



COMMISSION'S ORDER

ON

ANNUAL REVENUE REPORT OF DHBVNL

FOR DISTRIBUTION AND RETAIL SUPPLY BUSINESS

FOR FY 2005-06

November 14, 2005

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

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CASE No. : HERC/PRO - 2 of 2005

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CASE No. : HERC / PRO – 2 of 2005

Date of Order : November 14, 2005

In the matter of applications filed by Dakshin Haryana Bijli Vitran Nigam Limited for approval of Annual Revenue Requirement for Distribution and Retail Supply Business for FY 2005-06.

PRESENT

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

On behalf of DHBVNL

Shri Vijayendra Kumar, Managing Director
Shri M. K. Sharma, Director (Operations)
Shri V.K. Singla, S.E. (R.A.)

On behalf of the Staff of HERC

Shri Ashwani Kumar, Secretary
Shri Balbir Singh, Director (Tech.)
Shri Sanjay Varma, Joint Director (Eco.)
Shri Ashu Mathur, Joint Director (Finance)
Shri G. Prasad, Joint Director (Tech.)
Shri S.K.Madan, Joint Director (Tech.)
Smt. Surbhi Jain, Dy. Director (Accounts)

On behalf of Faridabad
Industries Association

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

On behalf of Hisar Police Lines

Shri Sajjan Kumar, DSP

ORDER

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1 PROCEDURAL ASPECTS OF THE ARR FILINGS

In exercise of the powers vested under Section 62 of the Electricity Act, 2003 and Section 26 of the Haryana Electricity Reform Act, 1997 and all other powers enabling it in this behalf, the Haryana Electricity Regulatory Commission passes this order and determines Annual Revenue Requirement (ARR) for supply of electricity by Dakshin Haryana Bijli Vitran Nigam Limited (the Licensee) for the Financial Year 2005-06.

1.1 Enactment of the Electricity Act 2003

The Electricity Act 2003, enacted in June 2003, repealed the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998.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

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

Therefore, from this provision of the Electricity Act 2003, it can be interpreted that the provisions of Haryana Electricity Reforms Act, 1997 that are not inconsistent with the provisions of the Electricity Act 2003 shall continue to be applicable to the State of Haryana. The

Commission, while analysing the petitions and issuing this order has duly considered the provisions of the Electricity Act, 2003 and has dealt with the matters accordingly.

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

The Commission granted separate Distribution and Retail supply licence to Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL), for

South zone of Haryana comprising the circles of Hisar, Sirsa, Jind, Narnaul, Faridabad and Gurgaon, vide its Order dated 4th November, 2004 in Case No. HERC/PRO-2/99. Before this date, Haryana Vidyut Prasaran Nigam Limited (HVPNL), the holding company of UHBVNL and DHBVNL, was having the Distribution and Retail Supply licence for Haryana.

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

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

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

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

Thus, DHBVNL was required to file the ARR application for FY 2005-06 by 30th November 2004 as per the license conditions. However, by that time DHBVNL did not file the ARR for FY 2005-06 nor sought extension from the Commission. As the ARR for FY 2005-06 was not filed by the licensee by 30th November, 2004, the Commission directed the licensee

to comply with the statutory filing requirements along with reasons for non-compliance vide memo No. 1817/ARR-SV/Dec 2004, dated 6.12.2004. The Commission after considering the fact that the D&RS license to DHBVNL was granted recently, allowed extension of time upto 31.12.2004 for filing the ARR for FY 2005-06 vide office memo No. 1974/HERC/DH/2004, dated 21.12.2004.

DHBVNL filed application for extension of time up to 14.1.2005 for filing of ARR for D&RS business for FY 2005-06 vide its office Memo No. Ch-16/SERA-187/Vol.III, dated 28.12.2004, because the ARR was under preparation. The Commission allowed extension of time up to 14.1.2005 vide office Memo. No. 2463/HERC/DH/2004, dated 29.12.2004.

Thereafter, on the application of UHBVNL for further extension of time, the Commission vide office Memo 2649/HERC/ARRext/2004, dated 4.1.2005 granted extension of time for filing of ARR up to 31.1.2005 to both DHBVNL and UHBVNL.

DHBVNL vide its office Memo No. Ch. Spl-I/GM/C-ARR, dated 28.1.2005 further requested the Commission to grant the extension of time up to 10.2.2005 for filing of ARR for D&RS business for FY 2005-06 keeping in view the Vidhan Sabha election in Haryana and detainment of officers and staff of DHBVNL for election duty.

Subsequently DHBVNL again asked for extension of time up to 28.2.2005 vide its office Memo No. Ch-3/SE/RA-loose ARR, dated 9.2.2005 sent through FAX with the plea that since UHBVNL has moved a file for Tariff application filing with the Government of Haryana and in order to have a uniform tariff in both the utilities, extension to DHBVNL may be granted to file the ARR for FY 2005-06. Earlier also, the letter for extension of time were received through FAX, without the affidavit as prescribed in the HERC (Conduct of Business) Regulations, 2004.

The Commission took a serious view of licensee for not filing the application of extension of time in the manner as prescribed in the HERC (Conduct of Business) Regulations, 2004.

Therefore, the Commission directed DHBVNL vide office Memo No. 2951/HERC, dated 21.2.2005 that all the applications / filing(s) should be made in accordance with the filing procedure as prescribed in the Haryana Electricity Regulatory Commission (Conduct of Business) Regulations, 2004 and the licensee may therefore, file the application for extension of time in proper manner. DHBVNL was informed that the Commission cannot consider the application, which has not been filed as per the procedure already circulated by the Commission and well known to the licensee. This fact was brought to the notice of the licensee earlier too vide Commission's memo no. 2781/HERC, dated 1.2.2005. However, DHBVNL vide its office Memo. No. Ch-4/SE/RA-loose/ARR, dated 1.3.2005 again asked for extension of time up to 10.3.2005 for filing of ARR.

DHBVNL, the D&RS Licensee, filed its Annual Revenue Requirement application for FY 2005-06 on 3.3.2005 vide Memo No. Ch-32/SE/RA-187/V-III, dated 3.3.2005. In the ARR application, the licensee has projected total ARR of Rs. 28739.71 million and subsidy of Rs. 4190.30 million. Total expenditure of Rs. 29446.68 million, reasonable return of Rs. 28.83 million and non-tariff income of Rs. 735.81 million were projected. Expected revenue (including subsidy) was projected as Rs. 25484.42 million on the sale of 7934.56 million units for FY 2005-06 and accordingly, a revenue gap of Rs. 3255.29 million was shown. DHBVNL requested that uncovered revenue gap may be converted into Regulatory Assets.

