

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

**Present: Shri U. N. Behera, Chairperson
 Shri S. K. Parhi, Member
 Shri G. Mohapatra, Member**

Case No. 41/2020

M/s. TPCODL. Petitioner
Versus	
GRIDCO Limited & Others Respondent

In the matter of: Application for approval of Annual Business Plan for FY 2020-21.

For Petitioner: Shri Shenbagam Manthiram, CEO and Shri Puneet Munjal, CFO (RA) of
 M/s. TPCODL

For Respondent: Shri P. K. Dash, GRIDCO Ltd., Shri Kulamani Biswal, Consultant, OPTCL
 and Ms. Niharika Patanayak, ALO, DoE, Government of Odisha

ORDER

Date of hearing: 15.09.2020

Date of order: 16.11.2020

1. M/s. TPCODL has filed the petition for approval of Annual Business Plan for FY 2020-21 in pursuant to the direction of the Commission in case No.11/2020 (Vesting Order) dated 26.05.2020.
2. TPCODL was vested the Utility of CESU for distribution and retail supply of electricity, through a Vesting Order issued by the Commission in Case No.11/2020 dated 26.05.2020. TP Central Odisha Distribution Limited (TPCODL) is a joint venture of Tata Power (51%) and Government of Odisha (49%) on the Public-Private Partnership (PPP) model. Govt. of Odisha (GoO) holds its share through GRIDCO in TPCODL. As per the Vesting Order, TPCODL has already been issued amended license vide Commission's order dt.24.8.2020 effective from the date of vesting i.e. 01.06.2020 for 25 years.
3. The petitioner has submitted the Business Plan which deals with two following areas:

A. CAPEX Plan

TPCODL has proposed Capex of Rs.344.44 cr. for FY 2020-21 to carry out activities under 5 major categories.

- a) Statutory and safety
- b) Loss reduction
- c) Reliability
- d) Load growth
- e) Technology and infrastructure

B. OPEX Plan

The TPCODL has proposed following towards the various elements of OPEX

- a) Employee cost – Approved for FY 2020-21 Rs.622.15 cr.
Proposed for FY 2020-21 Rs.639.52 cr
- b) R&M cost – Approved for FY 2020-21 Rs.139.62 cr.
Proposed for FY 2020-21 Rs.142.63 cr
- c) A&G cost – Approved for FY 2020-21 Rs.70.82 cr.
Proposed for FY 2020-21 Rs.123.11 cr
- d) Total OPEX – Approved for FY 2020-21 Rs.832.60 cr.
Proposed for FY 2020-21 Rs.905.26 cr

The petitioner TPCODL has accordingly prayed to allow the CAPEX and revised OPEX as above for FY 2020-21.

- 4. In the Business Plan petition, TPCODL has identified critical areas where the most impactful measures are required with the highest priority for implementation.
 - 1. Network refurbishment and structure maintenance for enhancing safety.
 - 2. Disaster Management – Natural calamities.
 - 3. Aggregate Technical and Commercial loss reduction.
 - 4. Introduction of customer touch points and customer centric processes
 - 5. Technology adoption.
 - 6. Human Resource Plan.
 - 7. Strengthening of civil structure

5. Petitioner has stated that apart from the impact of COVID-19, there are other major issues associated which are inherited from erstwhile CESU. These are highlighted below:

1. **Dilapidated network and Safety:**

TPCODL has taken over the assets of erstwhile CESU on “as is where is” basis. These assets are not in good operating condition and in a large number of cases, the required safety equipment are not in place. Further the network is in dilapidated condition and **not compliant to statutory guidelines** and poses threat to safety of employees, public at large and animals.

One of the major reasons is absence of structured preventive maintenance and systematic investment for past many years. The interruption at 11 kV feeder level is too high with respect to present Indian utility standards. In one year, total trippings are at a staggering 4.49 lacs. Further, due to lack of maintenance, failure rate of Distribution Transformer is also very high at 5% of total Volume.

The Scarce resources and lack of preventive maintenance have led to delay in response on Safety Hazards reported by Public and employees. This has resulted in consistently high number of accidents (Fatal/Non-Fatal including Human and Animal) in FY 17-18 (88), FY18-19 (67) and H1 FY 19-20 (38).

The petitioner has stated that in order to improve safety of public through systematic refurbishment of lines & distribution substations and putting up a structure to ensure that network adhere to statutory requirements. The purpose is to improve response time and frequency of interruptions by following good preventive maintenance practices and putting up a structure of teams in prioritized manner.

Petitioner has proposed to carry out technical audit of the 33KV & 11KV feeders to identify defects and carry out refurbishment of the selected feeders to improve the outage and reliability performance. Refurbishment of feeders will comprise of replacement of dangerous towers/poles, provision of intermediate towers/poles, replacement of worn out / undersize conductor, replacement of other defective accessories, and strengthening of earthing of towers/poles. The refurbishment will

also involve restoration of vertical and lateral clearances in line with existing regulations. Similarly, refurbishment of 33/11KV Primary Substation and Distribution Substation is also planned to improve the safety of the man & material apart from ensuring reliable power supply to end users.

Petitioner states that the refurbishment of GSS, DSS & feeders will help to improve the safety of workforce, general public and animals. Besides, it will help to reduce number of outages, outage duration, unserved energy, and technical losses.

2. Disaster Management - Natural Calamities

Petitioner stated that apart from the vast geographical area, Odisha being a coastal State, it repeatedly encounters devastating storms/ cyclones which is a major challenge for a distribution utility.

The power network of 33KV, 11KV and Low tension network is mostly overhead with towers, mild Steel (MS) and Reinforced Concrete Cement (RCC) poles and only certain areas of Bhubaneswar, Cuttack and Puri have 33KV & 11KV underground network. During the last year cyclone FANI, it was observed that underground networks had not suffered any damage and as a result, related areas had their power supply restored within 3 to 5 days of disaster.

Therefore, as a preventive measure, TPCODL shall assess the network condition along the coastal areas and prepare a phase wise plan for conversion of overhead network to underground cable network. Funding for this initiative is required to be taken up with state government to avoid any tariff impact on general public.

