



COMMISSION'S ORDER

ON

ANNUAL REVENUE REPORT OF DHBVNL

FOR DISTRIBUTION AND RETAIL SUPPLY BUSINESS

FOR FY 2007-08

May 08, 2007

HARYANA ELECTRICITY REGULATORY COMMISSION
BAYS 33-36, SECTOR - 4, PANCHKULA - 134 109, HARYANA

www.herc.nic.in

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CASE No. : HERC / PRO 7 of 2006

Date of Order : May 08, 2007

In the matter of application filed by Dakshin Haryana Bijli Vitran Nigam Limited for approval of Annual Revenue Requirement for Distribution and Retail Supply Business for FY 2007-08.

PRESENT

**Shri Bhaskar Chatterjee, IAS (Retd)
Chairman
Er. T.R. Dhaka, Member
Shri T.S. Tewatia, Member**

On behalf of DHBVNL

Shri Vijayender Kumar, Managing Director
Shri R.C. Sapra, Director (P)
Shri I.S.Nain, Director (Operations)
Shri G.D.Gupta, GM, Commercial
Shri S.K.Agrawal C.G.M (Plg & Design)
Shri V.K.Singla, SE/ RA,
Shri Kapoor Singh, C.G.M. Audit

On behalf of the Staff of HERC

Shri Surjeet Singh, Secretary
Shri Balbir Singh, Director (Technical)
Smt. Saroj Deswal, Director (Tariff)
Shri Sanjay Varma, Joint Director (Eco.)
Smt. Surbhi Jain, Dy. Director (Accounts)

On behalf of Faridabad
Industries Association

Shri R.C. Barar
Shri G.C. Narang

On behalf of CII

Shri M.K.Sharma

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 Aggregate Revenue Requirement (ARR) for supply of electricity by Dakshin Haryana Bijli Vitran Nigam Limited (the Licensee) for the Financial Year 2007-08.

1.2 Procedure envisaged in the Electricity Act 2003 for Tariff Order

Section 64 of the Electricity Act 2003 specifies the procedure to be followed for issuance 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.”

1.3 Procedural Aspects

DHBVNL filed its ARR application for FY 2007-08 vide Memo No. Ch-12A/SE/RA-281 dated 24.11.2006 in compliance of the license condition. It informed the Commission vide its Memo No. Ch-20/SE/RA-237 dated 19.12.2006 that it has issued public notices in respect of submission of the ARR for FY 2007-08 with HERC in two newspapers namely ‘The Tribune’ (English Edition) on 12.12.2006 and ‘Dainik Jagran’ (Hindi Edition) on 11.12.2006. The public objections were invited so as to reach within 30 days of publication of the notice.

The set of documents related to ARR were made available for public consultation during office hours on any working day at the head office of DHBVNL and offices of SE (Operation). The condensed summary was also available on the website of Haryana Power Utilities i.e. at www.dhbvnl.com.

1.4 Salient features of ARR

DHBVNL has projected an Aggregate Revenue Requirement of Rs. 34726.29 million consisting of Rs. 35385.87 million of expenditure less Rs. 659.58 million of non-tariff income. The Licensee has taken into account a subsidy of Rs. 6489.80 million from the State Government and revenue (excluding subsidy) of Rs. 28236.49 million on the sale of 9063.57 million units for the Financial Year 2007-08. As per the ARR projections for D&RS Business for Financial Year 2007-08, there was no revenue gap.

The Commission, after a preliminary examination, sought additional information from the Licensee so that a meaningful analysis of the filing could be carried out.

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.**

The Commission, in order to carry forward the process of public consultation, separately issued Public Notices inviting comments / objections by 20.2.2007 on application filed by DHBVNL for approval of ARR for FY 2007-08 in 'Times of India' (Chandigarh and Delhi Editions), 'Dainik Bhaskar' (Haryana Edition) dated 9.2.2007.

1.5 State Advisory Committee

The Commission in its consultative process convened a meeting of the State Advisory Committee on 16th March 2007 at 11.30 a.m. in its office at Panchkula to discuss the ARR of DHBVNL for FY 2007-08.

Shri Rajinder Nath representative of Haryana Chamber of Commerce and Industry commented that the component of theft in the distribution losses exceeds Rs.5000 crore i.e. around 70% of the present distribution losses of about 32%. Thus the need is to eliminate theft and improve efficiency of the field staff of utility.

Shri G.C. Narang, representative of CII Power and Energy Subcommittee opined that for the last 6-7 years the distribution losses have hovered around 33% levels despite massive investments. The efforts should be to reduce AT&C losses by 6% per annum initially, which can easily be achieved. This shall mean 10% extra power available to Haryana thereby eliminating the need to contract short term expensive power or rely upon unscheduled interchange.

Director Agriculture (Haryana Government) expressed his view that the quantum of power supply to agriculture is not sufficient and it should be augmented. He also suggested that on the lines of Madhya Pradesh, a coordinated effort to reduce energy consumption in agriculture by way of efficient motors and better irrigation practices should be implemented.

Smt. Manju Gupta, Chief Engineer Distribution, Northern Railway commented that controlling theft could reduce the existing tariff substantially. She was of the view that the Railway traction tariff as well as the tariff charged from the residential quarter of the Railway employees are discriminatory.

1.6 Public Hearing

The public hearing on ARR of DHBVNL for FY 2007-08 was held as per schedule on 27.2.2007 at 11.30 A.M. at Red Bishop, Panchkula.

The Chairman invited DHBVNL to make their presentation and directed them to submit written reply to the issues that were raised during the public hearing. The senior officers of DHBVNL too dealt with the technical and commercial issues during the public hearing.

2 POINTS RAISED BY THE INTERVENERS

In response to the public notice, Commission received objections from the following interveners:

1. Northern Railways
2. CII Gurgaon
3. Faridabad Industries Association

Rationalisation of tariff for Traction was one of the main points raised by Northern Railways. They also pointed out various anomalies in their tariff structure due to which they were facing hardship. Northern Railways requested the Commission to allow domestic tariff on consumption by their staff residing in the railway colonies.

Shri R.C. Barar and SH G.C.Narang on behalf of Faridabad Industries Association, and Sh. M.K.Sharma on behalf of CII presented their views during the Public Hearing. Some main points raised by them are as follows:

- 1 Inaccuracy in sale projections for FY 2007-08 in NDS, LT industrial & HT industrial categories.
- 2 Poor collection efficiency especially in districts of Bhiwani, Narnaul & Hisar is a drain on financial resources of the utility.
- 3 Inadequate replacement of defective or inaccurate meters leads to non metered supply and thereby inadequate compensation for power supplied.
- 4 High failure rate of distribution transformers specially in the operations circles of Bhiwani, Hisar & Narnaul.

- 5 No perceptible improvement in distribution losses over the last 6 years inspite of various measures undertaken by the Licensee.
- 6 Special efforts are required to increase the tempo of detection of theft of energy in circles where distribution losses are high.
- 7 Non-compliance of Commission directives, which could have enhanced the performance of the utilities.

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 and has provided adequate opportunity to all the concerned persons / organisations to put forward their views and objections on the filings made by the Licensee. The Commission has kept in view the observations made by the interveners while deciding on the ARR order for FY 2007-08.

3 ANALYSIS OF THE ARR FILING AND 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 recorded.

DHBVNL's proposal refers to the Distribution and Retail Supply Business ARR filing made on 24.11.2006, additional information provided in response to the queries raised by the Commission or otherwise and the oral submissions made by the representatives of the Licensee during the public hearing.

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

In accordance with its order-dated 08/05/2007, the Commission approves power purchase of 12972 MUs by DHBVNL during FY 2007-08 at a cost of Rs. 30873.43 million and on basis of trading margin of 2 paise per unit an additional amount of Rs. 259.44 millions is allowed as trading margin for FY 2007-08.

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

In accordance with its order on Transmission Tariff and SLDC charges, the Commission approves Rs 2590.28 million as Transmission charges and Rs. 45.24 million as SLDC charges for FY 2007-08.

3.1.3 Operation and Maintenance expenditure

Employees' cost, Repair & Maintenance expenses and Administration & General expenses are analysed under this sub-head, details of which are given below:

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

Particulars	Audited Actual of DHBVNL for FY 2005-06	HERC Order on DHBVNL for FY 2006-07	DHBVNL Proposal for FY 2007-08
Wages, salaries and related costs	1898.97	1844.90	2226.16
R&M expenses	282.72	272.39	416.54
A&G expenses	268.66	158.26	245.13
Total O&M Expenditure	2450.35	2275.55	2887.83

The Commission has considered FY 2005-06 audited accounts with suitable adjustments / changes as a base for the purpose of calculating ARR for FY 2007-08.

3.1.3.1 Employees' cost

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 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.

A. Basic Salary, Dearness Pay and Dearness Allowance (DA)

The Commission has estimated employees' cost by taking into account the amount as per the latest available FY 2005-06 audited accounts of DHBVNL. Commission approves Rs. 1515.82 million as basic salary, Dearness Pay and DA as against Rs. 1461.68 million proposed by the Licensee. The Commission approves DA @ 40% as against 35% proposed by the licensee in view of the anticipated increase based on current rate of inflation thereby resulting in a difference of Rs. 54.14 million.

B. Other allowances

The Commission allows 19.92% of Basic salary as other allowances, which works out to Rs. 143.82 million against Rs. 161.47 million proposed by the Licensee. The rate is arrived at on the basis of audited accounts of DHBVNL for FY 2005-06.