As per Section 64 (1) of the Electricity Act, 2003, an application for determination of tariff under Section 62 is required to be made by the licensee in such manner as may be determined by regulations. Under

regulation 2(2)(d) of the HERC (Tariff) Regulations, 1999, the ARR application should contain the Licensee's general explanation of how it proposes to deal with any significant divergence between the revenue and cost figures provided in the ARR filing. Similarly the licensee is also required to provide the calculation of estimated cost of service in term of regulation 2(2)(c) of HERC (Tariff) Regulations, 1999, which has not been provided by DHBVNL.

The Commission vide its order dated 20.4.2005, dealing with the ARR filing of DHBVNL for FY 2004-05, allowed Regulatory Assets to the licensee as an exceptional case. The Commission has stated in no uncertain terms in the order that the creation of Regulatory Assets is a one-time adjustment and is not to be allowed in future. Therefore, in principle the Commission does not agree to treat the revenue gap in ARR as Regulatory Assets.

Under Section 64(3)(b) of the Electricity Act, 2003, the Commission can reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of the Act and the rules and regulations made thereunder or the provisions of any other law for the time being in force.

In view of the above, the Commission did not take the ARR filing of DHBVNL for FY 2005-06 on record. The licensee was directed vide office memo No. 402/HERC, dated 4.5.2005 to file an application for revision of tariff to cover the revenue gap arising out of the difference between the aggregate revenue requirement and expected revenue, for consideration of the Commission, within 15 days from issue of the letter.

DHBVNL filed its Revised ARR for D&RS business for FY 2005-06 on 24.6.2005 vide office Memo No. Ch-48/SE/RA-187/Vol.III, dated 24.6.2005, which has been discussed in para 1.4.

It is relevant to add that DHBVNL issued Public Notices in four newspapers relating to original ARR filed with HERC on 3.3.2005. The Public Notices were issued in 'The Tribune', 'Indian Express', 'The Hindu' and 'Dainik Jagran' newspapers on 21.3.2005. The public objections were invited till 16.5.2005 as per the public notices.

The licensee mentioned salient features of their original and revised ARRs in its Public Notices referred to above. The distribution losses have been targeted at 30% for FY 2005-06 as per public notice. The revenue gap of Rs. 3255.30 million was projected in the public notices published by the licensee on dated 21.3.2005. It was mentioned in these public notices that no tariff revision has been proposed for the electricity consumers for the ensuing financial year. The licensee has requested for treatment of revenue gap as regulatory assets.

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

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

It is added that DHBVNL did not publish the public notice in time after submission of Revised ARR filing with the Commission on 24.6.2005. DHBVNL issued public notices in the 'Indian express' and 'Dainik Bhaskar' newspapers on 30.9.2005 in respect of the submission of Revised ARR for FY 2005-06 and the supplementary information filed on 8.9.2005. The public objections were invited till 3.10.2005. As per these public notices, the distribution loss at the level of 31% and no revenue gap has been projected for FY 2005-06.

1.4 Salient features of Revised ARR

DHBVNL has projected an Annual Revenue Requirement (ARR) of Rs. 25109.31 million consisting of Rs. 25816.29 million of expenditure and Rs. 28.83 million of reasonable return less Rs. 735.81 million of non-tariff income. The Licensee has taken into account a subsidy of Rs. 4997.63 million from the State Government and revenue (including subsidy) of Rs. 25109.31 million on the sale of 7345.87 million units for the Financial Year 2005-06 as per Revised ARR filed on 24.6.2005. As per the Revised Annual Revenue Requirement projections for D&RS Business for Financial Year 2005-06, there was no revenue gap.

The Licensee is required to furnish requisite data to the Commission to enable it to properly analyse and to give its orders on the ARR. In spite of the general guidelines for filing of ARR application and specific directions given in the Commission's orders on ARR filing during previous years, DHBVNL filed its ARR for FY 2005-06 without fully complying with all the directions given by the Commission.

After preliminary review of the filing, the Commission brought out a number of deficiencies in the data contained in the filing. The Commission sought the supplementary information regarding these deficiencies so that a meaningful analysis of the filing could be carried out. The deficiencies were pointed out to DHBVNL vide the Commission

Memo No. 1364/HERC dated 17.8.2005. A reminder letter was also issued vide Memo No. 1601/HERC dated 13.9.2005 when the requisite information was not received within the prescribed time period.

DHBVNL submitted its Supplementary information required for meaningful analysis of Revised ARR for D&RS Business for FY 2005-06 vide office Memo No. Ch-27/SE/RA-187/Loose-III, dated 20.9.2005. Thus, the supplementary information was provided very late by DHBVNL.

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

In spite of insufficient data furnished by the Licensee, the Commission deemed it fit in public interest to carry forward the process and separately issued Public Notices inviting comments / objections on application filed by the DHBVNL for approval of ARR for FY 2005-06 in 'The Hindustan Times', 'Amar Ujala' and 'Dainik Jagran' on 3.9.2005. The public notices contained background information, procedural information and salient features of the ARR filing. An invitation to submit written comments / objections was also given to the public. All the documents relating to ARR filings were made available to the public on payment of a nominal fee so that interested person / organisations could examine and comment on the ARR filings of the Licensee.

The public hearing on the ARR of DHBVNL for FY 2005-06 was scheduled for 5.10.2005 at the Panchayat Bhawan, Bhiwani. However, DHBVNL vide its office Memo No. Ch-2/SE/RA-187/loose-III, dated 19.9.2005 requested the Commission to adjourn the public hearing scheduled for 5.10.2005 in view of the Election Commission's Model

code of conduct in force on account of by-election to Rohtak Parliamentary constituency. It was also mentioned by DHBVNL that the Government has asked the Nigam to seek adjournment of public hearing on the Revised ARR filing for FY 2005-06 fixed on 5.10.2005, as Government cannot take a stand due to on-going election process.

In this connection, the Commission, vide memo no. 1678/HERC dated 22.9.2005, informed DHBVNL that:

- (i) the Election Commission's 'Model Code of Conduct' would be over before 5th October 2005 and hence plea of the licensee for seeking adjournment of public hearing was misplaced. Hence, the public hearing on the DHBVNL's Revised ARR for FY 2005-06 would be held as per the schedule on Wednesday, the 5th October 2005 at Panchayat Bhawan, Bhiwani.
- (ii) the licensee has failed to provide Supplementary information sought by the Commission vide this office Memo No. 1364/HERC dated 17.8.2005 in spite of reminder Memo no. 1601/HERC dated 13.9.2005.
- (iii) the licensee has also failed to publish the Public Notices in two newspapers after submission of revised ARR filing to the Commission in terms of HERC (Tariff) Regulations and the specific direction given by the Commission in this connection vide office Memo No. 1364/HERC dated 17.8.2005. DHBVNL was required to issue the Public Notice in newspapers within seven days after filing of Revised ARR on 24.6.2005. Therefore, the plea of the licensee to seek adjournment for publication of public notice in two newspapers regarding the filing of Revised ARR for FY 2005-06, as the Government

cannot take stand due to Election Code of Conduct, is not tenable.