3. High Aggregate Technical and Commercial (AT&C) Losses

Petitioner stated that the reported AT&C Losses for FY 2019-20 is 30.44% with Billing Efficiency of around 75.40% and Collection Efficiency of 90.51%. The problem is compounded if the tariff is not cost reflective as it is based on lower than the actual AT&C losses. It is consequently required that the actual AT&C losses be expeditiously reduced to ensure a commercially viable Distribution Utility.

Petitioner stated that one of the major reasons for low Billing Efficiency is leakages in meter reading. Non-availability of new meters has resulted in high number of

faulty/defective meters in the network as meters are not replaced timely leading to high level of provisional billing coupled with dissatisfaction to consumers. Further, it has also resulted in no meter cases where connections are energized without meters. In addition to this, collection efficiency need to be enhanced through targeted measures as overall collection efficiency is 90.51%, the CE in domestic category is only about 84.18%.

The petitioner has stated that losses can be reduced by replacing defective/faulty meters (Approx. 2.6 Lakhs), testing of meters and installation of Smart Distribution Transformer (DT) meters. Meter procurement and installation at a faster rate is one of the priority areas. This will help in reducing provisional billing and ensure correct recording of consumption.

Further, for ensuring timely and accurate meter reading, it is proposed to shift from existing flat rate contract to performance based contract for MBC (Metering, Billing and Collection) in order to enhance the productivity of meter reading, billing and collection. Further, introduction of Optical Character Read (OCR) based reading will ensure correctness and quality of meter reading and billing.

In addition to above, performance based contract for collection will help in enhancing the realization of current as well as old dues. Further, strategy is needed to motivate customers for making payment either at Counter or On-line in order to systematically shift from Door to Door collection to other mode of payments like Payment Counter, Online Payment, and Mobile Wallet etc.

Similarly, in rural area, services of Self Help Groups (SHG) will be enhanced for meter reading, collection and promoting energy conservation initiatives.

4. **Disaster Management – Natural Calamities:** The power network of 33KV, 11KV and Low tension network is mostly overhead with towers, mild Steel (MS) - and Reinforced Concrete cement (RCC) poles and only certain areas of Bhubaneswar, Cuttack and Puri have 33KV & 11KV underground network. During the last year cyclone FANI, it was observed that underground networks had not suffered any damage and as a result, related areas had their power supply restored within 3 to 5 days of disaster. Therefore as a preventive measure, TPCODL shall

assess the network condition along the coastal areas and prepare a phase wise plan for conversion of overhead network to underground cable network. Funding for this initiative is required to be taken up with state government to avoid any tariff impact on general public.

5. Limited Customer Touch Points and Inefficient Processes:

Petitioner stated that limited customer touch point and non-availability of dedicated manpower for timely customer service delivery lead to customer dissatisfaction. The process related with New Connection, Complaint Processing, Bill Correction, Attribute Change, etc. is mostly manual now. This practice leads to undue delay in processing of customer request, updation of customer payment/record, and reconciliation of material and inconsistency of data in system.

Petitioner stated that Customers need to do follow up visits for processing or enquire about the status leading to customer dissatisfaction. Therefore, the motto of “Mo Sarkar” initiative of GoO needs to be dovetailed with existing regulatory guideline to ease out the process value chain related with Time, Cost and Procedures. The new connection is the beginning of customer life cycle and prime reflection of service delivery by DISCOM. Further, processes also need to be reviewed for enhancing the service delivery during customer life cycle.

Petitioner stated that delay in assessment, rectification of in-correct bills, and replacement of defective meters is resulting in provisional billing for long periods. Further, defined recovery process is not followed judicially and connections are not disconnected in time on account of non-payment leading to accumulation of significant arrears.

The petitioner has therefore proposed to establish new/upgraded existing payment cum customer care centres at Division/ Sub-Division/Section with better facilities for enhancing customer experience. These centres will be manned by dedicated staff in order to provide single window solution to customers.

Call Centre infrastructure is proposed by the petitioner to be upgraded to 50 Seats for improving the connectivity, registration of complaints like No current, Billing

error etc and request like New connection, Attribute change etc, providing status and query response over the call. This will help in providing easy access to utility for complaint redressal as well as new connection etc. Additionally, proactive communication through SMS during various stages like Bill Generation, Complaint Registration, and Due Date Reminder, etc. is also proposed.

6. Outdated IT infrastructures:

Petitioner stated that IT infrastructure being used are on an obsolete technology i.e. FoxPro for billing and Java/.Net based applications for new connection and complaints management. These customized solutions are not designed as Enterprise Level Solutions to fully cater the needs of Discom like Customer Contact Centre, Revenue Cycle Management, Material Management, Network Management, Project Management, etc.

In addition to above, these systems are very fragile and prone to intrusion/sabotage by external system. Further, the landscape of the system is Standalone, disintegrated and decentralized. Thus, data integration and data security are major challenges in addition to outdated network which are disrupting the process frequently.

Petitioner further stated that the IT infrastructure being used in franchisee area is separate without any on-line data exchange options. Thus, building common IT infrastructure with Enterprise Level Solution with due data security is need of the hour.

The petitioner has proposed that the Key technological interventions like SAP ISU (Customer Care, Meter to Cash processes), ERP, and SCADA are planned to be implemented in a phased manner. Similarly, other interventions like Smart metering, Analytics, Smartphone based spot billing are being considered to unleash full potential of technology and reap the consequential benefits. TPCODL is also planning on establishing reliable communication network that will act as a backbone for other technological initiatives. This will help in improving the process efficiency and ensure better services to our end users.

7. **Human Resource:**

The most significant challenge at TPCODL related to Human Resource are

- a) *An aging workforce,*
- b) *Lack of required skill set,*
- c) *Shortage of Competent Manpower,*
- d) *Rising employee grievances*
- e) *Pending legal cases and non-compliances*
- f) *Poor Gender Diversity,*

Petitioner has stated that TPCODL has inherited the entire existing manpower of CESU in line with provision of the RFP. Presently, there are 633 executives and 4380 non-executives with average age of 44 years. Non-induction of any new manpower during last one decade has increased the average age. In executive cadre, more than 10.5% employees are in age range of 54-60 yrs while for non-executives it is at 25% (approx.). Almost 20% employees are going to be separated within next five years. These employees are working in areas of O&M, commercial, finance, administration etc.

