

**ODISHA ELECTRICITY REGULATORY COMMISSION  
BIDYUT NIYAMAK BHAWAN  
PLOT NO.-4, CHUNOKOLI, SHAILASHREE VIHAR  
BHUBANESWAR - 751 021**

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**Present:      Shri U. N. Behera, Chairperson  
                  Shri A. K. Das, Member  
                  Shri S. K. Parhi, Member**

**Case Nos. 58/2016 and 53, 56 & 57/2017**

**In the matter of:      Applications for approval of Business Plan of DISCOMs for Control Period starting from 2014-15 to 2018-19 in conformity with the provisions of OERC (Terms and Conditions for Determination of Tariff) Regulations, 2014 and OERC (Conduct of Business) Regulations, 2004 as amended thereafter.**

**Case No.56 of 2017**

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

AND

**Case No.57 of 2017**

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

AND

**Case No. 53 of 2017**

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

AND

**Case No.58 of 2016**

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

**For the petitioners:**      Shri M. K. Singh, GM (AT&C), CESU, Shri B. N. Mallick, GM(Fin), SOUTHCO Utility, Sri K. C. Nanda, DGM(Fin.) WESCO Utility, Shri P. Arun kumar, COO, SOUTHCO Utility, Sri P. K. Mohanty, Sr. GM(Fin.), NESCO Utility.

**For the respondents:**      Shri S. K. Sahu, DGM (Fin), GRIDCO Ltd.  
   Ms. Sonali Pattanaik, Dy. Manager(Legal), DoE, GoO.

## **ORDER**

**Date of Hearing: 17.10.2017**

**Date of order: 21.03.2018**

- The Commission had approved the Business Plan of DISCOMs vide its order dt.21.03.2014 in case Nos. 5, 6, 7 & 44 of 2013 for the 3<sup>rd</sup> MYT control period (2013-14 to 2017-18) in conformity to the provisions of the then prevailing Regulation, called OERC (Terms & Conditions for determination of Tariff) Regulations, 2004. The Commission in the said order gave approval of different parameters of Business Plan only for 2 years of the control period i.e. FY 2013-14 & FY 2014-15. This was done in view of the fact that a new Regulation called OERC (Terms & Condition for Determination of Wheeling Tariff & Retail Supply Tariff) Regulation, 2014 which was under draft stage was likely to be published soon.
2. The Commission in the said order further observed that the Business Plan for remaining 3 years of the control period would be decided and dealt with under the new Regulations which was to be notified within two months. The new OERC (Terms & Condition for Determination of Wheeling Tariff & Retail Supply Tariff) Regulation, 2014 was finally notified on 14<sup>th</sup> November, 2014. The new Regulation envisages separation of the distribution business into retail supply business and wheeling business and the Commission shall determine tariff for wheeling of electricity i.e. wheeling tariff and retail sale of electricity i.e. Retail Supply Tariff.
  3. The Commission in the said Business Plan order also gave the following directions:
    - The licensees to collect the arrears as per the receivable amount shown as collectable arrear upto 2012-13 within a period of five years starting from the FY 2014-15.
    - Action Plan for liquidation of liability towards GRIDCO as per Commission's direction dt.01.12.2008 in case No.115/2004.
    - The licensees to clear the dues of GRIDCO by the end of 2015-16 as per the order of the Commission.
  4. In the meantime during the continuance of control period the Commission revoked the licenses granted to NESO, WESCO & SOUTHCO under section 19 of the Electricity Act, 2003 with effect from 04.03.2015 in Case No. 55/2013 order dated 04.03.2015. The Commission in view of the public interest and continuity of power supply to the public at large, under Section 20 (d) of the Electricity Act, 2003, vested the

management and control of the three Utilities of the three revoked companies with the Chairman-cum-Managing Director, GRIDCO as Administrator w.e.f. 04.03.2015, in another order.

5. The three DISCOMs appealed against the order of the revocation of licenses before the Hon'ble Appellate Tribunal for Electricity (APTEL), New Delhi in Appeal No. 64/2015. Hon'ble APTEL in its order dated 21.08.2017 confirmed the order of OERC and allowed the Commission to take necessary steps as per the provisions of the Electricity Act, 2003 for the sale of the three utilities. Subsequently, the DISCOMs filed appeal before the Hon'ble Supreme Court challenging the order of APTEL and such appeal was dismissed by the Hon'ble Supreme Court in Civil Appeal No. 18500/2017 order dated 24.11.2017.

The genesis of the present case is as follows:

6. A petition was filed by CESU in terms of OERC (Terms and conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014 and OERC (Conduct of Business) Regulations, 2004 for approval of Business Plan for FY 2014-15 to FY 2018-19. The Commission registered the said petition as Case No. 58/2016 and issued notices to the Principal Secretary to Govt., Deptt. of Energy, Govt. of Odisha and CMD, GRIDCO Ltd. for their responses. The Commission after hearing all the stakeholders in its interim order dt.07.06.2017 observed the following:

*“5. After hearing the parties and perusal of the case records, we observe that the three other distribution utilities have not filed their business plan for FY 2014-15 to 2018-19 yet. They are impleaded as parties to this proceeding and also are directed to file their business plan application by 20<sup>th</sup> June, 2017 serving copy of the same on GRIDCO Limited, DoE, GoO and the other utilities. GRIDCO Limited is directed to file its reply on the business plan applications of the distribution utilities along with its submission by 27<sup>th</sup> June, 2017 serving copy on the applicants. DoE, GoO is also directed to submit its views on the business plan applications of the distribution utilities by 27<sup>th</sup> June, 2017.”*

7. The case was again heard on 04.07.2017 wherein WESCO, NESCO & SOUTHCO Utilities prayed for time to file their Business Plan. The Commission in its interim order dt.13.07.2017 directed these three utilities to submit the Business Plan by 04.08.2017. The utilities in compliance to the order of the Commission submitted their Business Plan petitions which were registered as case No.53/2017 (WESCO Utility), case No.56/2017 (NESCO Utility) and case No.57/2017 (SOUTHCO Utility).

