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.37/2021

M/s. TPWODL. ……. **Petitioner**
Versus
GRIDCO Limited & Others …..... **Respondent**

In the matter of : **Application for approval of Annual Business Plan for FY 2021-22 of TPWODL.**

For Petitioner : Shri Gajanan Kale, CEO, Shri K.C. Nanda, DGM (RA & Strategy), TPWODL

For Respondent : Shri Ananda Mohapatra, Shri Bibhu Charan Swain from UCCI, Shri L K Mishra from GRIDCO, Shri B. K. Dash, GM (RT&C), OPTCL and Ms. Sonali Patnaik, ALO, DoE, Government of Odisha.

ORDER

Date of hearing: 29.06.2021 **Date of order:27.10.2021**

This petition has been filed by the utility TPWODL towards approval of Annual Business Plan for FY 2021-22 in pursuance to the vesting order dated 28.12.21. Petitioner has submitted that pursuant to the direction of the Commission vide Suo Motu proceeding in Case No. 82/2020 dated 28.12.2020 at para 53, TPWODL is required to file the Annual Business plan (ABP) relating to Employee cost, R&M, A&G expenses for the year FY 21-22 within forty five days (45) from the date of effective date of 1.01.2021. Accordingly, it has submitted the ABP for O&M expenses plan before the Commission on 11th Feb-21. The submission was made through an additional submission to the ARR of WESCO utility vide Case No.75 of 2020.

2. Petitioner stated that the Commission in the RST order dt.26.03.2021 at para 403 has observed the following with regard to this matter;

'In the meantime TPWODL and TPSODL came into operation w.e.f. 01.01.2021 which is later than the submission of the ARR petition for FY 2021-22. In terms of their respective vesting order, TPWODL and TPSODL have also made additional submission with regard to

the O&M cost for the current FY 2020-21 and further projections for FY 2021-22 beyond the ARR projections as per the petitions submitted on 30.11.2020 by the utilities WESCO and SOUTHCO. The Commission in such a scenario will consider such additional submission towards Annual Business Plan of TPSODL and TPWODL and hear the same from different stakeholders before approving the same. In the present order the Commission has taken into consideration the proposal made in the original ARR petition for FY 2020-21.

3. Accordingly, the Petitioner has filed Annual Business Plan for 2021-22 on 17.05.2021 with the Commission. The Petitioner now has submitted as follows as a part of its petition:

- Due to the altered scenario for improving the reliability of power supply, the operation and maintenance cost of the company would undergo some changes on account of new recruitment, additional A&G cost towards MBC, IT automation, Energy Audit, Insurance. Similarly, under R&M, AMC for network assets, repair of Govt funded assets etc. related costs needs to be increased to certain extent.

- TPWODL license area is spread over geography of 48,207 Sq. km and serve the registered consumer base of 2.07 million. TPWODL procures power from GRIDCO, which is a state owned company, engaged in the business of purchase of electricity in bulk from various generators located inside Odisha and the state share of power from Central generators for supply in all power distribution utilities, including TPWODL. It receives electrical power at a sub transmission voltage of 33KV from Odisha Power Transmission Company Limited's (OPTCL) 220/132/33 kV Grid Substations and then distributes the power at 33KV / 11KV / 440V / 230V depending on the demand of the consumers. For effective operations, license area is divided into 5 circles, which is further sub divided in 17 Divisions, 57Sub-division and 202 Sections, which manage the commercial, and O&M activities in order to serve its consumer.

- In FY 19-20, against the total input energy of 7524 MU, billed energy was 6115 MU resulting into billing efficiency of around 81.26%. Out of this 6115 MU billed energy, approximately, 43% of the energy billed in a particular year is supplied to Domestic Consumers while EHT and HT Consumers contributing to 26% and 31% of the total billing (in terms of units) respectively. In terms of Revenues, Domestic Consumers contribute to around 34% while EHT and HT Consumers 33% and 33% respectively.

- The power distribution network is not compliant up to requisite statutory standards at most of the places and it is in a dilapidated state. Distribution lines are lengthy and most of the feeders are of radial nature. Even some of the span have under-rated / uneven sized conductor thus compromising the circuit capacity .Overhead networks have worn out conductors, poor Earthing, damaged/ tilted poles/ accessories resulting into abnormal sag. As a result, safety clearances are compromised at many locations, which poses threat to the safety of employees, public at large and animals. Similarly, 33/11KV Primary substation and 11/0.415 kV Distribution Substations are in a very deteriorated condition. In Primary Substations few faulty equipment exists which are either bypassed or removed and supply is being managed without proper switching devices resulting into escalation of faults/ cascade tripping to upstream devices thereby impacting the large consumer base. In Distribution Substations the Air Break Switch, HG/DO Fuse units, LV Protection devices and DC system are not functioning at most of the locations. Apart from this, earthing system in Primary Substation, Distribution Substation and Lines are in deteriorated condition. Fuse arrangements installed at Distribution Substations are at lower height and exposed thereby creating a potential safety hazard for human being and animals. It is very hazardous for employees to work on such system.

- The 33/11 kV Primary Substation's (PSS) boundary walls are broken and there is no fencing to the outdoor switchyards. This makes the PSS unsafe for stray animals and allows unauthorized entry. Apart from this, earthing system is in a very poor condition; many breakers and CTs are bypassed resulting in non- availability of basic protection system.
- One of the burning problem observed is the presence of a large number of non-metered and defective meters resulting into poor billing efficiency. Additionally, Meters installed at consumer premises are of mix type such as electro-mechanical meters, consumer owned meters, electronic meters etc. Meter sealing to ensure revenue protection from unauthorized access to electricity is another area, which needs to be emphasized.
- The level of hygiene and sanitation at the work place is appalling. Office buildings are very old which may need to be strengthened. Infrastructure of the offices requires revamping to ensure conducive work environment, additional space for new employees and visiting consumer.
- In order to address these challenges and to safeguard the assets along with consumer interest, substantial investment is required. This will enhance the reliability,

reduction in AT&C losses, safe environment and efficiency improvement along with customer satisfaction.

4. Petitioner submitted the major issues associated from erstwhile WESCO which are continuing till today are highlighted below:

Dilapidated network and Safety:

- One of the major reasons is absence of structured preventive maintenance and systematic investment for past many years. The overall overhead network is radial in nature having 11KV circuits with average length of 90-100 kms and 33KV circuits 60-80KM. 33KV & 11KV circuits have underrated, uneven sized & worn out bare conductors with extremely long span lengths. The LV circuits are very long and radial. Both HV &LV circuits have a large number of damaged/ bent/ tilted poles, poor workmanship in jointing and are devoid of guard wires on road crossing. 11/0.415 kV Distribution Substations (DSS) have no fencing and the LT side fuse box/MCCB box are missing, Earthing system is in very bad condition, most of the AB switches are bypassed. DD/HG fuse are bypassed/ broken. 33/11KV PSS do not have compound wall/fencing, poor earthing system. HT switchgear equipment like Circuit Breakers, Isolators, CT, PT, LA are either non-functional or not provided. Relay control panels are either bypassed or non-functional. The protection panels are not maintained properly.
- As a result of above, the interruption at 11KV & 33KV feeder level is too high with respect to present Indian utility standards. Further, due to lack of maintenance, failure rate of Distribution Transformer is very high at 5.8% of total Volume. Year wise DT failure data is as below,

DTR	FY 2017-18	FY 2018-19	FY 2019-20	April -2020 to DEC-2020
Up to 315 KVA	3197	3200	3124	2759
500 KVA	36	22	26	21
630 KVA	4	3	2	3
750 KVA	1	0	3	0
1000 KVA	3	4	1	4
Total	**3241**	**3229**	**3156**	**2787**

Safety Statistics:

- The scarce resources and lack of preventive maintenance has led to delay in response on Safety Hazards reported by Public and employees

YEAR WISE FATAL/NON-FATAL ACCIDENT REPORT							
Year	**Human**		**Total Human**	**Animal**		**Total Animal**	**Total Victim**
	Fatal	**Non-Fatal**		**Fatal**	**Non-Fatal**		
15-16	22	8	30	10	0	10	40
16-17	12	6	18	5	1	6	24
17-18	10	0	10	5	0	5	15
18-19	12	1	13	3	0	3	16
19-20	20	6	26	7	8	15	41
20-21 upto Jan-21	11	6	17	10	2	12	29
Total	**87**	**27**	**114**	**40**	**11**	**51**	**165**

- Due to non-availability of required PPE, several accidents have occurred while carrying out the operation and maintenance activities on network. Similarly the desired testing tools are not available resulting severe incidences. The available PPE's and testing instruments are not up to the standard and not maintained

High Aggregate Technical and Commercial (AT&C)Losses

- The reported AT&C Losses for FY 2019-20 is 28.56% with Billing Efficiency of around 78% and Collection Efficiency as 91.6%. The problem is compounded since 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 loses be expeditiously reduced to ensure a commercially viable Distribution Utility.
- One of the major reasons for low Billing Efficiency is leakages in meter reading process which is due to non-accurate or no recording of meter reading due to faulty/no meter in approximately in 3.53 lakh consumers.

Limited Customer Touch Points and Inefficient Processes

- Limited customer touch point and non-availability of dedicated work force for timely customer service delivery lead to customer dis-satisfaction as Customer has to spend time, money and effort in visiting the office for registering basic complaints. This practice leads to undue delay in processing of customer request, updating of customer payment/record, and reconciliation of material and inconsistency of data in system. In line with the motto of "Mo Sarkar" initiative of GoO needs to be dovetailed with existing regulatory guideline aiming to ease out the process value chain related with Time, Cost and Procedures as 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.

