ODISHA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAWAN
PLOT NO.-04, CHUNUKOLI, SHAILASHREE VIHAR
BHUBANESWAR -751021
****

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

Case No.40/2021

M/s. TPNODL ……… Petitioner
Vrs
OPTCL & Others …....... Respondents

In the matter of: Application for approval of Annual Business Plan for FY 21-22

For the Petitioner: Shri Bhaskar Sarkar, CEO, Shri Pratap Kumar Mohanty TPNODL

For the Respondents: Shri B. K. Das, Sr. GM (RT & C), OPTCL, Shri L.K.Mishra, GRIDCO, Ms. Sonali Patnaik, ALO, DoE, GoO, Shri Ananda Kumar Mohapatra, Shri R. P. Mahapatra, Shri Bibhu Charan Swain on behalf of Power Tech Consultant Pvt. Ltd. and UCCI, Shri Manoj Panda M/s. Grinity Power Tech. Pvt. Ltd.

ORDER

Date of Hearing: 29.06.2021 **Date of Order:03.11.2021**

1. M/S TPNODL has filed the present petition for approval of Annual Business Plan for FY 2021-22 pursuant to the direction of the Commission in case No.9/2021 dated 25.03.2021 relating to the vesting of the NESCO into the new operating company TPNODL.

2. The petitioner has submitted the Business Plan which deals with CAPEX and OPEX requirements. The Commission has dealt the issue of Capex requirement in another order therefore in this order only OPEX for FY 2021-22 are dealt in terms of the vesting order.

3. The TPNODL has proposed following towards the various elements of OPEX

   a) Employee cost - Approved for FY 2021-22 Rs 311.54 cr in the ARR.
   Proposed for FY 2021-22 Rs 339.89 cr.

   b) R&M cost - Approved for FY 2021-22 Rs 114.23 cr in the ARR.
   Proposed for FY 2021-22 Rs 147.49 cr.

c) A&G cost - Approved for FY 2021-22 Rs 94.90 cr in the ARR.
Proposed for FY 2021-22 Rs 139.83 cr.

d) Total OPEX- Approved for FY 2021-22 Rs 520.67 cr in the ARR.
Proposed for FY 2021-22 Rs 627.21 cr.

4. The Petitioner TPNODL has accordingly prayed to allow the revised OPEX as above for FY 2021-22.

5. In the petition, TPNODL has identified critical areas where the most impactful measures are required with the highest priority for implementation.

1. Dilapidated network and safety
2. Disaster Management – Natural Calamities
3. High Aggregate Technical and Commercial (AT&C) Losses
4. Limited Customer Touch Points and inefficient Processes
5. Outdated IT infrastructures
6. Human Resource Plan
7. Poor civil infrastructure

Governance Challenges

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

Old network and Safety related issues

7. Petitioner has stated that TPNODL has taken over the assets of erstwhile NESCO on "as is where is" basis. Majority of these assets are not in good operating condition and in a large number of cases, the required safety equipments are not in place. Further the network is old and in majority of cases not compliant to statutory guidelines and poses threat to safety of employees, public at large and animals. One of the major reasons is absence of structured preventive maintenance and systematic investment for past many years. The interruption at 11 kV feeder level is too high with respect to present Indian utility standards. In one year, total trippings are at a staggering 4.66 lacs in FY 2019-20. Further, due to lack of maintenance, failure rate of Distribution Transformer is also very high at 4% of total Volume. The Scarce resources and lack of preventive maintenance

have led to delay in response on Safety Hazards reported by Public and employees. This has resulted in consistently high number of accidents (Fatal/Non-Fatal including Human and Animal) in FY18-19 (92), FY 19-20 (80) and FY 20-21 (51). The purpose is to improve response time and frequency of interruptions by following good preventive maintenance practices and putting up a structure of teams in prioritized manner.

8. The Petitioner has proposed to carry out technical audit of the 33KV & 11KV feeders to identify defects and carry out refurbishment of the selected feeders to improve the outage and reliability standard. Refurbishment of feeders will comprise of replacement of dangerous towers/poles, provision of intermediate towers/poles, replacement of worn out / undersized conductor, replacement of other defective accessories, and strengthening of earthing of towers/poles. The refurbishment will also involve restoration of vertical and lateral clearances in line with existing regulations. Similarly, refurbishment of 33/11KV Primary Substation and Distribution Substation is also planned to improve the safety of the man & material apart from ensuring reliable power supply to end users.

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

Disaster Management - Natural Calamities

10. Petitioner has stated that apart from the vast geographical area, Odisha being a costal State, it repeatedly encounters devastating storms/ cyclones. The loss due to these storms / cyclones are huge which is a major challenge for a distribution utility. The main concern related to these natural calamities are that not only it results in disruption of power supply to consumers over extended period but also it damages the power distribution infrastructure resulting into requirement of huge funds to refix the network infrastructure. A permanent solution to address the issue of virtually annual disruption of supply and repeated infusion of CAPEX to restore/replace damaged infrastructure need to be developed.

High Aggregate Technical and Commercial Losses

11. Petitioner has stated that the targeted AT&C Losses for FY 2021-22 is 25.17% with Billing Efficiency of around 79.36% and Collection Efficiency as 94.28%. The AT& C losses for FY 2020-21 on account of LT consumers is as high as 41.02%. The problem

is compounded with tariff is not cost reflective as it is based on 19.17% which is 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.

12. Petitioner has stated that one of the major reasons for low Billing Efficiency is leakages in meter reading process clubbed with inaccurate or no recording of reading in meter due to faulty/no meter. Non-availability of new meters has resulted into high number of faulty/defective meters in the network as meters are not replaced timely leading to high level of provisional billing coupled with dissatisfaction to consumers. Further, it has also resulted into un-accounted energy loss due to no-meter cases where connections are energized without meters.

13. The Petitioner has stated that in order to improve meter reading, billing, collection cycle, the present reading cycle is planned to be staggered across full month in place of 15 days prevailing practice with due changes in the billing system, reduction in provisional billing, timely generation of bills and performance-based contract .

14. The Petitioner has stated that TPNODL is following initiatives to enhance the meter reader productivity. SHG are being engaged in Meter Reading, Billing and Collection process in rural area of Baripada (Mayurbhanj) & Keonjhar district. The Productivity and Quality of meter reading brought by SHG along with Collection activity will be reviewed to identify the impediments which comes in the way of completing the process in a timely manner and Consumer Indexing (CI) is proposed for identifying exact location of the consumer through which feeder, or transformer, or circuit number and or pole consumer is being supplied or what is the consumption pattern of a particular segment of a consumer. Accordingly, database of Consumers is to be developed based on the outcome of door-to-door survey and the consumer related available records.