In absence of structured Training and Development program, employees have limited option to enhance their competency level in this fast-changing business environment. In technical cadre (Non-Executive), more than 30% employees have qualifications below 10th standard. There are around 500 ITI technical employees (Non-Executives) but only a few (approx. 40-50) may have supervisory licence. This indicates poor state of technical competency. More so, in order to enhance network reliability, network safety, fast resolution of operational and commercial complaints, many new functions like Power System Control Centre (PSCC), Quality, Engineering, Consumer services, safety, security, CSR, Training & Development etc need to be started.

In addition to this, many new technologies are to be adopted for better control and faster resolution of issues like SAP, SCADA, Mobile Apps, GIS, etc. for which appropriate competencies are required. Hence, it is essential to upgrade

competency level of existing employees to work in new functions and on new technology platforms.

Petitioner stated that on manpower front, acute shortage of manpower is very much visible and is the reason for massive employee dissatisfaction. CESU was not allowed to induct fresh manpower during last ten years. Total approved manpower in CESU is 9700 while presently there are 5500 (approx. including contractual manpower).

Petitioner submitted that several legal cases are pending at Supreme Court, High Court and other lower Courts. Some of the high impact cases are with RPFC (risk involvement is almost Rs. 800 Cr.), claim for permanent employment, fake certificate, arbitration with Enzen etc. Absence of permanent employee in legal function has further posed serious threats to CESU.

On Gender diversity, overall ratio is at 4% which is very low. It is essential to ensure adequate representation of women employees in the workforce across all cadres.

The petitioner stated that a consolidated Human Resource Strategy (Short term and Long term) is being developed keeping in mind existing challenges and future expectation towards building an organization of engaged workforce, structured talent management, a culture of high performance and excellence apart from creating a conducive Industrial Relation atmosphere. Progressive employee centric policies shall be the backbone of TPCODL towards ensuring highly engaged and high performing workforce. TPCODL will be exploring and adopting best practices & policies with the Tata group.

TPCODL intends to focus on enhancing diversity in its workforce and women empowerment through various policy guidelines. Keeping in mind continuous learning and acquiring niche skills, TPCODL shall be implementing training & development policy for continuous competency enhancement of existing workforce. Use of online e-learning module shall be encouraged to ensure maximum participation of its employees.

Petitioner therefore submitted that the identification and nurturing of high potential employees shall be priority for management towards ensuring successors in pipeline. Every year, all critical positions shall be identified along with high potential employees. Potential of every employee shall be assessed, and training needs shall be identified through gap analysis. Specific program shall be designed and executed for their competency enhancement. Structured employee grievance redressal mechanism shall be set up with an objective of speedy resolution of employee issues and building a culture of care across the organization.

8. **Poor Civil Infrastructure:** TPCODL have offices in all the five circles, divisions and subdivisions. Some of them are owned and others are on rented property. The office space is currently crowded and haphazardly planned for seating arrangements. Moreover, most of the circulation area has been occupied with files, documents, etc.

The furniture available at offices are nearly 10-15 years old and are in non-serviceable condition. New furniture are to be procured for various offices, Customer Care Centres, Call Centres, etc. and also to cater to new employees.

The petitioner has, therefore, proposed that in-order to ensure safe, hygienic, well ventilated and spacious working environment for employees as well as consumers, various proposals are recommended like renovation of existing buildings to enhance the additional seating capacity for employees; renovation of old buildings to enhance the structural strength and enhance the life of the buildings; renovation of the stores to improve the safety & security of the material kept inside the badly damaged sheds/ roofs. Further, it is also planned to provide additional workstations, conference tables to ensure employee friendly work environment.

9. **Governance challenges:** Currently processes related with Material Management, Maintenance Management, Meter Installation, Complaint Management, Customer services are being practiced without standardization and do not have focus on customer satisfaction. These practices lead to undue delay in processing of customer request, updation of customer payment/ record, reconciliation of material and data capturing.

It is proposed to carryout extensive BPR in all areas of the distribution business along with automation to meet the multiple objectives of enhancing efficiency, productivity, consumer delight and governance practices.

The ultimate goal of DISCOM is to provide reliable, quality and uninterrupted services to the Consumers at optimal tariff with efficient customer services delivery.

6. As regards the Employee cost the petitioner has stated that in total 4917 employees of erstwhile CESU have been transferred to TPCODL through vesting order which includes 621 executives. Tata Power has already deployed around 100 executives including Senior Management team who are experts in different fields of distribution functions. This team has assessed the existing processes and resource capabilities.
7. Based on detailed analysis and subsequent organisation design, TPCODL proposed to reinforce existing team with additional 1367 manpower (all in executive cadre). Function-wise proposed structure, mapping with existing manpower has been explained in Human Resource Plan which is given along with the petition.
8. The petitioner therefore proposed to recruit additional 1367 new employees this year and around 60 employees shall be deputed from other division of Tata Power to TPCODL. Total Cost of manpower including 4917 existing employees and newly recruited employees shall be Rs. 656.06 Cr. for the period June 2020 to March 2021.

