

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

**Present:**        **Shri S. P. Nanda, Chairperson**  
                      **Shri B. K. Misra, Member**  
                      **Shri S. P. Swain, Member**

**Case No.05, 06, 07 & 44 of 2013**

**In the matter of:**    **Applications for approval of Business Plan for 3<sup>rd</sup> MYT Control Period starting from 2013-14 to 2017-18 in conformity with the provisions of OERC (terms and Conditions for Determination of Tariff) Regulations, 2004.**

**Case No.05. of 2013**

NESCO		.....Petitioner
Vrs.		
DoE, GoO & Another		.....Respondents
AND		

**Case No.06 of 2013**

SOUTHCO		.....Petitioner
Vrs.		
DoE, GoO & Another		.....Respondents
AND		

**Case No. 07 of 2013**

WESCO		.....Petitioner
Vrs.		
DoE, GoO & Another		.....Respondents
AND		

**Case No.44 of 2013**

CESU		.....Petitioner
Vrs.		
DoE, GoO & Another		.....Respondents

**For the petitioners:**    Shri Sudarsan Nayak, CEO, CESU, Shri M. K. Singh, GM (AT&C), CESU, Shri G. B.Swain, GM (Fin), CSO, NESCO,WESCO & SOUTHCO, Shri Subrat Kumar Routray, DMF(Com. & RA), SOUTHCO, DGM (Economist), Shri D. Agarwal, GM(Fin), WESCO, Shri S. K. Patel, GM(Com), WESCO, Shri K.C. Nanda, DGM(Fin), WESCO, Shri Niladri Khadanga

**For the respondents:**    Shri B. D. Ojha, GRIDCO  
                                  Shri R. C. Mishra, CGM (Fin), OPTCL  
                                  Ms. Niharika Pattanayak, Asst. Law Officer, DoE,GoO.

## **ORDER**

**Date of hearing: 27.11.2013**

**Date of order: 21.03.2014**

1. In compliance to the Section 3 of the Electricity Act, 2003, Govt. of India has notified the National Electricity Policy & Tariff Policy on 12.02.2005 and 06.01.2006 respectively and also notified Rural Electrification Policy on 30.08.2006. As per the mandate of above Policies and in pursuance to Regulation 5(f) of OERC (Terms and Conditions of Determination of Tariff), Regulations, 2004, the Commission directed all the DISCOMs and OPTCL vide letter No.3277 dated 07.05.2012 to file their Business Plan for the 3<sup>rd</sup> Control Period for a period of five years starting from FY 2013-14.
2. The original date of submission of the Business Plan as mentioned in the letter stated above was 30.06.2012. But on the request of the Licensees the Commission extended the date upto 31.10.2012 vide letter No.4232 dated 12.10.2012. However, the DISCOMs have filed their Business Plan proposal on the following dates:  

WESCO	-	03.01.2013
NESCO	-	07.01.2013
SOUTHCO	-	03.01.2013
CESU	-	01.11.2012

Since the filing was done at the time of ARR & Tariff proceeding for the FY 2013-14, the Commission vide letter No.4707 dated 15.01.2013 informed the licensees that the Business Plan of the 3<sup>rd</sup> Control Period will be finalized after tariff proceedings is over.
3. The three Reliance managed DISCOMs i.e. WESCO, NESCO & SOUTHCO submitted the following factors as controllable and uncontrollable factors for the 3<sup>rd</sup> MYT control period.

**Table – 1**  
**Proposed controllable and uncontrollable cost**

Sl No.	Item	Controllable/Non-controllable	Need for Adjustment
1.	Power Purchase Cost	Non-Controllable in case of fuel price increase and / or hydrology failures	Monthly fuel surcharge in the bills
2.	Increase in Employee Expenses	Controllable (However, the impact of wage revision, DA revision etc. may be considered as controllable)	Adjustment based on inflation indices during Annual truing-up.
3.	Administrative & General Expenses	Controllable	Adjustment based on inflation indices during Annual truing-up.
4.	Repair & Maintenance Expenses	Controllable	Adjustment based on Gross Fixed Assets during Annual truing-up.

5.	Interest Cost	Non-controllable	Year-end Adjustment during Annual truing –up.
6.	Depreciation	Controllable	Adjustment based on actual capitalization during Annual truing-up.
7.	Taxes	Non-controllable	As per change in Law during Annual Truing up.
8.	Reasonable Return	Non-controllable	Year-end Adjustment linked to Investments during Annual truing-up.
9.	Variation in sales	Non-controllable	Year-end Adjustment during Annual truing-up.
10.	Losses	Controllable	Adjustment for various in sales during Annual truing-up.

4. CESU submitted the items to be considered as controllable and non-controllable for distribution business.

**Table – 2**

<b>ARR ITEM</b>	<b>Controllable or Uncontrollable</b>
Employees Cost	Controllable
R & M Expenses	Controllable
A & G Expenses	Controllable
Interest & Finance Charges	Controllable
Depreciation	Controllable
ROE	Controllable
Non-Tariff Income	Controllable
Power Purchase Cost	Uncontrollable
Fuel Costs	Uncontrollable
Taxes on Income	Uncontrollable
Inflation	Uncontrollable
Exchange rate variation	Uncontrollable
Force Majeure Conditions	Uncontrollable

#### **Prayers of DISCOMs to the Commission**

##### **5. WESCO/NESCO/SOUTHCO**

- Approve financial restructuring plan of DISCOMs for restructuring of all loans and liabilities.
- Approve ARR for the period from FY 2013-14 to FY 2017-18 including recovery of past uncovered cost and recognition of actual loss level and fixation of realistic loss reduction target in 3<sup>rd</sup> MYT with FY 2012-13 as base year.
- Consider the gap of Rs.1050 crores (for WESCO & NESCO) and Rs.1011 crore (for SOUTHCO) at the beginning of 3<sup>rd</sup> MYT Control Period and suitably address it through increase in tariff hike/Govt. of Odisha subsidy/reduction in BST tariff /adjustment for power sector reserve fund etc.
- Approve the proposal of turnaround strategy.

- Approve the establishment of wholly owned subsidiary of DISCOMs to focus RE works and suitably advise GRIDCO / GOO.
- Approve AT & C loss of FY 2012-13 as base level loss and accordingly fixed the target on the loss reduction target for 3<sup>rd</sup> Control period.
- Consider the serving of the loan liability as first priority on the escrow utilization and enable NESCO/WESCO/SOUTHCO to release fund for CAPEX.

6. **Prayer of CESU**

- To admit the Business Plan document for the 3<sup>rd</sup> Control Period for the FY 2013-14 to FY 2017-18.
- To provide support to input based franchisee in installing Smart Meter /Electronic Meters in the consumer premises.
- To increase RST at least by 5% (excluding the impact of rise in BSP) for all customers or customers segments beginning from the 3rd control period i.e. FY 2013-14.
- To consider actual distribution, AT & C loss while approving the ARR application during the 3rd Control Period, instead of notional figure.
- To reduce cross subsidy at different level.
- To direct Govt. of Odisha to provide subsidy because of lower tariff in case of BPL customers.
- To introduce system loading charges for using in system improvement works.