15. The Petitioner has stated that for maintaining a high cash flow in the business is one of the top priority and to ensure regular and timely collection of electricity bills through cost effective mechanism by following initiatives i.e. Regular door to door collection, introduction of new payment channels/Avenues, motivational schemes for counter and on-line payment and creating awareness about usage of existing online /wallet/card options.

Introduction of Customer Touch Points and Customer Centric Processes

16. The Petitioner has stated that limited customer touch points and non-availability of

dedicated manpower for timely customer service delivery lead to customer dissatisfaction as Customer has to spend time, money and effort in visiting the office for registering basic complaints. Further, insufficient avenues for payment of electricity bill have compelled the company to do the door to door collection. The process related with New Connection, Complaint Processing, Bill Correction, and Attribute Change is currently being processed manually. This practice leads to undue delay in processing of customer request, updating customer payment/record, and reconciliation of material and inconsistency of data in system.

17. The Petitioner has stated that to improve the customer experience, customer touch points need to be augmented for providing ease of connectivity and single touch point at offices. The Petitioner proposed to establish new existing payment cum customer care centres at Division/Sub-Division/Section with better facilities for enhancing customer experience. These centres to be manned by dedicated staff to provide single window solution to customers. Call Centre infrastructure is proposed by the petitioner to be upgraded to 50 Seats for improving the connectivity, registration of complaints like No current, Billing error etc and request like New connection, Attribute change etc, providing status and query response over the call. This will help in providing easy access to utility for complaint redressal as well as new connection etc. Additionally, proactive communication through SMS during various stages likes Bill Generation, Complaint Registration, and Due Date Reminder, etc. is also proposed.

18. The Petitioner has stated that in addition to above customer touch points, 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.

Outdated IT infrastructures

19. Petitioners has stated that IT infrastructure being used are on an obsolete technology i.e. FoxPro for billing and Java/.Net based applications for new connection and complaints management. These customized solutions are not designed as Enterprise Level Solutions to fully cater the needs of DISCOM like Customer Contact Centre, Revenue Cycle Management, Material Management, Network Management, Project Management, etc. In addition to above, these systems are very fragile and prone to intrusion/sabotage by external system. Further, the landscape of the system is

Standalone, disintegrated and decentralized. Thus, data integration and data security are major challenges in addition to outdated network which are disrupting the process frequently.

20. The Petitioner has stated that the “Existing Challenges” section and “Outdated Technology” sub section OT technologies (SCADA, GIS) and IT system will gear up for technology adoption in phased manner for enhancing the efficiencies and effectiveness for improved services to the consumers. Fluent Grid (IPDS scheme) is implementing Customer Care Solution, Meter, Billing & Collection, New Connection and other Commercial Process, Energy Audit, MIS, Various ERP Modules. Apart from this, TPNODL is planning to rollout Smart Metering MDM and HES system for consumers above 5 KW along with various mobility landscapes.

21. The Petitioner has proposed some key consideration for IT landscape transformation by Development of back end IT Infrastructure for Smart Metering, Augmentation of IPDS Software licenses pan TPNODL and NON-SAP or Bespoke Applications & Mobile Apps.

22. The Petitioner has further proposed for some in-house application to be implemented by TPNODL i.e. payment gateway, website, TPNODL connect, Surakhsya Portal & Behaviour based safety apps, Bird (Invoice management), e-PSC application ,Complaint management system & Anubhav portal, Mobile apps, Communication Network infra, Opeartional technology landscape –SCADA implementation and GIS implementation.

Human Resource

23. The most significant challenge at TPNODL related to Human Resource are

a) Aging workforce,

b) Lack of required skill set,

c) Shortage of Competent Manpower,

d) Rising employee grievances

e) Pending legal cases and non-compliances

f) Poor Gender Diversity,

24. Petitioner has stated that TPNODL has inherited the entire existing manpower of NESCO in line with provision of the RFP. Presently, there are 406 executives and 1744

non-executives with average age of 41 years. Non-induction of any new manpower during last one decade has increased the average age. Representation of women employees are very less at about 4%.In executive cadre, more than 8.1% employees are in age range of 54-60 yrs while for nonexecutives it is at 16.2% (approx.).These employees are working in areas of O&M, Commercial, Finance, Legal, IT and HR & Administration etc. In absence of structured Training and Development program, employees have limited option to enhance their competency level in this fast-changing business environment.

25. In technical cadre (Non-Executive), about 10% employees have qualifications below 10th standard. There are around 1280 ITI technical employees (Non-Executives) but only a few (approx. 40-50) may have supervisory licence. This indicates poor state of technical competency. More so, in order to enhance network reliability, network safety, fast resolution of operational and commercial complaints, many new functions like Power System Control Centre (PSCC), Quality, Engineering, Consumer services, safety, security, CSR, Training & Development etc need to be started. In addition to this, many new technologies are to be adopted for better control and faster resolution of issues like SAP, SCADA, Mobile Apps, GIS, etc. for which appropriate competencies are required. Hence, it is essential to upgrade competency level of existing employees to work in new functions and on new technology platforms.

26. Petitioner has stated that on manpower front, acute shortage of manpower is very much visible and is the reason for massive employee dissatisfaction. Total approved manpower in NESCO is 5859 while presently there are 2150 on NESCO rolls. Petitioner has submitted that several legal cases are pending at Supreme Court, High Court and other lower Courts. It is crucial to analyze all such human resource related challenges and strategize for short term and long-term resolution with an objective of converting weakness into opportunities. On Gender diversity, overall ratio is at 4% which is very low. It is essential to ensure adequate representation of women employees in the workforce across all cadres.

27. The petitioner has stated that a consolidated Human Resource Strategy (Short term and Long term) is being developed keeping in mind existing challenges and future expectation towards building an organization of engaged workforce, structured talent management, a culture of high performance and excellence apart from creating a conducive Industrial Relation atmosphere. Progressive employee centric policies shall

be the backbone of TPNODL towards ensuring highly engaged and high performing workforce. TPNODL will be exploring and adopting best practices & policies from the Tata group. TPNODL intends to focus on enhancing diversity in its workforce and women empowerment through various policy guidelines. Keeping in mind continuous learning and acquiring niche skills, TPNODL shall be implementing training & development policy for continuous competency enhancement of existing workforce. Use of online e-learning module shall be encouraged to ensure maximum participation of its employees.