- Delay in assessment, rectification of in-correct bills, and inordinate delay in replacement of defective meters is resulting in provisional billing for long period. Further, defined recovery process was not followed judicially, and connections are not disconnected in time on account of non-payment has led to accumulation of significant Arrears.

IT Infrastructure

- Presently there is no captive IT resources and infrastructure available in TPWODL. In the absence of formal IT department, local vendors as and when required manage all IT facilities. As of now billing and collection process is managed through third party solution managed by OPTCL/GRIDCO DMU team. Mailing system is outdated and most of employees are using Gmail (business) or personal email ID is created on Gmail, Yahoo etc.

Human Resource

- Petitioner stated that the most significant challenge at TPWODL related to Human Resource are

    a. An aging workforce.
    b. Lack of required skill set.
    c. Shortage of Competent Manpower.

Pending legal cases and non-compliances

- Petitioner stated that it has been reported that several legal cases involving commercial, HR, contractual and other issues are pending before various courts/forums (supreme court/high court/ APTEL/ NHRC/ OHRC/ OERC/ NCLT/ Lower courts /state and district consumer commissions/ Labor Tribunal/Permanent lock Adalat/ombudsman etc.). Most of the pending cases are filed against the licensee. In some cases involving major financial as well policy decisions, cases are filed by licensee against adverse decision of courts/forums/tribunals/authorities. The pending commercial and contractual matters involve financial involvement of around Rs.120 Cr. on the erstwhile WESCO utility. Majority of cases pertain to assessment u/Sec. 126 of the Electricity Act, 2003, compensation against electrocution accident /

claims of consumers / contractor / service providers, Statutory Authorities and HR issues.

Poor Civil Infrastructure

- TPWODL have offices in all the five circles 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 is very old and is in non- serviceable condition. New furniture planned to be procured for various offices, Customer Care Centres, Call Centres, etc. Currently the stores are located centrally at Burla, Bolangir, Rajgangpur and Kesinga. The stores are in dilapidated condition. These stores need urgent refurbishment and proper indoor stacking arrangement.

5. Petitioner has stated that TPWODL has identified the most critical issues across the spectrum through in-depth study and has worked diligently to propose the most suitable and feasible action plan to address the issues. It has also prioritized the list of measures with the most impactful measures taking the highest priority for implementation

Key focus areas

Network refurbishment and Structured Maintenance for enhancing Safety

- It proposes to carry out technical survey of the 33KV & 11KV feeders to identify defects and carry out refurbishment to improve the 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, installation of HT spacers in high sag lines. The refurbishment will also involve restoration of safety 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 human being & animals.

Aggregate Technical and Commercial (AT&C) Loss Reduction

- In FY 20 – 21, Target of AT&C loss is fixed to 28.56% and TPWODL is striving to achieve this target by taking various measures. Reducing losses by replacing defective/faulty meters (Approx. 3.53 Lacs), testing of meters and installation of

Smart Distribution Transformer (DT)meter is key indicator. Meter procurement and installation at faster rate is one of the priority areas. This will help in reducing provisional billing and ensure correct recording of consumption.

- 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 readers, 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, strategizing to motivate customers for 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 Group (SHG) will be enhanced for meter reading, collection and promoting energy conservation initiatives.

Introduction of Customer Touch Points and Customer Centric Processes:

- It is 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. Introduction of new payment avenues will help in increasing payments at counters clubbed with dedicated recovery marshals at section level will help in reducing the accumulated live as well as disconnected dues through focused collection/recovery drives. Further, to reduce the dues, dispute redressal drive will be initiated for rectifying the bills or resolving the customer queries.
- Call Centre infrastructure is proposed to be upgraded to adequate seats for improving the connectivity, registration of complaints like No current, Billing error etc. and request like New connection, category change etc. for providing status and query response over the call. In addition customer touch point, the organization structure and processes will be reviewed and revised to enhance the customer centricity, efficient and effective process execution and control leading to enhancement in customer experience during the life cycle from New Connection to disconnection.

Technology adoption:

- Key technological interventions to manage Customer Care, Meter to Cash processes, ERP and SCADA are planned to be implemented in phased manner. This will be done through IPDS scheme, which is underway and other reinforcement. One of the priorities is to set up secured and robust IT infrastructure at TPWODL, which is missing at this time. Similarly, other interventions like Smart metering, Analytics, Smartphone based spot billing are being considered to unleash full potential of technology and reap the consequent benefits. TPWODL is also planning to establish 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.

Human Resource Plan

- 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. TPWODL will be exploring and adopting best practices & policies with the Tata group including its other distribution area. Use of online e-learning module shall be encouraged to ensure maximum participation of its employees.
- Identification and nurturing of high potential employees shall be priority for management towards ensuring successors in pipeline. Every year, all critical position shall be identified along with high potential employees. Potential of every employees shall be assessed, and training needs shall be identified through gap analysis.

Strengthening of Civil infrastructure

- 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.

OPERATION AND MAINTENANCE EXPENSES

Employee Expenses

6. Petitioner stated that in total 2362 employees of erstwhile WESCO has been transferred to TPWODL through vesting order, which includes 479 executives. Tata Power has already deployed around 56 executives including Senior Management team who are experts in different fields of distribution functions. This team has assessed the existing processes and resource capabilities. Based on detail analysis and subsequent organization design, TPWODL wish to reinforce existing team with additional 1291 manpower (all are in executive cadre). Function-wise proposed structure, mapping with existing manpower has been explained in detail in TPWODL Human Resource Plan. However, TPWODL wish to recruit 850 new employees in FY22, 550 in FY23 and 391 in FY24. Total Cost of manpower including erstwhile WESCO employees and newly recruited employees shall be Rs. 624.55 Cr. for the period April 2021 to March 2022. TPWODL submitted to approve the said employee cost for FY 2021-22. The proposed Employee Expenses is inclusive of existing and new employees.

Cost Heads	Description / Number	Proposed for FY22 (Rs Cr)	Remarks
Salaries, Wages, Allowances & Benefits	Existing 2418 employees cost	295.23	Salary / Wages for existing employees
Contribution to / Provision for P.F, Pension	To be deposited in PF, Pension Trust	132.31	Employee benefit.
Arrears of 7th Pay Commission	Shall be paid in line with GoO directives.	38.31	Old arrears.
New Employees & deputation	850 new employees and others	82.19	New employees and others.
HR Operation	HR service expenses (Transfer, Recruitment, Joining, L&D, Engagement, Insurance, CLA, Audit compliance etc.	4.00	Different HR services.
Training & Development	Training expenses for employees in the area of safety, PSCC, GIS, SAP, IT, maintenance process and new technology	5.00	Employee development.
Insurance	Employee medical / accident	14.70	Employee benefit.

Cost Heads	Description / Number	Proposed for FY22 (Rs Cr)	Remarks
	insurance		
Outsource	Outsource in areas of MBC and consumer services	52.81	Outsource charges.
Total		**624.55**	

Repair & Maintenance (R&M) Expenses

7. Petitioner stated that as explained earlier the existing network of WESCO area is deprived of maintenance due to lack of manpower, material and other support processes. In view of maintaining reliable power supply to end consumers and to ensure safety of human being and animals the timely routine of equipment is vital. Petitioner has stated that presently entire system ranging from 33KV feeders to LT distribution network are being maintained by limited staff with the help of minimal outsourced staff. The existing staffs are handling not only technical aspects but also managing commercial activities such as bill distribution, bill collection etc.

8. The Junior Managers are responsible for attending break downs occurring in 33KVand11KV systems with the limited manpower available at each section. For major breakdowns, contract manpower is hired on need basis as per the available OSOR's. The scarce resources and lack of maintenance has resulted in large number of accidents in previous years. System need huge quantity of material and proper AMC to ensure the network is progressively moving towards normalcy. In the absence of sufficient support staff at sub-divisions/sections level, the MTTR for 33kV&11kV break down is comparatively high. Due to scarce manpower, break downs in many sub-divisions/sections are unattended and systems are kept in bypassed condition. In FY22 R&M expenses will be Rs. 234.29 Cr.

