

BEFORE THE ORISSA ELECTRICITY REGULATORY COMMISSION BHUBANESWAR

IN THE MATTER OF

An Application for approval of Annual Revenue Requirement and Retail Supply Tariff for the financial year 2012-13, under Section 62 and other applicable provisions of the Electricity Act 2003 and in conformity with the provisions of OERC (Terms and Conditions for determination of Tariff) Regulations, 2004 and OERC (Conduct of Business) Regulations 2004.

AND

IN THE MATTER OF

Western Electricity Supply Company of Orissa Ltd (WESCO)
Regd. Office-Plot No.N1/22, IRC Village, Nayapalli, Bhubaneswar-751 012.

-----Licensee

The Humble applicant above named respectfully showeth:

Managing Director , WESCO

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-----Licensee

Affidavit verifying the application for the Annual Revenue Requirement and Tariff Application

I, P.G Reddy, Son of late P.Ranga Reddy, aged about 69 years, residing at, Burla, Sambalpur, do hereby solemnly affirm and state as follows:-

I am the Managing Director of the Western Electricity Supply Company of Orissa Limited (WESCO), Regd. Office-Plot No.N1/22, IRC Village, Nayapalli, Industrial Estate, Bhubaneswar-751012.

The statements made above along with the annexures annexed to this application are true to the best of my knowledge and the statements made are based on information and records and I believe them to be true.

Bhubaneswar
Date 29th November 2011

DEPONENT
Managing Director, WESCO

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1. Executive Summary

Western Electricity Supply Company of Orissa Limited, Burla,(hereinafter referred to as “WESCO”), is a company incorporated under the Companies Act 1956 and is a Distribution and Retail Supply licensee, in Orissa, has been carrying out the business of distribution and retail supply of electricity in the nine districts of Orissa namely Sambalpur, Sundargarh, Bolangir, Bargarh, Deogarh, Nuapara, Kalahandi, Sonepur and Jharsuguda. This submission is made by the licensee to the Honorable Commission for the determination of Annual Revenue Requirement and the Retail Supply Tariffs for the Financial Year 2012-13.

While the licensee being one of the stakeholders in the state that is acclaimed as a pioneer in power sector reforms in the Country, it remains afflicted with the problems that are specific to the distribution sector in the entire country. The licensee is carrying out the business of retail supply of electricity under tremendous financial stress and liquidity strain since its inception. The Annual Revenue Requirement continues to be determined on normative losses which have resulted in tariffs which do not cover costs. Consequently, the financial position of the licensee remains precarious. The situation in current financial year further worsened due to disproportioned increase in RST in comparison to BST (BST rise 32% and RST rise 20%), stay granted by Hon`ble High Court on collection of bills as per approved RST and closure/ low drawal by power intensive industries in Rourkela region. In the current year (FY2011-12), on account of an interim injunction passed by the Hon`ble High Court of Odisha in WPC No 8409 of 2011, which continued from 31.3.2011 till 22.6.2011, the retail supply tariff for all categories of consumers could not be implemented, leading to massive shortfalls in revenue and consequently on cash flow. Subsequently, the interim injunction order was modified on 22.6.2011 with directions that except the LT Domestic consumers, the others would pay the tariffs at retail supply rates for FY12. The injunction on domestic LT Consumers, continues leading to large financial losses. Consequently Due to such liquidity problem, licensee could not deposit the monthly BST Bills within 48 hours to avail 2% rebate and make timely payment of employees salaries and carry out R&M activities. In spite of the adverse circumstances, licensees are implementing electrification schemes (like RGGVY, BGJ and etc) in full earnest, while central assistance in the form of R-APDRP funds is being disallowed., The licensee finds itself ignored and isolated at the extreme end of the value chain and cost chain. Under the prevalent circumstances, the Licensee`s sustainability is threatened and it unable to meet its costs at existing tariffs, and unless, there is an increase in retail supply tariff and decrease in input costs in FY 2012-13 or any grant/ subsidy outlay the licensee will find it extremely difficult to meet its obligations as a distribution licensee. The licensee prays the Hon`ble Commission for consideration of all aspects while processing this Application.

While adjudicating the Appeals filed before the Hon'ble ATE against the RST for year 2010-11 and 2011-12 vide Order dated 30.05.2011 Case no. 102, 103 & 112 of 2010 and order dated 02.09.2011 in case no. 57, 67,68, 69, 70, 71, 72 & 73 of 2011 , Hon'ble ATE has directed Hon'ble Commission to re-determine the RST for FY 2010-11 and 2011-12 after reviewing cross subsidy and fix up Tariff for ensuing year by reducing cross subsidization between the tariff categories and to complete the exercise by 30-11-2011. The Hon'ble Commission has taken up proceeding on the aforesaid direction and the decision of the Hon'ble Commission is not available till the filing of this ARR therefore licensee is submitting this ARR application on presumption of prevalent situation. The Licensee craves leave for submission of revised/ modified ARR and Tariff proposal, if required on receipt of the decision of the Hon'ble Commission on above matter and disposal of PIL no. 8409/ 2011 by the Hon'ble High Court of Odisha.

The licensee submits;

That the Licensee in accordance with the license conditions is required to calculate the total expected revenue from sale of electricity charges in accordance with the provisions of Section 5 Chapter 3 of the OERC (Terms and Conditions for determination of tariff) Regulations 2004, submit to the Hon'ble Commission:

A statement with full details of its expected annual revenue as per the Tariff approved by the Hon'ble Commission in Order dated 20.03.2011 except the domestic category of consumers and costs for the current and ensuing financial year for its Licensed Business is enclosed and submitted herewith. The License reserves its right to claim the differential revenue in the event of the revision of the Tariff by Hon'ble Commission pursuant to the Order of the Hon'ble Supreme Court/ ATE.

That it is most respectfully submitted that Hon'ble Appellate Tribunal of Electricity in Appeal No 77,78 & 79 of 2006 & Appeal No 52, 53 & 54 of 2007 have passed judgments pertaining to determination of loss targets, allowing of legitimate costs, truing up and miscellaneous issues which may be considered while approving the ARR and determination of Retail Supply tariff for FY 2012-13.

CAPEX Program

In order to improve reliability of power supply to its consumers & reduce the AT & C loss, a massive infrastructure development programme was contemplated for investment in 4 years duration by the Licensee and submitted to the Govt. of Odisha as well as to the Hon'ble

Western Electricity Supply Company of Orissa Limited – FY 13

Commission for Approval. The Hon'ble Commission, granted "In Principle" approval vide its Order dt.20-08-2010.

Responding to the infrastructure requirement of the DISCOMs, Government of Odisha formulated a Capital Expenditure programme (CAPEX) for four years as detailed below:

- State Cabinet approved the investment proposal of Rs.2400Cr. for CAPEX Programme (in its meeting held on 05.10.10) out of which DISCOMs including the Licensee is to contribute counterpart loan of Rs.1200crore, Finance Commission, GOI shall provide Rs.500Crore and balance amount of Rs.700Crore shall be funded by Govt of Orissa as soft loan in 4 years.Govt. of Orissa has issued procurement guidelines and tendering procedure for transparent process of procurement of the materials and implementation of the scheme. The procurement committee has been constituted with representatives from Govt of Orissa and GRIDCO.

The CAPEX allocation with respect to Licensee is as below:

Rs in Cr.

FY	2010-11	2011-12	2012-13	2013-14	Total
GoO Assistance	58.5	78	48.75	48.75	234
Counter part funding	0	39	78	117	234

Towards counter Part funding, Licensee has arranged / proposed Loan from REC, IDBI as detailed below:

Rs. in Cr.

	Project Cost	Loan amount sanctioned
From REC	50.76	29.17
From IDBI		20.00

The detail plan and action taken by your Licensee on the above scheme is submitted in the Para 2.6.

Rural Electrification - Capital Investment by Central/ State Government

Currently in the licensed area of licensee the central Govt.'s RGGVY scheme and the state's BGJY, Biju Saharanchal Vidyutikaran Yojan(BSVY) for the rural electrification is under implementation. By the end of the FY 2011-12, the Licensee shall have the electrification of 3301 number of villages under the RGGVY scheme and 1576 number villages under the BGGVY scheme. During the FY 2012-13 Licensee is envisaging rural electrification of balance 6600 No of villages under the RGGVY scheme and 402 no. of villages under various other schemes. The detailed program of the implementation of the aforesaid schemes is mentioned in the para 2.6.

However, the RGGVY Scheme is associated with the implications related to sustainability of the distribution business and to the franchisee appointed by the Licensee- which calls for the revenue subsidy by State Govt. as per quadripartite Agreement executed between DISCOMs, GoO, REC and CPSU- the executing agency.

Licensee has filed a petition before Hon'ble Commission which is registered as Case no.3/2011 for arranging Subsidy from State Govt. as stipulated in the Quadripartite Agreement which is under consideration of the Hon'ble Commission. In compliance to the direction of the Hon'ble Commission and the provisions of the RGGVY scheme, Licensee has taken necessary efforts for introduction of Franchisees in the Licensed area. So far Licensee have franchisees operating in 1957 villages covering 144578 consumers.

During the current year, Licensee have made several efforts for development of Micro Franchisee in the Distribution Sector, not only through NGOs, Cooperatives but also through Women Self Help Group (WSHG) or its federations at its own or through the District Administration support. The entire activity starting from training to the selection of Women Self Help Groups etc (WSHG) is structured and calendar of activities has been chalked out. Licensee submits to consider the cost of franchisee implementation in the ARR of the licensee.

One Time Settlement (OTS) Scheme:

The Licensee including other two distribution companies have implemented the OTS scheme as approved by the Hon'ble Commission. The Licensee decided to implement the OTS Scheme in phases. In first Phase it was announced for all categories of consumers excepting Domestic and Kutir Jyoti category. Phase II will be launched for Domestic and Kutir Jyoti consumers.

The Collection achieved as on 27/10/2011 on account of OTS by the licensee is given below:

Rs. crs

Qualifying Amount	Eligible Amount	Total Amount
2.75	4.4	7.16

The performance during the first phase of the scheme was not been up to the expectations of the licensee due to the following reasons:

- 1) Soon after launching in Sep. 2011 the major part of the state was hit by natural calamity of flood due to incessant rain.
- 2) During first fortnight of Oct. 2011 the performance could not be achieved due to Durga Puja , a big festival of Odisha.
- 3) People though interested to avail the benefits under the Scheme but discouraged due to huge qualifying amount accumulated from 01.02.2010 onwards, which was required to be deposited by them upfront for availing benefit under OTS scheme which was beyond their paying capacity.

For starting OTS Scheme for Domestic category consumers being huge in numbers (around 5 Lacs approx. in each DISCOM), the Discoms need to upgrade IT infrastructure for which 1 ½ months time is required. Thereafter the Scheme will be started.

The Licensee submit the Hon'ble Commission for extension of the period of OTS Scheme for another one year and to consider for allowing OTS benefit on the outstanding of 31.03.2011 instead of 31.03.2010.

Tariff proposals and Projections

- i. The Retail Supply Tariff for FY 2011-12 has been under legal challenge before the Hon`ble Orissa High Court, by several consumer associations being WPC 8409 of 2011 (Keonjhar Navanirman Parishad), WPC 8451 of 2011 (U.C.C.I) and several consumers. The Hon`ble Orissa High Court passed an injunction on the applicability of the retail supply tariff for all category of consumers till 22.6.2011. Subsequently, the injunction order was modified and only made applicable to LT Domestic category of consumers, which is continuing till filing of this Tariff Application. With almost three quarters of the year coming to an end, there is little likelihood of full recovery of revenue in the near future. Coupled with the industrial recession of mineral based industries, which has led to less consumption by industries, there has been lower realisation of revenue from the cross subsidising consumers. At the same time large number of subsidized consumers under various electrification programmes such as RGGVY, BGJ and etc are being added putting further strain on the licensee's finances. The Licensee submits in its application to provide revenue subsidy to the Discoms for sustainability of the rural electrification initiatives
- ii. Licensee submits that in the past due to inadequate tariff (revenue gap in ARR) and the regular determination of the ARR on normative losses even till today, the Licensee is facing a financial crunch which has had a cascading effect on the performance of the

Licensee, causing further worsening of the financial health. The licensee has been directed to implement intra-state availability based tariff from the 1st of January 2012 for which additional cost might have to be incurred. The Licensee submits that the increased financial burden on account of such directives ought to be factored in the ARR determination.

- iii. The tariff design, based on the surplus power scenario in previous years, which encouraged consumers to avail more power by incentivising graded tariff based on load factor in HT and EHT categories and charging less monthly minimum fixed charges on CD in LT categories needs a revisit, particularly in the changed scenario of power shortage and expected load growth in ensuing year after implementation of RGGVY and BGJ Scheme, **Licensee proposes to withdraw incentives available in tariff for higher consumption and increased demand charge, accordingly request Hon'ble Commission to approve the same.**
- iv. That the Licensee has made certain assumptions while projecting its proposals for the FY 2012-13. These projections are based upon the best estimates of the operations and prospective plans of the company at the time of the ARR filing. The actual ARR and the revenue figures would be different from the above estimates due to several external and uncontrollable factors such as power purchase cost and change in consumer mix/ consumption, judicial pronouncements, inflation rate and etc.
- v. Based on estimated Revenue Requirement and Revenue at existing tariff, the revenue gap for FY 2012-13 works out to Rs 1117.72 Crore. The licensee submits that the revenue gap of FY 2012-13 includes Amortisation of 1/10th of regulatory assets and includes uncovered revenue gap for FY 2011-12 on account of truing up as Rs. 52.67 Crore and Rs.460.25 crores respectively.

Revenue Gap

	Rs Crore
Expenditure including Special Appropriation in FY 2012-13	2426.43
Reasonable return for FY 2012-13	7.78
Truing up of Revenue Gap for FY 2010-11	156.41
Truing up of Revenue Gap for FY 2011-12	459.01
Sub Total	3049.63
Revenue from sale of power at existing tariffs in FY 2012-13	1816.31
Non Tariff Income	25.16
TOTAL REVENUE GAP (with existing tariff)	1208.16

The licensee humbly requests the Hon'ble Commission to bridge the revenue gap through increase in Retail Supply Tariff and balance by combination of Grant/Subsidy from State Government, Reduction in Bulk Supply Tariff in an appropriate manner.

- vi. That the present application is submitted before the Honourable Commission for the approval of the Annual Revenue Requirement and determination of Retail Supply Tariffs for FY 2012-13.

vii. Prayer

In view of the aforesaid facts and circumstances, the licensee requests that the Hon'ble Commission may be pleased to:

- Take the ARR application and Tariff Petition on record.
- Approve the Annual Revenue Requirement for FY 2012-13 including amortisation of Regulatory Asset on account of truing up exercise up to FY 2010-11 and uncovered gap for FY 2011-12 by truing up.
- Bridge the Revenue Gap for the FY 2012-13 through increase in Retail Supply Tariff, reduction in Bulk Supply Tariff (BST), grant/ subsidy from the Government of Odisha etc.
- Consider the servicing of the loan liability as 1st priority on the escrow utilisation.
- To give effect to the ATE order dated 8.11.2010 on different issues such as fixation of Distribution loss target, truing up considering receivable audit, etc.
- Gridco and GoO may kindly be advised to allow the licensee to hypothecate assets for raising loan as per the Business Plan order dated 20.03.2010.
- Allow the following Tariff rationalisation measures as proposed
- Allow the licensee to submit additional documents, modify the present petition, if so required, during course of processing of ARR.
- Any other relief, order or direction which the Hon'ble Commission deems fit.

2. Background

Western Electricity Supply Company of Orissa Limited (WESCO) is the holder of license No.4/99 granted by OERC under Section 15 of the OERA vide their order dated 31st March, 1999 and has been operating under the license granted by the Commission.

The licensee from time to time has on several occasions has approached OERC for revision in Retail Supply Tariff as the existing tariffs were found to be insufficient to meet the estimated costs.

FY 1999-2000 to FY 2001-02

Tariff orders for the above periods were awarded by OERC in Case No. 24 of 1999 on 30.12.99, case No.17 of 2000 on 19.01.2001 and case No.54 of 2001 on 19.04.2002.

FY2002-03 to FY 2005-06

Proposal for Tariff revision in FY 2002-03 was not submitted in view of the order of the Hon'ble Commission in case no 54/2001 & 6/2002 while approving the Annual Revenue Requirement for the year 2002-03. For the year 2003-04, the Order of the Hon'ble Commission in case No.64/2002 dated 28.06.2003 published on 12.11.2003 has been stayed on 27.12.2003 in view of the review petition filed by the State of Orissa. For FY 2004-05, the Licensee had initially filed its ARR Petition in December 2003 incorporating actuals for the first six months of FY 2003-04 which was subsequently updated and revised. The Licensee submitted the revised ARR and Tariff Application for FY 2004-05 on 23.06.2004. However on the basis of a writ petition filed by the Orissa Consumers' Association before the Hon'ble High Court of Orissa and its subsequent judgment dated 18-10-2004 directing the licensees to make fresh applications in conformity to the provisions of OERC (Terms and Conditions for determination of Tariff) Regulations 2004, particularly Chapter II, III thereof and Chapter VIII of OERC (Conduct of Business) Regulations 2004 and the Electricity Act 2003, the Licensee submitted the ARR and Tariff Application for FY 2004-05 on 28.10.2004. The Hon'ble Commission issued its Order on ARR and Tariff Petition for FY 2004-05 on 26th February, 2005 (Order passed in Case No 142 of 2004). The Commission on 26th February 2005 also issued the Order on ARR and Tariff Petition of GRIDCO for FY 2004-05 (Order passed in Case No. 146 of 2004).

FY 2005-06 to FY 2008-09

The Licensee filed its Petition for ARR and Tariff Determination for FY 2005-06 on 24th November 2004 and the Hon'ble Commission issued its Order on the said Petition on 22nd March 2005 (Order passed in Case No. 143 of 2004). The Commission on 26th February 2005 also issued the Order on ARR and Tariff Petition of GRIDCO for FY 2005-06 (Order passed in Case No. 147 of 2004).

Subsequently, on 24th May 2005 the Licensee filed two separate review Petitions on the following Orders passed by the Commission seeking review/modification of the said Orders, which was addressed in the hearings for determination of ARR of FY07.

For FY 06-07, the Licensee filed the Annual Revenue Requirement (ARR) and revision of Retail Supply Tariff (RST) applications which was duly scrutinized, admitted and registered as Case No. 44/2005.

In the meantime, the Orissa Electricity Regulatory Commission (OERC), acting on the Petition filed before it seeking action against the DISCOMs WESCO, NESCO and SOUTHCO under Section 19 and Section 24 (Suspension of Distribution licence and sale of Utility) of the Electricity Act, 2003, heard the parties, including the Investor in DISCOMs (Reliance Energy Limited). After the last hearing held on January 16, 2006, OERC passed the Order on January 27, 2006 stating that the three distribution licensees, i.e., WESCO, NESCO and SOUTHCO are unable to discharge the duties imposed by or under the provisions of the Electricity Act, 2003 (EA 2003) and have persistently defaulted in complying with the directions given by the Commission under the provisions of the EA 2003 and it is necessary in public interest to suspend the licensees of these DISCOMs and appoint an Administrator for each such licensee to discharge the functions of the licensee in accordance with terms and conditions of the licence. The OERC vide its said order issued a show cause notice for suspension of licence of WESCO, NESCO and SOUTHCO and appointed three Special Officers in each of the three DISCOMs providing them with the powers of a Director under the Companies Act, 1956 to seek information, documents and details of operation and management of the Companies, etc. The three DISCOMs, i.e., WESCO, NESCO and SOUTHCO, filed Petitions before the Honourable Appellate Tribunal for Electricity (ATE) being appeal no 29, 30 and 31 of 2006. The ATE in its Order dated 8th February 2006 ruled that appointment of Special Officers significantly interfered with the day-to-day administration of the three DISCOMs and as an interim measure, stayed the Order issued by OERC, but allowed the Special Officers

appointed by OERC to collect information and made it clear that they could not interfere in the day-to-day operations of the DISCOMs.

The ATE after several hearings vide its Order dated June 2, 2006 ordered the appointment of **two Special Officers** with absolute powers to take full control of the day-to-day working of the three DISCOMs. The Appellate Tribunal also ordered that a status report with respect to the entire affairs of the three DISCOMs separately, should be filed after the expiry of three months from the date of the Order and to seek further directions from the Appellate Tribunal.

The Special Officers appointed by ATE joined the DISCOMs in the month of June 2006. As directed by Hon'ble ATE, the Special Officers submitted the Status Report on entire affairs of DISCOM to ATE on September 18, 2006

In the **Status Report submitted by Special Officers to ATE**, the Special Officers highlighted the key issues requiring immediate attention for smooth operation of WESCO. The brief summary of key findings based on review of entire affairs of three DISCOMs is as follows:

- WESCO, NESCO and SOUTHCO have been able to achieve the reduction in AT&C losses over the last five years (from FY 2001-02 to FY 2005-06) by 13%, 14% and 5% respectively. The AT&C loss reductions achieved are lower than the targets due to various constraints enumerated in the Reports.
- Due to inadequate tariff revision, practically no retail supply tariff revision after FY 2001-02, the DISCOMs were unable to recover the entire costs even based on the Annual Revenue Requirement approved by the Commission in all their tariff orders and as a result the accumulated financial losses have increased. Further, with around 15% increase in BST and no increase in RST for FY 2006-07, it will be unmanageable for DISCOMs to pay the revised BST bills and meet other operating expenses. In such circumstances, DISCOMs operation is not sustainable and financial burden would be mounting.
- The extents of capital investments in three DISCOMs have been much lower considering the size of Distribution Network of each DISCOM. Normally depreciation allowance is redeployed as Capex, but none of the tariff order leaves surplus/comfort to do the capital expenditure.
- Non relaxation of Escrow on timely basis has affected the critical Repairs and Maintenance activities, payment of salary arrears to employees and other activities. It is also another constraint for raising finance by the DISCOMs.
- Even after the recruitment of manpower in large numbers in last two years, still shortage of adequate skilled manpower presents a key challenge not only for maintenance and upkeep related activities but also for undertaking new initiatives such

as energy audit, DSM measures etc. involving use of IT. DISCOMs have initiated the process to fill in the vacancies.

The critical issues requiring immediate attention for smooth operation of DISCOMs are summarized below:

- Comprehensive truing up exercise of actual revenue and expenses of DISCOMs and GRIDCO with the revenue and expenses considered by OERC in its Tariff Orders is and treatment of past losses with proper restructuring.
- Mechanism for Escrow relaxation on monthly basis after payment of current BST dues at Old BST rates.
- Proper R&M of distribution network for improving quality of supply. Further, weak transmission infrastructure links at few receiving stations particularly in WESCO and NESCO area need to be urgently upgraded and augmented to improve availability and quality of supply to consumers in these areas and to meet the future growth.
- Implementation of scheme of securitization of past dues as approved by OERC with a practical cash flow analysis to avoid any default from day one.
- Re-examination of Increase in BST for FY 2006-07 with respect to treatment of GRIDCO's Revenue from sale of surplus power and truing up of GRIDCO's ARR at least past 2-3years.
- Recruitment of Senior Level Executives and induction of skilled manpower at field level.
- Capital Investments for strengthening the distribution network to ensure the quality of supply.

The Hon'ble Tribunal passed the final judgment and order on 13th December 2007 allowing the Appeals no 29 to 31 of 2006 filed by the DISCOMs and set aside the OERC order dated 27th January 2006.

The Hon'ble Commission preferred a Civil Appeal before the Hon'ble Supreme Court, challenging the Hon'ble Tribunal order dated 13th December 2006 being Appeal No-946 of 2007. Similarly the petitioner of the original petition before the Hon'ble Commission, Sri Mohanty also filed a Civil Appeal No before the Hon'ble Supreme Court. The Hon'ble Supreme Court of India in their Order dated 05-01-2009 found that there has no warrant for appointment of officers by the OERC to over see the DISCOMS work. At the same time the Hon'ble Court directed Licensee to file their representation/objection before regulatory commission.

Accordingly the Hon'ble Commission started further proceeding in the case no. 35/2005 and the Licensee has filed their writing submission and after hearing the parties the Hon'ble Commission directed DOE GoO and GRIDCO to submit their views by 30-09-2009 on certain issues. The Hon'ble Commission completed the proceeding and passed the Order on 12th May 2011, observing that Suspension and revocation are an extreme steps and that such steps are

to be taken when there is complete inability to discharge the functions or perform the duties imposed on it and as described more clearly in Section 24(1) of the Act, and have issued directions , which have since been complied by the licensees.

The Hon'ble Commission issued its Order on the ARR and Tariff Petition of WESCO for FY 2006-07 (Case No. 44 of 2005) on 23rd March, 2006. In the said Order, the Hon'ble Commission approved the revenue surplus of Rs 67 Crore for WESCO for FY 2006-07. The Hon'ble Commission also issued in Order on the ARR and Tariff Petition of GRIDCO for FY 2006-07 (Case No. 42 of 2005) on 23rd March 2006.

WESCO filed an appeal against the OERC Orders dated 23rd March 2006 on ARR and Tariff Petition of WESCO for FY 2006-07 being the appeal no. 77,78 & 79 of 2006 before the Hon'ble Appellate Tribunal for Electricity (ATE) on 1st May 2006. The major issues highlighted in the Appeal filed with Hon'ble ATE, alongwith its financial impact on WESCO are as follows:

- A) Disallowance of actual interest cost and repayment of installments accrued due in respect of NTPC Bonds.
- B) Error in computation of miscellaneous income
- C) Underestimation of Simultaneous Maximum Demand (SMD) for FY 2006-07 and hence the demand charges while approving the power purchase cost.

- D) Non computation of revenue, slab wise and category wise as prescribed in the OERC approved tariff formats leading to improper assumptions of higher realization rates at LT, HT & EHT voltage levels while approving the revenue from sale of power for FY 2006-07. Such computation resulted in inflated income of the Discoms without reference to actual revenue.
- E) Need to carry out truing up exercise on a regular basis.

Thus, the WESCO in the Appeal submitted to ATE summarised the total adverse financial impact of above four issues as Rs 119.36 Crore.

The Hon'ble ATE has issued order in the said matter of Appeal No. 77, 78 & 79 dated 13th December, 2006 and communicated the same on 15th December, 2006 addressing the various issues raised by the three DISCOMs on the OERC Tariff Order dated 23.3.2006 on the ARR and Tariff Petitions of WESCO, NESCO and SOUTHCO. The Hon'ble ATE vide its said Order directed the OERC to re-determine the ARR and Retail Supply Tariff for FY 2006-07 within six weeks from the date of ATE Order on the said Appeals and considering the directions given by the Hon'ble ATE on treatment of various cost and revenue elements of WESCO's ARR.

In view of the said ATE Order, WESCO submitted an Application on 5th January 2007 before the Hon'ble Commission to re-determine ARR of WESCO and Retail Supply Tariff for the year FY 2006-07. However, OERC preferred Civil Appeal (No 759 of 2007) on 06.02.2007, challenging the Order of the Hon'ble ATE with an interim prayer to Stay on the operation of the

order of Hon'ble ATE. Hon'ble Supreme Court heard the matter on 26th February 2007 and admitted the Appeal. Hon'ble Supreme court has passed following orders

“Appeal admitted. Tag with Civil Appeal No.414 of 2007”.