Cost Heads	Description / Number	Approved by OERC for FY 20-21 (Cr.)	Revised Cost for 10 Months (Rs Cr)
Salaries, Wages, Allowances & Benefits	Cost of 4917 permanent employees and 435 contractual employees (01.04.2020)	357.29	271.46
Contribution to / Provision for P.F, Pension	To be deposited in PF, Pension Trust	230.74	192.28
Arrears of 7th Pay Commission	Shall be paid in line with GoO directives.	22.50	22.50
New Employees & deputation	1367 new employees and 60 deputation employee's induction planned (scattered way during FY 21)		68.36

Cost Heads	Description / Number	Approved by OERC for FY 20-21 (Cr.)	Revised Cost for 10 Months (Rs Cr)
HR Operation	HR Services (Transfer, Recruitment, Joining, L&D, Engagement, Insurance, CLA, Audit Compliance etc)		31.52
Training & Development	Training of Safety, New Technology & Managing Change		2.00
Insurance	Employee Medical / Accident Insurance		2.00
Outsource	Outsource in areas of MBC and consumer services		49.40
Total			639.52*
*Gross of Capitalisation			

9. The petitioner has further submitted that the expenses on account of Salary, terminal benefits or 7th pay commission have been considered based on approved amount of OERC only, pro-rated for ten months for existing employees of erstwhile CESU (other than 7th Pay Commission Arrear Payment). The expenses for outsourced work are also pro-rated to ten months together with requirement for additional grids. Actual expenditure shall be submitted to the Commission as part of True-Up Petition.

Repair and Maintenance

10. The petitioner has submitted that through the proposed Repair and Maintenance expenses there will be benefits on Sub-Transmission System (STS), Distribution, Safety, IT and Automation etc. This will result in improving quality, reliability and safe supply of power with lesser interruptions, which will enhance customer satisfaction to a greater extent.
11. Petitioner has submitted that the existing norm of allowing 5.4% of Opening GFA as the R&M Expenditure as per the OERC Tariff regulation is inadequate. Therefore pending revision of the norm petitioner prays to allow the additional expenditure of Rs. 26.28 Crore for ten months starting July (Rs. 142.63 Cr. (proposed) – Rs. 116.35 Cr. (pro-rata ten months against OERC approved amount of Rs. 139.62 Cr.) treating as special measures for improving safety, quality and reliability of the network meeting its bid commitments.
12. The total R&M cost required for operations is 149.76 Cr. and category wise distribution is in the following table.

S. No.	Broad Category	Description	Budget (Rs Cr)
1	STS	Annual maintenance contract for Primary Substations & Feeders	6.43
2		Repair / Servicing of DC system at 33/11KV Substations	0.33
3		Testing/Overhauling/Reconditioning of Transformers	1.17
4		Repair / Servicing of CTR make load tap changers	0.21
5		Repair / Servicing of Circuit Breakers	0.21
7		Installation of wedge connectors in feeders and substations	0.25
8		Procurement of materials for overhead & underground feeders	5.00
9		Procurement of materials for Power Transformers	1.67
10		Procurement of materials for Circuit Breakers	2.08
11		Procurement of materials for Secondary Plants	2.04
12		Distribution	Distribution AMC Contract
13	Distribution Material (O/H)		18.10
14	Distribution Material (U/G)		0.89
15	Distribution Material (Trf)		9.44
16	Safety		1.13
17	RC - Testing, Overhauling and Reconditioning of Distribution transformers		1.13
18	Others	PSCC	0.12
19		Admn. AMC	1.03
20		CIVIL	8.64
21		Automation	2.97
Total			142.63

Sl. No.	Department	Description	Plan
			FY 20-21
			Rs. Cr.
Activities under Automation & Technology			
1	Automation and Technology	AMC - SCADA & Automation System	0.75
2		Communication Link	1.378
3		Substation Automation (Existing)	0.075
4		ODSSP Substation Automation	0.18
5		Support Services	0.38
Total			2.97

Administrative & General (A&G) Expenses

13. Meter Reading and Collection Expenses

Currently, meter reading is assigned to Meter reading agencies across Division/ Sub Division on fixed cost basis per reading. Meter reader visits consumer sites based on reading route sequence allotted to him in a period of 15 days i.e. from 7th to 22nd of every month. Meter reader after punching the reading in spot billing application delivers the spot bill to the consumer during the same visit. In some divisions, meter reading is done partially with support of Self Help Groups as part of Govt. of Odisha approved SHG in Energy Franchise Agreement (SEFA) in Rural Areas.

Above mentioned practice leads to high provisional bills around 20% as reading is done only for 15 days, and that too without ensuring minimum wages to meter readers. Therefore, it has been proposed to change the reading cycle from 15 days to 30 days and to put performance based contract in place for ensuring timely meter reading with reduction in provisional bills.

Payment collection counters are provided at Division/ Sub-Division level for customers to deposit the bills. Currently, the due dates are scheduled in a short window of 7 days duration due to which there are long queues at payment counters during month end. This leads to customer dissatisfaction as customer has to spend time and energy for bill payment.

In addition to payment collection counter, recently collaboration with Airtel has been done for accepting electricity payment at their counters along with on-line payment options through Website, Payment Wallets like Paytm etc.

Beside above avenues, Business Associates (BAs) have been deployed for visiting the customer premises for collecting the payment from customers mostly by issuing manual receipt. Knocking at all customers' doors during the month is a herculean task with multiple visits to the customer's residences, with eventual result of non-payment of bills. Therefore, performance based contract for Door to Door collection is proposed for ensuring timely recovery of payment. Further, promotional schemes for online payment and counter payment are also proposed.

The Estimated cost is based on recently discovered price through open tenders

SL. No.	Category	Cost (In Cr)
1	Reading, Spot Billing (25 Lakh Customer base)	15.50
2	Door to Door Collection (24 Lakh Customer base)	17.25
3	Meter Reading and Spot Collection through Self Help Group	4.50
4	Others including below points: 1. 50 % Indexing, data correction 2. Promotion Strategy - Online/Counter payment 3. Credit Card Commission etc. 4. Disconnection Notice Distribution and Execution 5. Bill Distribution for 3 Phase connections	7.24
Total Cost (Without GST)		44.49
Total Cost (With GST)		52.50

14. **Customer Services and Communication Expenses**

To improve the customer experience, customer touch points need to be augmented for providing ease of connectivity and single touch point at offices.

Call Centre is a convenient mode for providing service on 24X7 basis, thereby customer is not required to go through the hardship of visiting the office. This demands the overhauling of existing infrastructure of call centre, particularly improving the Call Centre connectivity. In order to provide ease in customer experience, a unified Call Centre is imperative to be made operational. For this, Rs 0.91 Cr is allocated under A&G head.