**Approach to Sales Projection**

7. The Reliance managed DISCOMs have adopted “**Bottom-up**” approach for projecting the energy input to their utility. They submitted that the Bottom up approach is more appropriate as the energy input requirements of licensee depends upon total sales and loss level. Further, they submitted that “**Top-down**” approach adopted by the Commission is misleading as it will lead to notional revenue and over estimation of revenue/income.

CESU have adopted purchase driven approach i.e. “**Top-down**” approach in projecting the energy input to the utilities.

8. A summary of the sales projection of energy submitted by the four DISCOMs is given in the table below:-

**Table – 3**  
**Summary of the Sales Projection (MU)**

	Sales	2013-14	201-15	2015-16	2016-17	2017-18
<b>CESU</b>	LT	3216	3699	4264	4929	5715
	HT	1276	1571	1885	2224	2610
	EHT	1662	1816	2027	2166	2407
	TOTAL	6154	7085	8177	9319	10732
<b>NESCO</b>	LT	2103.27	2588.30	3032.71	3558.54	4175.64
	HT	464.53	547.81	587.21	629.33	674.37
	EHT	1575.02	1787.44	1918.20	1913.25	1999.15

	TOTAL	4142.82	4923.55	5538.12	6101.13	6849.15
<b>WESCO</b>	LT	1715	2069	2450	2860	3302
	HT	1268	1313	1360	1408	1459
	EHT	1450	1490	1530	1575	1622
	TOTAL	4433	4872	5339	5843	6383
<b>SOUTHCO</b>	LT	1533.31	1657.42	1769.49	1908.73	2073.08
	HT	199.74	223.00	229.02	240.17	266.19
	EHT	426.02	531.98	663.50	705.85	733.78
	TOTAL	2159.07	2412.40	2662.01	2854.75	3073.04

**Proposed AT&C Loss, Distribution Loss and Collection Efficiency Reduction Trajectory**

9. The REL managed DISCOMs submitted that the effective reduction in AT&C loss as targeted for the next 5 years is significantly realistic and the DISCOMs are committed to achieve it.

10. As stated by them, the Govt. of Odisha notified the CAPEX programme in October, 2010 along with the loss reduction in the project implemented areas, the extract of which is given as under.

*“The DISCOMs shall be required to achieve the AT&C loss reduction target of minimum 3% p.a. in the project area during the implementation period. The Detailed Project Report (DPR) may specify the year wise AT&C loss reduction target calculated @ 3% per year for the total project period on cumulative basis.”*

11. Thus, keeping this fact on view, the REL DISCOMs have applied the Govt. of Odisha recommendation under the Capex programme to the base year loss and computed what could be the reasonable targets as proposed under CAPEX programme.

CESU submitted that based on the guidelines issued on CAPEX programme as well as target fixing mechanism in R-APDRP scheme CESU will reduce AT&C loss by 3% every year during the control period. Collection Efficiency as fixed by the Commission in MYT guidelines is considered at 99% for all the five years under the control period.

12. The projected AT&C loss, Distribution Loss and Collection Efficiency of four DISCOMs are given below:-

**Table – 4**  
**Projected AT&C loss, Distribution Loss and Collection Efficiency(in %)**

Particulars	Existing Level Business Plan					
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>CESU</b>						
AT&C Loss		35	32	29	26	23
Distribution Loss		34.3	31.3	28.3	25.3	22.2
Collection Efficiency		99	99	99	99	99
<b>NESCO</b>						
AT&C Loss	34.35	33.08	31.06	29.03	27.48	25.55
Distribution Loss	33.45	32.53	30.46	28.39	26.77	24.78
Collection Efficiency	99	99	99	99	99	99
<b>WESCO</b>						
AT&C Loss	39.24	35.65	32.68	29.71	26.74	23.77

Distribution Loss	38	35	32	29	26	23
Collection Efficiency	98	99	99	99	99	99
<b>SOUTHCO</b>						
AT&C Loss	45.17	41.83	37.79	34.78	31.76	28.30
Distribution Loss	43.47	40.03	36.52	33.45	30.37	26.83
Collection Efficiency	97	97	98	98	98	98

13. CESU in its submission stated that during 3<sup>rd</sup> control period the technical losses is estimated to be reduced by 7% and commercial losses by 8%. To carry out the loss reduction programme a capital investment plan of Rs.731 crore is prepared.
14. The following activities will be under taken by CESU in its CAPEX programme, specifically for reduction of technical loss.
  - (a) Re-conductoring of O.H. line Conductor (33 KV and 11 KV)
  - (b) New O.H. Line AAAC – 33 KV (in KM)
  - (c) Capacitor Banks (Nos.)
  - (d) Load Balancing and proper earthing
  - (e) Tree Pruning
15. For reducing the commercial loss CESU has envisaged the following measures to be adopted for reducing commercial loss.
  - (a) Energy Accounting and Energy Audit
  - (b) MRT Squad operations
  - (c) 100% metering and billing
  - (d) Replacement of LT conductor with AB Cable
  - (e) Use of IT as an Analytical Tool
  - (f) Input Based Franchise Operations

Accordingly, an investment plan of Rs.197 crore for reduction of commercial loss and Rs.135 crore on IT infrastructure under CAPEX programme is being implemented.
16. The REL managed DISCOMs proposed the following measures to be taken up for loss reduction.
  - Intensive of vigilance and enforcement of activities at each division and subdivision level
  - Initiatives to make the Energy Police station well equipped, trend manpower, technology and infrastructure
  - Quality assurance to installation audit
  - Installation of AMR for high valued consumer, installation of pre paid meters and installation of pillar box metering.
  - Carrying out of planned O & M activity of lines and substations
  - Installation of capacitor banks

- Energy Audit at all 33 KV, 11 KV and DTR level.
- Regular maintenance of 33/11 KV substation

#### **Power Purchase during control period**

17. The DISCOMs have submitted the following projection towards power purchase

**Table – 5**

#### **Power Purchase (in MU)**

<b>DISCOMs</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-15</b>	<b>2016-17</b>	<b>2017-18</b>
CESU	9373	10315	11401	12467	13799
NESCO	6140	7080.45	7733.33	8331.45	9105.38
WESCO	6821	7165	7520	7896	8290
SOUTHCO	3600	3800	4000	4100	4200

#### **O&M Expenses projection**

18. The Reliance managed DISCOMs have projected the O&M expenses as summarized below:

- **Employee Expenses-** The employee expenses has been escalated by 10% on year to account for inflation. Also for FY 2015-16, 30% increase has been considered on account of 7<sup>th</sup> Pay Commission / Wage Board Revision. The Wage Board Revision Arrears from April-2015 and 7<sup>th</sup> Pay Commission arrears from January 1, 2016 has been reflected in three installments and the first installment is payable during FY 2017-18.
- **A&G Expenses –** The A&G expenses has been escalated by 7% year on year to account for inflation as per WPI and additional expenses has also been considered to meet the increase in A&G expenses towards load growth and various initiatives proposed for reducing the losses.
- **R&M Expenses-** 5.4% of the opening GFA of a year has been considered as R&M expenses of that particular year. R&M expenses have also been considered for the projects completed under RGGVY, BGJY and DESI schemes.
- **Provision for Bad Debts –** Provision for bad debts is considered as the collection inefficiency in the LT category consumers.

