



**COMMISSION'S ORDER**

**ON**

**ANNUAL REVENUE REPORT OF UHBVNL**

**FOR DISTRIBUTION AND RETAIL SUPPLY BUSINESS**

**FOR FY 2006-07**

**August 23, 2006**

**HARYANA ELECTRICITY REGULATORY COMMISSION**  
**SCO - 180, SECTOR - 5, PANCHKULA - 134 109, HARYANA**

[www.herc.nic.in](http://www.herc.nic.in)

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**CASE No. : HERC/PRO 15 of 2005**

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**PANCHKULA**

# **HARYANA ELECTRICITY REGULATORY COMMISSION**

**SCO - 180, SECTOR - 5, PANCHKULA - 134 109 HARYANA**

**CASE No. : HERC / PRO 15 of 2005**

**Date of Order : August 23, 2006**

In the matter of applications filed by Uttar Haryana Bijli Vitran Nigam Limited for approval of Annual Revenue Requirement for Distribution and Retail Supply Business for FY 2006-07.

## **PRESENT**

**Lt. Col. (Retd.) Raghbir Singh, Chairman**  
**Shri T.R. Dhaka, Member**  
**Shri T.S. Tewatia, Member**

On behalf of UHBVNL

Shri Sudhir Rajpal, Managing Director, UHBVNL  
Shri P.K. Das, Managing Director, HVPNL  
Shri Mohinder Singh, Director (Finance)  
Shri Deepak Chopra, SE/RA

On behalf of State Government

Smt. Sumita Misra, Spl. Secretary Power, GoH

On behalf of the Staff of HERC

Shri Lajvir Singh, Secretary  
Shri Balbir Singh, Electricity Ombudsman  
Smt. Saroj Deswal, Director (Tariff)  
Shri S.K. Madan, Director (Tech.)  
Shri Sanjay Varma, Joint Director (Eco.)  
Shri Ashu Mathur, Joint Director (Finance)  
Shri G. Prasad, Joint Director (Tech.)  
Smt. Surbhi Jain, Dy. Director (Accounts)  
Shri Rajesh Kumar Monga, Law Officer

**ORDER**

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# **1 PROCEDURAL ASPECTS OF THE ARR FILINGS**

## **1.1 Preamble**

In exercise of the powers vested under Section 62 and 86 of the Electricity Act, 2003 and Section 26 of the Haryana Electricity Reform Act, 1997 and all other powers enabling it in this behalf, the Haryana Electricity Regulatory Commission passes this order and determines Annual Revenue Requirement (ARR) for supply of electricity by Uttar Haryana Bijli Vitran Nigam Limited (the Licensee) for the Financial Year 2006-07.

## **1.2 Enactment of the Electricity Act 2003**

The Electricity Act 2003, enacted in June 2003, repealed the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998. It provides for a liberal framework for development of the power sector and increased competition by facilitating open access (non-discriminatory provision for the use of transmission lines or distribution system or associated facilities) for transmission and distribution, power trading, and also allows setting up of captive power plants without any restriction. Under this Act no licence is required to establish, operate and maintain a generating station.

Section 185 (3) of the Electricity Act 2003 states that “The provisions of the enactments specified in the Schedule, not inconsistent with the Provisions of this Act, shall apply to the states in which such enactments are applicable”. The Haryana Electricity Reforms Act, 1997 has been listed under this proviso at serial No. 2 of the Schedule of Electricity Act 2003.

Therefore, from this provision of the Electricity Act 2003, it can be interpreted that the provisions of Haryana Electricity Reforms Act, 1997 that are not inconsistent with the provisions of the Electricity Act 2003 shall continue to be applicable to the State of Haryana. The Commission, while analysing the petitions and issuing this order has duly considered the provisions of the Electricity Act, 2003 and dealt with the matters accordingly.

In exercise of the powers conferred by clause (d) of Section 172 of the Electricity Act, 2003, the Government of Haryana vide its notification no. 1/4/2003-1 Power dated 8/9/2003 declared that all the provisions of the said Act except Section 121 which has not been enforced by the Central Government vide notification no. S.O 699 (E) dated 10/6/2003 shall not apply in the State of Haryana for a period of six months from the appointed date i.e. 10/6/2003. Thus, the Electricity Act, 2003 came into force in the State of Haryana w.e.f. 10/12/2003.

### **1.3 Procedure envisaged in the Electricity Act 2003 for Tariff Order**

Section 64 of the Electricity Act, 2003 specifies the procedure to be followed for issue of a tariff order. Sub-sections (1) and (3) of Section 64 of Electricity Act 2003 state as follows:

Sub-section (1): "An application for determination of tariff under section 62 shall be made by a generating company or licensee in such manner and accompanied by such fee, as may be determined by regulations".

Subsection (3): "The Appropriate Commission, shall within one hundred and twenty days from receipt of application under sub-section (1) and after considering all suggestions and objections received from the public:

(a) issue a tariff order accepting the application with such modifications or such conditions as may be specified in that order:

(b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of this Act and the rules and regulations made thereunder or the provisions of any other law for the time being in force:

Provided that an applicant shall be given a reasonable opportunity of being heard before rejecting his application.”

#### **1.4 Procedural Aspects**

The Commission granted separate Distribution and Retail supply licence to Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL), for North zone of Haryana comprising the circles of Ambala, Yamunanagar, Kurukshetra, Karnal, Jind, Sonapat and Rohtak, vide its Order dated 4<sup>th</sup> November, 2004 in Case No. HERC/PRO-3/99. Before this date, Haryana Vidyut Prasaran Nigam Limited (HVPNL), the holding company of UHBVNL and DHBVNL, was having the Distribution and Retail Supply licence for Haryana.

The licence condition No. 27.2 regarding Expected Revenue Requirement Calculation specify that:

“(a) Each year not later than 30th November the Licensee shall prepare and submit to the Commission a report of its expected aggregate revenue and cost of service (including financing costs and its proposed return on equity) for its Distribution Business and Retail Supply Business for the succeeding financial year in the manner and form prescribed by the Commission from time to time.

(b) If the report referred to in Paragraph 27.2(a) indicates a significant difference between its expected aggregate revenue and its expected cost of service, the Licensee shall submit with its report an explanation of the measures it proposes to take, including any proposed tariff amendments, to eliminate the difference.

(c) If the licensee fails to submit the ARR within the period specified above or any extension thereof granted by the Commission, the Commission may impose fine up to an extent of 0.05% of the aggregate Revenue Requirement which would be disallowed from the ensuing year aggregate revenue requirement.”

Thus, UHBVNL was required to file the ARR application for FY 2006-07 by 30<sup>th</sup> November 2005 as per the license conditions. However, by that time UHBVNL did not file the ARR for FY 2006-07.

UHBVNL filed an application for extension of time up to 15.12.2005 for filing of ARR for D&RS business for FY 2006-07 vide its office Memo No. Ch-32/SERA/N/F-25/Vol.X, dated 28.11.2005 because the preparation of ARR was under process. The Commission allowed extension of time up to 15.12.2005 vide office Memo. No. 2248/HERC dated 8.12.2005.

UHBVNL, the D&RS Licensee, filed its Annual Revenue Requirement application for FY 2006-07 on 14.12.2005 vide Memo No. Ch-60/SE/RA/N/F-25/Vol-X dated 14.12. 2005.

UHBVNL informed the Commission vide its Memo No. Ch-83/SE/RA/N/F-25/Vol-X dated 18.1.2006 that it has issued public notices in respect of submission of the ARR for FY 2006-07 with HERC in two newspapers namely 'Indian Express' (English Edition) on 16.1.2006 and 'Amar Ujala' (Hindi Edition) on 15.1.2006. The public objections were invited till 14.2.2006 as per the public notice.

The licensee mentioned salient features of its ARR filing in the Public Notices. As per the public notice the aggregate revenue requirement has been projected as Rs.2763.87 crore without subsidy and Rs.1646.37 crore including subsidy from the Government of Haryana. UHBVNL has projected a net capital basis of Rs. (-)600.43 crore, accordingly no return has been claimed on the capital base. However a return of 0.5% on loans, which works out to Rs.6.59 crore, has been taken. The projected total expenditure is Rs.2928.99 crore including special appropriation. A non-tariff income of Rs.171.72 crore has been projected. RE subsidy of Rs.1117.50 crore has been projected. The revenue of Rs.2763.90 crore has been projected for FY 2006-07 at the existing tariff rates including subsidy.

The set of documents related to ARR were also made available for public consultation during office hours on any working day at the head office of UHBVNL and offices of S.E.s (Operation). A complete set of these documents was made available on payment of Rs.1000/-, copy of main ARR without Annexures at Rs.300/- and copy of condensed Summary at Rs.50/- in cash or through demand draft, from the office addresses mentioned in the public notices. The condensed summary was also available on the website of Haryana Power Utilities i.e. at [www.haryanaelectricity.com](http://www.haryanaelectricity.com).

It was mentioned in the public notices that any person, who intended to submit objections, should submit six copies of his written objections along with supporting material, if any, to the Secretary, Haryana Electricity Regulatory Commission, SCO-180, Sector – 5, Panchkula with a copy to the licensee through special messenger or by registered post by 14.2.2006. Any interested person, who wanted to be heard in person, should mention so.

## 1.5 Salient features of ARR

UHBVNL has projected an Annual Revenue Requirement (ARR) of Rs. 27638.71 million consisting of Rs. 29289.93 million of expenditure and Rs. 65.92 million of reasonable return less Rs. 1717.14 million of non-tariff income. The Licensee has taken into account a subsidy of Rs. 11175.02 million from the State Government and revenue (including subsidy) of Rs. 27639 million on the sale of 8021.96 million units for the Financial Year 2006-07 as per ARR filed on 14.12.2005. As per the Annual Revenue Requirement projections for D&RS Business for Financial Year 2006-07, no revenue gap has been indicated.

The Licensee is required to furnish requisite data to the Commission to enable it to properly analyse and to give its orders on the ARR. In spite of the general guidelines for filing of ARR application and specific directions given in the Commission's orders on ARR filing during previous years, UHBVNL filed its ARR for FY 2006-07 without fully complying with all the directions given by the Commission.

After preliminary review of the filing, the Commission brought out a number of deficiencies in the data contained in the filing. The Commission sought the supplementary information regarding these deficiencies so that a meaningful analysis of the filing could be carried out. The deficiencies were pointed out to UHBVNL vide the Commission Memo No. HERC/05/3132 dated 27.1.2006. The licensee was asked to submit the reply within 15 days from receipt of letter.

UHBVNL submitted its Supplementary information required for meaningful analysis of ARR for D&RS Business for FY 2006-07 vide office Memo No. Ch-09/SE/RA/N/F-25/Vol-X/Supplementatry info/2006-07 dated 15.2.2006 and Memo No. Ch-10/SE/RA/N/F-25/Supplimentary Infor/2006-07 dated 17.2.2006.

The Commission is not fully satisfied with the data provided with ARR filings and the supplementary information furnished by the Licensee. The Licensee has asked for waivers in respect of various important data required by the Commission. The list of waivers requested by the Licensee and granted by the Commission is given in **Annexure - 1.**

In spite of insufficient data furnished by the Licensee, the Commission deemed it fit in public interest to carry forward the process and separately issued Public Notice inviting comments / objections on application filed by the UHBVNL for approval of ARR for FY 2006-07 in 'The Hindustan Times' (Chandigarh and Delhi Editions), 'Dainik Bhaskar' (Haryana Edition) on 2.3.2006. The public notice contained background information, procedural information and salient features of the ARR filing. An invitation to submit written comments / objections by 20.3.2006 was also given to the public. All the documents relating to ARR filings were made available to the public on payment of a nominal fee so that interested person / organisations could examine and comment on the ARR filings of the Licensee.

The public hearing on the ARR of UHBVNL for FY 2006-07 was scheduled for 28.3.2006 at the Red Bishop, Tourist Complex. Sector 1, Panchkula. However, UHBVNL vide its office Memo No. Ch-114/SE/RA/N/F-25/Vol-X, dated 20.3.2006 requested the Commission to postpone the public hearing scheduled for 28.3.2006 for a period of another three months i.e. upto 30.6.2006. UHBVNL mentioned that to have a meaningful discussion with the Commission at the time of hearing of ARR for FY 2006-07, UHBVNL is in process of collecting additional information/data of financial & technical importance concerning various issues, from field offices which is likely to take some time.

In this connection, the Commission, vide memo no. 3490/HERC dated 23.3.2006, informed UHBVNL that deferment of public hearing for a

period of another three months will delay the whole process of approval of ARR by the Commission. Moreover, the licensee had not mentioned any detail of data/information that was being collected from its filed offices and which was considered very essential for meaningful discussion of the ARR. Since, the Commission had already issued public notice in this connection in the newspapers on 2.3.2006 it, therefore, decided to hold the public hearing on ARR of UHBVNL for FY 2006-07 as per schedule on 28.3.2006 at 11 A.M. at Red Bishop, Panchkula.

## **1.6 Public Hearing**

The public hearing on Distribution & Retail Supply ARR of UHBVNL for FY 2006-07 was held as scheduled. In his opening remarks, the Chairman HERC reiterated that the directions and regulations/guidelines issued by the Commission should be meticulously followed. He also commented on the partial compliance of Commission's directives by the licensee.

Further, considering the fact that no objection was received from the public and other stakeholders, the Commission allowed the HERC staff to intervene on behalf of public/consumers. A copy of observations of the staff was given to the licensee at the time of public hearing. The licensee was directed to reply within one week's time to the comments given by the staff of the Commission.

The Chairman invited UHBVNL to make their presentation and directed them to submit written reply to the issues that were raised during the course of public hearing. The Managing Director of UHBVNL orally responded to the several objections / comments raised during the public hearing. The Director / senior officers of UHBVNL too dealt with the technical and commercial issues during the public hearing. UHBVNL filed the reply to the observations of the staff of HERC made during

public hearing held on 28.3.2006 vide its Memo No. Ch-11/SE/RA/N/F-25/Vol-XI dated 4.4.2006.

### **1.7 State Advisory Committee**

The Commission in its consultative process convened meeting of the State Advisory Committee on 22<sup>nd</sup> March 2006 at 11.30 hrs in the conference Hall of Red Bishop Tourist Complex Sector 1, Panchkula to have the benefits of the views of the members of SAC on issues pertaining to ARR of UHBVNL for FY 2006-07.

Shri G.C.Narang was of the view that licensees should reduce distribution losses. He pointed out that Rajasthan has reduced its losses by about 10% during the last 4 years. He was also of the view that, in future, a comparative table of transmission and distribution losses should be prepared so as to have a comparative view of performance of different states. He pointed out that any reduction in distribution loss would result in much higher saving in the financial terms to the licensee. Further any improvement in collection efficiency will generate additional revenue for the licensees. He also expressed that Power Utility should make serious efforts to reduce the distribution losses by educating the people at large and, also, by seeking their cooperation. He opined that 'incentive to the women consumers' scheme has not achieved its objective.

While deliberating on the issue of agriculture tariff and high level of subsidy being provided by the Govt. of Haryana, Shri Anand Dev, CEDE, Northern Railways proposed that tariff for agriculture should be at least be in the range of 50-100 paise per unit and Shri G.C. Narang was of the opinion that it should be increased to 75 paise per unit. Shri S.P. Gupta of Haryana CCI said that burden of the agriculture sector should not be passed on to the other categories of consumers, i.e. the cross-subsidy should be reduced. He also opined that line losses

should be reduced and licensees should improve performance at the field level. The quality of power particularly for industries should be improved. He was also of the view that a quarterly meeting involving consumers' representative and officers of Power Utilities should be held at the level of Managing Director of the Distribution Company to find ways and means to reduce the distribution losses. He pleaded for providing sufficient staff at the field level to ensure prompt attendance of complaints.

Shri Satwant Singh of Samalkha, Distt. Panipat and Shri Rajbir Singh Ror, Member Zila Parishad, Karnal were of the view that the power availability to agriculture sector should be increased and proper voltage be also assured.

Shri R.C. Gupta, Chief Hydrologist, Agriculture Department pointed out the pump-set inefficiencies are prevailing in the present system and mentioned that the agriculture consumers should use energy efficient pump-sets. He added that Demand Side Management for the agriculture consumers should be improved.

Shri Sudhir Rajpal, M.D. UHBVNL, agreed to the need for reduction in distribution loss. He assured that entire machinery will be geared up to reduce the distribution losses apart from adopting modern techniques and, also, seeking cooperation from the public. The efforts would also be made to increase the recoveries of amount due towards the consumers.

The issue of higher subsidy projection by UHBVNL and DHBVNL than the amount provided by the State Government in its budget for subsidy was also discussed in the SAC meeting. The SAC members also objected the continuous increase in receivables and high level of distribution losses.

## 1.8 Interveners / Objectors

In response to Public Notice issued by the Commission, no written objection was received till the last date of objections mentioned in the public notices. The staff of the Commission on behalf of the public presented their detailed submission during public hearing. The Commission believes that active public participation will help in developing awareness and understanding about the regulatory process and the approach underlying the decision-making process of the Commission. The Commission has provided adequate opportunity to all the concerned persons / organisations to put forward their views and objections on the filings made by the Licensee. A list of interveners is given in **Annexure – 4**.

Northern Railway sent its observations to the Commission by post. However, its representative did not attend the public hearing. The observations / comments of Northern Railway and replies of UHBVNL thereon are given hereunder.

Sr. No.	Observations of Railways	Replies of UHBVNL
1	The average cost of realisation for railway traction should be brought down to a reasonable level by substantially cutting down the cost of energy charges and demand charges, by taking into account the NTPC/NHPC i.e Central Generating Agencies rate of supply @ Rs.2.10 per unit to HVPNL.	It is agreed that the tariff applicable to traction supply and bulk consumer are above the cost of service. The railway is the part of class of consumer of licensee, which are providing the cross subsidy to mainly domestic category of consumers. Moreover in case of shortages of power supply, the railways are being given priority over the other consumers with regard to curtailment being essential services.
2	Northern railway should be exempted from payment of penalty charges on over drawl of power, considering the unique nature of traction loads.	For avoiding overloading in such situation, the railways can have contract demand sanctioned for meeting with the exigencies described. The penalties are leviable as overloading may

		damage the transmission equipment of the licensee.
3.	Revision of contract demand should be made effective from the date of application without linking it with other issues.	The revision of contract demand requires the assessment of availability of spare transmission capacity in the system.
4.	Railway traction tariff should be single part tariff as in case of other SEBS like PSEB.	Two-part tariff is more robust for fixed cost and variable charges recovery. The National tariff policy has also mandated for implementation two-part tariff for efficient cost recovery and tariffs.
5.	Compensation by way of reduced traction tariff should be provided in lieu of heavy expenditure done by Railways on the infrastructure created viz. construction of bays & 132 KV transmission line (114 kms.) to avail and utilize electric power from UHBVNL / DHBVNL. No other category of consumer has its own transmission line. HVPNL erects and maintains transmission line for them.	No R&M expenditure is being passed through the ARR for the infrastructure maintained by Railways. Similarly no depreciation has been accounted as expenses for capital expenditure by railways. As such there is no issue of compensation on this account.
6.	Maximum demand charges as well as load violation charges should be considered by taking simultaneous maximum demand at all metering points.	It is not technically viable as overloading at one location may lead to failure of transmission system of that location.
7.	It is unreasonable to charge domestic consumption on higher rate under bulk supply tariff. Railways be allowed to avail tariff schedule of domestic supply for its domestic use as available for independent consumers. Sub metering for the domestic consumption be allowed for new connections granted under domestic supply.	The infrastructure for the domestic supply is under the jurisdiction of railways installation, which is being maintained by railways itself. As such, for providing the schedule of tariff of domestic consumer, the infrastructure is required to be laid down by UHBVNL up to consumer point for which the consumer(s) are required to deposit charges, if any. There needs to be free excess to the Nigam for carrying out maintenance and checking etc.
8.	Rebate of 15% be provided to Railways over total energy bill towards maintenance and operation of distribution network, metering, billing, financial recovery and distribution losses as provided by NDPL, BSES, JVVNL etc.	The licensee is not considering the R&M expenses for the infrastructure maintained by railways. As such there is no issue of any rebate on this account.
9.	Minimum charges should not be levied on supply points connected to	MMC are levied to recover the fixed cost of back up capacity and

	rural feeders, as it is difficult to consume minimum energy because of the low reliability of the supply on these feeders.	infrastructure created by the department and is not linked with the quantum and duration of power supplied.
10.	At least one month's time should be given for payment of bills from the date of bill receipt.	The bill payment time is from issue date of bill, which is as per the provisions of Electricity Supply code notified by HERC. As per the provisions of Electricity Supply code of HERC, 30 days have already been provided for the payment of bills for Govt. departments having monthly billing cycle.
11.	Consolidated single bill should be issued incorporating the consumption of all the connections under one XEN.	It is very difficult to adopt as due date is different for different areas/groups.
12.	Minimum time should be fixed for replacement of the defective meters.	As per the regulations of Standards for Performance notified by HERC, the defective meter is to be replaced within 7 days. In case of burnt meter, the replacement is to be done within 7 days if cause not attributable to consumer and in all other cases, within 24 hours of payment of charges by consumer.
13.	Minimum time should be fixed for release/enhancement of the connections.	The time limits for release of new connection is being followed as per HERC Regulations on Duty to Supply on request notified under EA-2003.
14.	No meter testing charges should be levied for new connections / enhancement of the load.	Meter testing charges are levied if the consumer brings his own meter from market. The meter testing charges are levied as per the Schedule of General Charges notified by HERC.