Plan towards systematic maintenance

9. In order to achieve quality in supply and to ensure performance assurance according to power supply code it is envisaged to form following functions whose working and budget is given below

Safety Expenses:

- Petitioner stated that safety being the integral and foremost part in any industry, a major allocation should be there to ensure safety in largely spreading geographical area. Number of safety incidents and existing safety T&Ps indicate that there is a huge scope of improvement along with the mechanism in which existing workforce work at every site. Accordingly seeing the present practices building safety practices should be geared up. TPWODL is also planning to strengthen the safety by providing PPEs, FFEs, T&P, and testing equipment to the maintenance crews. By strengthening of safety system, the accident rate is expected to be reduced significantly. The allocated tentative budget for safety expenses is given below,

Operations Expenses for Safety FY 22

S. No.	Particulars	Amount (In Cr)	Remark
1	Procurement of PPE	0.30	PPE procurement
2	Safety Capability Building		
a	Competency Training recommended by Corp Safety - External (for Safety Advisors)	0.10	
b	Provision for fees to attend Safety Seminar / Conferences , when advised by Corporate safety, HR	0.20	
c	Safety Capability building based on learnings of Incident investigations / Safety observations / Audit points etc.	0.30	
	Sub-Total	**0.60**	
3	Safety Promotional Activity /Reward & Recognition		
a	Gift Items / Vouchers as per R & R Policy incl Safety Maestro award- Own Employees - Rs 1500/ per award	0.04	
b	Gift Items / Vouchers as per R & R Policy - Contractors Employees	0.03	
c	Celebration of National Safety Day/Fire Safety week/ Electrical safety week- Campaigning material & celebration	0.12	(Banners, posters, badges, token gifts)
d	Safety Theme camp again	0.02	
	Sub-Total	**0.21**	
4	Public Safety initiatives		Safety awareness through FM radio(1.5 L) + PA system procurement
a	Safety Awareness through Local TV Channel	0.18	
b	Safety Awareness through Local News paper	0.12	Monthly One @100000
c	Safety Awareness through Public Address system	0.10	PA System including Audio message.
d	Safety Awareness through SMS for all register consumer	0.10	SMS@ Rs.0.11
	Sub-Total	**0.50**	

S. No.	Particulars	Amount (In Cr)	Remark
5	AMC for fire safety assets	0.05	Installation Fire detection system in store and godown
6	3rd Party Safety Audit by external consultant	0.10	
7	Preparation of Safety posters, training materials, hand-outs, etc, Lesson Learned short animation Clip for LTI	0.10	Flex poster to display at Circle,DM & Panchayat office
8	New Initiatives	0.15	Implementations of New technology
	Sub Total in Cr.	**2.00**	
	Taxes	0.25	
	Grand Total Yearly OPEX Expenditure in Cr.	**2.25**	

33/11KV Primary Substations and 33KV feeders

- The detail estimated expenditure of material and services for FY22 are as below:

S. No	Broad Category	Description	Budget (Rs Cr) Including Tax	Justification
Services Expenses				
1	STS	Annual maintenance contract for Primary Substations &33KV Feeders	12.17	The rates are based on minimum wages factored with ESI, PF, T&P, Testing Equipment, prevailing vehicle rental charges, and BA profit.
2		Repair / Servicing of DC system at 33/11KV Substations	1.61	
3		Testing/Overhauling/Reconditioning of Transformers	1.30	The budget is based on estimated jobs to be performed, prevailing market rates (, materials / consumables and BA profit
4		Repair / Servicing of CTR make load tap changers	0.40	The budget is based on estimated quantity and prevailing market rates.
5		Repair / Servicing of Circuit Breakers	0.32	
6		Installation of wedge connectors in feeders and substations	0.20	
Total Services Cost			**16.00**	
Material Expenses				
7	STS	Procurement of materials for 33KV overhead & underground feeders	3.00	Material like conductor, cables, connectors, joints, poles, hardware's are considered. The budget is

S. No	Broad Category	Description	Budget (Rs Cr) Including Tax	Justification
				based on estimated quantity and prevailing market rates
8		Procurement of materials for Power Transformers	4.00	Material Like oil, bushings, accessories, cooling fans, hardware's are considered. The budget is based on estimated quantity and prevailing market rates
9		Procurement of materials for Circuit Breakers	9.00	CB spares are considered. The budget is based on estimated quantity and prevailing market rates
10		Procurement of materials for Secondary Plants	4.00	Material like lighting / DC systems, Protection Relays, etc. are considered. The budget is based on estimated quantity and prevailing market rates.
Total Material Cost			**20.00**	
Total Material Cost + Services Cost			**36.00**	

Distribution System & Distribution Services (11KV & 1.1KV Network):

- Petitioner stated that in erstwhile WESCO working system ,there was no dedicated preventive maintenance structure in any form except breakdown maintenance. TPWODL proposes to depute a dedicated team for maintenance of Distribution sub-station system. The maintenance team shall be deployed in each circle in a structured manner. This team will be assisted by another group Maintenance Planning Group (MPG) that will take care of entire asset mapping of electrical network. The Performance Based Maintenance Contract will focus to attend 24X7 breakdowns. Dedicated team of crew will be available for restoration of11KV Lines and substation equipment. Condition based maintenance systems shall also be introduced to identify the maintenance requirements. In this Annual Maintenance Contract (AMC), Business Associate (BA) shall undertake full responsibility of safety and assigned works as per AMC terms & conditions which includes attending to emergency breakdowns, LT no current complaints, carrying out preventive maintenance of these equipment in various Sub-divisions.

The detail estimated expenditure of material and services for FY22 are as below:

11KV and LT services and repairing material:

S. No.	Broad Category	Description	Budget (Rs. Cr)
1	Distribution	AMC for 11KV and 1.1KV equipment, feeders along with petty material and Vehicle for attending 11KV Breakdown, No current individual complaints, testing of equipment and 11KV planned maintenance for 202 sections.	**131.00**
2		Distribution Material (O/H) inclusive of HT & LT such as 11KV isolator/AB switches/DO switches, Cross arm, pole, conductor, DTR related consumable material and insulator etc.	**38.37**
3		Distribution Material (U/G) inclusive of HT & LT such as cable, jointing kit and termination kit.	**0.63**
	Total		**170.00**

Centralized Power System Control Centre (CPSCC):

- Petitioner proposed to establish a Power System Control Centre (PSCC) on takeover of the operations of WESCO. The intent of establishment of PSCC is near Real Time Monitoring of 33 kV and 11 kV network operations of the license area. This will give an overall information of the HT network and ensure availability of network at all times and thereby ensure maximum Power Supply to the consumers of the License area. Various Operational Expenses will be incurred to ensure smooth functioning of PSCC.

  The budgetary details for PSCC are mentioned as under,

S. No	Particulars	Amount (In Cr)	Further Details
1	Transport, CAD Software Licenses, Printing & Stationary and Lease line for Remote VDU to SLDC/OPTCL	0.45	To establishing PSCC controls, substation visits for feasibility for operations & interaction with 33/11KV PSS team.
4	Digitization of 33KV Line and 33/11KV SLD	0.47	The power system control centre and 33KV PSS and O&M team should be in a common page on “AS is Network Diagram” hence all the present SLD & network diagram will be in digitized for correspondence and sustenance across the network of TPWODL for exchange of information related to routine network operation

S. No	Particulars	Amount (In Cr)	Further Details
7	Training and other Expenses	0.06	External training expenses are Rs.10000 per program. Provision for 12 such trainings is made.
	Total	**0.98**	

Transformer and Other Equipment Repairs:

- Petitioner has stated that there are total approx. 64500 transformers are in service in TPWODL entire network across 48,207 Sq.km geographical area. The transformer failure rate observed in TPWODL is 5.8 % per annum. The table below depicts year wise transformer failures for last four years,

Year wise transformer failure

S.No.	TRANSFORMER CAPACITY	FY 2017-18	FY 2018-19	FY 2019-20	Apr'20 to Dec'20
1	8 MVA	4	7	3	4
2	7.5 MVA	0	0	0	0
3	5 MVA	8	12	8	6
4	3.15 MVA	6	9	5	4
5	3 MVA	0	1	0	0
6	2 MVA	0	0	0	0
7	1.6 MVA	1	8	2	0
8	1 MVA	0	0	0	0
	TOTAL POWER TRF.	**19**	**36**	**18**	**14**
9	1000 KVA	3	4	1	4
10	750 KVA	1	0	3	0
11	630 KVA	4	3	2	3
12	500 KVA	36	22	26	21
13	315 KVA	13	10	17	14
14	250 KVA 33/.4 KV	0	2	7	0
15	250 KVA	67	54	52	39
16	200 KVA	20	19	15	3
17	150 KVA	1	2	0	1
18	100 KVA	762	719	742	542
19	63 KVA	553	580	602	541
20	50 KVA	14	0	3	0
21	25 KVA (3 PHASE)	514	743	1013	1033
22	25 KVA (1 PHASE)	230	131	23	17
23	16 KVA (3 PHASE)	135	109	63	60
24	16 KVA (1 PHASE)	539	566	409	366
25	10 KVA	342	258	176	140
26	100 KVA 33/.4 KV	7	7	2	3
	TOTAL NOS DTR	3241	3229	3156	2787

Petitioner has proposed to carryout transformer repair activity in house centrally with the help of experience outsourced party. The estimated expenditure toward this are listed below:

SL. No.	Description	Estimated Amount (in Lakhs)
1	DT up to 250 KVA	400
2	DT 250 KVA to 1250 KVA	200
3	PTR up to 16 MVA	200
	Total	**800**

Civil

- Petitioner has stated that in entire TPWODL area there are very few buildings except new sub-stations under ODSSP scheme are in very good condition. There is a huge scope for civil work to be done in all the buildings starting from head office. Stores are also in very bad condition. Somewhere it is real threat to work in the dilapidated building. On the other hand majority of the sub- stations are boundary less and plinth of the transformers are in really bad shape, which needs immediate attention.

The estimated expenditure requirement for civil job in FY 21-22 are listed below:

S. No.	Description of work	Opex Expenditure (In Cr)
1	Repair of office buildings in TPWODL owned buildings in Circle, Division and Sub-division offices.	4.00
2	Structural strengthening &Repair of Store Sheds in Circle, Division and Sub-division	1.00
3	Toilets/Washrooms renovation in TPWODL owned buildings in Circle, Division and Sub-division offices	3.00
4	Painting of miscellaneous TPWODL buildings	1.00
5	Misc. civil works	1.00
	Total cost	**10.00**

SCADA & Automation System:

- ODSSP substations have provisions to be fully automated and they need to be enabled. Therefore, these substations will enabled and made available for development of Micro SCADA set-up at one of ODSPP 33/11kV PSS to ensure that the investment made under ODSSP shall be fully utilized for centralized SCADA system. Additionally, 5 nos. of Rural 33/11KV PSS will be developed based on cost effective innovative approach wherein existing electrical infrastructure will be utilized for model development of Grid substation automation system in rural area across TPWODL/Odisha state.