8. The Commission heard the case on 17.10.2017 analogously for all the four DISCOMs on question of admission as well as on merit and in its interim order dt.20.10.2017 directed the following:
- “3. *Heard the parties at length. CESU is directed to update FY 2016-17 actual figures in their Business Plan proposal. All the DISCOM Utilities are directed to update the data in the Business Plan proposal which must be compatible with the approval of the Commission in the ARR and Tariff Order for FY 2017-18. The DISCOM Utilities and GRIDCO Ltd. submitted that the conciliation of outstanding securitization dues between them with the mediation of OERC officials is yet to be finalized. DISCOM Utilities are directed submit the status of conciliation of dues within seven days from the date of this order.*
4. *All the DISCOM Utilities are directed to submit their strategies for turning around of their Utilities in the year 2017-18 and 2018-19 within seven days of issue of this order. In addition to the above all the parties are directed to submit their written note of submission, if any, within seven days from the date of this order. “*
9. The DISCOM Utility in compliance to the above order of the Commission dated 20.10.2017 filed their compliances with updated actual figures for FY 2016-17 in their Business Plan proposals, status of conciliation of dues and their strategies for turning around of their Utilities in the year 2017-18 and 2018-19.
10. The Commission had asked DISCOM Utilities to base their Business Plan petitions for the period FY 2014-15 to FY 2018-19 in terms Reg.5.1 of the OERC (Determination of Wheeling Supply Tariff and Retail Supply Tariff) Regulation, 2014. The said regulation provides that DISCOM Utilities to file their Business Plan for the entire control period which shall inter alia contain:
- (a) Sales/Demand forecast for each consumer category and sub-category for each year of the Business Plan.
  - (b) Distribution loss reduction trajectory and collection efficiency for each year of the Business Plan.
  - (c) Power procurement plan of the distribution licensee including details of availability of power from renewable energy source as concurred by GRIDCO for each year of the business plan period.
  - (d) The capital investment plan shall be prepared in accordance with the sales/Demand forecast, power procurement plan, distribution loss trajectory, target for quality of supply etc. The capital investment plan shall be consistent with the perspective plan developed by State transmission utility (STU) based

on the data submitted by Distribution licensee. The investment plan should also include yearly phasing of capital expenditure along with the financing plan and corresponding capitalization schedule.

- (e) The appropriate capital structure and cost of financing (interest on debt) and return on equity, terms of the existing loan agreement etc.
  - (f) The operation and maintenance expenses estimated for the base year and two year prior to the base year with complete details, together with the forecast, for each year of the business plan period based on the proposed efficiency in operating costs, norms for O&M cost allowance including indexation and other appropriate mechanism.
  - (g) Details of depreciation based on fair life of the assets and capitalization schedule for each year of the control period.
  - (h) A set of target proposed for other controllable items such as working capital, quality of supply targets, etc. The target shall be consistent with the capital investment plan proposed by the licensee.
  - (i) Proposal for other items such as external parameters used for indexation (inflation etc.)
  - (j) The filings in addition to business plan period shall also contain the data for cost and revenue parameters for the previous five year period.
11. The DISCOM Utilities submitted their respective Business Plans according to above Regulation which are discussed Utility-wise below.

#### **CESU**

12. CESU has based its projection for the control period taking into account actual expenses incurred during FY 2014-15 to FY 2016-17. The following table shows the Revenue gap status showing the total revenue requirement and total revenue. The revenue requirement for FY 2015-16 to FY 2018-19 was recalculated taking into account the impact of the 7<sup>th</sup> Pay Commission's recommendation.

**Table-1**  
**Revenue Gap Analysis – CESU**

		(Rs. Crore)				
		<b>FY 14-15</b>	<b>FY 15-16</b>	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>
		<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Proposed</b>	<b>Proposed</b>
1	Power Purchase	2409.22	2618.88	2364.79	2643.23	2852.29
2	Distribution Costs					
	a) Employees cost	354.07	385.43	405.87	432.23	579.77
	Wage revision arrear	0	0	0	0	0
	b) Repair & Maintenance cost	33.14	26.58	43	128.56	135.51
	c) Admn. & General Expenses	83.11	119.74	114.19	122.18	130.73
	d) Provision for bad and doubtful debts	92.75	166.01	166.01	166.01	166.01
	e) Depreciation	44.69	41.74	46.61	117.95	129.75
	f) Other expenses (Discount to consumers)	57.83	66.55	58.7	61.63	64.71
	g) Less: Expenses capitalized					
	h) Interest and financial charges	131.05	141.04	167.17	312.77	328.41
	i) Less interest capitalized	0	0	0	0	0
2A	Total Expenses (a+b+c+d+e+f-g+h-i)	3205.86	3565.97	3366.34	3984.56	4387.18
3	Special Appropriation					
4	Return on equity	11.64	11.64	11.64	11.64	11.64
5	TOTAL (1+2A+3+4)	3217.5	3577.61	3377.98	3996.2	4398.82
6	Less Miscellaneous receipts					
7	Income Tax (MAT on ROE)					
8	Total Revenue Requirement (5-6-7)	3217.5	3577.61	3377.98	3996.2	4398.82
9	Revenue from tariffs (Full year)	3047.03	3130.26	3108.95	3344.34	3714.3
	Truing up of Current year GAP in FY 2018-19 (1/3rd)					
	Surplus/Gap for the year	-170.47	-447.35	-269.03	-651.86	-684.52