- (iv) the Executive Summary of the ARR for FY 2005-06 has not yet been made available on the website of Haryana Power Utility i.e. www.haryanaelectricity.com in spite of the Commission's direction vide memo No. 1525/HERC, dated 5.9.2005. The Commission reiterated and asked DHBVNL to take necessary action in this connection too.

The public hearing on Revised D&RS ARR of DHBVNL for FY 2005-06 was held at Panchayat Bhawan at Bhiwani at 11 A.M. on 5.10.2005. A meeting of the State Advisory Committee was also held on 10.10.2005 and views of the members were sought on the various aspects of the ARR filings of the Licensee.

1.5 Interveners / Objectors

In response to Public Notice issued by the Commission, only three written objection were received till the last date of objections mentioned in the public notices. The Commission believes that active public participation will help in developing awareness and understanding about the regulatory process and the approach underlying the decision-making process of the Commission. The Commission has provided adequate opportunity to all the concerned persons / organisations to put forward their views and objections on the filings made by the Licensee. Shri R.C.Barar, Past President on behalf of Faridabad Industrial association, Faridabad, Shri Sajjan Kumar, DSP on behalf of the Superintendent of Police, Hisar and the staff of the Commission on behalf of the public presented their views during public hearing. A list of interveners is given in **Annexure – 4**.

(A) Sh. R.C. Barar, Past President of Faridabad Industries Association, Faridabad submitted their comments on the ARR of DHBVNL for FY

2005-06 vide their office letter No. FIA/2005/322, dated 16.9.2005. Shri R.C.Barar and Shri G.C.Narang on behalf of Faridabad Industries Association also presented their observations during the public hearing at Bhiwani on 5.10.2005. DHBVNL submitted their reply vide office Memo No. Ch-Spl-I/SE/RA, dated 30.9.2005. The comments of FIA and the reply of DHBVNL thereon are also given below in regard to the important issues:

- a. Licensee has projected interest on consumer security but in actual no interest is being paid to any consumer.

Reply of the licensee - As per standing instructions, the interest on Consumer security is adjusted by the respective Operation Sub Divisions in the energy bills of respective consumers in normal course of business. The detail of provision made and interest on meter security GH-48.3 adjusted by Sub Division is as under: -

(Rs. in millions)

Years	Debit	Credit (provisions made)
FY 2004-05	2.56	2.18
FY 2003-04	1.37	2.36
FY 2002-03	1.73	2.65

The debit amount shows adjustment of interest in consumer's accounts.

Where the interest has not actually been adjusted the matter is being looked into with SDO, XEN, and SE concerned. The instructions to the SDO and XEN (Operations) has already been issued vide memo No.CAO/A&R/429-62 dated 6.4.2005 and memo No. CAO/A&R/1498-1521 dated 15.7.2005 that the amount of previous outstanding on account of interest on meter

security deposits up to 31.3.2005 must be adjusted in the account of concerned consumers.

- b. There is a reduction in MU of electricity sold from 7565.67 in FY 2004-05 to 7345.87 in 2005-06; the major shortfall is in the unmetered agriculture category. It needs to be clarified as to the procedure by which less electricity will be sold to unmetered users in the agriculture field

Reply of the licensee - For load forecast purpose, the guidelines of the Commission are being followed. The licensee has worked out the sale forecast on the basis of connected load and ALF. These two parameters take into account all other factors like number of consumers and specific consumption.

- c. Projected Distribution Loss of 31% for FY 2005-06 need to be spelt out zone wise and action contemplated to reduce these losses. The licensee should adopt AT&C losses to indicate T&D Losses. There has been practically no improvement in the losses during the last five years.

Reply of the Licensee - During FY 2004-05 actual reduction losses has been worked out to be 32.66%. The licensee has projected Distribution Losses as 31% during FY 2005-06. The same shall be achieved by making comprehensive metering plan that will replace dead, old and defective Electro-Mechanical Meters with Electronic Meters. Bifurcation / trifurcation of lengthy and overloaded feeders, detection of thefts, providing meters near the main gate of premises, augmenting the overloaded transformers and augmenting and making new substation of various categories under various schemes etc. The point of adoption of AT&C Losses to indicate the T&D Losses has been noted for future.

- d. Running hours for the flat rate consumers have been considered 10-12% higher in comparison to those of metered tube-well i.e. 5.88 hrs. / day against 5.28 hrs./day for metered tube-well connections.

Reply of the Licensee - As per the sample study conducted by the licensee the average running hours of flat rate tube-well works out to be 6.75 hrs./ day against 4.83 hrs./day of metered tube wells, thereby the flat rate tube-well run 25 to 30% more as compared to the metered one. But Nigam has considered only 10-12% more than the metered one.

- e. The earning of the licensee should be encouraged by way of improved collection efficiency and cut in T&D Losses. DHBVNL has to be made accountable for supply of energy and collection thereof.

Reply of the Licensee - There were problematic villages, which were not paying their energy bills due to agitation by BKU/KSS resulting into low realisation. Now most of the consumers have opted for the settlement scheme and it is anticipated that the collection efficiency will touch the projected figures.

- f. The industries are not getting quality supply as they never get 440V and frequency level is also not maintained at 50 cycles. As a result of low voltage and low frequency many sophisticated equipments installed at the industry premises are damaged. It was also mentioned that since massive agriculture inductive load is put on the system at the time of agriculture season, capacitor bank of high capacity MVAR could be installed by various sub stations to maintain constant voltage and frequency level. The Nigam should charge from the consumers as per the actual supply of energy i.e. there should be proportionate reduction in

the tariff charges whenever the Nigam is not able to supply electrical energy as per their stipulated tariff conditions.

Reply of the licensee - As per tariff, we are to supply energy at 400 volts 50 cycles with average regulation +/-5%. It will not be correct to assume that due to low voltage and low frequency, specific equipments are damaged. It is a matter of record and the experience that the sophisticated equipments are damaged only due to high voltage/ frequency. No such cases of loss due to low voltage have been reported from the field so far. The Nigam invariably does not resort to the Power Regulatory Measure, but in the outage of various powerhouses feeding the Northern Grid, we are constrained to adopt Power Regulatory measure.

- g. The Electricity Act 2003 makes it mandatory to install meters at all points of Distribution & Transmission. The utility should be asked to give a time frame by when all the meters will be installed.