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

Poor Civil Infrastructure

29. TPNODL have offices in all the five circles, Divisions, Sub-divisions and section. Some of them are owned and others are on rented property. The office space is currently crowded and haphazardly planned for seating arrangements. Moreover, most of the circulation area has been occupied with files, documents, etc. The furniture available at offices are nearly 10-15 years old and are in non-serviceable condition. New furniture are to be procured for various offices, Customer Care Centres, Call Centres, etc. and also to cater to new employees.

30. The Petitioner has stated that currently the stores are located centrally at Gudipada, Balasore & Sub-Stores in Jajpur, Baripada & Keonjhar with no systematic procedure for material upkeep & storage. Usable Materials & Scrap Materials are kept at the same location side by side. Also, these stores have either no shed or shed in dilapidated condition which is insufficient for storage especially in the aftermath of Cyclone. These sheds remain unutilized since long and require urgent roofing and civil repairs.

31. The petitioner has, therefore, proposed that in-order to ensure safe, hygienic, well ventilated and spacious working environment for employees as well as consumers,

various proposals are recommended like renovation of existing buildings to enhance the additional seating capacity for employees; renovation of old buildings to enhance the structural strength and enhance the life of the buildings; renovation of the stores to improve the safety & security of the material kept inside the badly damaged sheds/ roofs. Further, it is also planned to provide additional workstations, conference tables to ensure employee friendly work environment.

Governance challenges

32. TPNODL has stated that currently process related with Material Management, Maintenance Management, Meter Installation, Complaint Management, Customer services are being practiced without standardization and are not up to customer satisfaction. These practices lead to undue delay in processing of customer request, updation of customer payment / record, reconciliation of material and inconsistency of data capturing. TPNODL proposes to carryout extensive Business Process Re-engineering in all areas of the distribution business along with automation to meet the multiple objectives of enhancing efficiency, productivity, consumer delight and governance practices.

33. As regards the Employee cost the petitioner has stated that in total 2150 employees of erstwhile NESCO have been transferred to TPNODL through vesting order which includes 406 executives. Tata Power has already deployed Senior Management team who are experts in different fields of distribution functions. This team has assessed the existing processes and resource capabilities. Based on detailed analysis and subsequent organisational design, TPNODL has proposed to reinforce existing team with additional 1271 manpower (all in executive cadre). Function-wise proposed structure, mapping with existing manpower has been explained in Human Resource Plan which is given along with the petition.

34. The petitioner therefore has proposed to recruit additional 1271 new employees this year and around 25 employees shall be deputed from other divisions of Tata Power to TPNODL. Total Cost of manpower including 2150 existing employees and newly recruited employees shall be Rs. 339.89 Cr. for the period April 2021 to March 2022.

Particulars	ARR (Approved) April'21 to Mar'22	Proposed April'21 to Mar'22
Employee Cost	311.54	339.89
Salaries , Wages, Allowances & Benefits		150.17
Contribution to / Provision for P.F, Pension		117.41

Particulars	ARR (Approved) April'21 to Mar'22	Proposed April'21 to Mar'22
Arrears of 7th Pay Commission		29.40
New employees including Deputation		42.91

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

Repair and Maintenance

36. The petitioner has submitted that through the proposed Repair and Maintenance expenses there will be benefits on Sub-Transmission System (STS), Distribution, Safety, IT and Automation etc. This will result in improving quality, reliability and safe supply of power with lesser interruptions, which will enhance customer satisfaction to a greater extent.

37. Petitioner has submitted that the existing norm of allowing 5.4% of Opening GFA as the R&M Expenditure as per the OERC Tariff regulation is inadequate. Therefore pending revision of the norm petitioner prays to allow the additional expenditure of Rs. 33.26 Crore for FY 21-22 (Rs.147.49 Cr. (proposed) – Rs.114.13 Cr.) treating as special measures for improving safety, quality and reliability of the network meeting its bid commitments.

38. The total R&M cost required for operations is 147.49 Cr. and category wise distribution is in the following table.

Particulars	OERC ARR (Approved) Aprl'21 to Mar'22	TPNODL ABP (Proposed) Aprl'21 to Mar'22
Annual maintenance contract for primary substation & feeders		28.5
Material required for maintenance of 33 KV Network		4
Testing/Overhauling /Reconditioning of transformers		3.5
Material for Repairing /servicing of Circuit breakers /CT & PT		2.75
Distribution AMC contract		95.5
Distribution material (O/H)		3.5
Distribution material (U/G)		0.20

Particulars	OERC ARR (Approved) Aprl'21 to Mar'22	TPNODL ABP (Proposed) Aprl'21 to Mar'22
Materials & Services for distribution Transformers repairing		4.70
PSC		0.12
Admin .AMC		0.82
CIVIL		3.90
Total	**114.13**	**147.49**

Administrative & General (A&G) Expenses

Meter Reading and Collection Expenses

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

40. Petitioner has submitted that payment collection counters are provided at Division/ Sub-Division level for customers to deposit the bills. Currently, the due dates are scheduled in a short window of 7 days duration due to which there are long queues at payment counters during month end. This leads to customer dissatisfaction as customer has to spend time and energy for bill payment. In addition to payment collection counter, on-line payment options through Website, Payment Wallets like Paytm, Google pay etc.

41. Petitioner has stated that beside above avenues, Business Associates (BAs) have been deployed for visiting the customer premises for collecting the payment from customers mostly by issuing manual receipt. Knocking at all customers' doors during the month is a herculean task with multiple visits to the customer's residences, with eventual result of non-payment of bills. Therefore, performance based contract for Door to Door collection is proposed for ensuring timely recovery of payment. Further, promotional schemes for online payment and counter payment are also proposed. The Estimated yearly cost is based on recently discovered price through open tenders.

