

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

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

Case No.119/2010

GRIDCO Petitioner
Vrs.
M/s NESCO & Ors Respondents

**In the matter of: For review of order No.2 dated 12.04.2010 in Case No.3/2010
on Escrow relaxation to REL managed DISCOMs.**

For the petitioner : Shri R.C Mishra, Sr.GM(F), GRIDCO Ltd.

For the respondents : shri A.K.Bohra,CEO,(Com),CSO and
Shri G.B.Swain,DGM (CA),CSO.

Date of Hearing: 05.10.2010

Date of Order :14.12.2010

ORDER

In Case No.3 of 2010 order No.2 dtd.12.04.2010, Commission directed DISCOMs to deposit the revenue in the escrow account and directed GRIDCO to release the amount to DISCOMs in the manner and priority indicated below:

(A) From Current Revenue

- a. Current BST dues in full including current Transmission charges, SLDC charges and license fees payable by the Distribution Companies.
- b. Employees cost as approved by the Commission in this tariff order for FY 2010-11 and for subsequent years.
- c. Monthly R&M expenditure as approved by the Commission in the tariff order for FY 2010-11 and for subsequent years.
- d. The monthly obligation for repayment of principal and interest in respect of loan obtained/ to be obtained from the financial institutions for capex programme/system improvement.

- e. Average monthly obligation of the defaulted arrear BST as approved by the Commission in the RST order for 2008-09 and 2009-10 and for the subsequently years, if any.
- f. The balance amount towards arrear of BSP dues as approved in the securitization order of the Commission dated 01.12.2008.

(B) **From Arrear Revenue**

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

- (i) 50% of the monthly arrear collection would be utilised towards payment of the balance arrear revised salary worked out up to 31.3.2009.
- (ii) Balance 50% of the monthly arrear collection would be utilized towards arrear BST dues as approved in the securitization order dated 01.12.2008.

2. Aggrieved with the order, GRIDCO filed petition dtd.08.07.2010 with the Commission for review of the matter. Commission fixed the hearing date on 14.09.2010 on question of admission. On 14.09.2010, Commission dismissed the case because of the default on the part of GRIDCO to attend the hearing in time. GRIDCO on 15.09.2010 requested the Commission through affidavit to recall the order of dismissal on the ground mentioned in the body of the letter. Commission heard the matter on 01.10.2010.

3. During the course of hearing, GRIDCO requested the Commission to reprioritize the order of releasing amount from escrow account to DISCOMs and the priority is required to be given for payment of arrear dues to GRIDCO to enable GRIDCO to meet the revenue gap to some extent. GRIDCO argued that WESCO, NESCO and SOUTHCO have got Rs.382.77 cr. of security deposit which could be utilized for loan repayment and capital expenditure as the same is not routed through escrow. DISCOMs argued that this was not a case of review since GRIDCO has not brought any new fact to the notice of the Commission. As regards security deposit, the representative of DISCOMs stated that the security deposit were pledged with REC and other financial institutions for availing loan towards capital expenditure and as such there was no scope to utilize the amount for repayment of loan and capital expenditure.

4. Commission heard the parties at length and observed that every year while determining the annual revenue requirement, the interest on security deposit payable to

the consumer is considered as an element of revenue requirement. On the other hand the income on interest on deposits including security deposits with banks is considered as miscellaneous income. Hence, Commission directs DISCOMs to furnish year-wise details of security deposits as shown in the books of accounts and as available with them physically. Further, the exact amount of security deposits pledged with the banks for availing loan towards capital expenditure may be furnished to the Commission in details along with the tariff application for 2011-12, so that Commission would relook into the matter while taking decision regarding revenue requirement and escrow relaxation in 2011-12.

5. Coming to the legality and merit of review application, we find that taking into account the urgent need for O&M expenditure, the general expectation of the employees regarding disbursement of their personal entitlements and comfort level required by the financial institutions for sanction of loan to distribution companies for CAPEX programme, the Commission has prioritized the release of fund from the escrow account. Merely revising the priority of release of fund from escrow account will not help GRIDCO in overcoming the financial constraints arising out of the gaps left in its ARR which was expected to be bridged through the earnings from the trading of surplus power and/or UI earning. The financial constraints of GRIDCO and more so of the distribution companies can be eased only if the distribution companies collect enough revenue as approved in the ARR. The real problem lies in commitment of the distribution companies for reduction of loss through 100% billing and collecting atleast 98% of the amount so billed.

6. Since while prioritizing the release of fund from escrow account the Commission have already considered all the relevant issues and there is no error apparent on the record, we do not consider it a fit case for review. However, Commission would revisit the issue in their next tariff order for 2011-12 after taking into account all the relevant materials including the issues raised in the present petition.

7. With these observations and direction the case is accordingly disposed of.

Sd/-
(B.K. Misra)
Member

Sd/-
(K. C. Badu)
Member

Sd/-
(B.K. Das)
Chairperson