Reply of the licensee - As far as 100% metering plan is concerned, every consumer has already been metered and every new connection is being given metered supply whether it is domestic, commercial or agriculture. The Nigam is facing difficulties for installation of meters on flat rate tube-wells due to stiff resistance from the farmers. Nigam has sought extension of time up to June 2006 for providing meters in flat rate tube-wells also

(B) Shri M.N.Ajaya Kumar, Secretary General of NCR Chamber of Commerce and Industry, Gurgaon raised the following issues vide their office letter dated 23.9.2005. DHBVNL replied to the observations vide office Memo No. Ch-Spl-I/SE/RA, dated 30.9.2005. The comments of

NCR Chamber of Commerce and Industry and reply of DHBVNL thereon are given below in regard to the important issues :

a. **Relief for power cut to industries in MMC, PF**

Industrial consumers are to pay Minimum charges during the month, even if there is scheduled / unscheduled power cut and system low voltage, forcing them to switch over to DG sets. Thus, even when they do not get full power supply for the whole month, they are made to pay MMC and penalty for low PF for the full month. For this some parameters need to be defined and consumers should get proportionate relief in MMC & PF in case of outages and low voltage.

Reply of the licensee - It will not be correct to assume that due to power cut, the industries are not able to cover the MMC. As per the existing instructions and tariff rates supply of power @ two hours a day can cover the MMC charges. If there is any specific case, the same may be brought to the notice of this office. In general, there is no power cut to the extent that it does not cover the MMC in any month so far.

b. In the case of Bulk Supply consumers, a rebate of 15% in the tariff should be given to the domestic and non-domestic consumers. This is needed, as the department is not incurring an expenditure on maintenance of system.

Reply of the Licensee - DHBVNL is charging the tariff approved by the Commission. There were different categories under bulk supply - BS (DS) and BS(NDS) which were merged in a single bulk supply tariff.

c. Those requiring new Bulk Supply / Industrial connections are made to deposit service connection charges and share cost of

the sub- station from which supply is given and also made to erect the feeder by themselves at their own cost, which is contrary to the instructions. The instructions need to be amended to the extent that in case the feeder is erected by the consumer, no service connection charges should be taken. Regarding the share cost, the licensee is supposed to provide power to the consumer and for this substation, wherever required, is to be constructed by them. The expenditure incurred on the construction of sub-station is already accounted for while framing the tariff and no additional charges should be taken from the consumer.

Reply of the Licensee - The content seems not to be in consonance with the latest instructions regarding service connection charges and share cost. Presently, the licensee is not charging any share cost of sub-station. Only the service connection charges are being charged as per the load. However there is a provision whenever the independent feeder is erected by the consumer then he is allowed rebate in the service connection charges equal to the cost of feeder or service connection charges, whichever is less. If there is any specific case, the same may be brought to the notice of this office.

Regarding system laid by HUDA and private colonisers, DHBVNL mentioned that no O&M charges are levied on any such colony of HUDA and or private coloniser of deposit work or at their own.

Other issues raised by the intervenors related to data, which was provided by the licensee.

(C) Shri Sajjan Kumar, DSP on behalf of the Superintendent of Police, Hisar also submitted their objections vide their office Memo No. 14806

dated 29.9.2005. It was mentioned that 600 residential houses are situated in the New Police Line Colony, Barwala Road, Hisar, which have been provided electricity at Bulk supply tariff, which is higher than the domestic tariff. So, all their residential units should be provided electricity at domestic tariff. It was also mentioned that no matter is under dispute and pending before any consumer forum or civil court. However, no relief has been granted due to which incumbents of police lines are facing recurring financial losses and due to this very fact, there is resentment amongst the police officers.

During the public hearing on 5.10.2005 or thereafter no reply was submitted by DHBVNL on the objection raised by the Superintendent of Police, Hisar.

(D) The staff of the Commission also made a detailed submission during the public hearing on the various aspects of the ARR.

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

2 STAFF COMMENTS AND THE LICENSEE'S RESPONSE

As there were only two intervenors present during the public hearing, the Commission allowed the staff of the Commission to intervene on behalf of the general public. The staff of the Commission has analysed the revised ARR filing and additional information provided by the Licensee and based on this analysis, submitted the following points on the working of the Licensee for consideration of the Commission. A presentation was made by the Joint Director (Finance) of the Commission during the public hearing on 7.10.2005.

2.1 Delay of licensee in filing of ARR application

DHBVNL was required to file the ARR for FY 2005-06 by 30.11.2004. But a numbers of extensions were sought and granted to the licensee. The licensee filed ARR on 3.3.2005 and a revenue gap of Rs. 3255.29 million was shown. Thereafter, DHBVNL filed Revised ARR filing for FY 2005-06 on 24.6.2005. The Commission asked Supplementary information from the licensee within 15 days vide letter-dated 17.8.2005, which was provided by UHBVNL after more than a month on 20.9.2005.

Thus, not only different sets of ARR data for FY 2005-06 were submitted by DHBVNL but its processing too was hampered on account of delay in submission of the supplementary information / data. It was mentioned that delayed submission of information / data derails the regulatory process and vitiates the time frame laid down in the Electricity Act, 2003 for disposal of such application.

The licensee did not issue public notices in time. HERC (Tariff) Regulations (Notification dated 30.7.2002) requires the licensee to publish the public notices in two newspapers within 7 days of Revised ARR filing (i.e. after 24.6.2005) and to invite comments from the public

within 30 days of publication of notice. The Commission also issued specific direction to the licensee for publication of public notices on 17.8.2005. But DHBVNL issued public notices only on 30.9.2005 in the newspapers and invited comments from public by 3.10.2005 i.e. only 3 days were given for inviting public comments.

2.2 Change in tariff without approval of Commission

As per Section 62 of the Electricity Act, 2003, the Commission alone is empowered to determine the tariff. The licensee has changed the tariff by way of issuing the following circulars -

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

The staff mentioned that the circulars issued by the licensee could be operational only after approval of the Commission. The licensee needs to submit a proposal to the Commission for incorporating any change in tariff and changes. Further, no subvention is available to the licensee from the State Government for the changes made in tariff as per Govt. directions.

2.3 Waiver scheme regarding Arrears

The licensee waived the electricity dues for rural domestic and agricultural pump-set consumers, as per the State Government directions. DHBVNL should submit detailed financial impact of such schemes and its recovery process. No 'in-principle' approval of the State Government has been sought for providing subvention in case of

revenue shortfall. The staff mentioned that any shortfall in revenue should not be passed on to the consumers and the State Government should bear all the financial implications.

2.4 Distribution losses

UHBVNL projected distribution losses of 30% for FY 2005-06 in ARR filings dated 3.3.2005, which were revised to 31% in the Revised ARR filed on 24.6.2005. Actual losses for last five years are given hereunder.

