy OERC may approve a variable contract demand so long as the industries are facing the effect of recession in the market. The industries may be allowed to avail power with maximum demand as required and the demand charges should be calculated based on the actual maximum demand recorded during a month instead of charges on a minimum demand of 80% of the contract demand. Some objectors of NESCO submitted that it would be prudent to encourage medium industries to graduate to large industries by retaining the present demand charges. One objector submitted that licensees are flouting the Commission's Order with impunity regarding MMFC. As per Commission's Order consumers with connected load less than 110 KVA the maximum demand will be treated as contract demand after installation of static meters for calculation of MMFC.

Change in Tariff Structure

101. There is no justification to accept the prayers of the licensee regarding demand charges @200/KVA for consumers having CD more than 70 KVA through HT supply. There should not be fixed charges for LT Industrial and Public Water Works consumers. Most of the objectors demanded that increase in reconnection charges, MMFC for consumers with CD less than 110 KVA and KVAH billing for LT industrial consumers should not be allowed.

Category-wise Tariff

102. Some objectors requested the Commission to modify/add certain stipulations in the tariff order of 2008-09 as below:
- i) A lower load factor may be prescribed for the period of annual maintenance which will be jointly decided by the licensee and consumers. They have proposed that load factor may be computed on annual basis. Alternatively, permission for temporary reduction of contract demand during the maintenance period as mutually agreed may be given.
 - ii) The guaranteed load factor of 80% should be determined on an annual basis.
 - iii) For the calculation of load factor, power factor should be assumed as 0.9 irrespective of the actual power factor.
 - iv) The demand in KVA for computation of load factor shall be equal to the maximum demand as recorded in KVA or 80% of the contract demand whichever is higher during the period 'other than' the off peak hours.
 - v) Allow continuance of Special tariff for a period of three years starting from FY 2008-09 to power intensive industry covered under special agreement at the same rates as approved in the RST order for FY 2005-06 and 2006-07.
 - vi) Lowering of load factor for plastic industries and similar continuous process industries from 50% to 35% to be eligible for discounted tariff.
 - vii) Colony consumption excess of 10% of the total consumption is charged at industrial rate. This provision should be scrapped rather colony

consumption in full should be charged at domestic rate. Energy consumed in industrial colony limiting to maximum should be included in the first slab of 50% for incentive calculation.

- viii) Special tariff for any one drawing 40 MVA and above instead of 100 MVA.
- ix) WESCO may be directed to allow incentive if the power factor is maintained at a level of 90% or higher instead of 95% as is in the past.
- x) TOD rebate should be 50% of the normal rate. One objector demanded to increase TOD discount from 10 paise per unit to 20 paise per unit.
- xi) Special tariff @ 50% of existing tariff should be applicable for foundry.
- xii) There should not be any penalty upto a limit of 20% of CD for excess drawl during peak hours due to exigency.
- xiii) It is requested to allow 1% rebate if the bill amount to be paid within 15 days of the receipt of the same for HT consumer.
- xiv) While fixing tariff the electricity tariff in the neighbouring states may be taken into account.
- xv) To impose Demand Charges on the CPPs/ Generating Stations for emergency drawl without any backup data leads to unknown increase in SMD. CGP should have no demand charge. It can be reimbursed when SMD goes up.
- xvi) Higher power factor results in definite financial advantage to the DISCOMs 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.
- xvii) Incentive tariff should not be for a fixed period.
- xviii) Every interruption should be considered as an interruption for a period of 30 minutes and all such periods be deleted from the total hours in a month.

DPS & Rebate

103. One objector stated that rebate of 1% should be allowed to HT consumers if the bill amount is paid within 15 days of receipt of the same. LT industrial (S) consumers lose the rebate of 10 Paise/KWH in a month for delayed payment which workout to 3%- 7% of the billed amount. Additional levy by way of DPS is thus unnecessary. Many objectors requested the Commission that the present practice of DPS and rebate should continue.

Remunerative Norms

104. One objector requested the Commission to check whether the DISCOMs are actually including remunerative calculation during submission of estimate for extending service connection as per last tariff order.

S.E. Railways & E.Co. Railways

105. Objection of both the railways are mostly similar. East Coast Railway submitted that some field units of DISCOMs are not allowing them TOD tariff on the plea that railways are not three-phase consumers. They requested OERC to issue

directives to DISCOMs to allow 120% overdrawl during off peak hours like other HT and EHT consumers. They have also cited the case of Kendrapara road TSS in CESU jurisdiction where overdrawl benefit is not being allowed to them. They have also brought to the notice of the Commission of non-availability of TOD meters in various traction of substations. Both the railways have pleaded that the Commission may pass order for ignoring the rise in maximum demand during feed extension from one TSS to another in case of inter DISCOM supply. Different DISCOMs follow different procedures and even in the same DISCOM different field units adopt different procedures. East Coast Railway has prayed for imposing penalty on DISCOMs for per KV reduction in incoming supply. E.co. Railway and S.E Railways have pleaded to give incentive for power factor improvement starting from 90% and 85% respectively to justify the installation of capacitor bank. E.Co Railway have also prayed to consider implementation of delayed payment surcharge to be paid by the licensees to consumers in case latter's money is refunded after inordinate delay. South Eastern Railway has requested the Commission to allow load factor incentive above 30% as maintaining load factor above 30% is very difficult for them due to inherent nature of operation. Both the railways have prayed for waiver of payment of security deposit for railways as they are Central Govt. Organizations and paying monthly energy bills regularly. S.E Railway has prayed for consideration of SMD for all the seven supply points in their jurisdiction.

Western Orissa Cold Storage Association, Sambalpur

106. Western Orissa Cold Storage Association has submitted extract of Cold Storage Order, 1964 made on the strength of Essential Commodity Act, 1955. These are reproduced below:

Clause 2(a): "Cold Storage" means any refrigerated chamber which may be used for storing any food stuff.

Clause 15: Nothing in this order shall apply to storage of the food stuff in any cold storage with a capacity of less than 8.50 cubic meters (300 cft).

They have prayed that agro-industrial consumers include cold storage which requires no review and be continued as agro-industrial consumers. They have also submitted that there is no justification in WESCO's demand to make distinction between small, medium and large consumers for agro-based industries. They have requested the Commission to include Ice factory consumers in these agro-based industries.

Gram Vikash, Mohuda, Berhampur

107. Gram Vikash has submitted that the rural power supply position in Orissa is very poor. The awareness of field staffs of distribution companies and the general public about different Regulation of OERC is very poor. The claim of distribution companies regarding standard of performance is completely opposite to the ground realities. They have requested the Commission to conduct public hearing on the issues exclusively related to poor.
108. They have submitted that village committees under Swajal Dhara Scheme of GoI have set up water supply scheme called Community Water Works (CWW) and

taken electricity connection for them. These CWWs have been classified as Public Water Works (PWW) by the DISCOMs. These CWW Schemes cater to village hamlets with about 100 households on the average and have connected load of less than 10 KW. These CWWs have been set up with active participation (in kind and work) of villagers. Now they have prayed for creation of a new tariff slab in PWW to cater to CWW. This could be PWW schemes located in Gram Panchayats with connected load less than 10 KW. They have also demanded that tariff for CWW should be equal to that of irrigation.

General Issues

109. Some of the general issues raised by the objectors/licensees during hearing are as follows:
- The licensee is required to notify the consumers 24 hours before the scheduled power cut through print, electronic media and public address system.
 - The company is not paying automatic compensation for non-compliance of the guaranteed standard of performance.
 - Increase in re-connection charges should not be allowed. The purpose of disconnection can be solved by prompt and timely disconnection of the service to the non-paying consumers. The licensee will also be protected by such action as any arrears can be adjusted from the security deposit.
 - For all HT extensions, the licensees are demanding the full cost of the extension of the lines including supervision charges whether or not the scheme is fully or partly remunerative.
 - The tariff should not be allowed to rise to fill up the revenue gap mainly due to amortization of regulatory asset.
 - Due to inadequate technically qualified labour force lines and substations are not maintained properly.
 - The penal provision for deficiency in the services hardly acts as deterrent to licensees. It is suggested that penalty amount be increased to the extent that it may become incentive to the consumer to claim for it.
 - A separate EHT distribution licensee should be created for Orissa to compel existing distribution licensee to give more thrust to LT/HT distribution. All the new EHT consumers should be brought under that EHT licensee.
 - Distribution companies should be covered under RTI Act.
 - Truing up should not be allowed for any deficiency of the licensees to meet the distribution loss and collection efficiency. Only audited accounts should be used for truing up.
 - Insurance should be made for franchisee collection/ Security in shape of bank guarantee should be kept.

- R&M expenses should be treated as capital expenditure when new assets are added by incurring expenditure under this head. So that only depreciation and interest will be charged to the ARR instead of full costs of the Assets.
- 6% supervision charges include fees for electrical inspection.
- Customer service charges for HT should be fixed for 15 days billing cycle.
- Interest on Security deposit should be increased to 7.5% in place of the existing rate of 6%.
- What should be the meter rent for TOD meters ?
- WESCO is cross-subsidizing the other 3 licensees.
- Receivables from permanently disconnected consumers having outstanding should be shown as bad debt.
- Power interruption is taking place due to lack of skilled manpower.
- LT loss is hiked not due to theft but due to paucity of funds for system upgradation.
- No particular brand for meter should be asked to be purchased by the consumer.
- NESCO is not honouring demand rate revision for interruption for more than 60 hours on the pretext that fault lies with OPTCL.
- Directions should be given to submit the safety plan by the licensees.
- Direction should be given for incentive to comply with Energy Conservation Act, 2001.
- TOD meters should have been 35 days memory as per CEA Regulation.
- Cost benefit analysis should be made for franchisee operation. If DTR. Metering is not complete how franchisee will be responsible / accountable to licensees, they argued.
- No audit report is available regarding arrear prior to 01.04.1999.
- Private educational institutions should not be allowed SPP tariff rather they should be covered under GP tariff.
- Bills printed in English is not comprehensible by ordinary consumer.
- Due to recession, load factor of consumers decreases landing them in paying higher tariff. Hence, incentive tariff should start from 40%.
- Agro-industrial consumers like HT agro-industries in CESU area are sea-food processing units. They should not be allowed concessional tariff.
- During hearing CESU submitted that the slab rate tariff should be rationalized to avoid multiple connections to a single premises.
- If the company is not following the instruction of OERC, the ARR may be disallowed.

- One consumer counsel brought to the notice of the Commission that free wall painting for consumer education is not allowed in certain Section Offices under CESU presumably because the Section Officers and linemen do not want consumers to claim compensation in the event of the employees not taking steps in time to meet their grievances.

Issues raised during Hearing Director (Tariff)

110. They have submitted that village cDuring hearing Director (Tariff) raised certain issues relating to ARR and Tariff filing for each DISCOMs. Some of the important issues are common to all the DISCOMs which are summarised as follows:

- Licensees may explain the advantages and disadvantages of single-part BSP over two-part BSP that the licensees have experienced during last year of operation.
- The quantum of revenue licensees are losing due to overdrawal incentive during off-peak hours and the quantum of revenue gain by way of penalty for overdrawal during peak hours in the current financial year may be submitted.
- Licensees may state a reasonable price which the licensee may charge to the consumers in order to provide them with print outs of records of static meters reading relating to MD, PF and interruption details along with the bills.
- The licensees may submit the details of their franchisee operation to the Commission soon.
- The basis of calculation of incentive tariff by licensees for HT and EHT consumers may be explained. It is not clear whether licensees are calculating the load factor based on maximum demand during peak or off peak hours.
- Licensees may clarify whether clearance from OPTCL for all the upcoming HT and EHT consumers for FY 2009-10 as submitted by licensees is available.
- The licensees are required to submit each individual bill of HT and EHT consumers for FY 2008-09 (upto December, 2008) with necessary computations of average rates thereof to enable the Commission to verify the same with the average rates per unit as approved in the tariff order 2008-09.
- DISCOMs are the Nodal Agencies for LTOA may submit the status of open access in its area of supply.
- The licensees should also submit a status report of availability of static meters with TOD facilities voltage-wise.
- The expenditure on repair & maintenance for FY 2008-09 (upto end of January 2009) may be submitted.
- The Commission in the Retail Supply Tariff Order for the FY 2008-09 had given certain directions to the Distribution Licensees fixing yard sticks to

be achieved during the Financial Year. Licensees may submit its achievements vis-à-vis the set targets. The targets set are as under:

- a) Replacement of burnt transformers -
 - Up-grading the capacities of distribution transformers wherever they have reached a level close to their full load capacity – How many transformers upgraded?
 - Balancing loads in all 3 phases of distribution transformers – How many have been done?
 - Conversion of single phase line to 3 phase line – How many locations/distance covered by now?
 - Earthing of the installations – How many checked and rectified?
- b) Improvement in existing infrastructure
 - Providing switchgears and cables in distribution substations – How many sub-stations covered by now?
 - Providing boundary wall and gates in distribution substations – How many sub-stations have been covered?
 - Completion of DT metering – How many completed?
 - Installation of Pillar Boxes for prevention of theft and reduction of loss - How many pillar boxes installed?
- c) Energy audit including distribution transformer, consumer indexing and pole scheduling:
 - Localize the loss level at every distribution transformer area.
 - Pinpoint the person or person responsible for such losses.
 - Up-gradation of transformer capacity.
 - Re-conductoring.
- d) Opening of commercial call centres to deal with all kinds of bill and meter related complaints.
- e) Fully networked consumer care centres for quick redressal of consumer complaints.
- f) Providing help lines for resolving all bill and meter related complaints 24 hours of day.
- g) Facilitating interactive voice recording system for reporting theft, harassment and safety issues.
- h) Open consumer relation cell and online consumer complaint cells.
- i) Action plan about engagement of franchisee.
 - Licensees should furnish the action taken in these regards / factual achievements till date which shall enable the Commission to take a view on various tariff parameters like fixation of loss levels etc. Licensees should also furnish the target date for 100% completion of the above task.
 - Enquiry Team: The detailed Action Plan regarding compliance to the recommendations/ Suggestions of the Enquiry Teams engaged by the

Commission to enquire in to the Power Supply Problems in the areas under Distribution Circles may be submitted quickly.

- The Commission during the Review on the Report of the Enquiry Team engaged for enquiring in to the “smooth functioning of State Load Despatch Centre (SLDC) and recommending measures for improvement of the system” had directed that the total system information of DISCOMs should be available at SLDC. All the four distribution utilities should finalize the modalities in consultation with OPTCL / SLDC so that the required information should be made available. Licensees are to submit the action taken in this regard so far and if it has not complied with the above direction, reason for the in-action and target date of compliance in full may be furnished.
- Licensees should submit the information regarding the existing delegation of power and the enhanced power already delegated or proposed to be delegated, in the interest of smooth functioning to achieve the desired result of timely maintenance and procurement of materials and execution of work etc.
- Licensees may indicate as to how far separation of technical and commercial activities has been implemented in its area of supply.

Apart from above queries certain specific queries have been put by the staff of the Commission to the licensees which are as follows:

CESU

- It is not known whether CESU is allowing or not allowing 120% overdrawl benefit during off peak hours in terms of demand charges to all the traction substations in its jurisdiction or only to Kendrapara TSS. CESU may clarify particularly with respect to Kendrapara TSS.
- The audited accounts for FY 2007-08 should have been submitted to the Commission by now. CESU should submit the status of the same.
- The report on receivable audit is pending with CESU. The status of the same may be furnished. This has been delayed considerably.
- The Commission had directed CESU to pay Rs.118.00 cr. to GRIDCO towards arrear BSP during the FY 2008-09. The exact amount of remittance as of now may be furnished.
- The programme and manner of liquidating the past losses of Rs.1034.74 cr. as shown in Form F-13 of the filing may be intimated.
- CESU has estimated an amount of Rs.13.34 cr. towards wage bill of contractual employees. Details of the calculation along with actual payout to contractual employees during FY 2008-09 (upto January, 2009) may be furnished.

NESCO

- NESCO proposes to recover additional R&M expenses of Rs.69.21 cr. in the revenue requirement for the FY 2009-10. The licensee should explore the possibility of meeting this expenditure out of the arrear collection from the consumers and improvement in billing.
- The exact amount of BSP arrear paid by NESCO to GRIDCO during the current financial year may be submitted.
- Regarding implementation of 6th Pay Commission NESCO need to produce approval of the Board along with detailed calculation (Employee wise) in the soft copy for verification.
- An analysis of audited data of NESCO for last 3 years i.e. from 2005-06 to 2007-08 reveals that NESCO failed to collect an amount of Rs.58.14 cr., Rs.82.64 cr. and Rs.61.94 cr. out of the amount billed during financial year 2005-06, 2006-07 and 2007-08 respectively. The action taken by the licensee to collect the above arrears may be furnished.

WESCO

- It is observed from the audited accounts of WESCO that its collection efficiency has gone down from 94.29% in 2006-07 to 92.91% in 2007-08. This has resulted in an increase in AT & C loss from 39.99% in 2006-07 to 40.65% in 2007-08. The rise in AT & C loss is attributed to decline in overall collection efficiency in general and LT in particular. WESCO may submit the reasons for such low level of performance.
- WESCO proposes to recover additional R&M expenses of Rs.53.43 cr. in the revenue requirement for the FY 2009-10. The licensee should explore the possibility of meeting this expenditure out of the arrear collection from the consumers and improvement in billing.
- The exact amount of BSP arrear paid by WESCO to GRIDCO during the current financial year may be submitted.
- Regarding implementation of 6th Pay Commission recommendations, WESCO needs to produce approval of the Board along with detailed calculation (Employee-wise) in the soft copy for verification.
- An analysis of audited data of WESCO for last 3 years i.e. from 2005-06 to 2007-08 reveals that WESCO has failed to collect different amounts of Rs.50.59 cr., Rs.52.18 cr. and Rs.77.43 cr. out of the amount billed during financial years 2005-06, 2006-07 and 2007-08 respectively. The action taken by the licensee to collect the above arrears may be furnished.
- WESCO has been very much negligent in expediting franchisee operation in its own area of supply. The licensee may submit the details of franchisee plan for the current as well as the ensuing year. WESCO may also quantify the reduction of loss and improvement in collection efficiency in the existing franchisee operated areas.

- The basis of calculation of incentive tariff by WESCO for HT and EHT consumers may be explained. It is not clear whether WESCO is calculating the load factor based on maximum demand during peak or off peak hours.
- WESCO may submit through affidavit whether it is attaching a sheet containing remunerative calculation while submitting estimate for extending new service connections.

SOUTHCO

- SOUTHCO may submit its plan, if any, regarding installation of pillar box metering along the line of CESU.
- SOUTHCO has projected the growth in number of Kutir Jyoti consumers from 7053 on 1st April, 2008 to approx. 2.5 lakhs by 1st April 2009. SOUTHCO needs to substantiate this projection with the help of actual growth so far.
- SOUTHCO proposes to recover additional R&M expenses of Rs.69.67 cr. in the revenue requirement for the FY 2009-10. The licensee should explore the possibility of meeting this expenditure out of the arrear collection from the consumers and improvement in billing?
- Commission vide Order dtd. 01.12.2008 on Securitization on outstanding dues, had directed all DISCOMs to pay the outstanding loans including interest along with securitized BST dues as on 31.03.2005 in 120 monthly installments within 2015-16. On this account SOUTHCO's payable to GRIDCO amounts to Rs.298.50 cr. SOUTHCO may submit the amount paid to GRIDCO as on date over and above the current BSP bill.
- Regarding implementation of 6th Pay Commission, SOUTHCO should produce the approval of the Board along with detailed calculation (Employee-wise) in soft copy for verification.
- An analysis of the audited data from 2004-05 to 2007-08 of SOUTHCO reveals a discouraging picture of AT&C loss which indicates a rise from 40.22% in 2004-05 to 48.73% in 2007-08. SOUTHCO may explain the reason for such rising trend in AT&C loss.

REPLIES MADE BY THE LICENSEES (Para 111 to 203)

111. They have submitted that village cIt is found that some of the objections raised by the objectors on certain issues were general in nature although certain specific objections were also raised by some of them in respect of the licensees regarding their submission of ARR and tariff application to the Commission for the FY 2009-10. The Commission during hearing also solicited some clarifications on the queries raised by the objectors. The CEOs of SOUTHCO, NESCO, WESCO, responded to the queries made by the objectors and the Commission. They have also filed written rejoinders to the objections made by the licensees. The response of the licensees to the objections can be summarized issue wise as follows:-

Legality of the ARR and Tariff Application

112. In reply to the objections raised by some of the objectors regarding the modalities for filing the tariff application, the CEOs stated that licensees have submitted their application for approval of Annual Revenue Requirement and Retail Supply Tariff for the Financial year 2009-10, under Section 62 and other applicable provisions of the Electricity Act 2003 and in conformity with the provisions of OERC (Terms and conditions for determination of Tariff) Regulations, 2004 and OERC (Conduct of Business) Regulations 2004. The Licensees have every right to appeal before the appropriate authority for the grievances aroused while managing the day to day business of power distribution.

Audited accounts

113. All the Reliance managed DISCOMs have submitted their audited accounts as per companies Act for FY 2006-07 and 2007-08. CESU has already submitted the copy of the audited accounts for the FY 2006-07 and the present ARR is based on the above audited reports. The audited account for the FY 2007-08 is expected to be available by 1st quarter of FY 2009-10.

Review of Operations of the Year 2007-08, 2008-09 (Estt.) and Performance Estimate in FY 2009-10

114. In response to the allegation of the objectors regarding improvement in performance, CEOs stated that they have ensured improvement of quality of power supply with less interruption and better voltage by installation of new substations, replacement of bare conductors with AB cable, installation of audit meters, replacement of metering units by metering cubicles, round the clock guard for audit meters installed for industries etc.
115. NESCO submitted that the licensee has undertaken system improvement work like upgradation of DTRs, augmentation of conductors and providing power supply through installing less capacity transformers in the licensee's area irrespective of Rural or Urban. Also the rural areas are electrified by MLA Lad and MP Lad funds. As envisaged under Govt. Sponsored schemes viz. RGGVY and BGJY, almost all the hamlets and the villages are to be electrified. The licensee is not discriminating in providing services to the consumers of rural or urban areas and hence tariff should not be determined on separate basis. However, in the rural areas there is more number of domestic and Kutir Jyoti consumers in

- comparison to number of GP consumers in the urban area. The RST of the domestic and Kutir Jyoti consumers is less than the GP consumers. It is pertinent to state that the State of Orissa is having the lowest tariff amongst all the States in India.
116. WESCO has taken various steps to reduce and control theft of energy. Govt. of Orissa has already established one police station in WESCO area. In addition to the above, Govt. of Orissa Department in Home has notified to open another 9 nos. of energy police stations which will strengthen the anti-theft measures of the company. By deployment of de-hooking squads by ex-military personnel, strengthening of MRT & vigilance activity, the percentage of loss is gradually going down. With regard to frequent power failure and voltage fluctuation, 4th Auto Transformer has been installed in Takeria Grid during January, 2007 after which the power interruption rate has substantially reduced.
 117. SOUTHCO has so far installed 39 nos. of new transformers and upgraded 219 nos. of transformers of different capacity in its area of operations and 8 nos. of power transformers' capacity have already been upgraded to provide reliable and uninterrupted power supply. It has already added additional 26428 KVA into the system to cater to the needs of the consumers. During the FY 2008-09, SOUTHCO has planned for 922 nos. of up gradation and installation of new substations. SOUTHCO has already invited tender for construction of boundary wall and fencing of substations, whereas 100 nos. of construction of boundary wall and gate and 100 nos. of fencing work of substations has been awarded.
 118. Lots of activities are initiated by CESU to reduce commercial loss as well as technical loss. These activities have been enhanced with effect from 2nd quarter of the current financial year.

Distribution Loss, Collection Efficiency and AT&C Loss

119. WESCO, NESCO, SOUTHCO and CESU stated that they were taking various steps for reduction of distribution loss such as installation of audit metering for industrial consumers, energy audit, feeder metering, system improvement work, regularization of unauthorized consumers through consumer camps, vigilance checking, introduction of monthly spot billing in urban areas, putting parallel meters, giving HT supply through metering cubicles and XLPE cables for HT consumers etc.
120. AT&C concept gives the real picture to judge the performance of the Licensee. Licensee is putting all out efforts for collection of arrear electricity dues but due to poor collection from Govt. consumers the collection efficiency is little low. Licensee is also taking steps for disconnection of power supply of the Govt. consumers for non payment of electricity charges. However, Licensees request OERC to order for adjustment of Govt. dues. Though the Commission has set the AT&C performance targets for measuring, monitoring and controlling the efficiency of the operation of the Licensees in the Control Period, the Commission has approved ARR and determined RST for FY 2005-06, FY 2006-07, FY 2007-08 and FY 2008-09 for the DISCOMs based on the distribution loss target and not based on the AT&C loss target. The Commission has considered

the distribution loss target for ARR determination on the grounds that the AT&C loss shall serve as an indicator for the purpose of payment of incentive with reference to measurement of performance and penalty only.

121. The licensees have taken the difference between 100% collection efficiency and actual collection efficiency as provision for bad debts considering certain uncontrollable factors. The disconnection in certain cases like PHD, H & FW and street light etc. is very difficult due to adverse effect on mass public. Still then licensees are taking steps for disconnection of power supply of the Govt. consumers for non-payment of electricity. The AT&C loss reduction programme submitted by the licensees is in conformity with the recommendation of the Task Force. The actual collection efficiency excluding the collection out of the arrear has improved considerably.
122. CESU submitted that necessary drive has been taken to implement energy audit activities feeder wise & more focus is being attached on carrying out energy audit work section wise & make section people accountable for this loss. For AT&C and T&D loss reduction different directions given by the commission regarding upgradation & additional installation of sub-stations, utilization of AB cables & upgradation of conductor size in different areas under CESU are being carried out. Lot of activities are initiated to reduce commercial loss as well as technical loss. These activities include consumer metering, D.T.R. metering, AB cabling, pillar-box metering, enhanced MRT Squad activities for reduction of commercial loss and addition/upgradation of primary substations, conductor replacement, phase conversion for improvement of technical loss. Results are expected in next six months. Further CESU cannot be compared with BSES, Mumbai since it is purely operating in urban area. Incidentally, one of CESU's urban division i.e. BCDD-I, Bhubaneswar is comparable with BSES as the loss level there is 15%.

Metering / Energy Audit

123. CESU submitted that replacement of defective meters is a continuous process and CESU has taken up the solution of this issue with the supplier M/s. Secure Meter Ltd. through a comprehensive annual maintenance scheme. Further the bill served on average basis against the consumers having defective meters are regularized as per Regulation-97 under OERC Distribution (Condition of Supply) Code-2004.
124. SOUTHCO submitted that the licensee is conducting energy audit of 33 kv and 11 kv feeders after completion of 100% metering. There is a special energy audit cell working in Southco headed by SE (Energy audit). But due to paucity of funds, it could not be materialized up to the DTR level as there is requirement of funds in respect of consumer indexing and pole scheduling which is a one time expenditure. Southco has proposed Rs 1.68 Crore under this head before the Commission for approval.
125. CESU submitted that besides energy audit of 33 & 11 KV feeders CESU is taking steps for section-wise energy audit for which meters at inter-section feeder points and D.Ts are being installed and likely to be completed within next six months.
126. NESCO submitted that Energy audit is a means to localize the electricity pilferage and the quantum of such pilferage in the licensee's system. Besides in the normal

energy auditing process, 347 nos. of check meters have been installed for Industrial consumers for energy audit purpose. 93 nos. of Automatic Meter Reading (AMR) arrangements have been done for high value consumers under KED, Keonjhar for better over look. Keonjhar Division has been selected to be made a model division for energy audit purpose, for which procurement of meters and metering units is in progress. Composite Metering arrangement for 90 sets, each set containing 10 nos. of meters, has been done. Currently data are enabling from 50 sets (500 nos. of meters) of Composite meters by AMR system under BED, Balasore. 40 set composite metering arrangements have been installed in Bhadrak town. No new connection has been provided without installation of meter. But few consumers under Domestic, Commercial and Irrigation category as mentioned in Formats T-2, T-3 and T-5 are billed in average basis due to no meter. Earlier, these consumers were being billed in Load factor basis. Now these consumers are being billed on the average basis taking the earlier consumption pattern into consideration which is a provisional basis to be adjusted with average of actual meter reading after installation of new meters. NESCO is taking steps to install meters against all the LT consumers during the FY 2009-10. In this regard, Rural Electrification Corporation Ltd has sanctioned loan for two schemes under SI including procurement of meters in order to install against the single phase consumers.

127. The licensees submit that the energy audit is being done on a continuous basis and that the same is being submitted during performance reviews. Any such suggestion regarding the energy Audit through third party shall unnecessarily burden the consumers with extra cost.
128. Regarding withdrawal of meter rent all the Reliance managed DISCOMs submit that although there is no change in ownership, a number of Sales Tax Officer under their jurisdiction are demanding for payment of sales tax and in some cases even attachment has also been made. Further, it is tedious and time consuming process involving cost to keep the data of the value of a particular meter and the recovery of the same from the consumers. Sometimes the old meters are replaced and the differential cost is also to be recovered. As regards obligation of Licensee for replacement of meters in time, it is needless to mention that replacement and installation of meters in time is of more requirement of licensee to measure the actual energy consumed by a consumer than the requirement of the later.