19. CESU Submitted that the Annual Revenue Requirement based on the MYT principle on A&G expenses, R&M expenses, depreciation etc.

#### **Depreciation**

20. The method adopted for calculated depreciation by Reliance managed DISCOMs is straight line method at pre-92 base.

#### **Return on Equity**

21. The return on equity has been considered at 16% as per earlier order of the Commission.

#### **Interest Expenses**

22. As submitted by REL managed Discoms the interest on new and existing loan based on the following assumption.

- World Bank Loan – The interest on World Bank loan has been considered @ of 13% per the subsidiary loan and project implementation agreement with the Govt. of Odisha considering 30% of loan as grant and balance 70% as loan.
- APDRP Loan – In APDRP Scheme 50% loan received from Govt. has treated as grant and balance 50% loan carrying interest @ 12% per annum.
- New Loan for CAPEX Courter Part Funding – For CAPEX, courter part funding to be arranged from REC/PFC has been considered @ 13.5% per annum and from other sources it is estimated at 11% p.a.
- Loan and Grant from Govt. of Odisha towards CAPEX – The Discoms considered 4% rate of interest on the soft loan to be received from State Govt. over and above the amount of grant.
- GRIDCO Loan and BST outstanding – The REL managed DISCOMs expressed their inability to liquidate the past dues of GRIDCO as per the direction of the Commission dated 20.07.2006 and 01.12.2008 vide case No.115/2004. They proposed complete restructuring of Balance Sheet so as to attract financial institutions and other lenders to sanction soft loans to DISCOMs for servicing the past liabilities.
- Interest on Security Deposit – The REL managed DISCOMs estimated the same @ 6% on the closing balance of security deposit amount for next five years.
- Interest on Working Capital – The interest on working capital is calculated based on FOR guidelines.
- Appropriation for Contingency Reserve – Assume @ 0.375% of the opening GFA.

23. **Estimation of Revenue**

- The REL managed DISCOMs as well as CESU have estimated the revenue from retail sales at existing tariff.

**Commission's analysis of the submission of DISCOMs**

24. The Commission fixed the date of hearing on 26.07.2013. Before the date of hearing the following clarifications were sought for from the DISCOMs on 24.7.2013:-

- Details of Load Forecast and Power Procurement Plan must be submitted for the Business Plan period.
- The investment plan linked to loss reduction plan and system improvement plan needs to be spelt out in greater detail, particularly in taking up projects in the identified areas covering all consumers fed from single 11 KV feeder and / or one 33/11 KV Grid S/s.
- The source of funding the projects during the control period needs to be elaborated.
- The bifurcation of actual technical loss and actual commercial loss feeder wise/ and S/s wise for the base years (FY 2011-12 & 2012-13) needs to be furnished as baseline data in order to make realistic forecast for the 3<sup>rd</sup> Control Period.



- There is no technical loss study based on which the future projection is done which needs to be elaborated with the action plan during the control period and real field study to justify such plan
  - Action plan for liquidation of outstanding receivables of DISCOMs has not been spelt out.
  - For arriving at a realistic demand forecast to be considered in the Business Plan, this needs to be synchronised with the plan of OPTCL and GRIDCO. Steps taken by DISCOMs in this regard may be furnished.
  - Action taken by DISCOMs for liquidation of the receivables of GRIDCO as per Commissions direction dtd. 01.12.2008 in Case No. 115/2004 has not been mentioned and plan of action for the 3<sup>rd</sup> Control period needs to be furnished.
  - The Commission in case no. 107/2011 dtd. 29.03.2012 has settled the issue of NTPC Bond repayment by WESCO, NESCO and SOUTHCO. After initial payment as per the scheduled, no payment has been made by these companies to GRIDCO in violation of the said order. The payment of such outstanding needs to be spelt out during the 3<sup>rd</sup> Business Plan period in addition to the details to be furnished by the DISCOM.
25. During the hearing on 26.7.2013 the Commission adjourn the same because the DISCOMs had not submitted the reply to the queries. Further, the Commission directed the Respondent GRIDCO to file their comments on the Business Plan of DISCOMs within 2 weeks on serving the copy on the other side. DISCOMs were also directed to serve the copy to OPTCL within 3 days along with the clarifications sought for by the Commission from DISCOMs on 24.7.2013.
- The Licensees replies to the queries on the following dates:-
- |         |              |
|---------|--------------|
| CESU    | - 05.08.2013 |
| WESCO   | - 07.10.2013 |
| NESCO   | - 10.10.2013 |
| SOUTHCO | - 07.10.2013 |
26. The Reliance managed DISOMs in their replies to the queries submitted the following:-
- (1) The details of load forecast data has been submitted to OPTCL on 16.4.2013, 21.5.2013, 19.2.2013 by SOUTHCO, NESCO & WESCO respectively.
  - (2) The Investment Plan linked to loss reduction programme and system improvement programme has been submitted by the DISCOMs.
  - (3) The DISCOMs submitted the source wise funding of the project from 2011-12 to 2015-16 under revised Capex Scheme.
  - (4) For availing the counterpart finance from the State Govt. under Capex scheme the Reliance managed DiSCOMs need to raise an amount of Rs.732 crore towards counterpart funding, but the funding agencies such as REC stipulated the following conditions to release fund.
    - (a) State Govt. guarantee/ Bank guarantee

or

The loan to NESCO, SOUTHCO & WESCO should be secured by hypothecation of 100% charge free existing assets and 100% future assets to be created out of the loan amount sanctioned.

- (b) Default Escrow should be provided to REC on 1<sup>st</sup> Charge Paripasu basis on the main revenue accounts of DISCOMs to the tune of maximum monthly installment of the repayment of principal and interest.

Therefore, to raise counterpart funding, the DISCOMs suggested the following:-

- (i) Govt. of Odisha may sanction soft loan towards counterpart funding of the Capex programme.
- (ii) Creation of a Consumer Development Fund by allowing DISCOMs to collect 25 paise per annum from the consumers to be used as counterpart funding for system improvement work.
- (iii) DISCOMs may be allowed to retain Electricity Duty (ED) collected by them for next 3 years.
- (iv) GRIDCO may release the hypothecated assets of DISCOMs.
- (5) With regard bifurcation of actual technical loss and actual commercial loss feeder wise / substation wise the DISCOMs replied that they have initiated Consumer Indexing and DTR wise loss computation exercise only for those 11 KV feeder which have high losses. Rest of the feeders could not be taken up due to tariff imbalance and stringent Escrow policies. Further, as submitted by DISCOMs, no response has received from the vendors who were selected by the DISCOMs to do the energy audit. As such no data has been provided on segregation of technical and commercial loss.
- (6) Regarding action plan for liquidation of outstanding receivables of DISCOMs from consumer , the DISCOMs did not submit any Detail Action Plan, rather requested the Commission for giving direction to conduct receivable audit from 01.4.2005 31.3.2012 along with audit of outstanding as on 31.3.1999. However, the DISCOMs submitted the outstanding arrear as on 31.3.2012 shall be collected within a span of 5 years @ 10% per annum. The gross receivable as per audited account as on 31.3.2012 the yearly collection amount is given in the following table.