The Hon'ble Supreme Court has not stayed the operation of the Order of the Hon'ble Tribunal.

The Licensee filed their Annual Revenue Requirement (ARR) and revision of Retail Supply Tariff (RST) Applications for FY 2007-08 and Order on the ARR and Tariff Petition of WESCO for FY 2007-08 was issued on 23rd March, 2007. In the said Order, the Hon'ble Commission approved the Revenue Requirement of WESCO as Rs.1313.92 Crore and Expected Revenue of Rs.1291.92 Crore and miscellaneous receipt of Rs.22.06 crores while considering the various expenditure and revenue for the year FY 2007-08. The principle set out by the Hon'ble Tribunal in Appeal No,77,78 & 79 of 2006 has not been considered by Hon'ble Commission while approving ARR & RST for the year 2007-08.

The licensee preferred appeal before the Hon'ble Tribunal on the following grounds.

- A. OVER ESTIMATION OF REVENUE
 - I. Revenue Computation;
 - II. Miscellaneous Income;
 - III. Unrealistic Distribution Loss Targets

- B. NON APPROVAL OF VARIOUS COSTS
 - IV. Interest on the NTPC Bonds
 - V. Employee Cost & other cost
 - VI. Contingency Reserve
 - VII. Truing up

The Hon'ble Tribunal has passed an Order on 08-11-2010 with following directions:

- i. Interest cost paid by Licensee to GRIDCO should be allowed as pass through in ARR of Licensee.
- ii. The target set by the State Commission for the year 2007-08 were unrealistic.
- iii. The slab wise assessment within the same voltage category will give more accurate assessment- over estimation in respect of Licensee for the FY 2007-08 is Rs.67.06 Cr.
- iv. If the cost of meter is not allowed in the ARR, the meter rent shall not be included in the miscellaneous income and unless Licensee is entitled to retain Commission on collection of ED, the income on the Commission may not be included in the miscellaneous income- the impact of the same for FY2007-08 is Rs.5.52Cr towards meter rent and Rs.0.64 Cr towards commission for collection of ED.

- v. The finding of the State Commission that the requirement of the fund has gone up in the light of the fact that there has a reduction in the employee costs as a result of superannuation is a contradiction in terms. The Hon'ble ATE observed that the increase in number of superannuation's would result in increase in requirement of terminal benefit fund. In the FY 2008-09 the Commission has acted upon the actuarial valuation and given the benefit for the same in the ARR, this benefit should apply to the Licensee in the year FY 2007-08 also. The differential amount works out to Rs. 3.48 Cr.
- vi. The finding of the State Commission in respect of disallowing the costs towards Spot Billing and Energy Audit is not valid. The Cost to be allowed towards Spot Billing for FY 2007-08 is Rs.2.28 Cr. and towards Energy audit is Rs.1.96 Cr.
- vii. The truing up can not be a process where the projections are compared with the projections. Therefore State Commission is directed to revisit this issue after taking into account the audit of the past receivables.

However, Hon'ble Commission preferred a Civil Appeal (CA no. D 4688 of 2011) against the above judgment.

Licensee filed the Annual Revenue Requirement (ARR) and revision of Retail Supply Tariff (RST) applications for the year 2008-09 which was duly scrutinized, admitted and registered as Case No. 65/2007. The Hon'ble Commission issued its Order on the ARR and Tariff Petition of WESCO for FY 2008-09 (Case No.65 of 2007) on 20th March, 2008. In the said Order, the Hon'ble Commission approved the Revenue surplus for WESCO of Rs 24.83 Crore with a cash negative of around Rs.70 crs for FY 2008-09. The Hon'ble Commission also issued an Order on the ARR and Tariff Petition of GRIDCO for FY 2008-09 (Case No.61 of 2007) on 20th March 2008. The licensee preferred an Appeal before the Hon'ble ATE challenging the RST Order of the Commission in similar issues as raised for the previous year which is pending.

WESCO filed ARR and Tariff application for the FY 2009-10 on 30th Nov.2008 and the Hon'ble Commission issued its Order on the ARR and Tariff Petition of WESCO for FY 2009-10 (Case No.68 of 2008) on 20th March, 2009. In the said order, the Hon'ble Commission approved the Revenue Requirement of Licensee as Rs 1394 Cr expected revenue Rs 1333 Cr, Miscellaneous income Rs 22.15 Cr and revenue gap of 38.90 Cr for WESCO for 2009-10. The Hon'ble Commission also issued an Order on the ARR and Tariff Petition of GRIDCO for FY 2009-10 (Case No. 65 of 2008) on 20th March 2009. The Licensee preferred an Appeal before the Hon'ble ATE challenging the RST Order of the Commission on the issue of computation of load factor for billing of HT/ EHT consumers and the Hon'ble ATE acceded to

the grounds of the appeal. However Hon'ble ATE has directed to consider the impact of the such computation of Load Factor on the revenue of the Licensee.

As narrated in the previous paras, the BSP, Transmission and Retail Supply Tariff for the FY 2006-07 are pending for adjudication before the Hon'ble Supreme Court on the Appeals preferred by GRIDCO, OPTCL and Hon'ble Commission respectively. The Tariff Orders of the Hon'ble Commission for the subsequent years i.e. FY 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 have been appealed before Hon'ble ATE and Hon'ble ATE has disposed off the appeal pertaining to the FY 2007-08 on 08-11-2010 and FY 2009-10 vide Order dated 4th May 2011. The remaining Appeals before the Hon'ble ATE are pending for disposal.

ARR and Tariff proposal 2012-13

As per provisions of Regulation 53 of OERC (Conduction of Business) Regulations, 2004 and Regulation 5 of OERC (Terms and Conditions for determination of Tariff) Regulations, 2004 the Discoms are required to file the applications for determination of Annual Revenue Requirement (ARR) and revision of Retail Supply Tariff (RST) for the ensuing financial year with the Commission by 30th November of the current year. Accordingly, WESCO (Petitioner) hereby submits its Application for approval of Annual Revenue Requirement and Retail Supply Tariff for the financial year 2012-13. The Petitioner is filing this Petition under Section 62 and other applicable provisions of the Electricity Act 2003 and in conformity with the provisions of OERC (Terms and Conditions for determination of Tariff) Regulations, 2004 and OERC (Conduct of Business) Regulations 2004.

2.1. Revenues and Costs

Existing tariffs of WESCO are not cost reflective and impinge on the financial viability and sustainability of distribution and retail supply operations. Therefore recovery of costs is of paramount importance to ensure financial viability of Licensee. The Electricity Act, 2003 assures the licensee sufficient revenues to cover all costs and a reasonable return. The application of this principle assumes importance in view of the following considerations:

- a. The financial viability of WESCO is important to maintain continuity in business and stability in supply of electricity and better services to the consumers.
- b. Sound financial health of WESCO would be essential to enable it to raise funds critical for Capex programs and improve the service standards, thereby benefiting the consumers in the end.

The Petitioner humbly requests the Commission to approve the ARR and Tariff for FY 2012-13 in such a manner to match the expected revenue from the retail supply tariffs with the total Annual Revenue Requirement of the Petitioner as approved by the Commission.

The details of category-wise sales mix with No. of consumers, contract demand and percentage change in sales are given in OERC Form: T-1. Further, the expected revenue for the ensuing year estimated sale at existing RST (excluding the domestic revised tariff) along with details is also provided in OERC Form No: T-8.

2.2. Review of Operations of the Year 2009-10 & 2010-11

The sales performance for the previous year (FY 2010-11), current year (2011-12) and expected performance in the ensuing year (FY 2012-13) are as shown below

Distribution Loss FY 2009-10 to FY 2011-12

	FY 2010-11	FY 2011-12	FY 2012-13 (Est)
Energy Sales in MU	3978.711	4000.000	4257.000
Energy Purchased in MU	6510.881	6400.000	6500.000
Overall Distribution Loss%	38.89	37.50	34.51

There was an overall decline in sales in FY 2010-11 on account of load regulation for the period of Jan 2010 to May 2010 and an industrial slow down due to a global recession for mineral based industries. Further, the sales mix as compared to FY 2009-10 did not materialise and there was a decline in the HT & EHT sales as compared to the overall sales. Considering the actual performance till September 2011, and in spite of the fact that large numbers of consumers under the RGGVY scheme have been added, which is estimated to around 300249 by March 2012, the Licensee has estimated distribution loss of 37.5% for FY 2011-12 which reflects a reduction of 1.4 % over the previous year. It is worthwhile to mention that by the end of FY 13, an additional 10 lacs consumers in the subsidized category are to be added to the billing fold. Though WESCO has proposed to reduce the distribution losses by more than 1 % during FY 2011-12, the distribution loss target of 19.70% as approved by the Commission cannot be achieved due to several uncontrollable reasons.

▪ SOCIO ECONOMIC CHALLENGES

The licensee humbly submits that in 4 of 8 districts in its area of supply, the percentage of urban population is within 10 to 15% while in other districts it's below 5%. In 6 out of 8 districts consisting of 7 Electrical Divisions, around 60% of the population belongs to the SC and ST Category, a majority of whom belong to the Below Poverty Line (BPL) category. In all the 8 districts in WESCO, more than 40% of the land belongs to small and marginal groups. In addition to that 4 out of 8 Districts are severely affected by the Maoists activities leading to severe law and order situation. The problems faced by the licensee are unique as compared to other Discoms and calls for a holistic view and a pragmatic approach. Accordingly the fixing of targets needs to be made on a realistic basis.

LIQUIDITY

- The licensee began the year on a negative note. The cash flow of the licensee was severely affected on account of the stay orders of the Hon`ble Orissa High Court for all categories of consumers till 22.6.2011 and thereafter on LT Domestic consumer till date. Coupled with recession, and closure of steelmaking units the Licensee could not make payment of employees salaries on time, and, the monthly BST bill in full within 48 hours in all the months and lost 1% rebate which approximately amounting to Rs.1.5 crs p.m also incurring interest cost on account of LC operation charges.
- Non availability of funds for capital investments till filing of the ARR.
- Lack of adequate maintenance of distribution network,
- Non timely receipt of payments and Dues from Government Departments and Undertakings inspite of directions by Hon`ble Chairman OERC and by State Govt. to all departments.

2.3. Performance Estimates in FY 2012-13

During FY 2012-13, the sale of energy has been estimated at 4257 MU. During FY 2012-13, the Licensee proposes to reduce the distribution losses by around 3% from estimated 37.5% in FY 2011-12 to 34.51% in FY 2012-13.

Distribution Loss of FY 2012-13

	FY 2012-13
Energy Sales in MU	4257
Energy Purchase in MU	6500
Overall Distribution Loss %	34.51

The licensee submits that the technical and commercial loss reduction is single benchmarking parameter for measuring the performance of Distribution Utilities and is directly related to the sustainability of business. The Hon'ble Commission while passing the ARR and tariff Orders have set the rather ambitious loss reduction trajectory when viewed in the context of ground realities such as non timely infusion of the CAPEX as suggested by Kanongo Committee, non establishment/ effective functioning of energy police station, Special Courts, non availability of RAPDRP funds for privatized entities in the 11th Five Year Plan of GoI etc. There is a need to re-fix loss reduction targets on a realistic basis so that the Annual Revenue Requirement for FY 13 is determined on a pragmatic basis.

2.4. Need for Re determination of Loss Levels

- a) The T& D loss levels, on the basis of which, the ARR (Annual Revenue Requirement) of the Discoms are determined by the OERC was grossly understated since inception. The baseline loss levels reported in the World Bank Staff Appraisal Report (SAR) of April 1996 on the basis of which the loss reduction trajectory from FY97 to FY03 was approved, was far from ground realities. The consequent financial impact on account of understating baseline loss levels was to the tune of Rs 237 Crs (Wesco – Rs 121 Crs, Nesco – Rs 88 Cr, Southco –Rs 28 Cr) in the first two years of operation. The Discoms suffered large cash losses from inception. Besides, the absence of any subvention from the State, which was in the tune of Rs 250 Cr p.a, prior to reforms, the Discoms- Wesco, Nesco and Southco were left to fend for themselves.
- b) Even the World Bank in its Mid-term Review Report has admitted the underestimation of the actual loss levels. The Mid-term Review Report mentions that “**Consultation with the Commission on the issue of recognizing the actual system loss levels and pass through of prior years’ financial losses, given that we all so severely underestimated GRIDCO’s system losses in 1996 and set unachievable performance targets**”. In fact, loss levels adopted for approving the tariff application in FY98 was estimated at 34.8% when actual loss levels for FY 97 was 49.47%. As a result, tariffs were set on assumed losses which led to under recoveries in cost and distribution companies in the absence of any subvention from the state government became cash deficit from day one.
- c) **Committee of Independent Experts (Sovan Kanungo Committee)** - In May 2001, the Govt of Orissa constituted a Committee of Independent Experts under the Chairmanship of Sri Sovan Kanungo, I.A.S (Retd) to review the Power Sector Reforms in the State. The mandate of the Committee was to check as to whether the reforms in the electricity sector had proceeded on the desired lines, the corrective steps, if any, needed to be taken to ensure that the intended benefits of the reforms process flow to the targeted groups and specific steps that need to be taken to promote socially relevant objectives like Rural Electrification, Energisation of L.I. Points , providing electricity to the under privileged sections of the community , etc.
- i) Amongst several recommendations, the Committee suggested means of overcoming the cash deficit situation through a mix of tariff hike and interim financing. The Committee estimated an interim financing requirement to the tune of Rs 3240 Cr as a requirement to overcome the crisis, and suggested that World

Bank, DFID and Govt of Orissa come out with a package to fill the revenue gap in the intervening years. (The cash infusion never happened)

- d) That, OERC framed the Terms and Conditions for determination of Tariff Regulation under Electricity Act 2003, wherein the method of the fixation of the loss reduction target is provided. The provision 5(3) of the said regulation is reproduced below;

“5. XX

(3)Distribution Loss

- (a) To set the base line of distribution loss estimate, the Commission may either require the licensee to carry out proper loss estimation studies under its supervision, or initiate a study itself.
- (b) The Commission shall approve a realistic and achievable loss target for the year under review based on the opening loss levels, licensee’s filings, submissions and objections raised by the stakeholders. This approved loss target will be used for computing sale of power to consumers for that year.”

Contrary to the aforesaid regulation OERC has fixed the unrealistic and unachievable Distribution Loss target without considering the prevailing level of distribution losses.

- e) That, The **Abraham Committee Report**, and the, R-APDRP guidelines issued thereof, have also suggested a loss reduction strategy taking into account the existing loss levels. While other states have acted accordingly, the discoms in Orissa seem to have missed a historic opportunity for a midcourse correction. With the APDRP funding the utilities loss reduction target supported by Abrham Committee is as under;

“AT&C Loss Reduction Targets

*The Task Force examined the targets set for AT &C losses reduction and after taking into consideration experience of the Utilities felt that the targets should be recast in a manner **that they are realistic and achievable based on the present level of AT&C losses in each State**. Accordingly the Task Force recommends the following targets depending on their present level of AT&C losses:*

- i) Utilities having AT&C losses above 40%: Reduction by 4% per year*
- ii) Utilities having AT&C losses between 30 & 40%: Reduction by 3% per year*
- iii) Utilities having AT&C losses between 20 & 30%: Reduction by 2% per year*
- iv) Utilities having AT&C losses below 20%: Reduction by 1% per year*

- f) That OERC, in Para 271 of the Order dated 20.03.2011 have referred to the Letter written by Joint Secretary, Ministry of Power to Secretary, Energy, GoO, regarding the need for realistic determination of baseline losses for successful implementation of R-APDRP. Extracts of Para-3 & 5 of the said letter is given as under:

3. *“It is evident that for getting the benefits of APDRP, utilities have to improve AT&C Loss reduction over the base (starting) level not only in project area, but also at utility level. The correct and realistic determination of base (starting) AT&C loss level is very essential to gauge the improvement in loss reduction in subsequent years after implementation of R-APDRP.*
4. *xxxxxxxxxxxxxxxxxxxxxxxxxxxx*
5. *In view of the above you take up the issue with OERC to determine the yearly loss levels of distribution utilities in Orissa accurately based on ground realities and not on notional basis.”*

It is evident from above, that determination of actual loss levels is a prerequisite for availing funds under the R-APDRP scheme so that loss reduction strategy is achievable and people from Orissa are able to access central funds.

- g) As mentioned, in the previous years, tariffs were determined on the basis of unrealistic loss levels. It is pertinent to mention that even those tariffs that were approved on the basis of notional losses did not cover the approved costs so as to avoid increase in retail supply tariffs. Neither was there any subsidy or subvention as in earlier years. In fact losses have been used as a tool to avoid increase of retail supply tariff.

- h) In para 266 of the said Order, observation of 13th Finance Commission vide Para 7.105 have observed that, in absence of timely tariff increase, the gap has increased and has impaired the financial condition of the distribution utilities across India. Extracts are as under

“As against the enormous financial losses indicated above, subsidies in 2007-08 were of the order of Rs.16,950 crore. Thus, there is a large and burgeoning uncovered gap. The key reasons for the increasing gap can be summarized as follows :

- i) Inability of the state utilities to enhance operating efficiencies and reduce T&D losses adequately.*
- ii) High cost of short term power purchases. Several utilities have not planned capacity addition in time and are relying on short term purchases at high rates (an average of Rs.7.31 per kwh as compared to rs.4.52 per kwh in 2007-08).*

The inability to reduce T&D losses has increased the purchase levels and supply costs.

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The inability to reduce T&D losses has increased the purchase levels and supply costs.

- j) **Absence of timely tariff increases has increased the gap and has impaired utility operations further. Some states have not raised tariffs for the past eight to nine years in spite of increasing deficits.”**

[In Orissa there was no average tariff increase for 9 years from 2001-02 to 2009-10]

- k) That, the **National Tariff Policy** stresses on the need for a fair estimate of baseline losses, and consideration actual loss levels for setting forth realistic targets in the control period. In case of the Orissa discoms, even after the elapse of the 1st Control Period and subsequent setting of targets in the Second Control Period, the concern relating to reassessment of baseline loss levels remain unanswered

- l) **Directions of the Appellate Tribunal** -That Hon`ble Appellate Tribunal for Electricity vide its order dated 13.12.2006 and 08.11.2010 in the appeal against OERC Order pertaining to year 2006-07 & 2007-08, had directed for determination of realistic loss levels, but the same is yet to be implemented. Extracts of the Hon`ble ATE is placed below.

i) **The Hon`ble ATE in Appeal No 52,53 and 54 of 2007** dated 8th November 2010, have stated as follows -

“ 21.....In our opinion, there is force in arguments of the Appellants that the loss reduction targets have been approved by the State Commission in the impugned Order without keeping in view the ground realities.....”

ii) **The Hon`ble ATE in Appeal No 77, 78 & 79 of 2006** dated 13th December 2006, have stated as follows –

“ 27.....We hasten to add that the Commission need not stick to its earlier view, but it shall have a re-look in this respect by taking a practical view of the ground realities instead of proceeding on assumption and surmises. We are sure that Commission will take a re-look of the matter and grant the benefits to the Discoms”

m) The Govt of Orissa Notification on Capital Expenditure (CAPEX) Programme for Distribution Companies of Orissa, vide clause 6.4 has earmarked funds for verification of base-line data, and vide clause 7 fixed AT&C loss reduction targets of a minimum of 3% p.a on a cumulative basis, from actual loss levels in the DPR. As a result the case for consideration of actual loss levels gets further strengthened.

Thus it is important and the Licensee submits the Hon`ble Commission to re-determine opening loss levels on realistic basis for sustainability of distribution business and in the overall interest of the Orissa power sector.

2.5. AT & C Loss

The Hon`ble Commission in their Tariff Order for 2003-04, recognised the AT&C Loss concept (in line with Nation wide approach) as distinct from the conventional T&D Loss and adopted the same as a performance parameter. OERC’s intent towards ‘Performance based regulation’, the Licensee is committed to the spirit of reducing the AT&C Loss.

Though the Hon`ble Commission has set the AT&C performance targets for measuring, monitoring and controlling the efficiency of the operation of the Petitioner, the Hon`ble Commission has approved ARR and determined RST for FY 2005-06 till FY 2012-13 for the Licensee based on the distribution loss target and not based on the AT&C loss target. The Commission has considered the distribution loss target for ARR determination on the grounds that the AT&C loss shall be the criteria for determination of performance of the DISTCOs that provide them to handle for improvement in the field of distribution loss and the collection efficiency. For the purposes of tariff determination, the revenue requirement of the DISCOMs has been determined based on accrual of revenue during the financial year based on the set

target of T&D loss for the Financial Year without considering actual collection of revenue. The actual collection efficiency of WESCO during FY 2010-11 was 91.32% and is expected to increase to 97% during FY 2011-12. During FY 2012-13, WESCO proposes to maintain the collection efficiency of 98%.

The actual AT&C loss performance for FY 2010-11 and estimated AT&C loss for FY 2011-12 and FY 2012-13 based on the improvements proposed in distribution loss and collection efficiency is given in Table below.

AT & C Loss

	FY2010-11	OERC (Approved- (2011-12)	FY 2011- 12 (Estt)	FY 2012- 13(Estt)
Distribution Loss %	38.89	19.7	37.5	34.51.
Collection Efficiency %	91.32	99	97	98
AT & C Loss %	44.20	20.5	39.38	35.82

In light of the existing harsh ground realities and the delay in start of the CAPEX plan, the impact on loss reduction will be less in the initial period of the investment, and accordingly the Hon'ble Commission may appreciate that the reduction target of AT&C Loss of around 3% during the FY 2012-13. Therefore the licensee proposes recognition of actual AT&C loss levels and setting of the sustainable reduction targets, which is of utmost importance to the survival of business. Accordingly, WESCO requests the Hon'ble Commission to consider the actual AT&C losses for previous years and arrive at the realistic loss level at the beginning of the Second Control period and there after from FY 2010-11, FY 2011-12 (up to Sep'11) and accordingly set the loss reduction target for FY 2012-13 as proposed by the licensee.

The Licensee has taken up the same as a challenge and has planned the measures in the areas of energy audit, energy accounting, IT implementation in commerce, metering, spot billing, franchisee etc., as detailed out below. In view of above, the Licensee requests the Hon'ble Commission to consider the estimated AT&C loss for FY 2012-13 as proposed by the Licensee.

2.6. CAPITAL EXPENDITURE PROGRAM

2.6.1 GoO CAPEX Scheme

In order to improve reliability of power supply to its consumers & reduce the AT & C loss, a massive infrastructure development programme was contemplated for investment in 4 years duration by the Licensee and submitted to the Govt. of Odisha as well as to the Hon'ble

Western Electricity Supply Company of Orissa Limited – FY 13

Commission for Approval. The Hon'ble Commission, granted "In Principle" approval vide its Order dt.20-08-2010. The details of the same are as below:

(Rs. in Crore)

DISCOM	CAPEX 2010 - 14
NESCO	679.99
WESCO	661.74
SOUTHCO	660.72
*Total	2002.45

* In-principle approval for Rs. 2005.45 Cr. by the Hon'ble Commission for 2010 – 14 vide interim Order dated 20.08.2010 (Case Nos. 109, 110 & 111 of 2010)

Responding to the infrastructure requirement of the DISCOMs, Government of Odisha formulated a Capital Expenditure programme (CAPEX) for four years as detailed below:

State Cabinet approved the investment proposal of Rs.2400Cr. for CAPEX Programme (*in its meeting held on 05.10.10*) out of which DISCOMs including the Licensee is to contribute counterpart loan of Rs.1200crore, Finance Commission, GOI shall provide Rs.500Crore and balance amount of Rs.700Crore shall be funded by Govt of Orissa as soft loan in 4 years.Govt. of Orissa has issued procurement guidelines and tendering procedure for transparent process of procurement of the materials and implementation of the scheme. The procurement committee has been constituted with representatives from Govt of Orissa and GRIDCO.

The CAPEX allocation with respect to Licensee is as below:

Rs in Cr.

FY	2010-11	2011-12	2012-13	2013-14	Total
GoO Assistance	58.5	78	48.75	48.75	234
Counter part funding	0	39	78	117	234

Towards counter-part funding, Licensee has arranged / proposed Loan from REC, IDBI as detailed below:

Rs. in Cr.