Communication Link:

- The back bone of the SCADA system is the communication infrastructure that will inter connect various Sub-stations with the Centralized SCADA system. Currently, as there is no communication between sub-stations hence as a proactive measure and to provide real time inputs to network service provider, TPWODL will connect various sub-station through MPLS technologies.

Substation Automation (Existing):

- RTUs, IEDs and Communication equipment are a key component or hardware of Substation Automation System. To keep the substation automation system healthy it requires regular supervision and maintenance of equipment and hardware.

Support Services:

- The Department needs various kinds of Support & Services to run the day-to-day business to meet the organizational goal. The proposed expenditure are as follows:

S.No	Particulars	Qty	Amount (in Cr)	Further Details
1	ODSSP substation interface till full SCADA	20	0.50	This will enable to up keeping of ODSSP substation w.r.t ready for SCADA integration
2	establishment of communication system till full SCADA.	20	0.16	This will be mechanism to develop robust infrastructure for ODSSP PSS.
3	5 nos. of rural substation SCADA enablement	5	0.40	Rural 33/11KV PSS will be developed based on cost effective innovative approach wherein existing electrical infrastructure will be utilized
	Total		1.06	

Store related Material Handling charges

- At present materials is being managed through 4 stores Burla, Rajgangpur, Bolangir, Kesinga. TPWODL operations are being carried out in geographical area of 48,207Sq. KM. To serve our internal customers & facilitate them with enhanced focus on business efficiency & loss reduction through timely delivery of materials TPWODL intend to engage & develop business associate for warehousing & logistics support. TPWODL propose to start door-to-door delivery of material in FY 21-22. The key will be to deliver Opex category of materials to its division offices on monthly basis after the receipt of requisition and Collection of scrap materials on as and when basis from various locations of TPWODL. TPWODL proposes to deploy minimum of one dedicated Truck and Crane in each stores and Rate contract for hiring additional similar facilities on call basis as and when required. The estimated total expenditure for above scope is Rs 3.00 Cr.

IT Consumables

- Petitioner has stated that with extensive IT infrastructure being built, the corresponding IT expense requirement is expected to increase significantly under hardware including accessories and peripheral, Licenses, Subscription & AMC, Network & Communication, IT Support Services.

Expenditure proposed for FY-22

SL. No.	Description	Cost (In Cr)
1	Hardware including accessories and peripheral	0.20
2	Licenses, Subscription & AMC	0.25
3	Network & Communication	0.50
4	IT Support Services	2.05
	Total Cost	**3.00**

10. In view of the above the total proposed R&M expenditure for FY 2022 shall be as follows:

Proposed R&M Expenditure for FY-22

S.No.	Description	Amount (In Cr)
1	33KV Grid Substation and Lines- AMC	16.00
2	33KV Grid Substation and Line –Material	20.00
3	11KV Distribution sub Station ,Lines and LT equipment – AMC	131.00
4	11KV Distribution sub Station ,Lines and LT Equipment and EM –Material	39.00
5	Safety Expenses	2.25
6	PSCC, SCADA, GIS	2.04
7	Transformer and Other equipment Repairs	8.00
8	Civil repairs & Maintenance	10.00
9	IT related Expenses	3.00
10	Store related Material Handling charges	3.00
	Total	**234.29**

11. The total estimated expenditure planned for Repairs & Maintenance (R&M) is Rs. 234.29 Cr as shown in above table. Asset value mentioned in the vesting order is Rs. 1885 Cr (own asset). TPWODL have taken over and maintaining asset commissioned under government approved schemes valuing of Rs. 2527 Cr (RGGVY – Rs. 1366 Cr, ODSSP – Rs. 930 Cr,

DDUGJY – Rs. 138 Cr and IPDS – Rs. 93 Cr) for which work has been completed and those have been taken over by TPWODL.

TPWODL will maintain total asset value of Rs. 4412 Cr. for which TPWODL propose Rs. 234.29 Cr as R&M expenditure. Moreover Rs. 100 Cr government asset are under verge of completion, which will be taken over and maintained by TPWODL.

Administrative & General (A&G) Expenses

- **Meter Reading and Collection Expenses**

Petitioner has stated that currently, meter reading is assigned to Meter reading agencies across Division /Sub Division on fixed cost basis per reading. Meter reader visit consumer site 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; deliver the spot bill to the consumer during the same visit. This practice, lead to high average & provisional bills of around 40% as reading is done only for 15 days, and that too without ensuring minimum wages to meter readers and without follow up visit for capturing the reading where it is not obtained during base meter reading. Therefore, it has been proposed to change the reading cycle from 15 days to 30 days and performance-based contract to be placed 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 schedule in short window of 7 days duration due to which long queue at payment counters during month end is visible. This lead to customer dissatisfaction as customer has to spend time and energy for bill payment. In addition to payment collection counter, collaboration with telecom service providers shall be explored for accepting electricity payment at their counters along with on-line payment. The Estimated cost is based on price envisaged through open tenders that is under process for FY21-22.

SL. No.	Category	Cost (Cr.)
1	Reading, Spot Billing	22.72
2	Door to door Payment Collection	16.58
3	Disconnection Notice Distribution and Execution, Payment promotion strategy for online/counter payment, spot collection through SHG, bill distribution and recovery.	7.49
	Total Cost (Without GST)	46.79
	Total Cost with GST	55.22

- **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 in order to improve the Call Centre connectivity. Keeping in mind to provide ease in customer experience, a unified Call Centre is essential to be made operational. For this, Rs 8.0 Cr is allocated under A&G head. 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 customer that to 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, 0.5 Cr is proposed under operational expenditure.

Petitioner has stated that while the Call Centre Cost is as per discovered prices, the other are estimated based on prevailing prices.

Sl. No.	Cost Component	Proposed cost (Cr)
1	Call Centre(50 seats)	2.00
2	Customer care Centre operations including stationary/ printing/ computer consumables, postage & courier charges	4.00
3	Miscellaneous charges including SMS	2.00
4	Total	8.00

- **Meter Management Expenses**

Petitioner has stated that in order to ensure high percentage of meters installed with Modem installed in the field, there will be need for rectification/ Trouble Shooting of modems and allied accessories like SIMS cards, Antennas etc. It is expected that 5% of modems and accessories will need rectification per month. This activity of modem rectification will be handled through performance contract under guidance of MMG ,TPWODL. These costs are on estimated basis as shown below.

S No	Cost Component	Amount (In Cr)	Work Description
1	Deployment of Field Service Executives for New Connection/Attribute Change Services	1.53	New Connection
2	Data Downloading for Non-Communication Cases, Troubleshooting of Modem and SIM	2.16	AMR

	Replacement		
3	Cost of Meter Testing	1.44	Meter testing Lab
4	Refurbishment of Meter Test Bench including NABL accreditation and Calibration of Meter Test Equipment	0.26	Meter testing Lab
5	SIM rental for 4G, Backbone MPLS and FMS Charges for Smart Meters	0.80	Smart Meter
6	Tools and equipment	0.27	New Connection
	Total Cost (Without Tax)	6.46	
	Total Cost (Inclusive of Tax)	**7.62**	

- **Insurances:**

Petitioner has stated that currently, TPWODL does not have the insurance coverage of the assets & inventory. To secure the assets, the company is planning to take the insurance coverage of all the assets and thereby it will reduce the risk of losses. The estimated value of the coverage will be approx. Rs. 5000 Cr. additionally, other various policies also to be taken like Stores, SFSP &Burglary, Commercial General Liability, Cash Collection Locations cover, Corporate Guard Crime, Public Liability Act, Terrorism. Estimated cost of the coverage will be approx. Rs 8 Cr.

- **Rents, Rates and Taxes:**

Petitioner has stated that with increased no. of employees and to ensure proper seating, etc. for the same, additional space is required to be hired until such time that the Company is able to construct its own offices.

- **Legal, Consultancy & Professional Charges:**

Petitioner has stated that with vesting of WESCO's Utility in TPWODL, a Company incorporated under the Companies Act, 2013, statutory compliance requirements are going up multi-fold, which would entail additional expenditure on Audit, Consultancy and Professional Fee. In addition to the Annual Statutory Audit including ICFR (Internal Control over Financial Reporting) Audit, the Company is subject to Quarterly Reviews by the Statutory Auditors, Tax Audit, Secretarial Audit, Cost Audit, etc. WESCO was hitherto subject to only the Annual Statutory Audit and that too at significantly discounted fee. Extensive Data cleaning, data – base creation/ reconciliation etc. is required for migration from the basic Tally Accounting System to the SAP ERP entailing additional costs. The Company now being a private company, legal expenses are envisaged to increase with the

Company becoming more vulnerable to litigation as well as the requirement to more vigorously protect its and its stake holders interests.