Customer Services and Communication Expenses

42. Petitioner has stated that to improve the customer experience, customer touch points need to be augmented for providing ease of connectivity and single touch point at offices. Currently, customers visit the office and stand in long queue for making electricity bill payment during due dates. Also, lack of basic amenities for the visiting customers like seating space, water dispenser, etc. at Section, Sub-Division and Division Level is experienced. For better experience at customer care, operational expenditure and better logistics at existing Customer care centres. Currently, SMSs are being sent to limited customers that too at the time of Bill Generation. It has been proposed that the communication through SMS and Email need to be enhanced by introducing SMS/Email at following stages leading to enhancement of customer satisfaction. The total cost under such measures are given in the following table:

SL. No	Cost Component	Proposed Cost (Rs Cr)
1	Call Center (20 Seats)	1.44
2	Call Telephony equipment	0.12
3	SMS/Watsapp communication	0.015
	Total Cost (with GST)	1.58

Meter Management Expenses

43. Petitioner has stated that to ensure smooth operation of Meter Management and establish a robust supply chain of meters and accessories, meter testing labs need to be developed in 02 locations i.e. Balasore and Jajpur with new test bench facility as appraised in table below. These facilities will be developed in phased manner over a period of three years. Further, to ensure high communication percentage of meters installed with Modem already installed in field, there will be need for rectification/ Trouble Shooting of modems and allied accessories like SIMS cards, Antennae, etc. It is expected that a certain percentage of modems and accessories will need rectification per month, so a budget has been considered for the same. This activity of modem rectification will be handled through performance contract under guidance of MMG TPNODL.

Admin & General Expenses: Other Costs

44. The Petitioner has stated that the increase of expenses over the previous year is generally on account of enhanced level of activity, increase in no. of employees resulting in higher A&G Expenses, inflation and incurrence of expenditure on certain

activities which were hitherto either non-existent or minimal, such as Insurance, various Company related mandatory expenses relating to requirement of various statutory Audits and compliances, which would entail appointment of various Auditors as well as consultants to facilitate statutory compliances.

Particulars (FY 2021-22)	Proposed Plan (Rs Cr)	Approved in ARR (Rs Cr)
Rent Rate & Taxes (including Lease Rentals)	3.39	
Watch & Ward Expenses	2.76	
Communication	3.42	
Legal, Consultancy & Professional Charges	15.7	
Conveyance & Travelling	5.48	
License & Related Fees	2.24	
Advertisement Expenses (Public relation)	3.28	
Franchisee & Spot billing	45.49	
Printing & Stationery	4.36	
Enforcement Activities	3	
IT -Computer Consumables	8.55	
Safety & Ethics	3.63	
Training	5	
Insurance	5.07	
ARM installation & Management expenses	7.45	
House Keeping	10.55	
Covid / Employee Welfare Expenses	3.78	
Other Expenses / Customer Care Call Center	6.68	
Total A&G Cost	**139.83**	**49.20**

Repair & Maintenance (R&M) Expenses

45. TPNODL has stated that the existing network of NESCO area is deprived of maintenance due to lack of manpower, material and other support processes resulting in huge number of tripping, fatal non-fatal accidents of outsiders and insiders, transformer failure and high AT&C loss. The utility has no data on the reliability indices. The tripping data are not properly captured in the record as there is a centralised approach to calculated reliability indices feeder wise, area wise, voltage level wise and as per many other combinations. It is also seen from the interactions that number of transformer failure is very high. This leads to unhappy customers and huge expense towards rectification of faulty transformers. The safety of the working person to general public is at stake, this is indicated by a significant number of fatal and non-fatal accidents of all living creatures.

46. TPNODL has stated that the Junior Engineer are responsible for attending breakdowns occurring in 33 kV and 11 kV systems with the limited manpower available at each section. For major breakdowns, contract manpower is hired on need. The scarce resources and lack of maintenance has resulted in large number of accidents in previous years. In last 21 months; 49 human fatal accidents have been reported. The maintenance practices are reactive and the distribution assets are rarely maintained. Faulty equipment / distribution transformer is not replaced even for months' in rural areas. This poor condition of the buildings is in so much depleted condition that lack of maintenance in this field cannot be ignored.

Plan towards systematic maintenance:

47. TPNODL has stated that the licensed area is spread across approximately 28,000 sq. km area with forests and hills making it very difficult to maintain the network with existing manpower, leaving them in the mode of run and repair. There is no approach of preventive maintenance as mentioned in earlier sections making the network weaker with each passing year. In order to achieve above quality in supply and to ensure performance assurance according to power supply code we envisage to form following functions whose working and budget is given below.

Safety

48. Petitioner has stated that the present building safety practices should be geared up. TPNODL 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 department is Rs.3.63 crore.

Area Power System

49. Petitioner has stated that in erstwhile NESCO working system there is no dedicated preventive maintenance structure in any form except breakdown maintenance. Divisional officer, Sub Divisional officer and associated JEs who are responsible for entire sub-transmission (33 KV) and distribution system (11 & 0.44 KV) with their associated workforce. It is proposed to deploy dedicated team for sub-transmission system which will take care for the entire 33 KV network circle wise so that utmost focus can be given to this network for optimised availability. The maintenance team shall be divided into following structure under each circle maintenance team (Area

Power System). This major team will be assisted by another group Maintenance Planning Group (MPG) which will take care of entire asset mapping of electrical network. This group will also play major role in providing feedback to APS regarding condition based maintenance and will centrally plan outages for entire voltage level (33 & 11 KV) of electrical network.

1. HMC – Round the clock availability for any kind of breakdown and helping other teams
2. SLMC – This team will work only for 33 KV network since it is largely radial so major focus to be given for 33 KV line network
3. SMC – This team will look after only 33/11 KV sub-stations.

50. Petitioner has stated that in this head of operation of maintenance total estimated budget is Rs.38.75 crore for doing activities such as 33kV AMC, Repairing of Conductors, Insulators, Poles, Jumpers PTR Repair & Overhauling, Other Grid Material and Maintenance switchgear etc.

Distribution System & Distribution Services:

51. Petitioner has stated that the 11 kV circuits are radial and very long ranging from an average length of 50 KMs to 90-100 KMs in rural areas. 11 kV circuits have underrated, uneven sized & worn out bare conductors with extremely long span lengths. The LV circuits are also very long and radial. Both HV & LV circuits have a large number of damaged /bent/tilted poles, poor workmanship in jointing & jumpers, compromised safety clearances and are devoid of guard wires on road crossing. 11/0.415 kV Distribution Substations (DSS) have no fencing, the LT side fuse box/MCCB box are missing, earthing system is in very bad condition, most of the AB switches are bypassed, DD fuse are bypassed/broken. In place of LT Fuse box/MCCB box; open aluminium wire wound fuse are seen at every substation at very low height. All of the above makes the DSS prone to interruption and safety hazard for public, animals and employees. As a result of the interruption at 11 kV feeder level is too high with respect to present Indian utility standards. In one-year total tripping are at a staggering 4.66 lacs. Total count of 11 kV feeder in FY 19-20 was 720 Nos. Hence, on an average basis each of the 11 kV feeder tripped 648 times annually.