	Project Cost	Loan amount sanctioned
From REC	50.76	29.17
From IDBI		20.00

A) Year wise Plan outlay for CAPEX Programme

(Rs. in Crore)

Year	FY 10-11	FY 11-12	FY 12-13	FY 13-14	Total
FC Grant (Incl. State Share)	58.50	78.00	48.75	48.75	234
DISCOM Counterpart	0.00	39.00	78.00	117.00	234
	58.50	117.00	126.75	165.75	468.00

Western Electricity Supply Company of Orissa Limited – FY 13

DPRs for 2 years (2010-11 and 2011-12) have been approved by Hon'ble Commission vide its Order dated 10.11.2010 (Case Nos. 109, 110 & 111 of 2010) and by the Project Approval Committee in its meeting dated 24.02.2011 as per following details:

(Rs. in Crore)			
Name of the DISCOM	CAPEX 2010 - 11	CAPEX 2011 - 12	Total Approval for 2010 – 12
WESCO	68.51	117.00	185.51

With an objective to reduce the AT&C Loss and improve the sub-transmission network, the following items are covered under CAPEX scheme during 2010-12:

(Rs. in Lakh)									
Items	UoM	NESCO		WESCO		SOUTHCO		Total	
		Qty.	Amount	Qty.	Amount	Qty.	Amount	Qty.	Amount
Items proposed for reduction of Technical Losses									
Installation of New Power Transformers	Nos.	10	1086.4	4	654.25	26	2896.0		4636.7
Up-gradation of Power Transformers	Nos.	19	710.0					19	710.0
Distribution Sub-station (New & Aug.)	Nos.			437	1000.5	521	273.0	958	1273.5
33 KV Line (New & Re-cond.)	Kms	560.0	2448.8	432.7	2097.9	792.0	1827.0	1784.7	6373.7
11 KV Line (New & Re-cond.)	Kms	1318.0	2636.0	2.5	71.6	1600.5	1333.4	2921.0	4041.0
Total			6881.3		3824.3		6329.4		17034.9
Items proposed for reduction of Commercial Losses									
Distribution Transformers (HVDS)	Nos.	1248.0	1248.0	1366.0	1366.0	621.0	957.0	3235.0	3571.0
11 KV Line linked with HVDS	Kms	233.5	466.9	280.0	560.0	128.0		641.4	1026.9
LT XLPE AB Cable (New & Re-cond.)	Kms	1103.2	2758.1	1416.8	4277.3	1891.0	3046.0	4411.1	10081.4
Feeder Metering	Nos.	416	29.1	64	134.4	220	194.0	700	357.5
DTR Metering	Nos.	8000	800.0	17735	2345.9	2702	281.0	28437	3426.9
Consumer Metering	Nos.	206000	3350.0	133434	2508.5	200644	4622.0	540078	10480.5
Total			8652.1		11192.1		9100.0		28944.2

Pursuant to the decision taken by the State level CAPEX Monitoring Committee, the procurement action for WESCO, NESCO and SOUTHCO are being processed for aggregated quantity. The present status is as under:

(Rs. in Lakh)									
SL. No.	Name of Item	Unit	NESCO	WESCO	SOUTHCO	Total Quantity	Tendered Quantity	Estimated Value	Present Status
AAA Conductor (Re-Tender No. CSO/CAPEX/AAAC/06 dated 21.09.2011)									
1	100 Sq.mm AAAC	KM	5976.0	1015.4	2390.1	9381.4	7607.0	3260.0	Tenders under evaluation
2	80 Sq.mm AAAC	KM	0.0	0.0	49.4	49.4	5738.0	1937.0	
3	232 Sq.mm AAAC	KM	554.0	598.2	40.2	1192.4	1192.0	1609.7	
AB Cable (Re-Tender No. CSO/CAPEX/LT XLPE AB Cable/07 dated 21.09.2011)									

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4	3x50+1x35+1x16 sq. mm	KM	1213.0	681.6	0.0	1894.6	1165.0	1281.5	Tenders under evaluation
5	3x95+1x50+1x16 sq. mm	KM	0.0	735.3	173.0	908.3	908.0	1700.0	
6	3x50+1x35 sq. mm	KM	0.0	0.0	600.0	600.0	600.0	619.2	
7	2x50+1x35 sq. mm	KM	0.0	0.0	600.0	600.0	600.0	453.6	
8	1x50+1x35 sq. mm	KM	0.0	0.0	518.0	518.0	518.0	242.5	
AB Cable Accessories (Tender No. CSO/CAPEX/AB Cable Accessories/03 dated 17.01.2011)									
9	Insulating Piercing Connector	INR	151.7	177.5	234.7	563.9	191276	229.52	Tenders under evaluation
10	Conductor Dead End Clamp						36167	86.80	
11	Suspension Clamp						63292	132.91	
12	Eye Hook						99458	49.72	
13	Neutral Connector						64693	64.69	
Power Transformer (Tender No. CSO/CAPEX/Power Transformer/04 dated 18.01.2011)									
14	5 MVA	Nos.	16.0	0.0	24.0	40.0	42.0	970.0	Tenders under evaluation
15	8 MVA	Nos.	0.0	0.0	2.0	2.0	2.0	73.7	
16	12.5 MVA	Nos.	7.0	0.0	0.0	7.0	7.0	440.0	
Distribution Transformer (Tender No. CSO/CAPEX/Distribution Transformer/05 dated 26.03.2011)									
17	11/0.24 KV, 16 KVA	Nos.	1248.0	1366.0	489.0	3103.0	1248.0	930.9	Tenders under evaluation
18	11/0.24 KV, 25 KVA	Nos.	0.0	0.0	132.0	132.0	10	85.8	
19	11/0.4 KV, 63 KVA							27.0	
20	11/0.4 KV, 100 KVA	Nos.	0.0	332.0	416.0	748.0		1122.0	
21	11/0.4 KV 200 KVA	Nos.	0.0	0.0	105.0	105.0		262.5	
22	11/0.4 KV 315 KVA	Nos.	0.0	75.0	0.0	75.0		238.5	
23	11/0.4 KV 500 KVA	Nos.	0.0	30.0	0.0	30.0		163.2	
Meters & Metering Units									
24	1 Phase Consumer Meter	Nos.	202000.0	125634.0	194985.0	522619.0	412619.0	4538.8	Tender to be floated on receipt of approval from Govt.
25	3 Phase Consumer Meter	Nos.	4000.0	7800.0	1368.0	13168.0	11818.0	590.9	
26	33 KV Feeder Meter	Nos.	60.0	0.0	112.0	172.0	172.0	12.04	
27	11 KV Feeder Meter	Nos.	356.0	0.0	106.0	462.0	462.0	32.34	
28	33 KV Feeder Metering Unit	Nos.	0.0	0.0	112.0	112.0	112.0	71.68	
29	11 KV Feeder Metering Unit	Nos.	0.0	0.0	108.0	108.0	108.0	35.64	

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30	DTR Meters	Nos.	8000.0	17099.0	2616.0	27715.0	27715.0	1940.05	
31	DTR Metering Units	Nos.	0.0	636.0	86.0	722.0	722.0	259.92	
Auxiliaries									
32	33 KV VCB with CT & CRP	Set	61.0	85.0	90.0	236.0	181.0	633.5	Tender to be floated on receipt of approval from State Govt.
33	11 KV VCB with CT & CRP	Set	95.0	233.0	118.0	446.0	306.0	673.2	
34	11 KV PT	Set	131.0	0.0	0.0	131.0	131.0	58.95	
35	33 KV PT	Set	98.0	0.0	0.0	98.0	98.0	58.8	
36	LT Distribution Box (500 KVA)	Nos.					30.0	34.5	
37	LT Distribution Box (315 KVA)	Nos.					180.0	144.0	
38	LT Distribution Box (100 KVA)	Nos.					748.0	269.28	
39	LT Distribution Box (63 KVA)	Nos.					6.0	1.44	
40	LT Distribution Box (25 KVA)	Nos.					132.0	26.4	
41	Capacitor Bank	Nos.	5.0	0.0	0.0	5.0	5.0	2.35	Tender document under preparation
42	IT Implementation	INR						4740.75	
43	MISC Work	INR						612.50	
44	Turn Key Installation Package	INR						17989.96	Tender floated. Submission of Bid extended up to 23.11.11
Total								48707.78	

2.6.2 Capital Investment by Central/ State Government

I. Rajeev Gandhi Gramin Vidutikaran Yojana (RGGVY)

a) Background

Rajiv Gandhi Grameen Vidyutikaran Yojna, a Scheme for Rural Electricity Infrastructure & Household Electrification was launched by the Hon'ble Prime Minister on 4th April, 2005 with the objective of providing access to electricity to all households and improving the rural electricity infrastructure. As per the scheme 90% of the project cost is to be treated as grant from Central Government and remaining 10% will be given as loan to Govt. of Odisha. Govt. of Odisha has agreed to repay this 10% loan of capital 100% expenditure along with interest charges under RGGVY scheme. Thus, for DISCOMs entire 100% fund for RGGVY has been considered as 100% grant. In view of this, the Govt. of Odisha would be the owner of the assets created on the implementation of the project while DISCOMs will be responsible to

operate and maintain these assets to affect power supply in the project areas and derive consequential benefits out of the assets created under the project.

b) Scheme Highlights

1.b.1. The scheme is being implemented through the Rural Electrification Corporation (REC) as Nodal Agency for RGGVY.

1.b.2. 90% Capital Subsidy will be provided by Govt. of India for overall cost of the projects under the scheme and balance 10% will be interest bearing loans to be borne by the State Govt.

1.b.3. For projects to be eligible for Capital Subsidy under the scheme, prior commitment of the States is also to be obtained before sanction of projects under the scheme for:

1.b.3.1. Guaranteed Minimum hour of Supply

States would make adequate arrangements for supply of electricity (min. 6 – 8 hrs.) in the RGGVY network and no discrimination in the hours of supply between rural and urban households with the assurance of meeting any deficit in this context by supplying electricity at subsidized tariff as required under the Electricity Act, 2003.

1.b.3.2. Franchisees Implementation

Management of rural distribution through franchisees who could be Non-Governmental Organizations (NGOs), Self Help Groups (SHGs), Cooperatives or Individual Entrepreneurs, Youth Associations, Panchayati Raj Institutions. The franchisees arrangement would be including feeders from 33/11 KV S/s or from and including Distribution Transformers.

1.b.3.3. Revenue Sustainability

While administering the scheme, prior commitment is to be taken from the State Government regarding:

- a) Determination of bulk supply tariff for franchisees in a manner that ensures their commercial viability.
- b) Provision of requisite revenue subsidy by the State Government to the State Utilities as required under the Electricity Act.

In the event the projects are not implemented satisfactorily in accordance with the conditionalities indicated above, the capital subsidy could be converted into interest bearing loans.

c) Scheme Provision

1.c.1. Rural Electricity Distribution Backbone (REDB)

- Provision of 33/11 KV Sub-stations of adequate capacity and lines in blocks where these do not exist.

1.c.2. Creation of Village Electrification Infrastructure (VEI)

- Electrification of Un-electrified villages.
- Electrification of Un-electrified habitations.
- Provision of Distribution Transformers of appropriate capacity in electrified villages / habitations.

1.c.3. Decentralized Distributed Generation (DDG) and Supply

Decentralized generation-cum-distribution from conventional sources for villages where grid connectivity is either not feasible or not cost effective provided it is not covered under the program of Ministry of Non-conventional Energy Sources for providing electricity from non-conventional energy sources under their remote village electrification program of 25000 villages.

1.c.4. Rural Household Electrification of Below Poverty Line Households

Electrification of un-electrified Below Poverty Line (BPL) households would be financed with 100% capital subsidy as per norms of Kutir Jyoti Programme in all rural habitations. Households above poverty line would be paying for their connections at prescribed connection charges and no subsidy would be available for this purpose.

The overall subsidy taken together should be kept within 90% of the overall project cost.

d) Scope of Work

The RGGVY scheme would cover the following within the district:

- Un-electrified and De-electrified villages and their habitations
- Electrified villages and their habitations; and
- Access to electricity for households in the above categories of villages/ habitations including, Majras, Tolas, Hamlets, Dalit Bastis etc.

The major objectives of the project are:

- a) To provide for access to electricity to all rural households in the project area.
- b) All BPL households in the village to be covered for electrification under the project.
- c) To provide electricity to all consumer on demand
- d) To provide 33/11 KV Sub-station of adequate capacity and lines in blocks where these do not exist.
- e) To provide for setting up of at least one Distribution Transformer in the village where these do not exist.
- f) To ensure management of rural distribution through franchisees.

e) Project Cost, Coverage & Progress under RGGVY (as on Oct-2011) is as follows:

Sl No.	District	Sanctioned Cost (Rs. in Cr.)	Coverage					Charged		BPL Hhs Charged
			UEV (UE+DE)	EV (PE)	Total Villages	RHhs (incl. BPL)	BPL Hhs	UEV (UE+DE)	EV (PE)	
WESCO										
1	Baragarh	82.84	100	1073	1173	209452	131327	98	320	20027
2	Bolangir	101.97	325	1439	1764	210558	197443	311	176	23170
3	Deogarh	44.22	320	344	664	53728	34785	296	143	15586
4	Jharsuguda	36.65	37	305	342	61694	32828	37	146	6849
5	Kalahandi	193.98	917	893	1810	224487	181969	500	116	20676

6	Nuapara	52.82	166	405	571	98000	69383	83	27	6993
7	Sambalpur	95.78	411	766	1177	95443	96884	371	142	12759
8	Sonepur	69.41	309	549	858	63078	59064	174	172	10052
9	Sundergarh	178.31	511	1031	1542	180112	109709	115	61	4989
	Total	855.97	3096	6805	9901	1196552	913392	1985	1303	121101

f) The Scheme is also associated with the implications related to sustainability- which calls for the revenue subsidy by State Govt. as per quadripartite Agreement:

1.f.1. Component of Subsidy

Licensee filed a petition before Hon'ble Commission which registered as Case no.3/2011 for arranging Subsidy from State Govt. as stipulated in the Quadripartite Agreement of RGGVY Scheme. Further on the query by Hon'ble Commission, on **Principle of calculation of Revenue Subsidy**, Licensees submitted that following principles may be adopted in respect of different kind of Franchisee Models:

- i. **Collection/ Revenue based Franchisee**: As submitted in Para 37 and 38 of licensee's petition (Case No. 3/2011) that with large number of BPL consumers getting added due to electrification of un-electrified villages, the energy supply to this category is bound to increase many fold. Also, with the aim to gradually reduce the cross subsidies and linking the consumer tariff to the Cost to Serve of that category, the Hon'bler Commission has to either increase the LT Tariff or to take care of utility's financial position through requisite revenue subsidies from the State Government as required under Electricity Act if the State Government wishes to have the Tariff of a particular category lower than the Cost to Serve to that category of consumers. In view of likely increase of BPL consumers in near future due to RGGVY Scheme implementation and gradual lowering of cross subsidy, the revenue sustainability of rural electricity supply shall come under strain for which Hon'ble Commission may consider the subsidy from State Government to the extent of difference from the figure of 50% of cost to serve to the Tariff applicable for LT category subsidized categories. The number of consumers multiplied by the per unit differential amount may kindly be considered as the amount of Subsidy in this case. The remaining gap may kindly be adjusted through cross subsidization by the Tariff of other categories and same can be reduced in the tariff of

subsequent years. In this connection the relevant provisions in various policies are reproduced below:

Para 8.3 of tariff policy stipulates as under :

“.....In accordance with the National Electricity Policy, consumers below poverty line who consume below a specified level, say 30 units per month, may receive a special support through cross subsidy. Tariffs for such designated group of consumers will be at least 50% of the average cost of supply. This provision will be re-examined after five years.”

That, as per tariff order the average cost of supply is Rs. 4.08 per unit and 50 % of the average cost of supply is Rs. 2.04 per unit . whereas BPL and agriculture Tariff is Rs 1.00 per unit. Therefore, balance Rs 1.04 per unit shall be considered for giving subsidy besides difference of first slab of domestic category.

- ii. **Input link:** As the franchisee operates on a AT&C concept, it has direct link with the input cost paid by the franchisee and in turn to the cost of realization per Licensee unit. Therefore Licensees prays for extending Subsidy by the State Government equivalent to the differential amount from Cost to Serve to the rate of realization from Franchisee area for the monthly input in the area.
- iii. **Input Base:** Like in case of input link base Franchisee, Licensees prays for subsidy for the differential amount from the Cost to serve to the input rate to the Franchisee.

Example : Calculation of subsidy on account of BPL consumers added in RGGVY areas.

1.f.1.1. That, as per tariff order for FY 2011-12, the average cost of supply is Rs. 4.08 per unit and 50 % of the average cost of supply is Rs. 2.04 per unit whereas BPL and agriculture Tariff is Rs 1.00 per unit. Therefore, balance Rs 1.04 per unit shall be considered for giving subsidy besides difference of first slab of domestic category. The Subsidy component towards BPL consumers covered in the RGGVY Scheme comes as under:

DISCOM	No. of BPL Consumers programmed in RGGVY	BPL Consumption @30 units per month	Proposed Subsidy @Rs.1.04 per unit per month (Rs. Lacs)	Subsidy component in a year (Rs. Lacs)
WESCO	913392	27401760	284.98	3419.74

II. Biju Gram Jyoti Yojana (BGJY)

It is a State Government scheme started in the year 2007-08 with a view to Electrify the un-electrified villages/hamlets having populations less than 100 and not covered in the RGGVY. Initially it was decided to electrify 10,000 villages/habitations in the 11th five year plan period taking Block as a unit and Rs.50.00 lakhs was allotted to each Block. Basing on this Rs.315.00 crores was allotted during 2007-08 & 2008-09 @ Rs.1Cr per Block. In the meantime, though the target of 10,000 villages/ habitations is achieved, still a number of villages/ habitations have been left un-electrified for which Collectors have been asked to re-survey the villages/ hamlets(is called Saturation Habitation Survey involving Gram Panchayat level workers & it is one day survey throughout the Dist)The final report to be submitted to Govt along with estimates from Discoms regarding infrastructures

requirements for allotment of funds. In the same analogy taking Block as a unit. The table below shows the progress under the scheme as on Oct'2011.

DISCOM	Village Electrified as on Oct'2011	BPL Households charged as on Oct'2011	LI points energised
WESCO	1978	22552	248

III. Biju Saharanchal Vidyutikaran Yojana (BSVY)

It is a State Government scheme introduced in the year 2011-12 with a view to Electrify the un-Electrified areas of villages / wards / Slums having population more than 100 under Municipal Corporation, Municipality & Notified Council Areas. It was decided to allot Rs.1.00Cr to Municipal Corporation, Rs.50.00 lakh to Municipality and Rs.30.00 lakh to NACs for the purpose. The table below shows the progress under the scheme as on Oct'2011.

DISCOM	Habitations		BPL Households	
	Programmed	Completed	Programmed	Completed
WESCO	191	39	2500	1100

2.7. Development of Franchisee in Licensee Area

- Serious efforts are being made by the Licensee in the direction of introduction of Franchisees in the Power Distribution Sector.
- So far Licensee have franchisees operating in 1957 villages covering 144578 consumers in WESCO.

Franchisee Deployment as on date:

WESCO	No. of Franchisees	Area covered					Villages Covered	Consumers Covered
		Subdivision	Section	Feeder	Micro (incl.S HGs)	Total		
Input Base	1	2	0	0	0	2	1957	144578
Input linked Revenue Base	2	0	0	5	0	5		
Revenue Base	8	7	0	0	1	8		
Total	11	9	0	5	1	15		

- Further, as regards efforts made towards institutionalization of Franchisees in the Licensee area, the oldest franchisee dates back to 2003-04 i.e. much before Franchisee introduction was made as a national campaign through RGGVY Scheme. We are constantly endeavouring for inducting more and more franchisees in the licensee area on different models. Input Base with revenue assured basis by all the Licensees were introduced in the year 2008. As of now Licensee have individuals, NGOs, WSHGs and Corporate bodies as Franchisees in the DISCOMs which are operating on different models.
- With an aim to streamline the activities beginning from introduction of franchisee to monitor and oversee the operational support on regular basis, Franchisee Cell created at the Licensee level are monitoring on a regular basis.

e) Action taken during 2011-12:

1. M/S Feedback Ventures have been associated with the DISCOMs under the MOP- Access to Energy/ UNDP sponsored assignment for development of Franchisee in WESCO. In addition, they are also associated with the DISCOMs through a retainership arrangement for development of the same. So far, under the above arrangement 10 areas (9 subdivisions and 1 section) have been franchised. WESCO - Six subdivision covering 894 villages and 76505 consumers.

Furthermore, all areas of SED, Sonapur in WESCO have been notified as Input Base Franchisee. The last date of submission of bids is 19th Dec'2011.

MICRO FRANCHISEE

2. During the year, Licensee have made several efforts for development of Micro Franchisee in the Distribution Sector as mandated by the Hon'ble Commission, not only through NGOs, Cooperatives but also through Women Self Help Group (WSHG) or its federations at its own or through the District Administration support. The main issue related to Micro Franchisee particularly in appointing WSHGs have been that the District administration did not pay its active role in selection of the franchisee and these groups are reluctant in depositing the adequate security amount due to their poor financial conditions and also the problem being faced by them on receiving payments through cheques due to not having Bank Account by them etc. These issues deliberated at the level of State Government and after due deliberations, Energy Department in consultation with Women and Child Development Department formulated a scheme known as "SHG ENERGY FRANCHISEE ARRANGEMENTS" (SEFA) for development of Micro Franchisee throughout the State with the help of WSHGs. The scheme envisage constitution of a State Level Working Groups for formulation of training documents and to conduct State level, District level and Block Level orientation and training programme and also constitution of Selection Committees headed by the Block Development Officer (BDO) and Executive Engineer and CDPO as members. In each District under the supervision of District Collectors. The entire activity starting from training to the master trainer and in different level of Govt and Discom functionaries and to the prospective franchisee i.e. selected Human Self Help Groups etc (HSHG) is structured and calendar of activities has been chalked out, the letter of the State Govt is enclosed herewith and highlights of the scheme is as under:-

a) SEFA (SHG Energy Franchisee Arrangement)

The State Govt. vide letter no. 8089 dated 24/09/2011 of Energy Dept. has announced SEFA Scheme for engaging Women Self Help Groups (SHG) in

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Energy Franchisee Arrangement for collection of energy bills and allied activities in rural areas on behalf of DISCOMs. Gram Panchayats will be the unit area of operation of SHGs.

The SHGs will be benefitted by Pre-determined remuneration for various entrusted activity & Performance based incentives. In the programme Mission Shakti & their Federations at various levels will be entrusted with the following activities:

- 1) Meter reading
- 2) Billing
- 3) Collection of revenue including arrear revenue
- 4) Facilitation for new connection
- 5) Theft detection & prosecution
- 6) Facilitating consumer grievance redressal by DISCOMs etc.

b) Time Schedule for Implementation of SEFA (SHG Energy Franchisee Arrangement)

Name of Activity	Date line	Remarks
1. State level training for Trainers (ToT) programme	20.09.2011	Organised in Bhubaneswar
2. One day district level training programme for sensitising district level officials and creating trainers to impart training to the SHG members at Block and GP level.	From 22.10.2011 to 29.10.2011	All districts training completed.
3. Details of selection process will be intimated by CDPOs and ICDS Supervisors to the AWWs in the sector meeting.	1st week of Nov'2011	In process
4. Applications forms in plain paper will be collected from interested SHGs	By 15.11.2011	In process
5. Screening of the applications will be completed.	By 20.11.2011	In process
6. Selection of SHGs will be completed	By 30.11.2011	In process
7. Training of selected SHGs member (two from each selected SHGs) will be conducted at the block & GP level taking about 40 participants in one training session.	From 01.12.2011	
8. The duration of class room training programme is 3 days. It will be followed by 15 days of field training, signing of agreement and issue of work order.	By 31.12.2011	

Licensees are contemplating for appointment of WSHGs as Franchisees in the entire area still not covered under any of the Franchisee Schemes .

c) The compensation package for WSHGs under the SEFA Scheme is as follows:

Payment / Incentive Terms

- Meter Reading @4.00
- Money Receipt @5.00 per month per person
- Up to baseline Collection-No incentive
- Up to 80% - 6% of incremental Collection
- Between 80% to 90%-7% of incremental Collection above of 80%
- Above 90%- 8% incremental Collection above of the 90%
- For Customer Coverage > 80%-@1.00 per Consumer receipt > 80%

- 15% Incentive for Temporary disconnected Arrears
- 25% Incentive for Permanent disconnected Arrears
- Consumer Mobilization & bringing them to Billing fold-@1.00 per APL Consumer
- Arrest of dishonest Consumer & Realization of Amount-@20% of the penal amount realized.
- Failure in consistent improvement in three Monthly Avg. Collection Efficiency- 10% penalty on the short fall amount.
- Failure to achieve the minimum Consumer Coverage- @1.00 per consumer short covered
- Security Deposit-
In the form of CASH /BG of 7 Days Collection of Base Period.

2.8. One Time Settlement (OTS) Scheme:

- g) The three distribution companies, WESCO, NESCO and SOUTHCO on 18.09.2009 filed petition before the Hon'ble Commission for approval of One Time Settlement Scheme (OTS) under Regulation 111, 113 and 94 of OERC Distribution (Condition of Supply) Code, 2004 for recovery of arrears from consumers.
- h) Honourable OERC vide their Order dated 20th July'2011 approved the OTS Scheme for recovery of arrears from consumers and directed the Discoms as under:
- a) *The Scheme will be implemented during this financial year 2011-12 for WESCO, NESCO & SOUTHCO.*
 - b) *The OTS Scheme is applicable for the following category or class of consumers with the quantum of rebate under OTS Scheme as indicated below:-*

Sl No.	Type of Consumer	Quantum of Rebate

1	Group 'A' consumers i.e. all LT category of consumers to whom DPS is not applicable	<p>(i) 25% of the eligible amount if payment is made in three monthly instalments within the scheme period i.e. 50% + 25% + 25%.</p> <p>(ii) 30% of the eligible amount as on 01.4.2011 if the payment is made in two equal monthly instalments within the Scheme period i.e 50%+50%.</p> <p>(iii) 40% of the eligible amount as on 01.4.2011 if the payment is made in full at a time within the Scheme period i.e 100%.</p>
2	Group 'B' consumers i.e. all LT category of consumers to whom DPS is applicable.	<p>(i) DPS in full + 15% of the eligible amount if payment is made in three 1monthly instalments with the Scheme period i.e 50% + 25% + 25%.</p> <p>(ii) DPS in full + 20% of the eligible amount if payment is made in two equal monthly instalments with the Scheme period i.e 50% + 50%.</p> <p>(iii) DPS in full + 25% of the eligible amount if full payment is made at a time within the Scheme period.</p>
3	Group-C consumers i.e. all HT& EHT consumers.	<p>(i) 40% of DPS of the eligible amount if payment is made in three monthly instalments within the Scheme period i.e. 50% + 25% + 25%.</p> <p>(ii) 50% of DPS of the eligible amount if payment is made in two equal monthly instalments within the Scheme period.</p> <p>(iii) Full waiver of DPS of the eligible amount if payment is made in full within scheme period in one instalment.</p>

- c) One Time Settlement Scheme (OTS) is applicable in respect of the arrear electricity charges outstanding on the date of launching the OTS out of the arrears outstanding as on 01.4.2010. In other words out of the arrear outstanding as on 01.4.2010 if some amount has been paid during the period 01.4.2010 to 31.3.2011 and till the date of launching the scheme, the said payment will be deducted and only balance arrear out of the arrears outstanding as on 01.4.2010 would qualify under OTS Scheme.
- d) If disputed bill has been revised by the Licensee after 01.04.2009 and such revised amount is included in the arrear amount outstanding as on. 1.4.2010, as on 01.4.2011 or the date of filing application for OTS such revised bill amount is to be excluded from such arrear and the balance arrear outstanding as on the date of filing application for OTS would qualify for OTS as indicated in item-b).
- e) A consumer shall be eligible to the benefit of the OTS as indicated in item-b) & c) above only if he has paid the current bills in full raised during the period 2010-11 and 2011-12 so far before the date of filing the application for availing the benefit under OTS Scheme. However, a consumer who has not paid the current bill fully as mentioned above is eligible to avail benefit under OTS scheme provided he pays at least 50% of the current bill as stated above at the time of application and gives an undertaking to clear the balance amount before the OTS benefit is sanctioned.
- f) The OTS Scheme will be completed within a period of 120 days from the date of publication of OTS scheme by the licensee as per the schedule declared by them.

- g) A consumer can either avail the benefit under the OTS Scheme or can opt for revision of bills under the existing prescribed normal procedure. If a consumer opts for revision of bill he cannot avail the benefit under the OTS Scheme. In other words in respect of consumer intending to avail the benefit under OTS Scheme for the balance arrear as on 1.4.2011 remaining unpaid on the date of filing OTS application no revision of bill is to be allowed by the Licensee in his or her case pertaining to the arrear outstanding as on 01.04.2011 remaining unpaid on the date of filing the OTS application.
- h) As indicated by Govt. in Energy Department vide their affidavit dated 23.4.2011, electricity duty is not payable if the portion of energy which licensee has not been able to recover electricity dues. Electricity duty is levied and collected proportionately on the energy charges payable under the OTS Scheme and remitted to Govt. treasury. As such, quantum of waiver of electricity charges shall include proportionate arrear electricity duty payable to Govt. of Orissa as clarified above.
- i) Since OTS is being extended to all categories of consumers i.e. LT, HT and EHT, it is also equally applicable to govt. consumers including public sector undertakings, urban local bodies, rural local bodies, co-operatives, autonomous organizations, LI points/Pani Panchayat etc.
- j) The OTS scheme would be applicable also to those consumers whose case is pending with different courts of law, GRF / Ombudsman. In such cases the concern consumer shall have to withdraw the case from such court of law/ Forum/Ombudsman and submit an affidavit in prescribed format duly notarised by authorized Notary to be declared that they have withdrawn their application or they would withdraw within a time frame to be indicated by them from the relevant court of law/forum before their case is taken up for consideration under OTS Scheme. However, in all these cases the required formalities have to be completed within the time schedule stipulated in the OTS.
- k) Consumers whose bills have already been revised through settlement/ through Court of Law/ GRF / Ombudsman or through normal grievance handling procedure are not eligible to get the benefit under OTS Scheme. In respect of the balance of arrear outstanding as on 1.4.2011 remaining unpaid on the date of filing application for OTS, out of the arrear outstanding as on 01.4.2010, if such revised bills are included in that arrear as on 01.4.2010 to 01.4.2011 or the date of filing application for OTS, OTS would be applicable to the remaining arrear as on 01.04.2011 remaining unpaid on the date of filing application for OTS.
- l) The Licensee should take adequate steps for wide circulation among the consumers through electronic and print media as well as by distributing leaflets through field functionaries. In that communication through print and electronic media or leaflets, a Licensee must make it clear that soon after the period of OTS is over the Licensee would launch a special drive for disconnection of power supply to the defaulting consumers as per the OERC Distribution (Conditions of Supply) Code, 2004.
- m) Consumers whose connections are temporarily, permanently disconnected on or before commencing date of the scheme can avail the OTS facility. Also the benefit can be extended to the consumers against whom disconnection notice have been issued on the date of implementation of the Scheme.