**Table - 6**

**(Rs. In Crore)**

	<b>WESCO</b>	<b>NESCO</b>	<b>SOUTHCO</b>	<b>TOTAL</b>
Sundry Receivables as on 31.03.2012	443.11	321.00	167.35	931.46
Yearly Collections over 5 years	44.31	32.10	16.74	93.15

- (7) Regarding liquidation of receivables of GRIDCO as per the Commission's direction dated 01.12.2008 , the DISCOMs submitted that the carrying out of the order of the Commission depends upon implementation of the orders of the Appellate Tribunal by the Commission in the following cases:-

- a. Judgment dtd.03.07.2013 - Appeal Nos.26-28 of 2009
- Appeal Nos.160-162 of 2010
- Appeal Nos.147-149 of 2011
- Appeal Nos.193-196 of 2012
- b. Judgment dtd.08.11.2010 - Appeals Nos.55-57 of 2007
- c. Judgment dtd.09.11.2010 - Appeals Nos.58-59 of 2007
- d. Judgment dtd.13.12.2006 - Appeals Nos.77-79 of 2006

The Licensees further submitted that with the implementation of the above ATE by the Commission DISCOMs shall have financial relief of around 4300 crores which will be sufficient to liquidate all the outstanding liabilities of GRIDCO.

- (8) Regarding clearance of outstanding NTPC bond repayment by WESCO, NESCO & SOUTHCO the DISCOMs requested to adjust 100% arrear dues of govt. against loan/bond amount.

## 27. CESU

1. CESU submitted the long term demand forecast along with the power procurement plan from 2013-14 to 2017-18 as per the table given below:-

**Table – 7**

Financial Year	2013-14	2014-15	2015-16	2016-17	2017-18
EHT sale in MU	1501	1599	2089	2498	2624
HT sale in MU	1182	1571	1885	2224	2610
Lt sale in MU	3429	3567	3781	4071	4383
Total Sale in MU	6111	6737	7755	8793	9617
Total Input	7937	9807	10813	11763	12364
Distribution Loss in %	23%	31.31%	28.28%	25.25%	22.22%
Power Procurement	7937	9807	10813	11763	12364
Peak Demand	1449	1679	1866	2034	2203

The power procurement plan along with the long term demand forecast has been submitted to M/s OPTCL.

2. CESU submitted the investment plan of Rs.2132 crore under the following heads:-
- System Improvement Plan for Rs.949 crore
  - Commercial Loss Reduction Plan for Rs.649 crore
  - Technical Loss Reduction Plan for Rs.399 crore
  - IT infrastructure plan for Rs.135 crore.
3. The source of funding of the Investment Plan for the period of 2013-14 to 2017-18 as discussed above is given below:
- Investment through CAPEX -967 Crore
  - Investment through RGGVY - 101 Crore
  - Investment through BSVY - 5 Crore
  - Investment through DESI - 86 Crore
  - Investment through Franchise

• Scheme/RGVY II	- 807 Crore
• Investment through SI Scheme	- 46 Crore
• Investment through R-APDRP/Franchise	- 120 Crore
<b>Total</b>	<b>- 2132 Crore</b>

4. Regarding bifurcation of actual commercial and technical loss CESU has submitted that the study is not available feeder wise as 100% metering at Distribution Transfer (DT) level and DT wise 100% consumer indexing has not been completed. However, in some cases Energy Audit activities are carried out at 33 KV level, 11 KV level and DT level. Based on this study a few 33 KV feeders, 11 KV feeders and DTS the technical loss estimated by CESU in the distribution network works out to 13.79% or 14%. The break up is given below:-

33 KV level	4.01%
11 KV level	6.11%
LT level	3.67%
	-----
<b>Total</b>	<b>13.79% or to say 14%</b>

As submitted by CESU the study undertaken on these feeders and DT may not be representative in character as they are located in urban areas where the length of feeder is small. Therefore, the overall technical losses will be more than 14%.

Regarding determination of commercial loss in distribution network CESU stated that the commercial loss will vary in 1% in CDD I to 43% in Marshaghai feeder. It is very low in CDD 1 and Rasulgarh subdivision and very high in Marshaghai, Balugaon, Athagarh, CED & Nayagarh.

5. Action Plan to Study Technical Loss as submitted by CESU the Distribution Franchisee will conduct study at 33 KV, 11 KV and DT level in 15 divisions as a condition of distribution franchise agreement. In remaining 5 divisions 100% consumer indexing have been done in respect of 1,60,000 consumers out of total 3,33,000 consumers. The remaining consumer indexing work will be completed within one year.
6. Regarding Action Plan and Liquidation of outstanding receivables CESU has engaged Distribution Franchisee in 15 Divisions where incremental revenue beyond the baseline price will be shared between CESU and Franchisee. This will motivate the franchisee to collect the arrear. CESU is also monitoring the progress of arrear realization from consumers having arrear Rs.1,00,000/- and above.
7. Regarding Action Plan liquidation of outstanding dues of GRIDCO, CESU submitted that all its outstanding dues will be liquidated by 2020-21.
28. GRIDCO, in its reply in respect of the Business Plan of DISCOMs, has made the following submissions:

➤ **Approach for sales projection :**

As stated in paragraph 2.2, page 57-60 of the application of NESCO (the RIL managed DISCOMs having identical submissions), the “Bottom-up”

approach, by grossing up the sales with actual losses, leads to adding up of excess cost due to inefficient operations of DISCOMs. Hence, this approach is not acceptable to GRIDCO. GRIDCO suggests that the same *Top down* approach may also be continued for the third control period. They have also added that CESU has not objected to the present system of energy estimation through the *Top down* approach and, therefore, there is no reason as to why there will be any difficulty in case of the RIL managed DISCOMs in following the same approach.

➤ **Energy projections by the DISCOMs :**

GRIDCO has submitted that DISCOMs have not consulted GRIDCO with regard to the energy projection made in their Business Plan applications. GRIDCO being the state designated entity to effect power purchase as bulk supply licensee for supply of energy to DISCOMs, it is the duty of DISCOMs to consult GRIDCO before finalizing their energy projections.

The issue of GRIDCO fulfilling the projected energy demand, are dependent on several variables like generators coming up in time and their readiness to supply power to GRIDCO as per the plan and the PPA entered into by them with GRIDCO, the availability of transmission corridors to evacuate the energy from the point of generation to the load centres and the capability of DISCOMs to pay for the energy delivered to them.

➤ **Uniform bulk supply price during the Business Plan period :**

GRIDCO had submitted that all the DISCOMs have assumed the Bulk Supply Price (BSP) for purchase of energy from GRIDCO to remain constant throughout the control period which is not realistic since the power purchase price is treated as uncontrollable.

➤ **Non-payment of outstanding as well as current dues by the DISCOMs :**

GRIDCO has submitted that the financial position of DISCOMs are precarious due to unsustainable and high losses in their books of accounts because of which DISCOMs are regular defaulters in payment of power purchase bills both for past drawls and current drawl of energy. GRIDCO is the worst sufferer since DISCOMs do not address the liquidation of past BSP and loan dues (in the present Business Plan) which now stands at about Rs.5338.04 crore as on 30.09.13.