The Commission has ensured that the due process contemplated under the law is followed at each and every stage and adequate opportunity is given to all the stakeholders.

## **2 STAFF COMMENTS AND THE LICENSEE'S RESPONSE**

As the Commission received no written observation and there was no intervenor present during the public hearing, the Commission allowed the staff of the Commission to intervene on behalf of the general public. The staff of the Commission has analysed the revised ARR filing and additional information provided by the Licensee and based on this analysis, submitted the following points on the working of the Licensee for consideration of the Commission. A presentation was made by the Joint Director (Finance) of the Commission during the public hearing on 28.3.2006.

### **2.1 Action under National Tariff Policy**

It was pointed out during the public hearing that the Government of India had notified National Tariff Policy (NTP) on 6.1.2006. The Commission shall be guided by the National Tariff Policy in discharging its functions. As per the NTP objectives, reliable and quality power of specified standards, in an efficient manner and at reasonable rates is to be provided by the distribution licensee. The operating parameters in tariff should be at "normative level" only and not at "lower of normative and actual".

UHBVNL replied that the National Tariff Policy has been notified recently and the various provisions of the National Tariff Policy including the issues raised by HERC staff in the public hearing are still under consideration and deliberations. After taking into the views of the various stakeholders, the views of the licensee on the HERC staff observations will be submitted in due course.

## **2.2 Power Purchase Cost**

The staff of the Commission pointed out that the licensee has projected power purchase cost in ARR for FY 2006-07 on the basis of bulk supply rate of FY 2005-06. As per the ARR filing power purchase cost is based on source-wise estimations made by Trading & Bulk Supply licensee. But the licensee has made no such supporting data available to the Commission. UHBVNL replied that the quantity of power purchase has been estimated on the basis of tentative source wise purchases given by HPGCL. Since the rates of power purchase have already been increased in the last two years the utility has considered that the HERC would not allow any further increase as the same would be highly detrimental to the financial health of the licensee.

## **2.3 Issue of FSA circular by the licensee**

The staff of the Commission pointed out that UHBVNL has issued sales circular No. U-8/2006 dated 2.3.2006 by charging 3 paise per unit from all categories of consumers without HERC approval. As per Section 62 of the Electricity Act, 2003 any change in tariff / FSA can be made by the licensee only after approval of the Commission. It was requested by the staff that such circular should be immediately withdrawn and the licensee should not do any tariff related changes without approval of the Commission.

UHBVNL submitted that the said FSA circular has been withheld.

## **2.4 Distribution losses**

UHBVNL projected distribution losses of 29% for FY 2006-07 in ARR filings dated 14.12.2005. Actual losses for last five years are given hereunder.

**Table 2.1 - Distribution loss of UHBVNL**

Year	Distribution Loss	Basis of information
FY 2000-01	31.24%	As per annual accounts
FY 2001-02	35.66%	''
FY 2002-03	35.02%	''
FY 2003-04	32.36%	''
FY 2004-05	30.65%	''
FY 2005-06	31.40%	As per FY 2006-07 ARR (till October 2005)

UHBVNL replied that target of 29% during FY 2005-06 is not achievable and a figure of 30.50% will be more realistic. The utility is taking measures to reduce distribution losses and conducting various drives to curtail the non-technical losses.

## **2.5 Change in tariff without approval of the Commission**

The Commission directed the licensee in its last ARR order dated 9.11.2005 to calculate the impact of following sales circulars and ask the Government to compensate it.

- a) Change in consumer category for Government Primary and Middle schools,
- b) Rebate to women consumers, (which is against provision of section 62 (3) of EA, 2003).
- c) 5% rebate to rural consumers, who have been regular in paying their electricity dues.

UHBVNL replied that extension has been sought up to 10.5.2006. All the CE/SE (Op.) of UHBVNL have been asked to supply the necessary information.

## **2.6 Waiver scheme regarding Arrears**

The staff of the Commission pointed out that the licensee had launched a Waiver Scheme regarding electricity dues for rural domestic and agriculture pump-set consumers w.e.f. 17.6.2005 as per the directions

of the State Government. However, UHBVNL has failed to provide any data about outcome of such waiver scheme. It was also added that any shortfall in revenue should not be passed on to the consumers and the State Government should bear all the financial implications.

UHBVNL informed the Commission that the waiver scheme of arrears was launched on 17.6.2005 in respect of rural domestic and agricultural consumers. But the scheme was extended from time to time and the last extension was up to 31.3.2006. According to this scheme the arrears shall be waived off in respect of such consumers who make regular payments of their electricity bills for 20 months (10 billing cycles) with effect from the date of their joining it. The State Government shall give the principal amount to the utility and surcharge shall be borne by the utility.

## **2.7 Excessive increase in Receivables**

The receivables of the licensee have been rising every year and stand at Rs. 1414.25 crore as on 31.3.2005 vis-à-vis Rs. 532.52 crore as on 31.3.2000. The amount of receivables has now reached to an alarming level. The licensee is unable to recover its power dues properly. There is a long list of big defaulters who are not paying. The licensee has mentioned that majority of consumers are allegedly not paying due to the influence of farmers' union. The licensee must try for innovative solution to its receivable problem and try to change the payment behaviour of these consumers.

The staff also presented consumers' category-wise analysis of receivables. It was highlighted that the maximum receivables were due from the domestic consumers.

It was mentioned that the overall collection efficiency of the Licensee is quite low particularly in Jind and Rohtak circles. The staff also

mentioned that the Licensee should take appropriate administrative and legal steps to improve their collection efficiency.

There has been manifold increase in the number of defaulters owing the licensee an amount in excess of Rs. 1 lakh. These defaulters should be dealt with strictly as there can be no leniency with such consumers. Also, the staff of the licensee should ensure that there is no payment default especially by high-end consumers. UHBVNL replied that action is being taken for recovery of its receivables.

## **2.8 Low Collection Efficiency**

The staff of the Commission mentioned during public hearing that the current collection efficiency for FY 2004-05 was 74.30% and the overall collection efficiency has not been calculated correctly. The collection efficiency for first six months of FY 2005-06 (up to September 2005) was 79.30%, while the licensee projected the collection efficiency for FY 2005-06 and FY 2006-07 as 90%.

UHBVNL informed that they are making all out efforts to improve their collection efficiency. The collection efficiency up to 31.12.2005 was 82.76%.

## **2.9 Provision for additional Subsidy**

UHBVNL and DHBVNL have projected subsidy, which aggregates to an amount more than that provided for by the State Government. However, as per section 65 of the Electricity Act, 2003, State Government shall pay subsidy in advance. Being a Government utility, the licensee should ask for requisite amount of subsidy from the State Government.

**Table 2.2- Subsidy projections by the licensees**

	Projections of subsidy for FY 2005-06	Rs. (in crore)
1	Subsidy asked by UHBVNL	1117.50
2.	Subsidy asked by DHBVNL	568.75
3	Total subsidy asked	1686.25
4	Subsidy provided by State Government	1464.88
5	Shortfall of subsidy	221.37

## 2.10 Recruitment of Employees

The licensee has proposed recruitment of 2941 new employees during FY 2006-07. However, the process of recruitment of 906 employees has been initiated through HSSC. The licensee has not submitted the required Human Resource Management Plan as per the directions given by the Commission in ARR for FY 2003-04.

UHBVNL replied that action is being taken for recruitment of new staff. The Human Resource Management Plan is being sent to the State Government for its approval and after its approval HERC will be informed.

## 2.11 Non-compliance of Commission's Directives

In order to streamline the working of the utility, the Commission has issued a number of directions to the licensee in its orders on ARRs in the last six years. The Commission ensures regular follow up on these directions. However, in spite of best efforts, many directions have not been complied with. A few of these are given below:

### 2.11.1 Directive about metering Plan

The licensee was directed to submit detailed metering plan for 100% metering. Initially the direction was given in the order-dated 16.8.2002. It remains a non-complied direction as per the orders-dated 20.8.2003 and 20.4.2005. 100% metering should be completed latest by March 2007 as per the National Tariff Policy. The licensee should prepare and submit the metering plan without delay to achieve the target. It was also

mentioned that besides consumers metering, the licensee should also complete 100% metering at feeders and distribution transformers for energy audit purpose.

UHBVNL replied that replacement of Electro-mechanical meters is in progress and further electronic meters are being procured. It was also mentioned by the licensee that there is great resistance from farmers for installation of meters at tube-well connections.

### **2.11.2 Computerisation of receivables**

The Commission directed on 20.8.2003 for computerisation of all receivable accounts and their detailed audit preferably from an independent agency, so that precise amount of consumer-wise and age-wise receivables with separate break up of sale of power, delayed payment surcharge, municipal tax and electricity duty may be known to the licensee. UHBVNL replied that computerisation of receivables is under process and would be submitted to the Commission by 15.8.2006.

The Managing Director and Director (Finance) of the UHBVNL also responded to the various points raised by the Staff. They narrated actions taken by the utility and promised to improve its efficiency and performance. UHBVNL further assured to take prompt action on the outstanding directives issued by the Commission from time to time. UHBVNL filed their replies on the observation of the staff of HERC made during public hearing held on 28.3.2006 vide Memo No. Ch-11/SE/RA/N/F-25/Vol-XI dated 4.4.2006.

The Commission has taken into consideration the analysis of the staff and response of UHBVNL thereon and dealt with it in its detailed order on ARR in chapter 3.

### **3 ANALYSIS OF ARR FILING AND THE COMMISSION'S ORDER**

In this chapter, various elements of ARR filing namely expenditure, capital base, reasonable return, non-tariff income and revenue requirement etc. are analysed and the Commission's order on each item is presented. The Commission has considered the views expressed by the members of SAC, interveners, including HERC staff and the Licensee's response thereto.

As per Section 27.2 of the Distribution licence granted to UHBVNL, the licensee is required to file its ARR for the ensuing financial year not later than 30<sup>th</sup> November each year. Also, as part of its obligations, it is required to submit certain other filings during the year.

UHBVNL filed its Annual Revenue Requirement application for Distribution & Retail Supply business for FY 2006-07 on 14.12.2005 vide Memo No. Ch-60/SE/RA/N/F-25/Vol-X dated 14.12.2005. In this chapter, UHBVNL's proposal refers to the Distribution and Retail Supply Business ARR filing submitted on 14.12.2005, additional information provided in response to the deficiency letter issued by the Commission or otherwise and the oral submissions made by the representatives of the Licensee during the public hearing.

Section 64(3) of the Electricity Act, 2003 provides a time frame of 120 days for the Commission to issue its order. However, this time frame could not be adhered because the ARR filing of the licensee was deficient with respect to certain key data including cost of power purchase. The UHBVNL filed its ARR for FY 2006-07 on the rates approved by the Commission for FY 2005-06, without making any effort to realistically project Power Purchase Cost for FY 2006-07. UHBVNL mentioned in its ARR filing that it purchases practically its entire requirement of electricity from the T&BS licensee. It is computed as the

product of number of units (KWh) purchased and the applicable bulk tariff rate. According to the licensee the units for power purchase for the FY 2006-07 have been considered as per the purchase estimated by the Trading and Bulk supply licensee after adjusting the same for transmission losses. The rates of power purchase for FY 2006-07 have been taken on the basis of the average per unit power purchase cost allowed to the UHBVNL for FY 2005-06, which is Rs.2.098 per unit. For FY 2006-07 the average rate of power purchase has been considered as Rs.2.10 per unit because during the current year the billing for first two months was on pre-revised rates.

As power purchase cost is the major element of total cost in the ARR of Distribution & Retail Supply licensee, the Commission felt it necessary that the power purchase cost should be properly estimated on a scientific basis. Consequently the Commission specifically asked the licensee in its Supplementary information (Para 11) to make available the requisite data forthwith so that Power Purchase Cost, on realistic basis, could be included in the ARR calculation. UHBVNL in its reply submitted vide Memo No. Ch-09/SE/RA/N/F-25/Vol-X/Supplementary Inf. 2006-07, dated 15.2.2006 replied that the Power Purchase has been considered as per the source-wise estimations made by the Trading and Bulk supply licensee i.e. HPGCL. However, the proposed purchase under the short-term bilateral arrangement and UI has not been considered, as the Commission generally disallows the same.

In response to the observation made by the staff of the Commission during the public hearing on the issue of power purchase cost, UHBVNL submitted vide its Memo No. Ch-11/SE/RA/N/F-25/Vol-XI, dated 4.4.2006 that the quantity of power purchase has been estimated on the basis of tentative source-wise purchase provided by HPGCL (trading / bulk Supply licensee). The power purchase rate has been taken as per HERC order dated 10.5.2005 in respect of T&BS ARR and tariff for FY

2005-06. As the rates of power purchase have already increased in the last two years, the utility has assumed that the HERC would not allow any further increase as the same would be detrimental to its financial health. However the exact volume and the amount of power purchase can only be established after HERC passes an order on the ARR filing for the trading business for FY 2006-07.

From the above it is clear that UHBVNL instead of projecting precise and realistic power purchase cost for FY 2006-07 in its ARR entrusted the responsibility for calculating exact volume and cost of power purchase to the Commission on the basis of ARR filing of the Trading & Bulk supply business. Therefore, The Commission was left with no option but to have a view that the ARR of Distribution and Retail Supply licensee shall be finalised and approved only after considering the ARR of trading business. Accordingly, this order is being issued after issue of the order on the ARR of trading business of HPGCL.

UHBVNL has requested for a number of waivers on different issues. The Commission observes that despite this being the eighth ARR filing by the Licensee, the information as required under the Guidelines for filing of Annual Revenue Requirement and the HERC (Tariff) Regulations (relating to filing of ARR) have not been furnished completely and, therefore, the Commission has to grant a number of waivers once again. These waivers were granted in the previous years too. The waivers are listed in **Annexure - 1**. The Commission had directed the licensee that while seeking any waiver(s) in future, the specific action-plan as well as the time frame to comply with the directive(s) of the Commission be provided. However, the Commission observes that the licensee has not complied with the direction.

The Commission has issued a numbers of directives in its previous ARR and Tariff orders. However, it is observed that quite a few directives have not yet been implemented or partly implemented. A list

of all such directives issued by the Commission, but not yet fully complied with by the Licensee is given in **Annexure – 2**. Several waivers requested by the Licensee are related to non-implementation of these directives. The Licensee should immediately take all the necessary steps for implementation of Commission's directives.

### **3.1 Expenditure**

The main elements of expenditure relating to ARR are Cost of power, Operation and Maintenance expenditure, depreciation and interest expenses. All these elements are discussed in detail in the paragraphs that follow :

#### **3.1.1 Cost of Power purchased**

Haryana Vidyut Prasaran Nigam Limited (HVPNL) remained the Bulk Supply Licensee till 9.6.2005. The Government of Haryana, vide its notification No. 1/6/2005-1 Power, dated 9.6.2005 transferred the rights and obligations under agreements and contracts, relating to the procurement and Bulk supply of electricity or trading of electricity from Haryana Vidyut Prasaran Nigam Limited (HVPNL) to Haryana Power Generation Corporation Limited (HPGCL) with effect from 10.6.2005. The Distribution and Retail Supply Licensee practically procures its entire power requirement from the Bulk Supply Licensee. The Commission has separately approved tariff for the Bulk supply of power and trading margin for FY 2006-07 in its order-dated 11.8.2006. Based on the approved transmission loss and consumption estimates and the applicable tariff rates, the Commission approves power purchase volume of 11,198 MUs by UHBVNL during FY 2006-07 at a cost of Rs.25605.05 million. On basis of trading margin of 1 paise per unit approved by the Commission, an additional amount of Rs. 111.98 million is allowed as trading margin for FY 2006-07.

In case the power purchase cost for the D&RS business changes due to any FSA allowed by the Commission over and above the approved bulk supply tariff, the D&RS licensee shall file its FSA application as per the FSA formula & guidelines approved by the Commission.

### **3.1.2 Transmission charges and SLDC charges**

As per the Government of Haryana Notification dated 9.6.2005, Haryana Vidyut Prasaran Nigam Limited is responsible for transmission business as State Transmission Utility. It is also operating the State Load Despatch Centre at Sewah (Panipat). The Commission vide its order dated 26.7.2006 has determined the transmission tariff and SLDC charges to be recovered from the Distribution licensees for FY 2006-07. On the basis of co-incidental system peak, the transmission charges to be recovered from UHBVNL for FY 2006-07 amount to Rs.1617.83 million. The share of SLDC charges for FY 2006-07 to be borne by UHBVNL amounts to Rs. 43.06 million.

### **3.1.3 Operation and Maintenance expenditure**

Employees' cost, Repair & Maintenance expenses and Administration & General expenses are analysed under this sub-head. The Licensee has estimated its operating and maintenance expenses for FY 2006-07 at Rs. 3082.69 million as against FY 2004-05 audited cost of Rs.4017.43 million. The Commission had approved Rs. 2689.23 million as O&M expenses of UHBVNL for its Distribution and retail supply business for FY 2005-06. Table 3.1 provide the details.

**Table 3.1- UHBVNL Proposal for O&M expenses (Rs. in million)**

Particulars	Audited Actual of UHBVNL for FY 2004-05	HERC Order on UHBVNL for FY 2005-06	UHBVNL Proposal for FY 2006-07
Wages, salaries and related costs	3472.61	2260.60	2478.96
R&M expenses	396.56	263.67	436.07
A&G expenses	149.26	164.96	167.66
Total O&M Expenditure	4018.43	2689.23	3082.69

The Commission has considered FY 2004-05 audited accounts with suitable adjustments / changes as a base for the purpose of calculating ARR for FY 2006-07. These expenses have been discussed in detail in the paragraphs that follow:

### **3.1.3.1 Employees' cost**

The employees' cost is an important component of the ARR. Employees' cost includes the cost incurred for working as well as the retired employees. The cost of working employees comprises salary, dearness pay and dearness allowance and other allowances such as HRA, CCA, LTC, medical reimbursement etc. In the case of retired employees and those retiring during the year, the licensee has to discharge liabilities towards pension, gratuity and leave encashment benefit etc., as applicable. The main elements of employees' cost are discussed separately.