- n) *The DISCOMs are directed to ensure proper revenue collection thereafter. The Commission feels that Waiver schemes are not desirable too often and should be resorted to only in exceptional circumstances.*
- o) *The amount so collected under the scheme shall be accounted for properly and shall be audited by statutory auditor after the closure of the scheme and audited details may be provided to the Commission.*
- p) *Outcome of the scheme, such as amount of arrear collected etc. shall be reported to the Commission within 30 days of closure of the scheme.*
- q) *The proceeds of the arrear collected through OTS Scheme would be utilized by the distribution licensee as per the priority fixed in the escrow relaxation Order dtd.12.04.2010 read with Order dtd.01.01.2011 in Case No.3/2010 and order dtd.02.11.2010 in Case No.34/2010 which have been referred to in para 516 to 519 of the RST order dtd.18.03.2011 for the FY 2011-12.*
- i) For smooth implementation of the OTS Scheme, Discoms on their part taken the following steps:
1. Developed a web based software application for Registration and Settlement under OTS.
 2. The training for use of the application was imparted to the Discom staffs.
 3. Notified the OTS Scheme in Newspapers both in English and Odia.
 4. Wide publication of the Scheme and banners and hoardings in subdivisions and divisions, TV scrolling in the local cable networks.
 5. Segregation of the eligible and qualifying amount as per the scheme.

The Discoms decided to implement the OTS Scheme in phases. In first Phase it was announced for all categories of consumers excepting Domestic and Kutir Jyoti category. Phase II will be launched for Domestic and Kutir Jyoti consumers from Dec'11 onwards.

Accordingly publication for Phase I was done on 25/08/2011 and registration under the scheme commenced from 5th Sept'2011 and was closed on 27th Oct'2011. The Collection achieved as 27/10/2011 on account of OTS by the licensee is given below:

	Rs. Crs		
	Qualifying Amount	Eligible Amount	Total Amount
WESCO	2.75	4.41	7.16

However, the performance during the first phase of the scheme has not been up to the expectations of the licensee due to the following reasons:

- 4) Soon after launching in Sep. 2011 the major part of the state was hit by natural calamity of flood due to incessant rain.
- 5) During first fortnight of Oct. 2011 the performance could not be achieved due to Puja, a big festival of Odisha.
- 6) People though interested to avail the benefits under the Scheme but discouraged due to huge qualifying amount accumulated from 01.02.2010 onwards, which was required to be deposited by them upfront for availing benefit under OTS scheme which was beyond their paying capacity.

For starting OTS Scheme for Domestic category consumers being huge in numbers (around 6 Lacs), the licensee is need to upgrade the IT infrastructure for which 1 ½ months time is required. Thereafter the Scheme will be started.

Discoms are planning for filing petition before Hon'ble Commission for:

- 1) To consider extending the period of OTS Scheme up to 31.03.2012.
- 2) To consider for allowing OTS benefit on the outstanding of 31.03.2011 instead of 31.03.2010 to enable more consumers to avail the benefits of the scheme.

2.9. COUNTER PART FUNDING – PROPOSAL

Hon'ble Commission is kindly aware that all the revenues collected by the Licensee is escrowed to GRDICO and the Licensee utilizing the revenue collection as the priority approved by Hon'ble Commission. The monthly obligation for repayment of principal and interest in respect of loan from the financial institutions for Capex program /system improvement schemes are covered as 4th priority after the BST bills, Salary and R&M expenses.

Further, due to several uncontrollable reasons such as (a) up-valuation of assets, (b)un-realistic distribution loss level adopted in taxation of Retail Tariff, (c)natural calamities in 1999 & 2000, (d)high projections of growth in Industry Load, which never materialized etc, the Licensee incurred huge financial losses and at present, the cumulative loss in the Balance sheet of the Licensee stood at Rs.526.67 Crore as on 31.03.2011 which is going to increase due to the non-materialisaiton of the approved revenue for FY 2011-12.

In the meantime, for arranging the requisite counterpart requirement, the Licensee approached various Banks and FIs. During initial discussion with them, the funding agencies are seeking 1st charge on the revenue to the extent of monthly installment to be generated from the project to be taken up under their funding. In case of Discoms, the System Improvement for up-gradation activities and the revenue generated from those capex can not be segregated. All the revenue from the existing distribution system along with the new assets created through capex funding are collected and get fully deposited in the Escrow Account unlike the funding for a green field project or a brown field project, where the revenue pertaining to a capex project can be ascertained. This is not so in the Distribution System improvement works.

Since all the revenues of the distribution companies' are being escrowed, the financing institutions are unwilling to sanction any loan enabling the DISCOMs to take up capex programmes. It is but natural that with an investment in system improvement and up-gradation, the loss shall be reduced as well as higher revenue shall be generated. Considering that the 1st charge (priority) is given to the FIs and Bank limitedly to the extent of loan servicing

liability per month, the balance available revenue shall expectedly be more than the revenue generated at the present level.

Hon'ble Commission has directed to provide the DISCOMS existing assets as security cover to avail counterpart loan from the Banks/ FIs in the Order dated 13.05.2011 the case no 35 of 2005. The Hon'ble Commission directed at para 34.6 of the said Order to state Govt to allow the assets created out of the World Bank funding to pledge to Banks/ FIs and the exercise to allow DISCOMs to be completed by 31.07.2011. Accordingly, the Licensee is taking up with GoO by writing the letters and following up with the Govt., but yet to receive the response from Govt.. Meeting this term of the Banks/FIs, the Licensee shall be in a better position to negotiate a better rate on interest as well as longer tenure.

In the above circumstances, the Licensee is proposing to give 1st priority of utilization of escrow account for servicing of loan installments.

Secondly, there is need for restructuring of the Balance Sheets of the Licensee so as to attract the funding agencies to lend and also at a competitive rate. The Licensee submits Hon'ble Commission to consider the parking of the unserviceable Liabilities along with corresponding Regulatory Assets (Losses) in a separate box so that the DISCOMs shall have a clean balance sheet to approach the lending agencies.

2.10. Spot Billing Roll Out Plan

The Spot Billing activity in WESCO, which was awarded to outsource Agencies for a period of two years ended in June -2011. A new Tender was floated on 10.05.2011 and spot billing activities awarded to the new outsource Agencies covering 100 % consumers in WESCO area for two years from 01.10.2011 to 30.09.2013. The details are as mentioned below:

Category	No of Consumers Covered	Cost per Month in Rs lacs
Dom-Urban	193411	14.8
Dom-Rural	382624	32.2
Total	576035	46.9

The agency has already started functioning.

2.11. Automated Meter Reading System:

In the FY 2011-12 installation of Automatic Meter Reading(AMR) system was taken up for the consumers having CD above 40KW. WESCO has succeeded in minimising the theft of energy by steel industries in its area by using information timely through AMR system. As on Oct.2011 1213 Automatic Meter Reading System has been installed with consumer meters.

The licensee has planned for additional installation of AMR for the consumers having contract demand 20 KW and above and estimated 1824 nos of AMR installation is proposed during FY 2012-13, the cost estimation details are given in a table below.

Rs.crs

NO OF CONSUMERS for FY 2012-13	Cost including Installation	One time setup cost	Total Cost	Additional Recurring cost per month for Communication and manpower.
1824	1.09	0.46	1.55	0.03

2.12. IT / automation Modules Implementation

Licensee proposed to implement different IT/ automation modules for improvement in the operational efficiencies such as establishment of Customer Service Centre etc. The expenses under hardware and Software cost shall be around Rs.38.25 lacs and recurring cost shall be Rs.11.44 lacs for the ensuing year FY 2012-13.

2.13. CONSUMER INDEXING

WESCO has initiated the process of consumer indexing. The Consumer Indexing will be a one time activity aimed to identify all the existing consumers receiving supply from individual Distribution Transformer and creation of network diagrams and asset details with an arrangement for regular updation in future. This will involve door to door survey so as to identify consumers receiving electrical supply from each DTR, preparation of LT line network diagram, preferably with GIS, and building database of DTR wise consumer indexing. The activities will include the following

i) Consumer & Network survey:

- Door-to door survey for identification of all consumers connected to each DT separately which will include gathering of information related to the consumer and meter details, details of landmark to identify DTR and Pole location.
- Electrical addressing through pole scheduling of all consumers.
- Preparation of network details viz. 11 KV Feeder, DTR (capacity, location etc.), LT circuits (conductor size, line configuration- horizontal/ vertical- single phase 2wire/ 3wire, 3phase 4wire/ 5wire, span size etc.), Pole type and no. of services from each pole.

ii) Building database and Indexing of Consumer:

- Development of a consumer data base as a backup to a GIS facility which will include indexing a consumer to the DTR's and 11 KV feeders allocating an alphanumeric code to each consumer following approved coding structure from the DISCOMs.
- Development of software tools for viewing consumer details, network details, DTR details etc. with various summaries and linked information with facilities for editing, modifying any data relating to consumer, network, at a later stage according to changes taking place.

iii) Painting of Electrical address on Poles, DTR and at consumers premises:

- Based upon indexing, the electrical address comprising details of 11 KV Feeder, DTR, LT circuit, pole no. and consumer from the pole will be painted on each pole (using two colours-one for base and other for code writing) based on approved codification scheme and painting norms. The details of 11 KV feeder and DTR will be painted on the DTR structure. The electrical address of each consumer will also to be painted at the respective consumer's premises as well.

2.14. Energy Police Stations

State Government Support – The support from State Govt on anti theft initiatives like setting up of Special Police Stations and special Courts have not been materialized so far, as envisaged. A comparative table of the sanctioned and actual no of police stations is as under

No of Police Stations	Sanctioned	Police Stations set up
Wesco	10	1

- **Staffing of Police Stations** – The staffing in each of the Energy Police Stations is sanctioned as follows :

Particulars	Sanctioned Strength	Existing Staff Strength
(i) Inspector	01	01
(ii) Sub-Inspector	02	
(iii) Asst. Sub Inspector	02	
(iv) Head Constable	01	
(v) Follower orderly	01	
(vi) Asst. Driver	01	
(vii) Constable	12	05
Total	20	06

However, till date adequate manpower has not been provided and the police stations are severely constrained by the lack of personnel of appropriate grades, particularly those who are authorized to register complaints.

▪ **Progress of Energy Police Stations –**

As on February 2011	Wesco
Total no of Cases Registered	147
Total no of Charge Sheets filed	103
Total no of Convicted	nil
Amount Assessed in Rs Lakhs	6.9
Amount Realised in Rs Lakhs	6.9

▪ **Constraints faced with Police Stations**

- **Inadequate Staff** at Energy Police Station
- **Refusal** and reluctance to accept F.I.R`'s, even by Energy Police Stations in the name of inadequate staff of proper cadre.
- **Absenteeism-** Staffs are found absent due to their preoccupation/ deployment on other assignments (VIP duty, festival duty, law and order etc.), as they are under direct administrative control of the District S.P.
- **Non participation on Enforcement Drives** -Staffs provided at Energy Police Station are generally not associating in the enforcement raids with the Licensee's staff with a plea that they are meant for lodging FIRs only and can not stand as evidence in vigilance/enforcement raids.
- **In the absence of administrative support**, Discoms are finding it difficult to curb theft. As a result, transformers are getting overloaded leading to high instances of transformer failure. Further Discoms are being pressurized from all quarters to replace transformers without insisting on collection of a minimum amount of arrears as due.

▪ **Submission of the Licensee –**

- **Widening the Jurisdiction** -Govt. may take initiation immediately to establish at least one Energy Police Station with adequate staff in each Revenue District covering the Licensee area. The police officers should be made responsible to associate the Supply engineer for detection of the theft and raid of the consumers premises who are stealing power jointly with the supply engineer.
- **Joint Review by MD & S.P** – Regular review of operations by S.P and VP of Discoms on a monthly basis is required, followed by review at the level of IG in every quarter.

- **Conducting joint workshops at District level** – involving Discom staff and Police Officials on anti theft legislations

The special police stations in the licensee areas have started functioning at present at Sambalpur/ Burla and it is expected that the remaining 9 no's of police stations will be set up in FY 2012-13. As per the agreement with the State Government, the DISCOM has to bear the salary costs, Vehicle Hire Charges, Telephone bills and TA bills of police force deputed at special police stations. In this regard the licensee has estimated the following amount towards the expenses of Special Police Stations additional expenditure for the ensuing year under the head of A&G expenses.

The Licensee proposed for establishment of energy police station in the each revenue districts as notified by Government and estimate the cost of Rs 3.81 Cr which includes Rs 3.55 Cr towards staff salary and Rs 0.25 Cr towards office expenses.

In addition to staff cost, necessary furniture, telephone, vehicles and other additional expenses were to be borne by the Distribution Companies.

Accordingly a Special Energy Police Station is functioning w.e.f. 1.4.2007 having the following Officer & staff. in Burla.

Sub-Inspector of Police	-	1
Havildar	-	1
Constables	-	6
Total		8

As per Notification No 47514 dated 23.10.08 of Home Deptt. Govt of Orissa, the remaining 9 no's of Energy Police Station are coming under WESCO jurisdiction as under :-

	Name of Police Station	Headquarters	Territorial Jurisdiction
1	Special Police Station (Energy) Bargarh	Bargarh	Revenue District Bargarh
2	Special Police Station (Energy) Jharsuguda	Jharsuguda	Revenue District Jharsuguda
3	Special Police Station (Energy) Bolangir	Bolangir	Revenue District Bolangir
4	Special Police Station (Energy) Sonapur	Sonapur	Revenue District Sonapur
5	Special Police Station (Energy) Deogarh	Deogarh	Revenue District Deogarh
6	Special Police Station (Energy) Kalahandi	Kalahandi	Revenue District Kalahandi

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7	Special Police Station (Energy) Nuapada	Nuapada	Revenue District Nuapada
8	Special Police Station (Energy) Sundargarh	Sundargarh	Revenue District Sundargarh
9	Special Police Station (Energy) Rourkela	Rourkela	Revenue District Rourkela

Assuming the above 9 Energy Police Station will be starting functioning from 1.4.2012, the proposed financial impact for the FY 2012-13 are as under:-

Hire charges of vehicle

SI No	Headquarter	Proposed km p.m.	Monthly Estimated Expenses.#
1	Burla (Existing)	4000	21490
2	Sonepur	4000	21490
3	Deogarh	3000	18180
4	Rourkela	2500	16505
5	Sundergarh	4000	21490
6	Nuapada	3000	18180
7	Kalahandi	4000	21490
8	Bolangir	4000	21490
9	Jharsuguda	4000	21490
10	Bargarh	4000	21490
		Total	203295

#Expenses includes fixed cost @ 8250 (275 per day) ,cost of diesel 13km/ltr & cost of mobil 500km/ltr

Yearly Expenses estimated is Rs 203295 X 12 = Rs 24,39,540

Telephone

Each police station will be provided with a landline telephone with an average monthly cost of Rs 1000/- p.m.

Total financial impact for 2011-12 will be Rs 1000 x 10 x 12 =Rs 1,20,000/-.

Cost of staff salary

It is assumed that each police station should consist of the following staff & their proposed staff cost as given-

Designation	Manning	Financial Impact p.m
Inspector	1	28588
Sub-Inspector	2	43440
Asst Sub-Inspector	2	33538
Havildar	1	15808
Constable	12	151675
Driver	1	12985
Followed Orderly	1	9868
Total	20	295902

The estimated costs for 10 police stations is Rs 3.55 Crs per annum (taking into consideration the effect of the 6th Pay Commission .

Total Proposed financial impact for FY 2012-13 :-

Particulars	Amount in Rs Cr
Hire charges	0.24
Telephone	0.01
Salary	3.55
<u>Total in Crs</u>	<u>3.81</u>

2.15. SPECIAL COURTS

The special courts have not been fully functional on the basis of the performance as have been submitted to the Hon'ble Commission from time to time.

It is the respectful submissions of the licensee that a review meeting on 18.11.2010 under the Chairmanship of the Chief Secretary on the functioning of Special Police Stations and Special Courts was conducted, which was attended by the Discoms. The following decisions were taken.

The remaining 19 Energy Police Stations should be made functional in the next 3 months. The respective DISCOMs will provide accommodation and other logistics support for establishment of these 19 EPSs.

For opening of these 10 EPSs and filling up vacancies in the existing EPSs, the Dist SsP may undertake contractual appointment of retired Police Officers till such time regular recruitment is conducted as it has been done in the Commissionerate to staff the Khurda and Cuttack EPSs. Home Department in consultation with D.G. and I.G. of Police will take steps for filling up the vacancies by contractual appointment, remunerations and required budgetary provision in this regard. D.G. & I.G. of Police will issue detailed guidelines regarding their scale of uniform and equipments. The concerned DISOMs will bear the cost of the same.

Though primarily, the EPSs will remain under the supervision and control of the Dist SsP, their performance will be monitored regularly by the Range IsG/DIsG. Special Cells will be created one for each DISCOM at suitable police Range Offices to co-ordinate and monitor the functioning of Special Energy Police Station.

Each Cell in the respective Ranges will be headed by an officer in the rank of Addl.SP and will comprise of some supporting staff. The posts will be filled up by contractual appointment.

Similarly in the State Crime Branch, the State Level Nodal Energy Cell will function under the supervision of IG/Addl. DG, CID, CB. The Cell will be headed by an officer in the rank of SP and will comprise of some supporting staff. The posts will be filled up by contractual appointment.

Home Department in consultation with D.G. & I.G. of police will take steps for creation and posting of the Senior Officers and support staff by contractual appointment, their remunerations and required budgetary provision in this regard. To start with D.G. & I.G of police will try to locate a suitable Police Officer either serving or retired to be posted at the State Crime Branch.

These Police Officers posted against newly created posts at the Range Level and the State Level Nodal Cell will try to establish a mechanism for coordinating with the DISCOMS through their Chief Vigilance Officers for effective enforcement and timely registration and investigation of cases by the Special Energy Police Stations.

Specific month-wise target should be given to each Special Police Station for registration of cases and raids/checks.

Ex-military officers appointed as APO in the EPSs of Khurda and Cuttack should be imparted training on law and investigation. DG & IG of Police will work out the details. The cost of the training will be borne by the CESU.

After strengthening of Energy Police Stations the issue on the opening of further Special courts may be considered. The decisions are yet to be implemented and licensee prays for early implementation of the same .

Submission of the Licensee

With theft being a widespread phenomenon, the special courts limited to only one in the area of operation district of WESCO is inadequate.

3. Data Sources

The Licensee is complying with the information requirements of the Hon'ble Commission for the purpose of making this application for annual revenue requirement and tariff for the year 2012-13. The schedule of formats submitted along with this proposal is shown in the Table of Contents. The Accounts up to March 2011 have been audited as per Companies Act and

copies of the audited accounts have already been submitted to the Hon'ble Commission. The Licensee has relied upon the Audited Accounts upto March 2011 and actual data upto sep-11 for compilation of data and preparation of this ARR.

The Licensee would like to submit that the input cost is the most important cost for WESCO. For authentication of input cost, the actual bills received from the bulk supplier, GRIDCO has been taken into account.

Thus, the Licensee would submit that the data given by us is authentic and reliable for formulation of Revenue Requirement and Tariff Application for the year 2012-13.

4. Revenue Requirement for FY 2012-13

This section outlines the assumptions for estimation of revenue requirement for FY 2012-13.

4.1. Sales Forecast

For projecting the consumption of different categories, the Licensee has analysed the past trends of consumption pattern for last nine years i.e. FY 2001-2002 to FY 2010-11. In addition the Licensee has relied on the audited accounts for FY 2010-11 and actual sales data for the first six months of FY 2011-12. While projecting the sales of domestic and irrigation category, the Licensee has factored in the impact of electrification of new villages under the RGGVY and Biju Grama Jyoti Yojana. The growth in the Domestic LT Category has been estimated in FY2012-13 to be 27.54%. However, for HT and EHT category of consumers, the consumption has been projected based on current / past trends, actual addition of loads and other factors such as global recession along with temporary disconnection of consumers in HT Category (steel industries) upon which the licensee was depending in the past also. The summary of consumption projected for FY 2012-13 is discussed in following sections.

LT Category

The growth in the domestic category has been estimated at 27.54% during FY 2012-13 as against the estimated growth of around 20.54 % during FY 2011-12. The Licensee would like to submit that under various schemes like RGGVY, BGJ, etc. many house holds are likely to be electrified and around 300249 nos of BPL (Below Poverty Line) and 35,000 nos of APL (Above poverty line) consumers will be added by March 2012. The balance number of consumers under RGGVY Scheme will be brought into the billing fold of the ensuing year FY 2012-13 and the impact of same has been considered while estimating the sales for kutir jyoti and domestic category respectively for FY 2012-13.

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The growth in the sales of other categories in the LT sector has been estimated in the range of 5% during 2012-13 considering the past trends except domestic and irrigation category where the growth is projected at 27.54% and 13.31% respectively.

The domestic sales during last three years have increased in higher proportion as compared to previous years due to massive village electrification schemes. The summary of sales projections for LT category is given in following:

MU

Sales	FY 2010-11	FY 2011-12	FY 2012-13
Domestic	742.877	895.438	1142.000
General Purpose<100 kw	199.629	205.000	215.000
Specified public purpose	22.546	23.500	24.500
Irrigation	53.392	90.900	103.000
Allied Agro Activities	1.417	1.900	1.900
Allied Agro Industrial	1.504	2.000	2.100
LT Industrial	98.856	101.362	105.825
Public water works	24.537	28.000	29.225
Public Lighting	11.369	11.900	12.450
Total	1156.127	1360.000	1636.000

HT Category

The average sales for HT category consumers has been estimated for the ensuing year and is based on the trend of the FY 2010-11 and actual load for the half year ending Sept'11. The sales in this category is declining on account of recession in steel & mining sector. Hence no additional consumption has been considered on account of industrial slowdown and temporary closure/disconnection of steel making industries. (30 no`'s of industries preferred to remain disconnected during September 2011) . Further, two industries has also switch over to Emergency Supply category with load of 10 MW.

MU

Sales	FY 2010-11	FY 2011-12	FY 2012-13
Large Industry	757.355	650	650
Power intensive	298.505	280	272.5
Mini Steel	145.645	110	110
Others	161.475	176	177.5
Total	1362.980	1216	1210

EHT Category

The average sales growth is expected to decline in EHT category as well compared to the estimated sales of FY 2011-12 on account of several such industries like Shyam DRI and

Viraj Steel opting for consumption from their CPPs and switching to Emergency Supply to CPP categories.

The summary of the sales for all consumer categories has been shown in table below.

Sales	MU		
	FY 2010-11	FY 2011-12	FY 2012-13
LT	1156.27	1360	1636
HT	1362.980	1216	1210
EHT	1459.604	1424	1411
Total	3978.711	4000	4257

4.2. Power Purchase Expenses

The power purchase expenses have been derived based on sales estimates and the distribution energy loss level. For the year FY 2012-13, energy input of 6500 MU has been estimated based on the estimated sale of 4257 MU and Distribution Loss of 34.51%.

Power purchase cost for the current year is Rs.1836.80 Crs and for the FY 2012-13 power purchase cost has been estimated at Rs. 1866.69 Crores with BSP @ 262 paise p.u. and transmission charges @ 25 paise p.u. SLDC charges @ Rs 9.95 lakhs per month has also been considered during the ensuing year based on approved quantum of current year. Further considering the above and additional load towards inclusion of BPL and APL consumer under RGGVY and BGJ, the licensee proposes a SMD of 1100 MVA for FY 2012-13.

The Hon'ble Commission is requested to consider the SMD as 1100 MVA for FY 2012-13 due to reasons cited above and considering actual SMD of 1106 MVA during the month of Sep-10.

The licensee submits that SMD (MVA) projections for a year are estimated based on load mix, consumption patterns and other economic policies, and restricting the SMD of a Discom up-to a particular level without considering the proposal as above and imposing penalty thereof for drawl beyond the approved level, shall put the Licensee with higher financial burden.

4.2.1 Direct Purchase of Power by Licensee

The Licensee, following the direction of the Hon'ble Commission, initiated the procurement of power other than GRIDCO source to meet the demand supply gap. The directions of the Hon'ble Commission vide order dated 19.09.2011 in case no 23/2011 is reproduced below:

“ Para -22: In our earlier order , We had directed the Petitioner to explore the possibility of directly purchasing additional power to meet the deficit within the

approved Bulk supply Price . We reiterate our earlier stand that DISCOMs be permitted to purchase the additional power required by them at the Bulk Supply price in a situation when GRIDCO is not able to supply the power as required by them in order to ensure uninterrupted power supply in the state . However this additional power so purchased by DISCOMs including power purchase from GRIDCO should not exceed the approved Quantum of drawal of the year.

Para 23: This may be tried on weekly basis to the extent of shortage of power supply by GRIDCO during a week . This is an additional purchase by DISCOMs over and above the schedule of drawal allowed by GRIDCO which includes the direct purchases made by DISCOMs from certain CGPs allowed by the Commission. The overall ceiling for such direct purchase by DISCOMs shall not exceed 10 % on an annual basis. The payment by the DISCOMs in respect of direct purchase from the CGPs approved by the Commission form a part of the priority of release of fund from Escrow account by GRIDCO . The proposed additional purchase of power over and above the quantum allocated by GRIDCO will be treated in like manner as for the purchase of power from CGPs directly by DISCOMs approved by the Commission which is already a part of the Escrow relaxation mechanism enunciated vide para 516 of the RST order for FY 2011-12.”

As per the available information with the Licensee in view of the scarcity in supply of Coal coupled with Hydrology failure this year , there is likely hood of intra- Day deficit of power in the state of Orissa . In order to match the demand and supply gap licensee has explored the possibilities of purchase of power through Power Exchange and to harness the bottled up capacity from CGPs connected to the distribution system at 33 KV and below.