- **Housekeeping Expenses:**

Petitioner has stated that the offices of the company are in extremely decrepit and shabby condition with virtually no housekeeping. In-order to provide a decent working environment to the employees which is a pre-requisite for ensuring productivity, retention of talent, building employee morale and pride in the Organization, as well as for Consumers and other stakeholders, a separate budget for House Keeping has been proposed. It is proposed to maintain the offices through external parties vide RC for each activities. The estimated expenditure towards housekeeping is Rs 5 Cr for FY 21-22. Total 200 outsourced employees shall be deputed at key offices in phase 1.

- **Security**

Petitioner has stated that presently security services are deployed at very few locations. To ensure the security of personal and equipment, TPWODL has proposed to deploy security through external agencies. The estimated expenditure is Rs. 2.50 Cr. Total 100 outsourced security staffs shall be deputed at key offices in phase 1.

Summary of the Administration & General Expenses:

Particulars	Proposed for FY 22 (In Cr)
PROPERTY RELATED EXPENSES	
Licence Fees	1.900
Rent	2.500
Rates & Taxes including inspection fee	0.120
Insurance	8.000
Sub Total :	**12.520**
COMMUNICATION	
Telephone & Trunk Call	1.500
Postage & Telegram	0.072
Courier charges	0.040
Sub Total :	**1.612**
PROFESSIONAL CHARGES	
Legal expenses	0.320
Consultancy Charges	5.500
Franchisee Expenses-Collection commission	1.860
Audit fees and expenses	1.000
Other Charges	0.460
Sub Total :	**9.140**
CONVEYANCE & TRAVELLING	

Particulars	Proposed for FY 22 (In Cr)
Conveyance expenses	0.300
Travelling expenses	1.000
Hire charges of vehicle	8.000
others	0.053
Sub Total :	**9.353**
OTHER EXPENSES(MBC)	
Fees & Subscription	0.005
Books & Periodicals	0.010
Printing & Stationary	0.820
Advertisement	0.120
Meeting Expenses	0.100
Watch & ward	1.980
Electricity Charges	2.150
Vigilance activity for rev imp	3.200
Expenditure for Customer Care	8.000
Miscellaneous	3.150
Spot billing, Meter reading and bill distribution, Collection &Recovery	55.220
Training	2.000
Sub Total :	**76.755**
MATERIAL RELATED EXPENSES	
Clearing & following charges	0.810
Others	0.015
Sub Total :	**0.825**
AMR Related Activities	2.160
Replacement and shifting of meters & associated charges regarding new connection	1.800
Cess on Building & Construction and installation @1%	1.568
Energy Audit	2.500
Prepaid metering running expenses & Smart Meters	1.000
Statutory Meter testing & NABL Accreditation Lab	1.700
Media campaign	0.600
Sub Total :	**11.328**
House Keeping	5.000
Call Centre	0.500
Security	2.500
Sub Total :	**8.000**
Grand TOTAL	**129.510**

Petitioner submitted that the approved A&G expenses (Rs. 52.80 Cr) by OERC for FY-21 are grossly inadequate and insufficient considering the actual requirements as detailed above. The new (Rs.129.51Cr) expenditure such as Insurance, spot billing , meter reading and bill distribution, new customer care centres, bill collection & recovery, housekeeping and security has been carefully estimated and planned, and it will result in reducing AT&C losses, enhancing productivity and enhancing customer satisfaction to a greater extent.

Procurement plan

12. Petitioner has stated that the procurement plan and policies shall be the backbone of TPWODL towards ensuring highly transparent, competitive, fair and reasonable procedure with enhanced quality. TPWODL will explore and adopt best practices & policies from its other division like Delhi, Mumbai and TPCODL. TPWODL will plan for Centralized procurement of high value items &services. Also, do decentralized procurement for low value and emergency works. More focus will be on annual rate contracts for supply items and longer duration service contracts.

13. TPWODL shall focus more on optimizing costs, building strong supplier's performance management framework, digitization of vendor life cycle management, bringing better safety culture and enhancing capability and competency of existing and new vendors.

14. Petitioner has stated that the processes include methodology to select Business Associates based on credentials and past service and / or material quality. Users evaluate all services and materials for quality and performance. Incentive and penalty clauses in the contracts support better quality of delivery. Certain Business Associates are identified based on areas of their core-competency such as call-center, CRC manning and attending low voltage faults in the distribution business. The SLAs with these Business Associates are made with an emphasis on higher performance than standards to enhance customer satisfaction. The quality of customer interaction of front-end staff is monitored and used as a feedback for improvement. Relevant training, based on these feedbacks, are also imparted to them to improve customer experience. The Business Associates who do not perform up to the expectation are blacklisted. Feedback is also sought from Business Associates through a satisfaction survey and BA meets and actions are taken based on the findings.

Objection/Suggestion by OPTCL

15. OPTCL has stated that in O&M expenses, there is a huge increase proposed by TPWODL 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. OPTCL analysed the proposed increased expenditure in all the components.

16. OPTCL stated that TPWODL has inherited 2362 nos. of regular employees from erstwhile WESCO. Out of which 479 are executives and 1883 are non-executives, though the classification in terms of technical and nontechnical has not been given. By their submission, they have admitted to have already deployed 56 executives and intend to further add 700 more executives in FY 2021-22 through Recruitment and Deputation. They have also proposed to add 150 more non-executives during the FY 2021-22.

17. OPTCL has stated that TPWODL have not given the details of the human resource plan. Hence the function wise and level wise recruitment plan is not known. Para 45 and Para 53 (a) of the vesting order of WESCO Utility in case No. 82 of 2020 explains that TPWODL shall within 45 (Forty Five) days of the Effective Date, submit a detailed management structure and staff deployment plan including implementation timelines, key activities etc and shall be required to seek Commission's approval on the staff deployment plan from time to time.

18. OPTCL has stated that TPWODL has proposed 1291 executives to be recruited over a period of three years i.e. FY 2022 (700), FY 2023 (400) & FY 2024 (191) and 56 (already recruited without any approval), is a huge number as compared to 479 now existing. This is almost 2.7 times the present strength which is not explained with proper justification.

19. OPTCL has stated that they have not identified the functional areas, norms of deployment and the detailed organisational structure so as to analyse it's requirement. Also the cost implication now and in future and it's impact on tariff is not given as such a large scale recruitment in a short period is bound to cause tariff shock. Instead, it should be spread over a longer period.

20. OPTCL has stated that hence the proposal of TPWODL 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.

21. OPTCL has stated that as mentioned in the OPEX plan, the employee cost approved for FY 2020-21 in ARR of WESCO is Rs. 361.02 Cr. whereas the proposed cost in OPEX plan for FY 2021-22 is RS.624.55 Cr. which reveals that TPWODL without detailed facts has projected an increase of 72.99% over the approved amount of FY 2020- 21.

22. OPTCL has stated that in the meanwhile, RST order of TPWODL for FY 2021-22 has already been pronounced wherein the approved employee Cost is Rs. 409.49 Cr. against

their proposal of Rs. 523.86 Cr. This implies that there is already a rise of 13.42% in approved employee cost for FY 2021-22 over FY 2020-21. The Commission have already allowed @ Rs 24.00 Cr extra towards additional Employee Cost for the FY: 2021-22 and since the cost is already approved, no further approval should be given.

23. OPTCL has stated that the approved R&M cost for FY 2020-21 is Rs 92.24 Cr. As per RST order dated 26.03.2021 of TPWODL for FY 2021-22 has an amount of Rs 109.22 Cr has been approved. TPWODL have claimed that they have to maintain total asset value of Rs. 4412 Cr. (Transferred assets from WESCO- Rs. 1885 Cr. + assets created out of grants Rs. 2527 Cr.), a massive R&M expenditure for FY 2021-22 has been estimated to the tune of Rs. 234.29 Cr., which is an increase of around 154% over the approved amount for FY 2020-21.

24. OPTCL has stated that as observed, Rs.16.00 Cr. alone have been proposed for FY 2021-22 towards Annual Maintenance Contract (AMC) for maintenance of 33kV sub-stations and lines, etc. and additional Rs 131.0Cr for ll kv Lines and Sub-stations. The same is over and above the cost of spares and consumable which is high and not tenable as the R&M Cost is to be limited within 5.4% of the GFA.

25. OPTCL has stated that, expenditure has been proposed in PSCC, SCADA, GIS, safety related expenses, Civil works, IT related expenses both under Capex and R&M. In this context, it can be seen that an amount of Rs 12.57 Cr was spent by WESCO during FY2019-20 while Commission had approved Rs 86.33 Cr for R&M Activities.

26. OPTCL has stated that in the RST order dated 26.03.2021, the Commission observed that the expenditure trend of DISCOMs in R&M activities is dismal and in most of the times it is less than 50% of the approved amount. However, in the changed business scenario, the Commission approved Rs.109.22Cr which in any case is a sizable amount and meets the ends of justice. Moreover additional Rs.5.0 Cr has been allowed for R&M activities of assets created under Govt funded schemes which are brand new and expenditure in that respect may be negligible.

27. OPTCL has stated that according to the OERC (Terms and conditions for Determination of Wheeling Tariff and Retail Supply tariff) Regulations, 2014, Administrative & General (A&G) Expenses would be allowed as per Regulation 7.27 and 7.78.

28. OPTCL has stated that as the A&G expenses are a controllable cost, TPWODL should not be allowed more than the approved amount in the truing up exercise. Since it is a changed

scenario in which TPCL holds 51% stake in the management of all the four DISCOMs (TPCODL, TPWODL, TPSODL & TPNODL), it would rather be much easier to make all out efforts to spend A&G expenses prudently and put efforts to curb wasteful and avoidable expenses.