Centralised Power System Control Centre (CPSCC):

52. Petitioner proposed to establish a Central Power System Control Centre (CPSCC) on

takeover of the operations of NESCO. The intent of establishment of CPSCC is Real Time Control & Monitoring of 33 kV and 11 kV network operations of the license area. This will give an overall control of the HT network and ensure availability of network at all times and thereby ensure uninterrupted Power Supply to the consumers of the License area. In the process a robust communication channel with OPTCL will be established through PSCC. Total Yearly Opex is estimated at Rs.0.1252cr

Civil

53. Petitioner has stated that in entire TPNODL area there are very few buildings except new sub-stations which are in very good condition. Majorly all the building offices and sub-station buildings are in very bad condition and requires urgent attention. There is a huge scope for civil work to be done in all the buildings starting from corporate office. Stores are also in very bad condition. In majority of the sub- stations are boundary less and plinth of the transformers is in really bad shape which needs immediate attention. The budgetary requirement is estimated at Rs.3.90 crore:

54. Therefore, total R&M cost required for operations is 147.49 Cr. and category wise distribution proposed is as under:

SL. No.	Broad Category	Description	Budget (Rs Cr)
1	STS	Annual maintenance contract for Primary Substations & Feeders	28.5
2		Material Required for Maintenance of 33KV Network	4
3		Testing/Overhauling/Reconditioning of Transformers	3.5
5		Material for Repairing / Servicing of Circuit Breakers/CT &PT	2.75
12	Distribution	Distribution AMC Contract	95.5
13		Distribution Material (O/H)	3.5
14		Distribution Material (U/G)	0.20
15		Material & Services for Distribution Transformer Repairing	4.70
18	Others	PSC	0.12
19		Admin. AMC	0.82
20		CIVIL	3.90
Total			147.49

Administrative & General (A&G) Expenses:

Meter Reading and Collection Expenses

55. Petitioner 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 taking punching the reading in spot billing application and deliver the spot bill to the consumer during the same visit. In some divisions, meter reading is also proposed with support of Self Help Group as part of Govt. of Odisha has approved Self Help Groups in Energy Franchise Agreement (SEFA) of Energy in Rural Areas. This practice, lead to high average and provisional bills around approx. 50% in 19-20 as reading is done only for 15 days. Therefore, petitioner proposed to change the reading cycle from 15 days to 30 days and by implementing the integrated IT system for ensuring timely meter reading with reduction in provisional bills.

56. Petitioner has stated that 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 many digital payment vendors has been done for accepting electricity payment along with on-line payment options through Website, Payment Wallets like Paytm etc. Beside these avenues, Business Associates (BAs) have been deployed for visiting the customer premise for collecting the payment from customer mostly by issuing manual receipt. Petitioner stated that the Estimated yearly cost is based on recently discovered price through open tenders.

Customer Services and Communication Expenses

57. Petitioner has stated that in order to improve the customer experience, customer touch points need to be augmented for providing ease of connectivity and single touch point at offices. Keeping in mind to provide ease in customer experience, a unified Call Centre is imperative to be made operational.

58. Petitioner has stated that currently, customers visit the office and stand in long queue for making electricity bill payment during due dates. Also, lack of basic amenities for the visiting customers like Seating space, water dispenser etc. at Section, Sub-Division and Division Level is experienced. For better experience at Customer care, operational expenditure of 0.6 Cr. is allocated to provide better logistics at existing Customer care centres.

59. Petitioner has stated that 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, 0.23 Cr is proposed under operational expenditure.

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

SL. No.	Cost Component	Proposed Cost (In Crs)
1	Contract for Call Center executive (20 seater)	1.44
2	Call telephony equipment	0.12
3	SMS/Whatsapp communication	0,015
Total Cost		1.58

Meter Management Expenses

61. Petitioner has stated that in order to ensure smooth operation of Meter Management and establish a robust supply chain of meters and accessories, meter testing labs need to be developed in 02 locations i.e. Balasore & Jajpur. These facilities will be developed in phased manner over a period of three years.

62. Petitioner has stated that for high percentage of meters installed in the field with Modem there will be need for rectification / Trouble Shooting of modems and allied accessories like SIMS cards, Antennas etc. It is expected that a certain percentage of modems and accessories will need rectification per month, so a budget of 7.45 Cr has been considered for same. This activity of modem rectification will be handled through performance contract under guidance of MMG TPNODL. To operate the meter testing facilities and troubleshooting of modem and SIM, funds are required under operational expenditure and same is mentioned below. These costs are estimated at Rs.139.83 crore out of which the major expenses are in Legal consultancy, Franchisee& Spot billing, housekeeping, IT consumables, Insurance etc.

63. Petitioner has stated that these expenditures have been carefully estimated and planned, and it will result in reducing AT&C losses, enhancing productivity and enhancing customer satisfaction to a greater extent. Pending revision of the norms TPNODL has submitted to allow the additional expenditure of Rs.44.93 (Rs.139.83 Cr. proposed minus Rs.94.9 crore (adjusted) allowed by the Commission for FY 2021-22) beyond the amount currently allowed for reduction of AT&C Loss, improving collection efficiency, improving consumer satisfaction and meeting the bid commitments.

Procurement Plan

64. Petitioner has stated that the procurement plan and policies shall be the backbone of TPNODL towards ensuring highly transparent, competitive, fair and reasonable procedure with ensured quality. TPNODL will explore and adopt best practices & policies from its other division like Delhi and Mumbai. TPNODL will plan for Centralized procurement of high value services and items and local procurement for low value and emergency works. More focus on annual rate contracts for supply items and three years contract for services. The processes include methodology to select Business Associates based on credentials and past service and / or material quality. All services and materials are evaluated for quality and performance by users. Incentive and penalty clauses in the contracts support better quality of delivery.

Submission by OPTCL

65. OPTCL has stated that the figures proposed are exceptionally high and without substantiating the actual need and justification except some generic remark. OPTCL submitted its following observations on the proposed items of expenditure.

- **Employee Cost**

OPTCL stated that TPNODL have proposed high number of executives and staffs to be recruited during FY 2021-22 without mentioning any rational justification there on and without considering the effect of such expenditure on the RST. There is no corresponding matching commitment from the TPNODL regarding the perceived benefits in terms of reduced RST or reduction in AT&C losses or any other value added services like reduced downtime ,lower unserved energy etc. The approved amount in the employee cost in the ARR includes Rs 24.00Cr for additional employee cost including new recruitment. As the cost is already approved, the proposed additional Employee Cost may be denied.