13. CESU has submitted action points to ensure reduction of distribution loss and AT&C loss and improvement in billing and collection efficiency. Improvement in billing efficiency would be achieved by taking measures such as fixing responsibility of feeder and DT managers, consumer tagging, energy audit, regularization of unauthorized consumers, full scale metering, phase balancing, addressing consumer grievances etc. Collection efficiency is to be achieved by multiple payment options to consumers, disconnection drives, thrust on arrear collection, improving of consumer coverage in rural areas by engagement of SHGs. AT&C loss reduction would be achieved through regular review from Head office and other levels.
14. CESU has also undertaken reconciliation with GRIDCO for the period from FY 2005-06 to FY 2015-16. On rebate disallowances the dispute is to the tune of Rs.23.96

- crore. CESU also claims to have paid Rs.231.37 crore in excess to GRIDCO for the period November, 2012 to March, 2014 beyond the schedule. This needs to be settled by GRIDCO as per Intra-state ABT principle wherein CESU is to pay on the schedule energy cost to GRIDCO.
15. CESU has submitted that the total outstanding towards Bulk Supply Price (BSP) bill of GRIDCO as on 31.03.2017 is Rs.1247.47 crore. CESU has filed petition before the Commission for approval of meter procurement plan of Rs.11.6 crore and Capex plan of Rs.17.58 core.

#### **NESCO, WESCO & SOUTHCO Utilities**

16. The distribution licences of the NESCO, WESCO & SOUTHCO operated and managed by the Reliance Infrastructure Ltd. (R-Infra) were revoked under Section-19 of the Electricity Act, 2003 by the Commission in Case No. 55/ 2013 vide order dt.04.03.2015. As an interim arrangement management of the NESCO Utility, WESCO Utility and SOUTHCO Utility were handed over to the CMD, GRIDCO & OPTCL as Administrator vide OERC order dt.04.03.2015. The three utilities are being managed by the Administrator since revocation of licenses and the Business Plan has been filed by the utilities during such period.
17. The NESCO, WESCO & SOUTHCO Utilities have given the year-wise gap status during the control period which are highlighted in the following tables:

**Table – 2**  
**Revenue Gap Analysis – NESCO Utility**

(Rs. Crore)

		<b>FY (14-15)</b>	<b>FY (15-16)</b>	<b>FY (16-17)</b>	<b>FY (17-18)</b>	<b>FY (18-19)</b>
		<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Proposed</b>	<b>Proposed</b>
1	Power Purchase	1607	1760	1843	1896	1985
2	Distribution Costs					
	a) Employees cost	192	231	230	340	358
	Wage revision arrear	0	0	0	0	0
	b) Repair & Maintenance cost	20	28	72	89	101
	c) Admn. & General Expenses	34	46	51	75	81
	d) Provision for bad and doubtful debts	106	153	86	67	47
	e) Depreciation	16	16	42	53	67
	f) Other expenses					
	g) Less: Expenses capitalized	1				1
	h) Interest and financial charges	71	79	82	83	80

		<b>FY (14-15)</b>	<b>FY (15-16)</b>	<b>FY (16-17)</b>	<b>FY (17-18)</b>	<b>FY (18-19)</b>
		<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Proposed</b>	<b>Proposed</b>
	i) Less interest capitalized	2	2	0	0	0
2A	Total Expenses (a+b+c+d+e+f-g+h-i)	2045	2311	2406	2603	2720
3	Special Appropriation	4	4	4	6.00	7
4	Return on equity	11	11	11	11	11
5	TOTAL (1+2A+3+4)	2060	2326	2421	2620	2738
6	Less Miscellaneous receipts	132	143	97	86	92
7	Income Tax (MAT on ROE)					
8	Total Revenue Requirement (5-6-7)	1928	2183	2324	2534	2646
9	Revenue from tariffs (Full year)	1788	1991	2143	2218	2366
	Truing up of Current year GAP in FY 2018-19 (1/3rd)					105
	Surplus/Gap for the year	-140	-192	-181	-316	-385

**Table – 3**  
**Revenue Gap Analysis – WESCO Utility**

(Rs. Crore)

		<b>FY (14-15)</b>	<b>FY (15-16)</b>	<b>FY (16-17)</b>	<b>FY (17-18)</b>	<b>FY (18-19)</b>
		<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Proposed</b>	<b>Proposed</b>
1	Power Purchase	2244	2338	2284	2312	2283
2	Distribution Costs					
	a) Employees cost	303	307	330	382	319
	Wage revision arrear	0	0	0	17	27
	b) Repair & Maintenance cost	18	18	19	68	58
	c) Admn. & General Expenses	51	57	67	85	93
	d) Provision for bad and doubtful debts	176	0	66	53	52
	e) Depreciation	15	32	32	45	48
	f) Other expenses					
	g) Less: Expenses capitalized (Emp Coasts, A&G, R&M)					
	h) Interest and financial charges	77	81	75	104	98
	i) Less interest capitalized	2	0	0	0	0
2A	Total Expenses (a+b+c+d+e+f-g+h-i)	2882	2833	2873	3066	2978
3	Special Appropriation	2.94	3.29	3.33	4.00	5.02
4	Return on equity	7.78	7.78	7.78	7.78	7.78
5	TOTAL (1+2A+3+4)	2892.72	2844.07	2884.11	3077.78	2990.8
6	Less Miscellaneous receipts	233	207	167	125	150
7	Income Tax (MAT on ROE)					