C. Terminal benefits

In line with the orders of the Hon'ble Appellate Tribunal for Electricity, Commission allows terminal benefits on accrual basis as part of employee cost for FY 2007-08, whereas in the filing, the Licensee had projected its terminal benefit cost on actual payment basis. The Commission allows Rs. 379.07 million as per Licensee's latest available audited accounts. The Licensee should explore the possibility of provisional assessment of terminal benefits for the ensuing year from a certified actuary in order to have an accurate estimate of the liability.

D. Employees' Cost Capitalised

The Commission allows capitalisation of employees cost in the same ratio as the proportion of actual expenditure incurred in the construction divisions bears to total expenditure as per the FY 2005-06 audited accounts. Consequently, the employees cost capitalised works out to

Rs. 16.87 million at the capitalisation rate of 1.02% as against Rs. 18.30 million proposed by the Licensee. Resultantly, the Commission approves Rs. 2021.84 million as net employees' cost as presented below in table 3.2.

Table 3.2 - Employees' cost approved for FY 2007-08 (Rs. in million)

Employee Cost Computation	DHBVNL Proposal	HERC Approval
Basic Salary + D.P+ D.A	1461.68	1515.82
Other allowances	161.47	143.82
Terminal benefits	621.30	379.07
Total	2244.45	2038.71
Less: Employee cost capitalised	18.30	16.87
Net Employee Cost Expensed	2226.15	2021.84

The Licensee shall not divert 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 percent of average Gross Fixed Assets in its earlier order. As the Commission's estimate of GFA is lower than the Licensee's projection as explained in para 3.2.1, the R&M expenses at 2% of average GFA as allowed by the Commission comes to Rs. 406.26 million as against Rs. 416.54 million proposed by the Licensee.

3.1.3.3 ADMINISTRATIVE AND GENERAL EXPENSES

The Commission allows A&G expenditure of Rs. 245.13 million as proposed by the Licensee.

In case of any unforeseen expenses during the year, the Licensee may approach the Commission for allowing such expenditure next year with proper justification.

3.1.4 Interest On Loans

The Licensee has projected gross interest cost of Rs.951.60 million on the borrowings for capital expenditure in its filing for FY 2007-08. The Licensee has revised its proposal for new capital investments for FY 2007-08 along with a revision in the funding proposal for these investments. Keeping in view the status of implementation of the investment plan, the Commission has further restricted the investment proposed by the Licensee as explained in para 3.2.1. The borrowings have been proportionately adjusted to match with the revised investment plan. Resultantly, the Commission approves Rs. 861.61 million as gross interest on borrowings for capital works . Out of this, Rs. 425.00 million is reduced on account of capitalisation as against Rs. 440.56 million proposed by the Licensee. The Licensee has used an interest rate of 8% for calculating IDC whereas the Commission has applied the weighted average rate of interest (8.74% and 9.73% for loans taken in FY 2006-07 and FY 2007-08 respectively). The Commission approves Rs. 436.61 million as net interest cost on capital works related borrowings.

The Licensee has proposed working capital borrowing for FY 2007-08 as Rs. 2923.76 million. The Commission allows working capital borrowings limited to 1 month of ARR as per orders of the Hon'ble Appellate Tribunal for Electricity dated 10.11.2006, which approximately works out to Rs. 2400 million.

Commenting on the excessively high cash and bank balance maintained by the Licensee, the Commission in its order dated 20.4.2005, directed the Licensee to restrict its cash and bank balances to a level of 7 days of collection by the end of FY 2005-06, failing which the Commission would be constrained to reduce the allowed borrowings for working capital by the amount of excessive cash and bank borrowings. The Licensee took over 6 months to act on the direction

and issued instructions only in November 2005 for rescheduling of billing cycle. However, the instructions seem to have had no impact as the cash and bank balance as on 31.3.2006 stands at Rs. 1171 million and is projected at Rs. 1454 million for FY 2007-08. Excessive cash balance is nothing but a burden on the utility and the consumer and in no way does it increase the efficiency of the Licensee. Rather, it reflects the inefficient and uncaring attitude of the Licensee towards cost cutting measures. Reasonable cash and bank balance as per Commission estimates amounting to 7 days of collection for FY 2007-08 amounts to approximately Rs. 530 million. Therefore the excessive cash and bank balances amounting to Rs. 900 million have been reduced from the allowable working capital borrowings of Rs.2400 million. On the balance allowable working capital borrowings amounting to Rs. 1500 million, the Commission approves interest of Rs. 132.75 million at 8.85%p.a. (being the average rate of working capital borrowings projected by the Licensee). In case the Licensee is able to reduce the average cash and bank balance to the normative holding as worked out by the Commission, the Commission would examine the possibility of restoring the interest on Rs. 900 million for FY 2007-08.

The Licensee has projected interest on consumers' security deposits amounting to Rs. 19.97 million which the Commission allows subject to the compliance of the "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.

It is relevant to mention that the Commission allowed Rs. 2.86 million as interest on consumers' security deposit in its order dated 14.11.2005 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 file a compliance report with the Commission within 3 months of this order.**

The Commission approves other finance charges amounting to Rs. 8.87 million as proposed by the Licensee.

The computation of interest expenses is presented in table 3.3.

Table 3.3 - Interest Expenses approved for FY 2007-08 (Rs. in million)

Interest on Loans	DHBVNL Proposal	HERC Approval
Gross Interest on Capital Expenditure Loans	951.60	861.61
Less: Interest Capitalised	440.56	425.00
Net Interest on Capital Expenditure Loans	511.04	436.61
Interest on Working Capital Loans	241.13	132.75
Interest on consumers' security deposits	19.97	19.97
Finance Charges	8.87	8.87

3.1.5 Depreciation

The Licensee has proposed depreciation amounting to Rs. 916.53 million for FY 2007-08. The Commission allows Rs. 848.56 million, calculated at the rate of 7.79% being the proposed rate of depreciation

as per ARR filing. The difference in depreciation is due to difference in GFA as on 1.4.2007. The approved capitalisation schedule of 70:30, when applied to the proposed investment in new capital works for FY 2006-07, results in a lower GFA of Rs. 10887.90 million as against Rs. 11760.03 million proposed by the Licensee. The GFA for the purpose of calculating depreciation is after excluding assets funded by consumer contribution. The computation details are as presented in table 3.4.

Table 3.4 - Depreciation charges approved for FY 2007-08 (Rs. in million)

Particulars	DHBVNL Proposal	HERC Approval
Gross Fixed Assets at the beginning of the year *	11760.03	10887.90
Depreciation rate	7.79%	7.79%
Total depreciation Expense	916.53	848.56

* The value of gross fixed assets considered for the purpose of calculation of depreciation by the Commission is the projected value as on 31.3.2007

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 the capital expenditure to the extent possible".

The approved depreciation of Rs.848.56 million is to be utilised towards meeting the capital loans repayment of Rs. 370.50 million as projected by the Licensee. The remaining amount of Rs. 478.06 million is available with the Commission for future adjustment.

3.1.6 Special Appropriations

a) Contribution To Contingency Reserve

The Commission approves Rs. 63.88 million as contribution towards Contingency Reserve as proposed by the Licensee in its filings for FY 2007-08.

b) Fringe Benefit Tax Provision

The Licensee in its filing has proposed to include Rs. 21.20 million as provision for fringe benefit tax for FY 2007-08. In view of the stay granted by the Punjab & Haryana High court regarding taxability of contributions to superannuation fund, the Commission allows Rs. 5.00 million based on the expenditure as per latest available audited accounts. This 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 not proposed any other expenditure in its filing for FY 2007-08.

3.1.8 Total Expenditure

The total expenditure approved by the Commission with respect to the Distribution and Retail Supply business of DHBVNL for the financial year 2007-08 is Rs. 37957.26 million as against Rs. 35385.87 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 3.5 :

Table 3.5 - Total expenditure approved for FY 2007-08 (Rs. in million)

Description	DHBVNL Proposal	HERC Approval
Expenditure:		
Purchase of energy	30715.42	30873.43
Trading charges		259.44
Transmission charges		2590.28
SLDC charges		45.24
Wages, salaries and related costs	2226.16	2021.84
R&M Expenses	416.54	406.26
A&G Expenses	245.13	245.13
Interest cost on borrowings		
- For capital expenditure	511.04	436.61
- For working capital	241.13	132.75
- On Consumer Security Deposit	19.97	19.97
- Other finance charges	8.87	8.87
Depreciation	916.53	848.56
Total Expenditure	35300.79	37888.38
Special Appropriations:		
Income Tax		
Fringe Benefit Tax	21.20	5.00
Instalments of written down amounts		
Contribution to Contingency Reserve	63.88	63.88
Total Special Appropriations	85.08	68.88
Total Expenditure (including special appropriation)	35385.87	37957.26

3.2 Capital Base

3.2.1 Capital Works In Progress (CWIP)

The Licensee has proposed an ambitious capital investment plan for FY 2007-08 amounting to Rs. 991.93 crores excluding the consumer contribution. Subsequently the plan was revised to Rs. 876.30 crores. The Licensee has proposed various schemes for augmenting and expanding the existing distribution network in its area of operation. After further deliberation with the Licensee, the Commission has limited the expenditure on certain works as discussed below: -

A. **Providing HVDS:** Under this head, the Licensee has planned an expenditure of Rs. 252 crores against which tender enquiry for 86 villages for Rs. 71 crores has already been floated. Out of the balance of Rs.181Crores, the Commission feels that the Licensee may be allowed 75% i.e. Rs. 135.75 crores, keeping in view the huge work involved.