With regard to availing power through power exchange the licensee submits that the prevalent minimum rate of power in the Power Exchange is above Rs 3.00/ unit, which shall added with Rs 0.35/ unit towards Open Access charges and Exchange/ trader fees etc. to get the said power at DISCOMs boundry. However Licensee expect that the night power (00 to 06 hours) during off season from June to October the rates may come down below Rs 2.50 . Licensee will explore the possibilities of availing such power on short allocation by SLDC .

Secondly, the licensee is required to deposit one day advance day the amount equivalent to the bid value of Daily / weekly requirement of the licensee in the Account of Member of Power Exchange . As Hon'ble Commission is kindly aware DISCOMs are badly placed to deposit said amount.

It is submitted before Hon'ble Commission to allow relaxation of Escrow to create a running pool account which may be replenish from time to time with relaxation of Escrow by GRIDCO .

4.3. Employees Expenses

Distribution of Electricity is manpower intensive in nature. The utility within the parameters of statutory and regulatory frame work is required to ensure an efficient, coordinated and economical distribution system and to build, maintain and operate the system more systematically to combat the increasing load growth and to manage the system with competent and skilled personnel for technical and commercial advantage with customers care. In order to meet the set targets, the Commercial and Technical activities are required to be addressed in right perspective and the responsibilities of the personnel in Distribution system are enormous.

The Licensee company WESCO was formed after unbundling of GRIDCO as per OER Transfer Scheme Rules, 1998 and thereby all the personnel deployed in Distribution business were transferred from erstwhile GRIDCO. Initially at the time of WESCO, the nos. of personnel on roll was around 5500 nos which was inadequate and unevenly distributed to meet the functional requirement. Subsequently, by way of separation due to retirement, resignation death etc , there has been drastically reduction of manpower. In view of the large scale enegisation of new areas either though rural electrification or due to addition of new consumers, the Licensee restructured and reorganized by creation of new Divisions , sub - division and Sections with reinforcement of allied activities such as MRT , Energy Audit , maintenance of distribution transformers and vigilance activities. Main objective was to improve the 100 % of consumer coverage, reduction in Transmission & Distribution losses and to meet the Revenue collection target.

Hon'ble Commission approved Rs.170 crores for the year 2011-12. However taking into consideration the actual payment made during 1st six months of FY 2011-12, the licensee estimated an amount of Rs.218 Cr is required to be disbursed during the current year which include 6th pay arrear of Rs.14 crores. Accordingly, the licensee has estimated an amount of Rs.48 crs as additional employee costs to be incurred during FY 2011-12. Therefore the revised estimate of employee cost of Rs.218 Cr may be considered for truing up of current year expenses.

The details of the number of employees to be recruited and retired during the current year and the ensuing year is submitted in the following table.

WESCO Ltd.	Executive		Non-Executive		Total
	Technical	Non-Technical	Technical	Non-Technical	
As on 01-04-11	462	3544	85	681	4772
Recruitment during 11-12	9	200	-	93	302

Western Electricity Supply Company of Orissa Limited – FY 13

Retirement during 11-12	10	293	2	64	369
As on 01-04-12	461	3451	83	710	4705
Recruitment during 12-13	40	200	-	50	290
Retirement during 12-13	4	246	-	71	321
As on 01-04-13	497	3405	83	689	4674

Keeping in view the promotion, retirement, resignation and expansion of substations ,fuse calls, extension of LT lines and segregating the commercial activities from O&M as per Directives of Hon'ble Commission mentioned above, commercial activities, projected requirement of manpower as indicated above is imperative to be recruited in phased manner for FY 2011-12 and FY 2012-13 .

FY	Category	Nos. to be recruited	Financial impact (Rs lacs)
2011-12	Executive	9	6.48
	Non Executive	293	135.37
2012-13	Executive	40	28.80
	Non Executive	250	115.50

No of employees retiring during FY 2011-12 and FY 2012-13 and saving on account of same are as follows:

FY	Category	Nos. of employees retiring	Saving on account of retirement (Rs lacs)
2011-12	Executive	12	137.52
	Non Executive	357	
2012 -13	Executive	4	117.12
	Non Executive	317	

As regards to terminal benefits i.e. the contribution to the Pension Fund and Gratuity Fund and Leave Encashment has been proposed for the year 2012-13 based on the actuarial valuation done by M/s Bhudev Chatterjee as on 31.03.2011 and the projections provided for 2011-12 and 2012-13. It is assumed that the trend in the requirement of Terminal Benefit corpus for the year 2011-12 shall continue as for the year 2012-13. The details are given in OERC Form: F-21. While computing the contribution required by the Licensee to fund the employees trust, the Actual investments as on 01.04.2011, estimated Investments as on 01.04.2011, income from the investments during the year 2012-13 and the payments during the 2012-13 has been considered. The computation of the employee Terminal Benefit Trusts requirement for the year 2012-13 amounting to Rs. Crore is stated in the following table.

A	Terminal Liability for FY 2012-13	Rs. Crore
1	Employee Trust Valuation as on 31.03.13	612.25
2	Employee Trust Valuation as on 31.03.12	593.83

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3	Interest on invstmnt during 2012-13 @ 8.5 %	10.37
4	Estimated payment during 2012-13	61.55
5	Terminal benefit trust funding required for 2012-13 (1-2-3+4)	69.60
B	Expected Corpus Availability	
1	Received from GRIDCO (Pension+Gratuity)	63.91
2	Receivable from GRIDCO (Pension+Gratuity)	112.59
3	Approved by OERC till FY 10-11	215.60
4	Approved during FY 11-12	55.91
5	Total Corpus	448.01
6	Terminal Liability as on 31.03.12	593.83
7	Diff Needs to be funded	145.82
	1/3rd of the above	48.61
C	Total Terminal liability considered in FY 12-13 (A+B)	118.20

The audited employee cost for FY 2010-11 is Rs 203 Crs and estimates for FY 2011-12 are Rs 218 Crs against approved employees expenses of Rs 170.83 Cr. The major component of the increase in employee cost is on account of the contribution to Employee terminal benefits to the tune of Rs 62 Crs for FY 2012-13. **The Licensee proposed the Employee cost aggregating to Rs 287 Crs for the FY 2012-13.**

Further, it is submitted that in line with Hon'ble Commissions order dated 20.03.2011 vide case no.145/2010 of OPTCL vide para 251 has approved additional amount of Rs.3 crs towards terminal liabilities for the employees who have rendered service to State Govt. and subsequently transferred to WESCO.

4.4. Administrative and General Expenses

The A&G expenses for FY 2012-13 is estimated at Rs.48.62 Crore based on actual expenses till September 2011 as against the approved A&G expenses of Rs 30.81 Crore including special additional expenditure of Rs.8.61 crs towards, Customer Care, IT Automation, Special Police Station for FY 2011-12.

In addition to normal A&G expenses, following additional expenses for aforesaid initiatives has been considered while projecting the total A&G expenses for FY 2012-13. The collection of arrears and current bills is assumed to be used to meet cash deficits during the year 2011-12, to the extent of collected amounts. The Licensee proposes to recover the operational expenses as stated below in the following heads in the ARR for the FY 2012-13 and the CAPEX to be made initially shall be capitalised.

The Administration and General expenses for the ensuing year have been forecasted based on estimated expenses during FY 2011-12 in line with the Commission's earlier Orders, the increase in A&G expenses for the ensuing year has been projected by considering 7%

increase over the approved A&G expenses for FY 2011-12 along with additional expenses Rs 14.61 cr. The 7% increase is on account of inflation.

The A&G expenses for FY 2012-13 is projected at Rs 48.62 Crore.

4.5. Annual Inspection Fees of Lines and Substations:

The licensee submit that the State Govt is insisting for payment of the inspection fees on installations of Lines and substations. Licensee is not recovering the inspection fees in the ARR previous years and proposes to allow the same as under;

- A. It is proposed that the annual inspection fees of Service connections may be imposed separately which shall be recovered from the consumers and shall be deposited on collection basis with the State Govt.
- B. It is proposed that the annual inspection fees for lines and substations may be passed on through the ARR for FY 2012-13.

Regarding Arrear of the past years, the State Govt. may kindly be recommended to waive the same as Licensee has not recovered for the annual inspection fees of Service connections from the Domestic and Commercial consumers.

4.6. Other Operational initiatives

In spite of severe financial constraints to the extent that the licensee is unable to make timely payment of bulk power purchase bills and employee salaries, to improve customer services, various initiatives have been proposed by the Licensee during the ensuing year which are summarised as under:-

- a. Introduction of Spot Billing with stringent SLAs have been introduced to cover urban and rural consumers keeping in mind the massive additions to the consumer base from village electrification schemes
- b. Creation of infrastructure to carryout Enterprise wide Energy Audit exercise has been factored in the Capex programme..

c. Implementation of Intra State ABT -

That Hon'ble Commission vide its order dated 14.09.2011 in para 15.7 has directed all DISCOMs as follows:

“ We direct all DISCOMs to organize their DSOCCs by October,2011 with requisite men, hardware & software to man on 24 X 7 basis under the direct control of very senior level Officer to vigorously monitor the schedule and drawl and Optimal load management in actual operation with effect from 1st January 2012.”

The DSOCC of DISCOM presently operating on off line mode with limited infrastructural facilities. For real time online operation of DSOCC, DISCOM needs further development and investment on automation of DSCOC. Present status and further requirements details for DISCOM are given below:

The requisite infrastructure of separate office set up including Computer, Fax Machine, Telephone with broadband connection and furniture etc have been put in place .

The organisation structure at DSOCC of the licensee has been approved by Board of Directors. Following posts has been sanctioned by board of Directors in the above 72nd meeting on 30.12.2010.

a) Asst General Manager (Elect)	- 1 no
b) Asst Manager (Elect)	- 5 Nos
c) Junior Manager (Elect)	- 4 Nos
d) Support Staff (Non- executive)	- 2 Nos
e) Outsourced Security Personnel	-4 Nos

Metering with Connectivity to DSOCC :

Although there are meters at the 33 KV outgoing feeders at OPTCL Grid S/S which are used as check meters for bulk supply metering there is no arrangement for real time data transfer for ABT monitoring the same meter can not be used as because data retrieval from those meters can at best be on historical basis. For availability of real time data at DSOCC Meters having real time data transfer facility need to be installed in all the 33 KV and 11 KV feeders with installation of Data Concentrator Units to transfer the data to DSOCC on real time basis for monitoring and controlling of drawal of the licensee.

Server , Digital Display Board and Software

There is no Server for storage of metre data in DSOCC. There is requirement of a digital display board at the DSOCC which will show real time energy availability vrs DISCOM drawl data and feeder wise drawal data , Frequency Vrs UI Rate etc in an integrated manner.

Further DSOCC needs to have a Software to which data has to be populated from all the feeder metering points on real-time basis and correspondingly final allocated schedule data has to be matched with drawal. Such a software is not available presently with Licensee. The specification for the software is under preparation. Without the Software it is difficult to manually handle the process specifically when it has financial implecation. In addition to above, analysis software is also required which will generate following reports .

1. DISCOM wise Schedule and Drawal Reports (SLDC vrs AMR)
2. DISCOM wise Schedule and Drawal Graph .
3. DISCOM wise Schedule and Drawal graph monthly .
4. Report on frequency and UI rate daily trend
5. Frequency and UI rate history.
6. Reports on Transmission losses and wheeling charges .
7. Grading of Feeders to prioritize order of tripping of feeders in case of power shortage and their thresh hold limits.
8. Feeders generally crossing thresh hold limits and even crossing allocated limits.

The backup software with logic which is to manage load flows in SCADA Control center is also not available, and has to be developed for which time is required.

Software for Day ahead Load Forecasting

For realistic day ahead scheduling a forecasting software is also essential in Intra- State ABT real-time operation. Short term load forecasting can done on day ahead basis using service of forecasting Software . The input required for above forecasting are as under:

1. AMR & SLDC data
2. Weather data
3. Metered excel
4. Outage Excel
5. Event calendar Excel.

Then a comparison analysis error report and graph will be prepared on daily basis for 96 slots in a day comparing actual and forecast data . Which is very much essential for day ahead scheduling (15 min slot wise) by DISCOMs.

Installation of VCBs for Control of drawal

There is a shortage of VCBs both at the 33 KV incoming and 11 KV outgoing feeders. Under these circumstances the DSOCCs are limited in exercising online controlling the drawal of DISCOMs vis –a-vis schedule . Till today control functions vis-à-vis load points are manual nature and more as response mechanism to emergent events rather than automated grid management. There is a need for automated software driven SCADA Control Center in each DISCOMs.

For establishment of above infrastructures there are requirements under following heads which may kindly be taken in ARR of 2012-13 in the head of A & G expenses.

In Rs Crs	Wesco
REQUIREMENT OF VCB	5.3746
METERING	10.76
SCADA / DTMS	8.595
Renovation of DISTRIBUTION OPERATION CONTROL CENTER	0.603
Capital Cost	25.33
Annual Operation & Maintenance	0.876
Total	26.21

d. Implementation of Right to Information Act

- Without prejudice to our rights in the SLP filed before the Hon`ble Supreme Court, and as per the direction of the Hon`ble OIC substantiated by the Energy Dept. letter, the DISCOMS have implemented the RTI and accordingly appointed PIOs, APIOs and First Appellate Authorities
- In the backdrop of aforesaid developments the DISCOMS need to establish full-fledged RTI cells in respective units, for which various capacity building programmes should be developed for training the Public Authorities and educating the Officials for proper dissemination of information.
- For effective and proper implementation of RTI, a comprehensive proportion of finance is highly required towards organising and establishing various Capacity Building initiatives and programmes. Besides allocation of fund is also required for establishment of separate RTI Cell in Corporate, Circle and Division levels. The different heads of expenses can be broadly segmented into the following heads;
 - Training of Public Authorities
 - Record Management
 - Establishment of RTI Cells
 - Creation of Assets
 - Restructuring of IT and development of Central Data Base.

The estimated expenses to be incurred for setting up and maintenance of activities for successful implementation of the Right to Information Act is as under.

	<u>WESCO</u>
No of PIOs and Appellate Authorities	23
Physical infrastructure in Rs Lacs	7.25
Technology Development in Rs Lacs	10.06
Operational Expenses in Rs Lacs	5.52
Training of Employees in Rs Lacs	3.00
Promotion of RTI in Rs Lacs	1.00
TOTAL	26.83

The Department of I & PR is the nodal body to take various initiatives for proper dissemination of information to the public at large and particularly to the Citizens of India. For appointment of PIOs, APIOS & FAAs and further, for proper training of the Public Authorities the Department has been organising several Awareness Programmes from time to time with the financial assistance of both Central and State Government.

In this context as the DISCOMS are going to implement the RTI for the first time, they need proper funding from the Government as well as from the Regulator which would enable them towards successful implementation of the very purpose of the Act.

e. Demand Side Management

Demand Side Management Regulation,2011 has already been issued by Hon'ble Commission on 20.08.2011. The Objective of DSM is as under :

DSM Objective : The Commission shall formulate DSM objectives that shall be considered in the advancement and implementation of cost effectiveness in the state. The objective may include power shortage mitigation , seasonal peak reduction , cost effective energy savings, lowering the cost of electricity , reduction in emission of green house gases , reducing the need for investment in network and or power plants thus saving the precious and exhaustible fossil fuels etc.

As per above regulation Every Distribution Licensee shall, constitute DSM cell within one month of publication of above regulations in the official Gazette and shall submit to the commission .

As per regulation the DSM Cell shall be responsible for:

- Load research and development of base line data.
- Formulation of DSM Plan.

- Design and development of DSM project including cost benefit Analysis, plan for implementation, monitoring & reporting and measurement & verification
- Seeking necessary approval to DSM plan and individual programmes.
- Implementation of DSM Programme.
- Any other additional function that may be assigned by the Commission from time to time .

Accordingly licensee has opened a DSM cell and in the process of planning to carrying out a assessment of Potential and Cost benefit analysis for DSM in the licensee area by engaging a outsourced experienced Agency through proper bidding process . The Licensee will submit the DSM report before the Commission for approval .

- f. Automation of the operation and customer care activities through IT intervention is planned by licensee during FY 2012-13. The creation of the hardware related expenditure are covered in the capital expenditures during the ensuing year and the expenses like consumables etc for running the said system are considered in the A&G expenses.
- g. Increase Collection :In its endeavor to provide better consumer service, Licensee, besides establishing number of computerized Cash Collection centers, have stopped door to door collection and have increased the avenues of collection through Jana Seva Kendra of Govt. of Odisha. The number of e-seva kendra operating in the Licensees area are 560 nos.
- h. Development of Franchisee in Licensee Area**
- Serious efforts are being made by the Licensee in the direction of introduction of Franchisees in the Power Distribution Sector.
- So far Licensee have franchisees operating in 1477 villages covering 54889 consumers in the Licensee area.
- i. The Licensee proposes for payment of the incentives for the collection of the Arrears in the ensuing year.
- j. Cess as per the Building and other construction Workers (RE&CS)Act, 1996 & Building and other construction Workers Welfare Cess Act, 1996**

The Building and other construction Workers (RE&CS)Act, 1996 and Building and other construction Workers Welfare Cess Act, 1996 and Rules made there under to regulate the employment and conditions of service of building and other construction workers and to

provide for their safety, health and welfare measure and for other matter connected therewith or incidental thereto.

As per the provisions of the Act, the Licensee is required to 1% cess on the construction carried out during the year. Accordingly the Licensee proposes Rs.2.54 Crore of cess during ensuing year 2012-13.

Additional A&G Cost.

S.No	Description	Amount (Rs Lacs)
1	Automated meter reading activities	39.84
2	Spot Billing additional coverage	120.01
3	Replacement & shifting of meters	354.72
4	Energy Audit-Recurring cost	144.00
5	Implementation of Right to Information Act	25.61
6	Cess on building construction and electrical installation	276.28
7	Energy Police Station	381.00
8	Implementation of Intra State ABT	87.60
9	IT automation	32.08
	Total	1461.14

Additional expenses for FY 2012-13 is projected at Rs 48.62 Crore taking into consideration of the above initiatives.

4.7. Repair & Maintenance Expenses

The distribution network requires regular repair and maintenance so as to ensure steady supply to consumers. The Hon'ble Commission have in their Order for FY 2011-12 , compared the approved and audit figures till FY 11 and have observed that the Discoms have improved their spending on R&M activities, yet the same is dependent on the escrow relaxation from Gridco. In spite of the odds, the Licensee too plans for initiating R&M activities for reducing system downtime and the cost of un-served energy. Apart from this, the Licensee is bound to adhere to the guaranteed standards of performance as per the OERC (Licensees Standard of Performance) Regulations 2004. In this regard the licensee is undertaking the measures related to R&M like civil repair & maintenance, transmission & distribution lines repairs and maintenance, transformer maintenance and other repair & maintenance.

With regard to the R&M of the Assets created through funding of the RGGVY and BGJY schemes, Hon'ble Commission in para 443 of the RST order for FY 2011-12 had taken a view which is as under:

“ the State Govt should provide revenue subsidy to the Discoms to compensate for undertaking such non-remunerative works”

The Govt of Orissa in their Letter No 1728/ En dated 28 Feb 2010 have declined to provide for O& M expenses, extracts of which are as under.

“As regards the assets of BGJY it is clarified that as per the para-8 of the guidelines on successful completion of the projects all the assets created under the BGJ shall be handed over by the executing agency to the respective DISCOMs for maintenance.Regarding ownership of the assets after they are charged and handed over through a signed document, the said matter has not been decided. As the DISCOMs are to derive the consequential benefit from the assets, they are to meet the O&M expenses for maintenance of the assets. The DISCOMs cannot claim the O&M expenses from the Govt.”

Yet, support from Govt of Orissa is highly essential. In view of the above, the Licensee proposes to allow the R&M on the RGGVY & BGJY Assets so that the Licensee could maintain the Assets. In the event, the state Govt provides the revenue subsidy, the R&M of the corresponding year shall be reduced by the Hon'ble Commission. Unless funds are provided in the ARR, the licensee shall not be able to effect proper maintenance of the RGGVY & BGJY Assets which has been entrusted by the terms of the agreements made by the GOO, GOI and DISCOMs.

The Repair & Maintenance (R&M) expenses for the ensuing year FY 2012-13 has been estimated on the basis of 5.4% of Gross Fixed Assets (GFA) at the beginning of the year. The opening GFA works out to be Rs 1100.57 crores, based on which the proposed R&M expenses is to the tune of Rs.59.43 crores.

The total R&M expenses for FY 2012-13 is projected at Rs.59.43 Crore

4.8. Provision for Bad and Doubtful Debts

In line with the Order of the Hon'ble Commission in Case No 8/2003 dated June 18, 2003 on setting guiding principles for determination of Annual Revenue Requirement of Distribution Licensees of the State on a long term basis, the Petitioner had filed their Annual Revenue Requirements considering actual collection of revenue during the Financial Year for FY 2004-05 to FY 2007-08. This was in accordance with the Hon'ble Commission's decision to employ AT&C loss as a benchmark to assess the performance of licensees during the Control period.

The Hon'ble Commission has also noted in the clause 5.3 of the RST Order for FY 2005-06 that

“For the first control period, the Performance Targets shall relate to the system losses and the collection efficiency for different consumer categories, along with the AT&C losses. The licensee will be expected to perform and improve its efficiency as per the overall AT&C targets fixed by the Commission.”

Though the Hon'ble Commission has set the AT&C performance targets for measuring, monitoring and controlling the efficiency of the operation of the Petitioner, the approval of the ARR and determination of RST for FY 2005-06 , FY 2006-07 and FY 2007-08, FY 2008-09, FY2009-10, FY2010-11 , FY 2011-12 for the DISCOMs is based on the distribution loss target and not based on the AT&C loss target. The Commission has considered the distribution loss target for ARR determination on the grounds that the AT&C loss shall serve as an indicator for the purpose of payment of incentive with reference to measurement of performance and penalty only. For the purposes of tariff determination, the revenue requirement of the DISCOMs has been determined based on accrual of revenue during the financial year based on the set target of T&D loss for the Financial Year without considering actual collection of revenue.

In RST Order for FY2004-05, the Hon'ble OERC, vide clause 5.4.8 had specified that the difference between the 100% collection efficiency and collection efficiency as approved by the OERC after provisioning of 2.5% of Accrued Revenue as bad debts to be treated as working capital requirements and carrying cost/interest on working capital has been allowed as a pass through in the ARR. The licensee was expected to arrange the working capital towards such gap in collection of revenue. The Hon'ble Commission had agreed to allow the carrying cost on such short term loans to meet working capital requirements. The licensee resubmits to the Commission that employing a single performance measure for determining operational efficiencies and annual revenue requirements is essential to ensure the turnaround in the Orissa Power Sector by allowing the costs, which is due . If the costs of the Petitioner are not met then the Petitioner will not be able to maintain the system and effect necessary improvements in the system to achieve the turnaround.

The Petitioner respectfully submits for the Commission's consideration that considering the past accumulated losses and huge liabilities, it would be extremely difficult for the Petitioner to arrange working capital finance to bridge the revenue gap, which would arise due to non-recognition of collection efficiency in determination of tariff.

The Licensee while estimating the ARR for FY 2012-13 has considered the revenue from sale of power on accrual basis in line with the Commission's Order on ARR and Tariff Petitions for FY 2005-06 to FY 2011-12. However, as it is difficult for Petitioner to arrange working capital finance due to continuance of huge accumulated Regulatory Gaps to bridge the gap of collection inefficiency, the Petitioner has considered the amount equivalent to the collection inefficiency as bad and doubtful debts while estimating the ARR for FY 2012-13 along with additional amount of Rs.16 crs towards LD/PLD consumers. Considering the proposed collection efficiency of 98% for FY 2012-13, the bad debts of Rs 52.33 crs has been considered as part of ARR for FY 2012-13. The Petitioner humbly requests the Commission to consider the bad debts equivalent to billing to collection gap to enable the Petitioner to recover its entire costs after duly considering the performance levels.

4.9. Depreciation

Depreciation has been provided only on assets available at the beginning of the year and no depreciation has been provided on assets created during the year. The method adopted for calculating depreciation is Straight Line Method (SLM) at pre-92 rates.

The numerical details are given in OERC Form: F-35.

The depreciation for FY 2012-13 is projected at Rs.39.45 Crore.

4.10. Interest Expenses

The Licensee would like to submit that the assumptions with respect to outstanding loans and dues have been considered in line with the Commission's previous orders. The Hon'ble Commission on 28th February 2005 issued the Order on Approval of Business Plan of WESCO, NESCO, SOUTHCO and CESCO (Order passed in Case No. 115 of 2004). The Commission in its Orders has elaborated on treatment of past loans and outstanding dues. Further the Commission in its Orders on applications filed for Determination of ARR and Retail Supply Tariffs for subsequent FYs has also deliberated the treatment of outstanding loans and dues.

In the initial post privatization period, from April 1999, Licensee did not pay the BST bills in full; however, the Licensee started making monthly current BST payments in full from May-2002 onwards. With all receivables from sale of power being deposited by Licensee in the Escrow Account, no amounts remained with Licensee despite full payment of BST. Under such circumstances, Licensee filed a Petition before Hon'ble Commission on 23rd December 2002, seeking relaxation of the escrow mechanism. The relaxation was sought to the extent of payment of salaries to the staff, meeting O&M expenses and payments of statutory dues.

The Hon'ble Commission has passed a detailed Order dated 4th September 2003 in the said case wherein the DISCOMs were directed to submit a Business Plan. Though the Hon'ble Commission did not accept the Business Plan submitted by the DISCOMs, it issued the following directives:

- Directed the DISCOMs and GRIDCO to work out the outstanding BST bill dues
- Treatment of Delayed Payment Surcharge (DPS) should be in accordance with the formula adopted for securitizing the NTPC arrears.
- State Government and State Undertakings' dues be paid directly to GRIDCO to clear the NTPC arrears due on account of DISCOMs and the balance amount may be serviced directly by paying GRIDCO.

Hon'ble OERC, in its Order further clarified that the adjustment of the past dues would be guided by the stipulations in Clause 9 of the Escrow Agreement where arrears were proposed to be securitized and monthly bills were to be set off against current demands. Hon'ble OERC stated that the payment of staff salary cannot be withheld and the DISCOMs will retain the balance amount after meeting 100% BST bills of GRIDCO to meet staff salary payment and urgent O&M costs. Further, in case there is some shortfall in one month the same should be made good in the next month along with 100% current BST bill of that month, which is not followed by GRIDCO. All surplus collection of the licensee over and above current BST bills and Net Salary is being deposited in the GRIDCO account, thereby forcing the Licensee to default in payment of statutory dues to the employee trusts, payments to supplier liabilities towards R&M activities and interest/ principal repayments. For seeking further clarifications on the Hon'ble OERC Order, the DISCOMs filed a petition seeking clarification and Hon'ble OERC in its Order dated 22nd March 2004, opined as follows

"6.....On hearing both the parties and after perusing all the documents before us, the Commission as per Sections 10 & 11 of the OER Act, 1995 and also clause 57 of the Bulk Supply Agreement passed orders as under:-

Relaxation of Escrow for the previous four months requested by the DISTCOs may be done forthwith by GRIDCO to enable the companies to replenish funds diverted from other heads of account for meeting staff salaries etc. Surplus funds, if any, may be passed on to GRIDCO.