- **R&M Cost**

OPTCL stated that in the RST order dated 26.03.2021, the Commission have observed that, spending pattern of DISCOMs in R&M Activities are much less than what is being approved, mostly less than 50% of the amount approved. Therefore, R&M expenses are to be limited to 5.4% of the GFA as per the Tariff determination Regulation. R&M expenses shall be considered based on TPNODL's own assets as well as Govt. funded assets under various schemes such as ODSSP, IPDS, DDUGJY, SAUBHAGYA, etc.

The major equipment of the Assets created under Govt. funded schemes is covered by warranty by the manufacturer and no expenditure on maintenance is due in near future the assets which are new, same have been constructed starting from 2016, and preventive maintenance and testing activities for this equipment are to be ensured for healthiness and long life span service. Some of the items are of capital in nature and already covered in Capex proposal may be ignored. The expenditure has been proposed in PSCC, SCADA, and safety related expenses, Civil works, IT related expenses both under Capex and Opex plan and the R&M expenses of the asset is being sought when the asset itself does not exist.

- **A&G Cost**

The approved A&G cost for FY 2021-22 as furnished Vide RST Order dt 26.03.2021 is Rs 49.20 Cr against proposed for Rs 139.83 Cr. Any additional amount should only be allowed based on proof of performance like loss reduction and general improvement in consumer services etc. The enhanced cost proposed towards property and conveyance may be turned down as the same cannot be raised to around 300% which defies all rational logic. A&G Cost is controllable cost and DISCOMs are expected to act in a rational manner to keep it to bare minimum so as not to burden the consumers.

Submission by GRIDCO

66. GRIDCO has stated that the current Petition does not cover inter alia the Demand growth, Sales projection, Sales & Consumer Mix and segregation between EHT, HT & L T segment with the corresponding revenue, power procurement plan, loss reduction projection due to proposed investments and basis of cost estimates, etc. complying the Regulation 5.1 of OERC (Determination of Wheeling Supply Tariff and Retail Supply Tariff) Regulations, 2014.

67. GRIDCO has stated that the Employees cost, R&M cost and A&G Costs have been projected considerably at a higher figure as compared to both proposal for determination of ARR &RST for FY 2021-22. The proposed expenses submitted by the Petitioner for FY 2021-22 is an increase of 20% w.r.t. the OERC approval in the ARR & RST Order for FY 2021-22 and moreover, these expenses are not linked with implication on RST, reduction of losses and the capitalization schedule. In totality, the variance is quite significant towards employees cost for Rs. 28.35 Cr towards new recruit

and group transfers, R&M expenses of Rs. 33.26 Cr, billing &collection for Rs.27.23 Cr, Insurance Rs.5.07 Cr.

68. GRIDCO has stated that the petitioner has proposed increased employees cost on account of induction of additional employees during FY 2021-22. In the proposal the employee cost has risen by Rs. 42.91 Cr towards induction of additional 636 employees, with an average Annual Salary of Rs. 13.49 lakh. The above higher salary to the newly recruited employees is quite higher than the normal human resource cost in Odisha. The induction of fresh employees with entry level pay structure would result in a lower salary cost. Normally, the HR resources are comparatively better and economical in Odisha vis-a- vis other States. Hence, necessary steps be taken in this direction.

69. GRIDCO has stated that in the terminal benefits cost & PF contribution TPNODL has reduced and the cost needs prudence check by the Commission. GRIDCO has stated 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.

70. GRIDCO has stated that the installation of new meters and replacement of defective meters under the jurisdiction of the Petitioner are being carried out through third party agencies under Govt. funded scheme i.e., IPDS. This needs to be monitored properly.

71. GRIDCO has stated that 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.

72. GRIDCO has stated that adequate Distribution infrastructures have already been created in the operational area of the Petitioner during last couple of years and highly recommended to have a thorough verification and proper analysis of the existing assets which may also be carried out for mapping with the real requirement on case to case basis for optimum utilisation of existing and upcoming assets.

73. GRIDCO has stated that the OPEX plan does not specify the unspent surplus balance maintained under different Disaster Relief Funds which are yet to be utilised 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 utilised for the balance work under the restoration programme. The re-construction of the damaged infrastructure during past disasters/cyclones have already been completed and mostly were borne by the State Govt. The Petitioner doesn't have to bear the past financial impact of those damaged infrastructure. The petitioner needs to quantify the necessary R & M cost for the remaining infra assets, if any towards restoration and for improvement and strengthening of distribution system out of the balance grant received under different schemes / programme.

Submission by Ananda Kumar Mahapatra

74. Objector has stated that the Petitioner have committed mistakes in the instant petitions by wrongly calculating the AT&C Loss of DISCOMs.

75. Objector has stated that the Petitioner has taken the estimated AT&C loss figure for FY-2021in the instant petition. So, the Commission may go for a prudent checking for the above loss figures.

Submission by Ramesh Satapathy, Manoj kumar Panda and Prabhakar Dora

76. Objectors have submitted their objections related to the expenditure towards CAPEX plan. This is dealt separately by the Commission in a different order towards approval of CAPEX.

Submission of UCCI and Grinity Power Tech Pvt.Ltd.

77. Objectors stated that there are 33KV bays which have been constructed in erstwhile Power utilities / OPTCL for drawl of power to Utilities 33/11KV substations while constructing new 220/33KV and 132/33KV substations. Many of such bays have not been utilised till date. In fact 33KV bays in some of the OPTCL's substations remain completely unused for years together and remain so even today. Utilization of these substations may be explained. Further OPTCL has constructed many 33/11KV substations under ODSSP, DDUGJY and IPDS schemes. 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.

78. Objectors have stated that the petitioners should give a comparative chart of different works and cost approved in ARR vis a vis proposed along with expenditure incurred till date w.r.t. Employee Cost, R&M Cost and A&G Cost.

79. Objectors have stated that as per vesting order all the pending payment, Bank Guarantee of MSME of the vendors of earlier Utilities 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. 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.

In the proposed Business Plan, TPNODL 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.

80. Objectors have stated that Odisha is a Power surplus state. We need to promote electricity and encourage efficient in the CAPEX and Business Plan, DISCOM has not proposed any plan for adoption of E- Mobility.

81. Objectors have stated that the division wise third Party Energy Audit report and Standard of Performance audit report should be submitted to the Commission on Quarterly basis by the TNOODL. However in the Business Plan no such proposal for third party energy audit, SOP audit for each Division has been proposed.