B. **Demand side management:** The Licensee has proposed an expenditure of Rs. 100 crores for providing CFL, which is to be recovered from the consumers in their energy bills and Rs. 60 crores for encouraging the use of energy efficient pump set motors. **The Commission is allowing the expenditure for these works as proposed by the Licensee with a directive that monies recovered from consumers or otherwise on account of this plan will be utilised only towards Capital expenditure with the approval of the Commission and the institutional borrowings shall be reduced to that extent.**

In view of the above disallowances of Rs. 45.25 crores, the Commission approves a revised capital investment plan for FY 2007-08 at Rs. 831.05 crores. The Licensee has not proposed any funding of the investment plan through equity in its initial ARR filing. However, in its revised filing, the planned equity support from the State Government amounts to Rs. 141.9 crores and Rs. 734.40 crores is through borrowings. In view of the reduced capital investment plan approved by the Commission, the State Plan support has been retained as proposed by the Licensee. A pro-rata reduction has been made in the borrowings to fund the balance capital investment. Apart from this, the Licensee has proposed Rs. 111.89 crore of new investment through consumer contribution as per trend observed in the previous years, which the Commission allows.

The opening balance of CWIP for FY 2007-08 is based on the revised working of CWIP for FY 2006-07 as per information given by the Licensee in the ARR filing.

The capitalisation of CWIP for FY 2007-08 is based on capitalisation schedule of 70:30 as proposed by the Licensee; 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. 2828.82 million as given in table 3.6.

Table 3.6 - Calculation of CWIP for FY 2007-08 (Rs. in million)

Schedule of CWIP	DHBVNL Proposal	DHBVNL REVISED Proposal	HERC Approval
Opening balance	1136.13	1136.13	1550.83
Additions during the year	10384.76	9881.90	9429.40
Transfer to GFA	8898.38	8898.38	8151.41
Closing balance of CWIP	2622.51	2622.51	2828.82
Funding of CAPEX :			
Equity	0.00	1419.00	1419.00
Loan funds	8741.70	7344.00	6891.50
Government grants	58.70	0	0
Consumer contribution	1118.90	1118.90	1118.90
Other funds including internal accruals	465.46		
Total Funds	10384.76	9881.90	9429.40

The inefficiency of the Licensee in implementation of its capital investment plan is evident from the fact that it has drawn only Rs. 274.12 million loans as against projected capital borrowings of Rs.953.60 million for FY 2004-05. For FY 2005-06, it had projected borrowings for capital works of Rs. 1030.91 million out of which only Rs. 339.07 million have been drawn during the year.

It clearly and surely shows the Licensee's poor financial planning and its incapability to execute its capital works. The non-utilisation of funds for CWIP has impact on ARR in terms of depreciation, Interest and

R&M expenses apart from affecting operations due to non-availability of distribution system to that extent.

3.2.2 Gross Fixed Assets (GFA)

The opening balance of GFA as on 1.4.2006 is derived from the closing balance of GFA as per the audited accounts of the Licensee for FY 2005-06. Additions to GFA are derived from the Capital Works in progress computation referred to at para 3.2.1. The closing balance of GFA for FY 2007-08 works out to be Rs. 24389.65 million as presented in table 3.7.

Table 3.7 - Gross Fixed Assets approved for FY 2007-08 (Rs. in million)

	DHBVNL proposal	HERC Approval
Opening Balance of gross fixed assets	16652.94	16238.24
Add: Additions to GFA	8898.38	8151.41
Less: Retirement	0.00	0.00
Closing balance	25551.32	24389.65
Assets funded out of consumer contribution	5736.81	6469.25

3.2.3 Amount Of Working Capital (Capital Base)

3.2.3.1 Cash In Hand And At Bank

The cash and bank balance of the Licensee on 31.3.2006 as per audited accounts for FY 2005-06 comes to Rs. 1171 million, which is approximately 20 days of sales revenue and Rs. 1270 million as on 31.3.2005 being approximately 25 days of sales revenue. The Licensee is also holding very high cash-in-hand balance amounting to Rs. 112.53 million as on 31.3.2006 as against Rs. 0.148 million held on 31.3.2004 as is shown in table 3.8 :

**Table 3.8 – High Cash and Bank Balance maintained by DHBVNL
(Rs. in million)**

Particulars	31.3.2004	31.3.2005	31.3.2006
Cash in Hand	0.148	91.57	112.53
Balance in Current Accounts	1101.31	1168.73	1046.25
Balance in Deposit Accounts	10.10	10.10	12.62
Total balance at DHBVNL	1111.55	1270.41	1171.41
<i>Comparative position at UHBVNL</i>	369.32	234.25	223.92

The Licensee must realise that taking loans on one hand and keeping cash at bank on other hand, as an unproductive asset, is a financial burden on the utility. An efficient cash management by the license would be able to reduce the costs substantially. The Licensee should utilise real-time banking and modern collection services offered by the banks to this effect. The Licensee is directed to submit quarterly reports on efforts made by it to limit the cash and bank balances and indicate the resultant decrease.

3.2.3.2 STORES

The closing balance of stores as on 31.3.2006 at Rs. 602.35 million as per audited accounts is higher than the balance as on 31.3.2005 at Rs. 513.17 million. The maintenance stores as on 31.3.2006 at Rs. 240.96 millions, when compared with the repair and maintenance expenditure of Rs. 282.72 million for FY 2005-06 show that the Licensee is carrying almost 11 months of maintenance stores. **The Licensee should use scientific methods to minimise its investment in stores.**

3.3 Return on Capital Base

The Licensee has not proposed any return on capital base.

3.4 Non-Tariff Income

The Commission allows Rs. 659.58 million as non-tariff income as proposed by the Licensee.

3.5 Aggregate Revenue Requirement

In light of the above analysis, the Commission approves Rs. 37297.69 million as the aggregate revenue requirement of the Distribution and Retail Supply business of DHBVNL for FY 2007-08.

The Licensee has considered subsidy amount of Rs. 6489.80 million for FY 2007-08; this being the total gap in the ARR for FY 2007-08. However, 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 computation of approved Aggregate Revenue Requirement for FY 2007-08 is presented in table 3.9.

Table 3.9 - Total Aggregate Revenue Requirement approved for FY 2007-08 (Rs. in million)

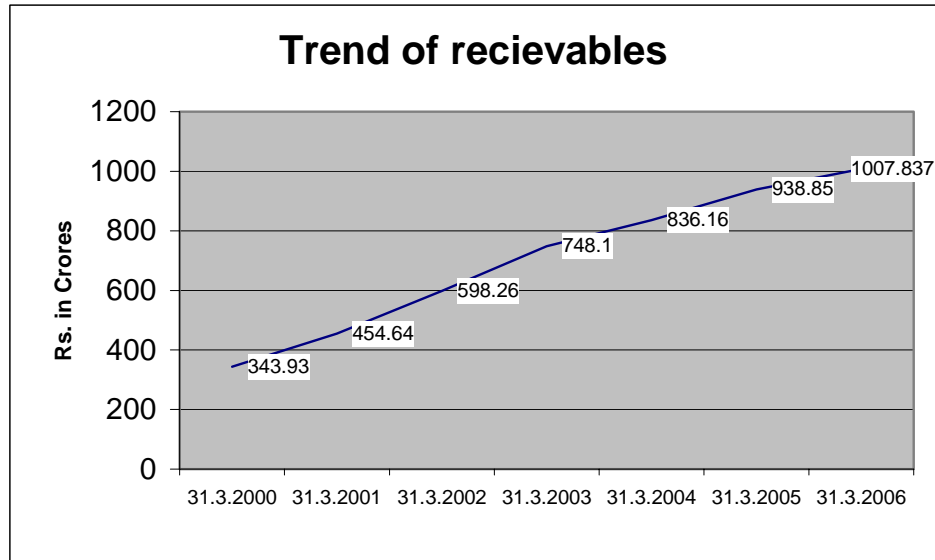
Description	DHBVNL Proposal	HERC Approval
Reasonable return	0.00	0.00
Total expenditure	35385.87	37957.26
<i>Minus:</i> Non-tariff income	659.58	659.58
<i>Minus:</i> Outstanding customer rebates	0.00	0.00
Total Aggregate Revenue Requirement	34726.29	37297.69
<i>Minus:</i> Subsidy from State Government	6489.80	
Total Net Aggregate Revenue Requirement	28236.49	

3.6 Other Issues

3.6.1 Receivables of Electricity Sales

The Licensee's collection efficiency against the bills raised on the consumers has always fallen short of targeted collection efficiency. This has resulted in unmanageable increase in outstanding dues leading to

excessive borrowings. A graphical presentation of increase in receivables is shown below:



Domestic consumer category accounts for 45% of the receivables even though their sale is only about 20% of total sales in unit terms and only 10% in revenue terms. **It is also a matter of great concern that large sums of money are due from the Government departments. In a cost plus regime the commercial discipline makes it obligatory on the 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 circle-wise collection efficiency position for the first six months of FY 2006-07 as compared to the Collection efficiency during FY 2005-06 is given in table 3.10.

Table 3.10 - Circle-wise Receivables Collection Efficiency

S.No	CIRCLE	COLLECTION EFFICIENCY FY 2005-06	COLLECTION EFFICIENCY 4/2006 to 9/2006
1	BHIWANI CIRCLE	49.83%	46.47%
2	FARIDABAD CIRCLE	87.62%	87.35%
3	GURGAON CIRCLE	92.89%	94.18%
4	HISAR CIRCLE	80.37%	78.98%
5	NARNAUL CIRCLE	62.13%	60.37%
6	SIRSA CIRCLE	86.47%	71.65%
	Total	81.66%	80.80%

The Aggregate Technical and Commercial Losses (AT&C) of the Licensee has also been computed after considering the distribution losses, as presented in table 3.11 :

Table 3.11: Calculation of AT&C loss

Year	Collection Efficiency for Current Year	Distribution Loss %	AT&C Loss (in %)
1	2	3	4=3/2
FY 2005-06	81.66%	30.90%	37.84%
FY 2004-05	80.47%	32.72%	40.66%
FY 2003-04	81.74%	33.34%	40.79%
FY 2002-03	87.57%	35.02%	39.99%
FY 2001-02	87.43%	33.86%	38.73%

It can be seen from the above table that Aggregate Transmission and Commercial (AT&C) losses have increased marginally during the last four years, though they have come down in FY 2005-06. 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 shows continuous poor performance of the Licensee and undermines the entire reform process.