Administrative & General Expenses/R&M Expenses/Bad & Doubtful Debt

129. CESU submitted that major cost of A&G is incurred on transportation i.e. on arranging conveyance for enhanced activities like Squad, meter checking, regularization of unauthorized consumers etc in addition to that for maintenance work. Besides, the cost of outsourcing of some commercial activities in lieu of depleting permanent employee strength, cost towards opening of Customer Care Center and training for better manpower utilization also adds to this head.
130. WESCO, NESCO and SOUTHCO submitted that Commission had noted in the clause 5.3 of the RST order for FY 2005-06 that "For the first control period, the performance targets shall relate to the system losses and the collection efficiency for different consumer categories, along with the AT&C losses. The Licensee will

be expected to perform and improve its efficiency as per the Overall AT&C targets fixed by the Commission”. Though the Commission has set the AT&C performance targets for measuring, monitoring and controlling the efficiency of the operation of the Licensee in the Control Period, the Commission has approved ARR and determined RST for FY 2005-06, FY 2006-07, FY 2007-08 and FY 2008-09 for the DISCOMs based on the distribution loss target and not based on the AT&C loss target. The Commission has considered the distribution loss target for ARR determination on the grounds that the AT&C loss shall serve as an indicator for the purpose of payment of incentive/penalty only with reference to measurement of performance. They have further submitted that the Commission vide clause 5.4.8 of the RST Order for FY2004-05 has specified that the difference between the 100% collection efficiency and collection efficiency as approved by the OERC after provisioning of 2.5% of Accrued Revenue as bad debts to be treated as working capital requirements and carrying cost/interest on working capital has been allowed as a pass through in the ARR. The Licensee is expected to arrange the working capital towards such gap in collection of revenue. The Commission had agreed to admit interest on such short term loans to meet working capital requirements in accordance with the LTTS Order. Though the order specified admission of interest on such working capital loans, the same has not been included as a component of approved ARR for FY 2004-05, FY 2005-06, FY 2006-07, FY 2007-08 and FY 2008-09. The Licensees submit for the Commission’s consideration that considering the past accumulated losses and huge liabilities, it would be extremely difficult for the Licensees to arrange working capital finance to bridge the revenue gap, which would arise out of non-recognition of collection efficiency in determination of tariff.

131. CESU submitted that the expenditure towards R& M has been projected @5.4% of the Gross Fixed Assets, as approved by the Commission in its previous Tariff Order. The estimated employee cost shown in the ARR applications are within reasonable limit.

Interest on Security Deposit

132. CESU submitted that as on date CESU has security deposit amounting to Rs.269.69 Crore (Approx.) in its accounts. Interest on SD has been paid to the tune of Rs.10.66 Crore for FY 2008-09. CESU does not forfeit and has not forfeited any SD amount.
133. SOUTHCO submitted that as per the Audited Report an amount of Rs.61.75 Crore is lying towards Security Deposit. It may be intimated that during 1999-00 the opening SD was to the tune of Rs.23.89 Crore which were transferred to the licensee in paper only and no physical cash was provided during that time. SOUTHCO has provided an amount of Rs.3.11 Crore during FY 2008-09 and projected Rs.4.06 Crore during FY 2009-10 towards interest on Security Deposit.
134. WESCO submitted that as per audited accounts, the SD amount is Rs.234.38 Crore. However, actual cash is around Rs.115 Crore as on 31.03.2008. It may be intimated that during 1999-00 the opening SD was to the tune of Rs.48 Crore which were transferred to the licensee in paper only and no physical cash was provided during that time. WESCO is paying interest @6% p.a. on the balance

available in the consumer ledger as on March each year. No security amount has been forfeited.

135. NESCO submitted that Security Deposit is calculated at the time of new connection as per Regulation 19 of the OERC Distribution (Conditions of Supply) Code, 2004 keeping in view the respective load factor under that category. Additional Security Deposit is reviewed by the Licensee as per Regulation 20 of OERC Distribution (Conditions of Supply) Code, 2004. The Licensee is reviewing the additional SD of the consumers taking into account the consumption pattern of the previous years and Regulation in Vogue. The licensee has already recalculated this as per regulation and refunded the Security Deposit to the high value of consumers which has significant impact.

South Eastern Railways and East Coast Railways

136. Regarding high cross-subsidy paid by the Railways NESCO submitted that cross-subsidy needs to be progressively reduced. It is not out of place to mention here that after privatization, Govt. of Orissa is not subsidizing any category of consumers. The tariff approved by the Commission during previous years have initiated the process of reduction of cross-subsidy. It is to mention here that in NESCO zone, the unit rate for traction comes to Rs.3.66 per unit which is much lower than the tariff of AP as well as West Bengal.
137. CESU submitted that 120% off-peak demand facility is applicable for only 3-phase consumers. But Railway is not a 3-phase consumer; hence it has not been allowed.
138. SOUTHCO submitted that OERC has already decided the issue of ToD matter in its order dt. 08.08.2008 in Case No.32 of 2008. So, it will not be appropriate to further reopen the case & enter into fresh discussion. Further the TOD benefit is extended to the consumer to shift their consumption from peak hour to off peak hour to enable the energy curve to be flattened. In case of railway consumers where the energy drawal is dependent many factors such as Track Availability, conveyance, demand of goods & passenger traffic. So, the very purpose may not be fulfilled by extending such facility to the railway consumers. The Commission had decided the case with justification as to why the TOD tariff was not applicable to the Railways. The Licensee has nothing to say and only carry the direction of Commission.
139. CESU has no objection if Railway is considered under separate tariff category. But the philosophy of tariff determination has to be observed keeping Demand Side Management (Flattening of load graph) applicable uniformly for 3-phase drawl.
140. In regard to the plea of the railways for rise in MD during feed extension it is submitted by WESCO, NESCO & SOUTHCO that each Discom is a separate business entity & the bulk supply price of the Discoms is determined taking into account there permitted SMD & Energy drawl separately. The contention of the railways of ignoring of rise of MD in toto considering one network of OPTCL is not correct.

141. WESCO, NESCO & SOUTHCO submitted that the OERC has stipulated PF incentives to consumers for maintaining high power factor to promote efficiency of operation and optimum capacity utilization. As the Commission may in future go for KVAh tariff for consumers with appropriate meters, by achieving higher PF, the gap of KWh & KVAh will be less. It has been devised with a view that this system will take care of incentive for better power factor as well as curb the tendency of not improving the power factor beyond a point determined for penalty. In order to maintain good unity power factor, the Commission has provided incentive for improvement of power factor above 95% upto 100% which is quite reasonable. Further relaxation in the power factor for incentive will not only discourage the consumers for reaching higher power factor but also will affect demand and energy consumption. Accordingly, power factor incentive above 90% instead of 95% should not be allowed by the Commission. WESCO, NESCO & SOUTHCO submitted that in order to make the system healthy it is required to maintain the minimum PF at 0.9 as the same is related to KVA drawl. The consumer should use proper technology to compensate inductive load in accurate manner so as to keep overall PF at unity at all points of time. However, the Licensee proposes the power factor penalty if the PF falls below 0.95 and power factor incentive if PF is above 0.97 for all categories of consumers. Further, the CEA's Grid connectivity regulation 2004 provides that the consumer as well as distribution licensee ensure that the reactive power is balanced at each node & there is no drawl of reactive power by the consumer. So, it is the responsibility of the consumer to maintain power factor near to unity. So, they do not agree to the plea of objector for further incentive in this regard.
142. It is submitted that railways are valued consumers of Discoms and SOUTHCO never claimed interest for delay in payment of additional security deposit by the railways. Security Deposit also was earlier refunded to the railways in some of the Traction points of Jeypore Traction. SOUTHCO is also paying the interest on Security Deposit as per the Regulation on 1st May of the each year on the amount of the Security available.
143. NESCO submitted that after commissioning of the 220KV Kalabardia-Balasore line and commissioning of Bhadrak Grid, the power supply has been stabilized to a great extent. It will not be out of place to mention here that the demand of Railways shoots up momentarily during traffic congestion which operates the instantaneous over-current relays and the traction feeder trips for no fault in the system.
144. 137.WESCO submits that railways have got seven traction points situated at various locations and has got individual identity as consumers. Different consumers at different locations cannot be integrated as one consumers for billing purposes. Hence the proposal is not acceptable.

Western Orissa Cold Storage Association

145. As per tariff order dated 20.03.2008, Commission vide para-442 had pronounced a separate tariff for the above category. However, WESCO could not extend the revised new tariff to the newly defined Agro-industrial consumers where consumers did not satisfy the required norms as per the defined category and

sought for clarification to the Commission which was not admitted. Subsequently, the licensee has filed a petition before the ATE and the same is registered as Case no. 688/2008 and is pending for disposal with an interim order for maintaining the status-quo.

Special Police Station and Special Courts

146. WESCO, NESCO & SOUTHCO stated that there was one energy police station each functioning at Burla, Balasore and Berhampur. In addition to that, as per Notification no. 47514, dated 23.10.08 of Home Dept., Govt. of Orissa another 29 nos. of Energy Police Station all over Orissa are to be formed. CESU submitted that they have two police stations respectively at Cuttack and Khurda.

Category-wise tariff

Load Factor Incentive

147. WESCO submitted that the Commission has already allowed load factor incentive beyond 50%. The amount lost due to the above is being passed on to the Consumers while fixing the tariff. In case of EHT consumers, consumption above 50% L.F. is Rs.2.02 as against the purchase cost of Rs.1.80 paise. As such any further incentive on load factor will have an adverse effect on the licensees. Hence, it is requested before the Commission not to allow the proposal of the objector.
148. Load factor of an industry is calculated as per the guidelines of OERC distribution (Conditions of Supply) Code 2004. Power supply interruption may be due to many reasons some of which are beyond the control of the licensee. It will be unjustified to allow load factor incentive to consumers only for power on hours because the licensee will have to provide incentive even though power failure is attributed by the consumer or might be beyond its control & it will be impractical to segregate power interruptions caused due to various reasons.

Incentive Tariff

149. NESCO submitted that as per the prevailing Retail Supply Tariff order, the Licensee is segregating the whole consumption in three slabs for calculation of incentive tariff as

Up to load factor of 50 %

Load factor 50% to 60%

Load factor more than 60%

150. For calculation of load factor the licensee assumes power factor as 0.9 instead of actual power factor as suggested by the objector. The rate of HT and EHT cannot be reduced as suggested by the objector with a burden to other class of consumers. The Retail Supply Tariff is fixed by the Commission based on the consumer mix of the licensee through cross-subsidization. The revenue earned through cross subsidization from Industrial drawal is not enough to cover up the cost of supply to non-industrial drawal at existing scenario. Large numbers of LT consumers are paying bills at tariff much lower than their cost of supply. The cross subsidy has been targeted to be removed over a period of time. OERC has

initiated a number of measures for the rationalization of tariffs by introducing incentive tariff, extending TOD benefits to industrial consumers. The Commission has attempted to adopt uniform tariff to all categories gradually, thereby reducing cost of cross-subsidy all together in future without giving any tariff shocks to the consumers. Any reduction of tariff of the subsidizing categories like Industrial, general purpose etc consumers can only be considered if GoO provides cross-subsidy for the domestic and other consumers with low tariff.

Allowance of Load Factor on Annual Maintenance

151. In response to the proposal made by the objectors about calculation of the load factor. NESCO states that the load factor upto 50% during the period of annual maintenance cannot be considered as it cannot be accommodated in RST. The guaranteed load factor shall not be applicable during FY 2009-10 as the special tariff has already been withdrawn in the RST order effective from 01.4.2008. SOUTHCO replied that it would not be appropriate to consider low LF for annual maintenance as the verification of annual maintenance is not possible by them. WESCO submits that there are consumers getting a special incentive tariff with higher standard in 80% guaranteed load factor. They must take adequate planning that they will be in a position to take annual maintenance such that they can consume energy with minimum 80% load factor. In instant case M/s. Hindalco had availed energy with more than 90% L.F. continuously for more than 2 and ½ years.

Power Factor Incentive

152. NESCO & WESCO submitted that power factor incentive is given to all the HT & EHT consumers for maintaining Power Factor more than 95%, previously which was 97%. NESCO had to forego Rs.10.02 Crore and Rs.4.66 Crore towards Power Factor Incentive during the FY 2007-08 and first half of FY 2008-09 respectively whereas WESCO had to forego Rs.8.98 Crore and Rs.5.13 Crore towards the same. This also indicates that the consumers have already achieved a level where the standard Power Factor needs to be raised. The licensees propose to consider PF incentive for the PF more than 97% in place of 95%. This will help to make the power system more reliable and efficient. NESCO submits that the above proposal may be considered if the KVAh billing system as proposed by the licensee is not considered.

Allowance towards Interruption of Power Supply

153. NESCO submits that the licensee is abiding by the Standards of Performance as prescribed by the Commission. In case if there is any specific case arises out of the negligence on the part of the licensee the same will be examined. It is also pertinent to mention here that due to the interruption occurred on account of transmission constraints for which the distribution licensee should not be held responsible. It is also not proper to consider the interruption period for more time than the actual occurrence time. WESCO submits that in a distribution system, interruption of the line, which may be due to various reasons cannot be eliminated. We are trying our best to reduce the duration of interruptions to minimum. In a system many industries are availing power and fault developed in

any one industry may cause line shut down affecting the other industries. Sometimes the interruption is also caused due to Grid failure of OPTCL. Apart from preventive maintenance, demand charge is calculated as per the prescribed regulation/ notification of the Commission.

Monthly Minimum Fixed Charges for Consumers with Contract Demand less than 110 kVA

154. NESCO clarified that all the meters having MDI recording facilities were installed during 2003-04. The recorded MDI in the static meter was taken for calculation of MMFC. In case the recorded MDI exceeds the Contract Demand of the respective consumer, the recorded MDI was treated as Connected Load without further verification. Subsequently, if the static meter having MDI recording facility becomes defective it is to be replaced within a stipulated time period. And during that defective period MMFC is calculated on the basis of connected load. But it is adversely affecting the fixed cost of the licensee in case the consumers do not avail power or avail less load by way of MMFC as it is to be calculated on recorded MDI. The licensee proposes that the MMFC for such consumers shall be levied at Contract Demand or Maximum Demand whichever is higher.

Delayed Payment Surcharge

155. SOUTHCO and WESCO submitted that proposed DPS for LT Industrial (Small) consumers if the payment is not made within the due date. DPS is a measure to attract the consumer for making timely payment of the current energy charges, a consumer not paying in time has to lose rebate. At the same time for non payment of energy charges DPS is payable as the licensee is paying DPS for non payment of BST bills within due date.

Load Factor Billing

156. All the Reliance managed DISCOMs submitted that for calculation of consumption ratio, as pronounced by the Commission in the tariff order for FY 08-09, the licensee has sought for clarification which was not entertained by the Commission and subsequently the licensees moved to ATE for clarification of the same.

Concession on TOD Tariff

157. WESCO, NESCO & SOUTHCO submit that the pronouncement of the tariff order from time to time has been implemented by the licensee. As far as TOD meter is concerned, where facilities were available the benefit was extended to the consumer. WESCO has extended 1st among all the four DISCOMs the TOD benefit to its consumers. At present all the three-phase consumers are connected with TOD meters. CESU submits that all the HT and EHT consumers are provided with meters having TOD facilities. The time zone rationalization has been taken up and it will be completed by end of March'2009. CESU is offering TOD benefit to all consumers against TOD record. An amount of Rs.82.00 lakhs was passed on as TOD benefit during 1st six months of current financial year. In consideration to the above replies, CESU submits that ARR filed may be allowed.

Industrial Colony Consumption

158. At present, industries are availing 10% of their consumption towards colony consumption as an incentive. Beyond 10% consumption, they are to pay at industrial rate, which is still, less than the prevailing rate of domestic category consumers. Suggestion of objector to adjust the colony consumption from 1st 50% slab will again increase the loss of the licensee. Apart from the above as per regulation 80 i.e. 'classification of consumer' in the OERC Distribution (Condition of Supply) Code, 2004, the domestic category does not include residential colonies attached to industrial establishment where power supply is drawn through the meter of the industrial establishment. Hence proposal of the objector may not be accepted.

Special Tariff for EHT Large Industry above 40 MVA

159. WESCO submitted that at present OERC has allowed special tariff @ Rs.2.00/unit for the consumers having CD of more than 100 MVA. However, if the same will be allowed for the consumers having CD of 40 MVA then the licensee will have heavy loss as EHT consumers are cross subsidizing the Domestic consumers of the state.

Demand Charges for C.G.P.

160. WESCO submitted that the Commission has made a provision for CGP emergency power for start-up purpose and in the event of failure of the captive plant, they are to draw survival power. The energy drawn is to be paid only by flat unit rate. Often, it is seen that even if there is no failure of captive plant, in case the generation becomes less, the industry having captive power drawing energy from the system to make good of their deficit which may not be a survival power. In the region of WESCO, since there are many captive power plants and in case of grid failure all the CGP trip and everybody draws emergency power at a time, then the SMD of WESCO may increase. Since there is a ceiling of SMD by the Commission & penalty is levied by GRIDCO for excess drawal of demand, the demand charges as per actual (recorded) should be borne by the consumer which is quite reasonable and justified. Therefore, the objection raised by the objector may not be considered by the Commission.

Period of Power Agreement

161. All the licensees submitted that while making projection on load forecasting and estimate for investment plans, it is considered that an existing load continues for at least five years. If the period of agreement is reduced, there will be frequent change of load pattern of industrial consumers. As a result of the same, a situation of chaos will arise. Also infrastructure created may be left underutilized. Keeping all these points in view, the proposal should not be considered.

Special Tariff for Furnace, Sponge Iron & Re-rolling Mills

162. The Reliance managed companies stated that OERC has categorized the consumers in various categories based on the usage of power and also fixed different rates of tariff for each category. It is out of place to mention here that WESCO is not availing any special tariff with regard to energy consumption by

the above said industries. If the Commission will allow special tariff to those industries ignoring the BST price of the licensee, it will put financial impact on the other category of consumers. Therefore the proposal of the objector should be rejected.

Load Factor based on “Power on Hour”

163. The Reliance managed companies stated that load factor of an industry is calculated as per the guidelines of OERC distribution (Conditions Of Supply) Code, 2004. Power supply interruption may be due to many reasons, some of which are beyond the control of the licensee. It will be unjustified to allow load factor incentive to consumers only for power on hours because the licensee will have to provide incentive even though power failure is attributed to the factors which might be beyond its control & it will be impractical to segregate power interruptions caused due to various reasons.

Rebate & Penalty

164. WESCO stated that the existing provisions regarding over-drawal penalty for maximum demand is required to be maintained to guard against the understatement of contract demand by consumers. Over-drawal attracts additional burden for system stability and reliability thereby affecting all other consumers apart from distorting power procurement planning. It also submitted that the present rebate of 1% of the monthly bill if “full payment made within 72 hrs of presentation of bills” is an adequate incentive. However, the licensee pays the bill for the energy purchase for all its consumers as a whole to GRIDCO within 48 hours through an LC mechanism and the bills are submitted to the licensee by GRIDCO / OPTCL with a copy to the bank..

Replies to the Queries raised by Director (Tariff)

165. In response to the issues raised in the public hearing by the Director (Tariff), DISCOMs have furnished their replies. Replies to the some of the important issues are indicated below:

Single Part or Two Part BSP

166. NESCO is not equipped with SCADA mechanism till date and hence it is difficult for data acquisition like calculation of SMD. It has been experienced in past that sometimes the SMD reported by GRIDCO is not correct which is reported to them subsequently. NESCO contains its SMD within the approved SMD. So NESCO prefers to pay in single part BSP and requests that SMD for each DISCOM is computed on realistic basis taking into account load growth.
167. SOUTHCO submitted that OERC in para 440 & 441 of its BSP order for 2008-09 has mentioned about the concept of Single part BSP. SOUTHCO now submits that the single part BSP is advantageous over the two part BSP as experienced during past years. However, the fixation of SMD shall be made looking into the growth of the consumers and demand of LT, HT & EHT consumers.
168. CESU draws power from GRIDCO through 82 interface meters. One of them is at 220, 21 at 132KV and rest 60 nos. at 33KV level. The respective meters have cumulative energy export records and are open for verification by CESU. There is

- no such facility for record of Simultaneous Maximum Demand (SMD) for all the above interface points. GRIDCO is presently deriving the SMD in their Billing Wing which is not transparent one. There is no scope for CESU to verify the correctness of the derived SMD. Under such circumstances CESU will prefer for single part BSP. For two part BSP GRIDCO/OPTCL may install facility for record of SMD and make it available to the DISCOMs for verification.
169. WESCO submitted that there should be two part tariff as far as BSP is concerned, because the licensee is losing on account of composite BSP. In case SMD is approved in a reduced rate as compared to their projection/approval it affects their purchase unit cost. Many objectors also requested for single part tariff after the Commission's BSP tariff order for 2007-08 & 2008-09. Two part tariff will also discourage the consumer for making over drawal than their CD, especially rice mills which would also stabilize the system and minimize unnecessary interruption due to over drawal. Apart from this the licensee is billing to the consumer towards demand charges on the basis of CD or MD which ever is higher. This amount is treated as recovery of fixed charge of the licensee. So, the licensee could be aware about the levy of demand charges by GRIDCO on account of monthly SMD and the corresponding recovery from the consumers in RST. As such it is felt that there should be two part tariff.

Franchisee Operation

CESU

170. First agreement has been signed on 29.12.2008 with Ms/CESCO/ GRIDCO Retired Workers/Employees Welfare Association for the Revenue based franchisee operation in Sub-Division-I, Puri. They have started the operation from January 2009. They are responsible for collection only. With an objective of greater consumer coverage and improvement of collection efficiency, an amount equivalent to 4% of the total amount collected from the consumers will be paid, as commission. Besides, an additional incentive of the incremental revenue over and above baseline collection target will be paid. Pilot projects involving Women Self-help Group (SHGs) has started in Ranpur block of Nayagarh District. Accordingly agreement has been signed on 2.1.2009 with two SHGs i.e. Jog Maya Self Help Group & Brahmani Devi Self Help Group in the Village Bajrakot and Dhanmanda, respectively. These two Villages are under RGGVY area. They have been given meter reading and bill distribution job for initial period. If found suitable, they will be allowed for collection activities. Franchisee will get Rs.5/Consumer for meter reading & bill distribution activities and once they are allowed for collection activities, they will get a commission of 5% of the collection amount. Fourth agreement has been signed on 09.2.2009 with Consumer Forum, Orikanta for Revenue Based Franchisee operations in Orikanta section. The Consumer Forum will engage 10 micro-franchisees, called as Collection Franchisee (CF) for each Fuse Call Camp. Each Collection Franchisee will be paid a fixed sum of Rs.1000/month and 2% of total collection made by them as commission. They will also be given a slab- based incentive when they collect more than 110% of base line target. Besides, they will be paid 10% on the additional amount collected on and above the current billing amount. The

Consumer Forum will be paid Rs.7500/month towards establishment expenses. Besides they will be paid Rs.100/consumer again consumer mobilization and incentive on the arrear amount. Discussions are going on for an input based franchisee with investment and also without investment.

NESCO

171. NESCO initially introduced franchise on Input Based Assured Revenue basis under two subdivisions i.e. Jajpur Town and Dharmasala. The reduction of loss and improvement of collection efficiency in the above mentioned franchised area are submitted below along with franchise plan for the ensuing year.

Table – 12

Particulars	Sub- Division-Jajpur Town-1		Sub- Division-Dharamsala	
	Year 2008-09 from (4/08 to 12/08) After Franchise	Year 2007-08 from (04/07 to 12/07)Before franchise	Year 2008-09 from (04/08 to 12/08)After Franchise	Year 2007-08 from (04/07 o 12/07)Before franchise
T& D Loss	59.66%	68.71%	61.26%	66.86%
Collection efficiency	55.39%	51.27%	64.70%	61.94%
AT& C loss	77.66%	83.96%	74.94%	79.47%
Realisation/Unit	0.50	0.39	0.61	0.49

172. NESCO has also plans for introducing franchise in 14 sub-divisions under its area of operations in near future.

SOUTHCO

173. The Distribution Loss in the Franchisee operated area (Rambha & Khalikote Sub-division) for the period Apr.08 to De.08 has increased by 1% in comparison to the corresponding previous year (Apr.07 to Dec.07). The collection efficiency has increased by 6% and in overall AT&C loss has decreased by 1% in comparison to the previous year against the target of 7% AT&C loss reduction per annum. The Buguda & Bellaguntha Sub-division under Bhanjanagar Division is under finalization and ready for handing over to Franchisee. SOUTHCO invited tender for the above sub-division and also the Financial Bid Evaluation has been completed. Further, SOUTHCO shall associate NGO namely BISMAYA in Nuagaon section of Aska Division who shall be handed over the collection Franchisee as well as detection of theft in that areas.

WESCO

174. WESCO has never neglected in the operation of Franchisee in its area of operation rather WESCO is the pioneer in Franchisee operation in the distribution business since privatization. Recently as per decision in the Board meeting, engagement of new franchisee has been withheld for a temporary period upto March-09 and further modification is under examination. Accordingly we have not engaged any new franchisee to the system. Presently performance of M/S Enzen Global is not up to the mark due to the stiff resistance from the Worker

Union. We are expecting they will do better in the future very soon. Also we have started engaging Self Help Women (SHW) Group for collection in villages. Apart from the above it is mandatory as per norms of the RGGVY scheme, that all consumers will be covered under franchisee. As such franchisee operation in the ensuing year will definitely increase to the desired level and contribute towards reduction of system loss as well as increase in collection efficiency.

Reasonable Price for Print out of Records of Static Meter Reading

CESU

175. 163.CESU proposes a fee of Rs.1000/- per consumer per billing period to provide the printouts comprising the above data which will be of around 30 pages in A4 size paper.

NESCO

176. The price to be charged to the consumers for this additional energy records is Rs. 869.00.

SOUTHCO

177. Presently, the static meters do not have the facilities of the printouts which shall generate MD, PF and interruption details which shall be attached along with the bill. Therefore, presently SOUTHCO is unable to indicate the reasonable price to charge for supply of printouts along with the bills.

WESCO

178. At present all the consumers are paying customer service charge excepting certain LT consumers. The charges are Rs.30, Rs.250 and Rs.700 per month for LT, HT and EHT category of consumers respectively. If additional facility like MD, PF and interruption details are to be provided to the consumers along with the bill, the above customer service charges may please be increased to Rs.60/-, Rs.500/- and Rs.1400/- per month for LT, HT and EHT category of consumers respectively.

Loss of Revenue / Gain due to Overdrawal Incentive or Penalty

CESU

179. Revenue outgo for over drawal incentive during off-peak hours & revenue receipt for over drawal during peak hours for the current financial year are Rs.272 54 lakh & Rs.36 lakh, respectively.

NESCO

180. Total over drawl during peak hours by the consumers having CD more than 110KVA from April'08 to December'08 is 185040.2KVA. So the financial impact due to over drawl penalty is Rs.3,70,08,024.00. Total over drawl during off peak hours by the consumers having CD more than 110KVA from April'08 to Dec'08 exempted from over drawl penalty is 96899.27KVA for which financial loss is Rs.1,93,79,854.40.

SOUTHCO

181. SOUTHCO is losing an amount of Rs.25.44 lakhs due to overdrawal incentive during off peak hours for the period Apr.'08 to Dec.'08. The quantum of revenue gain by way of penalty for overdrawal during peak hours in the current financial year (Apr.'08 to Dec.'08) is Rs.59.33 lakhs.

WESCO

183. WESCO has gained a revenue of Rs. 10.57 crs by way of penalty for overdrawl during peak hours (April 08 to Dec. 08) and has foregone a revenue of Rs.2.24 crs as incentive for overdrawl during off-peak hours for the same period.

Remunerative Calculation

185. CESU, NESCO, WESCO & SOUTHCO submit that remunerative calculation is being attached to the estimates where the deposit is taken from the consumers or consumers undertaking the works for extending new service connection.

Pillar Box Metering

NESCO

186. NESCO has installed 90 nos. of composite pillar boxes comprising 10 meters each as a pilot project. On the basis of performance of these meters, further procurement will be done. In the mean time it is noticed that 9 sets are showing abnormal reading for which the experts from the concerned Co has reached Balasore to test and rectify the same.

SOUTHCO

187. So far SOUTHCO has installed 34 nos. of Pillar Box metering in the Berhampur City Circle. Further, SOUTHCO plans to install another 66 nos. of Pole top boxes each comprising of 10 meters in the ensuing year.

WESCO

188. WESCO has already started the operation in Rourkela & Sambalpur on pilot basis. As it requires huge investment initially in the 1st phase WESCO is concentrating on commercial consumers of urban areas. Accordingly 40 nos. of pillar boxes in Rourkela and 8 nos. in Sambalpur town have already been installed. After observing its success, WESCO is going for all the urban areas in commercial connections in 1st phase and likely to be completed by April 09. In the next phase we will go for high valued domestic consumers.

Basis of Calculation of Incentive Tariff

NESCO

189. NESCO calculates incentive tariff for HT and EHT consumers taking load factor based on Contract Demand or Maximum Demand irrespective of peak or off peak hour whichever is higher as defined in the OERC Distribution (Conditions of Supply) Code 2004.

CESU

190. CESU faces operational problem on recording of maximum demands in respect of all time zones in a billing period. Prior to 2007-08 the meters were having four time zones with peak hours being from 7 AM to 10 AM and 6 PM to 10 PM. With redefining of peak hours from 6 AM to 10 AM & 6PM to 10 PM with effect from 01.4.08, these meters need reloading of modified time zone software which is in progress and likely to be completed by end of March 09. As a non-discriminatory approach all consumers are allowed incentive tariff on recorded maximum demand irrespective of peak or off-peak hours.

SOUTHCO

191. SOUTHCO is calculating the load factor on the basis of MD recorded during peak hours only.

WESCO

192. At present the licensee is adopting the calculation of load factor based on the maximum demand recorded during the month. As per regulation 2 (1) (y) of OERC Regulation 2004, load factor is defined as follows:- *“In case of contract demand of 100 KW and above, it is the ratio of the total number of units consumed **during a given period** to the total number of units that would have been consumed had the maximum demand been maintained through out the **same period** and is usually expressed as a percentage.”* Ideally this should be maximum 100%. However as per RST order for FY 2008-09, while calculating the load factor for incentive tariff demand recorded other than the off-peak hour should be considered. This contradicts the regulation of L.F. In the instance case the L.F. on many occasions will be more than 100%, which is not as per regulation of the Commission. In fact the licensee had filed a review petition before OERC regarding clarification of the same and unfortunately the petition was not admitted and subsequently we have filed a petition before ATE which is sub-judice. Taking the regulation into consideration Commission may clarify the basis of load factor calculation which will be binding on us & we will calculate/revise accordingly.