29. OPTCL has stated that similar expenditure towards MBC under Employee Cost and A&G Expenses to the tune of Rs. 52.81 Cr. and Rs. 55.22 Cr. have been proposed for FY 2021-22 which is beyond norm and not tenable. An additional expense of Rs 20.0 Cr has already been approved by Commission in 2021-22 RST order which takes care of all the enhanced activities as proposed by M/s TPWODL. The extra expense of Rs20.00 Cr allowed in A&G expenses should be compensated by matching loss reduction or higher MBC activity etc by TPWODL.

Objection /Suggestion by GRIDCO

30. GRIDCO has submitted that as per the directives of the Commission, the current Petition does not cover inter alia the Demand growth, Sales projection, Sales & Consumer Mix and segregation between EHT, HT & LT segment with the corresponding revenue, power procurement plan, loss reduction projection due to the proposed investments, Cost & source of financing and basis of cost estimates, etc. in compliance to the Regulation 5.1 of OERC (Determination of Wheeling Supply Tariff and Retail Supply Tariff) Regulations, 2014.

31. GRIDCO has submitted that the Employees cost, R&M cost and A&G Costs have been projected considerably at a higher figure as compared to both the original proposal for determination of ARR & RST for FY 2021-22 as submitted by erstwhile WESCO Utility and the approval made by the Commission.

32. GRIDCO has submitted that the R&M costs are proposed to be enhanced from Commission's approved figure of RS.109.22 crores to Rs. 234.29 crores, with escalation by 115%. The higher proposed expenses are mostly on account of AMC of Lines and Substation which would primarily, lead to higher costs compared to the existing practices of maintenance by the existing manpower. It may be considered that Assets created under various Govt. Schemes are quite new and may not require more R&M compared to old assets. Accordingly, there is ample scope for reduction by the Petitioner towards planned expenditure under R&M Costs.

33. GRIDCO has submitted that the Administration and General expenses are proposed to be enhanced from Commission's approval of RS.63.66 Crores to Rs. 129.51 crores, with yearly

hike of 103%. The incremental costs are proposed towards expenses on Professional Charges for Rs. 9.14 crores, expenses for advertisements, printing, training and misc. for Rs. 21.53 crores, Housekeeping expenses for Rs.5.00 crores, etc. The above expenses are quite high and seem to be unwarranted and needs re-assessment on realistic basis.

34. GRIDCO has submitted that the petitioner has proposed for increased employees cost on account of induction of additional employees during FY 2021-22. No details are available regarding no. of employees in different categories with their salaries in order to assess the impact on the ARR for the current year. On analysis it is found that the employee cost has risen by Rs. 215.06 crore towards induction of additional 850 employees with an average Annual Salary of Rs. 25.30 lakh. It may be considered that the above higher salary to the newly recruited employees is quite higher than the existing salary structure. Rather the induction of fresh employees with entry level pay structure would result in a lower salary cost .

35. GRIDCO has submitted that in order to fill up the vacancy due to shortage of competent manpower, the existing employees may be adequately trained to become conversant with the new technologies being planned for implementation by TPWODL specially for executives at middle management level, which will benefit the DISCOM in the long run or else the present workforce shall remain idle due to lack of proper work assignment and motivation. Special on line and off line training drives would be of much beneficial in enriching the managerial and technical skills of all executives in the Technical, Finance and other cadres of TPWODL. It may be pertinent to mention that the existing employees are well conversant in maintaining the existing Distribution network system and have become quite instrumental in restoration of power supply during devastations being faced during past couple of years.

36. GRIDCO has submitted that the re-skilling of existing manpower through adequate training would match' the requisite competency in the new environment ensuring optimum utilisation of human resources in the greater interest of the sector. Considering the availability of the requisite manpower in the existing cadre with the objective of ensuring optimum utilization of the manpower across all levels in the Utility, existing manpower may be suitably trained as per the requirement and be assigned with responsibility to perform the task.

37. GRIDCO has submitted that it is pertinent to mention that the Petitioner's proposal for awarding core distribution functions by way of awarding the AMC for maintenance of Lines and Substations would further increase the O&M Costs .

38. GRIDCO has submitted that the regarding the proposed expenses submitted by the Petitioner towards installation of new meters and replacement of defective meters under the jurisdiction of the Petitioner, the same activities are being done through third party agencies under Govt. funded scheme i.e., IPDS. This needs to be monitored properly and after completion of this project, the remaining un-metered/defectives cases, if any, can be considered in order to avoid any duplicity.

39. GRIDCO has submitted that the with regard to investment plan for IT infrastructure, under IPDS IT Ph.-II, substantial amount has been invested with funding made by the Central Govt. New IT Data Centre is also being set up under IPDS Ph.-II. This has to be taken care of while investing for new IT set up for the DISCOM in order to avoid the planned investment for the same purpose. Further, mapping of the existing IT setup with the proposed set up would reduce the capital Costs considerably.

40. GRIDCO has submitted that regarding implementation of SAP modules as proposed by the Petitioner, certain SAP modules, e.g. SAP/FI are already covered under IPDS, IT Phase-II scheme. Additional investment in this proposal may lead to duplicity. The existing software can be assessed for proper mapping with the requirements.

41. GRIDCO has submitted that the existing IT, MBC& other Techno-commercial services may be continued and the additional required mapping can be done with differential costs, with due consultation with the Developer of the existing IT package being utilised, without complete scrap of the project/module.

42. GRIDCO has submitted that mostly the lines and substations are being managed through existing employees and moreover, switching over to the AMC of the substations and lines would involve additional annual recurring costs with shifting of day to day control to outside agencies. Accordingly, Cost benefit analysis of the option of AMC vis-a-vis managing through existing/recruited work force and the policy for maintenance of Lines and Sub Stations through AMC may be properly dealt with for proper up keep of the Distribution system with adequate accountability.

43. GRIDCO has submitted that the prudence check of CAPEX investment along with such additional O&M expenses need to be properly analysed considering the need based requirement. Historically, the trends of R&M expenses by DISCOMs are mostly in the range of 50% of the amount approved by the Commission during the past couple of years.

44. GRIDCO has submitted that the AT&C Loss kept at 28.56%, needs to be reviewed.

45. GRIDCO has submitted that the CAPEX included in the OPEX plan under various heads need to be segregated considering the tenure of the infra equipment vis-a-vis corresponding value so as to minimize OPEX, being considered during FY 2021-22. The increased expenses are not linked with the corresponding reduction in AT&C losses, in order to make the Cost Benefits Analysis. Priority should be given for replacement of defective meters and power supply to all consumers must be through meters.

46. GRIDCO has submitted that the implication of the additional expenses on RST has not been brought out in the Business Plan. As per rough estimation, additional expenses of Rs.405.98 crores would have an impact on RST of around Rs.0.59 paise/unit considering the approved sales unit of 6914.40 MU for FY 2021-22.

47. GRIDCO has submitted that the a very good quantum of investment has been made under various Govt. schemes for strengthening of the Distribution infrastructure in different areas including creation of 33/11 kV Grid S/S, associated lines, installation of meters, renovation and shifting of Transformers. Thus, the existing infrastructure may be properly examined and necessary rectification work to the existing asset base for the balance life period be carried out in order to reduce investment. Requirement of new infrastructure should be considered, supported with network optimization& load flow study etc.

48. GRIDCO has submitted that the OPEX plan does not specify the unspent surplus balance maintained under different Disaster Relief Funds which are yet to be utilized for restoration of distribution system, as good amount of funds are kept with DISCOMs for the purpose. It may be considered that the above unspent amount may be utilized for the balance work under the restoration/renovation/strengthening of the Distribution system. The petitioner needs to quantify the necessary R & M cost for the remaining infrastructure assets, if any, towards restoration and for improvement and strengthening of Distribution system out of the balance grant/funds received under different schemes/programme.

Submission of Shri Ananda Mahapatra

49. Objector has stated that despite the direction of the Commission given in Para no. 45 (e) of the Vesting Order, the Petitioner fails to submit the detailed management structure & Staff deployment plan separately. Therefore the Commission may direct the Petitioner TPWODL to file the required documents namely “Detailed Management Structure & Staff Deployment Plan”. The direction of the Commission as per Para no. 53 of the TPWODL vesting order do not speak anything about submission of neither the Business Plan nor the

OPEX (Operational Expenditure) but speaks about the submission of the O&M Expenditure for the 1st year of the operation of the new licensees TPWODL. But the Commission have approved the same in the Wheeling Tariff & RST Order dated 26.03.2021.

50. Objector has stated that the OPEX does not cover only the O&M Expenditure but also other expenditures like depreciation, interest payments on loan & working capital and others. There are regulations in force vide OERC Determination of tariff Regulations, 2014 for submission of the Business Plan by the Licensees (DISCOMs). In terms of these regulations, the instant Petitions are not relating to Annual Business Plan (APB) towards OPEX.

51. Objector has stated that Section 61(f) of the Act has been elaborated in the National Tariff Policy in which SERCs are empowered to approve the Business Plan & CAPEX of the Licensees for a control period of generally five years which plays vital role in the proceeding to approve the ARRs & determination of WT & RST of the Petitioners.