Currently, customers visit the office and stand in long queue for making electricity bill payment during due dates. Also, lack of basic amenities for the visiting customers like seating space, water dispenser, etc. at Section, Sub-Division and Division Level is experienced. For better experience at customer care, operational expenditure of 2.0 Cr. is allocated to provide better logistics at existing Customer care centres.

Currently, SMSs are being sent to limited customers that too at the time of Bill Generation. It has been proposed that the communication through SMS and Email need to be enhanced by introducing SMS/Email at following stages leading to enhancement of customer satisfaction. For this, 0.45 Cr is proposed under operational expenditure.

While the Call Centre Cost is as per discovered prices, the other costs are estimated based on prevailing prices.

Sl. No.	Cost Component	Proposed Cost (In Crs)
1	Call Centre (50 Seats)	0.91
2	Customer Care Operations including Stationery/ Printing / Computer Consumables, Postage and Courier Charges	2.0
3	Toll Free Charges	0.31
4	Communication including SMS	0.45
Total Cost (without GST)		3.67
Total Cost (with GST)		4.33

15. **Meter Management Expenses**

To ensure smooth operation of Meter Management and establish a robust supply chain of meters and accessories, meter testing labs need to be developed in 03 locations i.e. Bhubaneswar, Khurda and Cuttack with new test bench facility as appraised in table below. These facilities will be developed in phased manner over a period of three years.

Further, to ensure high communication percentage of meters installed with Modem already installed in field, there will be need for rectification/ Trouble Shooting of modems and allied accessories like SIMS cards, Antennae, etc. It is expected that 5% of modems and accessories will need rectification per month, so a budget of 0.33 Cr has been considered for the same. This activity of modem rectification will be handled through performance contract under guidance of MMG TPCODL.

To operate these meter testing facilities and troubleshooting of modem and SIM, funds are required under operational expenditure and the same is mentioned below. These costs are on estimated basis

Sl. No.	Cost Component	A&G Cost
1	Refurbishment of Meter Test Bench and calibration of Accucheck	0.21
2	Cost for Meter Testing	0.77
3	Data Downloading for non-communicating cases	1.10
4	Troubleshooting for modem and SIM replacement	0.33
5	Safety Equipment	0.34
Total Cost (without GST)		2.75
Total Cost (With GST)		3.25

Summary:

Sl. No.	Sub-Category	A&G Cost (Rs. In Crs)
1	Reading, Spot Billing	15.0
2	Door to Door Collection	17.25
3	Self Help Group including cost of mobile phone and Printer	4.50
4	Customer Indexing, Other Promotion of Online/ Counter Payment	7.24
5	Call Centre Operation, Toll Free, SMS , Printing, Stationary etc.	3.67
6	Data Downloading, Safety Training etc.	2.75
Total (Without Tax)		50.88
Total (With GST at 18%)		60.08

Admin & General Expenses: Other Costs

<u>Particulars</u>	<u>FY 2019-20 Provisional Expenditure</u>	<u>Total Proposed Plan June-March 21</u>	<u>OERC Approved FY 20-21 April-March 21</u>
A & G - Other Costs	159.38	63.03	12.00
Rent Rate & Taxes (including Lease Rentals)	3.65	5.00	
Watch & Ward Expenses	15.98	0.00	
Communication	0.88	1.25	
Legal, Consultancy & Professional Charges	2.06	4.17	
Conveyance & Travelling	10.29	11.53	
License & Related Fees	1.90	1.58	
Advertisement Expenses (Public relation)	0.49	1.67	
Franchisee & Village Committee Exp	5.02	5.00	
Printing	0.84	0.83	
Stationery	0.50	0.83	
Distribution Franchisee Sharing BOT	111.73	0.00	
IT -Computer Consumables	0.27	6.67	4.00
Bank Charges		2.00	
Training		2.00	0.50
Insurance		10.00	
CSR		0.83	
House Keeping		4.17	
Other Expenses/ Customer Care Call Center	5.77	5.50	7.50

16. Respondent GRIDCO made its submission on the Business Plan and stated that the Commission has passed order on dated 08.09.2020 in the matter of approval of Detailed Project Report (DPR) for the CAPEX Plan of TPCODL for FY 2020-21. The Commission

in the aforementioned order has pronounced in para 28 and 29 towards the CAPEX plan of the TPCODL. This may be affirmed subject to legitimate costs incurred on the CAPEX plan by the Petitioner and prudence check through audit.

GRIDCO further stated that as per the direction of the Commission vide para 55 of the Vesting Order in Case No. 11/2020 on dated 26.05.2020, the legitimate expenses of the licensee may be approved for the FY 2020-21 with prudent scrutiny by the Commission.

17. Respondent Odisha Power Transmission Corporation Limited (OPTCL), submitted that the Capex expenditure has already been approved by the commission vide order dated 8.9.2020 through a separate proposal. Hence it is not understood why it has again been proposed through the business plan or otherwise, if it is proposed now (which is quite logical) why the same was proposed and approved separately.
18. However with regard to the CAPEX OPTCL stated three specific issues which are of paramount importance as far as safety, security and reliability of power supply is concerned but find no mention in the capex proposal of TPCODL.
 1. There are 33KV bays which have been constructed in erstwhile CESU area for drawl of power to CESU's 33/11KV substations while constructing new 220/33KV and 132/33KV substations. Many of such bays have not been utilised till date. In fact 33KV bays in some of the OPTCL's substations remain completely unused for years together and remain so even today. There is no plan of TPCODL to construct new 33 KV lines to connect these new EHT grids with TPCODL's 33/11KV substations which would provide stable, reliable and quality power to the consumers. The list has been given in the petition.
 2. Many of the 33/11KV substations of TPCODL do not have 33KV and 11KV breakers as a result of which the entire fault is getting reflected on the OPTCL grid causing damage to equipment. This also affects the protection and control of the power system and causes bulk power failure at times. But as seen from the capex plan, there is no specific provision for replacement/ installation of circuit breakers and relays in the TPCODL's Primary 33/11KV substations.