Table 2.1 - Distribution loss of DHBVNL

Year	Distribution Loss	Basis of information
FY 2000-01	32.23%	As per annual accounts
FY 2001-02	33.86%	”
FY 2002-03	35.02%	”
FY 2003-04	33.34%	”
FY 2004-05	32.66%	”
FY 2005-06	31.00%	As per FY 2005-06 Revised ARR (projected)

2.5 Excessive increase in Receivables

The receivables of the licensee have been rising continuously from Rs. 512.76 crores as on 31.3.1999 to Rs. 1437.90 crores as on 31.3.2005. The continuous increase in receivables has now reached an alarming level. The licensee is unable to recover the power dues properly. There is long list of defaulters where the majority of consumers are not paying allegedly due to the influence of farmers' union. The licensee must try for an innovative solution to the receivable problem and try to change the payment behaviour of these consumers.

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

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

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

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

2.6 Provision for additional Subsidy

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

Table 2.2 - Subsidy projections by the licensees

	Projections of subsidy for FY 2005-06	Rs. (in crore)
1	Subsidy asked by UHBVNL	850.77
2.	Subsidy asked by DHBVNL	499.76
3	Total subsidy asked	1350.53
4	Subsidy provided by State Government	1256.00
5	Shortfall of subsidy	94.53

2.7 Defective Meters

Defective meters mean direct loss of revenue to the licensee. The number of defective meters awaiting replacement is 95348 as on 31.5.2005 and it is about 5.69% of total metered consumers (1676236). There are feeders on which the numbers of defective meters are as high as 27% (say 11KV Shabhapur feeder in Sub-division Narnaul). The stock of single-phase meters is quite satisfactory as per the information filed by the licensee. Therefore, the licensee is required to take prompt action to replace the defective single-phase meters. If the immediate

replacement of defective meters at the licensee's level is not possible, this activity can be outsourced.

2.8 Failure rate of Distribution Transformers

The performance of DHBVNL has been deteriorating since 2001-02. The failure rate of DTs in its case has gone up from 17.9% during 2001-02 to 19.4% during 2004-05. The worst circle continues to be Narnaul circle with the failure rate of 23.7 %. The licensee should take appropriate action 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).

2.9 High Cash & Bank Balance

DHBVNL is carrying very high balance of cash and bank balance. The position as on 31.3.2005 and 31.3.2004 are given below.

Table 2.3 - Cash and Bank Balance Position (Rs. in million)

Particulars	31.3.2005	31.3.2004
Cash in Hand	91.64	0.15
Balance in Current Accounts	1168.73	1101.31
Balance in Deposit Accounts	10.10	10.10
Total balance at DHBVNL	1270.48	1111.55
Comparative position at UHBVNL	256.76	369.32

A cash balance of above Rs. 9 crore is highly inappropriate. Average cash balance during FY 2004-05 was Rs. 1.59 crore and bank balance was Rs. 109 crore. Keeping high cash and bank balance by the licensee results in higher working capital loan requirement, which add the interest cost. With modern banking facility bank balance can be kept at minimum level. For comparison purpose, UHBVNL is keeping much less cash and bank balance.

2.10 Non-compliance of Commission's Directives

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

2.10.1 Directive about metering Plan

The licensee was directed to submit detailed metering plan for 100% metering. Initially the direction was given in the order-dated 16.8.2002. It remains a non-complied direction as per the orders-dated 20.8.2003 and 20.4.2005. 100% metering should be completed as per Section 55 of the Electricity Act, 2003. The licensee should prepare and submit the metering plan without delay to achieve the target.

2.10.2 Computerisation of receivables

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

2.10.3 Inter-Company Reconciliation

Inter company reconciliation of accounts (except for power purchase) after FY 2002-03 has not been completed. (Direction was given in the order-dated 20.8.2003)

2.11 The Licensee's Response

The Managing Director and Director (Operations) of the DHBVNL responded to the various points raised by the Staff. They narrated actions taken by the utility and promised to improve its efficiency and

performance. DHBVNL further assured to take prompt action on the outstanding directives issued by the Commission from time to time.

The Commission has taken into consideration the analysis of the staff and response of DHBVNL thereon and dealt with it in its detailed order on ARR in chapter 4.

3 COMMISSION'S ORDER ON ISSUES RAISED BY INTERVENORS

The Superintendent of Police, Hisar submitted the filing vide their office Memo No. 14806 dated 29.9.2005. The representative of SP, Hisar also presented the case during the public hearing at Bhiwani on 5.10.2005. It was mentioned that there are 600 family quarters meant for police officers/officials in New Police Lines colony, Barwala Road, Hisar. At the time of establishment of New Police Lines Hisar, bulk supply connection (meter No. B.S. 12) was provided for the supply of electricity by DHBVNL to the residential quarters of Police Line, Hisar. The electricity charges are collected from the police officers/officials residing in the family quarters at commercial rates i.e. Rs.4.19 per unit, whereas the tariff for domestic consumers is much lower. The line losses that occur in the process of supply of electricity to the residential quarters are also charged from the occupants of Police Line's quarters. Beyond the injection point of bulk supply, maintenance of distribution system is done by the Police Department. It has also been confirmed by S.P. Hisar that no matter is pending before any Consumer Forum or Civil Court on this issue. The intervener requested that the resident of Police complex, Hisar should be allowed individual electricity connections in place of the existing bulk supply connection, consequently billing should be done at the domestic tariff rates.

During the public hearing on 5.10.2005 or thereafter no reply was submitted by DHBVNL on the objection raised by the Superintendent of Police, Hisar.

The Commission has already dealt the issue of allowing individual connection to the domestic consumers in its order-dated 22.5.2001 (Case No. HERC/PRO – 4 of 2001). Every consumer has a right to have individual domestic connection for his residential premises. **The**

Commission reiterates and directs the licensee to provide individual connections to the domestic consumers of the New Police Line Colony, Hisar subject to fulfilment of other eligibility conditions.

4 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 presented. The Commission has considered the views expressed by the members of SAC, intervenors, staff and the Licensee's response thereto.

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

DHBVNL filed the ARR for FY 2005-06 for Distribution & Retail Supply business vide memo No. Ch-32/SE/RA-187/V-III dated 3.3.2005. The licensee in its ARR filing dated 3.3.2005 projected an uncovered revenue gap of Rs. 3255.29 million with a request that the uncovered gap may be converted into regulatory asset. The Commission declined to take the ARR filing on record as the conversion of revenue gap into regulatory asset was not acceptable to the Commission as already explained in Commission's order dated 20.4.2005 on ARR for FY 2004-05. The Commission directed the licensee vide Memo No. 402/HERC dated 4.5.2005 to file an application for revision of tariff to cover the revenue gap within 15 days of issue of the letter. The Licensee, subsequently, submitted a Revised ARR for FY 2005-06 vide its Memo No. Ch-48/SE/RA-187/Vol-III, dated 24.6.2005, wherein DHBVNL has projected an Annual Revenue Requirement (ARR) of Rs. 25109.31 million consisting of Rs. 25816.29 million of expenditure and Rs. 28.83 million of reasonable return less Rs. 735.81 million of non-tariff income. The Licensee has taken into account a subsidy of Rs. 4997.63 million

from the State Government and revenue (including subsidy) of Rs. 25109.31 million on the sale of 7345.87 million units for the Financial Year 2005-06. As per the Annual Revenue Requirement projections for D&RS Business for Financial Year 2005-06, the licensee has converted the difference between the ARR amount and the proposed revenue at current tariffs amounting to Rs. 4997.63 million into requirement for subsidy from the State Government thus showing no revenue gap. The licensee requested the Commission to take the Revised ARR for DHBVNL for FY 2005-06 on record. The supplementary information which was required to be filed within 15 days by the Commission vide its letter dated 17.8.2005, was provided by UHBVNL only on 20.9.2005.