Once 100% BST bill is cleared by the three distribution companies, they will be entitled to retain the amount required to meet the expenses towards staff salaries, urgent O & M costs and statutory dues in consultation with GRIDCO as GRIDCO is a joint-venture partner and the CMD, GRIDCO happens to be the non-executive Chairman of the above three DISTCOs. Balance surplus amount is to be passed on to GRIDCO towards payment of dues on account

of NTPC bonds. GRIDCO's loan amount etc. GRIDCO has to act as per clause 55 of the Commission's earlier order dated 04.09.2003."

Subsequently revised Business Plan was submitted by WESCO. The OERC issued a Order on 28th February, 2005 on approval of revised Business Plan submitted by DISCOMs and specifically addressed the issue of restructuring of the liabilities under four heads:

- Outstanding BST dues and DPS
- Treatment of NTPC dues
- GRIDCO loan
- World Bank Loan.

In the said Order, the Commission directed that the securitisation of BST outstanding dues to GRIDCO payable by DISCOMs would be at zero percent interest rate and that the amount to securitized for each DISCOM was to be as on the date preceding when each Company started paying 100% BST bill of GRIDCO.

WESCO filed the clarificatory petition on 14.03.2005 before the Hon'ble Commission on the moratorium period and the repayment period. The Hon'ble Commission passed an order on 20.07.2006 which interalia provides the following;

- i. The Discoms shall repay the outstanding loans including interest along with the securitised BST dues as on 31.03.2005 in ten years 120 monthly equal installments starting from FY 2006-07.
- ii. In case of default of monthly dues by the DISTCOs they shall liable to pay the Delayed Payment Surcharge (DPS) @1.25% per month.
- iii. The BST outstanding and the loan liability will carry 0% rate of Interest. At the same time the interest on the Bonds issued by GRIDCO against the power outstanding due to Gencos would be passed through in the BST.

The supplementary Order passed on 20.07.2006 provides the payment of installments of the GRIDCO loan liability and BST outstanding starts from 2006-07 failing which DPS of 1.25% per month is chargeable.

It was submitted that the Hon'ble Commission has already established a procedure for securitisation In matters pertaining to the sale of CESCO as decided in the order approving the transaction documents for the sale of the Central Zone Electricity Distribution and retail supply Utility. The said order specifies the opening balance sheet and terms and conditions for repayment of the liabilities of GRIDCO. The terms and conditions of repayment of GRIDCO Loan & BST outstanding is as under;

- i. **GRIDCO loan** liability would be repaid in **10 equal annual installments after a moratorium of 5 years** from 01.04.2006. This carries interest rate of 0%.
- ii. **BST outstanding** would be converted into Zero coupon preference shares of **20 years maturity**, with a moratorium period of 7 years and to be redeemed into 52 equated quarterly installments from 8th year onwards.

The Hon'ble Commission heard the said review petition and passed the clarificatory Order on 1st December 2008 and reiterated the same view on scheme of the securitized as stated in Order dated 20.07.2006. Additionally, in the said Order the Hon'ble Commission included the opening BST outstanding as on 1.4.199 and the Delayed Payment Surcharged upto the date of full payment of BST to be securitized. Therefore the Licensee is additionally burdened by an amount of Rs. 63.85 Crore (Rs.5.13 Crore opening balance and Rs.58.72 crore DPS).

The Licensee submits before the Hon'ble commission to allowed the Licensee to pay the amount of the securitized amount based on ability to pay basis considering the funds available with the Licensee. The Licensee proposed to allow the regulatory assets equivalent to said default amount during the last 3 years which the Licensee shall recover and pay to GRIDCO during the ensuing year.

4.11. World Bank Loan

In line with the Commission's previous Orders, the Licensee has calculated the interest on World Bank Loan @ 13% as per the subsidiary loan & project implementation agreement with Government of Orissa, considering 30% of loan as grant and balance 70% as loan. The moratorium period and repayment period for the World Bank Loan has been considered based on the terms of the World Bank (communicated by World Bank to GoO vide its letter dated June 13, 2000). In line with these terms, the repayment period has been considered as 10 years with 20 equal semi-annual installments commencing from FY 2011-12.

For the ensuing year 2012-13, the interest liability is estimated at Rs 11.82 Crore and the repayment liability is estimated at Rs.9.10 Crore.

4.12. NTPC Power Bond

The Licensee including other two DSCIOMs issued bonds worth Rs. 400 Crores in favour of GRIDCO / NTPC with effect from 1st October 2000 with interest @ 12.5%. In all its Orders, the Hon'ble Commission has considered the interest rate of 8.5% (tax free) on these bonds, in accordance with the recommendations of Ahluwalia Committee for restructuring of the dues of the Central Power Sector Undertakings.

In the RST Order for FY 2011-12, Hon'ble commission observed as under;

“459. The Hon’ble ATE in appeal No. 52, 53 and 54 of 2007 filed by WESCO, NESCO and SOUTHCO aggrieved over the approval of their ARR and for determination of Retail Supply Tariff in respect of FY 2007-08 have pronounced following judgement dated 8th November, 2010 with regard to issue of interest on NTPC Bonds. The extract of the same judgement is reproduced below:

“37. Our findings are summarized as under

(i) The first issue is interest on NTPC bonds. The Appellants issued bonds worth Rs.400 crores in favour of GRIDCO to be assigned to NTPC in terms of the Minutes of Tripartite Meeting dated 24.10.2000 at an interest rate of 12.5% to scrutinize the outstanding payments to NTPC. Subsequently, in September, 2001, Government of India announced the Scheme of One Time Settlement of dues of Central PSUs wherein tax free bonds were to be issued to Central PSUs on relaxed terms and carrying an interest of only 8.5% while GRIDCO securitized its own outstandings to NTPC under the One Time Settlement Scheme of Government of India at an interest rate of 8.5% and also subsequently finally settled the outstandings by one time cash payment, the Bonds issued by the Appellants continued to carry interest of 12.5%. The State Commission took the matter with Government of Orissa seeking its views and decision on securitization of bonds of Rs.400 cr. of the Appellants under One Time Settlement Scheme. There is however no response from Government of Orissa. Only GRIDCO informed that their negotiation with NTPC on the issue are still underway. In spite of the fact that GRIDCO has been charging interest @12.5% from the Appellants for last many years the State Commission has been allowing interest rate of 8.5% on NTPC bonds in the ARR of the Appellants. In the impugned Order also interest rate of 8.5% has been allowed. This Tribunal in its Judgement dated 13.12.2006 relating to the FY 2006-07 decided this issue in favour of the Appellants and directed the State Commission to allow interest @12.5% on NTPC bonds in the ARR of the Appellants as a pass through. We are of the view that whatever interest cost is paid by the Appellants to GRIDCO should be allowed as pass through in the ARR of the Appellants. This point is decided in favour of the Appellants.”

460. The Commission has taken note of the observation made by the Hon’ble ATE in the said order while approving the ARR of Licensee for FY 2011-12. The Commission in this regard have preferred Civil Appeal against the above judgement of the Hon’ble ATE before the Hon’ble Supreme Court in the appeal, CA no. D 4688 of 2011. “

In this regard the Licensee submits that the Principal Bench of Company Law Board has passed its order dated 23rd September 2009 and held that there is no oppression and

mismanagement by the Company and dismissed the Appeal filed by GRIDCO. CLB has found that the adjustments made DISCOMs are based on the Subscription Agreement and subject to the OERC Order. The findings of the Hon'ble CLB is reproduced below;

“28. Regarding entries in balance sheet in respect of NTPC Bonds, it is to be noted that the Bonds have not been issued raising funds. They were issued against the due of the Company to GRIDCO on account of dues for bulk supply and also loans. The entire issue is found to be governed by a subscription agreement. Even though NTPC Bonds were subject to some orders by OERC, yet, from the Order of OERC dated 04.08.2008 I find GRIDCO had requested OERC not to deal with the same on the ground that both in respect of adjustment against the Bonds and also for recovery of the amount due on the bonds, GRIDCO would be agitating these matters before the Company Law Board.

29. The Company had issued bonds to the extent of Rs. 130 Crores in terms of subscription agreement dated 25.09.2001 between GRIDCO and the company. GRIDCO had been given the right to transfer these bonds to NTPC. The issues of Bonds were styled as a private placement. the bonds were to be redeemed. The bonds were to carry an interest of 12.5% per annum, the interest being payable semi annual. The tenor of the bonds was 7 years. It is on record GRIDCO had transferred these bonds in favor of NTPC and later on NTPC had re-transferred these bonds in favor of GRIDCO after due to NTPC had been paid by GRIDCO. The grievance of GRIDCO is that the company has made certain adjustments against the bonds in its annual accounts for the period 2005-06. In schedule – III of the Balance Sheet, under the heading Secured Loan , while NTPC Bonds had been shown as Rs 130 Crores, an adjustment of Rs 453 crores had been shown as advance paid/adjusted. GRIDCO is questioning this adjustment on the ground that adjustment is not permissible in terms of the subscription agreement. Thus, according to GRIDCO, the Balance Sheet does not reflect the true and fair picture and as such this is an act of operation. Per se, it can not be held that incorrect entries in the balance sheet would amount to an act of oppression unless it is established with alleged wrong entries, the share holders are misled for an ulterior purpose. In the present case, as I have already observed the bonds have been issued against the dues by the company to GRIDCO by way of an agreement and in guise of alleging that incorrect would be an act of oppression, GRIDCO expects me to examine the correctness of the entries. It would mean that I have to determine the correctness or otherwise of the entries taking into consideration the terms of the subscription agreement. Such an exercise is beyond the scope of the proceedings. Therefore GRIDCO is at liberty to agitate this issue before an appropriate forum. In other words, I do not find that ant act of oppression has been established in this regard.

30. XXX

31. In view of my findings above in relation to the allegation, I hold that GRIDCO has not established any case of oppression or mismanagement and as such this petition deserves to be dismissed. Since the allegations are similar on the other two petitions also, they also deserve to be dismissed.

32. Accordingly I dismiss all the three petitions”

Subsequently, in the License suspension case (no 35 of 2005) vide Order dated 12.05.2011, Hon'ble Commission directed Licensees to settle the issue on the NTPC Bonds amicably within the limit of settlement made by GRIDCO. The relevant extract is reproduced below;

“ 31.8 In respect of NTPC bond of Rs.400 crore the final settlement has been made for a total sum of Rs.603.50 crore through payment by the DISCOMs directly to NTPC as well as the payment made by GRIDCO in cash and through adjustment to NTPC as indicated below:-

31.9 “ It is	A. Original value of Bond Interest accrued from 01.10.2000 to 31.03.2007	Rs.400 crore Rs.295 crore
	Total (A)	Rs.695 crore
	B. Settlement 1) Interest paid by DISCOMs directly to NTPC 2) NTPC adjusted the refund amount due to GRIDCO 3) Direct Payment by GRIDCO to NTPC	Rs.110.80 Crore Rs.276.70 Crore Rs.216.00 crore
	Total (B)	Rs.603.50 crore
	C. Interest relief (A-B)	Rs.91.50 cr. (Rs.695 cr. – Rs.603.50 cr.)

observed from the above table that the interest actually paid to NTPC amounts to Rs.203.50 crore from 01.10.2000 to 31.3.2007 over a bond value of Rs.400 crore. The effective rate of interest as computed is arrived at 7.83% whereas the Commission has been allowing interest @8.5%in the ARR’s.”

“47. In case of NTPC bond when GRIDCO has settled the issue with NTPC by making onetime payment and the total liabilities discharged in respect of NTPC bond is Rs.603.50 crore including the interest payment by the three distribution companies directly to NTPC for Rs.110.80 crore, WESCO, NESCO & SOUTHCO should take positive steps to settle

the issue with GRIDCO limiting to the total payment of Rs.603.50 crore rather than prolonging the issue on both the sides by litigation and counter litigation. An effort is required by both the shareholders to create a conducive atmosphere rather than allowing things remain where they are at the commencement of the suspension proceedings.”

In compliance to the above direction, the Licensee has several round of discussion with GRIDCO and very near to settle the issue amicably. The Licensee further submits that the dispute on the Power bonds is a dispute between the Licensees and Hon’ble Commission has the sole jurisdiction to decide on the dispute under the provisions of EA, 2003. Therefore, in line with discussion with GRIDCO, the Licensee shall approach the Hon’ble Commission very shortly through a separate petition on the amicable settlement proposal.

Thus, the Licensee does not claim any interest towards the NTPC Bonds in the ARR for the FY 2012-13 and reserves its right to claim the differential interest between the settlement amount and the approved interest, if any in the ARR of subsequent year .

4.13. APDRP Assistance

For the ensuing year, no amount has been estimated to be expended under APDRP Scheme during the ensuing year. For the assistance already availed by the licensee previously, interest @ 12% p.a has been considered for the ensuing year on the existing loan. The amount towards interest is estimated is Rs 65.70 lacs.

4.14. Capex Loan from Govt. of Orissa

During the ensuing year an amount of Rs.2.86 crs has been estimated towards Govt. of Orissa Capex plan loan. As per the scheme an amount of Rs.58.50 crs during the current year and Rs.26 crs during ensuing year will be disbursed by Govt. of Orissa for the above scheme. The rate of interest is considered @ 4% p.a for the ensuing year on the above loan.

4.15. Interest on System Improvement Schemes and counter part funding from REC/ IDBI for Govt. Capex Plan

The Licensee has existing loan of Rs.19.20 crs from REC availed for system improvement and counter part funding against APDRP. Further the licensee proposes to avail Rs.10 crs during the current year and Rs.39 crs during ensuing year from REC/IDBI at interest rate of 13.5% p.a. The interest on such loan for FY 13 is estimated as Rs 6.30 Crores.

4.16. Interest on Security Deposit

Section 47(4) of the Electricity Act 2003 states that “The distribution licensee shall pay interest equivalent to the bank rate or more, as may be specified by the concerned State Commission, on the security referred to in sub-section (1) and refund such security on the request of the person who gave such security.”

The OERC Distribution (Conditions of Supply) Code 2004, Regulation (21) also mandates the payment of interest on consumer security deposit, the manner in which it is to be administered and penal provisions for delay in making such payments.

The licensees have calculated the interest on security deposit @ 6% on the closing balance of security deposit amount for FY 2011-12. The total interest on security deposit considered in ARR for FY 2012-13 works out to Rs24.18 Crore.

4.17. Interest Capitalized

The interest on loan outstanding at the beginning of the year has been considered as revenue expense as a part of ARR. The interest on loan to be drawn during the ensuing year for capital works amounting to Rs.3.15 Crores has been capitalized.

4.18. Total Interest for Financial Year FY 2012-13

The total interest expenses estimated for FY 2012-13 is given in following Table:

Summary of Interest Expenses

		Rs. In crs.
1	World Bank	11.82
2	APDRP	0.66
3	REC/IDBI-Counterpart & SI Scheme	6.30
4	Interest on Security Deposit	24.18
5	Govt. of Orissa Capex Loan	2.86
6	Other loan & Finance charge	26.29
7	Total Interest	72.11
8	Less Interest Capitalised	3.15
9	Net Interest for ARR	68.96

The total interest chargeable to revenue proposed by the licensee for the year FY 2012-13 is Rs.68.96 crores.

4.19. Truing up of ARR and creation of Regulatory Assets

That, the Hon'ble Commission for the 1st time calculated the truing up figures in the tariff Order dt.22.03.2007 for FY 2007-08. In subsequent 4 consecutive years, the Hon'ble Commission did the exercise and in the absence of clear principles and guidelines truing up is done on a

provisional basis and the figure for a particular year differs in different years ARR Order, leading to regulatory uncertainty and as a result the Licensee is unable to recover such costs. Separate principles are being adopted for each element of cost and revenue for truing up purposes and that, there needs to have consistency in adoption of such principles. Some of the state Regulators have framed the truing up Regulation which set out the methods and principles for annual true up exercise of the Licensees. It is most respectfully submitted that the Hon'ble Commission to frame a regulation for the truing up exercise.

In the RST Order for the FY 2011-12 Hon'ble Commission have computed the Truing up impact upto FY 2009-10 on provisional basis. The Licensees were directed to submit the requisite data as directed by the Hon'ble Commission in the Order on receivable audit in Case No. 68, 69, 70 & 71 of 2007 dtd. 14.01.2011. The relevant portion of the said Order is extracted below;

- “21. To summarise the Commission decides and directs as follows:
- i. The Commission decides in principle to consider the following receivable as bad debt completely:
 - (a) Receivables of all LD/ permanently disconnected consumers.
 - (b) Receivables of ghost consumers
 - ii. Licensees are directed to furnish consumer-wise list of all LD, PDC and ghost consumers in a soft copy along with hard copy duly certified by concerned SDOs and respective auditors.
 - iii. The list should be submitted to the Commission on or before 28.02.2011.
 - iv. The final truing up exercise in respect of bad debt shall be carried out after the licensees submit the data within the scheduled date as stated above.”

The licensee has submitted the *consumer-wise list of all LD, PDC and ghost consumers in a soft copy along with hard copy duly certified by concerned SDOs and respective auditors* on 17.03.2010 through affidavit dated 14.03.2011. The certified statements provide that the outstanding receivable from LD/PDC & Ghost consumers as on 31.03.2005 is Rs.176.74Crores.

The Licensee submits the following points for consideration on the principle followed by the Hon'ble Commission in computation of the truing up impact.

Notional Sales : In the provisional Truing up computation in the tariff Order for the FY 2011-12, Hon'ble Commission hypothetically added notional sales in the revenue of the Licensee which the Licensee presumes to be equivalent (though the computation is not made available to Licensee) to the differential Distribution loss between the approved vrs actual loss. The

Licensee further presume that the Hon'ble Commission added the notional sales(revenue) considering the Revenue as a controllable Item.

It is most respectfully submitted that the aforesaid method of computing the truing up by Hon'ble Commission is very much contrary to it's own Order dated 14.01.2011. The relevant extracts of Order dated 14.01.2011 of the Hon'ble Commission on the Truing up & receivable Audit in Case No. 68, 69, 70 & 71 of 2007 is reproduced below;

“20. Regarding issues at item (b) that is whether to consider the bad debt in truing up exercise and recognize the same as regulatory asset to be passed on to tariff, the Commission would like to address the controllable and uncontrollable parameters of distribution licensees in line with National Tariff Policy. A table below explains the position:

Controllable	Uncontrollable
<i>Distribution losses and AT&C losses technical and commercial losses.</i>	<i>Power purchase expenses due to increase in fuel costs and change in sales quantum.</i>
<i>Collection efficiency and provisioning for bad and doubtful debts</i>	<i>Sales quantum</i>
<i>O&M expenses</i>	<i>Sales mix</i>
<i>Capital expenditure</i>	<i>Interest rate on long-term loan</i>
<i>Normative percentage of working capital</i>	<i>Interest rate on working capital</i>
	<i>Increase in expenses due to force majeure</i>

The above Order of the Hon'ble Commission clearly and unambiguously state that the sales quantum and sales mix are uncontrollable items of ARR. The revenue is nothing but the combination of the tariff, sales quantum and sales mix. Being all the items of revenue are uncontrollable, the revenue of the Licensee is clearly an uncontrollable item. Thus, the addition of the notional sales is contrary to the Order of the

ROE: The Licensee most respectfully submits that the Truing up of the ROE required to be done as per the MYT order dated 28.02.2011 in case no.199 of 2009 which provides for 16% on the equity capital.

Contingency Reserve: The Licensee most respectfully submits Hon'ble Commission to Truing up the ARR of the Licensee allowing Contingency Reserve as per the audited accounts

Provision for bad debt: The Licensee most respectfully submits Hon'ble Commission to be trued up as per the finding of the Independent Auditors. OERC passed the Order on 14.01.2011 and held that there is nothing on record which might show that all debtors as shown by Auditor are not recoverable, as long as there is a ray of hope to recover the debt, it has become recoverable. Thus it is submitted before the Hon'ble Commission to consider the entire non-recoverable amount as projected by Independent Auditors appointed by Hon'ble Commission as provision towards bad debt. And the receivable from LD/PDC & ghost consumers as the bad debt for written off. It is further submitted that in the event any of the amount is recovered out of the provision of bad debt obviously shall be reflected in the Audited Accounts of the Licensee following the accounting principles and automatically trued up.

The Licensee most respectfully submits that the computation of the Truing up impact for the years upto FY 2010 would be Rs.419.81 Crore as detailed in the following table. The said figures are higher than the figures provisionally computed by Hon'ble Commission. The licensee submits that any further details as desired by Hon'ble Commission on the Truing up computation shall be submitted to the Hon'ble Commission. The Hon'ble Commission is requested to approved the truing up impact and allow the regulatory assets for the Licensee. The creation of the Regulatory Asset shall improve the Balance Sheet of the Licensee which would help the licensees to arrange the counter-part funding at a competitive rate.

TRUING UP UP TO 2009-10			
Year	Revenue Requirement (Audited)	Revenue Realisation (Audited)	surplus/ (Gap)
1999-00	473.44	412.13	(61.31)
2000-01	562.93	452.63	(110.30)
2001-02	618.49	489.44	(129.05)
2002-03	653.89	601.94	(51.95)
2003-04	697.18	652.41	(44.77)
2004-05	760.5	730.94	(29.56)
2005-06	809.26	786.75	(22.51)
2006-07	875.68	907.82	32.14
2007-08	1132.66	1083.51	(49.15)
2008-09	1544.14	1557.01	12.87
2009-10	1388.93	1361.33	(27.60)
Total	9517.1	9035.91	(481.19)

Truing up FY 2011

In the meanwhile the licensees audited accounts of FY11 has been prepared and the licensee proposes to true up the revenue gap of FY11. In adherence to the direction of the Hon'ble Commission vide letter no. Dir(T)383/10/1640 dated 06.09.2011, the Licensee submitted the Audited Accounts for the year ending 31st March 2011 in its letter no Wesco/F&A/267 dated 1.10.11. Accordingly the Licensee would like to submit that based on the audited accounts for FY 2011 the uncovered gap is Rs.156.41 Cr

Rs. In Crores

	Particulars	FY 2010-11
1	Cost of Power Purchase	1397.55
2	Distribution Costs	
	(a) Employee costs	203.23
	(b) Repair & Maintenance	16.59
	(c) Administrative and General Expenses	21.51
	(d) Provision for Bad & Doubtful Debts(Actual)	34.59
	(e) Depreciation	14.14
	(f) Other expenses including prior period income/charges	-4.15
	Less: Expenses capitalised(Employee Cost A&G &R&M)	0.18
	(g) Interest & Finance Charges	44.75
	Less: Interest capitalised	0.02
2A	Total Expenses (a + b + c + d + e + f - g + h - i)	330.44
3	Special Appropriation	2.31
4	Return on equity	7.78
5	TOTAL (1 + 2A + 3 + 4)	1738.08

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6	Less Miscellaneous receipts	49.55
7	Total Revenue Requirement (5 – 6)	1688.54
8	Revenue from tariffs (full year)	1532.12
9	(Gap) / surplus for the year	(156.41)
10	GAP up to 2009-10	(481.19)
11	GAP up to 2010-11 considering gap up to FY 2009-10	(637.60)

The Licensee most respectfully submits that in view of the uncontrollable items in incomes and expenses (including arrear arising on account of pay revision in line with sixth pay commission's recommendation etc.), Statutory Auditors advised the Licensee to create regulatory assets for FY 2010-11 arising out of truing up. Regulatory Asset for the difference of the actual employee cost and the employee cost approved by OERC for FY 2010-11, amounting to Rs.3260 Lakhs has been accounted as Income recoverable from future revenue as well as Regulatory Assets. As per National Tariff Policy all uncontrollable expenses and revenue be allowed to carry forward as Regulatory Assets and be passed through while determination of Tariff in future. During January 2010 to May 2010 the Hon'ble Commission imposed power regulation with the result; the Company was directed to sale lower volume by 25% to HT consumers and 15% to EHT consumers. This substantially impacted revenue and margin. This drop in Revenue was not recognized in Tariff Order for FY-2010-11. On truing up, the same is classified as Regulatory Assets. The amount of Unbilled Income and Regulatory Assets recognized during this financial year is Rs. 4006 Lakhs on account of Power Regulation. In line with the Tariff Policy the company has recognized Unbilled Revenue and Regulatory Assets on account of Interest Rs.1087 Lakhs and for depreciation Rs. 288 Lakhs as uncontrollable expenses.

In view of the above accepted facts of the uncontrollable items and the provision for the regular truing up as mandated in the Tariff Policy, the Licensee humbly submits Hon'ble Commission to recognize the truing up Gap as regulatory assets as submitted in the above table.

TRUING UP FOR FY 2011-12

Further based on the actual sales, revenue and expenses for the first half of the current year 2011-12 and based on estimates for next half of current year, the uncovered gap for FY 2011-12 is Rs.459.01 Crore as against the surplus of Rs.16.34 Crore as indicated below.

	Unit MU	OERC Approval	Estmd.	Diff
No of Units – sale	MU	5324	4000	1324
RST per unit	Rs/Kwh	4.13	4.47	-0.339
Sales	Rs Crore	2,199.30	1,788.12	411.18
Less-Bad Debts	Rs Crore	13.54	58.64	(45.10)
Net Sales	Rs Crore	2,185.76	1,729.47	456.29
Other Income	Rs Crore	36.81	28.35	8.46
Total Income	Rs Crore	2,222.57	1,757.82	464.75
Distribution Loss	%	19.70%	37.50%	17.80%
No. of Units – Purchase	MU	6630	6400	230
BST per Unit	Rs/Kwh	2.87	2.87	0.00
Cost of Power	Rs Crore	1,904.00	1,836.80	67.20
Distribution Expenses	Rs Crore	238.45	285.80	(47.35)
Interest & Finance charges	Rs Crore	35.16	60.49	(25.33)
Depreciation	Rs Crore	20.83	23.49	(2.66)
Total Expenditure	Rs Crore	2,198.44	2,206.58	(8.14)
Contingency Reserve	Rs Crore	-	2.47	(2.47)
Reasonable Return	Rs Crore	7.78	7.78	-
Excess/(deficit)	Rs Crore	16.35	(459.01)	475.36

As it is well known that the Licensee including the other 3 distribution licensee have suffered heavily in their revenue due to the stay granted by the Hon'ble High Court of Odisha on the revised tariff of LT Domestic category Consumers coupled with the less/ non drawal of many HT/ EHT industries from the Grid. The adverse financial impact is due to non realization of the incremental tariff on slab-wise basis for Domestic category consumers on approved MUs and loss of margin in HT/EHT for the lower sale units against approved units by the Hon'ble Commission. The Impact on account of stay on revised Tariff of Domestic Category Consumers and EHT & HT loss of margin for the FY 2011-12 would be Rs.177 Crore for the Licensee

Details are tabulated hereunder.

