

ORISSA ELECTRICITY REGULATORY COMMISSION

BIDYUT NIYAMAK BHAWAN
UNIT-VIII, BHUBANESWAR - 751 012

Case No.03/2010

NESCO, WESCO & SOUTHCO

.... **Petitioners**

Vrs.

GRIDCO & DoE, GOO

.... **Respondents**

In the matter of: **Application filed by NESCO, WESCO & SOUTHCO for escrow relaxation.**

For Petitioners: Shri G.B. Swain, Shri T.K. Mishra, VP (SOUTHCO), Shri S.K. Routray, DM(F), SOUTHCO, Shri B.N. Mallick, DGM (Finance), SOUTHCO, Shri R.K. Behera, VP, NESCO

For Respondents: Shri R.C. Mishra, Sr. GM (F), GRIDCO,
Shri D. Sahoo, CGM (F), OPTCL.
Nobody is present on behalf of DoE, GoO.

Date of Hearing: 07.12.2010

Date of Order :01.01.2011

ORDER

The Commission on 12.04.2010 had passed an interim order in Case No.3 of 2010. In the said order Commission at para 9(A) had indicated the modified manner and priority of release of money from the escrow account by GRIDCO from current revenue, wherein the monthly obligation for repayment of principal and interest in respect of loan obtained/to be obtained from the financial institutions for Capex programme / system improvement finds a place in item-d as a new item. On 14.04.2010 the petitioner filed sanction letter of REC Ltd., under SI scheme as per the direction of the Commission dtd.12.04.2010. The petitioner in its prayer stated the following:

(a) To include requirement of Capex in the following priority list for utilization of proceeds of the revenue in the escrow account.

- (i) Full payment of current monthly BST and transmission bill
- (ii) Salary as approved in ARR

- (iii) R&M approved in ARR
- (iv) Capex for system strengthening and revenue improvement /serving of Capex loan.
- (v) Balance to service past liabilities.

(b) GRIDCO may kindly be directed to issue consent letter to REC on hypothecation of assets.

2. The prayer of the petitioner in item-a above for priority list for utilization of proceeds has already been taken care of in line of the present prayer in the order dtd.12.04.2010. Hence no further modification of the order is necessary. As regards issue of no objection certificate regarding charges on future assets mentioned in item-b above, the matter is dealt in Business Plan order of the Commission dtd.20.03.2010. The empowered committee of ministers is also looking to this aspect. However, Commission ordered a further hearing on this matter on 07.12.2010 impleading state Govt. and OPTCL as respondents. The case was heard on 07.12.2010.

3. The authorized representative on behalf of WESCO, NESCO & SOUTHCO stated the following.

- (i) Govt. of Orissa notified the Capex programme with a total outlay of Rs.2400 cr. out of which GoO shall contribute Rs.1200 cr. and Rs.1200 cr. is required to be raised by four DISCOMs as counterpart funding. Keeping in view of raising the counterpart funding, WESCO, NESCO & SOUTHCO approached all the lending organizations. Invariably all the lending organizations are seeking 1st charge, on the revenue to be generated out of the project to be funded by them.
- (ii) Besides above the banks and financial institutions are asking for the security of existing assets to release upfront loan amount to DISCOMs.
- (iii) That on the issue of the hypothecation of future asset, REC sought the issue of “No objection Certificate” from GRIDCO regarding charge on the future asset to be created by DISCOMs out of the loan availed by REC. But GRIDCO has not yet issued NOC in favour of DISCOMs.

4. In view of the submission made above, the petitioner prays the following:

- (a) The requirement of servicing counterpart loans to be raised for Capex may be allowed as 1st priority out of the revenue deposited in escrow account.

- (b) GRIDCO may be directed for issue of consent letter to REC on hypothecation of assets; and release escrow towards O&M expenses on monthly basis.

5. The respondent GRIDCO stated the following:

- (i) GRIDCO agrees to the priority of payment from the escrow account as decided by Commission in the order dtd.12.04.2010. Any other arrangement is not acceptable to GRIDCO.
- (ii) Revenue deposited in Escrow Account is less than the BST bill raised by GRIDCO. Hence prayer of petitioner to allow servicing loan as 1st priority from Escrow Account has no merit.
- (iii) Over and above the BSP bill, DISCOMs are not paying the bill raised on account of fuel surcharge, overdrawal charges and the installment of old outstanding BST dues securitized by the Commission .
- (iv) DISCOMs are not giving month wise details of arrear revenue deposited in escrow account as per order of the Commission.

6. The petitioner argued that because of non-relaxation of escrow towards Repair & Maintenance to NESCO & SOUTHCO the routine maintenance is not carried out in time resulting in poor revenue collection. GRIDCO has released escrow towards R&M only for April and May for the current financial year 2010-11 to NESCO & SOUTHCO.