➤ **Reduction of Distribution/AT&C losses & the Base Year :**

GRIDCO has pointed out that DISCOMs are yet to reduce annual losses by 3% as directed by the Commission (while approving the 1<sup>st</sup> Business Plan of DISCOMs) instead of 5% reduction suggested by the Kanungo Committee. GRIDCO further submitted that Commission may consider fixation of the benchmark loss levels and the annual loss reduction trajectory equal to those approved in the ARR and RST orders instead of considering FY 2012-13 as the Base Year by adopting the actual AT&C loss of the year as the starting point as suggested by the DISCOMs.

29. The Respondent, Department of Energy, GOO submitted its views on the following issues:

**(A) Reduction of Distribution & A & T Loss**

The Department of Energy submitted that the suggestions of DISCOMs may not be accepted by the Commission while fixing the benchmark loss level and annual loss reduction trajectory as DISCOMs in past did not stand by their commitment made by them.

**(B) Proposal for setting up of a wholly owned subsidiary of DISCOMs for RE work**

The DoE, GoO does not subscribe such a proposal as it leads to duplication /multiplication of efforts considering that Central as well as State Govt. Scheme like RGGVY, BGJY in the field of Rural Electrification are already under operation.

**(C) Govt. of Odisha Soft Loan to DISCOMs for Counter Part Funding under CAPEX**

Govt. of Odisha has already extended support to DISCOMs for infrastructure development to distribution sector. Hence, asking for soft loan from govt. is uncalled for.

**(D) Creation of Consumer Development Fund**

Suggestion of DISCOMs is undesirable as it is unnecessarily burden to consumers.

**(E) Retention of Electricity Duty by DISCOMs**

The suggestion of DISCOMs to retain Electricity Duty for their own use is unlawful and may not be acceptable.

**(F) The Govt. of Odisha further submitted that the current Business Plan of R-Infra managed DISCOMs for the 3<sup>rd</sup> Control Period do not envisages any plan for infusion of capital either in form of equity or loan by the major investors and the DISCOMs have not been able to be viable on their own even after 14 years.**

**Commission's Observations**

30. The Business Plan of the DISCOMs deals with several issues starting from demand forecast, key performance indicator such billing efficiency, collection efficiency, distribution loss, AT&C loss, capital investment for system improvement and expansion, IT intervention and consumer service etc. All the above issues have a direct impact on the tariff. The Business Plan is a product of Multi Year Tariff strategy adopted by the Commission as mandated in the National Tariff Policy. The Commission had issued the MYT Order dated 20.3.2013 in case No.1 of 2013. The aims and objectives of the National Electricity Policy are to be achieved as indicated in Para 2 of the said Policy. They are as follows:-

- (i) Access to Electricity
- (ii) Availability of Power
- (iii) Supply of reliable and quality power of specified standards in an efficient manner at reasonable rates.
- (iv) Financial turn around and commercial viability of electricity sector.

- (v) Protection of consumer interests.

To attain the above objectives the Business Plan shall cover

- (a) Measures to be taken for reduction of technical and commercial losses including investment requirement.
  - (b) Reduction of cross-subsidy
  - (c) Encouragement of competition.
31. Comprehensive, timely and reliable data capable of independent verification is an essential requirement under the Business Plan. Reliable and timely information will help the Commission effectively approving the Business Plan based on the performance target.
32. The Commission observes that the Utilities have not improved upon their own performance within stipulated time frame by upgrading their managerial skill and efficiency and by scrupulously adhering to certain operational norms like reduction of distribution loss, attaining certain level of billing and collection efficiency, avoiding cost overrun and time overrun for executing a project. The target set by the Commission during 2<sup>nd</sup> Control Period and the actual as per audited account is given below:-

**Table-8**  
**Target vrs. Actual AT&C Loss and other Figures for DISCOMs**  
**in Control Period FY 2003-04 to 2007-08**

	2008-09			2009-10			2010-11			2011-12			2012-13		
	Approved in BP	Approved in ARR	Actual (Aud)	Approved in BP	Approved in ARR	Actual (Aud)	Approved in BP	Approved in ARR	Actual (Aud)	Approved in BP	Approved in ARR	Actual (Aud)	Approved in BP	Approved in ARR	Actual (Aud)
<b>PURCHASE OF POWER (MU)</b>															
CESU	5672.6	5300.00	5679	6377.3	6045.0	6232.67	6420.0	6420.0	7069.359	7722.2	7791.0	7233.05	7868.1	8236.0	7398.92
NESCO	4545.0	4660.00	4544.98	4783.6	4285.0	4705.451	5122.0	5122.0	5108.93	5645.0	5323.0	5023.401	5769.5	5306.0	5045.359
WESCO	6378.5	5680.00	6378.44	6385.5	6430.0	6301.00	6244.0	6244.0	6510.881	6720.0	6630.00	6177.75	6800.0	6496.0	6391.257
SOUTHCO	2175.8	1980.00	2175.78	2316.8	2161.0	2285.68	2368.0	2368.0	2555.64	2848.0	2733.00	2814.13	3083.0	3047.00	2948.887
ALL ORISSA	18771.8	17620.00	18778.2	19863.2	18921.0	19524.801	20154.0	20154.0	21244.81	22755.2	22477.00	21248.33	23520.7	23085.00	21784.42
<b>SALE OF POWER (MU)</b>															
CESU	4010.5	3746.85	3384.3	4700.1	4454.9	3775.08	4791.3	4792.3	4361.447	5868.9	5921.16	4469.79	6058.4	6341.72	4658.34
NESCO	3386.0	3471.70	2973.71	3683.4	3299.5	3175.14	4176.5	4176.3	3435.593	4459.4	4343.57	3301.531	4710.8	4332.25	3282.867
WESCO	4783.8	4260.26	4238.25	4948.8	4983.5	4089.90	4999.6	499830	3978.719	5396.2	5323.89	3775.04	5467.2	5222.78	3945.343
SOUTHCO	1513.9	1377.63	1136.21	1669.9	1557.6	1187.82	1709.2	1709.1	1323.38	2093.3	2008.76	1507.67	2296.8	2270.01	1660.673
ALL ORISSA	13694.3	12856.44	11732.47	15002.2	14295.6	12227.94	15676.5	16676.5	13099.14	17817.8	17597.37	13054.03	18533.3	181666.87	13547.22
<b>DISTRIBUTION LOSS (%)</b>															
CESU	29.30	29.30	40.34	26.30	26.30	39.43	25.37	25.37	38.30	24.00	24.00	38.26	23.00	23.00	37.04
NESCO	25.50	25.50	34.57	23.00	23.00	32.52	18.46	18.46	32.75	18.40	18.40	34.28	18.35	18.35	34.93
WESCO	25.00	25.00	33.55	22.50	22.50	35.09	19.93	19.93	38.89	19.70	19.70	38.89	19.60	19.60	38.27
SOUTHCO	30.42	30.40	47.78	27.92	27.92	48.02	27.82	27.82	48.22	26.50	26.50	47.52	25.50	25.50	43.68
ALL ORISSA	27.05	27.00	37.50	24.47	24.45	37.24	22.22	22.22	38.34	21.70	21.70	38.28	21.20	21.29	37.81
<b>COLLECTION EFFICIENCY (%)</b>															
CESU	95	95	91.80	98	98	97.09	98	98	95.63	99	99	94.28	99	99	89.8
NESCO	95	95	92.50	98	98	95.24	98	98	92.38	99	99	92.84	99	99	91.63
WESCO	96.6	96.56	93.86	98	98	98.38	98	98	91.32	99	99	89.31	99	99	92.79
SOUTHCO	94	94	94.21	98	98	95.89	98	98	91.54	99	99	89.32	99	99	93.88
ALL ORISSA (*)	95.4	95.45	92.98	98	98	96.96	98	98	93.06	99	99	91.89	99	99	94.10
<b>AT &amp; C LOSS (%)</b>															
CESU	32.84	32.84	45.23	27.77	27.80	41.19	26.86	26.86	41.00	24.76	24.76	41.79	23.77	23.77	43.46
NESCO	29.23	29.00	39.48	24.54	24.50	35.73	20.09	20.09	37.87	19.22	19.22	38.06	19.17	19.17	40.38
WESCO	27.55	28.00	37.63	24.05	24.00	35.74	21.53	21.53	44.20	20.50	20.50	44.88	20.40	20.40	42.72
SOUTHCO	34.59	34.60	50.80	29.36	29.40	50.16	29.27	29.27	52.60	27.24	27.24	53.12	26.25	26.25	47.13
ALL ORISSA (*)	30.40	30.36	41.89	25.98	26.00	39.15	23.77	23.77	42.62	22.48	22.48	43.29	21.99	22.08	41.48