82. Objectors have stated that the no members of GRF shall be employee of DISCOM or utility. GRF should be created in division wise, so that all the disputed case will be solved within limited time.

83. Objectors have stated that there are number of RE generators and CGPs who are connected with 33 kV systems of DISCOMs. DISCOM has not proposed any procurement of such power from HT connected Generator in its Business Plan.

84. Objectors have stated that neither the quality of power supply is as per standard nor the quantity of power supply is as per the Regulations. Apart from this the commercial activities that is MBC (Meter reading, Billing, collection) is not up to the benchmark which also increases AT&C Loss and thereby affect whole sectors, EHT / HT consumers and Industries have to pay high cross subsidy and higher Tariff. Therefore strategy planning and ground implementation should be made by the DISCOM to overcome the above issues in short term and long term basis.

Reply to OPTCL (By the Petitioner)

85. TPNODL has stated that presently there are 406 executives and 1744 non-executives as on 1st May 2021 who were on regular rolls of erstwhile NESCO and are now part of TPNODL. It is essential to upgrade competency level of existing employees of erstwhile NESCO to work in new function and in new technology platforms. Moreover, there is a gap in skill set among the existing workforce to meet future business needs of TPNODL. TPNODL has further stated that there was massive shortage of manpower at NESCO and there was real challenge for seamless operation The Section Level which is the foundation for all Commercial and Technical activities, need to be strengthened. IT&OT Competencies need to be enhanced to take care of new technologies like SCADA, GIS, ADMS, Data Center, IT applications, ERP, Infrastructure Management and control etc.

86. TPNODL has stated that the reason for increased proposal of employee expenses due to the following reasons ;

Consumers have grown by 54%, Input energy has grown by 8%, 73 Nos. new 33/11 kV stations added (51% growth), 604 kms. of 33kV lines added (27% growth) , 10628 kms. of 11kV lines added (40% growth) .There has been a reduction of 29% manpower (891 Nos.) due to retirement, resignation and death etc. and there is no recruitment in last 7 years. There is acute shortage of manpower in operations, commercial, IT, Safety, Enforcement and project. There is deficit in critical competencies in Network Engineering, Protection &Testing, Quality Assurance, Maintenance Planning and Customer Care.

87. TPNODL has stated that OERC had not considered assets created out by Govt. of Odisha under ODSSP scheme of Rs.628 Cr which are taken over & maintained by TPNODL and has been considered for calculating R&M cost. Further stated that the cost for maintaining these substation & 33 kV lines @ 5.4% is Rs.33.26 Cr.

88. TPNODL has stated that the norms specified by the Commission i.e. 7% increase over previous year's normative expenditure is insufficient considering the new expenses which had not been proposed by NESCO Utility & hence not considered by the Commission. The consumer strength in the TPNODL area has increased manifold. The existing components of A & G were not meeting the requirement of enhanced level of activities to run the distribution business. With the increase of manpower A & G

Expenses shall also be higher. The norms specified by the Commission i.e. 7% increase over previous year's normative expenditure is insufficient considering the following new expenses which had not been proposed by NESCO Utility & hence not considered by the Commission. the cost which has been proposed to augment the Customer Services includes insurance for all assets ,Incremental cost of comprehensive meter reading, billing and collection services, formation of dedicated enforcement cell, Comprehensive AMR set up and towards Consumer Call Center and Consumer Care Center.

Reply to Ananda Kumar Mahapatra

89. TPNODL has stated that the Annual Business Plan as submitted covered all the major cost elements under the Broad Category of Operation & Maintenance Expenses.

90. TPNODL has stated that the Expenses as proposed is prepared to fulfill the requirement under the clause 53 of the Vesting Order.

91. TPNODL has stated that the component of the expenses under the Operation & Maintenance has been proposed consequent upon the ground situation and reality post taking over the business w.e.f. 01/04/2021. The revised expenses has been drawn to meet the AT & C Loss trajectory.

Reply to UCCI & Grinity Power tech

92. TPNODL has stated that some of the 33KV bays constructed by OPTCL for power evacuation to the distribution network have not been utilized yet .33KV line construction utilising those bays will be taken up. 62 nos. of ODSSP substations have already been loaded. This has already been submitted in our application that those SCADA enabled s/s. will be taken up for implementation of SCADA in first phase.

93. TPNODL has stated that they have submitted staff deployment plan spread over a period of 3years.

94. TPNODL has stated that in compliance to para 52(c) of the vesting order, for the continuity of operation the liabilities pertaining to employees, consumers, suppliers and statutory payments are being met by TPNODL. Account finalization is underway and audited account will be submitted before the Commission within the time stipulated by the Commission.

95. TPNODL has stated that Load research activities have been completed and DSM action

plan is in the state of finalization which the licensee has done in association with the PMC.

96. TPNODL has stated that Energy audit plays vital role in identifying the loss prone pockets. under light house project 159 nos. of 11 KV feeders have already been taken for 100% accurate electronic metering and energy audit and the same will be replicated to other feeder.

97. Heard the parties in detailed. The Commission through the vesting order dated 25.03.2021 in case No. 09/2021 vested the utility of NESCO in the operating company TPNODL w.e.f.01.04.2021. The successful bidder Tata Power Company Limited (TPCL) acquired 51% equity in the TPNODL and Government of Odisha held 49% through its entity GRIDCO.

98. The prayer for approval of Capex is excluded in the present order as that has been dealt in a separate order. In this order 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 petition.

99. The vesting order at para 53, outlines the necessary steps to be taken by the TPNODL towards operation and maintenance expenses after the vesting wef 01.04.2021. The Commission directed the following:

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

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

For the first year of operations, TPNODL shall within 45 days of the Effective Date, submit an estimate of A&G expenses that may be incurred by TPNODL in the first year of operations. Along with estimate of expenses, TPNODL shall provide detailed justification for any deviation from the A&G expenses approved by the Commission in the Aggregate Revenue Requirement of NESCO for the current year. The Commission shall undertake a prudence check on the submission made by TPNODL 22 before approving the same. TPNODL shall make expenses in-line with the approved expenses and the actual expenses allowed shall be determined at the time of true-up based on prudence check as per the Tariff Regulations. The Commission may while approving A&G expenses allow cost incurred for special measures to be undertaken by TPNODL towards reduction of AT&C losses, improving collection efficiency and other areas of intervention proposed by TPCL for meeting its Bid commitments. Provided the Commission will undertake a prudence check before allowing such expenditure.

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

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

(e) For the subsequent years, TPNODL 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 TPNODL 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."