		<b>FY (14-15)</b>	<b>FY (15-16)</b>	<b>FY (16-17)</b>	<b>FY (17-18)</b>	<b>FY (18-19)</b>
		<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Proposed</b>	<b>Proposed</b>
8	Total Revenue Requirement (5-6-7)	2659.72	2637.07	2717.11	2952.78	2840.8
9	Revenue from tariffs (Full year)	2427	2433	2634	2638	2583
	Truing up of Current year GAP in FY 2018-19 (1/3rd)					105
	Surplus/Gap for the year	-232.72	-204.07	-83.11	-314.78	-362.8

**Table – 4**  
**Revenue Gap Analysis – SOUTHCO Utility**

**(Rs. Crore)**

		<b>FY (14-15)</b>	<b>FY (15-16)</b>	<b>FY (16-17)</b>	<b>FY (17-18)</b>	<b>FY (18-19)</b>
		<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Proposed</b>	<b>Proposed</b>
1	Power Purchase	692.95	758.59	725.75	793.51	820.39
2	Distribution Costs					
	a) Employees cost	297.43	222.75	285.98	360.97	358.88
	Wage revision arrear	0	0	0	23.20	29.54
	b) Repair & Maintenance cost	12.02	16.82	29.49	111.64	75.60
	c) Admn. & General Expenses	112.37	70.18	55.69	59.06	66.19
	d) Provision for bad and doubtful debts	25.06	25.53	23.23	42.47	29.69
	e) Depreciation	13.28	12.49	19.60	74.27	80.69
	f) Other expenses					
	g) Less: Expenses capitalized (Emp Costs, A&G, R&M)					
	h) Interest and financial charges	36.16	39.60	56.16	55.70	51.92
	i) Less interest capitalized	1.92	1.92	1.92	1.92	1.92
2A	Total Expenses (a+b+c+d+e+f-g+h-i)	1187.35	1144.04	1193.98	1518.9	1510.98
3	Special Appropriation	1.79	2.03	2.05	2.26	3.19
4	Return on equity	6.03	6.03	6.03	6.03	6.03
5	TOTAL (1+2A+3+4)	1195.17	1152.10	1202.06	1527.19	1520.20
6	Less Miscellaneous receipts	49.89	37.60	36.15	17.01	17.86
7	Income Tax (MAT on ROE)					
8	Total Revenue Requirement (5-6-7)	1145.28	1114.50	1165.91	1510.18	1502.34
9	Revenue from tariffs (Full year)	806.1	973.00	994.06	1061.80	1141.16
	Truing up of Current year GAP in FY 2018-19 (1/3rd)					149.45
	Surplus/Gap for the year	-339.18	-141.5	-171.85	-448.38	-510.63

18. The Business Plans of all the four DISCOM Utilities as stated above do not offer much in terms of any viable strategy to turn around. All the DISCOM Utilities have projected negative gaps at the end of the years of the control period whereby total revenue requirement is more than the revenue from tariffs and without any turnaround proposal. The projected profit and loss account also shows increasing accumulated losses and increased employee cost.
19. The four utilities have also given projection for Input, billing, collection efficiency and AT & C loss reduction plan. These are given in the following tables:

**Table – 5**

**Input energy, billing, collection efficiency and AT & C loss reduction- WESCO Utility**

Particulars	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
	Actual	Actual	Actual	Proposed	Proposed
Total Input (MU)	7054	6942	6977	7200	7000
<b>Energy Sales (MU)</b>					
LT	1662	1981	2121	2355	2590
HT	1186	1254	1444	1450	1450
EHT	1704	1363	1234	1235	1000
Total	<b>4552</b>	<b>4598</b>	<b>4799</b>	<b>5040</b>	<b>5040</b>
<b>Loss &amp; Efficiency</b>					
Distribution Loss (%)	35.46%	33.76%	31.22%	30.00%	28.00%
Distribution Loss (MU)	1614	1552	1498	1512	1411
Collection Efficiency (%)	92.32%	91.15%	88.13%	96.00%	97.88%
AT&C Loss (%)	40.42%	39.62%	39.38%	32.80%	29.53%
<b>Sales Value (Rs. In Cr.)</b>					
LT	695	826	896	1005	1093
HT	684	743	841	822	844
EHT	1063	880	898	811	646
Total	<b>2442</b>	<b>2449</b>	<b>2635</b>	<b>2638</b>	<b>2582.90</b>
Other Income	233	207	167	125	150.00
<b>Average Rate (Paisa per Unit)</b>					
LT	418.17	416.96	422.44	426.75	422.01
HT	576.73	592.50	582.41	566.90	582.00
EHT	623.83	645.63	727.71	656.68	646.00
Total	<b>536.47</b>	<b>532.62</b>	<b>549.07</b>	<b>523.41</b>	<b>512.48</b>

**Table – 6**

**Input energy, billing, collection efficiency and AT & C loss reduction – NESCO Utility**

Particulars	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
	Actual	Actual	Actual	Proposed	Proposed
Total Input (MU)	5015	5196	5330	5814	6086
<b>Energy Sales (MU)</b>					
LT	1547	1675	1691	2383	2633