(\*) NB: AT & C Loss of All ORISSA has been calculated based on average collection efficiency of DISCOMs

From the table it is seen that none of the DISCOMs have attained the target on the performance parameter assigned to them. During different tariff hearing and performance review meeting, the DISCOMs have cited numbers of reasons for not achieving the same. From the experience of the 1<sup>st</sup> and 2<sup>nd</sup> Control Period the Commission feels that for correct AT&C loss estimation, it was essential that losses were segregated into technical and non-technical (commercial) loss. Such segregation of loss should be the starting point of energy accountancy and audit. Therefore, the first step is to determine the technical loss accurately. The technical loss so computed should be subtracted from AT&C loss to derive the commercial loss.

33. The Commission views that third party verification of technical data submitted by the utility is crucial, before such data was taken into account for the purpose of fixation of tariff. After segregation of technical and commercial loss, baseline data should be compiled for each division and the company as a whole.
34. Although Commission directed the licensee to submit the actual technical loss and commercial loss feeder wise/ and substation wise for the base years, i.e. 2011-12 and 2012-13, the REL managed DISCOMs have not given any information on the following grounds:-
  - (i) The DISCOMs could not carry out energy audit due to imposed financial constraints.
  - (ii) Non response by the 3<sup>rd</sup> party to the advertisements made by DISCOMs for outsourcing energy audit.
  - (iii) Difficulty to avail counterpart funding under Capex Programme due to not availability assets security and provide charge on DISCOMs receivables in favour of Financial Institutions (FIs) and Banks.
35. Only CESU could give some information which is not systematic.
36. The Commission observes that the DISCOMs have not done any technical study for which the segregation of technical and commercial loss could not be determined accurately, supported by real field study. In view of above the Commission can't proceed with the sales figures as proposed by DISCOMs for estimating the quantum of power purchase for the control period. Therefore, the Commission thinks it appropriate to continue with the same '**Top Down**' approach for the 3<sup>rd</sup> Control Period which is indicated in the OERC (Terms and Conditions for Determination of Tariff) Regulations, 2004.
37. The Commission for the last 12 years has been constantly directing the DISCOMs to take proactive steps with regard to Energy Audit, full scale metering, collection of arrears and taking action against the theft of electricity. But the performance of DISCOMs in this regard has been dismal. The inaction of the distribution companies is evident from their loss level in the 2<sup>nd</sup> Control Period.
38. In the mean time the Commission has prepared a draft OERC (Terms & Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2013 in accordance with Section 181 read with Section 61 & 62 of the Electricity Act, 2003.
39. Before finalization of the said Regulation, the Commission has invited opinion of general public/stakeholder through publication under Section 181(3) of the Electricity Act, 2003. After receiving the responses, the Commission may bring modification to the proposed regulation and approve the same for publication in official Gazette.



40. One of the main features of the proposed Regulations is the direction of the Licensees to file Business Plan of wheeling activity and Retail Supply activity separately. As this Regulation having an important bearing on the Business Plan is going to be finalized with a period of two months, approving the Business Plan of the DISCOMs under the existing format for the entire five year of the 3<sup>rd</sup> Control Period is considered in appropriate. In view of this, the Commission decides to restrict the approval of different parameters of the Business Plan filed under the present format only for the FY 2013-14 and 2014-15. Business Plan for the next three years of the control period will be decided and dealt with under the revised Regulations likely to be finalized within a period of two months.
41. Before finalizing the Annual Revenue Requirement, the DISCOMs failed to submit the Business Plan for the 3<sup>rd</sup> Control Period beginning with the financial year 2013-14. The Commission therefore, constrained to fix the distribution loss target for FY 2013-14, similar to the last year of the 2<sup>nd</sup> Control Period i.e FY 2012-13. A table showing approval of Power Purchase and Sale of DISCOMs and approval of distribution loss, collection efficiency and AT & C loss is given below:-

**Table – 9**  
**Approval of Power Purchase and Sale for DISCOMs for FY 2013-14 (In MU)**

	CESU		NESCO		WESCO		SOUTHCO		ALL ODISHA
	Proposed	Approved	Proposed	Approved	Proposed	Approved	Proposed	Approved	Approved
Purchase	8210.47	7937.00	6140.24	5269.00	6821.00	6655.00	3600.00	3187.00	23048.00
EHT Sales	1500.92	1500.92	1575.02	1605.66	1450.00	1500.52	426.02	434.17	5041.26
HT Sales	1181.94	1181.94	464.52	464.52	1268.00	1268.00	199.74	199.74	3114.20
LT Sales	2900.25	3428.63	2103.28	2231.96	1715.00	2582.10	1533.31	1740.41	9983.10
Total Sales	5583.11	6111.49	4142.81	4302.14	4433.00	5350.62	2159.07	2374.32	18138.56

**Table - 10**  
**Distribution Loss, Collection Efficiency & AT&C Loss (in %)**

DISTRIBUTION LOSS (%)	2013-14 (Proposed by the Licensees)	2013-14 (Approved)
CESU	32.00	23.00
NESCO	32.53	18.35
WESCO	35.01	19.60
SOUTHCO	40.03	25.50
ALL ODISHA	34.13	21.29
COLLECTION EFFICIENCY (%)		
CESU	99.00	99.00
NESCO	99.17	99.00
WESCO	98.00	99.00
SOUTHCO	97.00	99.00
ALL ODISHA	98.54	99.00
AT & C LOSS (%)		
CESU	32.68	23.77
NESCO	33.08	19.17
WESCO	36.31	20.40
SOUTHCO	41.83	26.25
ALL ODISHA	35.09	22.08