Status of Open Access

CESU

193. CESU as the Nodal Agency has not received any LTOA application by any of its consumers for the FY 2009-10.

SOUTHCO

194. SOUTHCO explored all its possibilities to attract the open access customer for availing power supply from SOUTHCO. SOUTHCO contacted M/s. FACOR & M/s. Balasore Alloys Ltd. of NESCO and M/s. FACOR executed the agreement with SOUTHCO and obtain the NOC from NESCO. The copy of the agreement also is submitted before the OERC. However, the matter could not be materialized as SLDC sought clarification in different issues like Security Deposit, SCADA connectivity, SMD calculation of different licensees, etc. which needs further clarification from OERC.

WESCO

195. As far as long term open access (LTOA) is concerned, so far WESCO has not received any application from any consumers.

Views of Government of Orissa

196. While responding to different issues having bearing on fixation of retail tariff of electricity for the year 2009-10, as communicated by the Commission in its letter No.2807 dtd.31.12.08, Govt. of Orissa vide their letter No.R&R-II-1/2009 dtd.17.02.09 has submitted its views which is indicated below:
- i) Govt. is taking active steps to make all the 34 Energy Police Stations including 29 new ones by deploying requisite staff. Posting of a Senior Police Officer in the rank of Addl. D.G./I.G. to oversee the function of the Energy Policy Stations will be decided soon.
 - ii) State Govt. has already taken in-principle decision to provide capital investment of Rs.100 Crore to OPTCL in the form of share capital over a period of 3 years from 2008-09. Regarding strengthening 220/33 kV lines and replacement of grid stations in the inaccessible and unremunerative areas. A provision of Rs.5 Crore has already been proposed in the budget of FY 2009-10. OPTCL and OHPC have been allowed to fill up the vacant posts in level of Asst. Managers, Junior Managers and ITI passed non-executives.
 - iii) Govt. will not provide any subsidy to the DISCOMs as per Sec.65 of Electricity Act, 2003 on account of revenue loss incurred by them for supplying power to the BPL families. It is stated that BPL families may be asked to pay their electricity dues as per their consumption like ordinary consumers.
 - iv) The upvaluation of assets of GRIDCO/OPTCL and OHPC should be kept in abeyance from 2006-07 to 2010-11. RoE of GRIDCO and OHPC should also be freeze for the similar period.
 - v) Revised small/micro hydel policy has already been formalized. Two small hydro projects namely Middle Kolab and Orissa Power Consortium are expected to go for generation in the coming fiscal. Govt. has been making effort to leverage renewable energy sources through OREDA.
 - vi) Different Depts. including Energy Dept. and Finance Dept. have issued instructions to subordinate offices/PSUs/ULBs and Cooperatives to clear their electricity dues.
 - vii) In the matter of tariff hike for 2009-10 Government are of the views that their should be no tariff hike in 2009-10.
197. Regarding subsidy/subvention, Govt. of Orissa vide their letter No.R&R-II-1/2009/2329 dtd.28.02.09 has communicated to the Commission that Govt. of Orissa is reconsidering the aspect of providing subsidy to the power sector for year 2009-10. The decision of the Govt. in the matter would be intimated shortly.

In the mean time Govt. of Orissa in their Lr. No. 3132 dtd. 16.03.2009 have intimated as follows:

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“Though it is the primary responsibility of the DISCOMs to improve their efficiency and functioning by way of reduction of AT&C losses and ensuring quality supply of power to the consumers, they are practically not in a position to do so. For all these hazards, the system should not collapse. Therefore, State Government is considering the question of extending support to the Distribution Companies during the year 2009-10 for the following:

- (i) Replacement of LT conductors by AB cables in theft prone areas.*
- (ii) Installation of Pillar Box metering system.*
- (iii) Upgradation and replacement of Transformers to cater to additional load.*
- (iv) Replacement of old Circuit Breakers with Vacuum Circuit Breakers (VCBs).*
- (v) Replacement of faulty insulators wherever necessary.*
- (vi) Replacement of existing weak LT/HT poles.*
- (vii) Installation of new substation to improve voltage profile wherever needed.*
- (viii) Re-conductoring in case of old lines with conductors of optimum size.*
- (ix) Conversion of single phase into 3 phase system.*
- (x) Earthing of substations.*
- (xi) Installation of Lightning Arrestors.*
- (xii) Complete Distribution Transformer Metering for energy audit purpose.*
- (xiii) Provision of boundary wall/fencing wherever necessary around the S/S to ensure safety of the equipment and human lives and other such things.*

The above items of work are only illustrative but not exhaustive.

2. Before deciding the quantum of such support, the modalities of transfer of funds to the DISCOMs have to be worked out for concurrence by the Finance Deptt. Besides, in the process of release of financial support, the involvement of GRIDCO and mechanism of release need also to be considered.”

3. Keeping the above in view, I would request you to please place the matter before the OERC and communicate the instructions of the Commission on paragraph 2 above to take a view in the matter.”

Observation of the State Advisory Committee (SAC)

- 198. The State Advisory Committee (SAC) constituted under Section 87 of Electricity Act, 2003 met on 12, Feb 2009 to deliberate on the Annual revenue requirement and tariff application for the FY 2009-10 of utilities, namely OHPC, OPTCL, GRIDCO, SLDC, CESU, NESCO, SOUTHCO and WESCO.
- 199. The Director (Tariff) made a brief presentation on the ARR and tariff applications for FY 2009-10 of the above mentioned utilities. Members in general expressed their concern about the poor performance of the licensees particularly on distribution loss, poor consumer services and lack of investment etc.
- 200. Opening discussion on OHPC the members expressed their concern on the reduction of design energy by OHPC in spite of large amount of capital

- investment resulting in the upward rise of generation cost. This will have a cascading effect down the supply chain which will finally impact the retail tariff. The members also pointed out that due to drawl of water by industries from Hirakud Reservoir, generation from that station is bound to reduce in the coming years. They criticized the demand of OHPC for Depreciation as superfluous as cost of the hydro power stations had already been recovered.
201. Members opined that in spite of considerable capital investment and R&M expenditure, transmission loss had gone up from 3.6 % in reform days to 5% then coming down to 4.5% recently. They expressed surprise over the huge employee cost which is more than the revenue from existing transmission tariff. Interruption at EHT level has been rising. They ridiculed the proposal of OPTCL to purchase spare power transformer without putting them in charged condition. They further submitted that increase in bulk supply tariff and huge increase in transmission tariff will make electricity so costly in Orissa that instead of increasing access to electricity it will have the effect of de-electrifying the State. They requested OERC to fix transmission loss at 3% and transmission tariff at 20 P/U including SLDC charges.
 202. DISCOMs bore the burnt of scathing remarks of all the members. They mentioned that all the DISCOMs have flouted the orders and guidelines issued by the Commission with impunity. They felt that the licensees have taken for granted the Commission to overlook the deficiencies caused by them. In spite of separate law for theft of power, special courts, police stations there is no reduction of distribution losses. On the other hand they expect OERC and consumers to make good their losses. Massive RE work is being undertaken by Central PSUs through outsourcing mechanism. There is no reason why DISCOMs' own engineer can't carry out the rural electrification work in their respective jurisdiction as was the practice in the then OSEB. All the members univocally stated that the consumers of Orissa could not be taken for a ride by DISCOMs. Consumers can't pay simultaneously for system improvement such as metering and distribution loss caused by the utilities. One member demanded for special tariff for small scale industries similar to that for the agro-industrial consumers. Some Member brought to the notice of the Commission the observation of CAG on the accounts of the distribution companies. They demanded for independent auditing of DISCOMs' account. Members also stressed the need of maintaining safety standard by the licensees. Some member expressed their dissatisfaction about consumer Grievance Redressal by the DISCOMs.
 203. The representative of all the DISCOMs, Generators and GRIDCO responded to the different observations of the members present. DISCOMs particularly stated that they are making all out efforts to rein in the distribution loss. They are negotiating for loans with financial institutions for system improvement. They requested all the stakeholders for their co-operation. The DISCOMs claimed that all their business activities like billing and collection were transparent in nature which were widely circulated including publications in website. GRIDCO stressed the importance of its existence due to historical reasons and present need of assured power supply. GRIDCO expressed that it was thinking of incurring loan to meet the gap in the revenue account due to purchase of costlier power

during hydro failure. OPTCL claimed that due to increased line loading their transmission loss had increased. They attributed the power interruption for railways to overdrawal by them. On the whole the SAC members stressed on reduction of loss and cost of supply to ultimate consumers and improvement in performance standard. They suggested for dual tariff for rural and urban areas and reduction of open access surcharge.

COMMISSION'S OBSERVATION (Para 204 to 501)

204. The Commission, for the determination and approval of the ARR for the DISCOMs for FY 2009-10 has followed the principles laid down in its Terms and Conditions for Tariff Regulations and continues to be guided by the provisions of the National Tariff Policy as well as other statutory notifications and directives, while giving due consideration to the complexities of the Orissa Power Sector.
205. The year 2009-10 shall be the second year of the control period of the next Business Plan which will be issued shortly. In the MYT Regime, the first control period of five years has elapsed on 31.03.2008. The Commission has followed the same LTTS principles for the FY 2009-10 as well.
206. The submissions of the DISCOMs have been considered for the estimation of the energy to be procured by GRIDCO for supply to the DISCOMs. The SMD has been computed based on the actual demand for January, 2009 and additions to HT and EHT load projected by the DISCOMs for FY 2009-10.
207. 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. 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 will continue to engage a team of professionals for carrying out an in-depth study in this regard as has been done during the financial year 2007-08 and 2008-09. We have received very valuable inputs and it has helped improvement of quality of supply in some parts of the State.
208. The Electricity Act aims at a cost reflective tariff. The impact of cost reflective tariff on common consumers can be mitigated by providing subvention to GRIDCO so that the input cost of DISCOMs can be reduced. Such a measure will reduce the revenue requirement of GRIDCO as well as of the distribution licensees to have the benefit of lower BSP. Alternatively, Govt. may offer subsidy to certain deserving categories of consumers for some years to come.
209. The Govt. was requested to intimate the quantum of subsidy 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. In response to the Lr. No. 2807 dtd. 31.12.2008 of OERC, Govt. of Orissa in their Lr. No. 2329 dtd. 28.02.2009 read with the Lr. No. 3132 dtd. 16.03.2009 have intimated as follows:

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“Though it is the primary responsibility of the DISCOMs to improve their efficiency and functioning by way of reduction of AT&C losses and ensuring quality supply of power to the consumers, they are practically not in a position to do so. For all these hazards, the system should not collapse. Therefore, State Government is considering the question of extending support to the Distribution Companies during the year 2009-10 for the following:

- (xiv) Replacement of LT conductors by AB cables in theft prone areas.*
- (xv) Installation of Pillar Box metering system.*
- (xvi) Upgradation and replacement of Transformers to cater to additional load.*
- (xvii) Replacement of old Circuit Breakers with Vacuum Circuit Breakers (VCBs).*
- (xviii) Replacement of faulty insulators wherever necessary.*
- (xix) Replacement of existing weak LT/HT poles.*
- (xx) Installation of new substation to improve voltage profile wherever needed.*
- (xxi) Re-conductoring in case of old lines with conductors of optimum size.*
- (xxii) Conversion of single phase into 3 phase system.*
- (xxiii) Earthing of substations.*
- (xxiv) Installation of Lightning Arrestors.*
- (xxv) Complete Distribution Transformer Metering for energy audit purpose.*
- (xxvi) Provision of boundary wall/fencing wherever necessary around the S/S to ensure safety of the equipment and human lives and other such things.*

The above items of work are only illustrative but not exhaustive.

2. Before deciding the quantum of such support, the modalities of transfer of funds to the DISCOMs have to be worked out for concurrence by the Finance Deptt. Besides, in the process of release of financial support, the involvement of GRIDCO and mechanism of release need also to be considered.”

3. Keeping the above in view, I would request you to please place the matter before the OERC and communicate the instructions of the Commission on paragraph 2 above to take a view in the matter.”

- 210. 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.
- 211. The weighted average cost of supply estimated for the financial year 2009-10 is 263.12 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.
- 212. 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.
- 213. 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 263 paise

- per unit, the tariff of the subsidised category should not be lower than 210 paise per unit and should not go beyond 316 paise per unit by 2010-11 at the current price level.
214. 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.
 215. 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.
 216. 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 6 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.
 217. 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.
 218. 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.
 219. While the Commission accepts the axiom enshrined in the NTP, it has to take into account 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 and in the same breath can provide a comfort to the distribution utilities. In view of the above, the Commission decides to allow a portion of the accumulated regulatory asset of SOUTHCO and CESU determined in the process of truing-up exercise, for recovery through tariff for FY 2009-10.
 220. 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 Commission. Valuable suggestions made by them have been given due consideration. We do not consider 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.

221. On detailed scrutiny and examination of the Revenue Requirement and the Retail Supply Tariff applications for the financial year 2009-10 along with clarifications submitted by the licensees before the Commission, the written and oral submission of the objectors, the Commission determines the various elements for computation of the revenue requirement as detailed below:

Determination of Quantum of Energy to be procured by the Distribution Licensees

222. The Commission has approved the quantum of power purchase for the different DISCOMs of the State such as WESCO, NESCO, SOUTHCO and CESU at 5680, 4660, 1980 and 5300 Million Units (MU), respectively for FY 2008-09. After reviewing the actual power purchased by different DISCOMs of the State upto January, 2009 it was observed that the quantum of power purchase was 5292, 3763, 1799 and 4689 MU respectively for WESCO, NESCO, SOUTHCO and CESU. Again it was revealed that the power purchased by the above said DISCOMs was 573.1, 389.8, 181.8 & 461.4 MUs respectively for the month of January, 2009. If the DISCOMs maintain the above purchase level of January, 2009 for the last two months of FY 2008-09, then total power purchased by them for this year would come to the level of 6383, 4504.7, 2145.3 & 5567.3 MUs respectively for WESCO, NESCO, SOUTHCO & CESU.
223. It is felt that the monthly power purchase trend of FY 2008-09 will very likely continue in the coming financial year in case of all the DISCOMs. In addition to above, CESU, WESCO & SOUTHCO have projected some new sales in HT & EHT category for which they have to purchase 511.9, 46.7 & 15.4 MU respectively. But NESCO has projected 179.5 MU less drawl in FY 2009-10 compared to that of FY 2008-09 particularly due to non-availability of OPTCL clearance for TISCO, Bamnupal which is of the order of 72 MU. Taking the above projections in to account, WESCO, NESCO, SOUTHCO & CESU have to purchase 6429.7, 4325.2, 2160.6 & 6079.2 MUs respectively. Hence, the Commission now approves a power purchase of 6430, 4285, 2161 & 6045 MUs respectively for, WESCO, NESCO, SOUTHCO & CESU during FY 2009-10. It is to be mentioned here that power purchase figures for NESCO & CESU are approved as 4285 & 6045 MU because they had proposed the same. It is seen that the proposal of WESCO & SOUTHCO are on the higher side, than that now approved for them. So, the Commission directs that in case of any necessity arising for additional power purchase by the DISCOMs, then that additional power will be utilized for high value HT/EHT consumers, which will give more breathing space to licensees to reduce their overall loss level. The above principle has been summarized in the table below:

Table - 13
Power Purchase in MU

Licensee	Purchase for 2008-09 (Approved)	Purchase (4/08 to 1/09)	Purchase (2/09 & 3/09 taking 1/09 as base)	Total purchase for 2008-09 (Estt.)	Addl. Purchase for HT & EHT in FY 2009-10	Total for FY 2009-10	Approval for 2009-10
(1)	(2)	(3)	(4)	(5) = (3)+(4)	(6)	(7)=(5)+(6)	(8)
CESU	5300.00	4689.2	878.1	5567.3	511.9	6079.2	6045.0
NESCO	4660.00	3762.8	741.9	4504.7	(- 179.5)	4325.2	4285.0
WESCO	5680.00	5292.3	1090.7	6383.0	46.7	6429.7	6430.0
SOUTHCO	1980.00	1799.3	345.9	2145.2	15.4	2160.6	2161.0
All Orissa	17620.00	15543.6	3056.6	18600.2	394.5	18994.8	18921.0

224. The Commission is approving the energy drawal for FY 2009-10 after considering the projections made by DISCOMs and hence there should not normally be any variations from the approved drawal. Though there is need for fixing monthly drawal limit for each licensee, the Commission is not doing so at present considering the realities of change of load pattern depending upon seasonal and other factors. The licensees should limit their drawal to the approved quantum of energy while not resorting to any type of load restriction on account of this limitation. The licensees must also try to stick to the annual energy drawal as approved by the Commission.

Basic Principles adopted in fixation of Tariff for the year 2009-10

225. Section 61 of the Electricity Act, 2003 provides that the Regulatory Commissions shall be guided by the principles and methodology specified by the Central Commission for determination of tariff applicable to the generating companies and transmission licensees.
226. The National Tariff Policy notified on 6th January, 2006 among other things stipulates as under:-
- Development of the power sector has to meet the challenge of providing access for electricity to all households in next five years.
 - It is essential to attract adequate investments in the power sector by providing appropriate return on investment as budgetary resources of the Central and State Governments are incapable of providing the requisite funds. It is equally necessary to ensure availability of electricity to different categories of consumers at reasonable rates for achieving the objectives of rapid economic development of the country and improvement in the living standards of the people.
 - Balancing the requirement of attracting adequate investments to the sector and that of ensuring reasonability of user charges for the consumers is the critical challenge for the regulatory process. Accelerated development of the power sector and its ability to attract necessary investments calls for, inter alia, consistent regulatory approach across the country of course keeping the State's perspective in view due to regional variation in the

nature of production and use of electricity. Consistency in approach becomes all the more necessary considering the large number of States and the diversities involved.

227. Though the National Tariff Policy envisages fixation of tariff realistically, the interest of the consumers, who are the focal points in the power distribution sector have to be safeguarded and protected but at the same time ensuring financial viability of the distribution sector. In this context, it is to be noted that during the course of public hearing the representatives of various consumer groups vehemently opposed any increase in present tariff. They argued that the consumers should not be burdened for the inefficient operation of the distribution licensees, rather there is justification for reduction of tariff which should be achieved by effectively reducing the high distribution loss as well as the aggregate technical and commercial loss (AT&C). They pointed out that when the AT&C loss at LT level is around 72% for WESCO means that out of every 100 units purchased there is no revenue realization for 72 units. Improvement in their financial condition will not be possible by merely increasing the tariff when they are not able to collect the cost of about 72 units out of 100 units purchased. This would lead to a situation of pouring water in to a leaking bucket.
228. There is sufficient force and justifications in the objections raised by the representatives of various consumer groups who have participated in the public hearings. The distribution companies themselves furnished the level of distribution loss to the Sovan Kanungo Committee for the year 2001-02 at 42.21% on the average for the 4 distribution companies in transmission and distribution excluding the loss in EHT transmission system (NESCO – 41.38, WESCO – 38.29, SOUTHCO – 39.14 and CESCO – 43.02). The OERC in its order dated 28th February, 2005 in Case No.115 of 2004 while approving the Business Plan of WESCO, NESCO, SOUTHCO & CESCO (now CESU) treated financial year 2002-03 as the reference year and accepted audited figures with regard to distribution loss, collection efficiency for subsequent use. Accordingly, Commission finally set the trajectory of reduction of distribution loss and AT&C loss from 2005-06 to 2007-08 for the 4 distribution utilities taking the loss figure for FY 2002-03 as reference year. In the meantime, the DISCOMs have also filed their application regarding their Business Plan starting from 2008-09 for a period of 5 years wherein they have made their own projection for reducing the distribution loss.
229. It is most unfortunate to observe that the Distribution Companies have miserably failed to live upto their own expectation of reduction of the loss level they themselves projected in the year 2001-02 before the Kanungo Committee. It would have to be clearly recognized that power sector will remain unviable until T&D losses are brought down significantly and rapidly. A large number of states have been reporting losses of less than 40% in the recent years. In this connection, it would be relevant to indicate the actual achievement of loss reduction by different DISCOMs of Orissa.

Table - 14
Actual Distribution Loss and AT&C Loss (in %)

Licensees		00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
CESU	Dist. Loss	44.89	48.81	43.03	39.76	41.49	42.86	43.52	41.48*
	AT&C Loss	58.94	63.57	54.48	50.57	51.12	49.18	47.58	45.93*
NESCO	Dist. Loss	44.44	51.00	41.38	43.66	39.40	37.08	33.22	31.17
	AT&C Loss	54.38	63.57	52.25	51.85	42.09	43.24	40.75	35.88
WESCO	Dist. Loss	43.20	46.44	38.29	39.02	36.38	37.80	36.36	36.13
	AT&C Loss	54.94	57.18	47.30	46.36	41.66	41.75	39.99	40.65
SOUTHCO	Dist. Loss	42.52	40.47	39.14	42.45	40.50	41.07	43.39	45.49
	AT&C Loss	52.10	52.80	49.26	49.27	40.22	43.86	46.61	48.73
All Orissa	Dist. Loss	44.01	47.47	40.75	40.75	39.21	39.60	38.57	37.48
	AT&C Loss	55.92	60.31	51.15	49.35	44.68	44.69	43.25	41.89

(*The figures of CESU pertaining to FY 2007-08 is provisional).

Table – 15
Distribution Loss at LT Level (in %)
(Based on Filing of Licensees)

	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09*
NESCO	65.1	58.8	62.1	60.6	59.2	59.5	59.3	44.55
WESCO	63.3	58.6	63.4	65.0	65.5	65.0	65.3	46.69
SOUTHCO	46.7	45.9	50.2	47.8	49.6	52.4	54.9	33.36
CESU	54.5	49.6	46.4	47.4	49.7	53.2	53.8	35.97
ALL ORISSA	57.6	53.1	54.9	54.9	55.8	57.5	58.2	40.29

(* Approved figure for 2008-09)

Table - 16
Collection Efficiency (in %)

	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09*
NESCO	74.3	81.5	85.5	95.6	90.2	88.74	93.16	95.00
WESCO	79.9	85.4	88.0	91.7	93.6	94.29	92.91	95.50
SOUTHCO	79.3	83.4	88.2	100.5	95.3	94.31	94.05	94.00
CESU	71.2	79.9	82.1	83.5	88.9	92.81	92.39	95.00
ALL ORISSA	75.5	82.4	85.5	91.0	91.6	92.37	92.94	95.00

(* Estimated by the licensee)

230. The objectors have made a scathing observation that the Commission cannot be taken for granted and accept whatever loss level the distribution companies incurred in the past or projected for the future. It would amount to act as per dictates of the distribution licensees, they argued.
231. The Commission therefore, should take an independent view of its own and fix loss level on a normative basis so that the benefits of loss reduction accrues to the consumers as well as the licensees and in any case the consumers should not be burdened for high level of distribution loss incurred or to have been incurred by the distribution licensees because of their utter negligence and lack of sincere

efforts on their part to turn around the distribution business. Both the licensees and the consumers shall benefit from the reduction of loss.

232. The Commission has given its serious thought and careful consideration of the arguments and anguish expressed by the objectors for high level of loss incurred by the distribution licensees. The Commission is in agreement with the views of the objectors and does not accept the level of loss shown by the licensee and also the projected loss level for the FY 2009-10. Commission, therefore, decided to adopt a normative level of loss level target for FY 2009-10 as given below, keeping in view the scope for substantial reduction of loss level and urgent need thereof for sustainability of the distribution business and to provide improved standard of service to the consumers at an affordable price. The position has been summarized vis-a-vis the actuals for 2007-08, the approved level of 2008-09 and the estimate made by the licensee for 2008-09 and projection made for 2009-10 along with the loss level approved for 2009-10.

Table - 17
Distribution Loss, Collection Efficiency & AT&C Loss (in %)

	Actual for 07-08	Approved 2008-09		2008-09 (Estt. By licensee)	2009-10 (Proj. by licensee)	2009-10 (Approval)	
Distribution Loss		Overall	LT			Overall	LT
NESCO	31.17	25.50	44.55	30.84	29.26	23.00	33.19
WESCO	36.13	25.00	46.69	33.09	33.66	22.50	35.86
SOUTHCO	45.49	30.42	33.36	43.97	39.48	27.92	29.50
CESU	41.48	29.30	35.97	38.00	34.20	26.30	35.04
All Orissa	37.48	27.04	40.29	35.33	33.56	24.45	34.04
Collection Efficiency							
NESCO	93.16	95.00		95.00	96.0	98	
WESCO	92.91	96.56		95.50	96.6	98	
SOUTHCO	94.05	94.00		94.00	95.0	98	
CESU	92.39	95.00		95.00	95.0	98	
All Orissa	92.94	95.45		95.00	95.8	98	
AT&C Loss							
NESCO	35.88	29.23		34.30	32.1	24.5	
WESCO	40.65	27.58		36.10	35.9	24.0	
SOUTHCO	48.73	34.60		47.34	42.5	29.4	
CESU	45.93	32.84		41.10	37.5	27.8	
All Orissa	41.89	30.36		38.56	36.4	26.0	

Sales by DISCOMs

NESCO

233. Actual sales figure at EHT and HT month-wise from April, 2008 to December, 2008 as submitted by the licensee are available with the Commission. The sale at

EHT and HT upto December, 2008 are found to be 1084.58 and 468.31 respectively in the current financial year. If December, 2008 level of sale is assumed for the balance three months of this financial year i.e. January, February & March, 2009, then total sales estimated at EHT & HT for FY 2008-09 will be 1415.67 and 610.38 MU respectively. A reduction of sale of 108.85 MU in EHT and 65.02 MU in HT has been projected by NESCO during FY 2009-10. Hence, while assessing the sale for 2009-10, it will be prudent to reduce this sale from the estimated sale for the FY 2008-09 at HT & EHT. So estimated sale at HT & EHT will be $2026.05 - 173.87 = 1852.18$ MU in FY 2009-10. Now, NESCO proposes reduction of sale both at EHT and HT particularly in Ferro Alloys Industries due to global economic melt down. Commission analyzed the sales to five Ferro alloys industries in NESCO area and found that the total sales had decreased from 91.5 MU in April 2008 to 79.2 MU in December 2008. So it will be logical to accept the sale projected by NESCO which is 1286.60 and 511.90 MU at EHT and HT respectively which will be more realistic. Hence, the Commission approves the same for FY 2009-10.

234. The licensee has made a plan for electrification large number of villages through the implementation of different schemes such as RGGVY and BGJY during the ensuing year. Different central agencies are involved in these ambitious programmes. The Commission is cautiously optimistic that the target of electrification of those villages will be achieved. Rapid urbanization, rise in per capita income and theft control measure is expected to contribute to greater sale at LT level. Hence, the Commission approves a sale of 1501.0 MU at LT level in the ensuing year, which has been arrived at by applying the target loss level assigned by the Commission to the licensee for the FY 2009-10.

WESCO

235. Actual sales figure at EHT and HT month-wise from April, 2008 to December, 2008 as submitted by the licensee are available with the Commission. The sale at EHT and HT upto December, 2008 are found to be 1427.71 and 1021.80 respectively in the current financial year. If December, 2008 level of sale is assumed for the balance three months of this financial year i.e. January, February & March, 2009, then total sales estimated at EHT & HT for FY 2008-09 will be 1931.26 and 1309.07 MU respectively. While WESCO has projected no new sales at EHT, it has projected 43 MU of sales over the sale at HT for FY 2008-09. Hence, while assessing the sale for 2009-10, it will be prudent to add this sale with the estimated sale for the FY 2008-09 at HT & EHT. So estimated sale at HT & EHT will be $3300.32 + 43 = 3343.32$ MU in FY 2009-10. But, the licensee has projected a lower level of sale at 3091 MU in HT & EHT due to reduction in sale, particularly, in power intensive industries category such as M/s INDAL, M/s Vedanta & M/s. Bhusan Ltd. from July, 2009 onwards due to reduction in contract demand. It will be logical to accept the same as projected by the licensee at HT & EHT which will be more realistic. So, the Commission now approves a sale of 3091 MU in HT & EHT for FY 2009-10 pertaining to WESCO.
236. Rural Electrification schemes such as RGGVY and BGJY during the current and ensuing year is likely to expand overall sales at the LT level. The Commission is

hopeful that the target of electrification of those villages will be achieved. In addition to that due to rapid urbanization, rise in per capita income and theft control measures sale at LT level is expected to expand. Hence, the Commission approves a sale of 1892.5 MU at the LT level in the ensuing year, which has been arrived at by applying the target loss level assigned by the Commission to the licensee for the FY 2009-10.

SOUTHCO

237. Actual sale figure at EHT and HT month-wise from April, 2008 to December, 2008 as submitted by the licensee are available with the Commission. The sale at EHT and HT upto December, 2008 are found to be 168.30 and 187.03 respectively in the current financial year. If December, 2008 level of sale is assumed for the balance three months of this financial year i.e. January, February & March, 2009, then total sales estimated at EHT & HT for FY 2008-09 will be 220.51 and 246.78 MU respectively. SOUTHCO has projected new sales at EHT&HT level for FY 2009-10 which has been projected at 3.32 and 11.08 MU respectively over the sales of EHT&HT for FY 2008-09. Hence, while assessing the sale for 2009-10, it will be prudent to add this sale with the estimated sale for the FY 2008-09 at HT & EHT. So estimated sale at HT & EHT will be $467.29 + 14.40 = 481.69$ MU in FY 2009-10. But, the licensee has projected a higher level of sale at 485.7 MU at HT & EHT which they commit to achieve. It will be logical to accept the same sales as projected by the licensee at HT & EHT which will be more realistic. So, the Commission now approves a sale of 485.7 MU in HT & EHT for FY 2009-10 pertaining to SOUTHCO.
238. Electrification of a number of villages is likely to be completed under different schemes such as RGGVY and BGJY during the ensuing year. Different central agencies are involved in this ambitious programme. Urbanization, rise in rural incomes and theft control measure is also likely to expand sale at LT level. Hence, the Commission approves a sale of 1071.9 MU at LT level in the ensuing year, which has been arrived at by applying the target loss level assigned by the Commission to the licensee for the FY 2009-10.