HT	395	398	410	383	414
EHT	1514	1734	1976	1827	1882
<b>Total</b>	<b>3456</b>	<b>3807</b>	<b>4077</b>	<b>4593</b>	<b>4929</b>
<b>Loss &amp; Efficiency</b>					
Distribution Loss (%)	31.10%	26.73%	23.50%	21.00%	19.00%
Distribution Loss (MU)	1075	1018	958	965	937
Collection Efficiency (%)	96.96%	95.72%	96.25%	97.00%	98.00%
AT&C Loss (%)	33.19%	29.87%	26.37%	23.37%	20.62%
<b>Sales Value (Rs. In Cr.)</b>					
LT	624	685	710	935	1034
HT	244	248	249	219	237
EHT	920	1058	1185	1063	1095
<b>Total</b>	<b>1788</b>	<b>1991</b>	<b>2144</b>	<b>2217</b>	<b>2366.00</b>
<b>Average Rate (Paisa per Unit)</b>					
LT	403.36	408.96	419.87	392.36	392.71
HT	617.72	623.12	607.32	571.80	572.46
EHT	607.66	610.15	599.70	581.83	581.83
<b>Total</b>	<b>517.36</b>	<b>522.98</b>	<b>525.88</b>	<b>482.69</b>	<b>480.02</b>

**Table – 7**  
**Input energy, billing, collection efficiency and AT & C loss reduction – SOUTHCO**  
**Utility**

<b>Particulars</b>	<b>FY 14-15</b>	<b>FY 15-16</b>	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>
	Actual	Actual	Actual	Proposed	Proposed
Total Input (MU)	3193	3283	3267	3540	3660
<b>Energy Sales (MU)</b>					
LT	1365	1519	1594	1836	2005
HT	196	209	211	236	247
EHT	387	349	336	323	333
<b>Total</b>	<b>1948</b>	<b>2077</b>	<b>2141</b>	<b>2395</b>	<b>2585</b>
<b>Loss &amp; Efficiency</b>					
Distribution Loss (%)	39.00%	36.70%	34.45%	32.35%	29.37%
Distribution Loss (MU)	760	762	738	775	759
Collection Efficiency (%)	90.75%	88.60%	89.90%	96.00%	96.00%
AT&C Loss (%)	44.64%	43.92%	41.07%	35.06%	32.20%
<b>Sales Value (Rs. In Cr.)</b>					
LT	538.29	645.55	675.66	721.81	787.8
HT	99.33	108.96	113.39	151.53	159.01
EHT	224.96	211.48	205.01	188.46	194.35
<b>Total</b>	<b>862.58</b>	<b>965.99</b>	<b>994.06</b>	<b>1061.80</b>	<b>1141.16</b>
<b>Average Rate (Paisa per Unit)</b>					
LT	394.35	424.98	423.88	393.14	392.92
HT	506.79	521.34	537.39	642.08	643.77
EHT	581.29	605.96	610.15	583.47	583.63
<b>Total</b>	<b>442.80</b>	<b>465.09</b>	<b>464.30</b>	<b>443.34</b>	<b>441.45</b>

**Table – 8**  
**Input energy, billing, collection efficiency and AT & C loss reduction - CESU**

<b>Particulars</b>	<b>FY 14-15</b>	<b>FY 15-16</b>	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>
	Actual	Actual	Actual	Proposed	Proposed
Total Input (MU)	7054	6942	6977	7200	7000
<b>Energy Sales (MU)</b>					
LT	1662	1981	2121	2355	2590
HT	1186	1254	1444	1450	1450
EHT	1704	1363	1234	1235	1000
<b>Total</b>	<b>4552</b>	<b>4598</b>	<b>4799</b>	<b>5040</b>	<b>5040</b>
<b>Loss &amp; Efficiency</b>					
Distribution Loss (%)	35.46%	33.76%	31.22%	30.00%	28.00%
Distribution Loss (MU)	1614	1552	1498	1512	1411
Collection Efficiency (%)	92.32%	91.15%	88.13%	96.00%	97.88%
AT&C Loss (%)	40.42%	39.62%	39.38%	32.80%	29.53%
<b>Sales Value (Rs. In Cr.)</b>					
LT	695	826	896	1005	1093
HT	684	743	841	822	844
EHT	1063	880	898	811	646
<b>Total</b>	<b>2442</b>	<b>2449</b>	<b>2635</b>	<b>2638</b>	<b>2582.90</b>
Other Income	233	207	167	125	150.00
<b>Average Rate (Paisa per Unit)</b>					
LT	418.17	416.96	422.44	426.75	422.01
HT	576.73	592.50	582.41	566.90	582.00
EHT	623.83	645.63	727.71	656.68	646.00
<b>Total</b>	<b>536.47</b>	<b>532.62</b>	<b>549.07</b>	<b>523.41</b>	<b>512.48</b>

20. The Utilities have submitted to continue system improvement works out of own accrual and deposit works. The SI works include reconfiguration of existing 11 kV & 33 kV networks replacement of LT conductor with XLPE AB Cable, upgradation of DTRs, metering, Energy audit and Automatic metering system. Besides, the existing Capex Schemes will continue till the last year of the control period such as Development Programme of Energy system Improvement (DESI), Capex programme, Elephant corridor, Odisha Distribution Sector Strengthening Project (ODSSP), DDUGJY 12<sup>th</sup> Plan and DDUGJY Schemes. The Govt. of India programmes such as Integrated Power Development Scheme (IPDS) aimed at strengthening sub-transmissions and distribution system, provisioning of solar panels, metering of DTRs, feeders and lines in urban areas and IT enablement will continue in the control period.
21. The Utilities have submitted that their loss reduction strategy includes intensifying of vigilance and enforcement activities at each Division and Subdivision, Section / Sustainable disconnection squad, monitoring of EHT & HT consumers, 3 phase

consumers at Corporate level, division-wise target and monitoring with regard to energy input, billing and collection, thrust on arrear collections, facilitating online cash collection and division-wise energy audit.