3.6.2 Electricity Arrears Waiver Scheme

The Waiver scheme introduced in the State in September 2005, waived off the arrears due from the consumers if they made regular payment of

their electricity bills for 20 months (10 billing cycles) w.e.f. the date of their joining it. The idea was to bring the chronic defaulters into mainstream and inculcate in them a habit of making regular bill payments. **The Licensee is directed to carry out a study as to what extent the waiver scheme has realised its aim and submit the report along with the next ARR.**

3.6.3 Various Important Issues Raised By The Commission

The Commission has raised certain issues having far reaching implication on improvement of the performance of the Distribution Licensee in its earlier orders along with certain directives. However, the licensee is yet to show perceptible progress towards resolving the issues as follows:

1. Change in tariff and charges without Commission's approval
2. 100% metering at the Consumers' premises & Energy Audit
3. Implementation of Regulations on Standards of Performance for Distribution Licensee (HERC/04/2004) and Electricity Supply Code (HERC/05/2004) notified in the Haryana Govt. Gazette (Extra.) on 16.7.2004 and 10.8.2004 respectively.
4. Establishment of Computerised Area Load Despatch Centre.
5. Information Technology (IT) in Distribution & Supply in view of directions given in the National Electricity Policy (Para 5.4.10)
6. Implementation of Intra – State Availability Based Tariff (ABT) in view of advice contained in the National Electricity Policy [Para 5.7.1. (b)]

The Commission directs the licensee to file a compliance/ progress report on these issues within 3 months of this order.

3.6.4 Time Differentiated two-part tariff

The Commission would like to undertake a comprehensive review of the distribution and retail tariff structure and charges, which has not been revised since FY 2000-01 except minor and piecemeal adjustments with respect to agriculture tariff, bulk domestic supply tariff and the tariff applicable to horticulture & fisheries besides some concessions and incentives. This is only possible in the backdrop of an accurate consumer category wise cost of service study. The Commission vide memo no. HERC/T-97/COS/1490 dated 2/11/2006 conveyed its views on the subject and determined an ideal time span for completing the process. The Commission would like to be intimated about the progress made so far.

The above mentioned study may take considerable time. Thus, to begin with, the **Commission directs UHBVNL & DHBVNL to ascertain consumption pattern of the categories of consumers as mentioned below through a study of representative 11 KV feeders / independent feeders.**

1. HT Industry (General).
2. HT Industry (Furnace)
3. Railways (Traction).
4. Non Domestic (independent 11 KV feeders).

The above feeder wise study shall be conducted for a continuous period of 15 days and the following data / information must be recorded.

1. Location, name and period of observation of the feeder.
2. Number of consumers served through the feeder and the total connected load.
3. Hourly load data on a daily basis.
4. Daily consumption.

5. Maximum demand recorded on that feeder during the day and the time of occurrence.
6. The lowest and highest load factor observed during the period.
7. Power Cuts (time and duration) during the study period.
8. Industrial consumers (units generated by the CPPs, if possible).
9. Hourly load data of Haryana System on a daily basis.

On the basis of the data collected, the Commission would like to determine time differentiated two-part tariff for these consumers. **The Commission directs the Licensee to submit the aforesaid data within three months from the issue of this order.**

3.7 Performance Of Distribution System

Performance parameters supplied by the Licensee in the ARR/Executive summary for FY 2007-08, and latest information regarding damage to distribution transformers and distribution losses supplied by the Licensee on 5-4-2007 & 6-4-2007 are discussed below:-

3.7.1 Failure Of Distribution Transformers

There had been a consistent reduction in failure rate of distribution transformers from 22.9% in FY 1999-2000 to 17.9% in FY 2001-02. Subsequently, the trend reversed and the failure rate of 19.4% was reported for FY 2004-05. An improvement in failure rate is observed in FY 2005-06 to 17.6% and also during FY 2006-07. The year-wise position of failure of distribution transformers is presented in table 3.12.

Table 3.12 Year-Wise failure rate of Distribution Transformers

S.No.	Year	Failure rate including those damaged within warranty period (%)	Failure rate excluding those damaged within warranty period (%)
1	1999-2000	22.9	Not Available
2	2000-01	22.3	19.27
3	2001-02	17.9	15.90
4	2002-03	18.7	15.93
5	2003-04	18.6	15.49
6	2004-05	19.4	15.30
7	2005-06	17.6	13.92
8	2006-07 (up to 2/07)	13.7	10.94

The data supplied by the Licensee shows that Faridabad circle is having the highest damage rate both including as well as excluding transformers damaged within warranty. Efforts are needed to bring this circle also at par with other circles. The achievement of the Licensee in reducing the transformer failure rate has been noted by the commission but still failure rate is far above the levels set in the 'Standards of Performance for the Distribution Licensee Regulations, 2004' (i.e. 5% in urban area and 10% in rural area). It is expected that DHBVNL will continue its efforts for achieving the above levels quickly. **The Licensee must ensure that transformer failure data be provided strictly as directed in the ARR order of FY 2006-07 in the annual performance report to be submitted by 30th June 2007.**

3.7.2 Distribution Loss

The year-wise position of the distribution losses on the basis of performance reports/ data supplied by the Licensee vide FAX dated 5-4-07 is presented in table 3.13:

Table 3.13 Year wise distribution losses of DHBVNL

S.No	Circle	Distribution Loss (%)					
		FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07 (up to 1/07)
1	Gurgaon	25.06	28.13	25.00	23.54	22.08	22.36
2	Narnaul	24.71	32.28	26.29	26.30	24.13	24.49
3	Faridabad	28.59	31.02	29.96	28.77	27.05	25.33
4	Sirsa	25.03	34.83	28.88	32.36	28.11	27.15
5	Hisar	35.66	39.45	35.13	36.45	33.21	29.84
6	Bhiwani	36.66	46.83	41.41	40.10	39.32	38.23
7	DHBVNL	29.33	34.62	30.70	30.17	28.01	26.82
8	Total Haryana	30.59	32.65	31.49	30.65	29.38	N.A.

There is urgent need for reduction in distribution losses in order to make the utility financially viable. The Bhiwani and Hisar distribution circles of DHBVNL continue to have more than 30% losses continuously for last six years.. Special efforts are, therefore, required to be made vigorously and effectively to bring down distribution losses in the entire area of the Licensee, specifically in the case of Bhiwani and Hisar circles.

In the ARR filing, the Licensee has reported audited distribution losses for FY 2005-06 as 30.9% which is higher than the losses of FY 2004-05 by 0.73% and also higher than the losses reported for the same FY i.e. 2005-06 by 2.89 %. No clarification has been given in the ARR for this discrepancy or actual increase in losses over the previous year. The position be analysed and explained while submitting performance report for FY 2006-07 by 30 the June 2007. With huge investments envisaged on distribution system during Fy 2007-08, Commission expects definite improvement in distribution losses

3.7.3 Accidents in Distribution System

The data regarding number of fatal and non-fatal accidents involving humans and animals up to 30-9-2006 is presented in table 3.14

Table 3.14 Accidents in Distribution System

Year	FY 2004-05			FY 2005-06			FY 2006-07 (up to Sep. 06)		
Category	Fatal	Non Fatal	Total	Fatal	Non Fatal	Total	Fatal	Non Fatal	Total
Licensee' Employees	6	43	49	24	48	72	27	28	55
Private Persons	24	8	32	28	9	37			
Animals	103	0	103	73	4	77	67	0	67
Total	133	51	184	125	61	186	94	28	122

The dismal picture depicted in the above table can be attributed either to dilapidated state of the distribution system or to the workmen responsible for maintenance of the same. The supervisory staff / officers cannot escape their share of blame for such a bad record both for fatal and non-fatal accidents. **The Commission again records its displeasure at the sorry state of affairs on this front and directs the Licensee as under:**

1. **To ensure provision of proper material, T& P and equipment to its workman.**
2. **To ensure that due safety precautions are always taken while working on live lines and equipments & safety norms are not allowed to be ignored in any case. Supervisory staff should be made responsible for the same.**
3. **System improvements be carried out on urgent basis to avoid accidents.**

Compliance of the above directions along with earlier directions on the same issue be reported to the Commission within two months of issue of this order.