CESU

239. Actual sale figure at EHT and HT month-wise from April, 2008 to December, 2008 as submitted by the licensee are available with the Commission. The sale at EHT and HT upto December, 2008 are found to be 654.51 and 535.91 respectively in the current financial year. If December, 2008 level of sale is assumed for the balance three months of this financial year i.e. January, February & March, 2009, then total sales estimated at EHT & HT for FY 2008-09 will be 860.76 and 702.50 MU respectively. CESU has projected new sales at EHT&HT level for FY 2009-10 which has been projected at 353.49 and 145.77 MU respectively over the sales of EHT&HT for FY 2008-09. Hence, while assessing the sale for 2009-10, it will be prudent to add this sale with the estimated sale for the FY 2008-09 at HT & EHT. So estimated sale at HT & EHT will be $1563.25 + 499.26 = 2062.51$ MU in FY 2009-10. But, the licensee has projected a higher level of sale at 2215.50 MU at HT & EHT which they commit to achieve. It will be logical to accept the same sales as projected by the licensee at HT & EHT

which will be more realistic. So, the Commission now approves a sale of 2215.50 MU in HT & EHT for FY 2009-10 pertaining to CESU.

240. Expanded rural electrification under the ambitious RGGVY and BGJY schemes during the ensuing year, rapid urbanization and elevation in standards of living and theft control measure are expected to expand sale at LT level. Hence, the Commission approves a sale of 2239.4 MU at LT level in the ensuing year, which has been arrived at by applying the target loss level assigned by the Commission to the licensee for the FY 2009-10.
241. Based on the analysis and assumptions explained from para 233 to 240 above the overall purchase and sale of energy by the four distribution companies are summarized in table below:

Table – 18
Approved Purchase and Sales for FY 2009-10 (MU)

Licensee	NESCO	WESCO	SOUTHCO	CESU	Orissa
Purchase	4285.0	6430.0	2161.0	6045.0	18921.0
Sale					
EHT	1286.6	1573.0	225.4	1264.5	4349.5
HT	511.9	1518.0	260.3	951.0	3241.2
Total HT & EHT	1798.5	3091.0	485.7	2215.5	7590.7
LT sale	1501.0	1892.5	1071.9	2239.4	6704.9
Total Sale	3299.5	4983.5	1557.6	4454.9	14295.6

Computation of Revenue

HT & EHT

242. The Commission observes that due to economic slow down the sales projected in different categories of consumer under HT & EHT may change but overall sales are likely to be achieved. Hence average revenue (P/Kwh) voltage wise on actual basis at HT & EHT for the first nine months of FY 2008-09 in respect of all the four DISCOMs were considered. This revenue was multiplied by voltage wise sales projected for FY 2009-10 to arrive at expected revenue of the licensees at respective voltage level for ensuing year.

LT Revenue

243. In case of revenue at LT level, revenue derived in respect of licensees on the basis of actual average revenue voltage-wise and computed sale considering overall estimated loss works out at Rs. 1588.065 Crore against the revenue projected by the licensee at Rs.1217.75 Crore from LT source.
244. Application of actual average revenue p/u at LT will undergo a big change as the Rural Electrification will add a large number of Kutir Jyoti and Low End Domestic consumers. The consumer mix at LT is likely to be skewed in favour of low paying domestic consumers. It is well nigh impossible to gauge exactly the likely changes that will take place during 2009-10, which can only be assessed by the end of the year.
245. Therefore, it is quite logical and rational to consider revenue projected by the licensee which may be a realistic one and the licensees may not have any grouse

in this regard. As the utilities have themselves projected the estimated revenue from LT, they may be able to bill and collect the same. Therefore, the Commission accepts the LT revenue projected by WESCO, SOUTHCO and CESU for FY 2009-10.

246. But in the case of NESCO they have proposed a billing yield per unit as 195.77 paise in FY 2009-10, where as similarly placed WESCO has projected its billing yield per unit at 218.69 paise in spite of its higher LT losses. The proposed billing per unit of WESCO is higher by 11.7% over that of NESCO. So it will be prudent to expect that NESCO will achieve the similar level of billing of WESCO in FY 2009-10. So the expected LT revenue of NESCO is arrived at by giving a 11.7% rise over that projected by NESCO in the ensuing year which will be Rs.269.70 Crore.

Table - 19
Approved Revenue for FY 2009-10 (Rs. in Crore)

Category	NESCO	WESCO	SOUTHCO	CESU	Total
EHT	396.77	543.70	85.01	437.35	1462.83
HT	173.33	508.90	83.31	355.28	1120.82
LT	269.70	280.15	205.32	451.64	1206.81
Total	839.80	1332.75	373.63	1244.27	3790.46

Metering Status

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

Table – 20
Metering position as on September 2008

Items	NESCO	WESCO	SOUTHCO	CESU	TOTAL
Feeder metering position					
No of 33 KV feeders	58	87	159	108	412
No of 33 KV feeder metering	56	87	159	91	393
No of 33 KV feeder metering left	02	0	0	17	19
No of 11 KV feeders	427	417	425	584	1853
No of 11 KV feeder metering	181	417	425	504	1527
No of 11 KV feeder metering left	246	0	0	80	326
No of 33/11 KV transformers	249	252	209	347	1057
No of 33/11 KV transformers metering	-	0	30	81	111
No of 33/11 KV transformer metering left	249	252	179	266	946
No of distribution transformers	17960	16449	11277	18197	63883
No of distribution transformers metering	101	12558	9236	7282	29177
Consumer metering position					
Total number of consumers	562481	514972	546124	1041593	2665170
Total number of meters	508939	493324	539492	1005804	2547559
Total number of working metering	366708	471318	503034	906838	2247898
Percentage of working meters	72 %	96%	93%	87%	88.23%

248. The Commission is not satisfied with the performance of DISCOMs especially 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.

Consumer Classification and Tariff Related Issues

249. 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 fairly be 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 promoting industries 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 or such other Departments.
250. In their written submission Gram Vikash of Berhampur has brought to the notice of the Commission that village committees under Swajal Dhara Scheme of GoI have set up water supply schemes called Community Water Works (CWW) and have taken electricity connection for them. These CWWs have been classified as Public Water Works (PWW) by the DISCOMs. These CWW Schemes cater to village hamlets with about 100 households on the average and have connected load of less than 10 KW. These CWWs have been set up with active participation (in kind and work) of villagers. Now they have prayed for creation of a new tariff slab in PWW to cater to CWW having similar tariff to that of irrigation.
251. As per Reg.80 (6) of the OERC (Conditions of Supply) Code, 2004, Public Water Works and Sewerage Pumping installations are a separate consumer category. This category relates to supply of power for public water supply and sewerage pumping installations owned and operated by the State Govt., Local Bodies or their agencies. From the submission of Gram Vikash it is clear that they do not fall under State Govt., Local Bodies or their agencies. Again they cannot be treated similar to irrigation as they supply water for domestic use and do not use water exclusively for agricultural purposes. So it will be inappropriate to include them as a sub-category under Reg.80(6) of OERC (Conditions of Supply) Code, 2004 or offer them irrigation tariff. They can be included as a sub-category under PWW after necessary amendment in OERC (Conditions of Supply) Code, 2004.

252. A new category, namely 'Agro-Industrial Consumers' has been introduced vide OERC Distribution (Conditions of Supply) (4th Amendment) Code, 2007. As per Regulation 80 (5)(1) of the said Supply Code, this category relates to supply of power for Pisciculture, Horticulture, Floriculture, Sericulture and other allied agricultural activities including animal husbandry, poultry & cold storage (i.e. a temperature controlled storage where flowers, fruits, vegetables, meat, fish and food, etc. can be kept fresh or frozen until it is needed). The Commission has decided to allow tariff equal to the irrigation and pumping categories at LT/HT to this new category of consumers for rapid development of agro industrial consumption.
253. During tariff hearing, objectors/consumers engaged in the following activities have pleaded for including their activities under the above Agro-Industrial category.
(i) Prawn processing, (ii) Ice factory, (iii) Chilling plants for milk and other agricultural products
254. We are inclined to agree with the contention of the Utilities/DISCOMs. The intention was not to encourage business, commerce and trade, but storage as an adjunct to farming, for temporary periods, before the produce gets into the market and gets out of the farm. In other words, cold storages and chilling plants (which are also cold storages or temperature controlled storages) as a part of on-farm activities of storage, immediately following harvest and just before its exit from the farm, is what was intended to be covered. And that was why cold storages were included as a part of those activities related to agriculture or allied agricultural activity. They were certainly not intended to cover commercial activities or trade or manufacture or any kind of post harvest processing of farm produce into food products or even such processing that enables fresh marketing of produce or even as frozen produce.
255. Regulation 80 (5) (1) of the OERC Distribution (Conditions of Supply) Code, 2004 stipulates that Agro Industrial Consumers category shall relate to supply of power for pisciculture, horticulture, floriculture, sericulture, and other allied agricultural activities including animal husbandry, poultry and cold storage (i.e. a temperature controlled storage where flowers, fruits, vegetables, meat, fish and food etc. can be kept fresh or frozen until it is needed). We feel this needs to be suitably amplified to include only activities, as an adjunct to farming and temporary storage immediately following harvest. While cold-chains are essential for the entire gamut of agricultural marketing, their promotion and encouragement is a function of Govt. and not that of electricity tariff. The Commission does not, therefore, want to enter into this area at all, other than to state that the limited promotion that electricity tariff can provide to such activities has been provided as enumerated above and will be further clarified in the above Regulations.
256. There is no doubt that prawn farming is one type of piscicultural activity but prawn processing cannot be called farming or rearing of prawn under controlled conditions. Prawn is processed after it is harvested in prawn farms. Hence, the Commission is not able to accept the claim that prawn processing is Pisciculture in a farm.
257. Ice Factories manufacture and produce ice as a part of their business and commerce in ice. Such ice goes into fish preservation, mortuary, preparation of

- ice-cream and various other downstream production and businesses involving cold processes, therefore, ice factories are by themselves not cold storages. Hence, the prayer of the Ice Factory consumers to be included in the Agro-Industrial Consumers category may not be appropriate and they should come under an appropriate category of industry as specified in Regulation 80 of Distribution Code, 2004.
258. Chilling plants for milk is certainly a process of storage of milk in its liquid form. But it is rarely done in the farm, unless it is a kind of production in a factory scale in large farms. Such large sized farms of milch-cows is extremely rare. The multitude of small farmers rear only a few milch animals and deliver their milk immediately at their cooperative collection centres who store it in chilling plants before delivery to processing units or before it is collected by the processing plants. At the processing plant also there may be large chilling plants for storage before processing is undertaken either for fresh marketing of milk in its liquid form or as various milk products such as curd, cheese, powdered milk and other milk based sweets. Such chilling plants are a part of commercial activities or industrial processing subsequent to production in the farm. These are not activities relating to on-farm storage or temporary storage immediately following farm production. We cannot, therefore, consider such chilling plants as agricultural activity or even allied agricultural activity. Such commercial and industrial activity is clearly outside the scope of our tariff classification.
- Railway Traction Tariff**
259. For the past several years Railways have been urging the Commission to provide them a reasonable tariff for its traction operation. The Commission would like to clarify again that the railway traction tariff in Orissa is at par with HT or EHT tariff structure depending upon the voltage of supply. In other words tariff structure of Orissa is fully rationalized depending upon the voltage of supply. Railway traction tariff is much lower in Orissa in comparison to many other states of India. The comparison of tariff in respect of same class of consumers in different states has to be based on entirety but not on individual factor. Therefore, Railway should not have any discontentment in this regard.
260. It is wrong to hold that so far no measure has been adopted to reduce the cross-subsidy in Orissa as per National Tariff Policy. In fact the graded slab tariff for HT and EHT consumers and tariff rationalization basing on voltage level are steps towards reduction of cross-subsidy in Orissa.
261. Railways have pleaded for adoption of simultaneous maximum demand (SMD) instead of consideration of individual maximum demand recording in contiguous substations. 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. Where contiguous substations are located on the boundary of two adjacent distribution licensees, it will not be possible to adopt billing based on SMD recorded in contiguous substations as billing has to be done by more than one distribution licensee.

262. In the RST order for 2008-09, the Commission had directed that Railways should not be penalised for failure of OPTCL resulting in rise in maximum demand during feed extension. This provision shall also continue until further orders. The mechanism of determination of the quantum of overdrawal due to feed extension should be worked out after mutual discussion between the parties i.e. Railways, OPTCL and DISCOMs. Railways shall file with the Commission about the settlement arrived at regarding the manner of determination of overdrawal on account of feed extension for Commission's reference.
263. The Commission has allowed consumers with two-part tariff to draw upto 120% of their contract demand during off-peak hours without levy of penalty. As Railways are also consumers having two-part tariff, there should not be any obstacle for them to get that benefit. Moreover, the Commission considers drawal during off-peak hours to help the system for maintenance of better frequency profile as it helps utilisation of surplus generation, if any, and flattening of load curve during this period.
264. The Commission has allowed all the three-phase consumers except two categories (i.e. Street Lights & CGPs) having static meters with facility for downloading printouts and drawing power during off-peak hours a discount @10 paise/unit. The above order of the Commission clearly excludes all the single-phase and two-phase consumers including Railways which generally draw power at two-phase. In case No.32 of 2008, the Commission has also clarified this issue. This provision has been done with sole objective to exclude most of the single-phase and two-phase loads who burden the power system during the peak load hours.
265. The Commission accepts the views of the Railways regarding the supply of power at HT to all general purpose connections of Railways. The Commission directs that all general purpose connections at HT of Railways having separate meters shall be treated at par with similarly placed consumers in GP category. They shall be allowed 120% overdrawal benefit during off-peak hours and 10 paise off-peak rebate as is being allowed to other similarly placed three-phase consumers.
266. Railways suggested that they should be allowed to take power supply directly from GRIDCO as DISCOMs do not make any value addition. Moreover, Section-42 (2) and 42 (3) of the Electricity Act, 2003 allows any person to avail power supply from any generating company or from any licensee. The Commission clarifies that Railways are consumers falling under different distribution zones of the State. The State of Orissa currently has a single buyer model wherein GRIDCO is the sole bulk purchaser of electricity. All HT/EHT consumers currently purchase electricity from DISCOMs at retail supply rates determined by the Commission. Accordingly, railways are consumers of DISCOMs and pay at the prescribed RST rates. Therefore, railways cannot purchase power directly from GRIDCO as Orissa is having a single-buyer model. However, railways can have option to purchase power from any agency other than the DISCOMs in accordance with the relevant Open Access Regulations, if it is operationally feasible.
267. Railways pleaded that OERC may consider implementation of delayed payment surcharge to be paid by the DISCOMs to railways in case timely refund is not

made to the railways, at the same rate and adjust the payback from traction energy bill prepared by DISCOMs. This matter is normally dealt in accordance with the existing provisions of the OERC Distribution (Conditions of Supply) Code, 2004 and the Payment of Bills procedures. This should be followed.

Charging of Security Deposit by licensee

268. The issue of security deposit has been dealt with in Regulation 19, 20, 21 and other allied provisions of OERC Distribution (Condition of Supply) Code, 2004. The Commission directs that all the provisions of the said Code should be strictly adhered to.

Demand charge in case of power cut

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

Remunerative Norm for availing power supply

270. Some of the objectors pleaded that the licensees are not following the remunerative norms for providing new connections. In spite of direction by the Commission in the RST Order for FY 2008-09 the licensees are not attaching remunerative calculations, while furnishing the estimate to the prospective consumers towards extension/augmentation for the purpose of transparency. 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. The Commission subscribes to the views of the objectors and directs the licensees to enclose a copy of the remunerative calculation while furnishing the estimate to the prospective consumers towards extension/augmentation for the purpose of transparency. Licensees are further directed to submit through affidavit that they are attaching remunerative calculations while submitting estimates to the prospective new consumers within 30th April, 2009. In case it is found that the licensees are unwilling to furnish a remunerative calculation alongwith estimates for extension/augmentation of supply line, the affected consumers should approach the appropriate Grievance Redressal Forum for enforcement of their rights.

Meter Rent

271. WESCO, NESCO and SOUTHCO have proposed for withdrawal of recovery of meter rent from the consumers on the ground that the meters procured and provided to the consumers are to be considered as part of the distribution assets and accordingly to be treated in the ARR of the Licensee. If the meter would be provided by the consumers, the standard cost of the meter shall be treated as

- advance payment from the consumer and would be adjusted in the next ten months electricity bills. Some of the objectors stated that in line with the provision of the Electricity Act, 2003, consumers should have the first option to provide the meter so that they could have a genuine correct meter. Withdrawal of recovery of meter rent should not be allowed as it will make the licensees complacent towards replacement of defective meters.
272. In accordance with Sec.55 of the Electricity Act, 2003, the licensee may require the consumers to give him security for the price of a meter and enter into an agreement for the hire thereof unless the consumer elects to purchase a meter. In accordance with the OERC Regulation, meter rent is collectable when a licensee supplies a meter to a consumer whereas meter rent is not payable when it is supplied by the consumer.
273. The suggestion of the licensee to treat it as a part of the distribution asset cannot be considered at this stage, as the meter rent has been recovered partially/fully in case of the existing installations. This will create a discriminating situation as the cost of the distribution asset will have to be recovered from all the consumers once the costs of the meters are fully capitalized. Hence, the suggestion of the distribution licensee is not acceptable.
274. Objectors 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 extracted below:
- “8.33.1656.(1) The licensee shall supply the meter (unless the consumer elects to supply the same), cut-out/ MCB / CB / load limiter to consumers at the time of providing new service connection or at any other time as required.*
- (2) In case of new connection/replacement of meter, the consumer, in accordance with Section 55 and regulations framed under Section 73 of the Act, may himself procure the meter either from the vendors certified by the licensee conforming to licensee’s technical specifications or requests the licensee to supply the meter and charge meter rent as per the tariff order. The licensee shall calibrate such meter at consumer’s cost and seal the meter. The consumer shall have the option to get the meter calibrated in any standard testing laboratory of the Electrical Inspector.*
- Alternatively, consumer may choose to pay the full cost of the meter provided by the licensee. No meter rent shall be chargeable in such cases.”*
275. Therefore, meter rent and the cost of metering/lease should be maintained separately from the general revenue and expenses of the licensee. If the consumer intends to take the meter on hire, the licensee can charge meter rent.
276. In some cases licensee is demanding cost of cubicle metering from its consumers. Small and medium industries can ill afford such cost. It was pleaded that it should be made optional for consumers to bear the cost of the entire cubicle metering. In

accordance with Central Electricity Authority (Installation and Operation of Meters) Regulations, 2006, Regulation 2(p) – “Meter” means a device suitable for measuring, indicating and recording consumption of electricity or any other quantity related with electrical system and shall include, wherever applicable, other equipment such as Current Transformer (CT), Voltage Transformer (VT) or Capacitor Voltage Transformer (CVT) necessary for such purpose. According to OERC Distribution (Conditions of Supply) Code, 2004, Reg.55 – The licensee is authorized to review the status of meters already installed in the context of upgraded technologies becoming available.

277. Hence, the licensee may install metering cubicles for the consumers. However, the cost may be recovered by the licensee in instalments if such consumers are not in a position to pay the price of such installation in a single instalment.
278. Like previous year, the Commission is concerned about the complaint that absence of records for old meters which creates a problem about last date up to which the meter rent could be recovered. The Commission directs that wherever records are not available collection of meter rent shall be stopped in case the rent has already been collected for the last 40 months which was allowed in last tariff order.
279. 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:-

<u>Type of Meter</u>	<u>Rent in Rupees</u>
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/-

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

Tariff for HT/EHT consumers

281. A study of the tariff structure at HT/EHT would show that the tariff structure is generally rationalised. The rates are uniform for consumers with contract demand of 110 KVA and above receiving power either at HT/EHT except for the emergency power supply to the captive power plants. It includes consumers like general purpose, public water works and sewerage pumping, large industry, power intensive industry, mini steel plant, railway traction and heavy industries.

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

282. SOUTHCO and JCL, Ganjam submitted that they have arrived at a mutually agreed tariff of Rs.2.57/kwh for 2009-10 and accordingly SOUTHCO has reflected the impact of the revenue in the ARR pertaining to 2009-10. In this regard, the Commission would like to reiterate that as indicated in its order dt.10.12.2007 in case No.26/2007 that the differential between normal and special tariff as agreed to between the parties will not be allowed as a pass through in ARR. This differential amount has to be met out of the efficiency gain of the licensee and this shall not be considered as a precedent for fixation of tariff for either this consumer or consumers similarly placed which has to be decided following the normal rules of procedure.

Graded Slab Tariff for HT/EHT Consumers

283. Starting from FY 2008-09 the Commission has been encouraging higher consumption by prescribing low rates for higher load factor without any pre-condition. Now the incentive scheme has been more broad based and simpler. Another reason for making the incentive scheme more broad-based and simpler is to attempt to secure that the DISCOMs of Orissa should offer a competitive rate even after availability of full open access and harnessing of captive power generation in the State, resulting in opening up of the doors for competition. The incentives hereby granted would promote better competition in the interest of consumers, as per the mandate in Section 61(c) of the Electricity Act, 2003.
284. Keeping the above factors in view the Commission determines the slab rate of energy charge for all HT & EHT consumers as follows: -

Table – 21

Load Factor (%)	HT	EHT
Upto 50%	300 p/u	290 p/u
> 50% = < 60%	225 p/u	202 p/u
> 60%	220 p/u	202 p/u

285. This graded slab tariff would have the effect of reducing the tariff for all HT & EHT consumers for higher consumption and thereby reduce cross subsidy. Demand charges and other charges as applicable would be chargeable in addition to the energy charges in the Table above.
286. In calculation of load factor, Maximum Demand shall be taken as per Reg.2(aa) of OERC Distribution (Condition of Supply) Code, 2004.

Special Tariff for Power Intensive Industries covered under Special Agreement

287. There are four Ferro Alloys industries in NESCO area which were drawing power under special agreements from NESCO. The agreement had been existing since

pre-reform days when the erstwhile OSEB was supplying power. The agreements were being entered into with the suppliers as and when the occasion arose: when GRIDCO became the supply licensee and thereafter when NESCO became the supply licensee, these Ferro-Alloys industries also came under the category of Power Intensive Industries, vide Regulation 80(13), and were entitled to normal concessional rate available under incentive tariff if they satisfy conditions laid down in the Tariff Order. Over and above that these industries have been enjoying special tariff under the aforesaid agreements. The rationale of such special agreement-based tariff has been that these were export oriented units and unless a viable tariff was provided to them they would not be able to compete in the international market and they would close down with consequential loss of revenue to NESCO from high-consumption customers. For some years the shortfall arising out of the differential between the agreement rate and the general tariff rate for Power Intensive Industries was being absorbed by NESCO as a condition for allowing special tariff and nothing of it was being passed onto the consumers of the State. Subsequently at the request of the licensee, these industries have been allowed special tariff structure by the Commission. But there has been a serious impact on the general revenue stream of the power sector due to continuance of this type of special agreement. The other condition has been that the special agreement-based tariff would be applicable only for a guaranteed off-take of 80%. The Commission observes that, the said Special Agreement was introduced and subsequently allowed in order to encourage the Ferro Alloy industries on historical ground for guaranteed drawl at higher load factor under the then prevailing conditions of surplus power in the State. But now the scenario has undergone change and the State is leading towards power deficit situation. As a result the Commission decided to roll back the special tariff to Ferro Alloys industries with effect from 01.4.2008. Now, due to global melt down of economy these Ferro alloys industries demand for revival of special tariff during FY 2009-10 for them as they are badly hit by the recession. The demand for their goods in the National and international market has taken a nose dive.

288. It is evident from the data submitted by the licensee NESCO that the energy drawal by the Ferro Alloys industries taken together is gradually decreasing from 91.5 MU in April, 2008 to 86.8 MU in October, 2008. This might be the fall out of recession.
289. Govt. of Orissa has been following the principle of subsidy withdrawal policy. So, if a special tariff is allowed to Ferro Alloys Industries, then it will result in cross subsidization by similarly placed HT and EHT category of industries or any other category of consumers to these Ferro Alloys Industries.
290. The comparison with neighboring states has no meaning as every state has its own peculiarities and most states directly subsidise such industries by some form or other including a cash subsidy in the tariff. Tariff is determined taking into consideration the realities of that particular state. Govt. too is reluctant to subsidise any kind of consumers. In Orissa we are following a single buyer model for purchase of electricity. The argument of UCCI that the average BSP of Rs.1.22 be made applicable to them is not a viable proposition as over and above

the BSP the consumer has to pay the cost of distribution bringing the average cost of supply to 263.12 paise/unit during this year.

291. The Ferro Alloys industries submitted that a variable contract demand should be approved as the industries are facing the impact of recession. A revolving contract demand for Ferro Alloys industries based on month ahead schedule should be allowed until melt down persists. It is clarified that OERC Distribution (Condition of Supply) Code, 2004 does not support the above submission of the objectors.
292. The Ferro Alloys Industries argued that with special tariff there would be higher level of production with concomitant higher consumption of electricity resulting in higher revenue for distribution licensee which will offset the overall loss.
293. Considering the above, the distribution companies may enter into special agreement with Ferro Alloys Industries under Reg.81 of OERC Distribution (Conditions of Supply) Code, 2004, if they think there would be no loss or less loss compared to what would have been the loss due to power consumption on the basis of existing tariff structure. It is purely a business strategy which the distribution companies may assess at their end. However, the loss on this account, if any, shall not be allowed by the Commission in truing up exercise.

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

294. The Commission had introduced a Special Tariff for Industries with Contract Demand of 100 MVA and above since 1999-2000 with 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 in its tariff for FY 2007-08 after taking into consideration the rise in annual bulk supply price and the annual inflation into consideration had fixed this rate at 215 paise/unit subject to change as may be necessary from year to year. While reviewing the issue in the Tariff Order for FY 2008-09, the Commission observed that this Incentive tariff remained as ornamental one only and accordingly withdrew the provision in the said order as there was no such industry in the State who was availing this benefit. In the meantime industrial climate of the State has changed. Some industries have pleaded before the Commission to re-introduce the scheme to attract investment into the State. Therefore, the Commission considering Bulk Supply Price and inflation re-introduces the Special Tariff with a rate of 237 paise/unit for industries with contract demand of 100 MVA and above with effect from 01.4.2009. **The other conditions to avail this tariff will remain same as before.** Re-introduction of this tariff will assure high revenue inflow to the distribution companies and help them to reduce overall distribution loss.

Over Drawl Penalty Due to Excess Drawl during Off Peak Hours

295. The Commission has allowed consumers with two part-tariff to draw upto 120% of their contract demand during off peak hours without any penalty. Some

consumers may be reaching upto 120% of their contract demand during off peak hours but their recorded maximum demand during the other hours may be lower than that. Such consumers will be put to difficulty if the higher recorded maximum demand during off peak hours is taken into consideration for determination of load factor. The Commission is of the opinion that, drawl during off peak hours helps the system for maintenance of better frequency profile and also utilisation of surplus generation if any during this period. But any drawl above 120% of the contract demand during off-peak hours will attract penalty in terms of demand charges.

296. Therefore, the Commission allows drawal by the industries during off peak hours (10 PM to 6 AM next day) upto 120% of their contract demand without levy of any penalty. In view of that, for the purpose of determination of load factor when maximum demand is within 120% of contract demand in both off-peak and other than the off-peak hours (6 AM to 10 PM) then demands recorded in hours other than off peak hours shall be the basis for computation of Load Factor. But when maximum demand exceeds 120% of the contract demand either in off-peak hour or other than off-peak hour then actual maximum demand will be taken into consideration for determination of load factor irrespective of the hour when it occurs.

Period of Agreement

297. Some objectors brought to the notice of the Commission the following issues:

The validity of agreement for power supply may be reduced from the present duration of 5 years.

The above matters relate 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.”* The matter has to be dealt accordingly and the Commission does not approve any modification.

Reduction of Contract Demand for Industries with Captive Generating Plants (CGPs)

298. Provisions for reduction of contract demand have been incorporated in the Distribution Code keeping in view the financial viability of the utility for the investment made. In case the agreement is executed for a period of only one year, the recovery cost will be quite high and the tariff will be unaffordable if the commercial viability norms are applied. Besides, no utility will be able to prepare perspective plan for growth and development on a long term sustainable basis. In this connection we quote Regulation 81 of OERC Distribution (Condition of Supply) Code, 2004.

“The licensee may, having regard to the nature of supply and purpose for which supply is required, fix special tariff and conditions of supply for the

consumers not covered by the classification enumerated in this Code. For such purpose licensee may enter into special agreements with the approval of the Commission with suitable modifications in the Standard Agreement Form. The tariff in such cases shall be separately approved by the Commission.”

299. With regard to the imposition of time limit for reduction of contract demand with specific reference to industries having CGPs, the Commission would like to observe that the reduction of contract demand as discussed in the above para may be possible within the framework of OERC Distribution (Conditions of Supply) Code, 2004.