#### **A. Basic Salary and Dearness Allowance (DA)**

The Commission has estimated employees' cost by taking into account the amount as per the latest available FY 2004-05 audited accounts of UHBVNL. The licensee has proposed an increase of 3% p.a. in the basic salary to account for increments etc. for each year as against Commission's approved rate of 2% of basic salary as per its previous orders. However, the licensee could not provide supporting data as desired by the Commission in support of the proposed 3% increase p.a.

in basic salary. Therefore, the Commission has retained its earlier estimates of 2% p.a. Dearness pay is estimated at 50% of the basic pay. The Commission has considered DA rate of 26% as proposed by the licensee. In the ARR filing dated 14.12.2005, the licensee had projected recruitment of 2941 new employees during FY 2006-07. However, as part of its supplementary filing dated 21.2.2006, the licensee has informed the Commission that the process for recruitment of 906 employees has been initiated through the Haryana Staff Selection Commission. Consequently, the Commission has considered recruitment of 906 new employees for the purpose of calculating employees' cost in the ARR for FY 2006-07. It needs to be noted that the Commission has directed the licensee to provide a comprehensive Human Resource plan in its ARR order dated 18.4.2005 for FY 2004-05, which the licensee has not done till date.

The approved expenditure on account of salary, dearness pay and dearness allowance is Rs. 1761.57 million for FY 2006-07.

#### **B. Other allowances**

The Commission reiterates its view that other allowances should be estimated as a percentage of basic salary alone for all future ARR filings. This fact is clearly mentioned in the Commission's order dated 16.8.2002. In line with the aforesaid principle, the Commission is allowing 18.75% of Basic salary as other allowances including electricity allowance, which works out to Rs. 174.78 million. The rate is arrived at on the basis of FY 2004-05 audited accounts of the UHBVNL.

#### **C. Terminal benefits**

The Commission is committed to adequately provide for retirement benefits of the employees of the licensee through the ARR. The Commission since its very first order has provided the required amounts for terminal benefits so that the question of being unable to make

payments to its retiring and retired employees because of non-provision of such amount in the ARR should not arise. The licensee in the ARR under consideration has projected Rs. 389.64 million as terminal benefit expenses on actual payment basis, which is being allowed by the Commission.

#### **D. Employees' Cost Capitalised**

The amount of employees' cost capitalised should relate to the cost of those employees who are engaged in capital projects. The Commission is allowing capitalisation of employees cost in the same ratio as the proportion of actual expenditure incurred in the construction division bears to total expenditure as per FY 2004-05 audited accounts. Consequently, the employees cost capitalised works out to Rs. 39.90 million at the capitalisation rate of 2.06% as against Rs. 29.30 million proposed by the licensee.

The employees' cost net of the amount capitalised of Rs.39.90 million approved by the Commission is Rs. 2286.09 million. The computation of employee cost is presented in table 3.2 :

**Table 3.2- Employees' cost approved for FY 2006-07 (Rs. in million)**

Employee Cost Computation	UHBVNL Proposal	HERC Approval
Basic Salary + D.P	1528.06	1398.07
D.A.	397.29	363.50
Other allowances	193.27	174.78
Terminal benefits	389.64	389.64
<b>Total</b>	<b>2508.26</b>	<b>2325.99</b>
Less: Employee cost capitalised	29.30	39.90
<b>Net Employee Cost Expensed</b>	<b>2478.96</b>	<b>2286.09</b>

The Commission reiterates that the licensee shall not divert any provident fund subscription received from its employees to its business.

### 3.1.3.2 REPAIRS AND MAINTENANCE EXPENSES

Repair and maintenance (R&M) cost is meant for the upkeep of the distribution system. The Commission allowed R&M expenses at the rate of 2% of average Gross Fixed Assets in its earlier order along with the direction to the licensee to prepare R&M norm for the equipments used in the D&RS business. UHBVNL has claimed R&M expenses @ 3% of GFA for FY 2006-07 amounting to Rs.436.07 million. However, no detailed basis has been provided for increase in R&M expenses. In the absence of the desired details, the Commission has retained its earlier estimates of 2% of average GFA for the purpose of calculating R&M expenses for FY 2006-07. The GFA for the purpose of calculating R&M expenses excludes rent-earning assets. The Commission thus allows R&M expenses amounting to Rs. 286.16 million for FY 2006-07.

### 3.1.3.3 ADMINISTRATIVE AND GENERAL EXPENSES

For the purpose of the current ARR, the Commission accepts the projection of A&G expenditure submitted by the licensee at Rs. 167.66 million net of Rs.8.27 million on account of expenditures capitalised. .

The Commission is of the view that in case of any unforeseen expenses during the year, the licensee may approach the Commission for

allowing such expenditure during the following year. In case licensee is able to justify the expenditure, the Commission will allow such expenditure in the subsequent period.

### 3.1.4 Interest On Loans

The trend in borrowings during FY 2000 to FY 2005 clearly shows increasing reliance on debt financing thereby raising the gearing of the company to unsustainable levels. The interest cost has increased more than proportionate to the increase in loans, thereby indicating a rising cost of debt. Table 3.3 shows the trend in the borrowings during the last five years.

**Table 3.3 - Borrowing of UHBVNL (Rs. in million)**

Particulars	31.3.2000 Audited	31.3.2001 Audited	31.3.2002 Audited	31.3.2003 Audited	31.3.2004 Audited	31.3.2005 Audited
Borrowings for :						
Capital exp.	1,731.02	2,508.87	3,274.85	3,274.64	3,363.59	2557.41
Working capital	47.33	780.36	3462.20	5,912.66	6,014.85	6457.01
CC and OD	236.74	146.41	217.31	310.53	129.41	82.83
Total borrowing	2,015.09	3,435.64	6954.36	9,497.83	9,507.86	9097.25
Increasing trend of borrowing (Base 31.3.2000)	100	171	345	471	472	451
Interest & Financial Expenses	148.32	298.01	571.53	851.71	934.04	746.75
Increasing trend of interest cost (Base 31.3.2000)	100	201	385	574	630	503
Balance of cash in hand and at bank	150.54	224.52	433.89	359.19	369.32	256.76

It is observed from the table that the Licensee has not been able to manage its payables and receivables in an efficient manner. The Licensee is borrowing to cover the gaps / losses arising due to its poor

cost controls and operational inefficiencies despite the fact that Commission has provided 'pass through' of all legitimate and prudent costs in all the previous ARR. During the initial years, revenue gap had been allowed to the Licensee as Regulatory Assets and the Licensee was allowed funding of the approved regulatory asset by way of borrowings, the interest cost on which was allowed in the ARRs. The borrowings of the licensee continue to rise because of its poor collection efficiency resulting in mounting receivables and also due to high distribution losses. The licensee is also maintaining a high level of cash and bank balance contrary to its weak financial position and thereby foregoing the opportunity to earn some interest on the same.

The Commission has voiced its concern in its earlier orders about the inability of the licensee in utilising its sanctioned loans. The licensee has utilised only Rs. 291.06 million as against projected capital borrowings of Rs.1305.00 million in FY 2004-05. Similarly, its performance on this count during FY 2003-04 too was unsatisfactory when it actually drew Rs. 717.57 million as against projected amount of Rs.1219.05 million. For FY 2005-06, it has revised its projected borrowings for capital works from Rs. 1860 million to Rs. 832.90 million. It clearly establishes the licensee's poor financial planning and management of capital works.

In case of working capital borrowings too, it is evident that the licensee borrowed Rs. 3197.04 million as against a projected borrowing of Rs. 4510.43 million in FY 2004-05, which represents a difference of Rs. 1313.39 million. In FY 2005-06, the licensee in the ARR filing projected additional working capital borrowings at Rs. 6689.15 millions, which was revised to Rs. 4591.10 million i.e. a downward revision of Rs. 2098.05 million. This shows that the licensee is unable to project its financials with any degree of accuracy and, also, the amount projected is bereft of any rigorous financial canons.

The Licensee has projected gross interest cost of Rs.369.66 million on the borrowings for capital expenditure in its filing for FY 2006-07. In case of capital expenditure borrowings, the Commission allows interest on all such loans for which the Licensee has provided source-wise details. Thus, the Commission approves an amount of Rs.369.66 million as gross interest cost for FY 2006-07, as proposed by the licensee. Out of this, an amount of Rs. 123.04 million is reduced on account of capitalisation as against Rs. 106.99 million proposed by the Licensee. The Commission has capitalised interest cost for ongoing capital projects considering the rate of capitalisation of 70:30, which means that 30% of works initiated during FY 2005-06 are incomplete at the beginning of FY 2006-07. Corresponding interest cost on borrowings for such works will be capitalised during FY 2006-07. In addition to this, interest cost on all works initiated during FY 2006-07 will also be capitalised. The rate of interest considered for calculation of IDC is 8.89% i.e. the average rate of interest on borrowings for capital works in FY 2006-07 whereas the rate of interest applied by the licensee for IDC calculation is 8%. Thus, the net interest cost on capital works related borrowings approved by the Commission is Rs. 246.61 million.

The Commission in its previous order had taken a view that consumers ought not be burdened with interest cost of excessive working capital borrowings and had attempted to project a reasonable interest cost, which could be justifiably passed on.

Working capital requirement is determined by the quantum of funds required to meet day-to-day expenses till realisation of sale dues. Sales are inclusive of non-cash expenses like depreciation and profit. For the distribution utility this should be determined by the requirement of funds to meet its day-to-day operations until collection of bills raised on its consumers. This component is partly set off by the credit period, which it receives, from its suppliers. Also, the distribution utility collects an

Advance Consumption Deposit from its consumers to partly meet with the gap arising out of the time lag between supply of electricity to the consumers and collection of sales bills raised on them.

As per Commission's calculations the weighted average interest free credit period allowed by the licensee to its consumers is 50 days of sales. This translates into receivables for two months on the higher side to be allowed for calculating working capital requirement (Rs. 2743.95 million). Other requirements for meeting day-to-day expenses would be one-month O&M expenses (Rs. 256.83 million) and required maintenance spares. The licensee claims that it is unable to segregate its maintenance spares from capital stores as the nature of material in stores is common. In the absence of such bifurcation, one-year consumption of material as per the audited accounts adjusted for 6% inflation p.a. may be considered reasonable (Rs. 445.58 million) towards the amount of required maintenance spares. Towards internal funding of working capital requirement as calculated above, the Licensee estimates that as per ARR filing, it will be able to avail a credit period of two months from the bulk supplier of electricity (Rs. 3954.49 million). In addition to this, an Advance Consumption Deposit (Rs. 2158.56 million) in form of security is also available to the licensee. All these figures are as per the ARR filing. When calculation of working capital is done on the above-mentioned premise, the licensee has a negative requirement of working capital to the tune of Rs. 2667 million. This means that the licensee is not only able to fund its working capital requirement through its internal accruals but it also has excessive funds of Rs. 2667 million.

The licensee has estimated its working capital requirement for FY 2006-07 as Rs. 8202.58 million, which is almost half of its proposed ARR for the year and equal to six months of sales. It appears that the licensee, against all financial canons, tries to meet long term funding requirement

including accumulated losses by borrowing and thus creating a debt trap for itself and high cost to the electricity consumers. It would be appropriate for the licensee to make a concerted effort to collect its outstanding receivables. An attempt should also be made to reduce the time gap in incurring expenditure and realising book debt. The Licensee must keep the two issues separate. Interest on working capital, which is to be recovered from the consumers through tariff, must be for working capital requirements strictly. Inefficiencies in billing and collection ought not to be recovered from the consumers in this manner. The licensee has calculated its working capital requirement as the difference between its assets and liabilities as per the projected balance sheet as on 31.3.2007. As such, it is a balancing figure and the licensee has not made any efforts to arrive at a prudent estimate of its working capital requirement. The accumulated receivables and losses of the licensee stand at Rs. 22475.36 million as on 31.3.2007, which are partly funded through short-term bank borrowings, inter company dues and accounts payables for power purchase. Such ad-hoc approach needs to be replaced with strategic cash flow and fund flow management

The Commission in its earlier orders has been limiting the allowed working capital borrowings to one month of approved ARR. As per Commission's estimates this works out to Rs. 1800 million for FY 2006-07. This is allowed as approved working capital for FY 2006-07. Interest on Rs. 1800 million @ 7.26% being the average rate of working capital borrowings projected by the licensee work out to Rs. 130.68 millions and is approved by the Commission.

In addition to this, the Commission has been providing interest on borrowings to fund the regulatory asset, which has now been completely amortised by the Commission vide its order-dated 9.11.2005 in respect of D&RS ARR order for FY 2005-06. Therefore, no interest

has been considered towards any borrowings to fund the allowed regulatory asset in the ARR for FY 2006-07.

The licensee has projected interest on consumers' security deposits amounting to Rs. 69.74 million which the Commission allows subject to the compliance of The Haryana Electricity Regulatory Commission (Duty to supply electricity on request, Power to recover expenditure incurred in providing supply & Power to require security) Regulations, 2005 which deals with the modalities of payment of interest on consumers' security deposits.

It is relevant to mention here that the Commission allowed Rs. 12.92 million as interest on consumers' security in its order dated 9.11.2005 for FY 2005-06, as proposed by the licensee, subject to the following conditions:

- a. The interest is actually adjusted in the bills of the consumers during April/ May 2006 in accordance with the said regulations.
- b. The actual payment will be adjusted against the amount allowed in the ARR and any deficit or surplus on this account will be taken care of in the subsequent ARR on the basis of audited accounts.

However, the licensee has neither confirmed that it has paid interest on consumer security deposit during April/ May 2006 in accordance with the Commission's direction and regulations nor has provided any documentation in support. **The Commission directs the licensee to comply with the direction regarding regular payment of interest on consumption security and meter security to the consumers and file a compliance report with the Commission within 3 months of this order.**

The computation of interest expenses approved by the Commission is presented in table 3.4 :

**Table 3.4 - Interest Expenses approved for FY 2006-07 (Rs. in million)**

<b>Interest on Loans</b>	<b>UHBVNL Proposal</b>	<b>HERC Approval</b>
Gross Interest on Capital Expenditure Loans	369.66	369.66
Less: Interest Capitalised	106.99	123.04
Net Interest on Capital Expenditure Loans	262.67	246.61
Interest on Working Capital Loans	587.33	130.68
Net Interest expenses	850.00	377.29
Interest on consumers' security deposits	69.74	69.74
Finance Charges	0.00	0.00
<b>Total Interest and finance charges</b>	<b>919.74</b>	<b>447.03</b>

### 3.1.5 Depreciation

The Commission allows Rs. 1104.60 million depreciation as proposed by the licensee for FY 2006-07. The amount of depreciation is reduced by the depreciation on assets funded out of consumer contribution and earning rent assets amounting to Rs.143.77 million.

Resultantly, the Commission approves an amount of Rs. 990.83 million as depreciation to be included in the ARR FY 2006-07. The computational details are as presented in table 3.5.

**Table 3.5 - Depreciation charges approved for FY 2006-07 (Rs. in million)**

Particulars	UHBVNL Proposal	HERC Approval
Gross Fixed Assets at the beginning of the year *	13419.66	13419.66
Depreciation rate	8.23%	8.23%
Total depreciation Expense	1104.60	1104.60
Less Depreciation on assets funded through consumer contribution	107.12	107.12
Less Depreciation on rent earning assets		6.65
<b>Net depreciation</b>	<b>997.48</b>	<b>990.83</b>

\* The value of gross fixed assets considered for the purpose of calculation of depreciation by the Commission is the projected value as on 31.3.2006.

The utilisation of depreciation amount shall be as per the Commission order dated 13.11.2001 (Paragraph 12 page 9), which is reproduced as below:

"In order to avoid confusion in future about the manner of utilisation of depreciation amount during the transition phase, the Commission lays down the following priorities for such utilisation strictly in the order given below, as long as regulatory assets remain on the books of the distribution licensee: -

- (i) For meeting loan repayment liabilities.
- (ii) For meeting the permitted revenue gap to the extent possible.
- (iii) For meeting capital expenditure to the extent possible".

The deprecation as approved by the Commission amounting to Rs. 990.83 million is to be utilised towards meeting the capital loans repayment of Rs. 529.69 million as projected by the licensee. The remaining amount of Rs. 461.14 million has been utilised for reducing the revenue gap to the extent possible. The balance amount of depreciation remaining after the adjustment of loan repayment in FY

2005-06 amounting to Rs. 273.16 million, has been also utilised to reduce the revenue gap as provided in the Commission's order for FY 2005-06.

### **3.1.6 Special Appropriations**

#### **A. Contribution To Contingency Reserve**

The Commission approves Rs. 39.13 million as contribution towards Contingency Reserve as proposed by the licensee in its filings for FY 2006-07.

#### **B. Fringe Benefit Tax Provision**

The licensee in its filing has proposed to include Rs. 383.90 million as provision for fringe benefit tax for FY 2006-07. However, the Finance Act, 2006 exempts the contribution to the Superannuation Fund up to an individual limit of Rs. 1 lakh and, therefore, the Fringe Benefit Tax liability on account of contribution to the Superannuation Fund has been taken out from the ARR for FY 2006-07. The revised estimated amount of fringe benefit tax of Rs. 20 million is allowed subject to the following conditions:

- a) The licensee will provide proof of payment of the amount of fringe benefit tax along with the next filing;
- b) The provision being allowed in the ARR will be adjusted against actual liability on account of fringe benefit tax on final assessment.

### **3.1.7 Other Expenditures**

The licensee has included Rs 32.94 million in ARR being the amount of regulatory asset written off. The Commission in its order-dated 22.12.2000 had stated, "The regulatory asset shall be liquidated either by amortisation and inclusion in ARR or adjusted through efficiency

gains after the licensee attains efficiency". In line with the above approach, the Commission adjusted the regulatory asset of Rs. 230.70 million outstanding in the books of the licensee in the ARR order of FY 2005-06 and hence there is no regulatory asset outstanding in the books of the licensee, which is required to be written off.

The licensee has not proposed any other expenditure in its filing for FY 2006-07.

### **3.1.8 Total Expenditure**

The total expenditure approved by the Commission with respect to the Distribution and retail supply business of UHBVNL for the financial year 2006-07 is Rs.31614.83 million as against Rs. 29289.93 million proposed by the licensee. The higher than the proposed expenditure allowed by the Commission is primarily on account of higher power purchase cost as a result of the revised bulk supply rate. The details are presented in table 3.6.

**Table 3.6 - Total expenditure approved for FY 2006-07 (Rs. in million)**

Description	UHBVNL Proposal	HERC Approval
<b>Expenditure:</b>		
Purchase of energy	23726.93	25605.05
Trading charges		111.98
Transmission charges		1617.83
SLDC charges		43.06
Wages, salaries and related costs	2478.96	2286.09
R&M Expenses	436.07	286.16
A&G Expenses	167.66	167.66
Interest cost on borrowings		
- For capital expenditure	262.67	246.61
- For working capital	587.33	130.68
- On Consumer Security Deposit	69.74	69.74
Depreciation	1104.60	990.83
Bad debts including provisions	0.00	0.00
<b>Total Expenditure</b>	<b>28833.96</b>	<b>31555.70</b>
<b>Special Appropriations:</b>		
Income Tax/ fringe benefit tax provisions	383.90	20.00
Instalments of written down amounts (Regulatory Assets written off)	32.94	0.00
Contribution to Contingency Reserve	39.13	39.13
Total Special Appropriations	455.97	59.13
<b>Total Expenditure (including special appropriation)</b>	<b>29289.93</b>	<b>31614.83</b>

## 3.2 Capital Base

As the licensee has not claimed any return on capital base, the Commission feels no requirement for calculating Capital Base for the purpose of the current ARR. However, the Commission has calculated certain elements of the capital base while calculating the ARR amount of the licensee. Each such element is discussed below.

### 3.2.1 Capital Works In Progress (CWIP)

The amount of new investments for capital expenditure has been limited to the amount of borrowings for which the licensee has provided source-wise details. This amount is Rs. 2174.46 million as projected by the

licensee for FY 2006-07. Apart from this, a part of capital expenditure is also funded out of consumer contributions amounting to Rs.66.46 million and Rs. 500 million as grants. As a result the total additions to CWIP amount to Rs. 2740.92 million. All these amounts are as per the latest information provided by the Licensee.