3.7.4 Voltage Excursions:

From the data filed by the Licensee regarding the voltage variations, it is observed that voltage was outside the prescribed limits of -9% and +6% on 115 no. 33 kv S/Stations which is quite large. Though the durations of such low voltage and higher voltage regimes are observed to be in the range of 10 % and 2 to 5 % respectively in most of the sub stations, but relatively much larger durations of the same i.e. 15 to 35 % and 5 to 10 % respectively have also been recorded in the case of following 10 substations:

1. Rozkameo (Gurgaon)	6. Panjuana (Sirsa)
2. F.P. Zirka (-do-)	7. Bhuratwala (Sirsa)
3. Pinangwa (-do-)	8. Nathusari (Sirsa)
4. Bhadas (-do-)	9. Kalanwali (Sirsa)
5. Punhana (-do-)	10. Rori (Sirsa)

No reasons for this abnormality have been explained by the Licensee. Commission observes that such high durations of low/ high voltage regimes are dangerous for the equipment apart from causing inconvenience to the consumers as well as endangering their gadgets / equipments. **The Commission directs that causes for the same be investigated and expeditious action taken to ensure voltage levels within the prescribed parameters.**

3.7.5 No. of interruptions on 33 kv and 11 kv lines due to fault :

From the data filed by the Licensee for the period upto Sep. 2006 in this regard, it is observed that the average no. of interruptions/day on 33 kv and 11 kv lines have been 8.4 and 202 no. respectively which is quite high. The position is particularly bad in the case of Sirsa and Hisar

circles. **The Licensee is directed to identify the feeders with high levels of interruptions and take corrective maintenance action urgently in order to reduce tripping/ interruptions.**

3.8 Projected Distribution Losses

The Licensee has projected a distribution loss level of 28% for FY 2007-08. The ARR order for FY 2006-07 was based on a distribution loss level of 30.5%. The Licensee has projected a massive investment plan for FY 2007-08 with ambitious targets of works for FY 2007-08 so as to achieve large-scale improvements in distribution system for better power supply & substantial reduction in losses. This should result in further reduction of distribution losses. Hence, the Commission decides to base its calculations on distribution loss level of 28.5% for FY 2007-08. **The task of preparing 11kv feederwise consumer ledgers doesn't brook any more delay. The licensees are directed to accomplish the above task by August, 2007 and submit compliance report to the Commission immediately thereafter.**

3.9 Licensee's Consumption Estimates

The Licensee has done sales forecast on the basis of Annual load factors (ALFs) and sales data available up to 30.9.2006. A comparison of the DHBVNL's actual consumption during the year 2005-06 vis-à-vis the estimated consumption during the year 2006-07 is shown in table 3.15:

Table 3.15 - Comparison of the DHBVNL's actual consumption (MU) during FY 2005-06 vis-à-vis estimated consumption in FY 2006-07

Sr. No.	Consumer Category	Actual Consumption FY 2005-06	Estimated consumption FY 2006-07	Growth %
1	Domestic	1469.60	1647.54	12.11%
2	Non Domestic	439.63	552.52	25.68%
3	H.T. Industry	1833.57	2191.64	19.53%
4	L.T. Industry	488.78	531.76	8.79%
5	Agriculture (Metered)	905.58	1070.50	18.21%
6	Agriculture (Unmarried)	1618.45	1545.89	-4.48%
7	MITC	0.00	0.00	
8	Lift Irrigation	140.69	142.96	1.62%
9	Bulk supply	283.04	362.55	28.09%
10	Street Lighting	24.47	27.77	13.48%
11	Public Water Works	197.72	214.91	8.69%
12	Railway Traction	121.63	119.18	-2.01%
	Total	7523.16	8407.22	11.75%

A comparison of DHBVNL's estimated consumption during the year 2006-07 vis-à-vis the estimate for 2007-08 is shown in the table 3.16 :

Table 3.16 – Comparison of DHBVNL’s estimated consumption (MU) for FY 2006-07 vis-à-vis the projected consumption for FY 2007-08

Category	Estimated consumption FY 2006-07	Projected Consumption FY 2007-08	Difference %
Domestic	1647.535	1752.892	6.39%
Non-Domestic	552.524	583.764	5.65%
HT Indl. 70 KW & above	1965.78	2198.9	11.86%
HT Indl. Steel Furnace	225.856	111.963	-50.43%
Lift Irrigation	142.963	135.394	-5.29%
L.T. Indl. Less than 70 KW	531.755	505.788	-4.88%
AP(Metered)	1070.497	1395.115	30.32%
AP(un-metered)	1545.894	1579.727	2.19%
Bulk Supply	362.552	442.657	22.09%
Railway Traction	119.184	109.995	-7.71%
Street Lighting	27.768	31.654	13.99%
Public water works	214.91	215.719	0.38%
Total	8407.22	9063.57	7.81%

From the above table, it is noticed that the forecast in some of the consumer categories does not conform to the past trend.

3.10 Commission’s Consumption Estimates

3.10.1 Agriculture Sales Estimate

Agriculture has been the mainstay of the economy of Haryana since its formation. In terms of agriculture performance i.e average yield of major commodities; it has been one of the better Indian States. Unfortunately, Haryana is mostly arid or semi – arid state with limited rainfall ranging between 300 mm in the south – west to 1100 mm in the north - east. The State is also not fully covered by canal network hence ground water availability becomes crucial to sustain the tempo of growth in food grain output. Resultantly, availability of adequate electricity supply to the tubewells gains utmost importance.

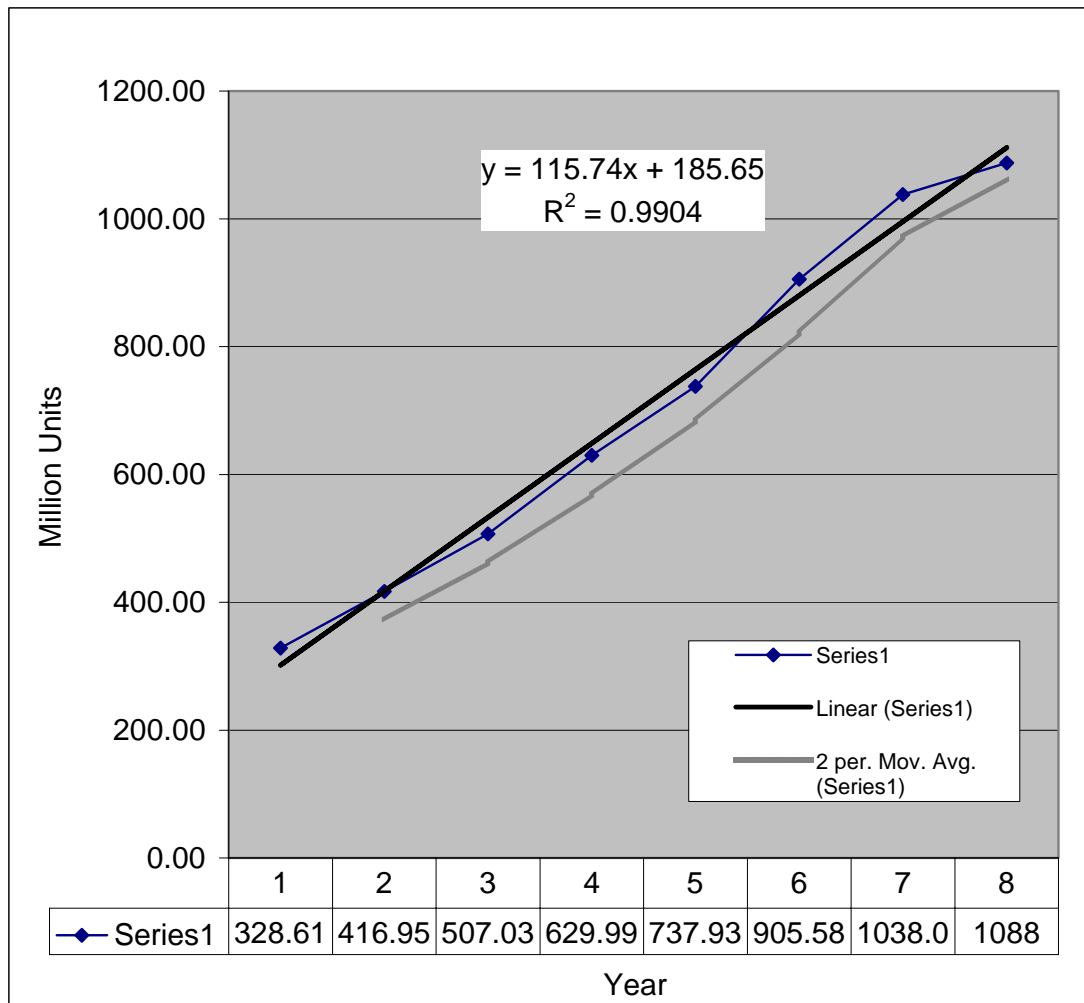
The need for agriculture sales estimate arises from the fact that the energy consumed by almost 55% tubewells is unmetered and hence

billed on a flat rate basis (Rs/BHP per month). DHBVNL has claimed that the running hours of the unmetered tubewells are more than the running hours of metered tubewells i.e. 6.24 hours against 5.28 hours for the metered category presuming that the consumption of flat rate consumers is 15% to 20% higher than the consumption of the metered category. Resultantly, the unmetered sales is projected by the Licensee assuming a multiplication factor vis – a –vis metered tubewell running hours.

The Commission in its ARR FY 2001-02 order dated 11/08/2001 (Para 2, Page No.76) observed that the utilities should carry out load survey of the agriculture consumers and monitor their consumption by installing meters so that the actual connected load and consumption figures are available, which has great impact on distribution losses, cost of service, revenue and subsidy payable by the State Government. Even after five years, the progress on this front is far from satisfactory.

Further, the Commission while hearing FY 2002-03 ARR petition of the D&RS Licensee (ref. order dated 16/08/2002, Para 2, Page No. 63) asked the Licensee to get endorsement of the Haryana Government to the method employing multiplication factor for assessing consumption of flat rate agriculture consumers. The Licensee, till date, has failed to produce any such endorsement and continues to project un-metered agriculture sales based on multiplication factor.

The number of metered tubewell consumers in case of DHBVNL is about 77,257 as compared to 87,477 unmetered tubewell consumers. A graphical analysis of the metered tubewell consumption is presented below.