Non-adherence of phasing of contract demand beyond the control of the consumer

300. Some consumers pleaded that the benefit of reduction in contract demand should be allowed to them if they do not adhere to the phasing of contract demand entered with the licensee due to reasons beyond their control without insisting on the codal provisions for reduction of contract demand. The licensees on the other hand pleaded that when investments have been made for giving power supply to such industries and if these industries failed to draw the desired load as agreed to they are put to great financial loss which obviously would have to be allowed to be passed through in tariff for sharing by other consumers. It is, however, not appropriate that for the failure of such consumers all other consumers need to be burdened. The Commission very much concurs in the view forwarded by the licensee. Before entering into an agreement the consumers should have given due consideration to the investments made by a public utility service. We direct that in cases where re-phasing of contract demand does not lead to any financial liability on the licensee, the latter may give due consideration with mutual agreement. In case of HT and EHT consumers, investment, if any, made by the OPTCL should also be taken into consideration.
301. The other issue raised is temporary enhancement of contract demand to meet the short term requirement of an industry. This should essentially be addressed by following conditions of short term open access regulations to access power from sources other than the licensee's area of supply wherever possible. In case the same consumer wishes to avail power supply from the licensee where it is situated, the ideal condition should be to allow the normal tariff with the enhanced contract demand applicable for such classes of consumers.

Issue of Street Light

302. The Commission time and again has directed that meters have to be provided for all consumers of electricity. The municipality shall have to enter into an agreement with the licensee for power supply. They should insist for meters. Once metering is completed the problem of 10 hours or 11 hours of billing shall not arise. Therefore, all the licensees are directed to take up metering for street lighting as such street light loads are on the increase. Until metering is in place the

Commission directs that billing should be done assuming 11 hours burning time taking the average use of summer and winter seasons.

Exclusion of annual maintenance shutdown period from calculation of Consumption Ratio

303. Some of the objectors submitted that due allowance be made for plant shut down for maintenance purposes during any month and that the principle of take or pay at guaranteed load factor should not be made applicable to them. In this context, the Commission observes that the concept of consumption ratio has been done away with in the tariff order for FY 2008-09 and a graded slab tariff for HT and EHT consumers has been introduced in its place. Therefore, the issue becomes non-existent.
304. Some objectors suggested that a lower load factor upto 80% may be prescribed for the period of annual maintenance, which will be jointly decided by the licensee and the consumers. Alternatively, the guaranteed load factor of 80% should be determined on an annual basis. As stated earlier the Commission has dispensed with the concept of guaranteed load factor. Again load factor is calculated for the billing period. So it is not possible to calculate the load factor on annual basis.

Interruption in power supply

305. Some objectors stated that frequent interruption in power supply causes lots of hardship. The Commission reiterates 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.
306. Some others submitted that every interruption be considered as an interruption for a period of 30 minutes and all such periods be deleted from the total hours in a month to calculate the load factor. The Commission has done away with the concept of guaranteed load factor of 80%. Besides, treatment of duration less than 30 minutes for any interruption is not supported by the Regulation.
307. Some objectors pleaded that print outs of the records in the static meter relating to MD, PF, number and period of interruptions should be attached to the energy bill with a payment. If it is available in the meter reading, there should be no difficulty for the licensee to provide that information. Besides above, the licensees have to record tamper data, if any, in meter recording and inform the same to the consumers alongside taking appropriate action. The cost of supplying print outs is now provisionally fixed at Rs.500.00 (Rupees Five Hundred Only) and this would be reviewed in the next tariff exercise.

Industrial Colony Consumption

308. On the issue of energy consumption in Industrial colony limiting to maximum of 10% to be included in the first slab of 50% for incentive calculation and removal of the ceiling limit of 10% of total consumption for the colony consumption and charging it at domestic rate, it is observed that as per Regulation 80 i.e. 'classification of consumer' in the OERC Distribution (Condition of Supply)

- Code, 2004, the domestic category does not include residential colonies attached to industrial establishments where power supply is drawn through the meter of the industrial establishment. The Commission does not approve any change in the existing pattern of billing of colony consumption.
309. Some objectors submitted that the service connection charges were high. Consumers may be allowed to procure materials by giving supervision charges to the licensee. The Commission clarifies that the service connection charges are to be calculated in accordance with the provision of OERC Distribution (Conditions of Supply) Code, 2004.
310. Some of the objectors pleaded for allowing a discounted tariff at different rates by eliminating cross-subsidy. It may be noted that, the National Tariff policy deals with the subject of Cross-Subsidy in following terms:
- “For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap within six months with a target that latest by the end of year 2010-2011 tariffs are within \pm 20% of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.*
- For example, if the average cost of service is Rs.3 per unit, at the end of year 2010-2011 the tariff for the cross subsidized categories excluding those referred to in NTP should not be lower than Rs.2.40 per unit and that for any of the cross-subsidising categories should not go beyond Rs.3.60 per unit.”*
311. The present level of cross-subsidy is well within the target of \pm 20% of the average cost of supply. In other words what is required to be achieved by the end of the year 2010-2011 has been already achieved.

KVAH Billing

312. WESCO, NESCO and SOUTHCO have proposed KVAH billing for all LT/HT three-phase industrial consumers for which no PF penalty is provided due to their drawal of energy at low power factor. But, for switching to KVAH billing mode, use of static meter is essential. The Commission in para 328 of RST order for FY 2008-09 had directed to submit the availability of static meters for low voltage consumers having connected load of 10 KW and above. The licensees have failed to confirm the no. of static meters presently used by the consumers in their respective areas. In the absence of availability of static meters, it is not possible to measure KVAH for any consumer. Therefore, the Commission directs the licensees to submit the availability of static meter for LT/HT consumers who do not pay power factor penalty by 30th June, 2009. They are also required to submit the KVAH and KWH consumption for first six months of FY 2009-10 for the consumers who have already static meters of the said category.
313. Changeover from KWH billing to KVAH billing requires intensive analytical figures about KWH consumption and KVAH consumption to assess the impact on licensee's revenue and charges to the consumers. Therefore, DISCOMs must

provide a comprehensive proposal with the data of static meters for the year 2008-09 by 30th June 2009. This issue can be deliberated in the subsequent tariff filing.

Tariff Hike

314. The 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 but not for them. We cannot fully ignore the affordability factor because safeguarding interest of consumers is one of the objectives that has to be looked into while fixing tariff. But affordability cannot be the prime consideration under Section 61(d) of the Electricity Act, 2003 which envisages for safeguarding of every consumer groups' interest and at the same time, recovery of the cost of electricity in a reasonable manner by a balanced approach. 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.

Rural Electrification

315. 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 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. These were already stated in the last RST Order for FY 2008-09 which are extracted below for ready reference.
- a) Off grid supply/distributed generation should be encouraged in remote villages situated away from GRID.
 - b) 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.
 - c) Village Committee may be set up to look after load development, load management, billing and collection in the village.

- d) On the LV side of the transformer, a meter is to be installed which will record the total energy supplied by a 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 connections to improve billing and collection efficiency in rural areas and achieve loss reduction. 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.
- e) 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.
- f) 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 90% capital subsidy to DISCOMs.
- g) The Commission is of the view that aforesaid precautionary measures will reduce commercial loss substantially. The Commission, therefore, directs DISCOMs to adopt measures mentioned above while taking up rural electrification work.
- h) The Commission further would like to quote the relevant provision of the Electricity Act, 2003 with regard to Rural Electrification. *“The concerned State Government and the Central Government shall jointly endeavour to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households.”* Further, para 1.22 of the National Rural Electrification Policy is worth referring.

“The various existing financial assistance schemes of the Government of India aimed at Rural Electrification would be reviewed with a view to re-orient these, if so required, to ensure that all initiatives in the area of Rural Electrification are coordinated and remain complementary in nature. If required, other schemes would also be formulated.”

- 316. With the aforesaid legal mandate, it needs to be mentioned that hardly 22% of the rural households in Orissa have access to the electricity. Hundred percent electrification of households would require massive investments a large part of which would naturally come from the Government. The maintenance of these assets and charges for supply of electricity need to be paid back through the consumer tariff. The problem gets accentuated as the newly connected consumer groups will be mostly of rural background, low paying capacity for which they need support of the State and the Centre in terms of revenue subsidy if a substantial tariff hike is to be prevented to other classes of consumers, even after reaching an efficient level of transmission and distribution loss. This is all the

more important in the regime of Open Access and reduction of cross-subsidy mandated by the Electricity Act, 2003. The State and the Centre are required to take appropriate policy decisions in the matter and the Commission hopes that there should not be any delay in those matters.

Agricultural Tariff

317. In para 8.3 of the National Tariff Policy, sub-para(3) it is clarified that while fixing tariff for agricultural use the condition of ground water table to prevent excessive depletion of ground water need to be taken into consideration apart from keeping in mind the average cost of supply. At present we do not have information from Govt. of Orissa for providing tariff subsidy to any category of consumers. The Commission on the other hand is bound by the provisions Sec.65 of the Electricity Act, 2003 which provides that for any relief to any class of consumer, advance subsidy needs to be provided by the State Govt.
318. In this connection, sub-para(4) of the National Tariff Policy is quoted below for appreciation:

“Extent of subsidy for different categories of consumers can be decided by the State Government keeping in view various relevant aspects. But provision of free electricity is not desirable as it encourages wasteful consumption of electricity besides, in most cases, lowering of water table in turn creating avoidable problem of water shortage for irrigation and drinking water for later generations. It is also likely to lead to rapid rise in demand of electricity putting severe strain on the distribution network thus adversely affecting the quality of supply of power. Therefore, it is necessary that reasonable level of user charges are levied. The subsidized rates of electricity should be permitted only up to a pre-identified level of consumption beyond which tariffs reflecting efficient cost of service should be charged from consumers. If the State Government wants to reimburse even part of this cost of electricity to poor category of consumers the amount can be paid in cash or any other suitable way. Use of prepaid meters can also facilitate this transfer of subsidy to such consumers.”

Energy Conservation & Procurement of Power from Renewable Sources

319. The Electricity Act, 2003 envisages under section 86(e) that the State Commission shall promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person. In this connection, the Commission by separate order has specified the quantity of energy to be purchased by GRIDCO from renewable sources of energy for its encouragement. Besides, the Commission has announced the pricing policy for captive generating plants/cogeneration plants and has determined the interim price at which power from CGPs/Cogeneration plants would be purchased vide its Order dtd. 28.02.2009. It is hoped that the licenses in the state shall do their best for harnessing such sources of Renewable /Green energy. The Commission in the meantime has engaged a consultant to help determine tariff for all sources of renewable energy beginning the ensuing financial year. The Commission intends

to give an early signal in such tariff, pending the final report of the consultant. Therefore, the Commission will shortly be indicating the provisional tariffs for various renewable sources which would enable interested generator to plan and take investment decisions in establishing such generation. These tariffs would thereafter be firmed up as soon as the consultant's study is completed.

Bulk Energy Billing Software Audit

320. The Reliance managed DISCOMs submit that some modification have been made to the bulk energy billing software currently used by energy billing centre of GRIDCO to bill the DISCOMs at various interface points which has led to abnormal increase in billing. The relationship between GRIDCO and DISCOMs should be based on mutual trust and fair play. Hence, we direct GRIDCO and DISCOMs to submit a panel of mutually agreed independent agencies to the Commission and Commission would select an agency out of that panel to conduct the audit of the billing software. The expenditure for audit of the software shall be borne equally by all the parties.

FINANCIAL ISSUES (Para 321 to 418)

Employee Cost

321. The petitioners WESCO, SOUTHCO, NESCO and CESU in their ARR and tariff petition for the FY 2009-10 have projected the employees cost as depicted in table below.

Table – 22

(Rs. in Crore)

	WESCO	NESCO	SOUTHCO	CESU
Basic Pay	63.43	86.40	51.86	72.88
Dearness Allowance	17.76	18.31	14.52	38.25
HRA	10.15	10.23	9.34	14.33
Other Allowance	50.17	11.03	43.07	67.98
Terminal benefit	41.28	37.15	53.48	35.91
Sub-Total	182.79	163.12	172.28	229.35
Less Expenses Capitalized	2.47	0.93	-	-
Total Cost	180.32	162.09	172.28	229.35

322. The Commission in RST Order for FY 2008-09 had approved the following expenses towards employees cost.

Table- 23

(Rs. in Crore)

	WESCO	NESCO	SOUTHCO	CESU
Proposed for FY 2008-09	150.06	139.79	145.65	167.58
Approved for 2008-09	109.97	102.33	93.06	163.19
Proposal for FY 2009-10	180.32	162.19	172.28	229.35
% rise over the approval of 2008-09	63.97%	58.50%	85.18%	40.54%

323. The table above reveals that for the ensuing year the licensees have proposed a substantial rise in employees cost compared to the approval for the FY 2008-09. The enhancement is mainly attributable to the proposed implementation of 6th Pay revision in line with Govt. of Orissa notification and Wage Board award.
324. WESCO, NESCO and SOUTHCO have claimed an amount of Rs.55.00 crore, Rs.54.25 crore and be Rs.60.00 crore respectively towards arrear payment over and above the normal employees cost factoring 6th Pay and Wage Board impact.
325. The licensees have proposed to pay 40% of the arrear during FY 2008-09 and balance 60% during 2009-10. Accordingly the above DISCOMs submitted to true up 40% of the arrear pertaining to FY 2008-09 in the FY 2009-10. CESU has claimed the impact of 6th Pay Commission and wage Board revision for the ensuing year 2009-10 without considering arrear impact. In order to analyze the pattern of expenditure under employees cost, a year-wise comparison between the approved expenditure over the years and audited accounts is exhibited in the table below:

Table – 24

(Rs. in Crore)

Year	WESCO		NESCO		SOUTHCO		CESU	
	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	97.83
2004-05	65.18	68.22	54.31	52.51	56.85	48.55	107.49	216.11
2005-06	69.06	85.50	61.12	66.51	63.73	61.54	113.30	108.80
2006-07	76.78	145.17	67.98	104.65	66.72	85.87	113.10	108.37
2007-08	87.28	96.35	83.37	105.44	77.48	106.47	126.14	-

326. The table above reveals that actual employees cost in most of the years has been higher than the approved figures. However, this issue is addressed separately in truing up exercise.
327. The Commission analyzed the proposal of the licensee for FY 2009-10 and observed that employee cost has taken a quantum jump due to proposed implementation of 6th Pay Commission recommendations. Commission feels that it would not be prudent to provide the arrear payment in the FY 2009-10 as it would lead to a sizeable increase in ARR which has a cascading effect on the tariff.
328. The Commission would like to make it clear that payment of revised pay and allowances is entirely contingent upon efficient collection of revenue and affordability of the licensees. While Commission is of the opinion that the employee should not be deprived of their genuine and legitimate claims, at the same time directs that DISCOMs should make all out effort to collect extra

revenue, out of the receivables lying uncollected with the consumers to meet the arrear payment of employees.

329. In the present scenario the performance of the DISCOMs in terms of billing and collection is really very disappointing. As such there is no scope to accommodate the payment of arrears. The payment of current revised pay and allowance would be guided by sufficiently extra efforts to increase the billing and collection efficiency and substantial reduction of the present loss level.
330. In order to address the issue of impact of Sixth Pay revision and Wage Board award, Commission Provisionally allows revision at an average rate of 30% on the pre-revised basic pay, DA & HRA for the financial year 2009-10 only without considering the payment towards arrear. The differential amount, if any will be taken care of in the truing up exercise after the audited accounts are available to the Commission and after being satisfied the extra efforts having been made to enhance the billing and collection efficiency. With the above observation Commission examine the proposal of the licensee to determine the pre-revised employees cost for the FY 2009-10. The expenditure for the FY 2007-08 based on audited accounts of WESCO, NESCO, SOUTHCO and the filing in respect of CESU are given in table below:

Table-25

(Rs. in Crore)

Particulars	WESCO 2007-08 (Audited)	NESCO 2007-08 (Audited)	SOUTHCO 2007-08 (Audited)	CESU 2007-08 (filing)
Basic Pay	41.33	34.09	31.53	65.07
DA	17.89	12.85	12.65	22.77
HRA	6.73	5.58	4.99	8.53
Others	4.24	8.01	3.89	20.15
Terminal Benefit	26.17	44.92	53.41	21.37
Sub Total	96.36	105.45	106.47	137.89
Less: Capitalised	0.12	0.60	0.55	0
Net Expenses	96.24	104.85	105.92	137.89

331. The audited accounts of the licensees are available upto the following years:

Table – 26

Name of DISCOMs	Year
WESCO	2007-08
NESCO	2007-08
SOUTHCO	2007-08
CESU	2006-07

332. For WESCO NESCO and SOUTHCO the Commission considered the audited accounts for FY 2007-08 as the base for determining the basic pay for the FY 2009-10. The audited data of CESU for the year 2007-08 is not available, hence, Commission considers approved figure of 2008-09 as base for determining the basic pay of 2009-10.
333. Regarding number of employees WESCO, NESCO, SOUTHCO and CESU furnished the information on the induction and reduction in the number of employees from year to year. The position upto the year ending 2009-10 is depicted in table below:

Table – 27

Particulars	WESCO	NESCO	SOUTHCO	CESU
No. of employees as on 31.03.2008	4848	3994	3791	6008
Add: Addition during 2008-09	480	469	296	128
Less: Retirement/Expired Resignation during 2008-09	270	210	244	437
No. of employees as on 31.03.2009	5038	4253	3843	5699
Add: Addition during 2009-10	460	175	207	470
Less: Retirement/Expired/ Resignation during year	210	217	209	438
No. of employees as on 31.03.2010	5308	4211	3841	5731

334. The Commission in accordance with the earlier order allows 3% escalation towards normal annual increment on year to year basis. The basic pay for FY 2009-10, after factoring in average no. of employees derived from table above and taking into consideration the normal annual increment over the base figure, is determined as detailed below:

Table – 28

(Rs. in Crore)

Name of the DISTCO	Approved basic pay with DP for 2009-10
WESCO	46.24
NESCO	37.70
SOUTHCO	34.11
CESU	59.14

335. As regards DA the rate of dearness allowance before the 6th Pay revision was 47%. The Commission calculates @ 47% over the Basic Pay + DP for the year 2009-10.
336. WESCO and CESU for the year 2009-10 have claimed Rs.3.78 Cr and Rs.13.34 Cr respectively as extra cost due to recruitment of new employees /contractual employees. CESU in its reply to the query raised by the Commission furnished

the required of details of the contractual engagement of persons and the cost involved. The details are as below:

TABLE-29 (A)

Engagement Contractual employee cost for CESU							
Sl. No .	Category	Year	Basic	HRA	Total (per month)	Nos.	Total Rs. Crore) per Annum
1	Jr. Art-B	2007 to 09	3800	500	4300	953	4.92
2	Off.Asst./Bill Coll. etc.	2007 to 09	3833	867	4700	280	1.61
3	NMR	2007 to 09			1820	62	0.14
	Grant Total					1015	6.67

337. The details of wages bill of outsourced personnel of CESU has been enumerated below:

TABLE-29 (B)

Engagement	No.	Category	Rate per month	Total Exp. (In Rs. Crore) per annum
Attendant	7	Un-skilled	2561.00	0.02
S/G (Un-Armed)	335	Semiskilled	2905.00	1.17
Non-ITI	280	Semiskilled	2905.00	0.98
ITI	543	Skilled	3249.00	2.12
Security Guard (Armed)	24	Skilled	3249.00	0.09
Office Assistant	4	Skilled	3249.00	0.02
Bill Collector	28	Skilled	3249.00	0.11
Accounts Personnel	9	Skilled	3249.00	0.04
Graduate Engineer	13	Highly Skilled	5500.00	0.09
Diploma Engg.	86	Highly Skilled	3595.00	0.37
Steno	4	Highly Skilled	3595.00	0.02
Squad Personnel	320	Skilled	3766.00	1.45
Gunman	36	Skilled	4600.00	0.20
TOTAL	1552			6.66

Total of Table-A & B is worked out to be Rs. 13.33 crore.

338. The Actual payout to contractual employees during FY 2008-09 (Up to Dec.'08) has been furnished as under:

Table-30

Statement of Payment Made to Contract & Outside Agency up to Dec. '08
(Rs.In Crore)

Month	Payment to contractual Employees	Payment to outside agency	Total amount Paid
Apr-08	0.12	1.94	2.06
May-08	0.12	1.19	1.31
Jun-08	0.13	1.08	1.20
Jul-08	0.13	0.79	0.92
Aug-08	0.13	0.87	1.00
Sep-08	0.14	0.84	0.98
Oct-08	0.14	0.85	0.98
Nov-08	0.40	0.58	0.97
Dec-08	0.45	0.63	1.08
Total	1.75	8.76	10.51

Note:

- (i) CESU has inducted 472 nos. of ITI (Jr. Art-B) outsourced personnel & 280 nos of Bill Collector , Office Asst. , Steno & DEO as the Contractual Employee in the month of Nov'08.
 - (ii) The wages of the existing 481 nos. ITI (Jr. Art-B) continuing on contractual employment was increased from Rs.2,800/- to Rs.4,300/- per month during the month of Nov'08.
339. From the above it is observed that CESU has already paid an amount of Rs.10.51 cr towards contractual employee during 9 months of the current year. The Commission from time to time have been insisting for induction of additional man power to carry out energy audit for reduction of commercial losses of the utilities. The licensees is being repeatedly directed to fill up the vacancies due to retirement and attrition so as not to affect services to the consumer. At the same time the Commission makes it absolutely clear that more addition of manpower is not going to improve delivery of services and collection of revenue unless productivity of the employees is ensured by holding them accountable to the management. The principle of hire and fire should be followed to ensure accountability.
340. In the year 1998-99, GRIDCO carried out an actuarial valuation for quantification of the terminal liabilities of employees of its transmission as well as its distribution business as on 31.3.1999 by an independent actuary as mandated by the transfer notification dt.28.11.1998. According to the report of the actuary, the position of no. of employees as on 31.3.1999 are given as under:-

Table – 31

		OPTCL	WESCO	NESCO	SOUTHCO	CESU	Total
No. of Employees	Existing	5,974	5,562	4,599	4,674	8,608	29,417
	Retired	4,493	Nil	Nil	Nil	Nil	4,493
	Total	10,467	5,562	4,599	4,674	8,608	33,910

341. Presently the existing regular employees strength of CESU is 5699 as on 31.03.2009. Thus the employees strength have been reduced by nearly 3000 given the fact that the consumer strength is nearly doubled and there is considerable addition to the network assets. Considering the above fact the estimate of Rs.13.34 crs for the 2009-10 proposed by CESU for additional employees is found reasonable and approved by the Commission.

342. In the case of WESCO the details of additional cost of Rs.3.78 crs. is not available. As such Commission is unable to accept the same. For the year 2009-10 medical reimbursement has been allowed @ 5% over basic pay. House rent allowance is expressed as a percentage of basic pay which is equal to the percentage determined from audited data filed with the Commission.

Terminal benefit

343. For the year 2009-10 WESCO, NESCO, SOUTHCO and CESU have estimated Rs. 41.28 cr, Rs. 37.15cr, Rs. 53.48 Cr and Rs. 35.91Cr respectively towards terminal benefit.

344. WESCO, NESCO and SOUTHCO in their submission have stated that the estimate on contribution to the pension fund, gratuity fund and leave encashment to be made for the year 2009-10 is based on the actuarial valuation study carried out by M/s Bhudhev Chaterjee as on 31.03.2008 and projections provided for 2008-09 and 2009-10. These licensees have assumed that the trend in the requirement of Terminal Benefit corpus for the year 2008-09 shall continue as for the year 2009-10.

345. CESU has not projected its requirement on the terminal benefit for FY 2009-10 on the basis of actuarial valuation but based on the following assumptions:

Pension @ 12% of Basic + DP

Gratuity @ 40% of Basic +DP

Leave encashment – 1 month of Basic + DP

346. Commission in its last order for FY 2008-09 has extensively dealt with the issue of terminal liabilities in respective of the four distribution companies vide para 348 to 355. Accordingly the Commission determined the corpus valuation for each licensees as per the actuary. After adjusting the expected corpus availability as on 31.03.2008 the Commission approved the deficit funding to be amortized over a period of 7 years. In this connection table 30 of the RST Order 2008-09 is again depicted below for reference.

Table-32**(Rs. in crore)**

Name of the Company	Valuation as per Actuary	Expected corpus availability	Difference
OPTCL	702.65	571.02	(-)131.63
WESCO	332.13	160.50	(-)171.63
NESCO	261.22	144.58	(-)116.64
SOUTHCO	259.91	146.38	(-)113.53
CESU	419.03	196.05	(-)222.98

347. In line with the RST order of 2008-09, we allow the Deficit funding to be amortized within the 7 years along with the carrying charges @8.5%. The incremental fund requirement for the year 2008-09 determined on the basis of cash outflow as reported by the licensees in their reply to the query is added to the amortized value of the deficit funding. During the FY 2007-08 WESCO, NESCO, SOUTHCO and CESU received an amount of Rs.13.63 cr, Rs.12.71 cr, Rs.11.23 Cr and Rs.21.99 cr respectively. As stated in para 355 of RST Order 2008-09 the above amount has to be adjusted to assess the terminal liabilities for the year 2009-10.
348. The actuary M/s Bhudhev Chaterjee appointed by the Commission had given actuarial valuation upto the year 2005-06 and projected estimate for the years 2006-07 and 2007-08. The estimate for subsequent years including FY 2009-10 is not available. Commission is aware that the requirement on terminal liabilities of the companies is going to undergo a change after implementation of 6th Pay revision w.e.f. 01.01.2006.
349. Therefore, the Commission would like to appoint an independent actuary in due course to assess the terminal liabilities upto 31.03.2010, in respect of four DISCOMs in view of the likely revision of pay and allowances based on the recommendation of the 6th Pay Commission and Wage Board award. After receiving the actuary's valuation the Commission would take necessary steps for funding the same after dues scrutiny and basing on the performance of DISCOMs in mobilizing additional revenue. The calculation of terminal benefit approved for the year 2009-10 is depicted in the table below:

Table-33

	WESCO	NESCO	SOUTHCO	CESU
1. Installment amount of deficit funding in corpus	24.52	16.66	16.22	31.85
2. Carrying charges	10.42	7.08	6.89	13.54
3. Cash out go for 2008-09 (actuals upto December 2008) prorated for the whole year)	15.73	16.16	8.64	26.28
4. Less received from OPTCL trust fund during 2007-08	13.63	12.71	11.22	21.99
5. Amount to be charge to ARR during 2009-10 (1+2+3-4)	37.04	27.19	20.53	49.68

350. The statement of employee cost proposed by the DISCOMs and approved by the Commission for 2009-10 is given in the table below:

Table – 34
EMPLOYEE COST

Sl.	Particulars	WESCO			NESCO			SOUTHCO			CESU		
		Appr. 2008-09	Prop. 2009-10	Appr. 2009-10	Appr. 2008-09	Prop. 2009-10	Appr. 2009-10	Appr. 2008-09	Prop. 2009-10	Appr. 2009-10	Appr. 2008-09	Prop. 2009-10	Appr. 2009-10
1	Basic Pay + DP	40.62	63.43	46.24	43.42	86.39	37.71	37.9	51.87	34.11	63.92	109.34	58.09
2	Addl. Emp. Cost		3.78								3.36	13.34	13.34
3	DA	20.32	17.76	21.73	21.71	18.31	17.72	18.95	14.52	16.03	31.96	38.25	27.3
4	Other allowance	1.1	1.44	1.02	1.47	3.88	3.88	0.45	1	1	0.8	1.34	1.34
5	Bonus	0.09	0.9	0.9	0.4	0.4	0.4	0.12	0.16	0.16	0.1	2.46	2.46
6	Total Emoluments (1 to 5)	62.13	87.31	69.89	67	108.98	59.71	57.42	67.55	51.3	100.14	164.73	102.53
7	Reimbursement. of medical exp.	2.03	3.17	2.31	2.17	2.69	1.88	1.89	2.6	1.71	3.2	3.28	2.9
8	Leave Travel Concession	0.96	0.96	0.96	0.25	0.25	0.25	0.9	0.07	0.08	0.33	1.16	1.16
9	Reimbursement of HR	6.5	10.15	7.4	7.1	10.23	6.17	6.2	9.34	5.4	10.23	14.33	9.3
10	Interim relief of Staff										0.05	0.18	0.18
11	Encashment of Earned Leave		3.38			2.66		0	0.12	0.12		5.95	
12	Honorarium							0.1		0.83	0.05	0.19	
13	Payment under workmen compensation Act	0.15	0.25	0.25	0.1	0.1	0.1	0.13	0.18	0.18	0.07	0.25	0.25
14	Ex-gratia	0.5	2					0.01	1.15			2.93	
15	Other Staff Costs					0.02	0.02	0.51	0.45	0.45	0.14	0.24	0.24
16	Total Other Staff Costs (7 to 15)	10.14	19.91	10.92	9.62	15.95	8.42	9.74	13.91	8.77	14.07	28.51	14.03
17	Staff Welfare Expenses	0.68	0.89	0.89	0.54	1.02	1.03	1.49	1.33	1.33	0.88	0.2	0.2
18	Terminal Benefits (Pension + Gratuity + Leave)	37.02	41.29	37.04	25.16	37.15	27.19	24.49	53.49	20.53	48.1	35.91	49.68
19	Total (6+16+ 17+18)	109.97	149.4	118.74	102.32	163.1	96.35	93.14	136.28	81.93	163.19	229.35	166.44
21	Less : Empl. cost capitalized		2.47	2.47		0.93	0.55						
22	Net Employees Cost	109.97	146.93	116.27	102.32	162.17	95.8	93.14	136.28	81.93	163.19	229.35	166.44
23	Provision to accommodate 6 th pay revision		33.39	22.61			18.48		36	16.66			28.4
24	Total Employee Cost	109.97	180.32	138.88	102.32	162.17	114.28	93.14	172.28	98.59	163.19	229.35	194.85

Administrative and General Expenses:

351. The Administrative and General Expenses broadly covers property related expenses, communication, professional charges, conveyance and traveling, material related expenses and other expenses. The licensees have projected their estimates for FY 2009-10 in their ARR in the following manner which are compared with approved A&G expenses for previous year FY 2008-09.