3. OPTCL have constructed many 33/11KV substations under ODSSP, DDUGJY and IPDS schemes which are not being taken over and made operational. A list is annexed to the petition
19. As regards the O&M expenses, there is a huge increase proposed by TPCODL in all the three sub heads, (a) Employees cost (b) R&M and (c) A&G with retrospective effect without substantiating the actual need and justification except some generic remark. The OPTCL analysed the same as below:

(a) Employee Cost

TPCODL has inherited 4917 nos. of regular employees from erstwhile CESU, out of which 4296 are nonexecutives and 621 are executives, though the classification in terms of technical and nontechnical has not been given. By their submission, they have admitted to have already deployed 100 executives and intend to further deploy 60 more on deputation from Tata Power. They also have proposed to recruit 1367 more executives during the current financial year. Though they have declared to have attached the details of the human resource plan, this is in fact not available. Hence the function wise and level wise recruitment plan is not known.

But going by the sheer numbers, 1527 executives proposed to be recruited this FY (100 already recruited without any approval) is a huge number as compared to 621 now existing. This is really baffling, as this is almost 2.5 times the present strength. This cannot be explained by any logic or rhyme.

OPTCL stated that the petitioner has not identified the functional areas, norms of deployment and the detailed organisation structure so as to analyse its requirement. It is also not understood, if the scarcity is so huge, how was CESU being managed over the years? The petition also does not specify its cost implication now and in future and its impact on tariff. The employee cost approved for this year's ARR is Rs 610.53 crores, whereas the proposed cost from June 2020 to March 2021 alone is 639.52 crores without detailed facts.

OPTCL has therefore submitted that the petition of TPCODL should be summarily rejected and instead they should be asked to prepare a detailed organisation structure based

on norms and propose a year wise recruitment, induction plan spread over next five years as their present proposal is not based on any scientific and logical study.

(b) R&M cost

OPTCL has stated that the approved R&M cost in this year's ARR is Rs 139.62 out of which expenses till date in different heads has not been specified. They have only said that taking the pro-rate expenditure allotment for ten months as Rs 116.35 crores, an additional expense of Rs 26.28 crores is required, which is an increase of around 23%. It is also seen that, expenditure has been proposed in SCADA and safety equipment and PPE for workmen both under capex and R&M. The petitioner should give a comparative chart of different works and cost approved in ARR vis a vis proposed along with expenditure incurred till date.

(c) A&G cost

OPTCL stated that as against approved cost of just 12 crores by OERC in ARR, TPCODL has proposed a whopping sum of Rs 63.03 crores for 10 months (June 2020 to March 2021) without any proper justification as per the regulation or otherwise. Hence the 5 times increase in cost should be rejected outright.

20. The OPTCL has also made other general observations on CAPEX which is not relevant in the present context as the commission have already pronounced separate order on CAPEX approval.

Commission's Order

21. The Commission through the vesting order dated 26.05.2020 in case No. 11/2020 vested the utility of CESU in the operating company TPCODL wef 01.06.2020. The successful bidder Tata Power Company Limited (TPCL) acquired 51% equity in the TPCODL and Government of Odisha held 49% through its entity GRIDCO.
22. The Commission in the meantime has already approved the capital investment plan (Capex) of Rs.280.63 crore for FY 2020-21 in case No.32/2020 dt.08.09.2020. The Commission in the said order observed the following:

" 28. In view of the necessity of the proposed capital investment plan, the Commission hereby grants in principle approval to the following proposals except those stated above.

"29. The approved cost shall be passed in the ARR as per the norm subject to rational utilization by the petitioner and prudence check through audit. The petitioner is directed to submit quarterly progress report of the works along with the details of materials utilized vis-a-vis various activities shown in the DPR. "

23. Therefore, the prayer for approval of Capex is excluded in the present order. In this order therefore, only the OPEX items are dealt which include Employees Cost, Repair and Maintenance cost (R&M) and Administrative and General cost (A&G) as per the Business plan petition.
24. The vesting order at para 55, outlines the necessary steps to be taken by the TPCODL towards operation and maintenance expenses after the vesting wef 1.06.2020. The Commission directed the following:

"55. Operation and Maintenance Expenses

(a) The O&M expenses comprise of three components as given below:

- i. Salaries, wages, pension contribution and other employee costs*
- ii. Administrative and General (A&G) expenses*
- iii. Repair and Maintenance (R&M) expenses*

(b) Salaries, wages, pension contribution and other employee costs For the first year of operations, TPCODL shall within 45 days of the Effective Date, submit a detailed management structure and staff deployment plan including implementation timelines, key activities and an estimate of expenses that may be incurred by TPCODL in the first year of operations. Along with estimate of expenses, TPCODL shall provide detailed justification for any deviation from the expenses approved by the Commission in the Aggregate Revenue Requirement of CESU for the current year. The Commission shall undertake a prudence check of the plan submitted by TPCODL before approving the same. TPCODL shall make expenses in-line with the approved expenses and the actual expenses allowed shall be determined at the time of true-up based on prudence check as per the Tariff Regulations.

(c) Administrative & General (A&G) expenses

For the first year of operations, TPCODL shall within 45 days of the Effective Date, submit an estimate of A&G expenses that may be incurred by TPCODL in the first year of operations. Along with estimate of expenses, TPCODL shall provide detailed justification for any deviation from the A&G expenses approved by the Commission in the Aggregate Revenue Requirement of CESU for the current year. The Commission shall undertake a prudence check on the submission made by TPCODL

before approving the same. TPCODL shall make expenses in-line with the approved expenses and the actual expenses allowed shall be determined at the time of true-up based on prudence check as per the Tariff Regulations. The Commission may while approving A&G expenses allow cost incurred for special measures to be undertaken by TPCODL towards reduction of AT&C losses, improving collection efficiency and other areas of intervention proposed by TPCL for meeting its Bid commitments. Provided the Commission will undertake a prudence check before allowing such expenditure.