The capitalisation of CWIP for FY 2006-07 is based on the Commission approved capitalisation schedule of 70:30, meaning thereby that 70% of capital works are completed in the year these are initiated. The balance is capitalised in the next year. The resulting closing balance of CWIP as calculated by the Commission works out to Rs. 822.28 million as given in table 3.7.

**Table 3.7 - Calculation of CWIP for FY 2006-07 (Rs. in million)**

Schedule of CWIP	UHBVNL Proposal	HERC Approval
Opening balance	306.84	306.84
Additions during the year	2740.91	2740.92
Transfer to GFA	2231.67	2225.48
Closing balance of CWIP	816.07	822.28
Funding of CAPEX :-		
Equity	0.00	0.00
Loan funds	2174.46	2174.46
Government grants	500.00	500.00
Consumer contribution	66.46	66.46
Total Funds	2740.91	2740.92

### 3.2.2 Gross Fixed Assets (GFA)

The opening balance of GFA as on 1.4.2005 is derived from the closing balance of GFA as per the audited accounts of the licensee for FY 2004-05. Additions to GFA are derived from the Capital Works in progress computation referred at Para 3.2.1. The closing balance of GFA for FY 2006-07 works out to be Rs. 15645.15 million as presented in table 3.8.

**Table 3.8 - Gross Fixed Assets approved for FY 2006-07 (Rs. in million)**

	<b>UHBVNL proposal</b>	<b>HERC Approval</b>
Opening Balance of gross fixed assets	13419.66	13419.66
Add: Additions to GFA	2231.67	2225.48
Less: Retirement of assets	0.00	0.00
Closing balance	15651.34	15645.15
Assets funded out of consumers' contribution	1867.81	1867.81

### **3.2.3 Amount of Working Capital (Capital Base)**

#### **3.2.3.1 Cash In Hand And At Bank**

The licensee has projected an average cash and bank balance of Rs.258.97 million for FY 2006-07. The cash and bank balance of the licensee on 31.3.2005 as per audited accounts for FY 2004-05 is Rs. 234.25 million. The Commission is of the opinion that the licensee is not managing its cash & bank balances in an efficient manner. The average cash and bank balance ranges from Rs. 150.24 million to Rs. 326.27 million for the period from April 2004 to March 2005. It is, therefore, evident that there is scope for better management of cash balances as the cost of carrying these large cash and bank balances would be high and add to the overall cost. The licensee should improve its fund management system.

#### **3.2.3.2 Stores**

Alarmed by the high level of stores, the Commission had asked the licensee to bifurcate its stores on the basis of utilisation between capital works and maintenance works. The licensee subsequently started bifurcating the stores as asked by the Commission but the allocation is not being done on actual basis as is evident from the data provided in the filing. The Commission in its order dated 9.11.2005 pointed out that the licensee had utilised stores worth Rs. 616.16 millions for Operation and Maintenance during FY 2003-04 as per details filed in the ARR,

whereas, as per the audited balance sheet, the licensee has spent only Rs. 230.18 millions on R&M. Surprisingly, the licensee in the ARR filing for FY 2006-07 has again claimed that it has utilised stores worth Rs. 1290.68 million for R&M during FY 2004-05, whereas the audited balance sheet for FY 2004-05 shows an expenditure of only Rs. 396.56 million. The licensee has tried to attribute this difference to returns to stores, which means that the licensee draws three times the material required for carrying out the maintenance works from its stores. Therefore, the omission does not accept the above explanation given by the licensee and shall like it to look into the matter again in depth.

The licensee has also stated that the stock of meters and cables is high due to adverse HERC decision on change of meters and the decision is under review. The licensee is fully aware that no such review is pending with the Commission, but still insists on giving wrong excuses.

The annual R&M expenditure of the licensee for FY 2004-05 is Rs. 396.56 million and the closing balance of CWIP is only Rs. 505.89 million as on 31.3.2005 as against the closing balance of stores on 31.3.2005 at Rs. 1017.57 million as per audited accounts. Looking at this, the Commission feels that the licensee is keeping excessively high level of inventory. The Commission would like to point out that the carrying costs of inventory i.e. stores is very high and the licensee should make all efforts to minimise its inventory. The Commission had directed the licensee in its order-dated 9.11.2005 to reconcile the above differences between the stores as on 31.3.2004 and provide correct position to the Commission within one month of order, which the licensee has not done. **The Commission directs the licensee to fully computerise its stores accounting system in a time bound manner and file a time schedule for the computerisation of stores accounting system within 2 months of issue of this order.**

### **3.2.4 Amount of Compulsory Investment**

The amount allowed as Contingency Reserves is required to be invested by the utility in the specified securities. The contribution of contingency reserve amounting to Rs. 35.25 million for FY 2005.06, is added to the balance of compulsory investment as on 31.3.2006 amounting to Rs. 149.47 million. This amounts to a contingency reserve investment of Rs. 184.72 million for FY 2006-07.

### **3.3 Return on Capital Base**

The licensee has not proposed any return on capital base. The Commission, therefore, is not allowing any return on the same and thus capital base and the calculation of capital base has not been made.

The Licensee has claimed Rs. 65.92 million towards reasonable return at the rate of 0.5% of Loan amount. There is no justification for allowing any return on loan amount as the Commission is allowing all expenses to the licensee for raising and managing its loans. Therefore, the return of 0.5% of loans has been disallowed in line with its earlier orders.

### **3.4 Non-Tariff Income**

The Licensee has proposed that it will earn Rs. 1717.14 million as non-tariff income during FY 2006-07. The Commission allows the amount proposed by the licensee after reduction of interest on staff loans (Rs. 12.65 million) as the interest on borrowings has been allowed on normative basis. The Commission has also reduced income from rent earning assets amounting to Rs. 1.06 million from the non-tariff income. It also excludes depreciation of assets funded out of Consumers' contribution as the Commission has calculated depreciation on GFA net of Consumers' contribution. The details of non-tariff income approved by the Commission for FY 2006-07 are presented in table 3.9.

**Table 3.9 - Non- Tariff Income approved for FY 2006-07 (Rs. in million)**

Description	UHBVNL Proposal	HERC Approval
Meter rentals and other apparatus hire	866.82	771.30
Ancillary and incidental income	850.31	825.01
Total of "Non-tariff Income"	1717.14	1596.31
Less: Depreciation on assets funded out of Consumer Contribution	107.12	0.00
Non Tariff Income	1610.02	1596.31

### 3.5 Aggregate Revenue Requirement

In light of the above analysis, the Commission approves Rs. 30018.52 million as the aggregate revenue requirement of the Distribution and Retail Supply business of UHBVNL for FY 2006-07.

The Licensee has considered subsidy amount of Rs. 11175.02 million for FY 2006-07 this being the total gap in the ARR for FY 2006-07. The licensee has made no efforts to calculate cost to serve, cross subsidy and the subsidy required to be paid by the state government under section 61 & 65 of the Electricity Act 2003. The combined total subsidy projected by UHBVNL and DHBVNL for FY 2006-07 exceeds the amount of subsidy for rural agriculture consumer allowed by the State Government in its annual budget for FY 2006-07. The computation of approved Aggregate Revenue Requirement for FY 2006-07 is presented in table 3.10.

**Table 3.10 - Total Aggregate Revenue Requirement approved for FY 2006-07 (Rs. in million)**

Description	UHBVNL Proposal	HERC Approval
Reasonable return	65.92	0.00
Total expenditure	29289.93	31614.83
<i>Minus:</i> Non-tariff income	1717.14	1596.31
<i>Minus:</i> Outstanding customer rebates	0.00	0.00
<b>Total Aggregate Revenue Requirement</b>	<b>27638.71</b>	<b>30018.52</b>
<i>Minus:</i> Subsidy from State Government	11175.02	
<b>Total Net Aggregate Revenue Requirement</b>	<b>16463.69</b>	<b>30018.52</b>

### 3.6 Other Issues

#### 3.6.1 Compliance of National Tariff Policy

The Government of India has notified National Tariff Policy vide Resolution No. 23/2/2005-R&R (Vol. III) dated 6.1.2006. One of the objectives of this Tariff Policy is to ensure availability of electricity to consumers at reasonable & comparative rates and to promote competition, efficiency in operations and improvement in quality of supply. The National Tariff Policy specifies that suitable performance norms of operations together with incentives and disincentives would need to evolved along with appropriate arrangement for sharing of gains of efficient operations with the consumers. Para 5.3 (f) specifically mentions that the operating parameters in tariff should be at “normative levels” only and not at “lower of normative and actual”. This is essential to encourage better operating performance. The norms should be efficient, relatable to past performance, capable of achievement and progressively reflecting increased efficiencies. As per policy, continued and proven inefficiency must be controlled and penalised.

As per the National Tariff Policy the multi-year tariff framework is to be adopted for tariffs to be determined from April 1, 2006. The framework should feature a three to five year ‘control’ period. Section 61 (f) of the Electricity Act, 2003 also provides that the Commission for

determination of tariff shall be guided by the multi-year tariff principles. Multi-year tariff framework is an important structural incentive to minimise risk for utilities and consumers, promote efficiency and rapid reduction in system losses. It would bring greater predictability to consumer tariff by restricting tariff adjustment to known indicators such as power purchase prices and inflation indices. **The Commission directs the licensee to examine this issue and submit a detailed proposal about its preparedness to implement the multi-year tariff (initially for three years period) with six months from issue of this order. The multi-year tariff proposal should incorporate loss reduction, reduction in working capital loans and receivables trajectory during the control period. To achieve this the licensee will require to first identify the controllable and uncontrollable costs. The uncontrollable cost can then be linked to some benchmark or escalation index, if required. The controllable cost including technical / commercial losses can be set on a reduction trajectory.**

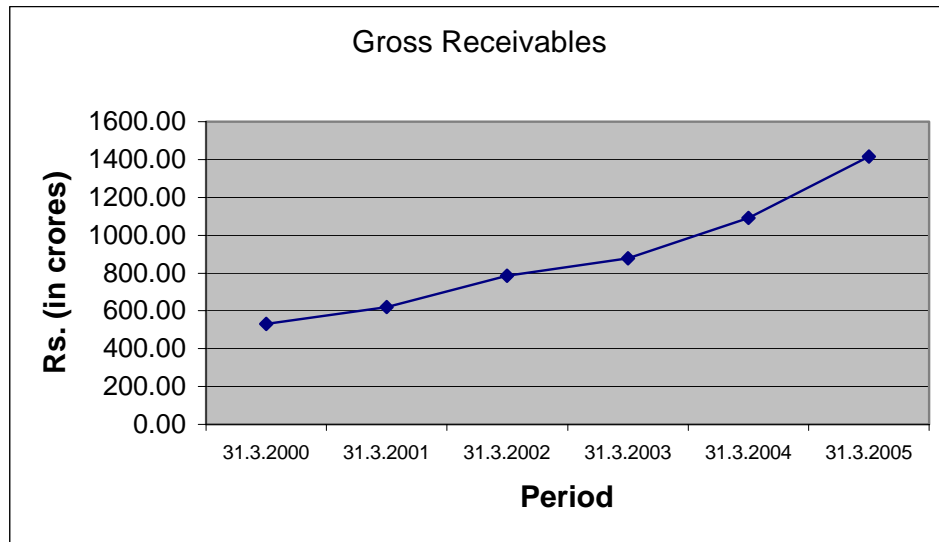
### **3.6.2 Receivables of Electricity Sales**

The licensee's collection efficiency against the bills raised on the consumers has always been falling considerably short of targeted collection efficiency. This has resulted in increase in receivables. The receivables on account of sale of power are continuously increasing. The actual position of power dues as per data submitted by the Licensee is presented in table 3.11.

**Table 3.11 - Increasing trend in receivables (Rs in crores)**

Position as on :-	31.3.2000	31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005
Gross Receivables	532.52	620.77	785.94	877.59	1089.79	1414.25
Less : Provision for bad debts	202.40	202.40	156.13	79.12	108.9	134.79
Net Receivables	330.12	418.37	629.81	798.47	980.89	1279.46
Increase in Net Receivables (Base 100)	100	127	191	242	297	388

The graphical presentation of gross receivables is also given hereunder:



The consumer category wise position of receivables as on 31.3.2005 is presented in table 3.12 :

**Table 3.12 - Consumer Category wise receivables as on 31.3.2005  
(Rs. in Lakhs)**

Consumer Category	Total Receivables	%age Receivables	Due for more than 3 years	%age for arrears more than 3 years
Domestic	88233.52	62.4%	17777.70	66.2%
Non Domestic	10993.63	7.8%	2092.34	7.8%
HT	6456.29	4.6%	1356.41	5.1%
LT	7568.77	5.4%	1283.26	4.8%
Agriculture	21097.58	14.9%	4039.57	15.0%
Lift Irrigation	3321.29	2.3%	28.45	0.1%
MITC	-10.79	0.0%	0.09	0.0%
Bulk Supply	1004.70	0.7%	32.44	0.1%
Street Light	960.21	0.7%	132.53	0.5%
PWW	1608.32	1.1%	103.37	0.4%
Railway Traction	191.89	0.1%	0.00	0.0%
Total	141425.41	100.0%	26846.16	100.0%

It is evident from the above table that the Domestic consumer category accounts for a large chunk of outstanding dues and more so in receivables outstanding for more than three years. The share of domestic consumers in total receivables has gone up from 54% as on 31.3.2003 to 58.54% as on 31.3.2004 and to 62.4% as on 31.3.2005.

It is a matter of great concern that large sums of money are due from the Government departments. In a cost plus regime the commercial discipline make its obligatory on part of the utilities to apply the same yardstick and 'condition of supply' to all its consumers whether a government body or an individual or a corporate entity.

The Commission has directed the Licensee to computerise all its receivables at the earliest. The licensee should also undertake detailed receivable audit preferably by an independent agency as per the directive given by the Commission in its order-dated 20.8.2003. The licensee in its supplementary filing has submitted that computerisation

of receivables is under process and would be submitted to HERC by 15.8.2006, which is still awaited. The Commission reiterates that this work should be completed at the earliest and submitted for the consideration of the Commission without any further loss of time.

The circle-wise receivables position as on 31.3.2005 and collection efficiency during FY 2004-05 is given in table 3.13.

**Table 3.13 - Circle-wise Receivables Collection Efficiency**

Name of Circle	Receivable as on 31.3.2005 (Rs. in lakhs)	Collection Efficiency (in %)
Jind	41450.73	30.92
Sonepat	10476.35	86.99
Rohtak	37885.76	65.17
Karnal	24070.97	82.97
Y.Nagar	3953.40	85.92
KKTRA	19444.11	65.84
Ambala	4144.09	86.67
<b>Total</b>	<b>141425.41</b>	<b>74.30</b>

It needs to be noted that gross Collection efficiency has been wrongly computed and submitted by the Licensee. Gross collection efficiency ought to be calculated by dividing the Gross total receipts with the Gross outstanding amount (old arrears + current billing). The Aggregate Transmission and Commercial Losses (AT&C) of the licensee has also been computed after considering the distribution losses, as presented in table 3.14.

**Table 3.14: Calculation of AT&C loss (Rs. In million)**

Year	Amount Receivable from consumers			Payment received during year		
	Outstanding at the beginning of the year	Revenue assessed during the year	Total	Against Previous Years	Against Current Year	Total Realisation
1	2	3	4 (=2+3)	5	6	7 (=5+6)
<b>FY 2004-05</b>	10897.94	18525.80	29423.75	1516.43	13764.78	15281.21
<b>FY 2003-04</b>	8775.93	17658.58	26434.51	2219.19	13317.38	15536.57
<b>FY 2002-03</b>	7859.43	16145.93	24005.36	2906.78	12322.65	15229.43
<b>FY 2001-02</b>	6207.75	15556.93	21764.68	3084.13	10821.12	13905.25

Balance Outstanding (at end)			Collection Efficiency (in %)				
Against opening balance	Against current year assessment	Total (Receivable at end of the year)	For Current Year	Gross % as per licensee	Correct Gross Collection Efficiency	Distribution Loss %	AT&C Loss (in %)
8	9	10 (=8+9)	11(=6/3)	12 (=7/3)	13 (=7/4)	14	15 (=14/11)
9381.51	4761.03	14142.54	74.30%	82.49%	51.93%	30.53	<b>41.09</b>
6556.74	4341.21	10897.94	75.42%	87.98%	58.77%	32.36	<b>42.91</b>
4952.65	3823.28	8775.93	76.32%	94.32%	63.44%	35.02	<b>45.89</b>
3123.62	4735.81	7859.43	69.56%	89.38%	63.89%	35.66	<b>51.27</b>

AT&C losses reflect two crucial parameters viz accurately billing the energy sold and prompt collection of the 'dues'. In the hands of the management this should be an effective yardstick to measure success or failure of various programmes and policies of the utilities. It is heartening to note that AT&C losses have declined from a high of 51.27% in FY 2002 to 41.09% in FY 2005. However the process of

improvement is painfully slow and hence may undermine the entire reform process.

### **3.6.3 Electricity Arrears Waiver Scheme**

The arrears of rural domestic and agriculture pump-set consumers have increased manifold. UHBVNL has mentioned that the waiver scheme of arrears was launched on 17.6.2005 in respect of rural domestic and agriculture consumers. The scheme was extended from time to time and the latest extension was up to 31.3.2006. As on 28.2.2006, 59.97% of consumers of rural domestic and 92.91% consumer of agriculture sector opted for the scheme and an amount of Rs.48.15 crore has been collected from the rural domestic consumer and Rs.32.96 crore from Agriculture Pump-set consumers respectively. As per the Waiver scheme the arrears due from the consumers shall be waived off in respect of such consumers who make regular payment of their electricity bills for 20 months (10 billing cycles) w.e.f. the date of their joining it.. The State Government shall give the principal amount to the licensee and the surcharge shall be borne by the licensee.

As per information received on the above issue from Financial Commissioner and Principal Secretary to Government of Haryana, Power Department vide Memo No. 2/4/2006-1 Power dated 13.4.2006, the State Government has made separate budgetary provision for the waiver scheme for the year 2005-06 and so on. In the year 2005-06 a provision of Rs.78.65 crore was made by the Finance Department, Government of Haryana. This was based on monthly instalment of Rs.15.73 crore against Arrears Waiver Scheme. The State Government has provided budgetary support for five instalments during FY 2005-06. Similarly, in the budgetary provisions for FY 2006-07 the State Government has provided Rs.188.76 towards electricity Arrear Waiver Scheme.

The Commission is of the considered opinion that the honest and paying electricity consumers of the state should not be made to bear any such cost. It is, therefore, relevant that as the State Government is providing monthly instalment to the licensee against Arrears Waiver Scheme and it may continue for five years, so the interest on the same during intervening period should also be borne by the State Government.

Though the licensee has to bear the surcharge amount related to waiver scheme, it has not claimed or considered any financial impact on account of this scheme in the ARR for FY 2006-07.

#### **3.6.4 Change in tariff and charges without Commission's approval**

The Section 62 of Electricity Act, 2003, vests specific & exclusive powers in the State Commission for determination of tariff for sale of power. Therefore, approval of HERC is essential for any change in tariff or tariff components. However, the licensee issued sales circulars in contravention to the provisions of the Electricity Act, 2003/ HERC orders: -

##### **A. The incentive to women consumers @ 10 Paise per unit**

The rebate of 10 paise per unit has been given to women consumers as per the announcement of Govt. of Haryana. This is violation of Section 62(3) of the Electricity Act, 2003. The Commission appreciates the social agenda of emancipation and empowerment of women but while discharging its duties, the licensee is bound by the provisions of the Act. There can be no preference to women consumers in the matter of tariff for supply of electricity as per EA 2003. In light of the above sales circular issued by the licensee vide its memo No.Ch-2/TR-72(90)Tariff/Women/loose, dated 30.8.2005 on this issue is null & void.