Lower demand as compared to MU approved in ARR						Impact of stay on domestic category (Rs.in Crore)#	Total Overall Impact (Rs.Cr)	Monthly Impact (Rs.Cr)
EHT-Category			HT-Category					
Lower Compared to approved MU	Margin Loss per Unit (Rs./Unit)	Loss of margin (Rs.in Cr)	Lower Compared to approved MU	Margin Loss per Unit (Rs./Unit)	Loss of margin (Rs.in Cr)			
181	2.48	45	167	2.24	37	95	177	15

Domestic category consumers, the impact of stay on RST has been computed on the slab- wise consumption (matching with the MU approved in ARR) vis-a-vis the revised tariff. Detail computation statements enclosed.

- ❖ Actual demand of EHT & HT compared with approved MU in ARR and also the margin.
- ❖ The impact of the difference in the AT&C loss as per 'actual' & 'approved ARR' is not considered above.

This has also affected the licensee in carrying out the required O&M and arresting system losses. Considering that the variation in estimated revenue and expenses during FY 2011-12 is due to reasons beyond the control of the Licensee, the Licensee humbly requests the Commission to allow truing up of estimated uncovered gap of Rs.459.01 Crore relevant to FY 2011-12 as part of FY 2012-13 ARR.

Amortisation of Regulatory Asset

Based on the Hon'ble Commission's ruling, the Petitioner understands that the Hon'ble Commission would admit the servicing cost of such securitised liabilities (i.e. interest payable) and repayment of such securitised liabilities as a component of subsequent ARRs. The Petitioner is in agreement with the observation of the Commission that the Regulatory Asset should be adjusted to the extent that the revenue requirement is recognised towards repayment of securitised liability in the approval of subsequent ARRs. The Commission's approval of pass through of repayment liability as a component of Annual Revenue Requirement is in effect an implicit approval of Regulatory Asset to the extent of quantum of securitised liabilities. This is so because the Liabilities would match the Assets in the Balance Sheet of a Company in any double entry accounting system. Such securitised liabilities (attributable to accumulated losses) on the Liability side of the Balance Sheet are represented by a Regulatory Asset (i.e. the accumulated losses) on the Asset side of the Balance Sheet.

The Petitioner would further like to submit to the Hon'ble Commission that the quantum of securitised liabilities does not fully represent the Regulatory Asset on the Asset side of the Balance Sheet. The Petitioner has additional accumulated liabilities towards statutory authorities and its suppliers which is also attributable to accumulated past regulatory gaps i.e. the Regulatory Asset being claimed by the Petitioner. The Petitioner respectfully submits to the Hon'ble Commission that repayment of such accumulated liabilities towards statutory authorities and its suppliers should also be allowed as a component of subsequent ARRs on the similar lines as that of securitisation of liabilities of GRIDCO. This in effect means that amortisation of Regulatory Asset to the extent of repayment of such accumulated liabilities should also be allowed to be recovered through subsequent ARRs.

Further, the Commission has ruled in clause 6.14.4 of the RST Order for FY 2005-06 *“...However, with collection of a part of receivables, the licensees will be able to wipe out the outstanding liabilities, as evidenced from Audit Report. In view of the above, the Commission does not consider it necessary to allow the past loss or regulatory assets as claimed by the licensees.”*

The Petitioner respectfully submits that the very reason of non collection of receivables are already narrated in the previous paras. The Petitioner has taken several steps and has been able to effect substantial improvement in collection efficiency from FY 1999-00 to FY 2008-09. The Licensee has and would remain committed to the power sector in Orissa to bring about the improvements to the system.

It has been imperative to note that the collection efficiency in the State of Orissa was never more than 72% to 75% before privatisation of the power sector which has been improved to the extent of 96% in the Licencee area. It has been a widely known fact and recognized and accepted by various Committees constituted to study issues related to power sector in the country that it is a common practice across all State Electricity Boards (SEBs) to raise bogus bills at the year-end to show lower distribution losses. As a result the books of SEBs carries huge non-realizable and bogus receivables.

The Petitioner further submits that the past Retail Supply Tariffs were determined with deficit/negative clear profit and based on the unrealistic distribution loss level targets. The losses attributable to such deficit/negative clear profit and unrealistic distribution loss level targets do not represent the “Receivables” and the liabilities/Regulatory Asset cannot be adjusted against such receivables as directed by the Hon’ble Commission.

The Petitioner humbly requests the Hon’ble Commission to recognize, acknowledge and accept the Regulatory Assets claimed by the Petitioner and allow amortisation of Regulatory Asset through recovery of tariff in next Business Plan period to service the non-asset bearing liabilities.

The Petitioner has noted that the Hon’ble Commission has allowed GRIDCO to adjust its revenue surplus during FY 2004-05 and FY 2005-06 against its past-accumulated losses thereby signaling that the past accumulated losses in the Sector are allowed to be adjusted as and when the Sector is able to absorb such losses. Similarly the Hon’ble Commission has left the revenue from export of power for adjustment towards the past losses in the BSP order for the year 2006-07 and 2007-08, the Licensee submits that similar treatment may be rendered to the Licensee. Similarly the Hon’ble Commission allowed the amortization of the Regulatory

Assets to the extent of Rs. 19.00 Crore during the FY 2009-10 which has been directed to be paid to GRIDCO.

The Licensee reasonably expects that the Hon'ble Commission would also accept the claim of recovery of the Regulatory Assets to the extent cash requirement during the year 2009-10 keeping in view the issues raised herein above. Considering the magnitude of impact of the decision on the viability and sustainability of the Licensee, the Licensee respectfully requests the Hon'ble Commission to allow the Regulatory Assets so as to enable the Licensee to render best services to the consumers of Orissa as well as meet the dues of the creditors and statutory liabilities.

The Petitioner has only included the amortization of Regulatory Asset to the extent of liabilities towards Securitization of BST dues,, inspection fees and Pressing Creditors etc.as detailed below.

The Licensee humbly requests the Hon'ble Commission to allow amortisation of Regulatory Asset to the extent of Rs 52.67 Crore for FY 2012-13.

4.20. Non Tariff Income

The Licensee has proposed Rs 25.16 Crore as Non Tariff Income for the ensuing year FY 2012-13. The Licensee proposes to abolish meter rent for all the categories and hence not considered any income from meter rent.

4.21. Provision for Contingency

The Distribution system is more prone to natural calamities like cyclone, flood etc for which contingency provisions should be made, which has also been recognised by the Hon'ble Tribunal and the Tariff Policy. The Hon'ble Commission in its Order on ARR and Tariff Petition of Orissa Power Transmission Corporation Limited (OPTCL) for FY 2006-07, FY 2007-08, FY 2008-09 and FY 2009-10 has also approved the contingency amount of Rs 12.59 Crore, Rs.10.49 crores, Rs 13.10 Cr and Rs. 9.08Crore respectively. Accordingly, the Licensee has considered the Contingency @ 0.375% of Gross Fixed Assets at beginning of the year while estimating the ARR for the ensuing year FY 2012-13. The Licensee respectfully submits to allow Rs.4.13 Crore towards provision for contingency for FY 2012-13.

4.22. Reasonable Return

The Licensee submits that due to the negative returns (Gaps) in the ARR and carry forward of huge Regulatory Assets in previous years, the licensee could not avail the ROE over the years, which otherwise would have been invested in the Company for improvement of the

infrastructure. As it is followed by various Commissions, the Licensees submits that the ROE to be allowed on the amount of the equity and the accrued ROE for the previous year. This would increase the availability of more funds for the consumer services.

Therefore, the Licensee has assumed reasonable return amounting to Rs.7.78 Crore as calculated @ 16% on equity capital including the accrued ROE as per the earlier Orders of the Hon'ble Commission.

4.23. Revenue at Existing Tariffs

The Licensee has estimated the revenue from sale of power considering the sales projected for FY 2012-13 and by applying the various components of existing tariffs. As detailed out in previous sections, the Licensee has adopted the approach considered by the Commission and estimated the revenue from sale of power on accrual basis. The total revenue based on the existing tariffs applicable for the projected sales is estimated at Rs 1866.69 Crore.

The details of estimated revenue from different categories of consumers at existing tariffs is provided in Form T-7&T- 8. The Licensee humbly requests the Hon'ble Commission to estimate the revenue for estimated sales at existing tariff by duly considering the category-wise and slab wise in the format prescribed by the Hon'ble Commission the tariffs applicable instead of projecting it by applying an average realization rate as the average realization rate does not take into account the impact of variations in sales mix on the estimated revenue. With the implementation of the RGGVY and BGJY Schemes the sales mix shall be further skewed to the LT subsidized category.

4.24. Summary of Annual Revenue Requirement and Revenue Gap

The summary of Annual Revenue Requirement, Revenue at Existing Tariffs and Revenue Gap for the ensuing year 2012-13 is provided below.

Revenue Gap

Rs Crore	
Expenditure including Special Appropriation in FY 2012-13	2426.43
Reasonable return for FY 2012-13	7.78
Truing up of Revenue Gap for FY 2010-11	156.41
Truing up of Revenue Gap for FY 2011-12	459.01
Sub Total	3049.63
Revenue from sale of power at existing tariffs in FY 2012-13	1816.31
Non Tariff Income	25.16
TOTAL REVENUE GAP (with existing tariff)	1208.16

5. Capital Expenditure Plan and Capex Related Expenses

5.1. Capital Expenditure Programme

The Licensee proposes to invest Rs 625 Crore on capital expenditure schemes in the ensuing year including new schemes and ongoing schemes that have been carried forward from the earlier years which includes capital works under RGGVY & BGJY scheme to the tune of Rs.562 crs. as detailed in the table below;

SL No.	Scheme	Amount Rs. Crore
1	GoO Capex Scheme	117
2	RGGVY	408
3	BGJY	42
4	System improvement including AMR installation, ABT implementation, IT Automation , RTI and others	58
	Total	625

GoO Capex Funding mechanism:

Total Rs. 2400 Cr. have been proposed for the four Distribution Companies in coming four years. Out of which Rs. 1200 Cr. shall be funded from Govt. of Orissa which includes Rs. 500 Cr. from Finance Commission.

The detail bifurcation of fund from Govt. of Orissa is as below.

- (i) Rs. 500 Cr. from 13th Finance Commission
- (ii) Rs. 166.67 Cr. – matching fund of GoO (1/3rd) to Finance Commission with 4% Loan
- (iii) Rs. 166.67 Cr. – matching fund of GRIDCO (1/3rd) to Finance Commission with 4% Loan
- (iv) Rs. 366.66 Cr. – States support against CAPEX with 4% Loan

Against the fund (i) and (ii) amounting to Rs. 666.67 Cr. released from Govt. of Orissa would be passed as zero percent interest loan to Discom, but after achieving the targeted AT & C Loss i.e. @ 3% per Annum cumulatively in the coming four years, the total amount would be converted to Grant from the zero percent interest bearing loan component.

There is a moratorium period of 05(Five) years for repayment of principal as well as interest against the fund released from Govt. of Orissa as mentioned.

Equal amount of fund is to be supported from the licensee part as counterpart fund i.e. to the tune of Rs. 234 Cr.

Schedule of financing of counterpart fund are as below.

Financial Year	Rs. in crs
1 st Year	0.00
2 nd Year	39.00
3 rd Year	78.00
4 th Year	117.00
Total	234.00

The DPRs for Rs.664.74 has been submitted to Government of Orissa vide Letter No 508 dated 18.03.2010.

The same DPRs were submitted to OERC on 9th July 2010. After hearing the details of proposed activities, Hon'ble Commission has accorded in principle Approval pending submission of detail DPRs year wise with Cost Benefit Analysis.

Further to the instruction of Govt. of Orissa vide Letter No.7991 dated 9.9.2010, the licensee is required to submit the detail DPRs for coming two years, area wise with Hon'ble Commission for final approval.

The licensee has submitted the detail DPRs with Hon'ble Commission for initial two years for which hearing was held on 10.11.2010 and final approval by Hon'ble Commission was accorded to for Rs.185.50 crs.

Capitalization & Impact on Tariff

The proposed capital expenditure as submitted by the licensee for the first year is as follows.

First year proposed works

The fund is likely to be released to the licensee during first week of January'2011 by which time all the formalities regarding procurement & execution orders would be finalized. It is expected that the proposed first year works would be completed by September'2011. So the licensee would transfer the works from work in process scheme wise taking consideration of actual expenditure incurred along with capitalization of interest, employee cost, over head expenses, Land, Buildings, equipments etc. to their fixed Assets.

REC Loan – II and IDBI Loan:

REC has sanctioned loan amount under System Improvement Scheme for procurement and installation of Over head conductors, LT XLPE Cables, Static Energy Meters, Single Phase & Three Phase Distribution Transformers and Circuit Breakers as follows:

Rs. in Cr.

Name of the DISCOM	Project Cost	Loan amount sanctioned
From REC	50.76	29.17
From IDBI		20

IDBI Bank has sanctioned term loan of Rs. 20 crore, to the licensee for the above CAPEX program with the following proposed terms.

1. Hypothecation of Proposed Assets and
2. 2nd Charge on Escrow on the Other Incomes which includes Security Deposit, Supervision Charges, Rebate on BST Bill payment, Meter rent etc. after serving of the REC loan installment.
3. Tenure- 7 years including 2 years moratorium for repayment of principal.

5.2. CAPEX UNDER RGGVY AND BGJ SCHEME:

RGGVY:

For Rajiv Gandhi Gramin Vidyutikaran Yojana, as per the scheme 90% of the project cost is to be treated as grant from Central Government and remaining 10% will be given as loan to Govt. of Orissa. Govt. of Orissa has agreed to repay this 10% loan of capital expenditure along with interest charges under RGGVY scheme. Thus, for Licensee entire 100% fund for RGGVY has been considered as 100% grant. In view of this, the Govt. of Orissa would be the owner of the assets created on the implementation of the project while Licensee will be responsible to operate and maintain these assets to provide power supply in the project areas and derive consequential benefits out of the assets created under the project

Capex of Rs.929 Crores sanctioned by MoP, Gol, New Delhi for implementation of RGGVY scheme in 9 districts of Wesco area. The scheme is currently under implementation in WESCO.

1. As per the RGGVY Scheme, MoP, Gol, New Delhi will contribute 90% of the funds as grant, whereas remaining 10% will be provided as grant by the State Government. The execution of the scheme will be undertaken by CPSUs viz; NHPC, NTPC and PGCIL.

2. The total number of house-holds to be electrified will be approximately 8,96,482 numbers. Accordingly, Wesco expects the addition of around 1,05,806 consumers, due to implementation of RGGVY will be added in the billing fold by March 2011,. However, according to the agreement assets so created will stands transferred to State Government and Distribution Companies will operate & maintain the system on behalf of State Government.

BGJ Scheme:

Under this scheme total no of Blocks will be electrified for WESCO is 84 nos. Per block the expenditure will be Rs.1 crore. Accordingly the licensee has considered Rs 42 Cr for FY 12-13. The expenditure under this scheme will be borne by the Govt. of Orissa.

RAPDRP Schemes

The Govt of India has debarred privatised distribution utilities from availing the funds earmarked in the scheme for the 11th Plan period, therefore the Orissa DISCOMs are debarred. As understood, Govt of Orissa has taken up the issue with MOP, Gol for consideration of the Orissa DISCOMs for inclusion.

6. Tariff Proposal

As discussed in earlier sections, based on estimated Revenue Requirement and Revenue at existing tariff, the revenue gap for FY 2012-13 may be bridged out of Retail Supply Tariff hike, and Balance by combination of reduction in Bulk Supply Tariff, grant/ subsidy from the Govt. of Orissa.

Licensee submits that in the past due to inadequate tariff (revenue gap in ARR), Licensee faced financial crunch which lad cascading effect on the performance of the Licensee, further worsening the financial health. During last 09 years up to 2009-10, the RST had not been increased rather decreased in some categories. However the distribution loss has gone up in line with inflation. The salaries and wages has gone up by 30% with revised pay. Besides annual normal increase of 8% to 10% of DA semi-annually. The Licensee submits that the increased financial strength should be shared between the Licensee with improve efficiency and the consumers with increase in tariff. Thereby the Licensee could be financial viable and improve the services to the consumers.

7. CROSS SUBSIDY

Pursuant to the Orders of the Hon`ble ATE dated 30th May 2011 & 2nd September 2011 and the Order/Directions of the Hon`ble Supreme Court of India in Civil Appeal No 8093 of 2010, a public notice has been issued pertaining to determination of cross subsidy for the Retail

Supply Tariff Orders in FY 2010-11 & FY 2011-12. The Hon'ble ATE in Para '41.5' and '42' of Order dated 30th May 2011 in Appeals Nos. 102, 103 & 112 of 2010 has remanded the matter to the Hon'ble Commission for re-determination of the variation of average tariff for different consumer categories with respect to average cost of supply and provide consequential relief to appellant's consumer category in terms of the tariff Policy, if any, after hearing all concerns.

Further Hon'ble ATE in their Order dated 2nd September 2011 Appeal No. 57, 67, 68, 69, 70, 71, 72, & 73 of 2011 under Para '8' has set aside the impugned Order of the Hon'ble Commission in the light of directions given by Hon'ble Tribunal in Appeal No. 102, 103 & 112 of 2010 dated 30th May 2011. The Hon'ble ATE has also directed Hon'ble Commission under Para 10 that "Therefore, it would be appropriate to direct the Commission to re-determine the tariff on cross-subsidy the said exercise must be completed by 30th November, 2011 i.e. six months from the date of the earlier judgment i.e. 30th May, 2011 positively and till then the tariff of any category is not disturbed".

2. The Hon'ble High Court of Orissa in its order dtd.16.3.2010 passed in WP(C) No.6624, 6625 & 6626 of 2008 while dealing with cross-subsidy has directed in para 10 of the said Order as under:

"10. However, in order to avoid multiplicity of litigations and taking into consideration the entire facts of the case, including subsequent developments, namely pendency of tariff proceeding for the year 2010-11 before the OERC, this Court directs the OERC to strictly comply with the requirement of Sections 61 and 62 of the Electricity Act, 2003 and Regulation 7(c)(iii) of Orissa Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulation, 2004 while fixing the tariff for the financial year 2010-11. Further, the Orissa Electricity Regulatory Commission is also directed to fix the cost of supply at various voltage i.e. EHT, HT, LT and the Orissa Electricity Regulatory Commission shall also indicate the extent of cross-subsidy existing and plan of action to reduce it to over a period of time as envisaged in Section 61(g) of the Electricity Act, 2003 and Regulation 7(c)(iii) of OERC (Terms and Conditions for Determination of Tariff) Regulations, 2004."

3. The Licensee submits that neither Electricity National Electricity Policy or the Tariff Policy provide for methodology for computing cross subsidy and amount of cross

subsidy received/contributed by various consumer category is determined on the way cost of supply is calculated and such calculation may be based on;

- (i) Average cost of supply
- (ii) Voltage- wise cost of supply
- (iii) Cost of supply to various consumer categories

So far Hon'ble Commission have been determining the Tariff for various categories of consumers based upon average cost of supply for entire State.

In the wake of decision from Hon'ble ATE, in Case No. 102,103, and 112 of 2010 and subsequently in Appeal No. 57,67,68,69, 70, 71,72 and 73 of 2011, Hon'ble Commission is required to determine the cost of supply, voltage wise EHT, HT and LT. As the Hon'ble Commission has asked DISCOMs to submit the methodology to be adopted for determination of voltage wise, cost of supply in the absence of adequate metering exists, Licensee submit as under:-

- i. **Allocation of low cost power to LT sector:** Licensees submits that Hon'ble Commission, while complying Orders of the Hon'ble ATE, may consider to allocate low cost power to the LT Sector and accordingly the highest cost power would be allocated to EHT sector.
- ii. **Apportionment of Distribution cost to all voltage categories, irrespective of Technical Loss:** The distribution cost be apportioned to the EHT, HT and LT sector in proportion to the annual gross energy consumption at the respective voltage level as directed by the Hon'ble ATE in Para 33 of the Order dated 30th May, 2011 in Appeal No. 102,103 and 112 of 2010.
- iii. **Allocation of the commercial loss among all category of Consumers;** The commercial loss be apportioned to the EHT, HT and LT sector in proportion to the annual gross energy consumption at the respective voltage level as directed by the Hon'ble ATE in Para 33 of the Order dated 30th May, 2011 in Appeal No. 102,103 and 112 of 2010.
- iv. **Differentiation in Tariff on L.F. or geographical positioning:** That, as stipulated in Section-62(3) of the Electricity Act-2003, Hon'ble Commission may consider for cross subsidization amongst the consumers even within the category by fixing separate Tariff based upon load factor, duration of supply or on the geographical position of area to which consumer belongs to. Hon'ble

Commission may consider for differentiation of Tariff within the category base up on load factor on geographical positioning.

- v. **Consideration of Actual Loss Levels-** Their exists a wide gap between actual and approved loss levels in the ARR. The ARR of the Discoms are determined on the basis of the normative loss levels on account of which Discoms are in perpetual financial crisis. Accumulated losses of the three Discoms are in the range of 2000 Crs. This issue has been taken up by Hon'ble ATE and state Govt. from time to time and specific directions / suggestions for calculation of actual loss levels for determination of RST have been given. Some of the references are as under:

- In **Appeal 77,78 and 79 of 2006**,in the context of RSt Tariff Order -07- Ate had directed for computation of losses after taking a practical view of the ground realities instead of proceeding on assumption and surmises.
- In **Appeal 52,53 and 54 of 2007**, in the context of RST tariff Order-08- ATE held that the losses were unrealistic and difficult to achieve.
- Gol through Shri Devener Singh, Joint Secretary, Ministry of Power had also written to Shri P.K.Jena, Energy Secretary (as he was then) stating that OERC is to determine the yearly loss levels of distribution utilities in Orissa accurately based on ground realties and not on notional basis
- OERC have sought views from State Govt regarding the adoption of actual baseline losses as per the 4th meeting of the State Advisory Committee.
- Further taking into account the large scale addition of consumers under the RGGVY Scheme, the losses at the LT level are bound to increase and that state level subvention is essential to manage the system.

It is the submission of the DISCOMs that, actual cost of supply voltage wise will remain notional unless the real losses are factored in.

8. Tariff Rationalization Measures

8.1. Computation of Overdrawal Penalty

Consecutive below the normal monsoon leading to average performance of Hydel generating stations alongwith massive electrification on account of RGGVY and BGJ schemes have almost pushed the state into a power shortage scenario in Orissa. In FY 2010-11, power shortage was acute which necessitated the Hon`ble Commission to issue the Order (Protocol) dated 14.01.2010 on Load Regulation vide Section 23 of the Electricity Act. The order called for restricted use of electricity by all consumers. Although these restrictions stand rescinded, the massive addition of consumers which is literally going to be two times or more is unlikely to lead to a surplus generation scenario as in the past. The shortages are likely to persist. The present power scenario of the State as shown below clearly establishes that there are shortages both in the peak and off peak hour.

Availability of power from diff sources in MW	AVERAGE in MW	PEAK in mw
A) Central Sector	750	750
B) Thermal		
TTPS	400	400
IB TPS	350	350
Total	750	750
C) CGP/IPP	550	550
D HYDRO		
OHPC	310	540
MACHKUND	30	40
TOTAL	340	580
E) Total Availability (A+B+C+D)	2390	2630
F) State Demand (Unrestricted)	2750	3300
F) Shortfall (Average)	360	670
Source – Gridco		

Under such circumstances, with power shortages being both in peak and off peak hours, the earlier rationale to provided to graded tariff to industries wherein consumption in excess of 50% of load factor was incentivised to use surplus power (as it was then) ought to be discontinued.

It is the submission of the licensee that drawl up to 120 % of contract demand without penalty should also be withdrawn. The licensee proposes that a flat rate for industries in its tariff proposal for FY 12-13 and permission of drawl up to 120% of the Contract

Demand during Off Peak Hours should be withdrawn. In line with FOR recommendations, Load factor should be computed on the basis of Contract Demand basis only or MD or CD whichever is higher.

8.2. MINIMUM CHARGES IN CASE OF LT (SI), LT(MI) CATEGORY OF CONSUMERS :

It is submitted that WESCOs having 5503 no. of consumers of SI and MI with contract demand of 103216 KW load. The total consumption per annum in respect of these category of consumers is 100 MU (approx.). The Load Factor of these consumers is coming around 8.5% (approx.) i.e 7 % for SI and 9% LF for MI. As per the OERC Dist.(Conditions of Supply) Code,2004 , the normative Load Factor for SI and MI is 20% and 30% respectively. Consequently, the consumers are underutilizing their load or involved in unauthorized use of electricity. The scattered nature of consumers base, makes surveillance difficult which is further aggravated by the lack of local administrative support.

In view of the above, Licensee proposes the following.

1. The MMFC charged to consumers should be factored in such a way that minimum consumption of 20 % Load factor for Small Industry and 30 % Load Factor for Medium Industry. The illustration is as under.
For a consumer of 10 HP load which is 7.46 KW
Small Industry: Consumption on 20 % LF comes to 1076 units per month but actually the said consumers are consuming 403 units per month which is 35 % of the normative consumption
Medium Industry: Consumption on 30 % LF comes to 1611 units per month but actually the said consumers are consuming on an average of 483 units per month which is 30 % of the normative consumption
2. So, the MMFC must absorb minimum units of 673 units in case of Small Industry and 1128 units in case of Medium Industry in order to reduce the commercial losses.
3. The energy charges may be reduced in those categories of consumers if the consumption is more than the normative load factor.
4. That, the consumers which are drawing less than 150 units per CD of 1 KW per month ,they must pay Rs.750/- with the current RST towards MMFC even if they are consuming less than 150 units in case of CD of 1 KW for small Industry category.
5. That, the consumers which are drawing less than 230 units per CD of 1 KW per month ,they must pay Rs.1150/- with the current RST towards MMFC even if they are consuming less than 230 units in case of CD of 1 KW for Medium Industry category.

Conclusion:

- (a) **Small Industry for 1 KW load : The consumer shall Pay Rs. 830 and free units is 150 i.e no energy charge up to 150 units . Beyond consumption of 150 units , the consumer shall pay the energy charge as well as MMFC of Rs.830/-**
- (b) **Medium Industry for 1 KW load : The consumer shall Pay Rs. 1250 and free units is 230 i.e no energy charge up to 230 units . Beyond consumption of 230 units , the consumer shall pay the energy charge as well as MMFC of Rs.1250/-**
- (c) In such cases, the consumer shall be tempted to consume the minimum energy and the billing efficiency shall be improved.

8.3. INCREASE IN RECONNECTION CHARGES:

Electricity today is as essential to life as food, clothing and shelter and as our resources are limited, conservation and prevention of theft of electricity is of paramount importance. It is the submission of the licensee that electricity theft is to be viewed as a crime against society and all sections of the society should come forward to prevent / eliminate power pilferage. While the primary responsibility of controlling electricity theft remains with licensee, the society`s role in ostracizing such individuals indulging in power theft or not paying electricity dues in time, will act as a positive deterrent. Further, considering the prevalent law and order situation, disconnections have to be effected taking support of police and security agencies for which the approximate cost comes to Rs 50, 000 per month. Accordingly, the licensee proposes to increase reconnection charges in order to prevent the consumers for disconnection of power supply and forced to pay the monthly energy bill on due date. The existing reconnection charges for the different category of consumers are as under:

Category of Consumers	Rate applicable	Rate Proposed
Single Phase Domestic	Rs.75/-	Rs. 500/-
Single Phase Other Consumers	Rs.150/-	Rs. 600/-
3 Phase Consumer	Rs.300/-	Rs. 750/-
HT & EHT Consumers	Rs. 1500/-	Rs. 2000/-

WESCO will launch massive disconnection activities during the FY 2012-13 involving disconnection comprising of One Line man, Two Helpers, Two security Guard and One vehicle. The minimum expenses shall be incurred around Rs.50,000/- per month per squad

with a target of 100 disconnection per month and prays for sympathetic consideration of the case.