It is thus clear that DHBVNL not only delayed the original filing but also the submission of supplementary information/data inordinately upsetting the Commission's schedule to process the filing. The Commission has been constrained to pass its order on ARR for FY 2005-06 more than six months after its commencement, which, in fact, is an antithesis of regulatory regime. The licensee's track record on account of delays was also unprecedented during FY 2004-05 too which resulted into passing of relevant orders (by the Commission) on 20th April, 2005 i.e. after the close of FY 2004-05. **The Commission has viewed the above position very seriously and hereby directs the licensee to submit the ARR / tariff filings and subsequent data / information within the time frame specified by the Commission so that orders could be issued within 120 days from the date of receipt of original filing as called for under Section 64(3) of the Electricity Act, 2003.**

During the public hearing on 5th October, 2005 on the Revised ARR for Distribution and Retail Supply business of DHBVNL for FY 2005-06, the Commission strongly felt about the delay in the submission of the metering plan including its implementation schedule (by the licensee) encompassing metering at the consumers' premises and audit of

electrical energy in their system. The distribution loss level, which continues to be very high and has remained practically unchanged over the last five years, is a matter of grave concern to the Commission. The Commission expressed its concern for the in-ordinate delay in establishment of Forum for redressal of grievances of electricity consumers and non-submission of time bound action plan to establish a State-Of-The-Art Area Load Despatch Centre to meet with its control and operational requirement. The Commission also expressed its dissatisfaction on the snail's pace of progress on projects such as consumer indexing and G.I.S.mapping, prepaid metering and creation of computer network to implement the regulations on standards of performance for the distribution licensee.

In this chapter, DHBVNL's proposal refers to the Distribution and Retail Supply Business Revised ARR filing made on 24.6.2005, additional information provided in response to the deficiency letter issued by the Commission or otherwise and the oral submissions made by the representatives of the Licensee during the public hearing.

In its consultative process, the Commission convened a meeting of State Advisory Committee (SAC) on 10.10.2005 and consulted its members about the proposed revenue requirement for Distribution and Retail Supply business filed by DHBVNL. The members of SAC raised various issues such as erratic power supply, high interruption level in the 33 KV and 11 KV distribution system, abnormally high distribution losses and low collection efficiency. The SAC unanimously concluded that the licensee needs to take urgent steps to submit the future ARRs well within time, improve upon the quantity and quality of supply to its consumers, bring down the distribution losses - both technical and commercial and improve upon its collection efficiency to realise its dues. Shri Anand Dev, CEDE, Northern Railway pleaded that the Railways in Haryana may be supplied electricity at the tariff close to NTPC rates.

Shri Sharat C. Mahajan, Member (Power) BBMB expressed that the operation circle in UHBVNL / DHBVNL should function as a profit centre and the S.E. incharge of the circle should be fully accountable for its technical and commercial performance. Shri P.K.Dass, MD, HVPNL responded to the Railways' demand for reduction in tariff by stating that mix of power available to a state greatly impacts its tariff and, hence, inter-state comparison is not appropriate. The issues such as Commissioning cost of service study, time bound action plan to put in place an effective energy audit scheme including cent per cent metering of consumers' premises, establishment of State-of-the-art Area Load Despatch Centre and Forum for redressal of grievances of electricity consumers call for urgent and prompt attention of the Licensee.

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

The Commission has issued a numbers of directives in its previous ARR and Tariff orders. However, it has been observed that quite a few directives have not yet been implemented or partly implemented. A list of all such directives issued by the Commission, but not yet fully complied with by the Licensee is given in **Annexure – 2**. Several

waivers requested by the Licensee are related to non-implementation of these directives. The Licensee should immediately take all the necessary steps for implementation of Commission's directives.

4.1 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 the following paragraphs.

4.1.1 Cost of Power purchased

Haryana Vidyut Prasaran Nigam Limited (HVPNL) remained the Bulk Supply Licensee till 9.6.2005. Government of Haryana, vide its notification dated 9.6.2005 transferred the rights relating to the procurement and Bulk supply of electricity or trading in electricity from HVPNL to Haryana Power Generation Corporation Limited (HPGCL) with effect from 10.6.2005. However, the Commission has not granted the trading license to HPGCL till date. The Distribution and Retail Supply Licensee procures its entire power requirement from the Bulk Supply Licensee. The Commission has separately approved tariff for the Transmission and Bulk supply of power for FY 2005-06 in its order-dated May 10, 2005. Based on the approved distribution loss and consumption estimates and the applicable tariff rates, the Commission approves power purchase of 10042 MUs by the Licensee for FY 2005-06 costing Rs. 20812.59 million. This is comprised of Rs 3199.23 million on account of demand charges and Rs. 17613.36 million on account of energy charges.

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.

4.1.2 Operation and Maintenance expenditure

Employees' cost, Repair & Maintenance expenses and Administration & General expenses are analysed under this sub-head. The Licensee has estimated its operating and maintenance expenses for FY 2005-06 at Rs. 2469.06 million as against audited cost of Rs.2093.73 million for FY 2003-04. The Commission had approved Rs. 2072.03 million as the O&M expenses of DHBVNL for its Distribution and retail supply business for FY 2004-05. Table 4.1 provides the details.

Table 4.1- DHBVNL Proposal for O&M expenses (Rs. in million)

Particulars	Audited Actual of DHBVNL for FY 2003-04	HERC Order on DHBVNL for FY 2004-05	DHBVNL Proposal for FY 2005-06
Wages, salaries and related costs	1785.95	1722.51	2056.35
R&M expenses	174.15	209.24	262.64
A&G expenses	133.63	140.28	150.07
Total O&M Expenditure	2093.73	2072.03	2469.06

The audited accounts of the Licensee for FY 2004-05 are not yet available to the Commission. Therefore, the Commission has considered the audited accounts for FY 2003-04 with suitable adjustments / changes for the purpose of calculation of ARR for FY 2005-06. These expenses have been discussed in detail in the following paragraphs.