(d) Repair and Maintenance (R&M) expenses

For the first year of operations, TPCODL shall within 45 days of the Effective Date, submit a detailed R&M plan including implementation timelines, key activities and an estimate of R&M expenses that may be incurred by TPCODL in the first year of operations. Along with estimate of R&M expenses, TPCODL shall provide detailed justification for any deviation from the R&M expenses approved by the Commission in the Aggregate Revenue Requirement of CESU for the current year. The Commission shall undertake a prudence check of the plan submitted by TPCODL before approving the same. TPCODL shall make expenses in-line with the approved expenses and the actual expenses allowed shall be determined at the time of true-up based on prudence check as per the Tariff Regulations. The Commission may while approving R&M expenses allow cost incurred for special measures to be undertaken by TPCODL for loss reduction, energy audit, consumer indexing and other areas of intervention proposed by TPCL for meeting its Bid commitments. Provided the Commission will undertake a prudence check before allowing such expenditure. With regards to R&M expenses, the Commission shall allow in the Aggregate Revenue Requirement, R&M expenses incurred on the existing assets transferred to TPCODL as well as assets created out of grants which are not reflected in the books of CESU subject to prudence check by the Commission, as per existing practice.

(e) For the subsequent years, TPCODL shall include the estimated expense for each component of O&M expense in the Aggregate Revenue Requirement petition submitted to the Commission as per the Tariff Regulations. The Commission shall undertake a prudence check of the submission made by TPCODL before allowing the expenditure in the Aggregate Revenue Requirement. Provided that the actual expense allowed shall be subject to true-up as per the Tariff Regulations.”

25. In view of the above directions of the Commission in the vesting order dated 26.05.2020 the Commission has now gone into the details of the Annual Business Plan submitted by the petitioner TPCODL. We will deal with the petition to allow O&M by going into the details of the submissions and our earlier order.

Employees cost

26. The Commission has gone into the details of the Employees cost submitted by the TPCODL in its annual Business Plan petition. We find that they have submitted a comprehensive plan by reorganizing the present organization structure keeping focus on the areas of improvement in the DISCOM.
27. TPCODL have inherited on its rolls 4917 number of regular employees and 435 number of contractual employees as on 31.05.2020. TPCODL has proposed total manpower strength of 6219 number of regular employees and 435 numbers of contractual employees. TPCODL has stated that the existing manpower available with TPCODL has 618 Nos. of Executives and 1302 additional employees in the executive cadre need to be inducted under 14 departments. As per the petition the inductions will be made under the level as Head, HOD, HOG, Team Leader and Lead Engineer/Lead Associate. The maximum number of Executives will be positioned in the Lead Engineer/Lead Associate level totaling to 989 numbers. They have further proposed to position 620 Nos. of Team leader, 115 Nos. of HOG, 111 Nos. of HOD and 45 Nos. of Chief/Head. Out of these numbers, after bringing in the existing staff of TPCODL balance numbers will be inducted.
28. TPCODL has projected additional expense of Rs.68.38 crore in Salaries to be paid to the 1367 Nos. new employees and 60 Nos. of employees to be brought on deputation. TPCODL has further projected additional expense of 31.52 crore on HR services which include transfer, recruitment, joining, L & D, engagement, insurance, CLA, audit compliance etc. The petitioner also has proposed to spend Rs.49.40 crore towards outsourced work in areas of MBC and consumer services.
29. The OERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014 provide the mechanism for allowing the employee cost. Regulations 7.21 and 7.22 are relevant in this context which are reproduced below:
 - “7.21 Wages and salaries during the control period shall be determined based on the base year values of Basic pay and Grade Pay escalated for annual salary increments and inflation based on Govt. of Odisha notification issued from time to time.*
 - 7.22 Basic Pay and grade pay are to be taken from last available annual audited accounts of the Licensee. However if as per the Commission’s assessment the*

figures shown in the audited accounts cannot be relied upon, the Commission may take into account the actual payment outgo during the last six months of the year, as submitted by the licensee, to arrive upon the basic pay and grade pay for the ensuing year.

Dearness Allowance, HRA and other allowances would be calculated as per rates notified by the Government of Odisha from time to time.”

30. In view of the above Regulations, the wages and salaries shall be determined on the basis of Basic pay and Grade pay in the structured pay scale. Other allowances are also linked to the pay scales which are allowed as per the Government of Odisha rates. In the present context however, the wages and salaries proposed for the new induction will not be based on such pay scales but as per the industry norms to be decided by the TPCODL.
31. In view of such a scenario wherein the salary, wages and allowances for the new induction is decided by the operating company the Commission allows such induction in order to provide operational flexibility to TPCODL to design the organizational structure in order to ensure efficiency in operation and staff deployment. The Commission in its vesting order at para 49(c) have provided such operational flexibility to the operating company.
32. The Commission however, observes that the induction of 1367 new employees in executive cadre in one year will have a huge impact on the employees cost and consequently on tariff. The Commission is also aware that in the DISCOMs no new significant recruitments have been made during last 10 years and DISCOMs have appreciable shortage of required manpower. The ratio of the employees vrs consumers has also widened over the years and bringing in new employees will bridge this gap for efficient functioning of the DISCOMs. The Commission is not averse to allowing employee cost which is just and as per the present norms of the relevant industry. At the same time, the Commission is not inclined to fill all the required personnel/ vacancies in one year. Such a large scale recruitment in a short period is bound to choke the career growth over the years besides causing tariff shock. Instead, it should be spread over a longer period.
33. The Commission now allows 8% of the total proposed manpower in the current year and stipulates that the new recruitments be made as per the operational requirements. The proposed expense on HR operation may also be accordingly adjusted.

34. The approval of the new recruitment as above will be assessed by the Commission during the true-up exercise and periodical reviews. The expenses under this head will be allowed only after prudence check.