8.4. Delayed Payment Surcharge

The DPS is the instrument to encourage the consumers for payment of the electricity dues in time. If the DPS shall not be applicable to the consumers who are defaulting or deliberately not making payment, shall not yield the anticipated collection efficiency. In the earlier times, Hon'ble Commission ordered in the RST Order, that Delayed Payment Surcharge (DPS) is applicable in respect of the following categories of consumers. Hon'ble Commission decided that if payment is not made within the due date, Delayed Payment Surcharge is chargeable for every day of delay at the rate of 1.25% per month on the amount remaining unpaid (excluding arrears on account of DPS) in respect of categories of consumers as mentioned below:

- i) Large industries
- ii) LT/HT Industrial (M) Supply
- iii) Public Water Works
- iv) Railway Traction
- v) Public Lighting
- vi) Power intensive industries
- vii) Heavy industries
- viii) General Purpose Supply 110 KVA and above
- ix) Specified Public Purpose
- x) Mini Steel Plants
- xi) Emergency supply to CPP
- xii) Allied agro industrial
- xiii) Colony consumption

It is submitted that the Licensee is required to pay the Delayed payment Surcharge for all the units which may or may not draw for the above categories if the BSP bill is not paid to GRIDCO and Transmission Charges to OPTCL. Mostly the bills which are not paid relate to the LT consumers and the aforementioned consumers for whom the DPS is applicable..

Therefore, the Licensee requests the Hon'ble Commission to order for applicability of DPS be levied on all the category of Consumers without any discrimination.

8.5. KVAH Billing for LT Industrial Consumers

The Licensee proposes KVAh billing in place of KWh Billing for computation of energy charges and remove the present applicable power factor penalty clauses for FY 2011-12. The objective of introduction of KVAH billing is to ensure reduction in line losses which occurs due to low power factor . The licensee there fore expect the consumers to have unit power factor . Incase of Over compensation of the Power factor by the consumer and case a leading power factor situation arises there might be some impact on the line loss. The objective of KVAh based billing is for encouraging the consumers to maintain near unit Power factor . The Present three part tariff structure for large consumers would be replaced by two part tariff with forfeiture of power factor tariff.

The power factor penalty/ Incentive is limited to only large consumers having contract demand of more than 110 KVA while medium and other three phase consumers are exempted . Licensee request for introduction of KVAh based tariff for energy drawal for all the three phase industrial consumers availing power supply in LT and HT and for which presently no Power Factor Penalty is provided in the tariff . and whose meter is capable of reading KVAh component of energy . The three phase meters provided at the consumer premises are reading KVAh Component directly there will be no operational issue after implementation.

Advantages of KVAH billig:

- KVAh based billing drives the consumer to reach unity Power factor.
- This would result in less demand and demand charges for consumer.
- This in turn will lead to reduce demand on the system.
- Reduction in $I^2 R$ losses .
- Improve the system voltage.
- Increase the available transmission and distribution system capacity.
- This will enhance the margin to voltage collapse.

KVAH billing system is a win-win situation for Distribution Company, Transmission Company and Consumers. Already many states have implemented KVAH Billing system in the Country.

8.6. Applicability of Power Factor Penalty :

Hon'ble Commission in its RST order for FY 2011-12 orders for continuance of the power factor penalty as a % of Monthly demand Charge of monthly Demand Charge and Energy Charges on the following HT & EHT consumers :

- Large Industries
- Public Water Works (110 KVA and Above)
- Railway Traction
- Power Intensive Industries
- Heavy Industries
- General Purpose Supply
- Specific Public Purpose (110 KVA and above)
- Mini Steel Plant.
- Emergency Power Supply to CGP.

Till such time KVAH billing approach is adopted the licensee proposes for applicability of Power Factor Penalty and Incentive for the following category of Consumers in order to bring more efficiency in Power System Operation .

LT Category

- **LT industries Medium Supply**
- **Public Water Works and Swerage Pumping > 22 KVA**

HT Category

- **Specified Public Purpose**
- **General Purpose < 110 KVA**
- **HT Industries (M) Supply.**

8.7. Emergency power supply to Captive Power Plants (CPP)

A large number of industries have already opted for their own captive generating plants and few others are under pipe line, while cross -subsidised consumers have increased substantially due to addition of large number of consumers under RGGVY and BGJY Scheme .

Already executed agreement under Emergency power supply.

- Mahaveer Ferro (CD 3 MW)
- Shyam Metalicks and Power Ltd (CD 6 MW)
- SMC Power Ltd (CD 6.9 MW)
- Viraj Steel and Power Ltd. (CD 5 MW)

Industries Applied for Emergency Supply:

- M/s Jain Steel and Power Ltd. (CD 1.5 MW)
- M/s Rathi Steel and Power Ltd. (CD 4.95 MW)

Maximum nos of Industrial Consumers opting out from Industrial tariff to emergency power supply tariff after determination of tariff by Hon'ble Commission on account of which the licensee is loosing heavily on account of total Demand Charges and maximum Energy Charges because utilisation of emergency power in comparison to industrial consumption are maximum at 1 % load factor. The Licensee including state transmission utility are also occurring O & M expenses more and more every year for maintaining the connectivity to the consumers for emergency supply. In view of very less amount of revenue realisation form above subsidising consumers the licensee is unable to pay BST bill in full .

The industries which are subsidizing consumers are opting for emergency power for CGPs for which the demand charge are not applicable to those industries and it is also difficult to establish that the SMD of a DISCOM is increased because of over drawl by CGP consumers to levy Demand Charge @ Rs 200/KVA as approved by the Hon'ble Commission in RST for FY 2011-12. As per estimation of GRIDCO there will be average shortage of 360 MW and peak shortage of 670 MW during 2012-13. The sudden requirements for emergency supply to CPPs are difficult to meet. Further, the cap on energy drawl of each Discom and the likely penalty on account of over drawl is making it difficult to meet the emergency requirements of the CPPs. Moreover, there have been instances wherein few industries are

availing such emergency supply have been found utilizing the quantum towards normal production.

Therefore it is the submission of the Licensee that there should be a clear distinction between start up loads and essential/ survival loads.

Start up Load Requirements - The quantum of energy to be used for emergency supply for start up loads should be scientifically determined based on the age of the industrial plant, size of the industrial plant, technology of the unit. **It has been estimated that the start-up power required for CPPs is around 10 to 12 % of the rated capacity of highest unit and Hon`ble Commission is requested to frame norms/ guidelines for estimation of such requirement.**

Essential or Survival Load Requirements - It is suggested that for consumption in excess of 10 % load factor, the demand charge should be charged at double the normal rate and that the Industries should execute agreement with Distribution Licensees. In light with the 'emergency' nature of the supply it is suggested that there should be provisions for disconnection of supply in case the consumption is in excess of 10% of the load factor for two consecutive months. The licensee suggests the introduction of Demand Charges of Rs 200 / KVA in addition to Energy Charges for Start-up power .

For instance, in Chattisgarh, there is a two part tariff for start-up power for generators at 400/220 /132/33/11 KV approved in its 3 years MYT Control period 2010-11 to 2012-13 which is as under :

“ Start-Up Power Tariff

1. Applicability

The tariff shall be applicable to those consumers including IPP/CPP who avail supply for start-up of generators at 400/220/132/33/11 KV.

2. Tariff

<i>Category of Consumers</i>	<i>Demand Charges Rs / KVA / Month</i>	<i>Energy Charges Rs/ Kwh</i>
<i>Start- Up Power Tariff</i>	<i>170</i>	<i>3.70</i>

3. Determination of Demand

The maximum demand of supply in each month shall be four times the largest number of Kilo Volt Ampere hours delivered at the point of supply during any consecutive 15 minutes during the month as per sliding window principle of measurement of demand.

4. Conditions for start-up power consumers

i) Contract demand shall not exceed 10% of the highest capacity of generating unit of the generating station.

ii) Drawal of power shall be restricted to within 10% of load factor based on the contract demand and actual power factor in each month. In case the load factor in a month is recorded beyond 10 %, the demand charge shall be charged at double the normal rate. Supply can also be disconnected if the monthly load factor exceeds 10% in any two consecutive months.

iii) Start-up power shall also be made available to the generator connected to CTU grid with proper accounting.

iv) This tariff shall also be applicable to generators before their commercial operation.

v) In case of generators who have not availed start-up connection but eventually draws power from the grid shall be billed @ Rs.13.60 per unit as per average billing rate for this tariff, which includes demand charge also.

vi) The biomass-based generators are exempted from payment of demand charge for the first five years from the date of availing start-up connection i.e. they are required to pay energy charge only during first five years of availing start-up power and full start-up tariff from sixth year onwards. However, in case during first five years from the date of its connection, if its actual demand exceeds the contract demand, the billing for that month shall be as per other

Tariff for start-up power for IPP/ CGPs proposed for state of Odisha .

The proposed tariff for FY 2012-2013 may be as per following :

- Tariff

Category of Consumers	Demand Charges Rs / KVA/ Month	Energy Charges (Rs per Kwh)
EHT Consumers	200	6.40
HT Consumers	200	6.50

- Condition for Start-up Power supply should be as follows:
 - Industries having CGPs to avail Start-Up power their Contract Demand should not exceed 12 % of the capacity of the highest capacity Generating units of the CGP. Consumer have to enter into an agreement with the concerned DISCOMs subject to technical feasibility and availability of required quantum of power/energy.

- A Drawal of Power shall be restricted to within 10 % of load factor based on the contract demand and actual power factor in each month. If the load factor in a month is recorded beyond 10 % the demand charge shall be charged at double the normal rate. Supply can also be disconnected if the monthly load factor exceeds 10% in any two consecutive month.
- The tariff shall be applicable to generators before their commercial operation.
- Start-up power shall also be made available to the generator connected to CTU grid with proper accounting done in monthly Regional Energy Accounting prepared by ERPC. (New IPPS are coming in future, which may also be connected to CTU grid directly)

8.8. Discontinuation of Load Factor Incentive

From time to time, Hon`ble OERC has been consistently stressing through various orders, about the need to adopt demand side management measures. For the purposes of better utilization of the system capacity in a surplus power situation and the need to retain the subsidizing consumers from migrating to their own CPPs, it was thought necessary to provide incentives to industries for maximizing consumption. Accordingly it was thought necessary for flattening of the load curve. Under such circumstances, consumers exceeding the contract demand outside the peak hours actually helped the system by flattening of the load curve. To facilitate such demand side management, consumers were allowed to overdrawl outside the peak hours up to 120% of the contract demand, without penalty. Additionally this also helped maintain a stable frequency regime.

However as of now, massive electrification on account of RGGVY and BGJ schemes and consecutive average performance of Hydel generating stations have pushed the state into a power shortage scenario in Orissa. While the average demand deficit is to the tune of 400 MW and peak demand deficit is 900 MW, necessitating the Hon`ble Commission to issue the Order (Protocol) dated 14.01.2010 on Load Regulation vide Section 23 of the Electricity Act. The order called for restricted use of electricity by all consumers. Although these restrictions stand rescinded, the massive addition of consumers which is literally going to be two times or more is unlikely to lead to a surplus generation scenario as in the past. The shortages are likely to persist. Under such circumstances, it is the submission of the licensee that the graded tariff provided to industries wherein consumption in excess of 50% of load factor was incentivised should be discontinued. Further the drawl up to 120 % of contract demand without penalty should also be withdrawn. The licensee proposes that a flat rate for industries in its tariff proposal for FY 12 and permission of drawl up to 120% of the Contract Demand during Off Peak Hours should be withdrawn. **In line with FOR recommendations, Load factor should**

be computed on the basis of Contract Demand basis only or MD or CD whichever is higher.

8.9. Security Deposit for providing meter and metering installations

As mandated by OERC Distribution(Condition of Supply)Code, 2004 the Consumers are having the option to procure the meter either from the vendors certified by the licensee conforming to it's technical specifications or request the DISCOM to supply the meter and charge meter rent as per the tariff order. The relevant provision of the OERC Distribution (Condition of Supply) Code, 2004 is as under;

“56. (1) The licensee shall supply the meter (unless the consumer elects to supply the same), cut-out/ MCB / CB / load limiter to consumers at the time of providing new service connection or at any other time as required.

(2) In case of new connection/replacement of meter, the consumer, in accordance with Sections 55 and regulations framed under Section 73of the Act, may himself procure the meter either from the vendors certified by the licensee conforming to licensee's technical specifications or requests the licensee to supply the meter and charge meter rent as per the tariff order. The licensee shall calibrate such meter at consumer's cost and seal the meter. The consumer shall have the option to get the meter calibrated in any standard testing laboratory of the Electrical Inspector.

Alternatively, consumer may choose to pay the full cost of the meter provided by the licensee. No meter rent shall be chargeable in such cases.”

The Hon'ble Commission is aware of the fact that the Licensee is suffering huge cash crunch and does not have escrow relaxation for the Capex programs like meter procurement and installation. Licensee is facing the liquidity problem even to procure the meters for supply to the Consumers and recover the cost over a period of 10years through meter rents. Licensee neither has investible rating nor have the required security like escrow on revenue and/ or the charge on the existing assets, for raising the loans from the Banks/FI for such metering programs. In fact, as the Hon'ble Commission is aware, Licensee did arrange sanction from REC for the metering projects under the SI scheme which could not be availed due to the non-availability of the asset security.

In view of the above liquidity problem, the Licensee is alternatively requesting the consumers to pay the full cost of the meter provided by the Licensee and accordingly, no meter rent is chargeable. Consumer shall replace the meters in event of defects or corrosion of meters. This is also beneficial to the consumers as the cost of procurement and supply of

meters by the Licensee is much less than the market price at which consumer would have purchased. This is because the Licensee has economy of scale and the professional procurement procedure is followed.

3. The Electricity Act, 2003 provides for collection of security from the consumer for the price of the meter unless the consumer elects to procure the meter. The relevant provision is as under;

“ 47. (1) Subject to the provisions of this section, a distribution licensee may require any person, who requires a supply of electricity in pursuance of section 43, to give him reasonable security, as determined by regulations, for the payment to him of all monies which may become due to him -

(a) in respect of the electricity supplied to such persons; or

(b) where any electric line or electrical plant or electric meter is to be provided for supplying electricity to person, in respect of the provision of such line or plant or meter, and if that person fails to give such security, the distribution licensee may, if he thinks fit, refuse to give the supply or to provide the line or plant or meter for the period during which the failure continues.”

“55. (1) No licensee shall supply electricity, after the expiry of two years from the appointed date, except through installation of a correct meter in accordance with regulations to be made in this behalf by the Authority:

Provided that the licensee may require the consumer to give him security for the price of a meter and enter into an agreement for the hire thereof, unless the consumer elects to purchase a meter.”

4. The Licensee is authorized to collect the security deposit amount determined by the Hon'ble Commission. The relevant provisions in the OERC Distribution (Condition of Supply) Code, 2004 on the collection of security deposit for the meter installation is reproduced below;

“19. (5) The licensee may require any consumer to give him reasonable security as shall be approved by the Commission for the payment to him of all monies which may become due to him where any electric line or electrical plant or electric meter is to be provided for supplying electricity to such consumer, in respect of the provision of such line or plant or meter.”

The computation of the security deposit is done as per the formula mentioned in the clause **19(2)** in the OERC Distribution (Condition of Supply) Code, 2004 which does not include the price of the meters.

It is also pertinent to mention here that the security deposit is kept with the Licensee for adjustment against the unpaid bills. As the meter cost is not included in the security deposit, in the event of disconnection; mostly the meters are also destroyed and the cost of the meter and metering equipments could not be recovered.

At present, Licensee is procuring the meters viz. Rs.1099/- per single phase meter including the meter boxes from different manufactures conforming to the metering regulation of CEA.

In view of the above, Licensee submit before the Hon'ble Commission to approve the security deposit amount equivalent to the price of procurement of the different types of meters, metering equipment, boxes/ cubicles, supply and installation cost as per the regulation 13(1) of the OERC Distribution code,2004, if the consumer requests the licensee for supply of meter. With security deposit available, Licensee shall replace the meters in event of defects or corrosion of meters.

8.10. Billing of Lift irrigation Points.

Hon'ble Commission in the 5th Amendment OERC (Conditions of Supply) Code 2004 vide clause **80(5)(i)** have reclassified the existing category as per specific activities. Accordingly, **Irrigation Pumping and Agriculture** pertains to category relating to supply of power for pumping of water in lift irrigation, flow irrigation and for lifting of water from bore-wells, dug-wells, nallahs, streams, rivulets, rivers, sumps exclusively for agricultural purposes.

It is gradually observed that the usage of electricity through LI points is largely seasonal in nature and restricted to period starting from October to April of the next year. In the licensed area of Wesco there are several number of private and Pani Panchayat LI points particularly in Bargarh , Sonapur , Bolangir, part of Sambalpur Districts.

The drawal of during the period of October to April is high as compared to the period of May to September.

The licensees submit that during the periods of April to September, electricity consumption by LI points is drastically reduced and monthly energy bills are mostly towards payment of fixed charges only. With large scale tampering of meters at the start of the season, the consumption during the "off-season" forms the basis for billing during "on-season period" and actual consumption stands unreported. The problem is accentuated further, with LI points being situated in remote areas thereby making metering of these points a long drawn process.

The licensee submits that the LI point consumers should undertake to safeguard the meter from damage and that in the event of their malfunctioning there should be a levy of a flat rate. Taking into consideration, the number of working hours (generally the running of LI points is 12 hours/day i.e. L.F. at 50%) it is proposed that in case of defective meters/no meters, LI point consumers are required to pay a flat rate of Rs 400 per month per HP for the “on season” period, starting from October to April of the next year.

It is further submitted that to improve the power factor for such LI points the installation of capacitor should be made mandatory for existing and new connections.

8.11. Demand Charges and Monthly Minimum Fixed Charges

The Licensee submits that 90% of the Distribution costs are fixed cost in nature. The distribution cost of the License which is a fixed cost has increased many folds during the recent years, the said cost normally required to be recovered from the Demand Charges. The fixed cost of the power procurement by way of payment towards capacity charges has also increased during last few years. The revenue recovery on account of the demand charges and monthly minimum fixed charges is approximately Rs.227 crore for the ensuing year at the existing tariff whereas the fixed distribution cost is around Rs.467 crore (Employee cost, R&M, A&G and Interest cost) which is more than double the amount recovery.

In view of the above, the Licensee proposes to recover the full fixed distribution costs by suitably revising the Demand charges and monthly minimum fixed charges as proposed in earlier section, as applicable to the respective category during the ensuing year.

9. Other Issues

9.1. Overdrawl Penalty for Drawl Over and above OERC Approved Quantum (MU) and MVA

In the previous Tariff Order, Hon’ble Commission directed that the licensee has to pay the marginal cost of power procurement of the GRIDCO which would be drawn by GRIDCO because of the overdrawl of Licensee. While the total power cost is already passed thru and the additional cost of power because of the DISCOMs overdrawl is recoverable from the DISCOMs, the payment of Demand Charges if the actual Demand (MVA) is more by 10% of the allowed Demand (MVA), is not necessary and Licensee submits that this may be done away with. Extending the same logic when the drawl is less at low frequency, the Discoms should also benefit.

9.2. GOVT. CONSUMERS – A MODEL CONSUMER :

In the License area of WESCO, the Govt. consumers are not making regular payment in spite of being billed on a monthly basis. During 1st half of the year, the Govt. consumers are paying only 65 % of the amount of energy bill issued to the consumers and for the whole of the financial year only 80% of the amount of energy bill is being realized. As on 30th Sept-2011, the Govt. consumers are having arrear of Rs.83.02 Crore.

Although several approach through letters, E- mail, including personal visits by officers have been made, the Govt. consumers are neither paying nor availed the benefit of OTS.

Hon'ble Commission at the highest level have issued several letters and directives to the Govt. departments for payment of electricity dues on monthly basis. Even, Finance Department of the Govt. of Orissa took up the matter regarding clearance of electricity dues, making it conditional that unless electricity dues are paid, the salary of the DDO would not be realized, but the issue remains.

The Licensee is not able to disconnect the Govt. consumers as many of them are engaged in providing essential services, the disruption of which would lead to a law and order problem, notwithstanding the vehement opposition by the local administration for such credit control measures. Consequently it leads to an accumulation of arrears.

The Hon'ble Commission in its Order dated 28.2.2005 in Case No 114 of 2005, also directed to form tripartite agreement involving DISCOMs,GoO and GRIDCO so as to monitor the payment of Govt. consumers,PSUs etc as well

In view of the above, Licensee proposes the following for realization of current electricity dues during the FY 2012-13 are as under.

OPTION - I

1. The Licensee shall submit monthly budget to the GoO Finance Department along with the current bills for making payment directly to the DISCOM.
2. In the subsequent month, the bills are to be certified by the respective departments and submitted for confirmation of amount if any payable or the amount if any to be adjusted.

OPTION - II

3. Alternately, The GoO may issue circular that the monthly bill submitted by the DISCOM shall be adjusted in the BST bill issued by GRIDCO and GoO shall make the payment of said amount to GRIDCO on certification of the energy bill.

In such cases the collection efficiency of the Licensee will be improved and Govt.consumers will be declared as model consumers. The collaborative approach of the State Government in making timely payments of bills will send strong signals all around for commercial discipline.

9.3. Rebate on Prompt Payment

The Hon'ble Commission in its BSP Order for the current financial year directed that the Licensee is entitled to avail a rebate of 2% for prompt payment of BST bill on payment of current BST in full within two working days of presentation of BST Bills and 1% is paid within 30 days. Further, the Hon'ble Commission had directed to pay the rebate to all consumers except domestic, general purpose, irrigation and small industry category, if payment is made within three days of presentation of bill and fifteen days in case of others.

Considering the above, it is prayed before the Hon'ble Commission to approve the rebate of 2% to the licensee for prompt payment towards BST bills including part payments within 3 (three) working days from the date of presentation of the BST bill and in case the BST bill is paid after 3 (three) days the rebate should be proportionately allowed to the extent of payment made within 30th day @1% akin to Rebate Policy on Rebate is provided to GRIDCO by NTPC.

9.4. Negative Cash Flow approved in Wesco RST 08- 09

In the regulatory regime Hon'ble Commission had approved cash flow statement of WESCO 1st time for the year 2008-09. Incidentally the cash flow so approved was for the year as a whole considering only the source and application for the year only. However opening cash balance was not considered. Unfortunately, WESCO's cash balance was negative on 1st April 08 as WESCO was not able to clear its monthly BSP bill on account of higher BST. Hence with the negative cash balance of around Rs.70 crores as on 1st April 08, WESCO is not able to clear its monthly BST bill within 48 hours and not able to get 2% rebate on BST bill till date. The negative cash flow as approved for FY 08-09 is as under:

CASHFLOW STATEMENT FOR FY 2008-09 (As approved by OERC with OB)

SOURCES	(Rs in crs)
Total revenue from sale of power	1,251.08
Collection efficiency(%)	96.56
Revenue –collectible(current year)	1,208.04
Collection from arrear	
Miscellaneous receipts	25.65
Total cash inflow	1,233.69
	MU
	5,680.00
APPLICATION	
BSP rate(Paise/kwh)	157.25
Cost of power purchase	893.18
Transmission cost (21 Paise/Kwh)	119.28

Western Electricity Supply Company of Orissa Limited – FY 13

Employees cost	109.97
Repair & maintenance	25.66
A & G expenses	20.91
Interest payment	25.72
Principal payment Gridco	-
Carrying cost	1.18
Total cash outflow	1,195.90
Surplus allowed by Hon'ble Commission	37.79
Opening cash balance (Negative)	(70.00)
Gap ought to be	(32.21)

Further the licensee is also facing financial crisis in the current year & unless substantial relief is being extended the cash flow position will not improve for the ensuing year. The cash flow position for FY 12 and with existing tariff for FY 13 is as under:-

Cash Flow Statement

	Rs. In Lacs.	
	11-12	12-13
SOURCE		
Opening with SD (OB-SD Rs.27042.80 lacs)	31954.51	-6365.50
Revenue collection	176196.76	180464.64
Security Deposit from Consumers	2886.33	3500.00
Consumer contribution including RGGVY &BGJ	49194.00	49457.00
Govt. Orissa-Capex Loan without interest	0.00	5200.00
Govt. Orissa-Capex Loan with interest	5850.00	2600.00
Loan from REC-S.I.Scheme & Goo Capex Plan	1000.00	3900.00
Short term loan	6497.00	0.00
Total	273578.60	238756.13
APPLICATION		
Payment against purchase of Power	183680.00	186669.40
Employee cost	21834.39	28886.96
Administrative & General Exp	3093.91	4861.79
Repair & Maintenance	3681.00	5943.10
Repayment of Loan Principal	200.90	1212.78
Repayment of Loan Int.	1633.34	4933.47
Interest on security deposit & Bank charges	4541.54	5047.59
Refund of Security Deposit	627.70	1500.00
Installments of Securitisation	3572.33	10716.99
Repayment of 6th Pay arrear	0.00	0.00
Capital Expenditure	56779.00	62512.00
Loans & Advances	300.00	200.00
Total	279944.11	312484.08
Closing Balance with Security Deposit	(6365.50)	(73727.95)
Less :-Amount of Security Deposit included above	29301.43	34301.43
Closing Balance without Security Deposit	(35666.93)	(108029.38)

10. Formats

The following filled in formats will form a part of the ARR and Tariff Application for FY 2012-13 as annexures.

- 10.1. Commercial Formats T1-T8**
- 10.2. Financial Formats F1-F39**
- 10.3. Details Performance Formats (P1-P15) in Vol- II**

11. Prayer

In view of the aforesaid facts and circumstances, the licensee requests that the Hon'ble Commission may be pleased to:

- Take the ARR application and Tariff Petition on record.
- Approve the Annual Revenue Requirement for FY 2012-13 including amortisation of Regulatory Asset on account of truing up exercise up to FY 2010-11 and uncovered gap for FY 2011-12 by truing up.
- Bridge the Revenue Gap for the FY 2012-13 through increase in Retail Supply Tariff, reduction in Bulk Supply Tariff (BST), grant/ subsidy from the Government of Odisha etc.
- Consider the servicing of the loan liability as 1st priority on the escrow utilisation.
- To give effect to the ATE order dated 8.11.2010 on different issues such as fixation of Distribution loss target, truing up considering receivable audit, etc.
- Gridco and GoO may kindly be advised to allow the licensee to hypothecate assets for raising loan as per the Business Plan order dated 20.03.2010.
- Allow the following Tariff rationalisation measures as proposed
- Allow the licensee to submit additional documents, modify the present petition, if so required, during course of processing of ARR.

Any other relief, order or direction which the Hon'ble Commission deems fit.

By the Applicant
Through its Managing Director.

Dated 29th November 2011

Bhubaneswar