**B. Charging of domestic tariff instead of non-domestic tariff to elementary schools**

The licensee changed the category of elementary schools which are not charging any tuition fee from their students from non-domestic category to domestic tariff category vide its Sales circular No Ch-13/TR0-72(90)Tariff/Vol. IX/loose dated 1.7.2005, without prior approval of the Commission. Thus, the circular issued by the licensee is in violation of the Commission's orders and hence not enforceable.

**C. Incentive of 5% for rural domestic and rural agriculture pump-set consumers who have been regularly paying their bills for last 10 months prior to 17.6.2005.**

In pursuance of the Government of Haryana's policy decision, the licensee vide its memo No. Ch-Spl. 1/55-461 dated 27.6.2005 has issued sales circular for settlement of pending electricity bills of rural domestic and agriculture pump set consumers.. The ibid circular also provides for financial incentive in terms of 5% reduction of SOP amount for next 20 months for rural domestic and agriculture pump set consumers who have been regularly paying their bills for last 10 months prior to 17.6.2005. This circular is again in contravention of Section 62(3) of the Electricity Act, 2003

The above actions of the licensee reflects an attempt to subvert the due process of tariff determination as provided in the Electricity Act, 2003. While the Commission recognises that the State Government has the powers to make policies to pursue its agenda for the social and economic betterment of backward sections of the society, however, while dealing with the regulated power sector it needs to operate within four corners of the Electricity Act, 2003 including regulations and guidelines framed by HERC.

The Commission has viewed the issue of these sales circulars by the licensee seriously. The licensee has estimated the revenue shortfall

arising from implementation of the above sales circulars. The Commission is of the considered view that the measures covered by the ibid-sales circulars can only be implemented by compensating the licensee to the extent of adverse financial impact by the State Government as per Section 65 of the Electricity Act, 2003.

The Commission directed the licensee in its ARR order for FY 2005-06 dated 9.11.2005 (Directive no. 5 of Annexure-3) to calculate the financial impact of these sales circulars and approach the State Government to compensate it for any shortfall. However, the licensee could not provide the information desired by the Commission within time period laid down by the Commission and has periodically seeking extension of time for compliance of Commission's said Directives. The details of the applications submitted by UHBVNL is presented in table 3.15:

**Table 3.15 – Detail of extension sought by the licensee**

<b>Sr. No.</b>	<b>UHBVNL Memo No. and Date</b>	<b>Extension sought up to</b>	<b>Reasons for Extension given in the licensee's filing</b>
1	Ch-25/SE/RA/N/F-63/Vol-II dated 15.12.2005	10.1.2006	The complete exercise of working out the financial implication of Sales Circular No. 43/2005, 33/2005 and 21/2005 and to calculate the subsidy, which becomes due from the Government of Haryana is likely to take more time.
2	Ch-49/SE/RA/N/F-63/Vol.III dated 3.2.2006	10.3.2006	The information has not been received from all the field officers.
3.	Ch-11/SE/RA/N/F-63/Vol-Iv dated 9.3.2006	10.5.2006	The information for the compliance of the Commission's directives has been called for from the field and shall take more time
4	Ch-32/SE/RA/N/F-63/Vol-IV dated 10.5.2006	10.6.2006	The data has been received from the field and case moved with the State Government for approval of subsidy. It may take the Government some time to approve the subsidy.
5.	Ch-75/SE/RA/N/F-63/Vol-IV dated 30.6.2006	10.7.2006	The case sent to the State Government for providing subsidy is yet to be received back.
6	Ch-08/SE/RA/N/F-63/Vol-V dated 18.7.2006	10.10.2006	FC&PS (Power) has sought some clarification regarding subsidy amount and actual loss. The data is being collected from the field officers so as to access the actual loss suffered by the Nigam against each circular from the date of its issue.

From the above it can be seen that the licensee has been seeking extension of time on one pretext or the other for the last 10 months. It needs to be noted that financial rigours demand that before implementing any programme or policy its financial impact is assessed upfront. It has neither been done upfront by the licensee nor even concluded until mid July 2006 obliging it to seek extension up to 10.10.2006.

**The Commission directs the licensee to get compensated from the State Government by October 2006, otherwise the Commission approved schedule of tariff shall apply to the relevant category of consumers.**

### **3.6.5 100% metering at the Consumers' premises & Energy Audit**

Section 55 of the Electricity Act, 2003 mandates supply of electricity through a correct meter within a specified period. The Commission has been emphasising the importance of metering of energy at the consumers' premises and at appropriate interfaces in the sub-transmission system / distribution system since its order dated 11.8.2001. Further, the Commission's order dated 16.8.2002 directed the licensee to submit a detailed metering plan for 100% metering in the state but in vain. The Commission dealt with the issue in the context of providing energy meters at the premises of flat-rate agriculture pump set consumers in its order dated 29.1.2004 keeping in view Section 55 of the Electricity Act 2003 and directed the licensee to submit quarterly progress reports to achieve the goal.

The preparation of feeder-wise ledger in each sub-division is very essential. The Commission believes that feeder-wise ledgers ought to be there for all sub-divisions otherwise the statistics being submitted (by the licensee) in regard to distribution losses at the 11 KV feeders in would lack any credible base. **The Commission directs the licensee to confirm availability of feeder-wise ledgers in all its operation sub-divisions.**

The Commission believes that there can be no substitute to cent-percent metering at the consumers' premises and putting in place an effective energy audit scheme for proper accounting of energy in the licensee's distribution system and sub-transmission system. It is common knowledge that distribution transformer metering is

fundamentally the first among the chain of meters on the distribution and sub-transmission system for an effective energy audit effort. The Commission notes that the licensee is in the process to procure & install electronic trivector meter on the distribution transformers (DTs) in operation circles Karnal and Sonapat. Keeping in view the importance attached to the twin objectives referred to above, the Commission vide its order dated 20.4.2005 directed the licensee to finalise and submit a comprehensive metering plan including the implementation schedule encompassing both the said aspects.

**The Commission reiterates its directive for submission of a comprehensive metering plan including its implementation schedule covering consumers' premises as well as the energy audit scheme for proper accounting of energy in the licensee's sub-transmission and distribution system forthwith.**

The Commission has further observed that a large number of defective meters are being replaced every year. This has raised a question mark on the quality of meters procured and commissioned in the last few years. The licensee has also been directed in the ARR order dated 9.11.2005 to analyse the cause(s) of the meters becoming defective and take remedial steps to procure good quality meters only from credible suppliers.

### **3.6.6 Regulations on 'Standards of Performance' and 'Electricity Supply Code'**

The Commission has notified regulations on Standards of Performance for Distribution Licensee (HERC/04/2004) and Electricity Supply Code (HERC/05/2004) in the Haryana Govt. Gazette (Extra.) on 16.7.2004 and 10.8.2004 respectively. Both the documents call for a number of steps to be taken by the licensee for their sincere implementation. The Commission believes that implementation of said regulations will require deployment of computers manned with skilled personnel both at the

complaint centres and the sub-divisions responsible for rendering the services covered by the Standards of Performance regulation. Such an action will bring transparency and lend credence to the data, which is of vital importance for payment of monetary compensation to the aggrieved consumer. The Commission has directed the licensee to take it into consideration while finalising the policy for introduction of IT in distribution and supply business.

As per the regulation on standard of performance the payment of monetary compensation has become effective for urban and rural consumers from 1.8.2005 & 1.8.2006 respectively.

**The Commission directs the licensee to make wide publicity of this Regulation including the monetary compensation payable to the consumers through newspapers and other public media.**

### **3.6.7 Establishment of Computerised Area-Load-Despatch-Centre**

As per Para I (c) of the Order of the Commission dated 4.11.2004 granting separate license to Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) for Distribution and Retail Supply of electricity in its area of operation, the licensee was directed to establish a computerised State-of-the-Art Area Load Despatch Centre (ALDC) enabling it to effectively carry out load scheduling and coordinating with SLDC. UHBVNL has informed vide its filing dated 4.4.2006 to the Commission that contract has been awarded to M/s PGCIL for preparing the feasibility report of Area Load Despatch Centre. However to expedite the matter UHBVNL is considering for turnkey execution of the project. M/s PGCIL have been requested to give a presentation regarding turnkey execution of project and thereafter the licensee shall take the decision regarding turnkey execution of the project.

UHBVNL has also requested vide its filing No. Ch-36/SE/RA/N/F-63/Vol-III, dated 9.1.2006 that the spadework for establishing ALDC for UHBVNL is in progress, so the time period for establishing ALDC may be extended up to June 2007.

The timely completion of the project is essential keeping in view UHBVNL's obligation to afford 'open access' to its consumers having 15 MVA and above load with effect from 1.10.2006. The Commission has directed the licensee in its ARR order dated 9.11.2005 to submit time-bound action plan to achieve the target (30.6.2007) and ensure regular submission of quarterly progress reports. UHBVNL needs to stick to the target.

### **3.6.8 Information Technology (IT) in Distribution & Supply**

The licensee should utilise Information Technology (IT) for systems planning, efficiency improvements and to improve customer services. The Commission directed in its order-dated 11.8.2001 to develop a modern system of data collection, storage, retrieval and analysis through computerisation at sub-divisional level. Govt of India, Ministry of Power under APDRP has endeavoured to show the way to the distribution licensees. National Electricity Policy (Para 5.4.10) also states that modern Information Technology System should be implemented by the utility on priority basis to facilitate creation of network formation and customer data-base which will help in management of load, improvement in quality, detection of theft and tampering, customer information and prompt and correct billing and collection. As per this policy special emphasis should be placed on consumer indexing and mapping in a time-bound manner. The Commission has directed the licensee in its ARR order dated 9.11.2005 that piece-meal initiatives so far taken (by the licensee) for computerisation and Geographical Information Systems (GIS) etc. should be integrated into a comprehensive policy and submitted to the

Commission for monitoring its implementation. **The Commission reiterates its directive for submission of IT policy forthwith.**

### **3.6.9 Introduction of Pre-paid card meters**

The Commission vide its order dated 29.1.2004 directed the licensee to implement pre-paid card meters in a time-bound manner and apprise the Commission of the progress in this area. National Electricity Policy (Para 5.4.9) too calls for encouraging the use of pre-paid meters

The Commission suggested a demo project in the licensee's own premises followed by a pilot project in its area in its said order enabling the licensee to ascertain the merits and practical difficulties of such a concept before its implementation. The information submitted to the Commission so far suggests little progress on the road to implementation of the scheme largely on account of the licensee's mind-set against technology absorption.

**The Commission reiterates its direction regarding encouragement of pre-paid card meters and directs the licensee to frame the scheme and implement it forthwith and without any further delay. The licensee may also submit an appropriate tariff proposal for the consumer opting for the pre-paid scheme for consideration of the Commission.**

### **3.6.10 Implementation of Intra-State Availability Based Tariff (ABT)**

In order to implement Availability Based Tariff (ABT) regime in the state as called for in the National Electricity Policy, the Commission vide its memo No. HERC/T-15F/1442-45 dated 22.8.2005 has already drawn the attention of the licensees to the key area, which, for UHBVNL, implies the following: -

- (a) To make operational the Area Load Despatch Centre (ALDC). If there is delay, the interim arrangement to accomplish the task.
- (b) The appointment of Nodal Officer(s) to coordinate the activities with STU / SLDC.
- (c) Submission of tariff proposal in line with ABT for 2006-07.

The Commission would like to introduce intra-state Availability Based Tariff (ABT) at the earliest in order to ensure grid discipline, economic load dispatch and higher availability. However, there are certain critical requirements that need to be fulfilled before intra – state ABT can be introduced in Haryana.

As per the ABT mechanism, the Discoms (as well as the open access users) will be required to prepare their energy drawl schedule for each 15 minutes time block for the day, on a day ahead basis. The preparation of energy drawl schedule would require collection and analysis of past data, i.e. recent load requirements adjusted for seasonality and availability of generation etc.

The Commission directs UHBVNL to inform the Commission, within 3 months of the date of this order, their preparedness with respect to the requirements mentioned hereunder: -

- Forecast demand in their area of supply and draw – up demand schedule for the day, on a day ahead basis.
- Adhere to the committed schedule, failing which they shall be liable to pay UI charges.
- Billing ability especially with respect to UI and reactive energy drawls.

Finally, in order to implement intra – state ABT; a two-part tariff is a pre-requisite. Thus, the Discoms should take initiative to design tariff structure commensurate to the requirements of ABT i.e. a base tariff consisting of energy charge, demand charge and mechanism to recover UI Charges to replace the current single part tariff structure (except Railway Traction) in Haryana.

### **3.6.11 Human Resource Management**

Human resource is essential in developing and executing organisational strategy. Without a planned and systematic approach to Human Resource Management, organisational goals cannot be achieved in an efficient and cost effective manner. Keeping this in view, the Commission in its order dated 20.4.2005 directed the licensee to undertake a detailed analysis of its human resources, assess its medium to long-term needs and submit a Human Resource Management Plan for consideration of the Commission within six month from the issue of the order. The Human Resource Management Plan of the licensee in terms of the above directive needs to be expedited.

The case for recruitment of staff has been lingering over for last more than a year, which the Commission considers to be quite detestable for the licensee mandated to be working on the sound commercial principles. It is necessary that the licensee should have qualified staff in sufficient number as per its requirement to run its business in a professionally befitting manner. **The licensee is directed to immediately complete recruitment of its staff.**

### **3.6.12 Interest on Consumption Security and Meter Security**

As per para 5.7 of HERC (Duty to Supply Electricity on Request, Power to Recover Expenditure incurred in providing supply and Power to require security) Regulations, 2005 the Licensee is required to pay interest on Consumption Security and meter security deposited by the

consumer at the Saving Bank rate notified by State Bank of India or such higher rate as the Commission may fix, from time to time. The interest accruing to the credit of the consumer shall be adjusted in energy bills of April or May of every year or in the final bill if permanent disconnection is sought by the consumer during the year. The issue of non-payment of interest to the consumers was raised during the public hearing. It was also mentioned that as per Section 47(4) the distribution licensee shall pay interest equivalent to the bank rate or more on the security as specified by the Commission. **The Commission has considered this issue and directed the licensee that interest on all consumer securities be paid at the bank rate determined from time to time by the Reserve Bank of India.** As already specified in the Regulation, the interest accruing to the credit of the consumers shall be adjusted in energy bills of April or May of every year or in the final bill if permanent disconnection is sought by the consumer during the year. This issue has already been communicated to the licensee vice this office Memo No. HERC/742-744 dated 27.7.2006.

### **3.6.13 Reduction of Surcharge on unpaid Energy Bills**

The licensee has mentioned vide its office Memo No. Ch-21/SE/RA/N/F-54/Vol-II dated 13.4.2006 that the present rate of surcharge to be charged on unpaid energy bills is very high and better compliance of recovery of payment can be ensured by reducing the rate of surcharge. The high rate of surcharge leads to perpetual default by the already defaulting consumers.

Accordingly, the licensee has submitted the following proposal for reduction in the present rate of surcharge provided in table 3.16:

**Table 3.16 – Reduction in Surcharge Amount**

Sr. no.	Present Surcharge	Revised Surcharge
1.	5% surcharge on unpaid amount of bi-monthly energy bills in case of domestic and non-domestic consumers.	3% bi-monthly
2.	2% surcharge on unpaid amount of monthly energy bill in case of all other categories of consumers	1.5% monthly

The Commission agrees with the logic put forth by the licensee in its above filing and approves the proposal to reduce the surcharge on unpaid energy bills.

### **3.7 Performance of Distribution System**

As per clause 17.6 of the distribution and retail supply Licence (HERC order dated 04.02.1999), the Licensee (HVPNL) was required to submit to the Commission a report indicating the performance of the licensee's distribution system during the previous financial year.

Since UHBVNL was granted a separate Distribution and Retail Supply licence vide HERC order dated 04.11.2004, the licensee (UHBVNL) was directed to continue submitting this report (HERC order on ARR for D&RS business for FY 2004-05 dated 18.04.2005). The licensee has filed the percentage rate of damage of distribution transformers (rural & urban area wise) and distribution losses for the year 2005-06 vide memo. no. Ch-45/SE/RA/N/F-25 Vol. XI dated 04.08.2006. The licensee has also submitted the performance report on distribution system vide its Memo No. Ch-23/SE/RA/N/F-46/Vol.II dated 10.8.2006. The licensee must file the performance report for the preceding financial year, by 30<sup>th</sup> June every year.

The Commission has considered the report / letter referred to in to in the preceding paragraph and comments as under:

#### **3.7.1 Failure of Distribution transformers**

The data provided by UHBVNL regarding failure of distribution transformers has brought to the fore a major lacuna in computation of

the data supplied so far. As per data provided by the licensee and reproduced by the Commission in its orders on ARRs of previous years, there has been a persistent decline in failure rate of distribution transformers from 27.8% in FY 1999-2000 to 13.5 % in FY 2002-03. Subsequently, the trend reversed and the failure rate increased to 14.3% in FY 2003-04. The failure rate reduced slightly to 13.9 % during FY 2004-05. The UHBVNL has now reported a failure rate as 13.7 % for the year FY 2005-06.

The scrutiny of the detailed data in regard to damage of distribution transformers filed vide memo dated 04.08.2006 viz-a-viz the data contained in the Performance Report reveals that the data supplied vide the latter document pertains to percentage damage rate due to system conditions only and the failure of transformers due to wind storms and within warranty period of the transformers has not been taken into account. It is really shocking to note that such vital information has not been correctly depicted in the filings of the performance reports of previous years. It has been observed from the data of FY 2005-06 that the failure rate of transformers within warranty period is very high in certain operation circles of UHBVNL. As per data supplied, the failure rate during warranty period varies from 4.07 % of the total number of transformers installed as on 31.3.2006 in respect of Yamuna Nagar Circle, to 18.36 % for Rohtak Circle.

The above failure rate in respect of distribution transformers within warranty period does not present the true picture of the gravity of the situation, as the calculations have been made with reference to the available data of total number of transformers installed as on 31.3.2006. The total number of transformers within warranty period will certainly be much smaller than the total number of transformers installed as on 31.3.2006. As such, if the percentage failure is calculated on the basis of total number of transformers within warranty period as on 31.3.2006, which is the relevant data for the purpose, the percentage failure rate

for different operation circles of UHBVNL will increase manifold than the reported values. It has also been observed that failure of number of transformers during warranty period is comparable or even more in some cases vis-à-vis the failures reported due to other causes, in case of most of the operation circles of UHBVNL. This aspect calls for immediate attention of the licensee. The year-wise position of failure of distribution transformers is presented in table 3.17:

**Table 3.17 - Year-wise failure rate of distribution transformers**

S.No.	Year	Failure Rate (%)	Remarks
1	1999-2000	27.8	The data for FY 2005-06 does not include failure of transformers within warranty period and failure due to wind and storms. The same is also applicable for the data provided by UHBVNL for the previous years.
2	2000-01	18.7	
3	2001-02	15.6	
4	2002-03	13.5	
5	2003-04	14.3	
6	2004-05	13.9	
7	2005-06	13.7	

The circle-wise transformer failure rate of the UHBVNL (excluding failure within warranty period and due to wind and storm), for the last four years, as per data provided is presented in table 3.18: -

**Table 3.18 – Circle-wise distribution transformer failure rate (excluding failure within warranty period and due to wind & storm)**

S.No.	Circle	Failure rate (%)			
		FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
1	Ambala	9.1	10.4	10.3	9.8
2	Jind	15.7	17.2	16.6	15.0
3	Karnal	12.1	13.5	15.5	15.1
4	Kurukshetra	15.8	16.3	13.7	14.1
5	Rohtak	11.4	11.9	12.7	13.6
6	Sonepat	15.7	16.3	16.2	16.4
7	Yamunanagar	13.1	12.6	10.7	10.3

The Commission observes that the Distribution Transformer failure rate for FY 2005-06 has increased w.r.t. the previous year for Kurukshetra, Rohtak and Sonepat operation circles. The two best circles from the

point of view of control of distribution transformer failure rate are Ambala and Yamunanagar having much better performance when compared to the other operation circles of UHBVNL. Despite the fact that Karnal and Sonapat operation circles have achieved marginal improvement in transformer failure rate during FY 2005-06 w.r.t. previous year, still the failure rate is very high by any standards and needs to be given utmost priority.