100. In view of the above directions in the vesting order dated 25.03.2021, the Commission has now gone into the details of the Annual Business Plan submitted by the petitioner

TPNODL.

Employees cost

101. The Commission has gone into the details of the Employees cost submitted by the TPNODL 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.

102. TPNODL through the vesting order inherited from erstwhile NESCO on its rolls 2194 number of regular employees and 13 number of contractual employees as on 1.04.2021. TPNODL has proposed total manpower strength of 3460 number of regular employees including 13 numbers of contractual employees. TPNODL has stated that the existing manpower available with TPNODL has 406 Nos. of Executives and 1266 additional employees in the executive cadre need to be inducted under various departments. As per the petition the inductions will be made under executive cadre.

103. TPNODL has proposed an expenditure of Rs.339.89 crore in Salaries to be paid to the 3371 Nos. employees and 50 Nos. of employees to be brought on deputation from TATA power to TPNODL.

104. 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."

105. 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 TPNODL.

106. In view of such a scenario wherein the salary, wages and allowances for the new induction is decided by the operating company, the Commission allows such induction in order to provide operational flexibility to TPNODL to design the organizational structure 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.

107. The Commission however, observes that the induction of 1266 new employees in executive cadre in one year will have a huge impact on the employees cost and consequently on tariff. The Commission is also aware that in the DISCOMs no new significant recruitments have been made during last 10 years and DISCOMs have appreciable shortage of required manpower. The ratio of the employees vrs consumers has also widened over the years and bringing in new employees will bridge this gap for efficient functioning of the DISCOMs. The Commission is not averse to allowing employee cost which is just and as per the present norms of the relevant industry. At the same time, the Commission is not inclined to fill all the required personnel/ vacancies in one year. Such a large scale recruitment in a short period is bound to choke the career growth over the years besides causing tariff shock. Instead, it should be spread over a longer period.

108. The Commission now allows 8% of the total proposed manpower of 3460 numbering to 277 for the current year to be recruited. Any recruitment already made without the approval of the Commission after the effective date are hereby given post facto approval and shall be included in the approved number of 277 for the year. The Commission further stipulates that the new recruitments be made as per the operational requirements..

109. The expenses under this head will be allowed only after prudence check at the time of True Up.

Repair and Maintenance Expense

110. The petition has outlined the requirement of comprehensive Repair and Maintenance in the area of safety, power system, distribution system and distribution services, centralized power system control centre, civil structures, automation technology, etc.

The repair and maintenance activities over the years has not been up to the mark mainly due to tardy revenue collection consequently causing neglect of many vital areas of safety, maintenance, replacement, communication and IT services.

111. 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."

112. The petitioner has proposed the total Repair and Maintenance cost of Rs.147.49 crore under the broad categories of Sub Transmission System (STS), Distribution and others. The petitioner has proposed the highest expenses under R&M on the head Normative /STS AMC & Other services of Rs. 90 crore and distribution AMC of Rs. 32.68 crore. The petitioner has submitted that performance based annual maintenance contract will be established with expert market agencies for all 16 divisions. The performance based annual maintenance contract will include breakdown crews for restoration of 11 KV line and substation equipments. Annual Maintenance Contract (AMC) will be given towards safety, emergency breakdowns, carrying out preventive maintenance of equipments pertaining to LT distribution system.

113. 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 NESCO, it is required to maintain the network in optimal manner not only to address the issues of safety and maintenance but also to reduce technical losses in order to improve its performance on AT&C loss trajectory.

114. The Commission in the last tariff order has approved the total Repair and Maintenance cost of Rs.114.23 crore to the erstwhile NESCO for FY 2021-22. The petitioner has proposed the total cost of Rs.147.49 crore for the year. The petitioner has proposed that through these additional expenses there will be appreciable benefits and improvement to the system. Notably there would be reduction in interruptions/ outage duration through early identification of fault and restoration of communication, improvement in system reliability by reducing SAIDI and SAIFI, higher availability of SCADA/ DMS system and saving in AMC cost.

115. The Commission in the RST order dated 26.03.2021 has approved the R&M cost of Rs.114.23 crore for the NESCO utility. However in view of the new operating company TPNODL starting operation w.e.f. from 1.04.2021, the Commission now approves the total cost of Rs.147.49 crore for the FY 2021-22 which is about 30% increase over the earlier approved amount of Rs.114.23 crore.

116. The approval of the Repair and maintenance expenditure against the 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:

117. The petitioner has focused under the A&G expenses the activities such as meter reading and collection expenses, customer services and communication expenses and meter management expenses. In the meter reading and collection expenses the petitioner has proposed to deploy Business Associates under performance based contract and promotional schemes for online payment and counter payment.

118. In order to provide ease in customer experiences a unified call centre is proposed. The total cost with GST for establishing the call centre is proposed to be Rs.1.58 crore. Under the meter management expenses the petitioner has proposed to establish supply chain of meters, accessories and development of meter testing labs in two locations i.e.

Balasore and Jajpur. The communication equipments in the meters already installed will be strengthened through timely rectification of modems and allied accessories. The total cost estimated under meter management expenses is proposed to be Rs 7.45 crore.

119. The petitioner has further proposed other costs in the A&G expenses such as insurances, rent, rate and taxes, legal consultancy and professional charges, IT consumables, housing keeping, etc. The petitioner has proposed an expenses of Rs.43.26 crore on the head other expenses.

120. 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."

121. The Commission in the last ARR for FY 2021-22 has approved total A&G of Rs. 49.20 crore. In the present petition the petitioner has submitted that major expenditure is on the Franchise and spot billing. TPNODL has also projected increased expenses under the item other costs which include insurances, rent, rate and taxes, legal consultancy and professional charges, housekeeping and IT consumables.

122. On the above submissions the Commission observes that the expenditure in the A&G is a controllable expense and as per the OERC Tariff Determination Regulation additional expenses are allowed in this head for specific measures towards reduction of AT&C losses and improving collection efficiency. We find that the proposals mainly relates to the improving metering management and services and customer services which are vital elements in reducing AT&C losses. The TPNODL 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 allow the additional A&G expenses of about sixty

percent of the approved amount in the ARR of Rs.49.20 crore for FY 2021-22 which is Rs. 29.52 crore. However, the petitioner is directed to produce the required justifications or 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

123. With the above observations the case is disposed of.

Sd/-	Sd/-	Sd/-
(G. Mohapatra)	**(S. K. Parhi)**	**(U.N. Behera)**
Member	**Member**	**Chairperson**