22. The engagement of franchisees on both revenue and input based model, Women SHG at Gram Panchayat level etc. would be undertaken in order to cater to increase consumer coverage. Enhanced maintenance of 33/11 kV substation, consumer indexing and conversion of non-unique to unique feeder.
23. GRIDCO in its reply common for all four DISCOM Utilities submitted the following:
  - DISCOMs may be directed to file the outstanding loan position as on 31<sup>st</sup> March, 2017.
  - The DISCOM Utilities i.e. WESCO, NESCO & SOUTHCO may be directed to consider 15% interest per annum towards outstanding securitized dues as per the Commission's order dt.01.12.2008 in case No.115/2004.
  - Interest expenses on account of DPS payable is not reflected in Business Plan.
  - The total outstanding dues of GRIDCO as on 31<sup>st</sup> March, 2017 stands at Rs.5565.90 Cr, which includes securitised dues, NTPC bond, BSP dues and temporary loan to CESU. Besides the total DPS dues on outstanding BSP stands at Rs.2261.37 Cr. The DISCOM Utilities may be directed to properly address plan of recovery of outstanding dues of GRIDCO. CESU may also be directed to reconcile the securitized dues, BSP outstanding as on 31<sup>st</sup> March, 2017.
  - The interest on security deposit shall not be considered as alternative for turnaround of DISCOM Utilities.
  - Three years of control period are already over and the Business Plan is effective for one financial year 2018-19. GRIDCO therefore proposed that DISCOMs may file Business Plan for the subsequent control period FY 2019-20 to 2023-24 well in advance to have effecting turnaround plan.
24. NESCO, WESCO & SOUTHCO Utilities further in compliance to the Commission's order dated 20.10.2017 and rejoinder to the replies filed by the GRIDCO submitted the following:

- The books of accounts of the Utilities for FY 2015-16 have been finalized and the figures for FY 2016-17 are provisional.
  - GRIDCO in its submission has proposed to levy DPS @ 15% p.a. on the outstanding securitized dues in terms of Commission's order dt.01.12.2008 in case No.115/2004. But the Commission has considered not to levy interest on outstanding loan as it will put the burden on the consumers, increase RST and also affect the BST price.
  - The Utilities have considered interest on short-term loan @ 10.5% p.a as the average rate of interest prevailing during the previous year and first half of current year.
  - The amount of DPS shown by GRIDCO is not correct and the figures are yet to be reconciled. If the DPS is considered on BSP, this will lead to increase in the tariff of the consumers. On such consideration, the income of GRIDCO would also be treated to rise and accordingly BSP would be reduced. Therefore, both the DPS payable by consumer and receivable to GRIDCO have neutral effect, which accordingly may not be treated in Business Plan.
  - The outstanding dues as indicated by GRIDCO has certain differences which have been indicated in the joint reconciliation statement derived up to 31.03.2017. GRIDCO may accordingly be directed to withdraw the same from its books of accounts to match the figures as per reconciliation statement.
  - The contention of GRIDCO that Escrow revenue is being utilized for interest on security deposit is not correct, as it is being credited as per RST order and prevailing Regulation.
25. The Commission after hearing and going through the submissions observe the following:

#### **Loss Reduction**

26. There are certain projected figures which require more analysis. Since the reduction of AT&C losses is one of the crucial performance parameter and linked to the revenue earning potential of the DISCOMs this requires a deeper scrutiny. AT&C loss of four DISCOM Utilities are given below:

**Table – 9**  
**AT&C Loss**

Licensee	(In %age)					
	2014-15 Audited	2015-16 Audited	2016-17 Review	2017-18 approved	2017-18 Estimated	2018-19 Proposed
CESU	37.67	37.25	34.80	23.77	32.53	29.50
NESCO	33.19	29.87	26.37	19.17	23.37	21.43
WESCO	38.45	38.10	39.41	20.40	32.80	29.36
SOUTHCO	44.64	43.62	41.20	26.25	35.46	32.19

27. As evident from the above table none of the DISCOM Utility would likely to reach the AT&C loss target assigned by the Commission in FY 2017-18. DISCOMs have failed to propose any viable plan to reach to the target. The DISCOMs have submitted loss reduction strategies such as intensifying vigilance and enforcement activities, monitoring at corporate level, facilitating collection methods, energy audit etc. in a very general manner without specifics. Not much has been done on these accounts during the past years of the control period. The average AT&C loss reduction has been around 1 to 2% that is marginal during the control period and at that rate it would take at least another two control periods to achieve the present target.
28. GRIDCO in its rejoinder has furnished the details of the outstanding dues with regard to BSP, Securitized dues, etc. the details of which is discussed in the succeeding paragraphs.

**(a) BSP and other dues**

Another matter of concern is the outstanding dues of the GRIDCO. The total outstanding of all DISCOMs as on 31.3.2017 is Rs.7135.31 as claimed by GRIDCO. Out of this, Rs.3565.00 crore is towards outstanding Bulk Supply Price, Rs.2135 crore towards securitized dues and Rs.4463 crore towards UI Charges. WESCO Utility has the most default towards BSP and the BSP default directly affect the payment to the Generators thereby jeopardizing the power supply.