As per data provided to the Commission, the circle-wise failure rate of distribution transformers due to system conditions, wind / storms and within warranty period for FY 2005-06 is presented in table 3.19:

**Table 3.19 - Circle-wise distribution transformer failure rate (FY 2005-06)**

S.No.	Circle	Failure rate (%)			Total failure rate (%)
		Due to system conditions (excluding failure due to wind/storm and within warranty period)	Due to system conditions and wind storms	Within warranty period (as percentage of total installed)	
1	Ambala	9.8	11.5	5.1	16.6
2	Jind	15.0	15.0	11.3	26.3
3	Karnal	15.1	17.0	14.5	31.5
4	Kurukshetra	14.1	15.2	5.1	20.3
5	Rohtak	13.6	13.6	18.4	32.0
6	Sonapat	16.4	19.0	17.2	36.2
7	Yamunanagar	10.3	12.0	4.1	16.1
	Total	13.70	15.06	9.77	24.83

The failure rate of distribution transformers within warranty period is extremely high in case of Rohtak, Sonapat, Karnal and Jind circles. The realistic picture of failure rate of the transformers within warranty period will emerge if the number of transformers, which were within warranty period as on 31.3.2006, is known. Moreover, the failure rate excluding failure within warranty period is also very high (15.06%) and needs to be looked into.

The Commission observes from the detailed transformer failure data provided by the licensee with reference to the directive No. 15 of Annexure 3 of HERC order dated 9.11.2005 (on ARR for Distribution and retail Supply Business of UHBVNL for FY 2005-06), that data supplied to the Commission was not complete. It is obvious that the failure rate reported by the licensee prior to FY 2005-06 did not include failures within warranty period and failures due to windstorms. As such the true picture in this regard was not presented. **The licensee is directed to supply in future, the data of transformer failure due to various causes separately for urban and rural areas, as supplied for FY 2005-06. Moreover, while presenting the data of failure of transformers during warranty period, the total number of transformers within warranty period, as on the last day of the financial year must also be given. The Commission further directs the licensee to supply circle-wise transformer failure data due to various causes, as stated above for FY 2003-04 and FY 2004-05 within two months of the issue of this order.**

The Commission reiterates its direction to ensure purchase of better quality distribution transformers / ensure qualitatively better repair of damaged distribution transformers accompanied with rigorous implementation of preventive maintenance by the field offices, to achieve the damage rate to the level set in the Standards of Performance Regulations, 2004 (i.e. 5 % in urban area and 10 % in rural area).

### **3.7.2 Distribution Losses (as per Performance Report)**

The year-wise position of the distribution losses on the basis of performance report submitted by the licensee, is presented in table 3.20:

**Table 3.20 -Year-wise percentage loss in the distribution system  
(as per licensee' performance report)**

S.No.	Year	Loss (%)	
		Total Haryana	UHBVNL
1	1998-1999	26.38	25.77
2	1999-2000	28.03	27.52
3	2000-2001	28.93	28.15
4	2001-2002	30.59	31.74
5	2002-2003	32.65	30.53
6	2003-2004	31.49	32.19
7	2004-2005	30.65	31.12
8	2005-2006	29.38	30.66

It is observed from the above table that the distribution losses shown in the performance report by the licensee are different from the losses given in the audited annual accounts of the licensee. It appears that different wings of the licensee are maintaining different sets of data. The licensee should examine and submit only correct data to the Commission. The different figures of distribution losses as given in Audited accounts and in performance reports are shown in table 3.21: -

**Table 3.21 -Difference in Distribution losses of the licensee**

	Loss (%) as per Audited Accounts	Loss (%) as per Performance report
FY 2000-01	31.24	28.15
FY 2001-02	35.66	31.74
FY 2002-03	35.02	30.53
FY 2003-04	32.36	32.19
FY 2004-05	30.65	31.12
FY 2005-06	N.A.	30.66

As per performance report submitted for FY 2005-06 the distribution losses have improved slightly to 30.66%. However, the distribution losses for FY 2005-06 are still higher than the level of reduced losses achieved for FY 2002-03.

The distribution circles of UHBVNL having more than 30% losses for the last six years are presented in table 3.22:-

**Table 3.22 - Circles with high Distribution Losses**

S. No.	Circle	Distribution Loss (%)					
		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1	Jind	32.77	41.05	41.06	44.77	43.84	43.01
2	Rohtak	39.82	37.37	42.13	44.18	43.50	46.50
3	Sonepat	36.44	33.87	30.29	36.13	33.24	32.86

The distribution losses for FY 2005-06 in the operation circles of Jind and Sonepat have recorded marginal reduction as compared to the losses for FY 2004-05 but still the losses continue to be more than 30%. However, in case of Rohtak circle the condition has deteriorated drastically where the losses have increased from already very high level of 43.50 % for FY 2004-05 to 46.50% for FY 2005-06.

The lowest distribution losses (22.81 %) have been reported from Kurukshetra circle, which has further shown marked improvement, over the loss level of 23.94 % for FY 2004-05. The losses for Ambala, Yamunnagar and Karnal are well below 30% and have been reported as 26.22 %, 26.49 % and 27.60 % respectively.

There is urgent need to reduce the distribution losses. Special efforts are required to vigorously and effectively implement the measures to bring down distribution losses in case of Jind and Rohtak circles.

### **3.7.3 Accidents in Distribution System**

The data regarding number of fatal and non-fatal accidents involving human beings and animals on the basis of Performance Report is presented in table 3.23:

**Table 3.23 - Accidents in Distribution System**

Sr. No.	Category	Number of Accidents		
		2003-04	2004-05	2005-06 (upto 9/2005)
1	Fatal:			
	i) Human beings	58	40	61*
	ii) Animal	106	125	213
	iii) Total	164	165	274
2	Non-fatal:			
	i) Human beings	80	51	117**

\* includes 22 Nigam employees and 39 private persons.

\*\* includes 100 Nigam employees and 17 private persons.

The data depicted in Table 3.23 paints a gloomy picture of the licensee's performance on safety front. Such a situation can be attributed either to dilapidated state of the distribution system or the workmen responsible for maintenance of the existing system/laying the new system are not taking due precautions in carrying out their assignment or are ill-equipped and ill-trained for the job. The supervisory staff / officers cannot escape their share of blame for such a bad record both for fatal and non-fatal accidents. The licensee has chosen to rhetorically state the steps taken to avoid accidents on the system in its report under reference. **The Commission views the above response grossly inadequate and keeping in view the gravity of situation, directs the licensee as under: -**

- (i) **To submit a summary of field investigation report in respect of 61 fatal accidents involving human beings & the action taken thereon by the management case by case.**
- (ii) **To entrust 25% of the accidents involving fatality to human beings to a 3<sup>rd</sup> party for independent investigation into causes of such accidents and thereafter submit a comparative analysis of above report vis-à-vis the corresponding departmental investigation report with management's comments thereon.**
- (iii) **The licensee to review its on-job training programme for workmen/supervisory staff and officers to make it more focussed in light of the reports referred to at (i) & (ii) above.**

- (iv) **To induct fresh blood in the work force duly trained and trimmed for the assignment.**

### **3.8 Projected Distribution Losses (As per ARR filing FY 2006-07)**

The licensee has projected a distribution loss level of 29 % for FY 2006-07. However, in the light of the past trend, the Commission is of the view that the licensee may not achieve this. Taking into account the sale projected by the Commission for FY 2006-07 and the availability of energy net of transmission losses, the distribution losses for FY 2006-07 work out to 32.4%. The Commission expects the licensee to improve its performance in respect of reduction in distribution losses and achieve a loss level of 30.5% for FY 2006-07. Hence, the Commission has based its calculations of sales volume and revenue on distribution loss level of 30.5%.

It is relevant to mention that the National Electricity Policy (Para 5.4.11) specifies that high voltage distribution system is an effective method for reduction of technical losses, prevention of theft, improved voltage profile and better consumer service. It should be promoted to reduce LT/HT ratio keeping in view the techno-economic considerations.

### **3.9 Licensee's Consumption Estimates**

The licensee forecasted sales on the basis of Consumer Category wise Annual Load Factors (ALFs) and provisional sales data available up to 30.9.2005. A comparison of UHBVNL's actual sales during the year 2004-05 vis-à-vis the actual sales during FY 2005-06 presented in table 3.24:-

**Table 3.24 - Comparison of the UHBVNL's actual sales (MU) during the year 2004-05 vis-à-vis 2005-06**

Category of Consumer	Actual Sales (MU) for FY 2004-05	Actual Sales (MU) for FY 2005-06	Growth (%)
Domestic	1503.156	1510.023	0.46
Non-Domestic	376.834	406.212	7.80
HT Industry	932.614	1054.814	13.10
LT Industry	492.798	499.519	1.36
Agriculture metered	558.446	705.091	26.26
Agriculture un-metered	2757.858	3025.618	9.71
MITC	1.791	1.799	0.45
Lift Irrigation	36.753	45.930	24.97
Railway Traction	102.364	140.154	36.92
Bulk Supply	138.257	146.192	5.74
Street light	16.679	20.219	21.22
PWW	136.64	143.929	5.33
Total	7054.18	7699.5	9.15

A comparison of UHBVNL's actual sales during the year 2005 – 06 vis-à-vis the sales projected for 2006-07 is presented in the table 3.25: -

**Table 3.25 – Comparison of UHBVNL's actual sales (MU) during the year 2005- 06 vis-à-vis the estimates for 2006- 07**

Category of Consumer	Actual Sales (MU) for FY 2005-06	UHBVNL's Estimate (MU) for FY 2006-07	Difference (%) (Estimate 2006-07) – (Actual 2005-06)
Domestic	1510.023	1579.00	4.57
Non-Domestic	406.212	476.31	17.26
HT Industry	1054.814	1361.51	29.08
LT Industry	499.519	552.65	10.64
Agriculture metered	705.091	911.66	29.30
Agriculture un-metered	3025.618	3075.82	1.66
MITC	1.799	0.78	-56.64
Lift Irrigation	45.93	47.43	3.27
Railway Traction	140.154	109.38	-21.96
Bulk Supply	146.192	144.56	-1.12
Street light	20.219	21.97	8.66
PWW	143.929	133.36	-7.34
Total	7699.500	8414.42	9.29

It is observed from the above table, that the sales forecast in some of the consumer categories is on much higher side and does not conform to the past trend. The Commission believes that sales forecast is unrealistic, as it does not take into consideration the availability constraints. Haryana is a energy deficit State and the scenario is unlikely to change in FY 2006-07 Similarly there does not seem any

justification for reduction in consumption level of some of the consumers' categories.

### **3.10 Commission's Consumption Estimates**

#### **3.10.1 Agriculture Sales Estimate**

The importance of agriculture sales estimate arises from the fact that agriculture consumption is largely un-metered and is billed on a flat rate basis. The Commission has held the view that correct and realistic estimation of agriculture consumption is imperative for accurate calculation of losses and for better projection of required subsidy support from Haryana Government. The accurate calculation of agriculture consumption as well as losses can only be possible after achieving cent percent metering of all agriculture pump set connections. Though the licensee has installed some meters on un-metered agriculture pump-set consumers but the progress is disappointingly slow.

The number of un-metered agriculture pump-set consumers has reduced from 1,90,962 (as on 30<sup>th</sup> April, 2001) to 1,84,988 (as on 31<sup>st</sup> March, 2006) but still it constitutes about 75% of the total agricultural consumers and 8.43% of the total number of the consumers.

As per UHBVNL's actual sales data for FY 2005-06, the consumption by this category of consumer constitutes 39.3% of its total sales. Thus, the importance of proper metering, which the Commission had been emphasizing in its previous order(s), needs to be appreciated and implemented in all earnestness by UHBVNL. UHBVNL has once again filed the same arguments / data as submitted at the time of consideration of its ARR for previous year, in support of its contention for higher consumption in un-metered (flat-rate) agriculture pump set consumer category. The Commission already dealt with the issue at length and given its observation on such data in its order dated 9.11.2005 and categorically stated that the data lacked credibility and

cannot be considered for projection/assessment of consumption of un-metered agriculture pump-set consumers. In view of the above, the Commission has once again maintained its methodology of projecting consumption of the metered agriculture pump sets on the basis of Average Annual Load Factor (ALF).

As per the actual consumption data of metered agriculture pump-set consumer category submitted by UHBVNL, the average running hours per pump per day works out as presented in table 3.26: -

**Table 3.26 - Average running hours/day for metered agriculture pump-set consumers as per load factor**

Financial Year	Average running hours per day
FY 2001-02	4.39
FY 2002-03	4.46
FY 2003-04	4.93
FY 2004-05	5.07
FY 2005-06	5.28

The licensee has projected the consumption for FY 2006-07 based on 5.5 hours/day and 6.25 hours /day of running of metered and un-metered Agricultural pump-set respectively.

The Commission has analysed the Load factor data for agricultural consumption as worked out on the basis of actual energy consumption and connected load, submitted by the licensee. It is observed that the load factor has been creeping up since FY 2002-03. This increasing trend of load factor results in corresponding increase in working hrs/day of the metered agricultural pump-sets, as is evident from the table above. The working hrs/day as calculated for metered agricultural pump-sets are adopted for determination of un-metered agricultural consumption which is about 4 times the metered agricultural consumption as per the actual data of FY 2005–06. As such the accurate determination of load factor for the metered agricultural consumption is vital for realistic determination of the distribution losses.

Since there has not been any substantial change in the cropping intensity or pattern in the State of Haryana, in the recent past, requiring any major change in water requirement and hence increase in running hours of pump-sets, resultantly the authenticity of the actual consumption data provided to the Commission for metered agricultural pump-sets becomes doubtful. **The Commission directs the licensee to submit detailed analysis and justification for consistently increasing trend in agricultural load factor in respect of metered agricultural pump-sets, within one month of the issue of the order.** In case the Commission finds that the justification based on rigorous analysis of data provided by the licensee as per above directions is not convincing, it will be constrained to review the existing method adopted for determination of agricultural pump-set consumption for FY 2007-08. However, for the year 2006-07, the Commission has allowed running hours of 5.4 hrs/day for metered agricultural pump-sets, on the basis of projection of load factor as determined from the actual connected load and consumption data, provided to the Commission by the licensee. The above-cited running hours per day of pump-sets, as adopted for metered agricultural consumers shall also be adopted for working out consumption of un-metered agricultural consumers.

### **3.10.2 Consumption Estimates for other consumers' categories**

The Commission has adopted the same methodology for estimating the consumption for FY 2006-07, as adopted for estimating the consumption of various other categories of consumers from FY 2001-02 to FY 2005-06, which is based on the Average Annual Load Factor (ALF). The consumption for each category during the ensuing year has been derived by applying the average ALF on the average projected connected load of each consumer category.

Based on the above methodology, the aggregate consumption estimate for FY 2006-07 works out to be 7783 MUs. The category-wise details are presented in table 3.27:

**Table 3.27 - Estimation of approved Sales to Consumers (Million Units)**

Consumer Category	UHBVNL Estimate FY 2006-07	HERC approval FY 2006-07
Domestic	1579.00	1648
Non Domestic	476.31	457
HT Industry	1361.51	1184
LT Industry	552.65	530
Agriculture metered	911.66	834
Agriculture unmetered	3075.82	2586
MITC	0.78	2
Lift Irrigation	47.43	49
Railway Traction	109.38	158
Bulk Supply	144.56	155
Street lighting	21.97	24
PWW	133.36	156
Total	8414.42	7783

### 3.11 Subsidy From the State Government

The licensee has considered an amount of Rs. 11175.02 million as subsidy from the Government of Haryana in its filing under consideration. The licensee has not filed a tariff application for the year under review. Cost of service calculation that is required to be submitted as per the ARR (Tariff) Regulations has also not been submitted by the Licensee. The amount of subsidy is directly dependent on the electricity units supplied to the agriculture pump set consumers. The Commission has estimated the agriculture pump set consumption in line with the methodology adopted by it in its previous orders.

As per section 65 of the Electricity Act, 2003, in case the State Government requires the grant of subsidy to any consumer or class of consumers, it shall pay the same in advance. In case the payment is not made in accordance with the provisions of the said section, the tariff fixed by the Commission shall be applicable from the date as per the

order. Also, as per section 61 of the Electricity Act 2003 and the Tariff Regulations of the Commission, the embedded cost of service to each consumer category forms the basis of fixation of tariff for that consumer category.

Both the distribution licensees in Haryana viz. UHBVNL and DHBVNL are State-owned and it is, therefore, appropriate that the retail tariff for the various consumer categories remains same across the state as has been practice in the past. The options available to the Commission in order to maintain the uniformity of retail tariff in Haryana are :

- (1) Introduce tariff differential at the bulk supply level giving due weightage to the consumer/ sales mix, which is *fait accompli*.
- (2) Adjust the subsidy to be provided to each of the two D&RS licensees to counterbalance the cross subsidy available with each of two distribution utilities.

The end result in both cases would remain same. The Commission decides to adopt the second option in order to have a uniform D&RS tariff across the state.

The Commission approves ARR for UHBVNL Rs. 30018 million and DHBVNL Rs. 31118 millions adding up to Rs. 61136 million. As against this, the revenue at current tariff for UHBVNL is Rs. 17585 million and DHBVNL is Rs. 23141 million i.e. a total of Rs. 40726 million. The difference between ARR and revenue is Rs. 20410 million. The Commission has utilised the excess of depreciation over capital loan repayment amounting to Rs. 1230.94 million (UHBVNL Rs. 734.30 million and DHBVNL Rs. 496.64 million) to further reduce the revenue gap leaving a net revenue gap amounting to Rs. 19179.06 million. The State government in its budget for FY 2006-07 has provided a subsidy amount of Rs. 14648.8 million only towards the agriculture pump-set

consumers of the State, which falls short of the required subsidy by Rs. 4530.26 million.

The Commission communicated to the Power Department, Government of Haryana vide memo No. 812/HERC, dated 11.08.2006 to inform the Commission about the availability of the subsidy as mentioned above. It was also intimated that in the absence of any commitment from the State Government, the Commission will adjust the Agriculture Pump-set consumers' tariff in proportion to the short fall in subsidy amount, to be recovered during the remaining period of current financial year. The Financial Commissioner and Principal Secretary to Govt. of Haryana, Power Department, Chandigarh vide letter No. 2/4/2006-1 Power, dated 17.08.2006 sought some information from the Commission and requested for a period of 7 working days after receipt of the information from the Commission for Govt. of Haryana to send its reply. The Commission, vide memo No. 847/HERC, dated 18.08.2006 forwarded the requisite information and the State Government was required to confirm its commitment to the subsidy amount for Agriculture Pump Set Consumers by 21.08.06 positively. The reply from the State Government was received vide letter No. 2/4/2006-1 Power, dated 21.08.06. However, the Government till the date of passing of this order has not made any commitment in respect of enhanced subsidy to the licensee and reiterated its request for allowing at least 7 working days for sending the response.

As the ARR for the two distribution zones in Haryana is worked out separately, the Commission has estimated the cost of service and the subsidy amount separately for each distribution Licensee (UHBVNL and DHBVNL) for FY 2006-07.

Based on the Commission's approved consumption figures for FY 2006-07, the total revenue for UHBVNL on current tariff works out to Rs. 17585 million. This leaves a shortfall of Rs. 12433 million when

compared with the approved Aggregate Revenue Requirement of Rs. 30018 million for FY 2006-07.