Note: FY 2006-07 (January to March estimated), FY 2007-08 (Projected).

It is observed from the graph that after FY 2004-05 the meter sales (series 1 in million units) increased sharply and was above the linear trend line. However, the two year moving average, though replicated the upswing, trailed the actual sales as well as the FY 2000-01 to FY 2006-07 trend line. Thus, even the metered agriculture sales data over a period of seven years lack consistency. A part of it can be explained by monsoon conditions and some infirmities in the connected load data. The increasing trend in sales with respect to the connected load results

in corresponding increase in running hours of the tubewell. Resultantly the running hours of the tubewell on an annual basis have crept up from 1653 hours per tubewell in FY 2000-01 to 1978 hours in FY 2006-07 without much change in the usage pattern.

As per the actual consumption data of metered agriculture tubewell consumers, the average running hours per pump per day works out as presented in table 3.17 below.

Table 3.17 – Average Running Hours / Day for Metered Agriculture Tubewell 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
FY 2006-07 (HERC Order)	5.34

In order to arrive at an accurate estimate of agriculture tubewell consumption the Commission in its FY 2006-07 ARR order directed DHBVNL to submit a detailed analysis and justification for the running hours per pump per day creeping up from 4.39 to 5.34. The Licensee submitted a general explanation without going into the rigours of data analysis. The Commission, in the absence of any authentic data with respect to flat rate tubewell consumption, has no option but to freeze the running hours of the tubewell consumers to the extent allowed by it during FY 2006-07, which was based on the running hours of the metered tubewells.

The Commission considers the running hours of metered tubewells as allowed by it in FY 2006-07 as appropriate dummy to estimate the unmetered tubewell consumption during FY 2007-08. The Commission

therefore for the purpose of estimating agriculture sales of the unmetered category has considered the running hours of 5.34 per tubewell per day corresponding to the annual average load factor of 22.25% of the metered category. The Commission is of the considered view that no substantial change in cropping intensity or pattern has occurred in the last few years to warrant any major change in water requirement and hence increase in running hours of the tubewells.

In view of the overwhelming importance of agriculture sales vis-à-vis the total sales of DHBVNL, 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, **the Commission directs the licensee to engage a third party to carry out a sample survey of metered agriculture pump set consumers (say 30% of the installation) under guidance of the Commission:-**

- (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 2008-09 so that the ground position to use the sales data for metered agriculture pump set consumers is clear to the Commission.

The licensee during the public hearing, assured the Commission that the rural domestic and commercial load will be segregated from the rural agriculture pump set load by appropriate bifurcation of 11 KV feeders by December, 2007 which not only will help enforcement of requisite power regulatory measures but will be an important step in improving health of rural distribution system. The Compliance of the said directive in regard to the third party survey and achievement of the target for appropriate bifurcation of 11KV rural feeders will enable the Commission to determine the consumption to flat rate agriculture pump set consumers on a more realistic basis.

3.10.2 Consumption Estimates for other consumers' categories

The Commission has adopted the same methodology for estimating the consumption for FY 2007-08, as adopted for estimating the consumption of various other categories of consumers from FY 2001-02 to FY 2006-07. This method utilizes the expected sales volume projected on the basis of the Annual Average Load Factor (ALF) and then the consumption by each consumer category (except agriculture) is adjusted to the available energy for sales based on an expected T&D loss level assuming the consumption mix will not alter.

Based on the above methodology, the aggregate consumption estimates for FY 2007-08 works out to 9275 MUs. The category-wise details are presented in table 3.18.

Table 3.18 - Estimation of approved Sales to Consumers (Million Units)

Consumer Category	DHBVNL Estimate FY 2007-08	HERC approval FY 2007-08
Domestic	1752.892	1851
Non Domestic	583.764	664
HT Industry	2310.863	2680
LT Industry	505.788	651
Agriculture metered	1395.115	1170
Agriculture un-metered	1579.727	1214
MITC	0.000	0
Lift Irrigation	135.394	141
Railway Traction	109.995	131
Bulk Supply	442.657	493
Street lighting	31.654	28
PWW	215.719	252
Total	9063.57	9275

3.11 Subsidy From the State Government

The Licensee has considered an amount of Rs. 6489.80 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 as explained in para 3.10.1.

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. DHBVNL and UHBVNL 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 the 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 DHBVNL Rs. 37298 million and UHBVNL Rs. 35869 millions adding up to Rs. 73167 million. As against this, the revenue at current tariff for DHBVNL is Rs. 27731 million and UHBVNL is Rs. 21725 million i.e. a total of Rs. 49456 million. The difference between ARR and revenue is Rs. 23711 million. The State government in its budget for FY 2007-08 has provided a subsidy amount of Rs. 18738.2 million only towards the agriculture pump-set consumers of the State, which falls short of the required subsidy by Rs. 3005 million.

4 CONCLUSION

Supply of power to the agriculture sector in the State has always been a bone of contention amongst different stakeholders. The Commission has been deliberating on the subject and examining the data received from the Power Utilities from time to time. In different meetings with the officers of the Power Utilities before finalisation of the ARR report, efforts have been made to arrive at some consensus based on accurate available data from the field. This issue has a huge financial ramification as Government's yearly RE subsidy is allocated in the budget on the basis of the figures indicated by the Commission. It would be relevant to note that the Commission in its ARR report for the year 2001-02 had advised the Distribution Companies to carry out a detailed survey of flow of quantum of power to unmetered tubewells to substantiate their claim that unmetered tubewells are consuming more power as compared to the metered tubewells. This is important since the unmetered tubewells are fairly large in number (about 75% in UHBVNL and 55% in DHBVNL). Despite directions of the Commission from time to time to bring every agriculture pump-set under metering system, no perceptible progress has been achieved by the Utilities in this regard so far. The Commission at this stage is not convinced with the arguments of the Licensees that since power is not being measured at the unmetered tubewell level, there is always a tendency by the farmers to use the same for more running hours as compared to the metered one. The Commission has taken note of the number of new power connections given to the tubewells during the year 2006-07 and also the additional agricultural load generated therefrom. But this automatically does not lead to more hourly consumption of power by each tubewell. Consequently, the Commission is constrained to freeze the running hours of the agriculture pumpset consumers for the current year (2007-08) as given in the previous year (FY 2006-07) in the absence of any further corroborative data with regard to unmetered

tubewells. If the Distribution Utilities feel strongly that this decision of the Commission is not likely to do justice to them, they are free to collect more data on the basis of actual field study and submit the same to the Commission for further consideration. Further the Commission shall like to have the report of Third party survey of metered agriculture pump-set consumers as outlined at para 3.10.1 of this ARR report so as 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.

In the ARR for FY 2007-08 the Commission has taken distribution losses at a level of 28.5% as compared to 30.5% in the previous year on the basis of submissions made by the Distribution Utilities with the hope that they will be able to achieve the target. This would obviously need identification of the areas of high distribution losses, taking prompt and effective measures to reduce the same, bringing all the agriculture tubewells under proper metering system and also ensure preparation of 11 kv feederwise consumer ledgers. The collection efficiency of the Utilities has been adversely commented upon by the Commission earlier also. We are yet to notice appreciable improvement in this regard. The Commission also notes with concern the arrears from the government departments and other bodies.

The Commission is very keen to introduce a differential tariff system in the State at the earliest. This will greatly help the Utilities in proper load management of the system and would also satisfy the cost causation concept of electricity pricing. This is the practice being followed in many of the States where the Licensees find it difficult to supply adequate power during the peak load hours, resulting in discontentment and agitation by the consumers. Hence it is highly imperative that some amount of discipline is brought into the system of power distribution in

the State. This however presupposes certain preparatory action by the Distribution Companies before such a tariff system could be properly designed and introduced. The Commission expects the Utilities to collect relevant data and submit it to the Commission for a meaningful dialogue on the subject. The system would be introduced after due consultation with all the stakeholders.

We find that an ambitious plan for capital investment relating to improvement of sub-transmission and distribution system in the State have been put up by the Licensees. However their past performance does not inspire enough confidence about their capability in implementing the schemes involving such huge investment. Nevertheless the Commission has sanctioned and allowed their capital investment plans with some minor adjustments with the hope that the utilities will take suitable actions to implement the schemes with no cost and time overrun. These involve streamlining their purchase system, improving their execution capability and sorting out coordination problem as and when they arise in the process of execution.

The Commission has taken a close look on the technical and financial performance of the Power Utilities and feels that there is vast scope for improving the managerial/operational efficiency. Information Technology (IT) is considered to be an extremely important tool to bring about the desired improvements. That is why the Commission in its order dated 14.11.2005 directed the Licensees that piece-meal initiatives so far taken by them in this regard be integrated into a comprehensive policy and submitted to the Commission for monitoring its implementation. The IT policy may expeditiously be finalized and submitted to the Commission. The Commission is of the view that the DISCOMS should manage their affairs strictly keeping the commercial and professional priorities in view and take decisions on managerial issues with proper IT back up. In this context the Commission would like to comment on the

Human Resources (HR) management of the Power Utilities. It has been observed during our frequent interactions with them that despite shortage of trained manpower in critical positions, expeditious steps are not being taken to fill up these vacancies. The Commission has already directed the Licensee in its order for FY 2006-07 to submit HR Management Plan within six months from the issue of the order. The Licensees have failed to respond on the issue so far. The Commission expects that the Licensees should prepare a proper HR Plan and start filling up the vacancies in all the key positions in a phased manner as per the requirement. The Commission would like to be informed about the steps being taken in this regard by way of a half yearly progress report.

The Commission is happy to take note of the efforts being made by the Utilities to popularise the use of CFL and encourage use of efficient agriculture pumpsets so as to conserve power. This is a step in the right direction and all out efforts be made to further popularise it in the interest of proper demand side management of the system.