Table-35

Licensee	Approved 2008-09	Ensuing year FY 2009-10 (Proposed)
WESCO	20.91	37.05
NESCO	14.52	30.66
SOUTHCO	12.88	33.74
CESU	26.29	50.76

352. WESCO, NESCO & SOUTHCO have submitted that they have forecasted the A&G expenses for FY 2009-10 by considering 7% increase over the approved A&G expenses for FY 2009-10 mainly to account for inflation and additional special expenses under different heads to comply with the various directives of the Commission and for reduction of loss. They have envisaged various following corrective measures to be met under A&G expenses.

- Opening of Customer Cares in each Districts
- Mobile Customer Care Vans
- Introduction of Spot Billing
- Introduced Energy Audit
- Consumer Indexing & Pole scheduling of all the consumers
- Automation of the operation and customer activity through IT intervention
- Appointment of more franchisees
- Payment of incentives for collection of the Arrears.

353. WESCO, NESCO & SOUTHCO have also proposed additional A&G expenses in addition to normal A&G expenses, to the tune of Rs.17.45 crore, Rs.17.77 crore and Rs.17.72 crore respectively. The proposed additional A&G expenses is mainly towards Energy Audit, Consumer Indexing, Pole scheduling, Spot billing, Fringe benefit tax, expenses of customer cares, Energy Police Station, Franchisee expenses, Call Centre, Mobile Customer Van, IT/Automation and Arrear collection incentive, Insurance etc.

354. The Commission in its order on Long-term Tariff Strategy (LTTS) has set out the principle of calculation of A&G expenses at the rate of 7% escalation over the base year progressively. In order to analyse the pattern of A&G expenses over the years following table depicts the approval and actual expenses incurred by the DISCOMs over the years.

Table-36

Year	WESCO		NESCO		SOUTHCO		CESU	
	Approval	Audited	Approval	Audited	Approval	Audited	Approval	Audited
1999-00	2.79	5.91	4.55	4.87	2.01	4.51	6.28	11.51
2000-01	4.01	9.42	5.91	8.74	3.02	6.43	7.78	16.40
2001-02	4.21	9.64	6.21	8.38	3.17	6.09	8.17	15.83
2002-03	4.42	9.91	6.52	7.95	3.33	7.05	8.58	17.88
2003-04	4.73	11.02	6.98	7.48	3.56	7.00	9.18	21.61
2004-05	12.51	14.30	7.86	8.89	8.22	11.95	9.82	22.33
2005-06	13.39	15.54	8.42	9.41	8.79	14.55	10.51	30.69
2006-07	15.78	15.82	10.48	10.14	10.88	16.40	13.11	42.27
2007-08	17.48	17.17	12.83	9.86	12.08	13.14	14.03	-
2008-09	20.91	-	14.52	-	12.88	-	26.29	-

355. The above table reveals that companies have been incurring expenditure on A&G much above than what is being approved in the ARRs. The Commission observes that A&G expenses is a controllable cost as defined in the LTTS order and the DISCOMs would not be allowed more than the approvals in the truing up exercise. The DISCOMs should in fact incur A&G prudently and put efforts to curb wasteful and avoidable expenses. The Commission further observes that with the declining employee base, computerized and IT automation the A&G expenses should be declining over the years. The Commission in the last tariff order for FY 2008-09 allowed A&G expenses under two components viz. Normal A&G expenditure and additional expenditure, as detailed in the table below:

Table-37

(Rs. in Crore)

	FY 2008-09	WESCO	NESCO	SOUTHCO	CESU
(i)	Normal A&G expenditure	18.11	12.10	10.42	26.11
(ii)	Additional expenditure	2.80	2.42	2.46	0.18
	Total expenditure	20.91	14.52	12.88	26.29

356. The Commission has also considered an escalation of 7% over the normal A&G expenditure for the last year tariff FY 2008-09 towards normal A&G expenditure for the ensuing year i.e. FY 2009-10. As regards additional expenditure, Commission approved expenses on items such as Fringe Benefit Tax, Customer Care, Special Police Stations & automation/IT expenses for FY 2008-09.
357. Commission for FY 2009-10 allows Fringe benefit Tax, and Customer Care expenses as proposed by the WESCO, NESCO and SOUTHCO. Regarding expenditure towards Special police stations, it is seen that WESCO, NESCO & SOUTHCO have escalated the proposal on this item nearly three times of the last year's approval. Since there is no justification given for such escalation, Commission allows expenses on Special police station to the last year's level. In case higher expenditure is incurred an Energy Police Station due to operationalisation of the newly notified police station the same shall be considered in the truing up exercise after due scrutiny.
358. As regards expenditure on Automation and IT expenses, NESCO and SOUTHCO have proposed Rs.2 crores each without detailing any programme on such expenses. Commission however attaches much importance to the Automation and IT in the system operation for its improvement and hence allows Rs.0.50 crore each to all DISCOMs for FY 2009-10. The total A&G expenses thus allowed for FY 2009-10 to the DISCOMs are summarized below:

Table-38

(Rs. in Crore)

	WESCO	NESCO	SOUTHCO	CESU
Normal A&G expenses	19.39	12.96	11.16	27.95
Additional expenses:				
(i) Fringe Benefit Tax	0.90	0.40	0.40	
(ii) Expenses for Customer Care Centers	0.99	0.60	1.70	
(iii) Special Police Station.	1.03	1.29	1.03	0.37
(iv) Automation/IT expenses	0.50	0.50	0.50	0.50
Total Additional Expenses	3.42	2.79	3.63	0.87
Total A&G expenses	22.81	15.75	14.79	28.82

Repair and Maintenance Expenses:

359. The distribution companies in their ARR and tariff petition for the year 2009-10 have submitted enhanced requirement over the previous year's approved expenses in the following manner:-

Table –39

	WESCO	NESCO	SOUTHCO	CESU
Approved for FY 2008-09	25.66	25.87	19.08	41.87
Estimate for 2009-10	94.91	105.47	106.22	51.46
% of higher estimate	269.88%	307.69%	456.71%	22.90%

360. It may be observed from the above table that WESCO, NESCO, SOUTHCO have projected unusual high requirement in the R&M expenses with percentage of about 270%, 308% and 457% respectively over and above approved expenses for the previous FY 2008-09. CESU has projected about 23% rise in R&M expenses.
361. WESCO, NESCO and SOUTHCO in their filing submitted that they could not incur the R&M expenses equal to the approved amount because of the stringent Escrow mechanism and non-relaxation of Escrow by GRIDCO. Since the actual expenses are considered in the truing of exercise, the licensees claimed short-fall amount i.e. difference between approved and actual to be passed on to the revenue requirement in the FY 2009-10. This amount is over and above the normal requirement of R&M for that year. The licensees have determined the normal requirement of R&M @ 5.4% on gross fixed asset. A table showing the amount of normal R&M expenses and the short spent amount pertaining to previous period is depicted below:

Table-40

(Rs. in Crore)

	WESCO	NESCO	SOUTHCO
R&M for 2009-10	41.48	36.25	36.55
Short spent amount of previous year	53.43	69.22	69.67
Total:	94.91	105.47	106.22

362. The Commission observes that the short spent amount towards R&M is mainly attributable to inadequate cash inflow into the system and lack of infrastructure to undertake the work. In order to assess such short spending due to inadequate cash inflow, Commission analyzed the billing and collection of DISCOMs from FY1999-2000 to 2007-08 based on the audited accounts submitted by the WESCO, NESCO and SOUTHCO. Company wise details on billing and collection from the audited accounts are depicted in the Table below:

Table -41

WESCO	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Billing(Rs in Cr)	412.13	452.63	489.44	601.94	652.41	730.94	786.75	907.8	1083.51
Misc revenue(DPS+M.rent)	9.20	10.75	12.03	17.24	11.67	10.67	15.04	13.31	16.7
Less discount to consumers	1.45	4.38	2.03	2.87	3.79	4.61	5.41	7.12	7.99
TOTAL REVENUE	419.88	459.00	499.44	616.31	660.290	737.000	796.380	913.990	1092.220
Collection(Rs in Crore)	350.01	364.10	399.31	526.3	580.82	675.84	745.79	861.81	1014.79
Uncollected amt(Rs Crs)	69.87	94.90	100.13	90.01	79.47	61.16	50.59	52.18	77.43
Collection efficiency(%)	83.36%	79.32%	79.95%	85.40%	87.96%	91.70%	93.65%	94.29%	92.91%

Table -42

NESCO	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Billing(Rs in Cr)	304.50	328.13	301.08	366.87	387.33	469.15	587.86	729.66	896.37
Misc revenue(DPS+M.rent)	3.69	13.97	14.77	15.46	12.04	4.56	10.28	8.84	14.74
Less discount to consumers	0.81	1.52	1.59	2.03	2.81	3.41	4.38	4.84	6.09
TOTAL REVENUE	307.38	340.58	314.26	380.30	396.56	470.30	593.76	733.66	905.02
Collection(Rs in Crore)	243.97	279.67	233.63	309.79	338.93	449.49	535.62	651.02	843.08
Uncollected amt(Rs Crs)	63.41	60.91	80.63	70.51	57.63	20.81	58.14	82.64	61.94
Collection efficiency(%)	79.37%	82.12%	74.34%	81.46%	85.47%	95.58%	90.21%	88.74%	93.16%

Table -43

SOUTHCO	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Billing(Rs in Cr)	204.82	221.71	251.4	265.23	261.31	259.17	278.97	290.69	305.93
Misc revenue(DPS+M.rent)	9.23	8.43	10.36	12.49	9.82	7.31	8.12	7.24	11.17
Less discount to consumers	1.28	2.57	2.21	2.29	2.48	3.15	3.1	3.92	4.25
TOTAL REVENUE	212.77	227.57	259.55	275.43	268.65	263.33	283.99	294.01	312.85
Collection(Rs in Crore)	167.56	189.62	205.81	229.62	236.84	264.60	270.52	277.27	294.23
Uncollected amt(Rs Crs)	45.21	37.95	53.74	45.81	31.81	-1.27	13.47	16.74	18.62
Collection efficiency(%)	78.75%	83.32%	79.29%	83.37%	88.16%	100.48%	95.26%	94.31%	94.05%

363. The tables above reveals that the WESCO, NESCO and SOUTHCO have failed to collect the billed amount during their period of operation. Therefore, the proposal submitted by the licensees for allowing unspent amount of R&M expenses is unreasonable as the DISCOMs failed to collect the money lying with the consumers in order to generate enough cash for R&M activities. They should have put more money in the Escrow account through improved collection in order to generate surplus for R&M activity. In view of the aforesaid reasons, Commission is no inclined to allow the unspent amount of R&M expenses for the past years as proposed by the WESCO, NESCO and SOUTHCO as a pass through in the ARR for the FY 2009-10.
364. The objectors during hearing expressed their dissatisfaction on the quality of power, frequent interruptions, non-adherence to the standard of performance, poor maintenance of lines and substations, frequent snapping of lines, accidents causing loss of human and animal lives and no upgradation of lines, towers, poles

and transformers. The poor quality of supply and standard of performance has also resulted in extreme consumer dissatisfaction leading to tardy collection efficiency.

365. The Commission observed that all the four distribution companies have not been able to spend what was being approved in the successive tariff orders since inception of their business from FY 1999-2000. The table below shows the comparison between approved and audited amounts from FY 1999-2000 to 2007-08.

Table - 44

(Rs. in crore)

Years	WESCO		NESCO		SOUTHCO		CESU	
	Approved	Audited	Approved	Audited	Approved	Audited	Approved	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	21.22
04-05	17.28	12.85	17.66	11.13	13.25	8.43	31.95	20.27
05-06	21.30	9.61	22.63	11.21	18.55	6.07	33.67	12.26
06-07	24.25	12.44	24.48	12.88	17.35	5.54	41.31	22.09
07-08	23.82	12.37	24.43	13.00	18.38	5.50	43.64	NA
08-09 (upto Dec. as per cash flow)	25.66	-	25.87	20.78	19.08	6.77	41.87	25.86

366. The Commission in view of the poor performance of non-spending on R&M activities expect the companies to tighten up their belts and vigorously monitor and execute R&M activities by collecting arrears. The Commission is aware that there is ongoing massive rural electrification programme under various schemes in Orissa which is being carried out by external agencies like NTPC, NHPC and PGCIL. The consumers so electrified in the rural areas would be connected to the grid interface of the distribution companies and add to the total network. The distribution companies must therefore be in complete readiness for such a challenge as they would have to cater to the needs of consumer at far-flung places.
367. The Commission allows the R&M expenses based on the principles enunciated in the Long Term Tariff Strategy (LTTS) order. According to such principles Repair and Maintenance expenses is allowed at the rate of 5.4% on the value of gross fixed asset as at the beginning of the financial year. The position of gross fixed asset as on 31.03.2008 for the purpose of determination of R&M is depicted in the Table below:

Table –45**(Rs. in crore)**

Particulars	WESCO	NESCO	SOUTHCO	CESU
Gross Book Value as on 01.04.1996	139.867	137.89	122.41	188.697
Addition 1996-97	13.74	13.54	12.02	18.53
1997-98	16.84	16.60	14.74	22.72
1998-99	0	0	0	0
1999-00	53.32	41.11	37.53	87.16
2000-01	19.90	26.83	13.80	85.09
2001-02	19.58	30.63	20.72	67.25
2002-03	21.31	30.55	7.64	127.01
2003-04	35.14	28.63	12.60	88.42
2004-05	71.74	55.09	39.78	66.26
2005-06	23.52	30.20	13.89	-95.95
2006-07	22.21	30.73	11.10	22.57
2007-08	24.79	32.49	18.91	33.32
Total	461.957	474.29	325.14	711.077

368. In the FY 2008-09, WESCO, NESCO, SOUTHCO and CESU have proposed following amounts towards asset addition as tabulated below:

Table –46**(Rs. in crore)**

	WESCO	NESCO	SOUTHCO	CESU
RGGVY	161.34	66.58	174.70	-
Biju Gram Jyoti	18.20	17.00	40.42	-
RE/LI/MNP	21.87	2.99	7.24	-
PMU	0.70	4.40	40.06	-
APDRP	1.16	2.14	2.27	-
System Improvement	16.41	3.93	11.37	38.23
Deposit work	-	27.37	-	37.16
Metering & others	6.10	1.25	3.11	-
Total	225.79	125.66	279.17	75.39

369. RGGVY & Biju Gram Jyoti Scheme - The asset addition under these Schemes shall be entirely funded by Govt. of India and Govt. of Orissa. The licensee will be responsible to operate and maintain those assets. As regards R&M of the assets, Commission is of the view that the State Govt. should provide revenue subsidy to the DISCOMs to compensate for undertaking such non remunerative works. DISCOMs are advised to approach State Government in this regard for obtaining revenue subsidy. Hence, Commission excludes the assets under RGGVY & Biju Gram Jyoti Scheme for the purpose of determination of R&M and depreciation. However, RE/LI, APDRP, PMU schemes are ongoing schemes. Hence, Commission allows the asset addition proposed by the licensee.
370. System Improvement Scheme- WESCO, NESCO & SOUTHCO projected asset addition of an amount of Rs.16.41 crore, Rs.3.93 crore and Rs.11.37 crore

respectively under system improvement scheme. Replying to the query, the companies submitted the actual amount drawal by end of 20th February, 2009 from REC. WESCO received an amount of Rs.8.46 crore, SOUTHCO Rs.6.06 crores and NESCO received an amount of Rs.7.96 crore from REC. Hence, Commission allows asset addition of Rs.8.46 & 6.06 to WESCO and SOUTHCO respectively under S.I. Scheme. However NESCO submitted that out of Rs 7.96 received from REC, it would be able to add assets worth Rs.3.93 crore to NESCO towards asset addition.

371. Deposit works- Asset addition under deposit work proposed by NESCO found reasonable, as the same is a spillover of work of previous year. Hence, Commission allows the same. But in case of CESU the proposed addition of asset under deposit work is not based on supporting details. Hence, Commission is not able to allow the same. Metering and others- These are also ongoing programmes hence Commission allows the same. In view of the above observation, the asset addition during 2008-09 is determined and approved as detailed below:

Table –47

(Rs. in crore)

	WESCO	NESCO	SOUTHCO	CESU
RE/LI/MNP	21.87	2.99	7.24	-
PMU	0.70	4.40	40.06	-
APDRP	1.16	2.14	2.27	-
S.I. Scheme	8.46	3.93	6.06	38.23
Deposit work	-	27.37	-	-
Metering & others	6.10	1.25	3.11	-
Total	38.29	42.08	58.74	38.23

372. The position of gross fixed asset as on 31.03.2009 after taking into consideration the addition of asset during the FY 2008-09 is given in table below. R&M expenses for FY 2009-10 expressed @ 5.4% of the gross fixed asset as on 01.04.2009 is determined and approved by the Commission.

Table-48

(Rs. in crore)

Particulars	WESCO		NESCO		SOUTHCO		CESU	
	Prop.	App.	Prop.	App.	Prop.	App.	Prop.	App.
Gross fixed asset as on 01.04.2009	768.00	500.25	671.39	516.37	676.78	383.88	952.94	749.31
% of GFA	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Repair & Maintenance for 2009-10	41.48	27.01	36.25	27.88	36.55	20.73	51.46	40.46
Addl. Amount claimed by DISCOMs for previous period	53.43	Nil	69.22	Nil	69.67	Nil	Nil	Nil
Total	94.91	27.01	105.47	27.88	106.22	20.73	51.46	40.46

Interest on Loan

373. The source-wise interest on loan proposed by the four DISCOMs is given in the table below:

Table - 49

(Rs. in crore)

Source	WESCO	NESCO	SOUTHCO	CESU
GRIDCO loan	-	-	-	-
World Bank loan	10.64	11.57	8026	61.70
Power Bond – Differential Amount	13.64	32.80	30.68	-
APDRP Net of 50% grant (GoO)	0.65	0.76	0.76	7.90
REC/PFC (Counter Part Funding APDRP)	6.41	5.16	2.48	18.90
Interest on security deposit	16.95	10.52	4.06	13.00
Other interest and finance charges	-	-	1.98	-
Total interest before capitalisation	48.32	60.81	48.22	101.50
Less: Interest Capitalised	2.13	1.93	1.82	20.03
Total Interest proposed	46.19	58.88	46.40	81.47

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

374. The Commission dealt regarding treatment of this loan in their securitization order dt.01.12.2008. The relevant extract of the order is reproduced below:

The principal and interest on loan outstanding as on 31st March, 2005 have been reconciled between WESCO, NESCO & SOUTHCO. But reconciliation statement between GRIDCO & CESU is yet to be finalized.

In absence of the reconciliation between CESU & GRIDCO as stated in above para, Commission accepts the audited figure of GRIDCO provisionally till the final reconciliation.

In line with the RST order for FY 2008-09 (para 373) no interest on the said loan has been considered for FY 2009-10.

World Bank Loan

375. 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.
376. The loan balance (Net of 30% grant) projected by the DISCOMs along with the interest for the FY 2009-10 and approval thereof is depicted in the table below:

Table - 50

(Rs. in Crore)

	Loan as on 31.3.2009	Repayment Due in 2009- 10	Loan as on 31.3.2010	Interest for FY 2009-10 (Proposed)	Interest for FY 2009-10 (Approved)
WESCO	81.86	9.09	72.77	10.64	10.05
NESCO	91.28	9.13	82.15	11.57	11.27
SOUTHCO	65.34	7.26	58.08	8.26	8.02
CESU	204.51	-	204.51	61.70	26.59
Total	442.99	25.48	417.51	92.17	55.93

Re-securitisation of NTPC Power Bonds.

377. WESCO, NESCO and SOUTHCO submitted to allow the differential interest (12.5% p.a - 8.5% p.a) of Rs 13.64, Rs. 32.80 and Rs 30.68 Crores respectively on the bond amount from 1st October 2000 to 31st March 2007 in the ARR of FY 2009-10.
378. In this regard the Commission has dealt extensively in earlier RST order for FY 2008-09 in para 379 to 391. A final decision in the matter will be taken after pronouncement of the judgement of Hon'ble Supreme Court of India in this matter vide CA No. 759/2007. As such, the Commission does not consider any interest towards the same for the FY 2009-10.

Accelerated Power Development Reform Programme (APDRP)

379. WESCO, NESCO & SOUTHCO have submitted in their ARR that Govt. of India has debarred privatized distribution utilities from availing funds earmarked in the scheme for the 11th Plan period. As such, for FY 2009-10, these companies have not estimated any amount to be expended under APDRP Scheme. The interest as projected now is for the assistance already availed which have been considered @ 12% per annum on the existing loan.
380. The interest liability on loans from GoO & REC/PFC is computed on the basis of the actual expenditure of APDRP during the current year and balance expenditure to be incurred during the ensuing year. All the DISCOMs have not projected any receipts on account of APDRP loan from GoO or REC/PFC during the years FY 2008-09 & 2009-10. They have already utilized the amounts received during previous years. Accordingly, the loans availed and anticipated receipts along with approved interest is tabulated below:

Table - 51

(Rs. in crore)

Year	Funds availed upto FY 2007- 08		Receipts during FY 2008-09 & 2009-10		Repayment during FY 2008-09 & 2009-10		Balance upto FY 2009-10		Interest due for FY 2009- 10		Total interest approve d for FY 2009-10
	GoO	REC/ PFC	GoO	REC/ PFC	GoO	REC/ PFC	GoO	REC/ PFC	GoO	REC/ PFC	
WESCO	5.48	9.86	-	-	-	1.48	5.48	8.38	0.66	1.20	1.86
NESCO	6.36	11.45	-	-	-	2.00	6.36	9.45	0.76	1.30	2.06
SOUTHCO	6.63	5.13	-	-	0.33	0.90	6.30	4.23	0.78	0.58	1.36
CESU	37.09	33.74	-	-	-	7.10	37.09	26.64	4.45	3.41	7.86

System Improvement Scheme:

381. WESCO, NESCO, SOUTHCO and CESU estimated to avail long-term loan of Rs. 22.42 crores, Rs. 11.41 crores, Rs. 11.03 crores and Rs. 55.00 crores respectively during 2008-09 for funding the system improvement scheme and included the interest impact thereon in the revenue requirement. While replying to the query raised by the Director (Tariff), the licensees reported that Rs 8.46 crore, Rs 7.96 crore and Rs 6.06 crore has been received by WESCO, NESCO, SOUTHCO respectively upto February 2009. In case of CESU the Commission have already given in principle approval for the project involving measure investment Rs.55 Crore. Commission in the said letter directed CESU to negotiated with PFC for the most competitive rate of interest for availing the loan of Rs.55 crore. In this connection Commission directed CESU to file a detailed DPR of the proposed measure investment for final approval. As reported by CESU negotiation with PFC is going on and nothing has been drawn from PFC till date. Hence, the Commission is unable to allow interest on the loan amount of Rs.55 crore as stated above. However, in case of WESCO, NESCO & SOUTHCO Commission allows the interest on the loan amount availed upto 28.02.2009. Commission allows the following interest to be included in the revenue requirement as indicated below:

Table-52

	Interest for FY 2009-10 (Approved)
WESCO	1.14
NESCO	1.07
SOUTHCO	0.82
CESU	Nil

Interest on Security Deposit

382. The Interest on security deposit is allowed by the Commission as per the OERC Distribution (Conditions of Supply Code) 2004. The said regulation provides that 'The Licensee shall pay interest on security deposit of the consumer at the Bank rate notified by RBI provided that the Commission may direct a higher rate of interest from time to time by notification in official gazette.
383. The prevailing bank rate as notified by RBI is 6% per annum. The Commission accordingly allows the interest at the rate of 6% on the closing balance on consumer's security deposit as on 31.03.2009 after due scrutiny.

Table -53

Licensee	Proposed	Approved
WESCO	16.95	16.95
NESCO	10.52	10.52
SOUTHCO	4.06	3.97
CESU	13.00	13.00

384. **Interest to be Capitalised-** The Commission examined the item Interest during construction and observes that the Licensees have proposed to capitalize the interest on system improvement works only, Commission has allowed the Interest

on system improvement works based on the actual loan drawal during the FY 2008-09. Further in course of hearing the Licensees submitted to complete the System Improvement works during the FY 2009-10. Hence the Commission does not feel it necessary to adjust any amount towards interest during construction.

385. The total interest on loan proposed by DISCOMs and approved by the Commission for the year 2009-10 is summarized below:

Table - 54
Total Annual Interest

(Rs. in crore)

	WESCO			NESCO			SOUTHCO			CESU		
	Appr 08-09	Prop. 09-10	Appr. 09-10	Appr 08-09	Prop. 09-10	Appr. 09-10	Appr 08-09	Prop. 09-10	Appr. 09-10	Appr 08-09	Prop. 09-10	Appr. 09-10
World Bank loan	11.23	10.64	10.05	11.27	11.57	11.27	8.02	8.26	8.02	25.29	61.70	26.59
NTPC Bond – Differential amount	-	13.64	-	-	32.80	-	-	30.68	-	-	-	-
Carrying Cost(NTPC bond and default in securitization obligation	-	-	-	-	-	-	-	-	-	-	-	-
APDRP Net of 50% grant (GoO)	1.02	0.65	0.66	0.76	0.76	0.76	0.79	0.76	0.78	4.45	7.90	4.45
REC/PFC (Counter Part Funding APDRP)	1.39	6.41	1.20	1.49	5.16	1.30	0.52	2.48	0.46	3.51	18.90	3.41
SI Scheme	-	-	1.14	-	-	1.08	-	-	0.82	-	-	-
Interest on security deposit	12.08	16.95	16.96	9.38	10.52	10.52	3.51	4.06	3.97	9.64	13.00	13.00
Other interest and finance charges	-	-		-	-		-	1.98		-	-	
Total interest	25.72	48.32	30.01	22.91	60.81	24.94	12.84	48.22	14.05	42.86	101.50	47.45
Less Interest Capitalised	-	2.13		-	1.93		-	1.82		11.74	20.03	
Interest chargeable to revenue	25.72	46.19	30.01	22.91	58.88	24.94	12.84	46.40	14.05	42.86	81.47	47.45

Depreciation

386. For the FY 2009-10, the four DISCOMs have claimed the following amount towards depreciation. WESCO, NESCO & SOUTHCO, CESU have calculated depreciation at Pre-92 rate on the up-valued asset base plus asset addition after 01.04.1996. The depreciation amounts claimed by the four DISCOMs are given as under.

Table - 55

(Rs. in crore)

Year	WESCO	NESCO	SOUTHCO	CESU
2009-10	27.44	24.11	24.45	73.44

387. The Hon'ble High Court in their judgement in Misc Case No. 7410 and 8953 of 2002 have directed to calculate the depreciation on the pre-upvalued cost of assets

at pre-92 rate on the Transmission and Distribution assets as on 01.4.96 apportioned amongst GRIDCO and DISCOMs.

388. The Commission has extensively dealt with the matter of calculation of depreciation in successive tariff orders and in the last tariff order for FY 2008-09 (para 399 to 406) considering the book value of the fixed asset as on 1.04.1996 at the pre-upvalued cost and subsequent asset additions thereof in later years. The Commission adopts the same principle for determination of depreciation for FY 2009-10.
389. The year-wise asset additions after 01.04.1996 and up to 1998-99 are based on the audited data of GRIDCO. From 1999-2000 to 2007-08, the same is based on the audited annual accounts in respect of WESCO, NESCO & SOUTHCO. In case of CESU data up to 2006-07 are based on the Special Audit Report and for the year 2007-08 the figure are based on tariff filing.
390. The gross book value as on 01.04.1996 and year wise asset addition thereafter till FY 2007-08 and during FY 2008-09 were already discussed in para 367 & 368 under R&M expenses and the position of assets as on 1.04.2009 is depicted in the table 56.
391. The depreciation is accordingly calculated on the approved asset base as on 1.04.2009 at Pre-92 rate. The classification of assets has been done proportionately based on the statutory audited accounts and tariff filing submitted by DISCOMs. Accordingly, the Commission approves the following amount for the year 2009-10 under the head depreciation.

Table - 56

(Rs. in crore)

Year	WESCO	NESCO	SOUTHCO	CESU
Asset value as on 01.04.2009	500.25	516.37	383.88	749.31
Depreciation for FY 2009-10	17.87	18.53	13.83	26.63

Provision for Bad & doubtful debts

392. The WESCO, NESCO, SOUTHCO and CESU have proposed to consider the amount equivalent to the collection inefficiency as Bad and doubtful debts while estimating the ARR for FY 2009-10 which is depicted in the table below:

Table -57

	WESCO	NESCO	SOUTHCO	CESU
Proposed revenue billed (Rs. In Crores)	1338.87	905.01	364	1212.27
Proposed Collection efficiency (%)	95.56	96	95	95
Proposed Collection inefficiency(%)	3.44	4	5	5
Proposed Bad and Doubtful debt (Rs. In Crores)	47.78	36.20	18.20	60.61

393. 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.
394. From the above table it is revealed that the DISCOMs essentially propose to treat the entire uncollected amount beyond the collection efficiency as bad and doubtful debt. In other words the DISCOMs have assumed that there would be no collection of arrears and all such amount beyond collection efficiency level would be treated as bad and doubtful debt. The said proposal of the DISCOMs is unjust for the consumers as this would mean passing of the entire collection inefficiency of the DISCOMs through ARR.
395. The commission after due analysis feels that 98% of the billed revenue is a fair amount that the Licensee must be able to collect out of the revenue billed. Hence the Commission approves 2% of the billing amount as the bad and doubtful debt for the year. The amount of Bad and doubtful debt as proposed by the DISCOMs and approved by the Commission is summarized below:

Table-58

(Rs. in Crore)

	Proposed		Approved	
	Revenue	Bad debt	Revenue	Bad debt
WESCO	1338.87	47.73	1332.75	26.66
NESCO	905.01	36.20	839.80	16.80
SOUTHCO	364	18.20	373.63	7.47
CESU	1212.27	60.61	1244.27	24.89

Truing Up for DISCOMs

396. The Commission had undertaken truing up exercise of DISCOMs from the FY 1996-97 to 2005-06 in the RST order 2007-08 (para 6.6.1 to 6.6.13.2). In the said order, Commission stated that the exercise is provisional subject to finalization after hearing from stakeholders namely GRIDCO and four DISCOMS. Commission heard the matter several times. Time to time development is narrated in para 414 of RST order 2008-09 which is reproduced below:

“414. In accordance with the Commission’s earlier orders and based on the submission received from DISCOMs and GRIDCO, the Commission heard the matter on 24.07.2007 and directed both DISCOMs and respondent GRIDCO to carry out the following direction:

- (a) DISCOMs should come up with element wise analysis of figures justifying the claim.*
- (b) Written submission by the DISCOMs to be submitted separately to the Commission narrating the reason for disagreement with the principle set out by the Commission in truing up exercise.*
- (c) The Commission directed both DISCOMs and GRIDCO to submit their respective claim for arriving at a mutually acceptable figure on opening balance. The Commission further directed that the written submission of*

GRIDCO and DISCOMs through affidavit should reach the Commission within two weeks from the date of hearing.