4.1.2.1 Employees' cost

The employees' cost is an important constituent of the ARR. Employees' cost includes the cost incurred for working employees as well as the retirees. The cost of working employees includes salary, dearness pay and dearness allowance payable to them and other allowances such as HRA, CCA, LTC, medical reimbursement etc. In the case of retired employees and those retiring during the year, the licensee has to discharge liabilities towards pension, gratuity and leave

encashment benefit etc., as applicable. The main constituents of employees' cost are being discussed separately.

A. Basic Salary and Dearness Allowance (DA)

The Commission has estimated employees' cost by taking into account the amount as per the latest available audited accounts of the licensee for FY 2003-04. The Commission has allowed 2% increase in basic salary over the audited figures of FY 2003-04 to account for increments etc for each year. Dearness pay is estimated at 50% of the basic pay; The Commission has considered a DA rate of 20% as against 19% proposed by the licensee. This is the weighted average rate based on applicable DA rates for FY 2005-06 (on 17% for 3 months and 21% for 9 months) as announced by the State Government till date. The approved expenditure on account of salary, dearness pay and dearness allowance is Rs. 1367.80 million for FY 2005-06.

B. Other allowances

The Commission reiterates its view that other allowances should be estimated as a percentage of basic salary alone for all future ARR filings. This fact has been clearly mentioned in the Commission's order dated 16.8.2002. In line with the aforesaid principle, the Commission is allowing 14.22% of Basic salary as other allowances including electricity allowance, which works out to Rs. 108.08 million. This rate is arrived at based on audited accounts of the licensee for FY 2003-04.

C. Terminal benefits

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

of such amount in the ARR should not arise. The licensee in the ARR under consideration has projected Rs. 546.76 million as terminal benefit expenses. This is comprised of Rs. 274.28 million towards one time payment for employees retiring during FY 2005-06, and the balance on account of regular payment of pension and provisions. The Commission in its earlier order dated 14.12.2000 had specified that:

- One time payment for retiring employees will be made by the respective businesses separately.
- Recurring payments will be made by HVPNL for all retired and retiring employees.

On the above basis the Commission has already included the expenditure towards recurring payment for DHBVNL in the ARR and Tariff order dated 10.5.2005 on Transmission and Bulk Supply business. Therefore, the Commission allows only the expenditure amounting to Rs. 274.28 million towards one time payment on actual payment basis, to be included in this ARR.

D. Employees' Cost Capitalised

The amount of employees' cost capitalised should relate to the cost of those employees who are engaged in capital projects. The Commission is allowing capitalisation of employees cost in the same ratio as the actual expenditure incurred in the construction divisions bear to total expenditure as per the audited accounts of the licensee for FY 2003-04. Consequently, the employees cost capitalised works out to Rs. 26.44 million; the rate of capitalisation being 1.79% as against Rs. 30 million proposed by the licensee.

The employees' cost approved by the Commission is Rs. 1723.72 million, net of the amount capitalised of Rs. 26.44 million. The computation of employee cost is being presented in table 4.2.

Table 4.2- Employees' cost approved for FY 2005-06 (Rs. in million)

Employee Cost Computation	DHBVNL Proposal	HERC Approval
Basic Salary + D.P	1182.60	1139.83
D.A.	224.69	227.97
Other allowances	132.28	108.08
Terminal benefits	546.76	274.28
Total	2086.35	1750.16
Less: Employee cost capitalised	30.00	26.44
Net Employee Cost Expensed	2056.35	1723.72

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

4.1.2.2 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 along with the direction to the licensee to prepare R&M norms for the equipment used in the D&RS business. UHBVNL has submitted report of the Committee in respect of estimated normative expenses of equipment wise repair and maintenance related to its network vide their office Memo No. Ch-06/SE/RA/N/F-63/Vol-VIII dated 24.10.2005 (received on 25.10.2005) in response to Commission's order dated 22.12.2000 i.e. after the gap of five years. The recommendations of the committee were approved by the BODs for adoption both in UHBVNL and DHBVNL. The filing is highly data intensive and will be analysed separately by the Commission. However, for the purpose of this order, the Commission, maintaining its consistent approach, allows R&M expenses @ 2% of average gross fixed assets as in previous orders.

The licensee has projected R&M expenditure for FY 2005-06 at Rs.262.64 million. The Commission approves an amount of Rs.243.81 million; being 2% of average projected GFA for the year. The difference

is arising due to exclusion of income earning assets from the value of Gross fixed assets and difference in closing balance of GFA due to capitalising of ongoing capital works (CWIP) during FY 2005-06.

4.1.2.3 ADMINISTRATIVE AND GENERAL EXPENSES

For the purpose of the current ARR, the Commission accepts the projection of A&G expenditure made by the licensee at Rs. 155.06 million. The capitalisation of A&G expenses is in the same ratio as the actual expenditure incurred in the construction divisions bear to total expenditure as per the audited accounts of the licensee for FY 2003-04. Consequently, the A&G expenses capitalised works out to Rs. 5.28 million; the rate of capitalisation being 3.40% as against Rs. 5 million proposed by the licensee.

The Commission is of the view that in case of any unforeseen expenses during the year, the licensee may approach the Commission for allowing such expenditure during the following year. In case licensee is able to justify the expenditure, the Commission will allow such expenditure in the subsequent period. Consequently, for the ARR under consideration the Commission approves Rs. 149.78 million as A&G expenses during the FY 2005-06 as presented in table 4.3.

Table 4.3- A&G Expenses approved for FY 2005-06 (Rs. in million)

	DHBVNL Proposal	HERC Approval
Gross expenses	155.06	155.06
Less: Expenses Capitalised	5.00	5.28
Net A&G expenses	150.07	149.78

4.1.3 Interest On Loans

The Licensee has projected an interest cost of Rs.419.93 million in its filing for FY 2005-06 inclusive of Rs. 190.41 million on account of interest on borrowings for capital expenditure and Rs. 229.52 million towards interest on working capital borrowings. In addition to this, the

licensee has projected finance charges of Rs.10.12 millions and Rs 2.86 million as security deposit interest for FY 2005-06.

The Licensee has projected a gross interest cost of Rs.265.40 million on the borrowings for capital expenditure in its filing for FY 2005-06. In case of capital expenditure borrowings, the Commission allows interest on all such loans for which the Licensee has provided source-wise details to the Commission. Thus, the Commission approves an amount of Rs.265.40 million as gross interest cost for FY 2005-06, as proposed by the licensee. Out of this, an amount of Rs. 57.76 million is reduced on account of capitalisation as against Rs. 74.99 million proposed by the Licensee. The Commission has capitalised interest cost for ongoing capital projects considering the rate of capitalisation of 70:30. The licensee has considered total CWIP for the purpose of capitalisation of interest whereas the Commission has considered only that portion of CWIP, which is funded out of borrowings. Thus, the net interest on capital borrowings approved by the Commission comes to Rs. 207.64 million.