In order to take the reform momentum forward, the Commission is very keen to introduce Intra-State Availability Based Tariff (ABT) at the earliest to bring better grid discipline, economic dispatch and higher availability of power. It entails establishment of Area Load Despatch Centre (ALDC) apart from submitting a report in regard to its preparedness for the requirements outlined in the Commission's order for FR 2006-07. The Licensees is directed to pursue the ALDC project vigorously and expedite submission of the requisite report.

As per the National Tariff Policy a multi-year tariff framework is to be adopted. The Commission has already issued directions to the Licensees to work on this and submit a paper but there has been no compliance by the Licensee. Initially it would be advisable to start with three years' time span. The proposal from the Licensees should

incorporate loss reduction, reduction in working capital loans and receivables trajectory during the control period. The Commission would expect the Licensees to submit a working paper on this at the earliest but not later than three months from now (keeping in view the detailed direction given in the last year's order) for further discussion and taking decision thereon.

The Commission has gone into the details of the ARR orders of the previous years and find that year ending achievements and performance of the Licensees most often do not match with the projections made at the beginning of the year. It happens for variety of reasons, the most important being the unpredictable weather changes causing floods/drought or other natural calamities. Consequently the Commission is keen to have a mid-term review of the performance of the Licensees to get an idea of the progress made under different heads in the light of the projection made at the beginning of the year. If this calls for some mid-term correction, the Commission may consider the same after following the due procedure. A mid term review is necessary and a worthwhile exercise when a projection involving huge financial and physical targets for the entire year is made at the beginning of the year.

While reviewing the earlier ARR orders, the Commission finds that several important directives have not been complied with by the Licensees which, if implemented, would bring about much desired efficiency and managerial/operational improvement in their functioning. A list of such outstanding directives is also attached with our report at annexure 2.

While the Commission is particular about the managerial/operational and financial improvement in the Utilities, it is equally concerned about the interest of the power consumers in the State to ensure that they are

given a tariff structure which is reasonable and based on actual expenditure incurred by the Power Utilities.

In order to inspire confidence in the minds of the consumers it is also absolutely necessary that their grievances are attended to well in time. In our inter-actions with the stakeholders, the Commission has been commenting on the response of the Power Utilities to redress public grievances in time. In this context we would like to make a mention of Commission's Regulation on Standard of Performance for Distribution Licensee (HERC/04/2004) published in the Haryana Govt. Gazette (Extra) on 16.7.2004. As per this Regulation, payment of monetary compensation has become mandatory for the failure of Utilities to redress the grievance of the consumers within the given specified time. The idea was to improve the functional efficiency of the licensees at their grass root level and in the process increase the satisfaction level of the consumers. The Commission would expect that the licensees strictly adhere to the directions given in the Regulation and submit compliance report from time to time. It would be unfortunate if the consumers are compelled to knock at the door of judiciary for enforcement of their right for lack of adequate response from the licensees.

The Commission, after examination of the ARR's from both the Discoms had requested the State Government vide letter No. 15/HERC dated 3.4.2007 under section 65 of Electricity Act 2003 whether they were willing to provide additional subsidy to cover the likely agriculture revenue gap of Rs.336 crores after taking into account the budgetary provision for Rs.1874 crores towards RE subsidy for the year 2007-08. The Government vide letter no.2/21/2006-1Pow dated 2.5.2007 has intimated that they will provide Rs.336 crores additional RE subsidy over and above the budgetary provision for the current year.

The Commission in its meeting dated 8.5.2007 took note of the response received from the State Government (Power Department) with

regard to providing additional RE subsidy amounting to Rs.336 Crores and also the desire expressed for fixing suitable norms for reduction of T & D loss and improving financial discipline of the Power Utilities. After detailed deliberations on all the important issues incorporated in the ARR report 2007-08 and also keeping in view the financial profile of the Power Utilities and their capacity to bring about improvements, the Commission further orders as follows: -

High distribution losses is one of the areas which needs urgent attention. During the course of public hearing all the stakeholders including different consumer groups expressed apprehension in regard to very high distribution losses and emphasized the urgency for their reduction with a time bound programme. The Commission is happy to note that Distribution Licensees are gradually trying to take steps to improve their performance in this regard. It has been observed that over the years low investment by the Licensees in strengthening and augmenting the sub- transmission/distribution system has resulted in its overloading. The above position coupled with the poor quality of equipments specially agriculture pumpsets have resulted in high distribution losses. It would be seen from our report that Commission has agreed to an investment of Rs 5846.09 million for UHBVNL and Rs 9429.40 million for DHBVNL including investment in HVDS and distribution transformer metering as part of the planned improvement of the system in the year 2007-08 by both the Distribution Licensees. The Commission is quite optimistic that if these investment plans are competently executed and an effective energy audit mechanism is planned and put in place well in time, there is certainly going to be improvement in the system and the resultant saving for the Companies. Further the Commission appreciates the initiative of the Licensees towards popularising energy saving devices such as CFL, efficient agriculture pump-sets and realistic feeder specific load management. Resultantly the Commission is hopeful that by the end of the year the

Licensees would be able to save another 2-1/2% distribution losses over and above 2%, which have already been accounted for in our ARR calculation. In case that happens which the Commission feels is within the realm of possibilities, then the revenue gap is likely to be reduced by Rs.2436 million.

After detailed examination, ARR for FY 2007-08 for both the Distribution and Retail Supply Licensees are finalized as follows: -

	Description	UHBVNL	DHBVNL	Total
A	Annual Revenue Requirement	35869	37298	73167
B	Expected Revenue at Current Tariff.	21725	27731	49456
C	Resultant Revenue Gap (A-B)	14144	9567	23711
D	R.E. Subsidy as given in the budget			18738
E	Net Revenue gap (C-D)			4973
F	Shortfall in Agriculture subsidy as per ARR calculations, required to be given as additional RE subsidy by the State Government			3005
G	Options for bridging the gap - 2.5% distribution loss reduction	1161	1275	2436
H	Resultant Gap proposed to be set off against additional agriculture subsidy (E – G)			2537
I	Allocation of total subsidy Rs 21275 million (Rs. 18738 million + Rs 2537 million) to UHBVNL and DHBVNL (C-G)	12983	8292	21275

It would thus be seen from above that Commission has utilized an amount of Rs.2537 million as additional agricultural subsidy out of the Government's approval to the extent of Rs. 3360 million.

The Commission is aware of the fact that section 61(g) of the Electricity Act, 2003 provides that "the tariff progressively reflects cost of supply of electricity and also reduces and eliminates cross-subsidies

within the period to be specified by the appropriate Commission". Subsequently the tariff policy notified on 6th January, 2006 by the Govt. of India reiterates that the tariff(s) should progressively reflect cost of supply and by end 2010-2011 tariffs are within +/- 20% of the average cost of supply. The Commission, in order to comply with these guidelines within the time schedule, vide memo no. HERC/T-97/COS/1490 dated 2.11.2006 has given its suggestions on the proposed cost of service (COS) study of UHBVNL and DHBVNL and laid a time frame of one year for data collection and finalization of the report. Once an accurate consumer category wise cost causation is established on the basis of COS study, the Commission, beginning FY 2008-09 will try to lay down a road map to rollback cross-subsidy over a period of time. We however, strongly feel that at this stage it would not be possible to altogether eliminate or drastically reduce cross subsidy specially to the vulnerable sections of the society.

The average cost of supply of one unit of energy has gone up from Rs.3.89 per unit in FY 2000-01 to Rs.4.06 per unit (kWh) in FY 2007-08. This is primarily due to increase in power purchase cost, including Haryana's own generation over the years. Despite increase in per unit cost of power, the distribution and retail supply tariffs applicable to various consumer categories have not been revised upwards since FY 2001 barring levying FSA and other charges on a few occasions. Consequently, the tariffs presently applicable to most of the categories including agriculture have become marginally non-compensatory and for the rest of the categories per unit generation of cross subsidy has shown considerable reduction.

With the foregoing orders/observation, the Commission decides to continue the existing power tariff for all categories of consumers in Haryana for the year 2007-08 as per the chart annexed herewith.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 8th May, 2007

Date : 8th May, 2007

Place : Panchkula.

Shri T. S. Tewatia

(Member)

Er. T. R. Dhaka

(Member)

Shri Bhaskar Chatterjee,
IAS (Retd)

(Chairman)

ANNEXURE – 1 : LIST OF WAIVERS GRANTED

The Commission directed the Licensee in its last ARR order 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) for revised ARR for FY 2007-08. However, the Commission has granted the following waivers requested for by the Licensee in its Revised ARR filing for FY 2007-08.

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 hoped that it would be in a position to furnish the required information at the time of filing the next ARR. Until then, the Utility requests for waiver to file the information with the present ARR.

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. All such directives that are not yet fully complied with are given below.