42. To finalize power purchase, sale for the FY 2014-15 a meeting was called on 04-12-2013 where officers from GRIDCO, CESU, WESCO and NESCO were present. On scrutiny of the quantum of power purchase as submitted by GRIDCO and as submitted by the DISCOMs it was observed that there is a mismatch of data submitted by GRIDCO and DISCOMs. A table showing the quantum of power purchase during 2014-15 as per the filing is given below:-

**Table – 11**

<b>(In MU)</b>									
<b>WESCO</b>		<b>NESCO</b>		<b>SOUTHCO</b>		<b>CESU</b>		<b>TOTAL</b>	
<b>Proposed as per GRIDCO</b>	<b>Proposed as per WESCO</b>	<b>Proposed as per GRIDCO</b>	<b>Proposed as per NESCO</b>	<b>Proposed as per GRIDCO</b>	<b>Proposed as per SOUTHCO</b>	<b>Proposed as per GRIDCO</b>	<b>Proposed as per CESU</b>	<b>As per GRIDCO</b>	<b>As per DISCOMS</b>
7165	7163.50	7080.45	5414.51	3800	3400	9100.39	9100.39	27145.84	25078.40

43. After detailed discussion DISCOMs were directed to submit month wise data of power drawal as well as billing upto November, 2013 by 05.12.2013. In the meantime the DISCOMs have submitted the month wise drawal of power and billing upto December, 2013. Considering the drawal pattern of the DISCOMs from April 2013 to December, 2013 the Commission determines the quantum of power purchase of DISCOMs for the FY 2014-15 as given in the table below.

**Table – 12**

**Approval of Power Purchase and Sale for DISCOMs for FY 2014-15 (In MU)**

	<b>CESU</b>		<b>NESCO</b>		<b>WESCO</b>		<b>SOUTHCO</b>		<b>ALL ODISHA</b>
	<b>Proposed</b>	<b>Approved</b>	<b>Proposed</b>	<b>Approved</b>	<b>Proposed</b>	<b>Approved</b>	<b>Proposed</b>	<b>Approved</b>	<b>Approved</b>
Purchase	9,100.39	9,040.00	5,414.51	5,330.00	7,165.00	6,820.00	3,400.00	3,340.00	24530.00
EHT Sales	1,755.96	1,755.96	1,542.83	1,542.83	1,490.00	1,527.93	413.85	427.03	5,253.75
HT Sales	1,238.18	1,238.18	433.33	449.20	1,313.00	1,313.00	191.68	191.68	3,192.06
LT Sales	3,256.91	3,966.66	1,789.10	2,359.92	2,067.00	2,642.35	1,552.79	1,869.59	10,838.52
Total Sales	6,251.05	6,960.80	3,765.25	4,351.95	4,870.00	5,483.28	2,158.32	2,488.30	19,284.33

**Distribution Loss**

44. As discussed in the para above, the loss reduction trajectory for the entire 3<sup>rd</sup> Control Period cannot be determined now, since the Commission restricts its approval only for FY 2013-14 and FY 2014-15. Hence, the target fixed by the Commission for the FY 2013-14 (ARR) shall be applied for the FY 2014-15 in order to determine the sales level of DISCOMs. Hence, the Commission approves distribution loss targets of DISCOMs (%) as given below:-

**Table - 13**

<b>Distribution Company</b>	<b>2013-14</b>	<b>2014-15</b>
CESU	23.00	23.00
NESCO	18.35	18.35
WESCO	19.60	19.60
SOUTHCO	25.50	25.50

The other performance parameters such as Collection Efficiency, AT&C loss shall remain at the same level as was approved by the Commission for the FY 2013-14.

## **Other Important Observation**

### **Action Plan for collection of outstanding receivables**

45. Reliance managed DISCOMs made a reference to the Commission's Order of 14.1.2011 in Case No.68, 69, 70 & 71 of 2007 (receivable audit for the period from 01.4.1999 to 31.3.2005) in which it was decided in principle to consider the following receivables as bad debts:-

- (i) Receivables of all LD/Permanently disconnected consumers
- (ii) Receivables of Ghost consumers

Accordingly, in the truing up order dated 19.3.2012 the Commission made the adjustment of PDC and Ghost consumers outstanding as on 31.3.2015 from the provision of bad and doubtful debts.

46. Now the Licensee again request the Commission to give direction for conducting the receivable audit for the period from 1.4.2005 to 31.3.2012 by the independent auditors appointed by the Commission. Along with the above exercise, the audit of outstanding as on 31.3.1999 (prior to transfer of distribution business to DISCOMs) may be conducted. On availability of the above report on the collectability of the outstanding the Commission may grant requisite relief.
47. On this issue Commission would like to clarify that Commission in RST order (2010-11 para 472) directed the DISCOMs to update the receivable audit upto 31.3.2009 and complete the process of receivable audit by 31.7.2010. WESCO, NESCO & SOUTHCO in their letter dated 10.6.2010 expressed their inability to update the receivable audit upto FY 2009-10 as directed by the Commission within 31.7.2010. Based on their request on 25.6.2010 the Commission extended the date line of submission of final receivable audit upto by 31.10.2010. Subsequently WESCO, NESCO & SOUTHCO vide letter No.CSO/FIN/1173 dated 28.6.2010 requested for deferment of exercise as the consequential quantitative change may not be so significant as some past non collectible arrear upto March 2005 may have been recovered and some collectible arrears may have been non collectable during the intervening period upto March, 2009. The major objective was to make an assessment of the receivables for creating regulatory assets for the equivalent non-collectible arrears / receivables. Accordingly, the Licensees WESCO, NESCO & SOUTHCO requested the Commission to factor the impact of non-collectible receivables for the period April, 2005 to March, 2009 on best estimation basis. They also requested that the regulatory assets for non-collectible receivables may kindly be considered, based on the findings of the receivable audit upto 31.3.2005. Basing on the requests the DISCOMs the Commission fixed the date of hearing on 20.9.2010 without insisting for updating of receivable audit upto 31.3.2009. This issue has been addressed in details in para 13 & 14 of the order of the Commission in Case No.68, 69, 70 & 71 of 2007 dated 14.1.2011. The salient feature of this order is extracted below:

*"13. WESCO, NESCO and SOUTHCO in their letter on 10.06.2010 expressed their inability to update the receivable audit upto FY 2009 as directed by the Commission within 31.07.2010. Based on their request on 25.06.2010, commission extended the dateline of submission of final receivable audit report upto 31.10.2010. Subsequently WESCO, NESCO and SOUTHCO vide Lr. No. CSO/Fin/1173, dtd. 28.06.2010 requested for deferment of the exercise as the consequential quantitative change may not be so significant, as some*

*past non-collectable arrears upto March, 2005 may have been recovered and some collectable arrears may have become non-collectable during the intervening period upto March, 2009. The major objective was to make an assessment of the receivables for creating Regulatory Asset for the equivalent non-collectable arrears/receivables. Accordingly, the licensees requested the Commission to factor the impact of non-collectable receivables for the period April, 2005 to March, 2009 on best estimation basis. They also requested that regulatory assets for non-collectible receivables may kindly be considered, based on the finding of the receivable audit upto 31.03.2005.*

- “14. The Commission then fixed hearing on 20.09.2010 and the passed the following orders in Suo motu Case Nos.68, 69, 70 & 71 of 2007 and Case Nos.29,30 & 31 of 2007.