- (d) *On 15.12.2007, the Commission after hearing both GRIDCO and DISCOMs, based on the filing made by them directed the following:*
 - (e) *Delayed payment Surcharge on outstanding BST amount calculated in line with the orders of the Commission was to be submitted before 31.12.2007.*
 - (f) *Joint reconciliation statement by GRIDCO and DISCOMs of the arrear on BST dues was to be submitted on or before 31.12.2007.*
 - (g) *Audit of receivables of DISCOMs as directed by the Commission should have been completed before 28.02.2008.*
397. On 01.12.2008, Commission passed order on securitization in which the issue of DPS and joint reconciliation has been addressed.
398. Regarding receivable audit, WESCO, NESCO & SOUTHCO have submitted the report to the Commission. CESU is yet to submit the report. After getting the report, Commission conducted a hearing and asked for comments from GRIDCO. GRIDCO submitted its reply on 18.08.2008 to the Commission. Commission again asked WESCO, NESCO & SOUTHCO to file their views on the comments of GRIDCO to which they have submitted their replies on 27.09.2008. After going through the comments of GRIDCO and DISCOMs, it is revealed that there is disagreement on many issues pertaining to the receivable audit.
399. In view of the above, Commission is of the opinion that, this issue needs to be deliberated among all the stakeholders viz. GRIDCO, DISCOMS, State Govt. etc. to arrive at a final settlement. For this purpose, Commission will conduct a separate hearing and after eliciting the views of all the stakeholders shall pass appropriate order in the matter.
400. However, the Commission in continuation to the earlier truing up exercise has updated the same on provisional basis upto 2007-08 i.e. the year of availability of audited accounts. In case of CESU the availability of the audited accounts is up to the year 2006-07. The table below shows the up-dated True-up requirement of DISCOMs.

Table -59

WESCO	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total Gap
Gap in Revenue Requirement	(10.12)	(27.64)	23.22	(10.08)	65.57	(37.98)	(20.87)	55.00	168.79	
Gap in Revenue from Sale of Power	(11.88)	(53.41)	(10.76)	(14.72)	(65.79)	18.41	31.80	65.54	(19.69)	
Total Gap (for the year)	(22.00)	(81.05)	12.46	(24.80)	(0.22)	(19.56)	10.92	120.54	149.10	
Add: Approved gap in ARR allowed by the Commission	0.26	30.27	(3.66)	61.01	48.30	52.42	112.40	66.88	0.05	
Gap considered for True up	(21.74)	(50.78)	8.80	36.21	48.08	32.86	123.32	187.42	149.15	
Total Gap(+/-)										513.33

Note: Since WESCO has positive Regulatory gap no regulatory asset was allowed by the Commission

Table -60

NESCO	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total Gap
Gap in Revenue Requirement	(35.25)	29.37	23.79	30.23	85.86	(53.10)	(3.50)	94.83	25.38	
Gap in Revenue from Sale of Power	(19.46)	(72.36)	(16.17)	(14.39)	(72.66)	7.39	80.48	(22.20)	21.21	
Total Gap (for the year)	(54.71)	(42.99)	7.62	15.84	13.20	(45.72)	76.98	72.63	46.59	
Add: Approved gap in ARR allowed by the Commission	(11.08)	(10.44)	(90.90)	(37.76)	(34.51)	(19.18)	(22.31)	(7.78)	0.07	
Gap considered for True up	(65.79)	(53.43)	(83.28)	(21.92)	(21.31)	(64.90)	54.67	64.85	46.66	
Total Gap(+/-))										(144.46)
Regulatory Asset allowed by the commission										
2006-07										41.36
2007-08										41.36
2008-09										65.00
Total Gap towards true up										3.26

Table -61

SOUTHCO	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total Gap
Gap in Revenue Requirement	16.97	14.13	29.51	40.23	36.86	(45.88)	37.38	29.86	5.34	
Gap in Revenue from Sale of Power	(34.66)	(33.61)	(11.28)	(45.34)	(26.65)	(6.36)	(17.02)	(5.26)	32.95	
Total Gap (for the year)	(17.69)	(19.48)	18.23	(5.11)	10.21	(52.24)	20.35	24.60	38.28	
Add: Approved gap in ARR allowed by the Commission	(25.91)	(31.11)	(53.13)	(13.38)	(49.33)	(34.27)	(15.60)	(45.31)	(3.78)	
Gap considered for True up	(43.60)	(50.59)	(34.90)	(18.49)	(39.12)	(86.51)	4.75	(20.71)	34.50	
Total Gap(+/-))										(254.66)
Regulatory Asset allowed by the commission										
2006-07										31.91
2007-08										31.91
2008-09										0.00
Total Gap towards true up										(190.84)

Table -62

CESU	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Total Gap
Gap in Revenue Requirement	(68.52)	(14.68)	7.23	34.52	76.00	28.82	(60.35)	(45.29)	
Gap in Revenue from Sale of Power	(50.14)	(54.29)	(32.91)	(201.63)	(102.30)	18.14	38.13	55.71	
Total Gap (for the year)	(118.66)	(68.97)	(25.68)	(167.11)	(26.30)	46.95	(22.22)	10.42	
Add: Approved gap in ARR allowed by the Commission	(21.52)	(15.96)	(10.01)	98.06	7.57	(33.61)	(8.62)	(7.76)	
Gap considered for True up	(140.18)	(84.93)	(35.69)	(69.05)	(18.73)	13.34	(30.84)	2.66	
Total Gap(+/-))									(363.42)
Regulatory Asset allowed by the commission									
2006-07									0.00
2007-08									43.23
2008-09									118.00
Total Gap towards true up									(202.19)

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

Table -63

	FY-00	FY-01	FY-02	FY-03	FY-04	FY-05	FY-06	FY-07	FY-08
Power Purchase Cost	As per the audited accounts, power purchase costs accepted in full								
Distribution Losses	Audited Distribution losses accepted	Distribution losses as per Kanungo Committee filing	Benchmark losses as per the Business Plan order accepted for true-up						
Sales	As per Audited Accounts	Estimated, as per Actual Power purchase and D-Loss as filed by the DISCOMs	Estimated as per the Actual Power Purchase Costs and benchmark Distribution losses as per the Business Plan order						
Employee Cost	Allowed as per Audited actuals								
A&G Expenses	Allowed as per figures approved in the ARR								
R&M Expenses	Allowed as per Audited actuals								
Provision for bad and doubtful debt	Allowed as per figures approved in ARR.								
Depreciation	Allowed as per Audited actuals								
Interest chargeable to Revenue	Allowed as per Audited actuals								

	FY-00	FY-01	FY-02	FY-03	FY-04	FY-05	FY-06	FY-07	FY-08
RoE	Not considered as a part of true up								
Contingency reserve	Not considered as a part of true up								

402. The Commission followed the above principles while undertaking the provisional truing up exercise for the period 1999-2000 to 2005-06 in the tariff order for FY 2007-08 except in case of A&G expenses where Commission considered actual audited figure for true up. However, it is observed that DISCOMs have been expending amounts in A&G expenses much more than what Commission approves in ARR. Commission is of opinion that A&G is controllable cost and expenses on this account is to be incurred prudently. Commission, therefore, can't allow expenses which are controllable in nature and expects DISCOMs to exercise prudence in such expenses. Commission therefore has considered the actual audited figure subject to the maximum of approved figure under the A&G expenses for true up purpose. This is a deviation from the earlier principle as considered in the true up exercise provisionally taken up in the ARR for 2007-08 for the A&G expenses.
403. Commission is of the opinion that the outcome of the order on receivable audit has some bearing on the income of GRIDCO and hence decides to undertake final truing up exercise after pronouncement of the order on receivable audit.
404. In light of the discussions in the aforesaid paragraphs Commission provisionally allows Rs.19.00 crore to SOUTHCO and Rs.151.00 crore to CESU towards amortization of Regulatory Assets in their ARR for FY 2009-10. The Commission directs that these amounts as approved shall be paid to GRIDCO towards arrear BSP dues and outstanding loan and interest through escrow mechanism, giving priority to the high cost liabilities. For the FY 2009-10 Commission has approved a negative gap of Rs. 38.89 Cr. in case of WESCO. This negative gap of Rs. 38.89 Cr. is allowed to be adjusted against the positive true up gap of WESCO as shown in the table above.

Return on Equity

405. WESCO, NESCO and SOUTHCO in their ARR filing have submitted that due to negative returns(gaps) in their ARR and carry forward of huge Regulatory Assets in previous years, the Licensee could not avail the ROE over the years, which otherwise would have been invested in the company for improvement of the infrastructure. They have further submitted that the ROE to be allowed on the amount of the equity and the accrued ROE for the previous years.
406. The OERC (Terms and Conditions for Determination of Tariff) Regulation, 2004 mandates the Commission to provide a reasonable return to the investors to attract 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. In its LTTS order the Commission has considered that an appropriate base for returns is required for enabling fresh infusion of capital and allowed a 16% return on the equity.

407. The Commission examined the audited annual accounts of WESCO, NESCO and SOUTHCO for FY 2007-08 and the account of FY 2006-07 in respect of CESU. The position of share capital (Equity Base) of each company as reflected in their aforesaid accounts is given below:

Table - 64

(Rs. in crore)

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

408. It is revealed that there is no infusion of owner's capital by the DISCOMs and the share capital initially invested while acquiring the distribution Licence by the Licensees has not been augmented thereafter. Thus Commission can only allow ROE on the equity base as reflected in their audited accounts in order to encourage the companies to infuse their own capital. The Commission thus allows a return of 16% on the equity base (share capital) and approves following amounts against the proposed ROE:

Table - 65

(Rs. in crore)

Particulars	WESCO	NESCO	SOUTHCO	CESCO
Amount proposed by DISCOMs	9.03	12.33	8.11	11.64
Amount approved by the Commission	7.78	10.55	6.03	11.64

Miscellaneous receipts

409. The miscellaneous receipts proposed by the licensees for the FY 2009-10 against the approved for FY 2008-09 are given in the table below:

Table - 66

(Rs. in crore)

	WESCO	NESCO	SOUTHCO	CESCO
Amount proposed for FY 2009-10	16.89	9.95	9.72	17.27
Amount approved for FY 2008-09	25.65	26.08	14.56	18.70

410. The miscellaneous receipt of the DISCOMS is mainly on account of meter rent, commission for collection of ED, miscellaneous charges, interest on loans and advances, interest on bank deposit, DPS, over drawl penalty and other miscellaneous receipts. It is observed from the audited accounts that the actual miscellaneous receipts of DISCOMs is much more than the proposed receipts in the ARR. The audited accounts are available upto the year 2007-08 in case of WESCO, NESCO and SOUTHCO and upto FY 2006-07 in case of CESU. The

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

Table - 67

(Rs. in crore)

	WESCO		NESCO		SOUTHCO		CESU	
Year	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2005-06	2006-07
Misc. Receipt	26.78	37.60	30.03	55.43	11.70	25.11	28.90	36.69
Less: DPS & OD penalty	7.53	12.55	3.93	9.96	0.46	4.74	10.20	9.81
Net Misc Receipt	19.25	25.05	26.10	45.47	11.24	20.37	18.70	26.88
Average	22.15		35.79		15.81		22.79	

411. Commission observes that the receipts under miscellaneous receipts are of fluctuating nature and the reasonable estimate of future receipts would be the analysis of past actual trends. The Commission thus estimates the average actual receipts for last two years audited accounts available to the Commission as the likely receipts during the ensuing year FY 2009-10 and which is calculated in the above table. The miscellaneous receipts thus approved by the Commission for FY 2009-10 are shown in the table below:

Table - 68

(Rs. in crore)

WESCO	NESCO	SOUTHCO	CESU
22.15	35.79	15.81	22.79

Subsidy/Subvention /Budgetary support by Govt. of Orissa for repair and renovation/upgradation of distribution infrastructure in the State during 2009-10

412. In response to the letter No.2807 dtd. 31.12.2008 of the Commission seeking views/comments of the State Govt. on different aspects including probable rise in retail tariff, the State Govt. vide its letter No. 1793 dtd. 18.02.2009 has stated that “it is the responsibility of the DISCOMs to bring down the distribution loss, AT&C loss and improve their efficiency to bridge the revenue gap for the year 2009-10. Hon’ble Commission may consider the fact while determining the tariff.” Subsequently, the State Govt. in its letter No. 2329 dtd. 28.02.2009 has stated that “State Govt. is considering the aspect of providing subsidy to the power sector for the year 2009-10. The matter is being placed before the Cabinet for their consideration. The decision of the Govt. in the matter will be intimated shortly.” Subsequently, in continuation to the above letter, Govt. of Orissa vide letter No. 3132 dtd. 16.03.2009 have communicated, among other things, as indicated below:

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“Though it is the primary responsibility of the DISCOMs to improve their efficiency and functioning by way of reduction of AT&C losses and ensuring quality supply of power to the consumers, they are practically not in a position to do so. For all these hazards, the system should not collapse. Therefore, State Government is considering the question of extending support to the Distribution Companies during the year 2009-10 for the following:

- (xxvii) Replacement of LT conductors by AB cables in theft prone areas.*
- (xxviii) Installation of Pillar Box metering system.*
- (xxix) Upgradation and replacement of Transformers to cater to additional load.*
- (xxx) Replacement of old Circuit Breakers with Vacuum Circuit Breakers (VCBs).*
- (xxxi) Replacement of faulty insulators wherever necessary.*
- (xxxii) Replacement of existing weak LT/HT poles.*
- (xxxiii) Installation of new substation to improve voltage profile wherever needed.*
- (xxxiv) Re-conductoring in case of old lines with conductors of optimum size.*
- (xxxv) Conversion of single phase into 3 phase system.*
- (xxxvi) Earthing of substations.*
- (xxxvii) Installation of Lightning Arrestors.*
- (xxxviii) Complete Distribution Transformer Metering for energy audit purpose.*
- (xxxix) Provision of boundary wall/fencing wherever necessary around the S/S to ensure safety of the equipment and human lives and other such things.*

The above items of work are only illustrative but not exhaustive.

2. Before deciding the quantum of such support, the modalities of transfer of funds to the DISCOMs have to be worked out for concurrence by the Finance Deptt. Besides, in the process of release of financial support, the involvement of GRIDCO and mechanism of release need also to be considered.”

3. Keeping the above in view, I would request you to please place the matter before the OERC and communicate the instructions of the Commission on paragraph 2 above to take a view in the matter.”

- 413. In view of the need for special repair and renovation of the existing old distribution network, the Commission welcomes the decision of the State Govt. to support the DISCOMs in their effort to improve and upgrade the distribution system network. If any support is so granted, the manner and method of release of this support and its utilization within a definite time frame will be decided by the Commission in consultation with the State Government. However, it must be mentioned that this support is to be in addition to the already approved and allowed R&M expenditure and not in substitution of the same.
- 414. The areas or items on which such fund is to be utilized will be determined by the Commission keeping in view the priority and need for system improvement which would reduce both technical and commercial losses and improve the quality of supply of power.
- 415. In the light of the above, the Commission directs the DISCOMs to submit a detailed programme of action to undertake such upgradation and improvement works, the amount to be spent and the time period for the completion of the same

by 15th May, 2009. After the receipt of the same from DISCOMs, the Commission would take up the matter for release of the requisite financial support by the State Government and the manner of its application by the DISCOMs.

Revenue requirement

416. In the light of above discussion, the Commission approves the revenue requirement of 2009-10 of four DISCOMs, as shown in Annexure-A.
417. An extract of the revenue requirement, expected revenue at the existing tariff and revenue gap for FY 2009-10 approved by the Commission is given below:

Table - 69

(Rs. in crore)

Name of the Company	Revenue Requirement		Expected Revenue		Gap (-)/ Surplus (+)	
	Prop.	Appr.	Prop.	Appr.	Prop.	Appr.
WESCO	1734.52	1371.65	1388.87	1332.75	- 345.65	-38.89
NESCO	1289.92	839.42	905.01	839.80	-384.91	0.38
SOUTHCO	863.65	372.95	364.00	373.63	-499.65	0.68
CESU	1282.15	1243.46	1212.27	1244.27	-69.88	0.81
Total	5170.24	3827.48	3870.15	3790.45	-1300.09	-37.03

Treatment of Surplus Revenue and Revenue Gap

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

DETERMINATION OF TARIFF (PARA 419 TO 501)

419. 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.
420. The electricity tariff in Orissa has not undergone any change in general from 01.02.2001 to 31.03.2009 due to regulatory control, except for changes to some incentive scheme. 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.
421. The tariff structure as it exists for different voltage of supply are summarised below.

LT supply upto 100 KW/110 KVA

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

Other classes of consumers:

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

LT supply with connected load 110 KVA and above

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

HT Consumers

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

EHT Consumers

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

DC Services

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

- 422. 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.
- 423. In addition, certain other charges like power factor penalty, incentive, prompt payment rebate, meter rent, delayed payment surcharge, over drawal penalty/incentive, other miscellaneous charges, etc. are payable in cases and circumstances mentioned in the later part of this order.
- 424. The details of charges applicable to various categories of consumers classified under OERC Distribution (Conditions of Supply) Code, 2004 are discussed hereafter.

Tariff for Consumers Availing Power Supply at LT**Monthly Minimum Fixed Charge (MMFC) for consumers with contract demand of less than 110 KVA**

- 425. 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.
- 426. The Commission decides that the existing rate of MMFC should continue without change. Accordingly, the rates applicable to all such customers are given below:

Table - 70

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/Agro Industrial consumers	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

427. 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 (Conditions of Supply) Code, 2004, provides that “contract demand for loads of 110 KVA and above shall be as stipulated in the agreement and may be different from the connected load. Contract Demand for a connected load below 110 KVA shall be the same as connected load. However, in case of installation with static meter/meter with provision of recording demand, the recorded demand rounded to nearest 0.5 KW shall be considered as the contract demand requiring no verification irrespective of the agreement. Therefore, for the purpose of calculation of Monthly Minimum Fixed Charge (MMFC) for the connected load below 110 KVA, the above shall form the basis.

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

Domestic

428. The Commission is conscious of affordability of non-Kutir Jyoti consumers with connected load of 1 KW and below. Keeping this in view the Energy Charge for supply to domestic consumers availing low tension supply shall be as under :-

Domestic consumption slab

First 100 Units
Next 100 units
Balance units of consumption

Energy charge

140 paise per unit
230 paise per unit
310 paise per unit

429. The Kutir Jyoti consumers will only pay the monthly minimum fixed charge @ Rs.30/- per month.
430. In accordance with the provision under the OERC Distribution (Condition of Supply) Code, 2004, initial power supply shall not be given without a correct meter. **Load factor billing has been done away w.e.f. 1st April, 2004, as**

stipulated in the Commission's RST order for FY 2003-04. As such licensees are directed not to bill any consumer on load factor basis.

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

<u>Slab</u>	<u>Energy charge</u>
First 100 units	320 paise per unit
Next 200 units	410 paise per unit
Balance units	450 paise per unit

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

433. Since Agro-industries have been specifically categorized under Irrigation and development of Agro-Industries is crucial and critical for overall development of agro-economy of Orissa, the Commission decides that energy charges for agro-industrial consumers will be 110 paise per unit at LT and 100 paise per unit at HT level i.e the present tariff will continue for FY 2009-10.

434. The estimated overall average cost of supply for FY 2009-10 for the State as a whole is 263.12 paise per unit. The Commission, in keeping with its objective of rationalisation of tariff structure by progressive introduction of a cost-based tariff, has linked the Energy Charge at different voltage levels to reflect the cost of supply. 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 existing has been adopted for all loads at LT.

<u>Voltage of Supply</u>	<u>Energy Charge</u>
LT	320 paise per unit

The above rate shall apply to the following categories :

- 1) Public lighting
- 2) LT industrial(S) supply
- 3) LT industrial(M) supply
- 4) Specified public purpose
- 5) Public water works and sewerage pumping < 110 KVA
- 6) Public water works and sewerage pumping => 110 KVA
- 7) General purpose => 110 KVA
- 8) Large Industries

435. The rate of tariff as determined above is reflected in Annexure-B.

Tariff for consumers availing power supply at LT with contract demand of 110 KVA and above are given hereafter.

436. **Customer Service Charge at LT:** 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 - 71

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

437. **Demand Charges at LT:** 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. The Commission took into consideration the submission of licensees to raise the demand charge for consumers having Contract Demand more than 70 KVA at HT to Rs.200/KVA/month. Since most of the consumers with CD 70 KVA to 110 KVA are under the Medium Industry category and pay Rs.50/KW/month as Demand Charges, raising that to Rs.200/KVA/month for those availing power supply at HT would be discriminatory. Besides consumers availing power at HT help in reducing T&D loss. Hence the Commission decides to continue with the following demand charge for consumers at LT (110 KVA and above).

Voltage of Supply
LT (110 KVA & above)

Demand charge
Rs.200/ KVA/month

Tariff for HT & EHT Consumers

438. **Customer Service Charge for consumers with contract demand of 110 KVA and above at HT & EHT:** 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, maintenance of customer accounts, etc. The licensee is bound to meet these expenses irrespective of the level of consumption of the consumer. The customer service charges as existing hitherto remain unchanged as per details in the table below:

Table - 72

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

Demand Charge for consumers with contract demand of 110 KVA and above at HT & EHT

439. The Commission examined the existing level of Demand Charge of Rs.200/KVA/month payable by the consumers with a contract demand of 110 KVA and above. The Commission studied the Demand Charges for similarly placed consumers of other utilities. After thorough examination, the Commission has decided not to change the present rate of Demand Charge of Rs.200/KVA/month payable by the consumers with contract demand of 110 KVA and above. The class of consumers and the voltage of supply to whom this charge shall be applicable are listed below.

HT Category

General Purpose (>=110 KVA)
Public Water Works
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

440. Consumers with contract demand 110 KVA and above are billed on two-part tariff on the basis of reading of the demand meter and the energy meter. They are also allowed to maintain loads in excess of their contract demand. The Demand Charge reflects the recovery of fixed cost payable by the consumers for the reservation of the capacity made by the licensee for them. To insulate the licensee from the risk of financial uncertainty due to non-utilisation of the contracted capacity by the consumer it is necessary that the consumer pays at least a certain amount of fixed cost to the licensee. To arrive at that cost the Commission studied the pattern of demand recorded by the demand meters of all such consumers of the licensee for the period from April, 2008 to September, 2008. The Commission after taking into consideration this aspect has decided that **the existing method of billing the consumer for the Demand Charge on the basis of the maximum demand recorded or 80% of the contract demand, whichever is higher should continue**. The method of billing of Demand Charge in case of consumers without a meter or with a defective meter shall be in accordance with the procedure prescribed in OERC Distribution (Conditions of Supply) Code, 2004.
441. 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 has decided to allow the existing Demand Charge to continue as indicated below :-**

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

442. However, the billing demand in respect of consumers with Contract Demand of less than 110 KVA having static meters should be the highest demand recorded in the meter during the Financial Year irrespective of the Connected Load, which shall require no verification.

Energy Charge for consumers with contract demand of 110 KVA and above

443. 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.

<u>VOLTAGE OF SUPPLY</u>	<u>ENERGY CHARGE</u>
HT	300 paise per unit
EHT	290 paise per unit

444. However, the Commission has made certain exceptions to the above provisions in respect of domestic and irrigation consumers availing power at HT.

HT Supply for Domestic (Bulk) and Irrigation including Agro-Industrial Consumers

445. With a view to avoid steep rise in tariff in respect of domestic (bulk supply) and irrigation category availing power at HT and for encouraging Agro-Industrial growth, the Energy Charge is fixed at **230 paise per unit and 100 paise per unit**, respectively for them.

Industrial Colony Consumption

446. Since the purpose of incentive scheme is to encourage higher consumption by the EHT & HT consumers, the Commission after reviewing the scheme, directs that, the units consumed for the colony shall be separately metered and the total consumption shall be deducted from the main meter reading and billed at 230 paise per 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.

Emergency power supply to CGPs/Generating stations

447. Industries owning CGPs/ Generating Stations have to enter into an agreement with the concerned DISCOMs subject to technical feasibility and availability of required quantum of power/energy in the system as per the provision under the OERC Distribution (Condition of Supply) Code, 2004. For them, (i) a flat rate of 420 paise/kwh at EHT and 440 paise/kwh at HT would apply (ii) 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. If on verification it is established that SMD of DISCOMs has increased because of overdrawl by the CGP, Demand Charge @Rs.200/KVA shall be payable over the excess of contract demand for that industry in addition to the energy charges in case of (i) & (ii) above.

Peak and off-peak tariff

448. 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.”*
449. Further, in accordance with the provision of para 7(a) (i) of OERC (Terms and Conditions for Determination of Tariff) Regulation, 2004, a differential tariff for peak and off-peak hours is essential to promote demand side management. The Commission would encourage the distribution licensee to move towards separate peak and off-peak tariffs. Accordingly, the Commission decides that off-peak hours for the purpose of tariff shall be treated from 10.00 PM to 6.00 AM of the next day. Three-phase Consumers barring those mentioned below having static meters, recording hourly consumption with a memory of 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) Public Lighting Consumers
 - ii) Emergency supply to captive power plants
450. The load curve of the Orissa Power system indicates wide variation between peak and off peak hours. One significant finding is the ratio between off peak load and peak load of the Orissa system. Ordinarily, ratio of 1:2 between peak to off peak appears to be ideal indicating very effective utilization of the existing capacity. This ratio in the Orissa system is much higher than 1.2 for all the months of the year. Higher demand at peak load means high loss. Tariff structure shall encourage shifting of loads from peak hours to off peak hours. This may be possible either through bonus or penalty mechanism subject to availability of static meter with TOD facilities. In the present tariff structure there is a provision of reduced tariff in the off peak hour as an incentive. There is no disincentive for drawl at peak hours. In Orissa, static meters are supposed to be available with connected load 10 KW and above.
451. Further analysis indicates that the EHT groups of consumers generally are shifting the load from peak hours to off peak hours. That kind of trend is not visible in HT consumers. But, the combined load of HT consumers and area load comprising all low voltage consumers indicates that more or less the peak and off peak load are same. This is precisely because total domestic and large part of commercial loads and other loads at low voltage generally maximize their drawal during peak hour. The total units sale at low voltage is around 40%. Licensees will have to be incentivised for installation of static meters even in case of low voltage loads. Inefficient utilisation of the existing network shall have to be addressed by having

distinct peak and off peak tariff for most of the consumers. It will also help demand side management.

452. Therefore, the Commission directs that the licensees shall maintain and submit the peak and off peak drawl of each of the HT consumers during 2008-09 before 30th June, 2009. The licensees have failed to submit this data and consequently peak and off peak tariff could not be worked out.
453. The licensees shall also submit a report to the Commission indicating the status of availability of static meters with TOD facility for low voltage consumers before 30th June, 2009.

Incentive for improvement in power factor

454. 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 implications and considering similar provisions adopted by other Commissions, it has been observed that the following quantum of incentive has been given and penalty received by four DISCOMs in current FY upto September, 2008.

Table -73

Licensee	Incentive Given (Rs. In Crore)	Penalty Received (Rs. In Crore)
WESCO	5.13	3.25
NESCO	4.66	2.21
SOUTHCO	0.58	0.20
CESU	1.97	1.36

On examination of the above data, it is seen that the eligible consumers have received more incentive by maintaining power factor above 95% than the defaulting consumers paying penalty for maintaining power factor less than 90%. On scrutiny of the power factor of relevant group of consumers, it is also observed that some of the consumers are maintaining power factor at unity or near to it. Maintaining higher power factor is a win-win situation both for licensee as well as the consumer. Higher power factor allows consumers to pay less as demand charge to the licensee whereas licensee is relieved of higher KVA demand on the system resulting in low transmission and distribution loss.

455. Considering the above, the Commission decides that incentive for maintenance of high power factor shall be given as a percentage of the monthly Demand Charge and Energy Charge and shall be applicable to the HT/EHT consumers who are liable to pay power factor penalty. **The rate of this incentive will be 0.5% for every 1% rise above the PF of 97% upto and including 100%, instead of 95% on the monthly Demand Charge and Energy Charge.**

Power Factor Penalty

456. The Commission also orders for continuance of the power factor penalty as a percentage of monthly Demand Charge and Energy Charge on the following categories of consumers:

- (i) Large Industries
- (ii) Public Water Works (110 KVA and above)
- (iii) Railway Traction
- (iv) Power Intensive Industries
- (v) Heavy Industries
- (vi) General Purpose Supply
- (vii) Specified Public Purpose (110 KVA and above)
- (viii) Mini Steel Plants
- (ix) Emergency supply to CPP

Rate of Power Factor Penalty :-

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

Other Charges

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

457. **Over draw during off peak hours:** As per the existing tariff provisions, there is no penalty for overdrawal during off-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.
458. **Penalty for overdrawal of power above the contract demand:** The existing rate of penalty, however, will continue for overdrawal during hours other than the off-peak hours. When the maximum demand exceeds the contract demand during hours other than off peak hours, such excess demand is liable for a penalty and payable at the prescribed rate of Demand Charge. For this purpose, the “Off-Peak hours” is defined as 10 PM to 6 AM next day.