Repair and Maintenance Expense

35. The petition has outlined the requirement of comprehensive Repair and Maintenance in the area of safety, power system, distribution system and distribution services, centralized power system control centre, civil structures, automation technology etc. The repair and maintenance activities over the years has not been up to the mark mainly due to tardy revenue collection consequently causing neglect of many vital areas of safety, maintenance, replacement, communication and IT services.
36. The OERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014 provide the mechanism for allowing the Repair and Maintenance cost. Regulations 7.29 and 7.32 are relevant in these contexts which are reproduced below:
- 7.29 *“Repair and Maintenance expenses would be allowed at the rate of 5.4% of Gross Fixed Assets (GFA) only on assets owned by the distribution company, for each year of the Control Period.*
- 7.30 *The licensee shall prepare a plan and budget for periodic preventive maintenance of distribution network including emergency repairs and restoration works under each division.*
- 7.31 *The Commission may provisionally allow an amount for maintenance of assets added under RGGVY, BGJY programme etc. The licensee is required to submit to the Commission along with ARR the details of assets taken into service under these programmes.*
- 7.32 *The Commission may also allow special R&M, actually incurred during the previous year, in order to enable DISCOMs to undertake critical activities such as loss reduction, energy audit, Consumer Indexing, Pole scheduling etc. Provided the commission will undertake a prudence check before allowing such expenditure.”*
37. The petitioner has proposed for the total Repair and Maintenance cost of Rs.149.76 crore under the broad categories of Sub Transmission System (STS), Distribution and others. The petitioner has proposed the highest expenses under R&M on the head distribution AMC contract of 79.79 crore and distribution materials of 28.43 crore. The petitioner has submitted that performance based annual maintenance contract will be established with

expert market agencies for all 20 divisions. The performance based annual maintenance contract will include breakdown crews for restoration of 11 KV line and substation equipments. Annual Maintenance Contract (AMC) will be given towards safety, emergency breakdowns, carrying out preventive maintenance of equipments pertaining to LT distribution system.

38. The provisions of the Tariff Regulations provide for determining Repair and Maintenance cost based on the percentage of the fixed assets. However, in the present scenario of the new operating company taking over the assets of the erstwhile CESU, it is required to maintain the network in optimal manner not only to address the issues of safety and maintenance but also reducing technical losses in order to improve its performance on AT&C loss trajectory.
39. The Commission in the last tariff order has approved the total Repair and Maintenance cost of Rs.139.62 crore to the erstwhile CESU for FY 2020-21. The petitioner has proposed the total cost of Rs.142.63 crore for the balance 10 months of the year. The petitioner has proposed that through these additional expenses there will be appreciable benefits and improvement to the system. Notably there would be reduction in interruptions/ outage duration leading to early identification and restoration of RTU or communication failure, improvement in system reliability by reducing SAIDI and SAIFI, higher availability of SCADA/ DMS system and saving in AMC cost.
40. In view of the fact that the Repair and Maintenance aspect is critical to the overall improvement of the distribution system, the Commission now approves the total cost of Rs.142.63 crore for the ten months (June, 2020 to March, 2021).
41. The approval of the Repair and maintenance as above will be assessed by the Commission during the true-up exercise and periodical reviews and expenses will be allowed only after prudence check.

Administrative and General (A&G) Expenses:

42. The petitioner has focused under the A&G expenses the activities such as meter reading and collection expenses, customer services and communication expenses, meter management expenses including other related expenses. In the meter reading and collection expenses the petitioner has proposed to deploy Business Associates under

performance based contract and promotional schemes for online payment and counter payment. The estimated cost towards these activities is proposed to be Rs.52.50 crore.

43. In order to provide ease in customer experiences an unified call centre is proposed. The total cost with GST for establishing the call centre is proposed to be Rs.4.33 crore. Under the meter management expenses the petitioner has proposed to establish supply chain of meters, accessories and development of meter testing labs in three locations i.e. Bhubaneswar, Khordha and Cuttack. The communication equipments in the meters already installed will be strengthened through timely rectification of modems and allied accessories. The total cost estimated under meter management expenses is proposed to be Rs.3.25 crore. Therefore, the total expenses under these activities is proposed to be 60.08 crore.
44. The petitioner has further proposed other costs in the A&G expenses such as insurances, rent, rate and taxes, legal consultancy and professional charges, IT consumables, housing keeping etc. The petitioner has proposed an expenses of Rs.63.04 crore on the head other expenses.
45. The Commission approves the A&G expenses in the ARR under the provisions of the OERC (Terms and Conditions) for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014. The relevant extract of such Regulation is reproduced as below:-
- “7.27 The A&G Expenses for each subsequent year will be determined by escalating the A&G Expenses for the previous year, at the escalation factor of 7 % to arrive at permissible A&G expenses for each year of the Control Period*
- 7.28 The Commission may, in addition to the normal A&G expenses may allow additional expenses, actually incurred during the previous year, under this head for special measures to be undertaken by the distribution licensees towards reduction of AT&C losses and improving collection efficiency. Provided the commission will undertake a prudence check before allowing such expenditure. “*
46. The Commission in the last ARR for FY 2020-21 has approved total A&G of Rs.70.82 crore. In the present petition the petitioner has submitted that the provisional expenditure for previous year i.e FY 2019-20 under A&G head is about Rs.159.38 crore which includes payment of 111.73 crore towards Distribution Franchisee Sharing BOT. This year

no expenditure is planned in the Distribution Franchisee Sharing BOT as no franchisee has been engaged and therefore no expenditure is proposed in the current petition under this head. As analysed from the petition another major expenditure is on the Insurance which is about Rs.10 crore.

47. In light of the above submissions the Commission observes that the expenditure in the A&G is a controllable expense and as per the OERC Tariff Determination Regulation additional expenses are allowed in this head for specific measures towards reduction of AT&C losses and improving collection efficiency. We find that the proposals mainly relates to the improving metering management and services and customer services which are vital elements in reducing AT&C losses. The TPCODL is a new operating company and we believe that they have planned out their activities diligently for improving the overall distribution business. At this stage we agree to the proposal of the petitioner and allow the additional A&G expenses of about sixty percent of the proposed Rs.63.09 crore for FY 2020-21. However, the petitioner is directed to produce the required justifications of such additional expenses under the head A&G expenses incurred in the truing up petition for FY 2020-21. The expenses under this head will accordingly be allowed after prudence check
48. In light of these facts the case is disposed of.

Sd/-
(G. Mohapatra)
MEMBER

Sd/-
(S. K. Parhi)
MEMBER

Sd/-
(U. N. Behera)
CHAIRPERSON