1. The Commission had directed the Licensee to develop a modern system of data collection, storage, retrieval and analysis through computerisation at sub-divisional level. (Direction given in 11.8.2001 order)
2. 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)
3. 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)
4. 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)
5. 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. (Direction given in 16.8.2002 order)

6. 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 20.4.2005 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 20.4.2005 order)
- (e) The licensee is directed to pay due attention to the selected model division and submit the requisite compliance report. (Direction given in 20.4.2005 order)
- (f) 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 20.4.2005 order)
- (g) The licensee is directed to submit the findings of a comparative study of energy billed before launching of meter replacement campaign viz-a-viz after accomplishing the target sub-division-wise / feeder-wise within 3 months of issue of this order. (Direction given in 20.4.2005 order).
- (h) 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, be submitted to the Commission within six months of issue of this order. (Direction given in 14.11.2005 order)

- (i) With reference to Cent Percent metering at the Consumers' premises and effective energy audit scheme the Commission directed
- the licensee to confirm availability of feeder-wise ledgers in all its operation sub-divisions.
 - the licensee 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 and without any further delay.
 - the licensee to implement its campaign for replacing electromechanical meters by electronic meters on targeted feeders in all its seriousness and desist from slip shod implementation of the scheme. The feeders covered by the phase-I be tackled immediately and the comparative study be carried out thereafter to know the impact of policy exercise. (Direction given in 14.11.2005 order)

7. 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.
- (b) The Licensee should undertake detailed receivable audit, preferably from an independent agency. The receivable

audit should be undertaken consumer category-wise. The licensee has responded that computerisation of receivables is likely to be completed in January 2007 after which the audit of receivables will be taken up. The licensee may keep its word.

- (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.

(Directions given in 11.8.2001, 20.8.2003 and 20.4.2005 orders)

- 8.** The Licensee was directed to obtain the necessary ISO 9000 / 14000 certification at the earliest. (Direction given in 20.8.2003 order)
- 9.** The Commission directs the licensee to make wide publicity of 'Standards of Performance' and 'Electricity Supply Code' Regulation including the monetary compensation payable to the consumers through newspapers and other public media. (Direction given in 23.08.2006 order). 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 20.4.2005 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 20.4.2005 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 20.4.2005 order)

11. The Commission directed the licensee to act upon the establishment of computerized State-of-the-art Area Load Dispatch Centre stipulation of the license at once and submit quarterly progress reports to the Commission. (Direction given in 20.4.2005 order)

12.(a) 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 20.4.2005 orders)

- (b) The licensee is directed to immediately complete recruitment of its staff. (Direction given in 23.08.2006 order)

13. (a)The licensee is directed to investigate the causes of high damage rate of distribution transformers and increase in damage rate for FY 2003-04 over FY 2002-03. The transformer failure rate for Gurgaon circle has increased enormously during FY 2003-04 for which the utility is required to pay special attention. 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 and 20.4.2005 orders)

- (b) The licensee is directed to ponder over the situation of high failure rate of distribution transformers and 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 regulation 2004 (i.e. 5% in urban area and 10 % in rural area). The licensee is further directed to submit its action taken report within three months of issue of this order and also submit these statistics for FY 2005-06 separately for 'urban' & 'rural' areas. (Direction given in 14.11.2005 order)
- (c) The DHBVNL is directed to confirm within one month of issue of this order that the failure rate of distribution transformers being reported to the Commission comprises failure due to various reasons including failure of the distribution transformers within warranty period. In future, the transformer failure data be supplied separately for urban and rural areas and failure of transformers within warranty period vis-à-vis the total number of transformers within warranty period as on 31st March of previous year, be also shown separately. (Direction given in 23.08.2006 order)
- 14.** (a) 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 20.4.2005 order)
- (b) The Commission, keeping in view the gravity of situation, directs the licensee as under (Direction given in 23.08.2006 order): -

- (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 3rd 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

15. The licensee is directed to look into its failure to get even a single stay vacated out of 1426 appeals filed in operation circle, Faridabad and, also, file the outstanding information in regard to the number of miscellaneous applications / appeals against the stay orders of the connected defaulting consumers for Hisar, Bhiwani, Narnaul and Gurgaon circles within one month of issue of the order. The licensee is also directed to submit half yearly progress reports (regarding recovery of dues by preparing land revenue cases) to the Commission by first week of April and September of each year. (Direction given in 14.11.2005 order)

16. The Commission directs that 169 No. 11 KV feeders (having more than 50% distribution losses) be put under a system of monthly monitoring at the management level and the report submitted to the Commission regularly. The licensee is also directed to clear the

backlog of submission of such reports and be regular in submission of monthly / quarterly reports. (Direction given in 14.11.2005 order).

- 17.** 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 14.11.2005 order)
- 18.** 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 the order. (Direction given in 23.08.2006 order).
- 19.** The licensee is directed to submit quarterly reports on efforts made by it to limit the cash and bank balances and the resultant decrease, starting from one month of this order. In case the licensee is unable to restrict its cash and bank balances to 7 days of collection by the end of 2006-07, the Commission would be constrained to reduce the allowed working capital borrowings for FY 2006-07 by the excess cash and bank balance maintained by the licensee and will recover the interest on such disallowed working capital borrowings from the succeeding ARR. (Direction given in 23.08.2006 order)
- 20.** The Commission directs the licensee to look into the glaring difference(s) in the closing balance of stores and provide correct position to the Commission within one month of this order. The Commission also 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. (Direction given in 23.08.2006 order)

21. 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. (Direction given in 23.08.2006 order)

22. The Commission directs the licensee to get compensation from the State Government within 3 months from issue of this order otherwise the Commission's approved schedule of tariff shall apply to the relevant category of consumers. (Direction given in 23.08.2006 order).

23. The Commission directs DHBVNL to inform the Commission, within 3 months of the date of this order, their preparedness with respect to the requirements for implementation of Intra – State Availability Based Tariff (ABT) mentioned hereunder (Direction given in 23.08.2006 order): -

- 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 draws.

The Commission directs the licensee to submit detailed justification for the consistent increase in load factor in respect of metered agricultural pump-sets, within one month of the issue of the order. (Direction given in 23.08.2006 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 file a compliance report on payment of interest on consumer security deposit with the Commission within 3 months of this order. (Chapter 3, Para 3.1.4)
2. The Commission is allowing the expenditure for DSM works as proposed by the Licensee with a directive that monies recovered from consumers or otherwise on account of this plan will be utilised only towards Capital expenditure with the approval of the Commission and the institutional borrowings shall be reduced to that extent. (Chapter 3, Para 3.2.1)
3. The Licensee is directed to submit quarterly reports on efforts made by it to limit the cash and bank balances and indicate the resultant decrease. (Chapter 3, Para 3.2.3.1)
4. The Licensee is directed to carry out a study as to what extent the waiver scheme has realised its aim and submit the report along with the next ARR. (Chapter 3, Para 3.6.2)
5. The Commission directs the licensee to file a compliance/ progress report on important issues raised by the Commission in its previous orders within 3 months of this order. (Chapter 3, Para 3.6.3)
6. Commission directs UHBVNL & DHBVNL to ascertain consumption pattern of the categories of consumers as mentioned through a study of representative 11 KV feeders / independent feeders with details as given in para 3.6.4 of the order. The Commission directs the Licensee to submit the aforesaid data within three months from the issue of this order. (Chapter 3, Para 3.6.4)

7. The Licensee must ensure that transformer failure data be provided strictly as directed in the ARR order of FY 2006-07 in the annual performance report to be submitted by 30th June 2007. (Chapter 3, Para 3.7.1)
8. The Commission directs the Licensee
- (i) To ensure provision of proper material, T& P and equipment to its workman.
 - (ii) To ensure that due safety precautions are always taken while working on live lines and equipments & safety norms are not allowed to be ignored in any case. Supervisory staff should be made responsible for the same.
 - (iii) System improvements be carried out on urgent basis to avoid accidents.
- Compliance of the above directions along with earlier directions on the same issue be reported to the Commission within two months of issue of this order. (Chapter 3, Para 3.7.3)
9. The Commission directs that causes for high durations of low/ high voltage regimes be investigated and expeditious action taken to ensure voltage levels within the prescribed parameters. (Chapter 3, Para 3.7.4)
10. The Licensee is directed to identify the feeders with high levels of interruptions and take corrective maintenance action urgently in order to reduce tripping/ interruptions. (Chapter 3, Para 3.7.5)
11. The task of preparing 11kv feederwise consumer ledgers doesn't brook any more delay. The licensees are directed to accomplish the above task by August, 2007 and submit compliance report to the Commission immediately thereafter (Chapter 3, Para 3.8)

12. The Commission directs the licensee to engage a third party to carry out a sample survey of metered agriculture pump set consumers (say 30% of the installation) under guidance of the Commission:-

(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 2008-09 so that the ground position to use the sales data for metered agriculture pump set consumers is clear to the Commission.(Chapter 3, Para 3.10.1)

ANNEXURE – 4 : LIST OF INTERVENORS

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

1. Shri R.C.Barar, Past President on behalf of Faridabad Industrial Association, Faridabad,
2. Shri M. K. Sharma, Confederation of Indian Industry.
3. Smt. Manju Gupta, Chief Engineer Distribution, Northern Railways, Baroda House, New Delhi

ANNEXURE – 5 : SCHEDULE OF TARIFF

Category of Consumers	Fixed Charge (Rs./KVA)	Energy Charge (Paise/ unit)
DOMESTIC		
Upto 40 units		263
41-300 units		363
Above 300 units		428
NON-DOMESTIC		419
H.T. INDUSTRY		409
Above 70 kW		409
Furnace		409
Special Agreement		409
L.T. INDUSTRY-up to 70 kW		428
AGRICULTURE		
Metered		25
		(Rs. /BHP/month)
Un-metered		35
Irrigation		
Direct Irrigation Tubewells		400
Augmentation Canals		400
Lift Irrigation		400
BULK RAILWAY TRACTION	60	385
BULK SUPPLY at LT		419
BULK SUPPLY at 11 kV		409
BULK SUPPLY Domestic at 11 kV		350
STREET LIGHTING SUPPLY		415
PUBLIC WATER WORKS		400

5 GLOSSARY

ARR	Annual Revenue Report
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
HVPLN	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 Tubewell 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&D	Transmission and Distribution