7. To pay the full BST bill, WESCO, NESCO & SOUTHCO are availing SOD (secured overdraft) from Bank, when there is any revenue shortfall in any month. The over draft is within the LC limit allowed by Bank. Letter on LC limit has been sent to GRIDCO. Therefore, GRIDCO should have no objection in allowing escrow relaxation towards normal R&M.

8. The respondent OPTCL in their submission stated the following:

- (i) WESCO, NESCO & SOUTHCO have delayed the payment of transmission charges against bill raised during November, 2010 in respect of October, 2010.
- (ii) Delay in payment of transmission charges is creating poor cash flow thereby affecting the working capital position of OPTCL.

9. The Commission heard the parties at length and weighed the arguments advanced by the petitioners and the respondent. The real problem lies in poor billing and poor collection. To our agony and surprise we find that per unit input realization is gradually declining both in case of LT category and all category taken together which may seen from the table given below:

PERFORMANCE OF DISCOMs						
	Distribution Loss LT			Distribution Loss Overall		
	2010-11			2010-11		
	OERC Approval	Actual Up to Sept.2010	Shortfall	OERC Approval	Actual Up to Sept.2010	Shortfall
NESCO	29.40%	54.94%	25.54%	18.46%	32.8%	14%
WESCO	29.40%	62.56%	33.16%	19.93%	37.2%	17%
SOUTHCO	29.40%	54.52%	25.12%	27.82%	47.8%	20%
	AT&C Loss LT			AT&C Loss Overall		
	2010-11			2010-11		
	OERC Approval	Actual	Shortfall	OERC Approval	Actual Up to Sept.2010	Shortfall
NESCO	31%	73%	42%	20%	43%	23%
WESCO	31%	76%	45%	22%	44%	23%
SOUTHCO	31%	65%	34%	29%	56%	26%
COLLECTION PER INPUT-LT						
	(2009-10)			(2010-11)		
	Target for 2009-10 in Paise	Achieved for 2009-10	% of Target Realised FY 2009-10	Target for FY 2010-11 in Paise	Achieved UP TO Sept 2010	%of Target Realised
NESCO	120.05	81.06	67.52%	143.20	81.89	57.19%
WESCO	94.95	66.4	69.93%	130.40	72.78	55.81%
SOUTHCO	135.09	115.02	85.14%	143.70	106.23	73.92%
COLLECTION PER INPUT-OVERALL						
	(2009-10)			(2010-11)		
	Target for 2009-10 in Paise	Achieved for 2009-10	% of Target Realised FY 2009-10	Target for FY 2010-11 in Paise	Achieved UP TO Sept 2010	%of Target Realised
NESCO	192.07	180.17	93.81%	260.69	208.84	80.11%
WESCO	203.13	201.73	99.31%	257.15	212.37	82.59%
SOUTHCO	169.44	137.36	81.06%	196.07	155.13	79.12%

10. Unless there is substantial improvement in billing and collection, there is no point in re-prioritizing the release of fund from escrow account which anyway always suffers from inadequacy of fund.

Accordingly we direct as under:

- (i) No further modification to order of the Commission dtd.12.04.2010 is needed, since the liability of the DISCOMs in discharging the loan repayment and interest

payment in respect of loans to be obtained from financial institutions find mention in escrow relaxation order of 12.04.2010. Hence the request of the petitioner at the time of hearing to allow debt service as 1st priority from the revenue deposited in escrow account is not acceptable to Commission.

- (ii) As regards issue of no objection certificate to REC regarding hypothecation of assets, the matter has been addressed in the Business Plan order for DISCOMs. GRIDCO should act accordingly as per the Commission's direction.
- (iii) In consideration of oral submission of DISCOMs regarding its difficulty in routine R&M activities. GRIDCO is directed to relax escrow towards repair and maintenance in each month to DISCOMs proportionately based on the figures approved in the ARR of 2010-11, considering the revenue deposited in escrow and the LC limit allowed by the banks to DISCOMs taken together. If the DISCOMs fail to draw the amount earmarked towards R&M for a quarter at the end of next quarter, the claim of DISCOMs will automatically lapse and the unutilized amount shall not be carried over to next period.
- (iv) WESCO, NESCO and SOUTHCO should open letter of credit in the form prescribed by the bank and communicate the same to GRIDCO.
- (v) In each month WESCO, NESCO and SOUTHCO should give the following statements to GRIDCO:
 - a. Amount of revenue collected
 - b. Amount deposited in escrow account
 - c. Amount paid to GRIDCO, OPTCL, SLDC
 - d. Amount drawn towards employees cost, R&M
 - e. Amount diverted from SOD account. Statement of arrear collection out of the amount outstanding at the beginning of the year and deposited in escrow account.

11. Accordingly, the matter is disposed of.

Sd/-
(B.K. Mishra)
Member

Sd/-
(K.C. Badu)
Member

Sd/-
(B.K. Das)
Chairperson