The Commission in its order dated 01.12.2008 in case No.115/2004 securitized the outstanding dues till 31.3.2005 and had directed that Distribution Companies should 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 FY 2006-07 ending in 2015-16. The latest available outstanding dues on account of BSP, securitized dues, dues against power bond etc are given in the following table:-

**Table – 10**  
**Outstanding of DISCOMs (As on 31.3.2017)**

(Rs. Crore)						
Sl. No.	Particulars of Outstanding (As on 31.3.2017)	WESCO Utility	NESCO Utility	SOUTHCO Utility	CESU Utility	Total DISCOMs
1	Bulk Supply	1342.67	905.11	535.2	782.65	3565.63
2	UI Charges	285.65	172.63	72.78	366.43	897.49
3	Securitized dues	294.7	303.37	259.98	1277.18	2135.23
4	NTPC Bond		48.91	146.45		195.36
5	Transfer Scheme Receivables	12.1	6.74	29.91	118.85	167.6
6	Deferred credit				174	174
7	Total Outstanding	1935.12	1436.76	1044.32	2719.11	7135.31

Since distribution companies have failed to honor the orders of the Commission they are required to pay the outstanding dues in time bound manner and submit a separate plan of action for the same. The Commission in the RST order for FY 2017-18 in para 321 had directed GRIDCO and DISCOMs to appraise the upto date status of the action plan prepared by both GRIDCO and DISCOMs to liquidate the arrears as per the securitization order of the Commission dt.01.12.2008. The reply was asked to be submitted by 01.5.2017. The Commission has not received any such action plan yet.

29. The DISCOMs are once again directed to settle the outstanding dues of GRIDCO and submit an action plan on such direction. Aggressive arrear collection measures may be adopted.

### **Sales**

30. It is noticed from the proposals of all DISCOMs that sales in LT is increasing exponentially where as sales in EHT is decreasing. Increase in LT sales is mainly driven by addition of rural consumers due to ongoing RGGVY/DDUGJY Govt. of India programmes. This has led to addition of more subsidized consumers. On the other hand all DISCOMs have projected gradual reduction of HT and EHT sales which are subsidizing category of consumers. The DISCOMs have submitted that many industrial consumers are drawing less quantum of energy than compared to their contract demand. Moreover, many EHT consumers have opted for open access and railways are also exploring possibility of drawing power through Open access as a deemed distribution licensee. The following table sums up the projected sales during the control period.



**Table – 11**  
**Energy Sales (NESCO Utility)**

(MU)

<b>Category</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
LT	1547	1675	1691	2383	2633
HT	395	398	410	383	414
EHT	1514	1734	1976	1827	1882
<b>TOTAL</b>	<b>3456</b>	<b>3807</b>	<b>4077</b>	<b>4593</b>	<b>4929</b>

**Table – 12**  
**Energy Sales (WESCO Utility)**

(MU)

<b>Category</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
LT	1662	1981	2121	2355	2590
HT	1186	1254	1444	1450	1450
EHT	1704	1363	1234	1235	1000
<b>TOTAL</b>	<b>4552</b>	<b>4598</b>	<b>4799</b>	<b>5040</b>	<b>5040</b>

**Table – 13**  
**Energy Sales (SOUTHCO Utility)**

(MU)

<b>Category</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
LT	1365	1519	1594	1836	2005
HT	196	209	211	236	247
EHT	387	349	336	323	333
<b>TOTAL</b>	<b>1948</b>	<b>2077</b>	<b>2141</b>	<b>2395</b>	<b>2585</b>

**Table – 14**  
**Energy Sales (CESU)**

(MU)

<b>Category</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
LT	1582.05	1229.82	975.27	926.12	932.7
HT	926.97	1171.35	1105.26	1354.51	1442.56
EHT	2975.34	3169.59	3408.06	3768.56	4417.74
<b>TOTAL</b>	<b>5484.36</b>	<b>5570.76</b>	<b>5488.59</b>	<b>6049.19</b>	<b>6793</b>

31. These sales have direct impact on the revenue of the DISCOMs. The revenue earned from LT consumers is not remunerative as it is in the subsidized category of the entire basket of revenue. The revenue growth has therefore not matched with the increasing expenses to serve the consumers. The following table highlights revenue requirement over the years projected by the DISCOMs.

**Table – 15**  
**Revenue Gap Analysis (NESCO Utility)**

**(In Rs. Crore)**

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Power Purchase	1607	1760	1843	1896	1985
Distribution Cost including RoE & special appropriation	451	565	577	722	749
Less Misc. receipts	132	143	97	86	92
Total Annual Revenue Requirement	1926	2182	2323	2532	2642
Revenue	1788	1991	2143	2218	2366
Gap	-138	-191	-180	-314	-276

**Table – 16**  
**Revenue Gap Analysis (WESCO Utility)**

**(In Rs. Crore)**

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Power Purchase	2244	2338	2284	2312	2283
Distribution Cost including RoE & special appropriation	648	506	600	767	708
Less Misc. receipts	233	207	167	125	150
Total Annual Revenue Requirement	2659	2637	2717	2954	2841
Revenue	2427	2433	2634	2638	2583
Gap	-232	-204	-83	-316	-258

**Table – 17**  
**Revenue Gap Analysis (SOUTHCO Utility)**

**(In Rs. Crore)**

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Power Purchase	692.95	758.59	725.75	793.51	820.39
Distribution Cost including RoE & special appropriation	502.22	393.52	476.31	733.67	699.81
Less Misc. receipts	49.89	37.6	36.15	17.01	17.86
Total Annual Revenue Requirement	1145	1115	1166	1510	1502
Revenue	806.1	973	994.06	1061.8	1141.16
Gap	-339.18	-141.51	-171.85	-448.37	-361.18

**Table – 18**  
**Revenue Gap Analysis (CESU)**

**(In Rs. Crore)**

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Power Purchase	2409.22	2618.88	2364.79	2643.23	2852.29
Distribution Cost including RoE	808.28	958.73	1013.19	1352.97	1546.53

	2014-15	2015-16	2016-17	2017-18	2018-19
& special appropriation					
Total Annual Revenue Requirement	3217.5	3577.61	3377.98	3996.2	4398.82
Revenue	3047.03	3130.26	3108.95	3344.34	3714.3
Gap	-170.47	-447.35	-269.03	-651.86	-684.52