52. Objector stated that the projected O&M Expenditures of the Licensees in the instant Petition for the FY-2022 have been compared with the O&M Expenditures approved by the Commission in the RST Orders for the FY-2022 & FY-2021. The comparison clearly reveals that the TPWODL has projected O&M Exp for FY-2022 excess by 41.08%, over the approval accorded by the Commission in the Tariff Order for FY-2022. The reason behind the abnormally high projection of O&M Exp by TPWODL is not known. The Petitioner may state the amount of reduction of AT&C loss in case the same is approved by the Commission for the FY-2022. The Commission may undertake Cost Benefit analysis and make a prudent cost benefit analysis of above expenditure before approving the same.

Submission of UCCI

53. UCCI has stated that 33KV bays have been constructed by erstwhile power utilities for drawal of power from 220/33 KV, 132/33 KV sub-stations. 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. Whether the DISCOM has identified unused line and substation and DISCOM may submit their Business Plan for utilization of these substations. Further OPTCL have constructed many 33/11KV substations under ODSSP, DDUGJY and IPDS schemes. All the DISCOM may clarify whether all these

33/11 kV substations have been taken over or not and their business plan for taking over the same.

54. UCCI has stated that from the Business Plan of all the three DSICOMs, it is observed that the induction of new employees in executive cadre in one year will have a huge impact on the employees cost and consequently on tariff. Further it appears double staffing is being implemented at Middle and Senior Management level as compared to earlier utilities scenario. This will lead higher cost without increase in much productivity. It is advisable not to fill all the required personnel/ vacancies in one year. Such 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. Further the existing employees of Utility should be given preferences.

55. UCCI has stated that as per the vesting order it is provided that all the pending payment, Bank Guarantee of MSME of the vendors of earlier Utiities i.e. CESU, SOUTHCO, WESCO, NESCO are to be paid by new licensee managed by Tata Power i.e. TPCODL, TPSODL, TPWODL and TPNODL. As the Power Sector was under transition phase and also due to COVID-19, the payments to MSME and Service Providers could not be made by earlier Utilities. The matter has also been intimated to State Government. In this context it is submitted that Tata power should not delay the same as it will give negative picture to the evolving market. Tata power may be directed to submit all the details to the Commission regarding the dues pending and payment made to Vendors / Service Provider whose payment are due by the earlier Utilities. This will help the Odisha based MSME, Service Provider and improve the business scenario in the state.

56. As per para 54 (c) of vesting order dated 26.05.2020, in case no. 11/2020, the Commission has directed that all the current liabilities to supplier which are not indicated in RfP to be passed on to TPCODL since CESU will not have any revenue to fund the liabilities.

However in the proposed Business Plan, TPWODL has not submitted any details of past liability as far as vendor's payments are concerned and they have not proposed any definite time line for release of past dues of vendors, suppliers, contractors, consultants which are earlier pending with earlier Utilities. TPWODL may undertake for timely release of past dues to suppliers and service providers in a time bound manner.

57. UCCI has stated that the Demand Side Management Regulations has been implemented long back, however no major DSM program has been launched by DISCOM. Even in the present

CAPEX plan and Business Plan, DISCOMs have not proposed any major DSM initiatives and investment requirement thereof. DISCOM may be directed to furnish CAPEX plan required for DSM interventions as this will lead energy conservation and better demand side management.

58. UCCI has stated that as the Odisha is a Power surplus state. Efficient and fruitful consumption of electricity may be promoted so that DISCOM get adequately compensated and achieve a reasonable return of its investment. DISCOM should initiate E-Mobility programme and procure and deploy E - vehicle in the Division, Corporate office and do away with diesel run vehicle. With such E-Mobility initiative, there will be saving in operating cost, reduce fossil fuel consumption and this may also result in reduction of associated A&G Cost and ARR. However in the CAPEX and Business Plan, DISCOM has not proposed any plan for adoption of E-Mobility.

59. UCCI has stated that Energy audit being the key parameter for a DISCOM, it should be carried out Division wise, so that the energy loss prone pocket can be well identified and adequate preventive steps can be taken accordingly. The energy audit each Division should be carried out by the third party at frequent intervals. During undertaking division wise energy audit, the deviation of the Standard of Performance can also be ascertained. However in the Business Plan no such proposal for third party energy audit, SOP audit for each Division has been proposed.

60. UCCI has stated that the reconstitution of the GRF should be made to insulate them from any influence of the DISCOM. No members of GRF shall be employee of DISCOM or utility. GRF should be created division wise, so that all the disputed case will be solved within limited time. However in the Business Plan no such proposal for GRF restructuring has been proposed.

61. UCCI has stated that there are nos. of RE generator, CGPs who are connected with 33 kV systems of DISCOMs and DISCOM is duty bound to harness such power from them, however DISCOM has not proposed any procurement of such power from HT connected Generator in its Business Plan. They may be directed to furnish such details in their Business Plan.

62. UCCI has stated that in the rural power Supply is not reliable. The quality of power supply is not as per standard. Apart from this the commercial activities i.e. MBC (Meter reading, Billing, collection) is not up to the benchmark which also increases AT&C Loss and thereby

affect whole sectors. Due to this loss EHT / HT consumers pay cross subsidy to the LT consumers. Any proposal in this regard in the Petition is missing.

Rejoinder to the replies of the Respondents

63. Petitioner stated that as regards to segregation of employees to the extent of technical & non-technical and Executive & Non- Executive which has been inherited by TPWODL is as under.

	Executive		**Non-Executive**		**Total**
	Technical	**Non-Technical**	**Technical**	**Non-Technical**	
Status as on 31-12-2020	**399**	**80**	**1527**	**356**	**2362**

64. There is a requirement of 4209 Nos. executives and non-executives against which 2418 nos. are available. Therefore, there is further requirement 1719 nos. of executives and non-executives. Petitioner has stated that recruitment plan has already been provided by TPCL to the Commission as per bid terms and the same has been recorded by the Commission in the vesting order vide para 45 (a), table no-6. Total 4209 manpower will be deployed considering the inherited strength of employees. This is depicted in the table below:

Sr.	**Department Area/Category**	**Full Time**	**Part Time**	**Total**
1	Corporate Head Office/management	97	5	102
2	Operation/Maintenance	3045	51	3096
3	Commercial	155	10	165
4	Customer Service	30	5	35
5	Finance & Regulatory	123	7	130
6	Human Resources	156	11	167
7	Procurement & Materials Management	100	17	117
8	IT	49	13	62
9	Others (TSP, Strategy, BE, BPR, Company secretary)	270	65	335
TOTAL		3928	184	4209

65. Petitioner has stated that to adhere to the commitment total 700 Nos. recruitment of new employees is proposed in Annual Business plan (OPEX) in FY21-22. However, as per the planned requirement the recruitment will be done in phased manner.

66. Petitioner has stated that the R&M Cost as Proposed is within limit of 5.4% of total assets. The Commission in the vesting order vide para 53 (d) has clarified that ……*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 TPWODL as well as assets created out of grants which are not reflected in the books of WESCO utility subject to prudence check by the Commission, as per existing practice.

67. Petitioner has stated that in the vesting order where in Asset was shown as on 31.03.2020 was Rs.1775 crs. and the value of same as on Dec-20 estimated to be Rs.1885 crs. Asset created under government approved schemes works out to be Rs.2527 Cr as on Dec-20. The value of Govt owned asset would be much more as envisaged from the ongoing reconciliation between OPTCL & DISCOMs. Therefore considering the asset value of Rs.4412 crs (2527+1885) entitlement of maintenance cost @ 5.4%would Rs.238 crs. Hence the proposed Rs.234.29 Cr towards R&M is justified and may be allowed. The licensee has already initiated action for reliability improvement in 33 KV and 11 KV network through AMC as proposed in the OPEX. As per the commitment in line with vesting order, the periodic routine maintenance of assets is essential to maintain & improve the reliability of power supply. So AMC of 33 KV & 11 KV is a must.

68. Petitioner has stated that Certain Expenditure proposed in PSCC, SCADA, GIS, Safety, Civil works & IT is considered in both Capex & R&M. In erstwhile WESCO utility, there were no such infrastructures towards PSCC, SCADA, GIS, and IT. For introducing such type of infrastructure, the initial one-time investment is proposed in Capex and the recurring expenditure is proposed in R&M.

69. Petitioner has stated that with regards to A&G Cost, TPWODL proposed Rs. 129.51 Cr which are minimum requirement to start the implementation process of MBC, Call centre, Housekeeping, AMR, Energy Audit, Meter testing lab & vigilance activity.

70. Petitioner has stated that as regards to optimization of cost is concerned due care has been given for all the activities from procurement to service contract and are made through competitive bidding process only. It is the responsibility of the licensee to avoid each and every rupee of extra cost to be levied to consumers.

71. Petitioner has stated that the present petition has been filed as per the direction of the Commission in the vesting order vide para 53. It is not a review petition as observed by respondent OPTCL. In addition to above CAPEX & OPEX are two independent nature of expenditure arising here from the direction of the Commission in vesting order, so projection of revenue and tariff is not required.

72. Petitioner has stated that, the term Annual Business plan or Opex as mentioned in the application has been well described and narrated to the extent of O&M expenses consisting of Employee Cost, A&G Cost and R&M only.

73. Petitioner stated that the new operating company TPWODL has filed the present application limited to O&M expenses only& as per direction of the vesting order. Hence, there is no discrepancies or irregularities in the application which needs rectification. The licensee is duty bound to file the detailed business plan as per mandate of the Commission's regulation at appropriate time covering Capital Investment, Sales/Demand forecast, Power procurement, Distribution loss trajectory, targets for quality supply etc.