Commission heard the parties at length and observed the following:

- (i) The case is pending since long, because of delay in submission of the audit report beyond the scheduled date.
- (ii) The auditors have treated this receivable as non-recoverable based on the certification given by SDOs without going through the merit of the case.
- (iii) The DISCOMs have not done detailed analysis of the report of the auditors.
- (iv) Once the case Nos.68, 69, 70 & 71 are disposed of. Commission will take up the Case No.29, 30 & 31 of 2007 (Truing up) for hearing.
- (v) Commission finally directed the licensees to comply to the queries of Director (Tariff) item wise, before 10<sup>th</sup> October, 2010 which was circulated to them at the time of hearing.”

48. In view of above the Commission observes that the DISCOMs (WESCO, NESCO & SOUTHCO) are not consistent in their submission from time to time on the same issue. Hence, the Commission is not inclined to consider the requests of the Licensee for conducting the receivable audit by the independent auditor from the period 1.4.2005 to 1.4.2012. Regarding conducting of receivable audit of the outstanding as on 31.3.1999 the Commission has already pronounced the order dated 26.07.2013 in Case No.71/2012. So there is no justification to reopen the issue.

49. In para 7 of the order of the Commission dated 14.1.2011 in respect of receivable audit it was mentioned that as per the report of the auditor the total outstanding with the consumers as on 31.3.2005 (including Govt. /PSU) amounts to the following:-

WESCO	685.00 crore
NESCO	464.08 crore
SOUTH	296.15 crore
CESU	<u>108.85 crore</u>
<b>Total</b>	<b>2528.08 crore</b>

50. In para 19 of the order of the Commission dated 14.1.2011 the Commission decided in principle consider the following receivable as bad debt completely.

- (i) Receivables of all LD/permanently disconnected consumers

(ii) Receivables of ghost consumers

The Licensee filed the figures of the PDC and ghost consumers as on 31.3.2005 (para 37 of the Commission's order on truing up dated 19.3.2012 in Case No. 6, 7 & 8 / 2012) which amounts to the followings:-

WESCO - 155.39 Crore  
 NESCO - 222.45 Crore  
 SOUTHCO - 124.75 Crore  
 CESU - 147.86 Crore

51. A table showing the recoverable amount as on 31.3.2005 and the outstanding amount from 2005-06 onwards till 2012-13 is given below:-

**Table - 14**

Particulars	WESCO	NESCO	SOUTHCO	CESU	TOTAL
1.Total amount outstanding with consumers as on 31.03.2005 (including Govt./PSU arrear)	685.00	464.08	296.15	1082.85	2528.08
2. Less Bad Debt on account of PDC & Ghost as mentioned above	155.39	222.45	124.75	147.86	650.45
3. Net receivable as on 31.3.2005	529.61	241.63	171.40	934.99	1877.63
4. Billing during 2005-06(Audited)	786.75	587.86	278.97	699.70	
5. Collection during 2005-06 (Audited)	745.79	535.62	270.52	631.78	
6. Outstanding during 2005-06	40.96	52.24	8.45	67.92	
7. Billing during 2006-07(Audited)	907.80	729.66	290.69	777.32	
8. Collection during 2006-07 (Audited)	861.81	651.02	277.27	724.95	
9. Outstanding during 2006-07	45.99	78.64	13.42	52.37	
10. Billing during 2007-08 (Audited)	1083.51	896.37	305.93	895.03	
11. Collection during 2007-08 (Audited)	1014.79	843.08	294.23	852.97	
12. Outstanding during 2007-08	68.72	53.29	11.70	42.06	
13. Billing during 2008-09 (Audited)	1359.58	873.51	327.78	1027.73	
14. Collection during 2008-09 (Audited)	1287.55	810.51	308.46	941.16	
15. Outstanding during 2008-09	72.03	63.00	19.32	86.57	
16. Billing during 2009-10 (Audited)	1297.90	923.96	335.93	1184.22	
17. Collection during 2009-10 (Audited)	1263.87	888.84	316.17	1084.33	
18. Outstanding during 2009-10	34.03	35.12	19.76	99.89	
19. Billing during 2010-11 (Audited)	1541.37	1242.22	459.60	1731.84	
20. Collection during 2010-11 (Audited)	1419.46	1152.93	422.17	1577.02	
21. Outstanding during 2010-11	121.91	89.29	37.43	154.82	
22. Billing during 2011-12 (Audited)	1785.64	1537.51	622.46	2061.34	
23. Collection during 2011-12 (Audited)	1677.80	1439.55	568.03	1861.35	
24. Outstanding during 2011-12	107.84	97.96	54.43	199.99	
25. Billing during 2012-13 (Audited)	2054.78	1674.90	748.04	2383.32	
26. Collection during 2012-13 (Audited)	1909.12	1490.05	690.32	2226.91	
27. Outstanding during 2012-13	145.66	184.85	57.72	156.41	
28. Total Outstanding from 2005-06 to 2012-13	637.14	654.39	222.23	860.03	
29. Less provision towards bad debts approved by the Commission in the truing up exercise from 2005-06 to 2011-12 and in the ARR for 2012-13.	202.78	138.18	67.99	164.04	
30. Collectible arrear from 2005-06 to 2012-13	434.36	516.21	154.24	695.99	
31. Collectible arrear upto 2012-13	963.97	757.84	325.64	1630.98	

52. **The Commission directs the licensees to collect the arrears shown in table above, within a period of 5 years starting from the financial year 2014-15.**

**Action Plan for liquidation of receivables of GRIDCO as per Commission's direction dated 01.12.2008 in Case No. 115/2004.**

53. The three Reliance managed DISCOMs have not submitted in detailed action plan for liquidation of the arrears of GRIDCO as per Commission's direction dated 01.12.2008. CESU in its submission stated that it will start paying its outstanding dues of GRIDCO from the FY2015-16 and it may liquidate all its outstanding by FY 2020-21.

The Commission vide para 26 of the order 01.12.2008 had mentioned the following:-

*"We order that DISTCOs shall repay the outstanding loans including interest along with securitized BST dues as at 31<sup>st</sup> March, 2005 in 120 monthly (maximum) equal installments starting from the FY 06-07 ending in 2015-16. They shall also continue to pay the monthly BST dues regularly through LC as per the bulk supply arrangement."*

54. **Every year the Commission in its tariff order gives direction to the DISCOMs to pay the outstanding arrears of GRIDCO as per the schedule given by the Commission. But the DISCOMs made continuous default and have not carried out the direction of the Commission. Commission therefore, directs the licensee to clear the dues of GRIDCO by the end of 2015-16 as per the order of the Commission. The Commission shall take a review after FY 2014-15 and may pass necessary directions in this regard to the DISCOMs.**
55. These cases are disposed of accordingly.

Sd/-

**(S.P.SWAIN)  
MEMBER**

Sd/-

**(B. K. MISRA)  
MEMBER**

Sd/-

**(S. P. NANDA)  
CHAIRPERSON**