32. From the above table it is also revealed that Distribution Cost has also been projected to increase from FY 2017-18 mainly due to quantum jump in employee cost consequent to implementation of 7th Pay Commission recommendation for the employees and due to depreciation cost. It is, therefore, necessary for the DISCOMs to have a two pronged strategy to curb the Distribution Cost and increase revenue. Collection by adopting innovating methods and firmly dealing with Energy theft can help in generating additional revenue of Rs.30-50 crore for each 1% reduction in AT&C loss for the DISCOMs, on an average.
33. It is encouraging to observe that the ongoing system improvement capital expenditure schemes of Govt. of Odisha in addition to Govt. of India are taking place in the sector. These programmes have reduced the burden of Capex investment for distribution companies and improved the quality of supply.
34. The schemes and programmes have considerably enhanced the quality of power due to renovation /modernization of existing and new 33/11 KV substations, re-conductoring of cables/lines, AB conductors, implementation of HVDC system, construction of about 550 new 33/11 KV substations, dedicated electrical feeders for agriculture and pisciculture, separate elephant corridor etc. These programmes implemented during the control period are:
- 1) Development programme of Energy System Improvement (DESI)
  - 2) CAPEX programme
  - 3) Strengthening of Infrastructure in Elephant Corridor
  - 4) Odisha Distribution Sector Strengthening Project (ODSSP)
  - 5) RGGVY 12<sup>th</sup> Plan
  - 6) DDUJY Scheme
35. In addition Govt. of India has launched Integrated Power Development Scheme (IPDS) with an objective to ensure quality power supply to urban areas. The scheme envisages strengthening of sub transmission and distribution system, provisions of

solar panels, metering of distribution system, provisioning of solar panels, metering of distribution transformers/feeders/ consumer in the urban arrears etc. In this scheme about Rs.326.351 crore would be spent in Odisha.

36. In spite of all these aforesaid system improvement programmes, high expenditure on repair and maintenance remains still a concern. The actual expenditure made by the distribution companies over the years is not encouraging which is shown in the following table.

**Table – 19**  
**Expenditure on R&M**

(In Rs. Crore)

	<b>WESCO</b>		<b>NESCO</b>		<b>SOUTHCO</b>		<b>CESU</b>	
<b>Years</b>	<b>Approved</b>	<b>Audited</b>	<b>Approved</b>	<b>Audited</b>	<b>Approved</b>	<b>Audited</b>	<b>Approved</b>	<b>Audited</b>
13-14	51.30	19.73	56.73	16.16	43.53	15.02	81.87	52.55
14-15	68.48	17.74	87.97	19.90	34.91	12.02	110.85	33.14
15-16	44.24	17.71	61.05	27.70	31.93	16.82	79.64	33.85
16-17	55.55	19.37	70.54	18.62	33.18	9.74	92.43	43.00

37. DISCOMs are not in a position to give due attention to repair and maintenance as these are not generating adequate revenue for the purpose. Due to high AT&C losses enough revenue is not collected to pay for the salaries and incur expenses on R & M. The DISCOMs therefore need to reduce loss to increase the revenue.

### **Sales Projection**

38. As regards to the sales projection for the control period WESCO, NESCO & SOUTHCO Utilities have submitted for consideration of ‘Bottom up Approach’ rather than ‘Top down approach’. The Commission in this regard observes that sales revenue is determined in terms of regulation 7.14 of the OERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014. The said regulations provide that the sales for revenue purpose shall be determined by the Commission by considering the approved power purchase and factoring in the losses determined as per regulations. Such sales for revenue purpose shall be applied in estimating the revenue accruals and determination of tariff. In the same regulation it is further provided that where the Commission has stipulated a methodology for forecasting sales to any particular tariff category, the distribution licensee shall incorporate such methodology in developing the sales forecast for such tariff category. In view of such provisions of the said regulation the sales and revenue would continue

to be determined in the manner prescribed in regulation. The reason for change of methodology suggested by DISCOMs in sales projection is mostly due to the fact that they have not been able to achieve the loss targets and therefore fail to achieve the projected sales.

39. The Commission in view of the above analysis is of opinion that desired results have not been achieved during the control period and only one year is left (2018-19) as the current year (2017-18) is almost over. The DISCOMs have also filed their ARR petition for 2018-19 and the Commission is going to analyze all the parameters relating to purchase, sales, expenses, costs distribution and AT&C losses. The Commission after taking into account the views of the objectors approved the Power Purchase, sale and Distribution loss for the first year of the control period i.e. FY 2014-15 in the Business Plan order in Case No.05, 06, 07 & 44 of 2013 dated 21.3.2014. The Commission approved these parameters for FY 2015-16, 2016-17 and 2017-18 in the respective RST orders. The Commission now approves the distribution loss, collection efficiency and AT&C loss, for the DISCOM at the same level as approved for FY 2017-18. This is done in view of the fact that they have not improved any of the parameters during this period. The Commission accordingly approves the following for FY 2018-19.

**Table – 20**  
**Distribution loss, Collection Efficiency and AT&C loss 2018-19 (Approved)**  
**(In Rs. Crore)**

	<b>CESU</b>	<b>NESCO Utility</b>	<b>WESCO Utility</b>	<b>SOUTHCO Utility</b>
Distribution Loss	23.00%	18.35%	19.60%	25.50%
Collection Efficiency	99.00%	99.00%	99.00%	99.00%
AT& C loss	23.77	19.17%	20.40%	26.25%

40. The case is accordingly disposed of.

Sd/-  
**(S. K. Parhi)**  
**Member**

Sd/-  
**(A. K. Das)**  
**Member**

Sd/-  
**(U. N. Behera)**  
**Chairperson**