74. Petitioner has stated that it is committed to match its performance through loss reduction activity for which O&M cost in various head as proposed is inevitable. Without incurring cost, benefit cannot be revealed. The cost as proposed are towards efficiency gain only and the ultimate beneficiary are the consumers of the state. Therefore, the O&M cost as proposed may kindly be recognized and approved.

75. Petitioner has stated that as regards to actual expenditure made by the licensee towards Employee Cost during Apr-21 & May-21 Rs.69.20 crs. The amount spent towards A&G is Rs.12.50 crs for the same two months and in R&M it is only Rs.2.95 crs. Licensee has already recruited 283 numbers of new employees and also is in the process of recruitment of balance planned manpower for the year FY 21-22 in line with commitment and recorded in vesting order.

76. Petitioner has stated that pending payment, Bank Guarantee of MSME of the vendors of earlier Utilities i.e. WESCO are to be paid by new licensee managed by Tata Power i.e. TPWODL. The E-mobility initiatives shall be planned in next phase. TPWODL is in the process of installation of DT check meters for energy audit. Presently, Energy audits are being carried out for all the 174 nos. of 33 kv feeders internally. In case of 11 kv feeders, all the feeders are metered and audit is going on in few locations. GRFs have been established as per the provision of the Commission's Regulation. TPWODL welcome the suggestion of procurement from RE generator and CGP's provided the rates are competitive and permitted by the Commission.

77. Petitioner has stated that TPWODL is under the final stage of awarding contracts for MBC through competitive bidding. This initiative will certainly improve the billing & collection efficiency hence there will be reduction in AT&C losses.

Commission's Order

78. The Commission through the vesting order dated 28.12. 2020 in case No. 82/2020 has vested the utility of WESCO in the operating company TPWODL w.e.f 01.01.2021. The successful bidder Tata Power Company Limited (TPCL) acquired 51% equity in the TPWODL and Government of Odisha held 49% through GRIDCO.

79. The Commission in the meantime has separately considered the TPWODL's capital investment plan (Capex) .Therefore, the issue of 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.

80. The vesting order at para 53, outlines the necessary steps to be taken by the TPWODL towards operation and maintenance expenses after the vesting w.e.f 01.01.2021. The Commission has directed the following:

81. **"53. 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 1st (first) year of operations, in line with what is stated in Para 45(e), TPWODL shall within 45 (Forty Five) 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 TPWODL in the 1st (first) year of operations. Along with estimate of expenses, TPWODL shall provide detailed justification for any deviation from the expenses approved by the Commission in the Aggregate Revenue Requirement of WESCO utility for that year. The Commission shall undertake a prudence check of the plan submitted by TPWODL before approving the same. TPWODL 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 1st (first) year of operations, TPWODL shall within 45 (Forty Five) days of the Effective Date, submit an estimate of A&G expenses that may be incurred by TPWODL in the 1st (first) year of operations. Along with estimate of expenses, TPWODL shall provide detailed justification for any deviation from the A&G expenses approved by the Commission in the Aggregate Revenue Requirement of WESCO utility for that year. The Commission shall undertake a prudence check on the submission made by TPWODL before approving the same. TPWODL 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 34 Commission may while approving A&G expenses allow cost incurred for special measures to be undertaken by TPWODL 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 1st (first) year of operations, TPWODL shall within 45 (Forty Five) 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 TPWODL in the 1st (first) year of operations. Along with estimate of R&M expenses, TPWODL shall provide detailed justification for any deviation from the R&M expenses approved by the Commission in the Aggregate Revenue Requirement of WESCO utility for that year. The Commission shall undertake a prudence check of the plan submitted by TPWODL before approving the same. TPWODL 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 TPWODL for loss reduction, energy audit, consumer indexing and other areas of intervention proposed by TPCL for meeting its Bid commitments and 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 TPWODL as well as assets created out of grants which are not reflected in the books of WESCO utility subject to prudence check by the Commission, as per existing practice. 35 (e) For the subsequent years, TPWODL 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 TPWODL 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.

82. In view of the above directions of the Commission in the vesting order dated 28.12.2020 the Commission has now gone into the details of the Annual Business Plan submitted by the petitioner TPWODL.

Employees cost

83. The Commission has gone into the details of the Employees cost submitted by the TPWODL 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.

84. TPWODL has inherited on its rolls 2362 number of regular employees out of which 479 are executives as on 31.12.2020. TPWODL has in the meantime recruited 56 executive employees without approval of the Commission. TPWODL has proposed further addition of 1291 employees all in the executive cadre. TPWODL has further envisaged vacancies in non-executive cadre of 500 which are all to be recruited for O & M functions. Thus a total of 1791 employees are to be recruited - 850 in FY 2022, 550 in FY 2023 and 391 in FY 2024.

The total requirement of manpower has been projected at 4209 out of which the total available manpower is 2418 and the balance numbers of 1791 are the vacancies.

85. TPWODL has envisaged salaries and allowances of the existing 2418 employees at Rs.295.23 cr., deposit in PF and Pension Trust Rs.132.31 cr., arrears of 7th Pay Commission Rs.38.31 cr., new employees and deputation cost Rs.82.19 cr., insurance cost Rs.14.70 cr. and outsourcing for MBC and consumer services cost Rs.52.81 cr. In the meantime the Commission has approved employee cost of Rs.409.49 cr. in the RST order for FY 2021-22. The Commission in the said order have approved Rs.24.00 cr. towards recruitment of additional employees for FY 2021-22.

86. 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."

87. 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 TPWODL.

88. In view of such a scenario wherein the salary, wages and allowances for the new induction is to be decided by the operating company the Commission allows such induction in order to provide operational flexibility to TPWODL 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.

89. The Commission however, observes that the induction of 1291 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 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.

90. The Commission now allows 8% of the total proposed manpower to be recruited in the current year. This will include post facto approval for recruitment of 56 employees already made. Thus only 280 (.08X4209-56) more employees can be recruited now. Commission stipulates that the new recruitments be made as per the operational requirements. The proposed expense on HR operation may also be accordingly adjusted.

91. 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

92. The petition has outlined the requirement of comprehensive Repair and Maintenance in the area of safety, system operation, 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.

93. 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."*

94. The petitioner has proposed for the total Repair and Maintenance cost of Rs.234.29 crore under the broad categories of 33 & 11 KV grid substation and lines (AMC & material), safety expenses, PSCC, SCADA, GIS, transformer and other equipments repairs, civil repair and maintenance, IT related and store related material handling expenses. The major amount of Rs.131 cr. has been envisaged in the 11 KV distribution, substation, lines and LT equipment AMC and Rs.39.00 cr for 11 KV material. In 33 KV grid substations and lines Rs.16 cr. has been envisaged for AMC and Rs.20 cr. for material.

95. 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 WESCO, 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.

96. The Commission in the last tariff order has approved the total Repair and Maintenance cost of Rs.109.22 crore to the erstwhile WESCO for FY 2021-22. The petitioner has proposed the total cost of Rs.234.29 crore for the year. The petitioner has proposed that through these additional expenses there will be appreciable benefits and improvement to the system. Notably for activities like ensuring safety in largely spreading geographical area, dedicated preventive maintenance through maintenance planning group (MPG), performance based maintenance contract, in house transformer repair activities, repair of civil structures, development of micro SCADA set up at ODSSP 33/11 KV PSS to ensure the investment made under ODSSP are fully utilised for centralised SCADA system require additional expenditure. The other measures proposed include communication link with SCADA controlled central system, substation automation, improved support services, meter management system, store related material handling and IT consumables. Some of these activities can be very well accommodated under Capex.

97. Though the Repair and Maintenance aspect is critical to the overall improvement of the distribution system the Commission considering earlier capex approval and time left in this financial year now approves the total cost of Rs.160.00 crore for FY 2021-22 against the earlier approval of Rs.109.22 cr.

98. 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:

99. The petitioner has proposed the total expenses of Rs. 129.51 crore for FY 2021-22 in this petition. TPWODL have reasoned that the increase in A&G cost is due to increase in number of employees resulting in higher A&G expenses, insurance, company related expenses relating to various statutory audit and compliances, housekeeping expenses, security etc. The major expenses as proposed by TPWODL is towards insurance (Rs.8.00 cr.), consultancy charges Rs.5.50 cr., hire vehicle charges Rs.8.00 cr., expenditure for customer care Rs.8.00 cr., spot billing, meter reading (including bill distribution, collection and recovery) Rs.45.22 cr., housekeeping Rs.5.00 cr. and security Rs.2.5 cr.

100. TPWODL has mentioned that they do not have the insurance coverage of the assets and inventory to prevent it from burglary, commercial general liability, cash collection location cover etc. The company envisages migrating from the basic tally accounting system to the SAP ERP system, housekeeping and maintenance of offices to external parties and security of personal and location.

101. 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. "

102. The Commission in the last ARR for FY 2021-22 has approved total A&G of Rs.63.66 crore. 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 relate to improving metering management and services and customer services which are vital elements in reducing AT&C losses. The TPWODL 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 allow the additional A&G expenses of Rs.39.51 crore for FY 2021-22 which is about sixty percent of the proposed additional expenses. 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 2021-22. The expenses under this head will accordingly be allowed after prudence check.

103. In light of these facts the case is disposed of.

Sd/-	Sd/-	Sd/-
(G. Mohapatra) **MEMBER**	**(S. K. Parhi)** **MEMBER**	**(U. N. Behera)** **CHAIRPERSON**