Metering on LT side of Consumers Transformer

459. Transformer loss, as computed below has to be added to the consumption as per meter reading.

Energy loss = $730 \times \text{KVA rating of the transformer} / 100$.

Loss in demand = 1% of the rating of the transformer (for two part tariff)

Incentive for prompt payment

460. 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. WESCO, NESCO, SOUTHCO and CESU in their RST applications for 2009-10 have estimated quantum of rebate on account of prompt payment within 3 days of presentation of bill by consumers availing rebate at 1% and rebate of 10 paise per

unit for payment within 7 days of presentation of bill by all other consumers during the FY 2009-10 as indicated under.

Table - 74
Proposed Rebate (Rs. Crore) for the FY 2009-10 At Existing Tariff

	Prompt Payment Rebate
WESCO	3.21
NESCO	7.07
SOUTHCO	3.78
CESU	24.17

461. 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.
462. The Commission examined the existing method of incentive and its financial implications. The Commission has decided to grant incentive for early and prompt payment as below.
- a) A rebate of 10 paise/unit shall be allowed on energy charges if the payment of the bill (excluding all arrears) is made by the due date indicated in the bill in respect of the following categories of consumers.
LT: Domestic, General purpose < 110 KVA, Irrigation, Agro Industrial 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 all arrears), if payment is made within 3 working days of presentation of the bill.
463. **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 ≥ 110 KVA
 - ix) Specified Public Purpose
 - x) Mini Steel Plants
 - xi) Emergency supply to CGP

464. **Customer Charge:** As indicated in **Annexure-B** there shall be no change in the existing rate of customer charge.
465. **Reconnection Charge:** The reconnection charge has remained unchanged since the year 2004. Licensees have prayed for enhancement of reconnection charges considering the escalation in the cost of manpower. This will also act as a deterrent for non-payment of the Electricity bills in time. The Commission after examining the proposal of the licensees decides to modify the re-connection charges in the following manner for FY 2009-10:

Table -75

Category of Consumers	Existing Rate	New Rate Applicable
Single Phase Domestic Consumer	Rs. 50/-	Rs.75/-
Single Phase other consumer	Rs.100/-	Rs.150/-
3 Phase line	Rs. 200/-	Rs.300/-
HT & EHT line	Rs. 1000	Rs.1500/-

Rounding off of consumers billed amount to nearest rupee

466. The Commission directs for rounding off of the electricity bills to the nearest rupee and at the same time directs that the money actually collected should be properly accounted for.

Charges for Temporary Supply

467. The tariff for the period of temporary connection shall be at the rate applicable to the relevant consumer category.
468. 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.

New Connection Charges for LT

469. 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, therefore, reiterates that, the prospective small consumers requiring new connection upto and including 3 KW load shall only pay a flat charge of Rs.500/- towards a new connection excluding security deposit as applicable as well as processing fee of Rs.25/- and in their case preparation of estimate is not required to avoid unnecessary delay.

Fuel Surcharge Adjustment Formula

470. The Commission has already prescribed a fuel surcharge adjustment formula for the distribution licensees in the OERC (Conduct of Business) Regulations, 2004, which shall continue to be valid.

Consumer Services

Information to Consumers on Billing and Payment

471. 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.
472. **Consumer Arrears:** The licensees are directed to exhibit separately arrears in respect of each consumer as at the beginning of each financial year.

Information about Consumer Billing & Collection

473. 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.
474. Use of technology for updating information is the order of the day. All the licensees should gear up their machineries to provide networking of collection from the consumers within their licensed 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.
475. The Commission with a view to boost up collection efficiency, directed the DISCOMs to introduce the Spot billing system. Spot billing system introduced by CESU is yielding positive results. It is reported by CESU that the introduction of spot billing has improved billing, helped identification of ghost consumers, improved collection and liquidity position. WESCO, NESCO & SOUTHCO are yet to complete 100% spot billing for all of their consumers. **The Commission directs that all the distribution licensees shall fully introduce spot billing as early as possible for all their consumers. The Commission also expects the licensees to adopt for spot collection preferably through account payee cheques to improve their collection efficiency.**
476. It is most deplorable inasmuch as after 10 years of restructuring of the DISCOMs, the licensees are still unable to collect the amount which they bill 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 indicated above.
477. The Commission in its previous order had allowed a rebate of 10 P/U for consumers covered under rural water supply category for payment within the due date. The Commission in this order has decided to continue with the same.

478. Frequent theft of conductors 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 has 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.

Special Repair and Renovation of the Distribution System

479. As enumerated elsewhere in this Order our current distribution losses are at unsustainable levels. Even if all commercial losses are eliminated, the State of the distribution system and network contributes to very high technical losses, largely due to precarious system inherited by the DISCOMs as also continuous neglect in repair and maintenance ever since privatization. This is also borne out by the reports of the independent enquiry teams engaged by the Commission. The following circles and Divisions were studied in depth by such expert teams.

List of Divisions under DISCOMs inspected by the Enquiry teams

Table -76

Sl. No.	Enquiry Conducted for distribution circles
(1)	(2)
	CESU
1.	Bhubaneswar Circle I - BCDD –I, BCDD –II & BED, Bhubaneswar
2.	Bhubaneswar Circle – II -PED, Puri
3.	Cuttack Circle - Cuttack town under CDD-I & II, Cuttack
4.	Cuttack Circle - CED, Ctc., AED, Athgarh, SED, Salipur,
5.	Paradeep Circle - KED-I, Kendrapara, KED-II, Marsaghai & JED, Jagatsingpur
6.	Bhubaneswar Circle – II -NED, Nayagarh, KED, Khurda & BED, Balugaon.
7.	Dhenkanal Circle – AED, Angul, TED, Chainpal & DED, Dhenkanal
8.	Left out – BCDD – II –Barang, BED – Phulnakhra, Eclectrical Circle – I, Nimapara Div.
	SOUTHCO
1.	Berhampur City Circle - Berhampur Electrical Division –I & II
2.	Berhampur Rural Circle covering GNED, Chhatrapur, GSED, Digapahandi & AED, Aska.
3.	Rayagada Electrical Circle – PKED, Paralakhemundi, RED, Rayagada, GED, Gunupur
4.	Bhanja Nagar Electrical Circle- BNED, Bhanjanagar, PED, Phulbani, BoED, Boudh
	NESCO
1.	Electrical Circle, Baripada - BED, Baripada, RED, Rairangpur, UED, Ud.
2.	Jajpur Road Electrical Circle - JRED, Jajpur Road, JED, Jajpur, AED, Anandpur & KED, Keonjhar
3.	Balasore Electrical Circle
4.	Bhadrak Electrical Circle

	WESCO
1..	Bolangir Circle - NED, Nuapara, KWED, Bhawanipatna, SNED, Sonepur, TED, Titilgarh & KEED, Bhawanipatna
2.	Rourkela – Circle - SED, Sundargarh, RED, Rourkela, RED, Rajgangpur
3.	Burla Circle - with Spl. Reference to Sambalpur town

480. Some of the important recommendations made by expert teams are as follows:

1. Replacement of LT conductors by AB cables in theft prone areas.
2. Installation of Pillar Box Metering System
3. Up-gradation and replacement of Transformers to cater to additional load.
4. Replacement of old Circuit Breakers
5. Replacement of faulty insulators wherever necessary
6. Replacement of weak LT/HT poles.
7. Erection of new Substations to improve voltage profile wherever needed.
8. Re-conductoring in case of old lines with conductors of optimum size.
9. Conversion of single-phase into 3-phase system.
10. Proper earthing of substations.
11. Installation of Lightning Arrestors
12. Complete Distribution Transformer Metering for energy audit purpose.
13. Construction of boundary wall/fencing around the S/Ss to ensure safety of the equipment and human lives.
14. Painting of steel structures at substations.

481. It is abundantly clear that timely maintenance of the distribution system has been a casualty leading to poor quality of supply. The plea of the distribution companies is that their revenues get locked into the escrow account and stays locked without any flexibility for R&M activities. The problem is one of poor performance in revenue collection compounded by past dues for power purchase and other miscellaneous dues to GRIDCO. There is simply not enough revenues to meet all cost other than power purchase and salaries and wages. Nevertheless, system maintenance and timely repair can't be ignored any further. During 2008-09, the Commission took a decisive step by allowing relaxation of escrow for replacement of transformers and various maintenance works. GRIDCO so far has released Rs.87.20 crore upto February'09 from Escrow account towards various maintenance work including restoration of damaged equipments during the flood. All required finances could not be released by GRIDCO from escrow account primarily because inadequate revenue collection which could only meet the current power purchase costs, salaries and other dues to GRIDCO.

482. There is a need for joint effort by the State as well as the distribution companies to ensure timely maintenance and upgradation of the old existing distribution infrastructure. For this, the distribution companies must reduce the AT&C loss, improve their collection efficiency and also collect the arrear out of the receivables outstanding as on date. In this connection, the Commission in its letter No.2807 dt.31.12.08 among other things, had asked the State Govt. to submit their

views/comments on this issue vide para 15(ii) of Commission letter which is extracted below:

“For improving the quality of supply of electricity in inaccessible areas and other backward regions, whether the State Govt. would like to make capital investment for establishment of grid substations and replacement of old transmission lines and transformers etc., to supplement the efforts of distribution companies or whether the State Govt. would like to make investment in such activities as an incentive linking to the performance of the distribution companies on the basis of annual reduction of AT & C loss ?”

In reply thereto the Energy Department in their letter No.1704 dt.17.02.09 have indicated as follows:

“ii)Regarding the 2nd point whether the State Government would like to make capital investment for grid substations and replacement of old transmission lines & transformers, it is stated that the matter is still under consideration of Govt. However, the State Govt. has already taken in principle decision to provide capital investment of 100 crores to OPTCL in the form of share capital over a period of 3 years from 2008-09 strengthening 220/33 KV transmission lines and replacement of Grid Stations in the inaccessible and un-remunerative areas. To start with the financial year, 2009-10 a provision of Rs.5.00 crores has been proposed in the budget.”

In continuation of the letter dt.17.02.09 the State Govt. in the letter No.2329/EN dt.28.02.09 have also communicated as follows:

“In inviting reference to the letters cited above, I am directed to say that the State Govt. is reconsidering the aspect of providing subsidy to the power sector for the year 09-10. The matter is being placed before the cabinet for consideration. The decision of the Govt. on the matter will be intimated shortly.”

483. In the meantime, the Energy Dept., Govt. of Orissa in their Lr. No. 3132/EN/R&R/11/09 dtd. 16.03.2009 has communicated inter alia as follows:

“Though it is the primary responsibility of the DISCOMs to improve their efficiency and functioning by way of reduction of AT&C losses and ensuring quality supply of power to the consumers, they are practically not in a position to do so. For all these hazards, the system should not collapse. Therefore, State Government is considering the question of extending support to the Distribution Companies during the year 2009-10 for the following:

- (i) Replacement of LT conductors by AB cables in theft prone areas.*
- (ii) Installation of Pillar Box metering system.*
- (iii) Upgradation and replacement of Transformers to cater to additional load.*
- (iv) Replacement of old Circuit Breakers with Vacuum Circuit Breakers (VCBs).*

- (v) *Replacement of faulty insulators wherever necessary.*
- (vi) *Replacement of existing weak LT/HT poles.*
- (vii) *Installation of new substation to improve voltage profile wherever needed.*
- (viii) *Re-conductoring in case of old lines with conductors of optimum size.*
- (ix) *Conversion of single phase into 3 phase system.*
- (x) *Earthing of substations.*
- (xi) *Installation of Lightning Arrestors.*
- (xii) *Complete Distribution Transformer Metering for energy audit purpose.*
- (xiii) *Provision of boundary wall/fencing wherever necessary around the S/S to ensure safety of the equipment and human lives and other such things.*

The above items of work are only illustrative but not exhaustive.

2. Before deciding the quantum of such support, the modalities of transfer of funds to the DISCOMs have to be worked out for concurrence by the Finance Deptt. Besides, in the process of release of financial support, the involvement of GRIDCO and mechanism of release need also to be considered.

3. Keeping the above in view, I would request you to please place the matter before the OERC and communicate the instructions of the Commission on paragraph 2 above to take a view in the matter.”

484. The exact amount of fund which the State Government would provide during 09-10 for improvement of power sector including distribution system has not yet been communicated but since State Government has given green signal for providing funds for up-gradation, replacement of old transmission lines, transformers etc. and to provide some subsidy to the power sector for the year 2009-10 the Commission directs that the distribution companies should make all out efforts to collect enough of revenue to meet their power purchase cost, salary cost and other obligations and make available to spend the minimum amount for R&M expenditure as per the approval which is given below :

Approved amount for Repair & Maintenance for Distribution Licensees for the year 09-10

Table -77

(Rs. In crore)

WESCO	27.01
NESCO	27.88
SOUTHCO	20.73
CESU	40.46
Total	116.08

485. In view of the need for special repair and renovation of the existing old distribution network, the Commission welcomes the decision of the State Govt. to support the DISCOMs in their effort to improve and upgrade the distribution system network. If any support is so granted, the manner and method of release of this support and its utilization within a definite time frame will be decided by the Commission in consultation with the State Government. However, it must be

mentioned that this support is to be in addition to the already approved and allowed R&M expenditure and not in substitution of the same.

486. The areas or items on which such fund is to be utilized will be determined by the Commission keeping in view the priority and need for system improvement which would reduce both technical and commercial losses and improve the quality of supply of power.

Improvement to existing infrastructure

487. For maintaining the existing infrastructure and to cater to the need of the consumers there are certain bare minimum requirement which shall have to be implemented by all the licensees for safety, longevity of the equipments and quality of supply. The Commission had also directed the same in the last Tariff Order which is under the review of the Commission. These include among other things the following:

- (a) Provision of Switch gear and cables in distribution substations: It is pathetic to see most of the distribution transformers as unsafe to life as one finds open fuse bases with loose live wires and burnt out cables. This practice has to come to an end. The distribution licensees in a phased manner shall complete at least 20% of their substations by suitably having switchgears and cables during 2009-10.
- (b) Likewise, the distribution transformers should be well protected with boundary wall and gates with adequate safety measures as required under the I.E. Rules, 1956.
- (c) Boundary walls for distribution substations (33/11 KV S/s): All the 33/11 KV S/Ss should be well protected as required under the I.E. Rules, 1956. In this connection, the licensees have to take proactive action for which fund should not be a constraint, as they have got resources under the R&M head given by the Commission
- (d) Provision of metering of distribution transformers for energy audit: Though there has been good progress in DT metering under Reliance managed companies, a large no. of DTs remain unmetered which has been directed by the Commission to be completed in FY 2008-09. The Commission desires that 100% DT metering should be completed during the financial year 2009-10 and energy audit taken up concurrently.
- (e) Installation of Pillar Boxes for prevention of theft and reduction of loss: The Commission attaches great importance to the installation of pillar boxes which as stated elsewhere have given encouraging results under CESU. A large percentage of LT input is consumed in the urban and semi-urban areas of the state. There are also large numbers of commercial establishments with conspicuous consumption of electricity which need to be scrupulously monitored. One need not be apprehensive of consumption, if the same is paid for. Centralization of metering arrangement with a display unit in the consumer premises or even a second meter in the consumer premises could be beneficial for all the consumers at large, for which licensees must make sincere and dedicated effort with suitable

mechanism to control at least 100% LT input in all the urban areas of the state.

488. The licensees should provide adequate delegation of authority to their field officers for carrying out normal maintenance works like construction of boundary walls, keeping the sub-stations neat and clean so that the quality of supply will improve. In this connection, the licensees have to prepare an action plan for ensuing year FY 2009-10 and submit the same quickly to the Commission by 31.05.2009 for its information and continue to work in these areas and the progress achieved need to be put in the website and well publicized for the general information of the consumers that the licensees are rendering and trying hard for improvement of consumer service. Before release of funds from GRIDCO from the Escrow account, details of work done need to be provided.

Consumer Satisfaction Survey

489. 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 achieved by them. **The Commission, therefore, has taken 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.**

Special Court & Special Police Station

490. According to 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. The distribution companies have projected huge cost on this account for the FY 2009-10 and have proposed to allow the same in the ARR. In the meantime Home Deptt, Govt. of Orissa vide their notification no. 47514 dtd. 23.10.2008 has notified the establishment of another 29 Energy Police Stations in the different parts of the State. However, the Commission has directed the DISCOMs to reimburse the expenditure on Energy Police Station and Special Courts at actuals. The Commission in the meantime has also requested State Govt. to critically review the effective functioning of the Energy Police Station at regular intervals by a very senior police officer not below the rank of I.G. Police. The Commission hopes that Govt. will give its active administrative support in this regard to meet the menace of power theft in the state.

Loss reduction through People's Participation

491. It is now reported by the distribution companies that 100% of the consumers have been provided with meters. Out of this 88% are reported to be in working order. The Commission has been insisting 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.
492. Our concern is that in spite of reported level of metering in feeders, transformers and at consumers 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. One of the approaches to loss reduction is the introduction of franchisee operation through Panchayat Raj institutions, user associations, NGOs, Co-operative Societies and such other organizations. The licensees should make a move in this direction. **Licensees must achieve the target of loss reduction as approved in this order. Not achieving the target can lead to penal action and appropriate adjustment in the ARR while deciding the annual tariff and revenue requirement for the FY 2010-11.**
493. The Commission has been insisting on energy audit, spot billing, spot collection, monitoring and fixation of accountability at all levels for reduction of T&D losses. The distribution companies have failed to even collect current bills served on the consumers for which huge uncollectible arrears have accumulated over the years. Instead of a loud chorus for relaxation of escrow mechanism by GRIDCO, they must take concerted action in disconnecting power supply to non-paying consumers who are a burden on the honest and paying consumers. Arrears of receivables of all DISCOMs taken together are around Rs.2793 crore as on the 31st March, 2007. Even this figure needs to be properly audited and validated. A 10% collection of the above arrears would have wiped out the cash flow and liquidity problems faced by the distribution licensees.
494. Intervention of Information Technology at all levels starting from fuse calls to billing, collection, monitoring of consumer complaints, new connection, reconnection, disconnection, spot billing, spot collection, scheduled and un-schedule shut down, complaints relating to meters and internal management of stores and HRD is the only tool in achieving efficiency. It calls for suitable technological up-gradation and design of an IT enabled system so that the quality of service and the financial viability can be improved upon. The licensees are directed to submit to the Commission the status of IT intervention at all levels within a period of two months of the next financial year i.e. by 31.05.2009.
495. It is submitted by the objectors that lack of adequate and appropriately trained manpower is at the source of inefficient consumers' service. The Commission should be appraised about the latest HRD plan and its development by the licensees while they come up with their proposal for IT Development by 31.05.2009.
496. Commercial loss is a matter of great concern. It's reduction can make the sector self sustainable and reduction of theft can be possible only with public participation particularly in rural areas. We are of the firm view that participation of Panchayats as franchisees for distribution licensees for billing, collection and elimination of theft could be put to effective use. For that purpose we may have to give preference to the Gram Panchayats giving them an incentive for reduction of

loss and improvement of collection efficiency. The licensees should come forward with their franchisee engagement plan for FY 2009-10 by 31.05.2009.

497. The State is likely to face power deficit due to growing demand arising out of industrialization and massive rural electrification work being undertaken. Hence, there is urgent necessity to fully utilise the existing capacity of different Captive Generating Plants/Co-generating Plants to ensure uninterrupted power supply to the consumers of the State. In this connection the Commission have already decided an implementation plan in their Order dtd. 28.02.2009 in Case No. 6 to 20 of 2009. The GRIDCO, OPTCL, SLDC and the Distribution Companies must take expeditious action in terms of the action plan pertaining to them. The extract of the order dtd. 28.02.2009 of the Commission in the aforementioned Case vide para-16 and 17 is reproduced below for ready reference and compliance by all concerned.

“16. After going through the records and submission made by GRIDCO and the representative of CGPs and keeping in view the current difficult situation now being faced by the State as well as the recession being experienced by manufacturers and the economy, the Commission considers it fit and appropriate at this stage to pass an interim order to enable harnessing of the available idle/bottled up capacity of CGPs at a reasonable price and keep the principal producing units in a sustainable mode while at the same time not burdening the users of electricity who are also hit badly by the recession. While the CCPPO expects the price prevailing in the Indian power exchange and the price available through UI mechanism, it cannot be such as to burden all consumers with an unsustainable loading through higher price. Considering all aspects in totality and adopting the principle of “harmonious balance” the Commission hereby directs as under :-

- i) Keeping in view the number of CGPs in the State and their large variations in size/capacity and usage of fuel it is difficult for both CGPs and GRIDCO to adopt the competitive bidding route. The verification of costs and determination of prices, given the manner in which costs are allocated as between the main product and captive power generated, is going to be a cumbersome and long drawn affair. Considering the incongruent nature of different CGPs and Co-generating plants, the Commission examined and decided to adopt a simple approach and mechanism by which GRIDCO can procure power from CGPs in and around a reference point of the highest generation cost, currently being procured by GRIDCO.*
- ii) Because of the nature of generation by a CGP and captive generators with surplus power are at liberty of selling power, even for a short duration in the Power Exchange, it is not necessary in the interim to have a dividing line between short-term and long-term power. Power that can be scheduled on a day ahead basis can be absorbed in the system and can be programmed for full procurement by GRIDCO. CGPs/Co-generating plants who are capable of giving day ahead schedule should be, for the time being, treated as suppliers of firm power. Power injected by the*

CGPs/Co-generating plants without giving day ahead schedule would be treated as injectors of inadvertent power.

- iii) For supply of power by the CGPs/Co-generating plants to GRIDCO for sale to DISTCOs meant for consumption by the consumers in the State, the procurement price of firm power from the CGPs as indicated at (ii) above will be Rs.3.00/KWh with effect from 01.3.2009. However, to encourage co-generation as is mandated under the Electricity Act, 2003 the power generated by co-gen. plants e.g. sponge-iron plants such as NINL, Arati Steel, Tata Sponge, etc. may be given an incentive and shall be paid @ Rs.3.10 per/KWh with effect from 01.3.2009. The procurement price of Rs.3.00/KWh for all power meant for sale to Discoms is considered just and reasonable keeping in view the current cost of Rs.2.76/KWh of the highest cost of generation from a TPS in the Eastern Region. A premium of about 10% (ten percent) on this price is considered appropriate as a stimulous to the harnessing of bottled up capacity with the CGPs.*
- iv) In order to encourage the CGP/Co-generating plants to fully utilize their bottled up capacity for generation of captive power/Co-generation power and to enable GRIDCO to access power from different sources including CGPs/Co-generating plants for meeting the demands in the State and making available a good quantum of power for trading, GRIDCO should offer a remunerative price to the CGPs in respect of power used for trading. Keeping in view the prevailing rate in the power exchanges, UI rate and price quoted in the bidding it would be just and equitable for GRIDCO and the CGPs and Co-generating plants to have an indicative rate of Rs.3.50 per KWh for procuring surplus power meant for trading. This is merely an indicative price suggested by the Commission. However, individual CGPs/Co-generating plant and GRIDCO, if they so like, may enter into further negotiation for an agreed price above this indicative rate. However, the procurement price by GRIDCO from the Captive Generating Plants/Co-generating plants for the purpose of trading should not unduly vary from the indicative price of Rs.3.50 per KWh now being suggested by us as an interim measure. This is necessary for the benefit of the consumers of the State because the profit earned by GRIDCO from the trading will be taken as 'other receipt' to meet its revenue requirement and bridge the gap in the ARR. After bridging of the gap in the ARR, the balance of surplus gained on account of trading of CGPs/Co-generation power may be shared with the CGPs/Co-generation plants at the year end.*
- v) In respect of injection of inadvertent power the payment would be equal to the pooled cost of hydro power of the State during 2008-09 and 2009-10 as the case may be depending on the period of supply.*
- vi) The rate of power indicated in (iii), (iv) and (v) will also be applicable with effect from 01.3.2009 to those CGPs/Co-generating plants having subsisting contracts/ agreements with GRIDCO. This will be without any prejudice to the outcome of any dispute/arbitration pending in any court of law or any authority and will have no retrospective effect whatsoever.*

- vii) *GRIDCO will devise a mechanism to decide on the quantum of energy to be procured for the Discoms and the quantum to be traded at the higher price of procurement. A transparent and simple accounting method must be maintained to obviate any dispute with CGPs/Co-generation plants. The accounts must also clearly show how the gap in the GRIDCO's ARR is being bridged and how the remaining surplus is being shared with the CGPs/Co-generation plants to the extent of power traded. The Commission hastens to state that they do not wish to prescribe a price at which the quantum being traded should be procured. We are only indicating a price around which procurement may be done for trading.*
- viii) *It will take some time for the CGPs for establishment of SCADA and PLCC, wherever not yet done. OPTCL as on date have not implemented installation of SCADA in many grid substations. As recently stated in the tariff hearing in case No.63/2008, OPTCL has already taken initiative for expansion of ULDC scheme for broadband connectivity. In view of the above and considering the present situation of power availability in the State the Commission directs that the provision of installation of SCADA and PLCC shall not be insisted upon for the CGPs before procuring their surplus power in the State grid as this is an emergent step taken by the Commission in an extremely difficult situation through which the state is passing through. However, the alternative mode of communication for the connectivity with the nearest SCADA interface point of the licensee i.e. telephone, fax, carrier communication, broadband communication, internet/other developed mode of communication should be established by the CGPs within three months from the date of synchronization with the grid.*
- ix) *The CGPs/Co-generating plants may be paid as per the rates indicated in (iii), (iv), (v) and (vi) in the proportion of CGP/Co-generation power consumed inside the state and traded outside the state as certified by the Chief Load Despatcher of SLDC in each month.*

17.The Commission further reiterates that this is a common interim order and the arrangement suggested in Para 16 is an interim implementation plan and would be operative from 01.3.2009. After 30.6.2009 the Commission would review this arrangement as envisaged in Para 12.28 of the CGP pricing policy announced by the Commission in their order dated 14.3.2008."

498. The Commission has undertaken truing up exercise up to FY 2007-08 for WESCO, NESCO and SOUTHCO and upto FY 2006-07 for CESU based on the audited data which has been discussed in the para 400 of this Order.
- i. The Commission is not in agreement with the licensees' computation of revenue requirement and proposals for tariff for FY 2009-10.
 - ii. The tariff schedule of the various classes of consumers, as approved by the Commission is at Annexure-'B'.

- iii. The financial viability of DISCOMs is dependent upon the following actions:
- Reduction of aggregate technical and commercial losses
 - Improvement in collection efficiency
 - Realisation of arrears of receivables of consumers
 - Adherence to standards of performance which improves consumers willingness to pay
 - Proper spending on R&M works
 - Intervention of IT at all levels
 - Development of call centers for improvement of consumers service.
 - Active participation of the consumers, local self-Governments bodies etc.
499. In the case of First Appeal Nos.77, 78 & 79 of 2006, the Appellate Tribunal for electricity by order dated 13.12.2006 in respect of Tariff for FY 2006-07 issued direction to the Commission to the following effect: -
- i. Interest on the NTPC bonds should have been allowed on actual basis at the rate of 12.5% till it is rescheduled by agreement between concerned parties and not at the rate of 8.5% allowed by the Commission. Hence the differential interest of 4% should be allowed to pass through for the tariff period as well as the installments of the principal already accrued during the years 2005-06, 2006-07 and 2007-08.
 - ii. The revenue gap of the DISCOMs upto FY 2005-06 and that for FY 2006-07 ought not to have been treated as regulatory assets repetitively and cumulatively. These should be taken into account in computation of approved ARR.
 - iii. The computation of miscellaneous income of DISCOMs should not have been based on the FY 2003-04 as the base year and should have been based on up-to-date trued up figures.
 - iv. The benefit of Simultaneous Maximum Demand (SMD) should have been taken into account in calculating the quantum of estimated power purchase of the DISCOMs. This should now be taken into consideration on the basis of truing up exercise.
 - v. As to distribution loss fixed by the Commission it should take a relook taking practical view of the ground realities instead of proceeding on assumptions and surmises. This is to be done while undertaking the truing up exercise.
 - vi. The Commission in future years should assess the estimated sales slab-wise and category-wise or at least take the actual figures of the previous

tariff year as the base. The Commission should take up truing up exercise at the earliest and complete the same on half- yearly basis.

- vii. The Commission is to undertake the truing up exercise for the past three years and, for the tariff period also, undertake such exercise at the appropriate time and give relief to the DISCOMs Moreover truing up should be undertaken on a regular basis.
 - viii. On the basis of truing up exercise the Commission should find out whether it has ignored legitimate costs and over estimated the revenue while approving the ARRs.
 - ix. The Commission should re-determine the tariff within six weeks from the date of communication of the judgment, affording opportunity of hearing to all concerned but not necessarily holding a public hearing.
500. The Commission has gone in appeal to the Supreme Court under Sec.125 of the Electricity Act, 2003 against the said order of the Appellate Tribunal for Electricity on certain issues vide Civil Appeal No.759 of 2007. The said appeal is now pending in the Supreme Court. However the Commission has tried to carry out some of the directions of the Appellate Tribunal in this order at appropriate places.
501. The existing Retail Supply Tariff along with the modifications as stipulated in the order shall be effective from 1st April, 2009 and shall be in force until further orders.
- The applications of CESU bearing Case No.66/2008, NESCO bearing Case No.67/2008, WESCO bearing Case No.68/2008 and SOUTHCO bearing Case No.69/2008 are disposed of accordingly.

(K.C. BADU)
MEMBER

(B.K. DAS)
CHAIRPERSON