If the tariff for Agricultural pump-set consumers is changed as mentioned in Para 3.12, then the total revenue from revised tariff will work out to at Rs.20236 million. The Commission has approved ARR of Rs. 30018 million for FY 2006-07 leads to a revenue gap of Rs. 9782 million. This gap is further reduced by excess of depreciation against loan repayment liability as explained in para 3.5.1 amounting to Rs. 734.3 million leaving a net shortfall of Rs. 9047.7 million to be compensated through the transfer of cross subsidy and provision of subsidy by the Government of Haryana. Since it may be difficult to transfer the cross subsidy from one utility to another the Commission finds it appropriate to allocate Rs. 9047.7 out of total existing committed subsidy of Rs. 14648.8 million to UHBVNL and the balance to DHBVNL.

In addition to the above, deferred subsidy and accrued interest thereon as per the audited accounts of the Licensee as on 31.3.2005 along with the interest may be adjusted against the electricity duty payable during FY 2006-07 (Deferred subsidy as on 31.3.2005 is Rs.432.74 million and the interest accrued on it is Rs. 450.21 million has been reported as per audited accounts of the licensee for FY 2004-05).

### **3.12 Tariff for Agriculture Pump Set Consumers**

The Commission is of the view that uniform tariff across the state is more appropriate. As per the Commission's estimated cost of service for UHBVNL and DHBVNL as a whole, the domestic and agriculture pump set consumer categories are non compensatory. These are generating a deficit of Rs. 4265 million and Rs. 20935 million respectively. The cross subsidy generated by other consumer categories to the extent of Rs. 4790 million fully compensates the deficit

generated by the domestic category, leaving a cross subsidy of Rs. 525 million for the agriculture pump set consumer category.

The increase in agriculture pump-set consumers tariff on full year basis works out to Rs.0.79 per unit for metered category and Rs.96 per BHP per month for un-metered category over and above the existing tariff. **As the increase in tariff will be effective from 1.9.2006 to 31.3.2007 for FY 2006-07, the proportionately revised tariff for the agriculture metered pump-set consumer will be 154 paise per unit and Rs. 199 per BHP per month for flat rate agriculture pump set consumers w.e.f. 1.9.2006.** This will lead to generation of additional revenue to cover the shortfall at the existing level of subsidy already provided by the Government of Haryana for FY 2006-07.

**In case the State Government is desirous of retaining the tariff at the current level for the agriculture pump-set consumers (both metered and un-metered), it may commit an additional subsidy of Rs. 4530.26 million for FY 2006-07 by 31.8.2006.**

## **4 CONCLUSION**

The Commission approves total Annual Revenue Requirement of UHBVNL for FY 2006-07 at Rs. 30018.52 million. This is equal to total expenditure of Rs. 31614.83 million minus non-tariff income of Rs. 1596.31 million. The total energy expected to be sold by UHBVNL is 7783 million units as against the licensee's projected sale of 8414.42 million units.

The Commission has maintained its consistent approach to project the consumption of metered agriculture pump sets on the basis of average Annual Load Factor (ALF) and that of un-metered agriculture pump sets on the pattern of consumption of metered agriculture pump sets. The sale figure of agriculture pump-set consumers for the FY 2006-07 comes to 3420 MUs as against 3987.48 MUs projected by the Licensee.

The licensee has projected a distribution loss level of 29 % for FY 2006-07. However, in light of the past trend, the Commission is of the view that the licensee may not achieve this. Taking into account the sale estimated by the Commission for FY 2006-07 and the availability of energy net of transmission losses, the distribution losses for FY 2006-07 work out to 32.4%. The Commission expects the licensee to improve its performance in respect of reduction in distribution losses and achieve a distribution loss level of 30.5% for FY 2006-07. Hence, the Commission has based its calculations of sales volume and revenue on distribution loss level of 30.5%.

The licensee needs to take technical and administrative steps to bring down the distribution loss in the system. The Commission notes that the distribution loss during the last six years (FY 2001 to FY 2006) has remained in a narrow band of 30% to over 35%, which by any standards is a thoroughly disappointing performance.

To promote efficiency as well as to protect the interest of the consumers, the Commission directs the licensee to progressively improve efficiency in operation, particularly in the areas where operations are inefficient at present i.e. high distribution losses, high receivables and low collection efficiency. There is urgent requirement to ensure 100% metering at consumers' premises and adopt an effective energy audit scheme for proper accounting of energy in the licensee's distribution and sub-transmission system. There has been inconsistency in the matter of submitting extremely vital data such as distribution losses and category-wise sale of energy for last many years by the licensee. The Commission directs the licensee to develop a credible database, which is of immense importance to the Commission, and the licensee as well.

Although the Commission has issued several directives to the Licensee to ensure efficient and professional management of the utility, the Commission notes with regret that these have not been fully complied with. The licensee should, therefore, take note of all directives issued by the Commission and make sincere efforts to implement them. The various directions given by the Commission to the Licensee in its previous orders but not yet fully complied with are listed in Annexure – 2 and directives given in this order are listed in Annexure – 3.

The Government of India has notified National Tariff Policy vide Resolution No. 23/2/2005-R&R (Vol. III) dated 6.1.2006. One of the objectives of this National Tariff Policy is to ensure availability of electricity to consumers at reasonable & comparative rates and to promote competition, efficiency in operations and improvement in quality of supply. As per the National Tariff Policy, the multi-year tariff framework is to be adopted for tariffs. The Commission directs the licensee to examine this issue and submit a detailed proposal about its preparedness to implement the multi-year tariff (initially for three years

period) within six months from issue of this order. The multi-year tariff proposal should incorporate loss reduction, reduction in working capital loans and receivables trajectory during the control period.

As per Para 5.7 of HERC (Duty to Supply Electricity on Request, Power to Recover Expenditure incurred in providing supply and Power to require security) Regulations, 2005 the Licensee is required to pay interest at Bank rate determined from time to time by Reserve Bank of India, on Consumption Security and meter security deposited by the consumers. As already specified in the Regulations, the interest accruing to the credit of the consumers shall be adjusted in energy bills of April or May of every year or in the final bill, if permanent disconnection is sought by the consumer during the year. This issue has already been communicated to the licensee vice this office Memo No. HERC/742-744 dated 27.7.2006.

The licensee has issued certain sales circulars impacting the tariff approved by the Commission. The Commission has disallowed the adverse financial impact of these sales circulars issued without its approval in the ARR for FY 2005-06. The Commission continues to be of the opinion that the measures covered by these sales circulars can only be implemented by the State Government as per Section 65 of the Electricity Act, 2003. The State Government shall compensate the licensee to the extent of any adverse financial impact of such circulars as long as these circulars remain effective.

The receivables of the Licensee are continuously increasing. The total receivables have increased from Rs. 532.52 crores as on 31.3.2000 to Rs.1414.25 crores as on 31.3.2005. The domestic consumers account for 62.4% of the total receivables as on 31.3.2005. The receivables due from Non-domestic, LT and agriculture consumers are also on a higher side. The AT&C losses of the licensee are also at a high level of 41% as on 31.3.2005.

The Commission has notified regulations on Standards of Performance for Distribution Licensee (HERC/04/2004) and Electricity Supply Code (HERC/05/2004) in the Haryana Govt. Gazette (Extra.) on 16.7.2004 and 10.8.2004 respectively. As per the regulations on Standard of Performance, the payment of monetary compensation has become effective for urban and rural consumers from 1.8.2005 & 1.8.2006 respectively. The Commission directs the licensee to make wide publicity of this Regulation including the monetary compensation payable to the consumers through newspapers and other public media.

In order to implement Availability Based Tariff (ABT) regime in the state as called for in the National Electricity Policy, the Commission vide its memo No. HERC/T-15F/1442-45 dated 22.8.2005 has already drawn the attention of the licensees to the key area. The Commission would like to introduce intra-state Availability Based Tariff (ABT) at the earliest in order to ensure grid discipline, economic load dispatch and higher availability. However, there are certain critical requirements that need to be fulfilled before intra – state ABT can be introduced in Haryana.

The licensee needs to establish a State-of-the-art Area Load Despatch Centre without delay for effectively carrying out its operational activities. The timely completion of the project is considered essential keeping in view UHBVNL's obligation to afford "open access" to its consumers having 15 MVA and above load with effect from 1.10.2006. The project of consumer indexing and GIS mapping which are progressing at a snail's pace too need to be vigorously pursued to ultimately cover the whole of licensed area. In fact the licensee needs to formulate a well-integrated IT policy to harness the benefits that can accrue to it by the Information Technology.

It is about three years that the Commission directed the licensee to introduce pre-paid card meters. The licensee has reported no explicable reasons(s) for this apathy. The licensee may frame the scheme and

implement it forthwith and without any further delay. The licensee may submit its separate tariff proposal for pre-paid meters.

On the basis of current tariff rates, the licensee is expected to collect revenue of Rs.17585 million. This leaves a net revenue gap of Rs.12433 million, which is to be covered either through subsidy by the Government of Haryana or through a tariff revision for agriculture pump-set consumers of the state. The Government of Haryana has already made a budgetary provision of Rs 14648.8 million for both Discoms, towards subsidy for FY 2006-07, which falls far short of the deficit generated by the agriculture pump-set consumers as per the estimated cost of service for FY 2006-07. The Commission asked the Govt. of Haryana vide memos dated 11.08.06 and 18.8.2006 to inform the Commission about the availability of the subsidy. It was also intimated that in the absence of any commitment from the State Govt., the Commission will have to adjust the Agriculture Pump-set tariff in proportionate to the short fall in subsidy amount to be recovered during the remaining period of current Financial Year. The Financial Commissioner and Principal Secretary to Govt. of Haryana, Power Department, Chandigarh vide letters dated 17.08.06 and 21.8.2006 requested for 7 working days for response to Govt. of Haryana. However, the Government did not make any commitment in respect of enhanced subsidy to the licensee.

The Commission, accordingly, revises the tariff for the agriculture to 154 paise per unit for the agriculture metered pump-set consumers and to Rs. 199 per BHP per month for flat rate agriculture pump-set consumers. This will lead to generation of additional revenue to cover the shortfall at the existing level of subsidy already provided by the Government of Haryana for FY 2006-07. The increased tariff for Agriculture pump-set consumers will be effective w.e.f. 1<sup>st</sup> September 2006. In case the state Government is desirous of retaining the current

tariff for the agriculture pump-set consumers, both metered and un-metered, it may commit provision of an additional subsidy of Rs. 4530.26 million for FY 2006-07, by 31.8.2006.

Shri T.S Tewatia, Member agrees with the Chairman for the order as per Chapter - 3 (except Para 3.12 and the penultimate paragraph of Chapter 4).

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on August 23, 2006.

Date : 23.8.2006

Place : Panchkula

**T.S. Tewatia**  
**Member**

**(Lt. Col. (Retd.) Raghbir Singh**  
**(Chairman)**

In regard to the Para 3.12(tariff), I express difference of opinion as under: -

The Commission vide its letter no. 812 / HERC dated 11<sup>th</sup> August 2006 addressed to the Financial Commissioner and Principal Secretary to the Haryana Government, Power Department, communicated the requirement of additional subsidy over and above the budgeted amount in order to keep the tariff of agriculture pump – set consumers unchanged. The State Government's commitment was to be communicated by 17<sup>th</sup> August 2006.

In reply to the above, the State Government's vide its letter no. 2/4/2006 – 1 Power dated 17/08/2006 asked for a few back – end calculation, with a request for a minimum seven working days for response.

The Commission vide its letter no. 847 / HERC dated 18<sup>th</sup> August 2006 provided the requisite information and added that the State Government's commitment to the additional subsidy amount be provided by 21<sup>st</sup> August 2006 (F.N).

To the above, a reply from the State Government vide letter no. 2/4/2006 – 1 Power, dated 21/8/2006 was received stating that the issue involves an out – flow of hundreds of Crores of rupees and hence it requires to be deliberated in various departments of the Government including Finance Department. The matter would also require approval of the Honorable Chief Minister before any decision can be communicated to the Commission. Thus, the Commission was requested to allow at least seven working days for response of the Government on the matter.

In addition to the above, petition vide memo no. Ch.44/SE/RA – 248 and Ch-48/SE/RA/N/F- 25 / Vol. XI dated 22/08/2006 were received from DHBVNL & UHBVNL respectively. The utilities, which has to implement the Commission's order submitted that an order passed without explicit decision of the State Government on the issue of additional subsidy will lead to confusion in the minds of the consumers, jeopardize the response to the electricity dues waiver scheme launched by the utilities. It is also likely to vitiate the overall business environment of the utilities.

In light of the above, and the fact that the key information i.e. commitment of additional subsidy by the State Government, as worked out by the Commission, is still awaited. Without this commitment or any other alternate quantification by the Government / or refusal, any change of the agriculture pump – set consumer's tariff, in my view, will be in-determinate and arbitrary.

More so, the resulting hike in the existing rate is in excess of 400%. This itself is highly impractical and un-implementable. Regulatory principle demands that tariff – shock to the consumers must be avoided. Consequently, the required increase in tariff, if any, should be staggered over a period of time and after due deliberations with all the stakeholders. A tariff – shock of the above magnitude may lead to build – up of resistance amongst a large chunk of affected electricity consumers and hence undermine and derail the entire regulatory reform process of the power sector in Haryana.

**Conclusion:**

In view of the above, and the procedural nature of the delay in response of the Government to the additional subsidy requirement as worked out by the Commission, I am of the firm opinion that the Commission's order on Distribution & Retail Supply Tariff for FY 2006-07 be deferred till the issue of additional subsidy necessary for maintaining the Agriculture Pump – set tariff at the existing level is settled.

**T.S. Tewatia  
Member**

My views in regard to para 3.6.12 (Interest on consumption security & meter security), para 3.8 (Projected distribution loss), para 3.10.1 (Agriculture sales estimate), para 3.10.2 (Commission's approved consumption estimates for various categories of consumers), para 3.11 (Subsidy from State Government), 3.12 (Tariff for agriculture pump set consumers) and Conclusion (Chapter 4) are as under:-

1. **Interest on consumption security & meter security:**

Regulation 5.7 of Regulation No. HERC/12/2005 (Duty to supply electricity on request, power to recover expenditure incurred in providing supply & power to require security) Regulation, 2005 provides

for payment of interest on consumption security and meter security deposited by the consumer and reads as under:-

“The Licensee shall pay interest on Consumption Security and Meter Security deposited by the consumer at the Saving Bank rate notified by State Bank of India or such higher rate as the Commission may fix, from time to time. The interest accruing to the credit of the consumer shall be adjusted in energy bills of April or May of every year or in the final bill if permanent disconnection is sought by the consumer during the year.”

The regulation provides for payment of interest on security(ies) deposited by the consumer ‘at the Saving Bank rate notified by State Bank of India’ which has been changed to ‘bank rate determined from time to time by the Reserve Bank of India’ vide Commission’s memo No. HERC/742-744 dated 27.7.2006. In my opinion, it is wrong to issue the above communication without amending the regulation by following the due process laid down in the Commission’s order HERC/Order/01/2005 dated 19.7.2005. Hence, in my opinion, the Commission’s memo No. HERC/742-744 dated 27.7.2006 is not valid.

**2. Agriculture Sales Estimate:**

(i) The sales data for Domestic Supply (DS) category of consumers for the 4th quarter of FY 2005-06 vis-à-vis the corresponding period of FY 2004-05 is as under:-

January, 2006	1109 MUs	January, 2005	1122.39 MUs
February, 2006	1049 MUs	February, 2005	1062.95 MUs
March, 2006	1025 MUs	March, 2005	1250.29 MUs

As per the data received from the licensee, 43510 consumers have been added under the DS category in FY 2005-06 when compared to FY 2004-05 with a corresponding increase in connected load of 110.749 MW. Thus the decrease in the sales for DS category of consumers in last quarter of FY 2005-06 when compared to corresponding period of

FY 2004-05 is inexplicable and creates doubt about the validity of the data.

- (ii) I have observed an exponential rise in the electricity sales data of agriculture-metered consumers since 2002-03 leading to increase in Average Annual Load Factor (ALF). Since there has been hardly any change in the cropping pattern in Haryana and no change in the regulated hours of supply to agriculture sector in view of continued power shortage in the state, it creates doubt about the validity of the sales data (indicating enhanced consumption) supplied by the licensee. While analyzing the sales data of previous five years at the time of passing the order on the ARR for FY 2005-06, the data discrepancy(ies) in case of agriculture metered category were attended to by the licensee and the relevant information / document was re-submitted for consideration of the Commission.
- (iii) In view of the position brought out in paras (i) & (ii) above, a question mark on the authenticity of the sales data submitted as a part of the ARR filing for FY 2006-07 has arisen. I, therefore, differ with Sarvshri Raghbir Singh, Hon'ble Chairman and T.S. Tewatia, Hon'ble Member to allow running hours of 5.4 hours per day for the agriculture pump set consumers. I propose that the actual Average Annual Load Factor of 2005-06, i.e. 21.98% which itself is appreciably higher than 20.75% allowed for 2004-05, be applied for projection of consumption for metered agriculture pump sets and that of un-metered agriculture pump sets on the pattern of consumption of metered agriculture pump sets.
- (iv) In view of the overwhelming importance of agriculture sales vis-à-vis the total sales of UHBVNL, it is extremely important to make the approach of projecting the consumption of metered agriculture pump sets on the basis of ALF and that of un-metered agriculture pump sets on the pattern of metered agriculture pump sets more credible. The

licensee has reported no progress in regard to providing energy meters at the premises of un-metered agriculture pump sets though the target to provide meters at all consumer premises as per Electricity Act 2003 was up to 10.6.2005. The filing received from the licensee holds little promise of completing the task in the near future. Under the above scenario, I direct the licensee to engage a third party to carry out a sample survey of metered agriculture pump set consumers (say 30% of the installation):-

- (a) to determine and comment upon proper installation of energy meter vis-à-vis the licensee's standard on the subject.
- (b) to determine the working and accuracy of meter at site by a standard method used for site testing of consumer meter.
- (c) to ascertain and report the treatment meted out to the metered agriculture pump set consumer in case his meter is defective/damaged for raising his energy bills and working out the corresponding quantum of his consumption included in the sales data transmitted to head-quarters.

The report along with the licensee's analysis be submitted before submitting the ARR for FY 2007-08 so that the ground position to use the sales data for metered agriculture pump set consumers is clear to the Commission.

3. **Commission's approved consumption estimates for various categories of consumers**

A comparatively lower ALF proposed at 2(iii) above would have resulted into lower running hours of agriculture pump set consumers and consequently lower projection of consumption estimate for this category of consumers for FY 2006-07 than the one worked out at para 3.10.1. It would translate into lower estimate of total approved sales for FY 2006-07 than the one worked out at para 3.10.2. Therefore, I differ with

Sarvshri Raghbir Singh, Hon'ble Chairman & T.S. Tewatia, Hon'ble Member on the approved consumption estimates for agriculture pump set consumers (both metered and un-metered) and resultantly on the total approved sales for FY 2006-07.

4. **Projected distribution loss**

Taking into account the lower estimate of total approved sales as explained at para 3 above and the availability of energy at the interface points between HVPNL & UHBVNL, the distribution loss for FY 2006-07 would be higher than the one worked out at para 3.8. Therefore, I differ with Sarvshri Raghbir Singh Hon'ble Chairman & T.S. Tewatia Hon'ble Member on the projected distribution loss worked out by them.

5. **Subsidy from State Government**

The lower consumption estimates of agriculture pump set consumers would have translated into lower RE subsidy to be provided by the State Government for FY 2006-07 than the one worked out at para 3.11, therefore, I differ with Sarvshri Raghbir Singh Hon'ble Chairman & T.S. Tewatia, Hon'ble Member on the computation done to arrive at RE subsidy to be provided by the State Government.

6. **Tariff for agriculture pump set consumers**

The lower RE subsidy as per para 5 above vis-à-vis the RE subsidy already sanctioned by GoH in its budget for FY 2006-07 would have meant lower gap to be bridged by the State Govt. than the one worked out at para 3.12. In my opinion, adequate time and opportunity has not been provided either to the licensee or State Govt. to respond to the revenue gap. Further, in my opinion, the consumers too have been deprived of an opportunity to express their views on the changed scenario. Therefore, I differ with Sarvshri Raghbir Singh Hon'ble

Chairman & T.S. Tewatia, Hon'ble Member on the revision of tariff for agriculture pump set consumers notwithstanding the quantum of RE subsidy to be made available in the context of reported references made to Govt. of Haryana vide Commission's memo No. 812/HERC, dated 11.8.2006 and memo No. 847/HERC, dated 18.8.2006.

7. **Conclusion**

I differ with Sarvshri Raghbir Singh Hon'ble Chairman & T.S. Tewatia, Hon'ble Member on the conclusion arrived at up to the second last paragraph of Chapter 4 and further differ with Shri Raghbir Singh in respect of penultimate paragraph of Chapter 4 in view of my difference of opinion expressed at paras 3, 4, 5 & 6 above.

**(T.R. Dhaka)**  
**Member**

**ORDER**

1. In terms of Section 92 (3 & 4) of the Electricity Act 2003 (Act 36 of 2003), the majority view of Lt. Col. (Retd.) Raghbir Singh, Chairman and Sh. T.S. Tewatia, Member will be the order of the Commission (except Para 3.12 on Tariff for Agriculture pump-set consumers as Shri T.S. Tewatia, Member is not agreeable for the same till the issue of additional subsidy is settled.)
2. This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 23<sup>rd</sup> August, 2006

Date : 23<sup>rd</sup> August 2006

Place : Panchkula.

**T. S. Tewatia**  
**(Member)**

**T. R. Dhaka**  
**(Member)**

**Lt. Col. (Retd.) Raghbir Singh**  
**(Chairman)**

## **ANNEXURE – 1 : LIST OF WAIVERS GRANTED**

The Commission directed the licensee in its ARR order for FY 2004-05 dated 20.4.2005 that while seeking for any waiver(s) in future, the specific action plan as well as the time frame to comply with the directive of the Commission, should be provided. But the licensee did not adhere to this directive while seeking waiver(s) ARR for FY 2006-07. However, the Commission has granted the following waivers requested for by the licensee in its ARR filing for FY 2006-07.

### **1. Plans for Undertaking Load Research:**

As per Guidelines for filing of Annual Revenue Report, the licensee is required to file plans for undertaking load research to determine the load profile of consumers' supplied under each tariff (Guidelines-7a)

The licensee has mentioned that a study was prepared in year 2000-01 using hourly load data of sample 11KV feeders and was made the basis of calculating peak load allocator, non-coincident demand allocator and coincident load factor etc. However, this is hampered by the mixed loads, which are characteristic of almost all feeders of the distribution utility, and the utility does not have the facility to measure accurately the consumption of various categories of consumers on Time of Day basis. As such, no fresh effort was made to work out the cost allocators afresh this year.

The licensee requests for waiver to file the information with the present ARR.

### **2. Physical verification of licensee's fixed assets and assets created out of consumer contribution**

The Commission directed the Licensee to physically verify its fixed assets and submit its report.

The licensee has mentioned that the physical verification of fixed assets as on 31.3.2004 was carried out internally by the Nigam.

As per direction of Commission for verification of Fixed Assets from an independent agency, the licensee submitted that the matter is under active consideration of the management. The process is expected to take time; as such waiver is requested for its submission in the current ARR.

**3. To fully comply with guidelines for filing the ARR**

The Commission had directed the Licensee to fully comply with the guidelines for filing ARR in future and provide all the expenditure details as per the forms prescribed by the Commission.

The licensee has mentioned that all the details as per the forms are being submitted in this filing to the extent possible. The information in the formats specified by the Commission is also being given to the extent possible. However some formats could not be filled in due to the limitations of the present accounting system and as such waiver is requested.

**4. To provide all the requisite data in the approved formats**

The Commission directed the licensee to provide all the requisite data in the formats approved for the purpose from time to time and within the specified dates. It may further be noted that any delay in filing response to the data requirements/objections and non-compliance of directions would be viewed very seriously and would be dealt as per the provisions of Section 142 and Section 146 of The Electricity Act 2003. The Commission has decided that the responsibility for non-compliance of the Commission's orders/directions will be fixed on the Chairman and the Managing Director of the distribution companies.

The Licensee has mentioned that they are making all out efforts to supply the information as per the requirements of the Commission. The information in the prescribed financial formats is being furnished to the extent possible and waiver is requested wherever the information on the prescribed formats is not possible.

In respect of formats regarding Tariff, the information on the prescribed formats (except Form T-14 to T-17 and B-1 to B-2 in respect of billing formats) and for remaining formats of Tariff and Billing, waiver is requested due to the limitation of the present system of the Licensee.

## **ANNEXURE - 2 : LIST OF DIRECTIVES NOT FULLY COMPLIED WITH**

The Commission had issued a number of directives to the Licensee in its previous ARR and Tariff Orders since FY 2000-01 in connection with Distribution and Retail Supply Business. However, the Licensee has not yet fully complied with many directives. All such directives are given below.

1. The Licensee had been directed to arrange for conducting survey of all LT industrial consumers through an independent agency in order to plug the leakage of substantial revenue that appears to be taking place in this area. The licensee responded that they have initiated the process of survey of LT industrial consumer at their own level. (Direction given in 22.12.2000 order)
2. The Commission had directed the Licensee to develop a modern system of data collection, storage, retrieval and analysis through computerisation at sub-divisional level. The licensee responded that it has already provided computers at all its circle and divisional offices. The proposal for on-line billing is in the process of finalisation. (Direction given in 11.8.2001 order)
3. The investment planned for reduction of losses should be taken on priority and should be evaluated on completion of the same. A report on such schemes should be sent to the Commission on quarterly basis. (Direction given in 11.8.2001 order)
4. Load survey should be carried out for all categories of consumers and attention be focused on such consumers who pay on MMC basis or on an average basis for a long time; or where consumption indicated is much lower than possible with the stated connected load, without any valid reason. (Direction given in 11.8.2001 order)

5. The Commission had directed the licensee to submit a proposal for two-part tariff with the next tariff filing supported by reliable and authentic data. The licensee should also submit detailed data relating to consumers billed on MMC basis for all categories of consumers and slabs. (Direction given in 11.8.2001 order)
6. The Commission directed the Licensee to physically verify all the fixed assets created out of consumer contribution, which are currently not appearing in its books of accounts and include the value of such assets in their books of accounts after verification from an independent auditor. The licensee responded such assets have been got physically verified internally as on 31.3.2002 and the value incorporated in the books of accounts for FY 2003-04. (Direction given in 16.8.2002 order)
7. The Commission directed that :
  - (a) The licensee is required to prepare the plan for strengthening energy audit specific to feeder or an area and ultimately to the division level (Direction given in 11.8.2001)
  - (b) The licensee is required to finalise and submit a comprehensive metering plan for achieving 100% metering in the state, including its implementation schedule encompassing both the aspects namely provision of meters at the consumers' premises and the energy audit. The Commission also directed the licensee to complete the 100% metering at the earliest. A quarterly progress report to achieve the goal should be regularly submitted to the Commission by 20th of April / July / October / January respectively. (Direction given in 16.8.2002, 29.1.2004 and 18.4.2005 orders)

- (c) The licensee is required to put MDI meters, which also record energy, on all the agriculture pump sets which are currently being billed at flat rate, so that billing continues to be on flat rate but based on the contract demand / connected load, or the actual maximum demand as recorded by the meter, whichever is higher, and the energy reading can be used for correctly assessing the energy consumption by these consumers for energy audit, preparation of bills for subsidy and calculation of actual distribution losses etc. (Direction given in 16.8.2002 order)
- (d) The licensee is directed to submit the status report on account of replacement of defective meters including the steps taken to tackle this endemic problem within one month of issue of this order. (Direction given in 18.4.2005 order)
- (e) The Licensee is required to fully comply with the direction of the Commission regarding MDI meters in order to effectively redress its long-standing grievance about the Commission's approach of arriving at the estimated energy consumption for AP flat-rate consumers. It will conclusively prove the load put on the system by a given flat-rate AP consumer viz-a-viz the sanctioned load and help the licensee to recover its legitimate dues. (Direction given in 18.4.2005 order)
- (f) The licensee is directed to analyse the cause(s) of the meters being defective and take remedial steps to procure good quality meters only from proven suppliers. A report on the number of meters, which have failed during warranty period from different suppliers during last 3-4 years, should - also be submitted to the Commission. (Direction given in 9.11.2005 order)

**8.** The Commission directed that:

- (a) The Licensee should computerise all the receivable accounts at the earliest. This will help in ascertaining the precise amount of consumer category-wise and age-wise receivable position separately for sale of power, delayed payment surcharge, municipal tax and electricity duty. The period-wise recovery against current arrears as well as old arrears should also be known correctly. The licensee has responded that computerisation of defaulting connected consumers category-wise is likely to be completed within 3 months and for permanently disconnected consumers within 6 months. The licensee may keep its word.
- (b) The Licensee should undertake detailed receivable audit, preferably from an independent agency. The receivable audit should be undertaken consumer category-wise.
- (c) The Licensee should submit a report giving details of the action taken in each case to recover arrears from the consumers having arrears above Rs. 1 lakh and the reasons as to why supply in all such cases have not been disconnected so far.
- (d) The amount of sale of power and delayed payment surcharge due should be shown separately in the consumers' bills.

(Directions given in 11.8.2001, 20.8.2003 and 18.4.2005 orders)

**9.** The Commission directed the Licensee to put all the important information relating to public use on its website and regularly update the same. The Licensee was also directed to obtain the necessary

ISO 9000 / 14000 certification at the earliest. (Direction given in 20.8.2003 order)

**10.** The Commission directed:

(a) the licensee to provide project-wise data related to new capital work project undertaken by the licensee since 1.4.2000. The data should include projected and actual dates of commencement & completion of project, details of quarter-wise expenditure and total cost. The licensee submitted some data but that was not reconciled and tallied. (Direction given in 18.4.2005 order)

(b) the licensee to provide project-wise details of receipt and utilisation of borrowings for capital expenditure and to ensure that the funds are utilised for the designated project within the scheduled time frame. (Direction given in 18.4.2005 order)

**11.** The Commission directed the licensee to follow prudent financial practices and take advantage of technological advancements in the banking sector to minimise the need for maintaining heavy cash and bank balances. The licensee is also directed to take positive measures to reduce the funds blocked in stores. (Direction given in 18.4.2005 order)

**12.** The Commission directed the licensee to submit status report and take all steps for faithful implementation of the Regulations on standard of performance for the Distribution licensee and Electricity Supply Code. (Direction given in 18.4.2005 order)

**13.** The Commission directed the licensee to act upon the establishment of computerized State-of-the-art Area Load Dispatch Centre stipulation of the license in time-bound manner and submit quarterly progress reports to the Commission. UHBVNL has asked for

extension of time for establishing ALDC up to June 2007. (Direction given in 18.4.2005 and 9.11.2005 orders).

- 14.**The Commission directed the licensee that project for computerisation, consumer indexing and Geographical Information System (GIS) mapping should be well integrated into a policy and implement the same in all circles. (Direction given in 18.4.2005 and 9.11.2005 orders).
- 15.**The Commission directed the licensee to undertake a detailed analysis of its human resources, assess its medium to long-term needs and submit a Human Resource Management Plan for consideration of the Commission. (Directions given in 20.8.2003 and 18.4.2005 orders)
- 16.**The licensee is directed to investigate the causes of high damage rate of distribution transformers. The licensee should take concrete steps to ensure purchase of qualitatively better distribution transformers/qualitatively better repair of damaged distribution transformers accompanied with rigorous implementation of preventive maintenance drill by the field offices. Appropriate action be taken to reduce the damage rate to achieve the levels set in the Standard of Performance Regulations, 2004 (i.e. 5% in urban area and 10 % in rural area). The licensee is further directed to submit the above information separately for urban and rural areas (Direction given in 20.8.2003, 18.4.2005 and 9.11.2005 orders).
- 17.**The Commission directed the licensee to review its entire safety drill to ensure that the workmen in the field perform and execute the job as per relevant standards to minimise the accidents involving human beings and live stocks. (Direction given in 18.4.2005 order).
- 18.**To take care of the impact of the sales circulars (issued by the licensee) till the date of this order, the Commission directed the

licensee to calculate the impact of these sales circulars and ask the State Government to compensate it under intimation to the Commission. In case the State Government is unable to adhere to the time schedule as given above, the licensee is directed to revert to the Commission's approved schedule of tariff. (Direction given in 9.11.2005 order).

- 19.**The Commission directs the licensee to take the requirements for reporting of performance levels in terms of the HERC regulations into consideration while finalising the policy for introduction of IT in distribution and supply business. (Direction given in 9.11.2005 order).
- 20.**The Commission directed the licensee to frame the scheme for providing power through prepaid meters and implement it forthwith and without any further delay. (Direction given in 9.11.2005 order).
- 21.**The Commission directed the licensee to expedite the requisite action so that a smooth transition to ABT regime takes place in Haryana and submit the status report immediately. (Direction given in 9.11.2005 order).

### **ANNEXURE – 3 : LIST OF NEW DIRECTIVES**

The Commission has given the following new directives in this order.

1. The Commission directs the licensee to reconcile the differences between the stores as on 31.3.2005 and provide correct position to the Commission within one month of this order. (Chapter 3, Para 3.2.3.2).
2. The Commission directs the licensee to examine the issue and submit a detailed proposal about its preparedness to implement the multi-year tariff (initially for three years period) with its next ARR filing. The multi-year tariff proposal should incorporate loss reduction, reduction in working capital loans and receivables trajectory during the control period. To achieve this the licensee will require to first identify the controllable and uncontrollable costs. The uncontrollable cost can then be linked to some benchmark or escalation index, if required. While controllable cost including technical / commercial losses can be set on a reduction trajectory. (Chapter 3, Para 3.6.1)
3. The Commission directs the licensee to get compensation from the State Government regarding the financial impact of sales circulars within 3 months from issue of this order otherwise the Commission's approved schedule of tariff shall apply to the relevant category of consumers. (Chapter 3, Para 3.6.4)
4. The Commission directs the licensee to confirm availability of feeder-wise ledgers in all its operation sub-divisions. (Chapter 3, Para 3.6.5)
5. The Commission reiterates its directive for submission of a comprehensive metering plan including its implementation

schedule covering consumers' premises as well as the energy audit scheme for proper accounting of energy in the licensee's sub-transmission and distribution system forthwith. (Chapter 3, Para 3.6.5)

6. The Commission directs the licensee to make wide publicity of Regulations on 'Standard of Performance' and 'Electricity Supply Code' specifically about the monetary compensation payable to the consumers through newspapers and other public media. (Chapter 3, Para 3.6.6)
7. The Commission reiterates its direction regarding encouragement of pre-paid card meters and directs the licensee to frame the scheme and implement it forthwith and without any further delay. The licensee may also submit an appropriate tariff proposal for the consumers opting for the pre-paid scheme for consideration of the Commission. (Chapter 3, Para 3.6.9)
8. The Commission directs the licensee to expedite due action so that a smooth transition to ABT regime takes place in Haryana and submit the status report immediately. (Chapter 3, Para 3.6.10)
9. The licensee is directed to immediately complete recruitment of its staff. (Chapter 3, Para 3.6.11)
10. The Commission has directed the licensee that interest on all consumer securities be paid at the bank rate determined from time to time by the Reserve Bank of India. The Commission also directs the licensee to comply with the direction regarding regular payment of interest on consumption security and meter security to the consumers and file a compliance report with the Commission within 3 months of this order. (Chapter 3, Para 3.6.12)

11. The licensee is directed to supply in future, the data of transformer failure due to various causes separately for urban and rural areas, as supplied for FY 2005-06. Moreover, while presenting the data of failure of transformers during warranty period, the total number of transformers within warranty period, as on the last day of the financial year must also be given. The Commission further directs the licensee to supply circle-wise transformer failure data due to various causes, as stated above for FY 2003-04 and FY 2004-05 within two months of the issue of this order. (Chapter 3, Para 3.7.1)

12. The Commission views the above response grossly inadequate and keeping in view the gravity of situation, directs the licensee as under: -

- (i) To submit a summary of field investigation report in respect of 61 fatal accidents involving human beings & the action taken thereon by the management case by case.
- (ii) To entrust 25% of the accidents involving fatality to human beings to a 3<sup>rd</sup> party for independent investigation into causes of such accidents and thereafter submit a comparative analysis of above report vis-à-vis the corresponding departmental investigation report with management's comments thereon.
- (iii) The licensee to review its on-job training programme for workmen/supervisory staff and officers to make it more focussed in light of the reports referred to at (i) & (ii) above.
- (iv) To induct fresh blood in the work force duly trained and trimmed for the assignment. (Chapter 3, Para 3.7.3)

13. The Commission directs the licensee to submit detailed justification for consistently increasing trend in agricultural load

factor in respect of metered agricultural pump-sets, within one month of the issue of the order. (Chapter 3, Para 3.8.1)

## **ANNEXURE – 4 : LIST OF INTERVENORS**

A list of persons / organisations who submitted comments / objections is given below.

1. Chief Electrical Distribution Engineer, Northern Railway, Baroda House, New Delhi.
2. Staff of the Haryana Electricity Regulatory Commission, Panchkula.

**ANNEXURE – 5 : SCHEDULE OF TARIFF**

Category of Consumers	Fixed Charge (Rs./KVA)	Energy Charge (Paise/ unit)
<b>DOMESTIC</b>		
Upto 40 units		263
41-300 units		363
Above 300 units		428
<b>NON-DOMESTIC</b>		419
<b>H.T. INDUSTRY</b>		409
Above 70 kW		409
Furnace		409
Special Agreement		409
<b>L.T. INDUSTRY-up to 70 kW</b>		428
<b>AGRICULTURE</b>		
<b>Metered</b>		25
	(Rs. /BHP/month)	
<b>Un-metered</b>		35
<b>Irrigation</b>		
Direct Irrigation Tubewells		400
Augmentation Canals		400
Lift Irrigation		400
<b>BULK RAILWAY TRACTION</b>	60	385
<b>BULK SUPPLY</b>		419
<b>STREET LIGHTING SUPPLY</b>		415
<b>PUBLIC WATER WORKS</b>		400

## **5 GLOSSARY**

ARR	Annual Revenue Requirement
ALF	Annual Load Factor
A&G	Administration and General
CAPEX	Capital Expenditure
CCA	City Compensatory Allowance
CWIP	Capital Works in Progress
DA	Dearness Allowance
D&RS	Distribution & Retail Supply
DHBVNL	Dakshin Haryana Bijli Vitran Nigam Limited
Discom	Distribution Company
DS	Domestic Supply
DSM	Demand Side Management
FSA	Fuel Surcharge Adjustment
FY	Financial Year
GFA	Gross Fixed Assets
GoH	Government of Haryana
HRA	House Rent Allowance
HT	High Tension
HVPNL	Haryana Vidyut Prasaran Nigam Limited
KV	Kilo Volts
KVA	Kilo Volt Ampere
KWh	Kilo Watts hour
LT	Low Tension
MDI	Maximum Demand Indicator
MITC	Minor Irrigation Tube-well Corporation of Haryana
MMC	Monthly Minimum Charges
MU	Million Units
MVA	Mega Volt Ampere
NDS	Non Domestic Supply
O&M	Operations and Maintenance
PF	Provident Fund
PPA	Power Purchase Agreement
R&M	Repairs and Maintenance
SAC	State Advisory Committee
SOP	Sale of Power
T&BS	Transmission and Bulk Supply
T&D	Transmission and Distribution
UHBVNL	Uttar Haryana Bijli Vitran Nigam Limited