The Commission in its previous order had opined that consumers cannot be burdened with interest cost of excessive working capital borrowings by the licensee and had attempted to project a reasonable interest cost, which could be justifiably passed on to the consumers.

The Commission, therefore, decides to provide working capital borrowings limited to one month's ARR in step with its earlier Order and, also, because in this way the working capital borrowings are more in tune with the requirement for day to day operations of the licensee. On this basis the allowed working capital borrowings works out to Rs.1600 million, which is slightly higher than one month's ARR of the licensee for FY 2005-06. In addition to this, the Commission is also providing interest on borrowings to fund the regulatory asset. The combined regulatory assets of distribution and retail supply business

after adjustment of surplus as per the Commission Order dated 20.8.2003 amounted to Rs.490.87 million. This has been allocated to the two distribution and retail supply licensees in the ratio of their sales as per the audited accounts for FY 2003-04 vide Commission's order dated 18.4.2005 and the share of DHBVNL amounts to Rs.260.17 million. In addition to this, the Commission in its order-dated 20.4.2005 had allowed a regulatory asset of Rs. 349 million to DHBVNL in order to balance the ARR for FY 2004-06. The combined regulatory asset thus amounts to Rs. 609.17 million.

The total of these two amounts comes to Rs. 2209.17 million, which is the allowed working capital borrowing for FY 2005-06. The interest cost on this allowed borrowings at the licensee's projected average rate of interest come to Rs.201.81 million.

The licensee has projected interest on consumers' security deposits amounting to Rs. 2.86 million. The Commission has already issued "the Haryana Electricity Regulatory Commission (Duty to supply electricity on request, Power to recover expenditure incurred in providing supply & Power to require security) Regulations, 2005 which deals with the modalities of payment of interest on consumers' security deposits. The Commission allows the amount of Rs. 2.86 million as interest on consumers' security deposit 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.

In addition to interest, the licensee has projected Rs. 10.12 million as other finance charges on account of guarantee fee and Commission to banks for collection of bills in the filing, which is approved by the Commission, based on the information provided by the licensee.

The computation of interest expenses approved by the Commission is presented in table 4.4.

Table 4.4- Interest Expenses approved for FY 2005-06 (Rs. in million)

Interest on Loans	DHBVNL Proposal	HERC Approval
Gross Interest on Capital Expenditure Loans	265.40	265.40
Less: Interest Capitalised	74.99	57.76
Net Interest on Capital Expenditure Loans	190.41	207.64
Interest on Working Capital Loans	232.38	201.81
Net Interest expenses	422.79	409.45
Interest on consumers' security deposits	2.86	2.86
Finance Charges	10.12	10.12
Total Interest and finance charges	435.77	422.43

4.1.4 Depreciation

The approved depreciation for FY 2005-06 has been calculated on the basis of audited accounts for FY 2003-04 and the average rate of depreciation considered by the Commission for the purpose of this ARR is 8.20%. Thus the Commission approves an amount of Rs. 640.98 million as depreciation to be included in the ARR FY 2005-06 as presented in table 4.5.

Table 4.5- Depreciation charges approved for FY 2005-06 (Rs. in million)

Particulars	DHBVNL Proposal	HERC Approval
Gross Fixed Assets at the beginning of the year *	9775.56	7817.28
Depreciation rate	-	8.20%
Total depreciation Expense	776.30	640.98

* The value of gross fixed assets taken for the purpose of calculation of depreciation by the Commission is the value as on 31.3.2005 as per the HERC order dated 20.04.2005 for FY 2004-05 after excluding the assets funded out of consumer contributions and rent earning assets whereas the GFA as considered by the licensee is inclusive of these amounts.

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 deprecation as approved by the Commission amounting to Rs. 640.98 million is to be utilised towards meeting the capital loans repayment of Rs. 194.36 million as projected by the licensee. The remaining amount of Rs. 446.62 million has been utilised for writing off the outstanding regulatory asset of Rs. 609.17 million (being unadjusted revenue gap of previous years) to the extent possible. This leaves an

unadjusted Regulatory asset amounting to Rs. 162.55 million, which has been included in the ARR (as part of other expenditure discussed in para 4.1.6) so that the interest burden on the consumers can be minimised.

4.1.5 Contribution To Contingency Reserve

The Commission approves Rs. 35.12 million as contribution towards Contingency Reserve as proposed by the licensee in its filings for FY 2005-06.

It is relevant to add that the licensee was required to provide for Contingencies Reserve from the revenues of each year a sum of 0.25% of the original cost of Fixed Assets according to Schedule VI (Para IV) of the repealed Electricity (Supply) Act, 1948 and the sum so appropriated to the Contingency Reserve were required to be invested in securities authorized under the Indian Trusts Act, 1882 within a period of six months from the close of the year. The Electricity (Supply) Act, 1948 has been repealed by the Electricity Act, 2003 and there is no such provision for Contingency Reserve Fund in the Electricity Act, 2003. However, the Commission observes that the contingencies catered to by this fund continue to be valid and, hence, the Commission feels that the licensee should continue to contribute to the Contingency Reserve Fund and should not use these funds for their normal business activity but only for following purposes after due approval by the Commission:

- (a) expenses or loss of profits arising out of accidents, strikes or circumstances which the management could not have prevented.
- (b) expenses or replacement or removal of plant or works other than expenses requisite for normal maintenance of renewal.

(c) compensation payable under any law for the time being in force and for which no other provision is made.

4.1.6 Other Expenditures

The licensee has included Rs 230.22 million in ARR being the amount of regulatory asset written off. The Commission in its order dated 22.12.2000 had stated that “the regulatory asset shall be liquidated either by amortisation and inclusion in ARR or adjusted through efficiency gains after the licensee attains efficiency”. In line with the above approach, the Commission adjusted the surplus of Rs 2158.23 million available in the ARR for FY 2003-04 in its order-dated 20.8.2003 for combined distribution & Retail supply business against the amount of Regulatory asset. Further, as per para 4.1.4 above, the Commission has adjusted the excess of depreciation over capital loan repayment amounting to Rs. 446.62 million during FY 2005-06 against the balance of regulatory asset. This leaves an outstanding balance of regulatory asset amounting to Rs 162.55 million, which the Commission allows the licensee to recover as part of ARR for FY 2005-06 so that the regulatory asset in books of both the D&RS licensees (UHBVNL and DHBVNL) are wiped off and the recurring interest burden on the consumers of Haryana is minimised. The licensee has not proposed any other expenditure in its filing for FY 2005-06.

4.1.7 TOTAL EXPENDITURE

The total expenditure approved by the Commission with respect to the Distribution and retail supply business of DHBVNL for the financial year 2005-06 is Rs.24190.98 million as against Rs. 25816.29 million proposed by the licensee. The details are presented in table 4.6.

Table 4.6- Total expenditure approved for FY 2005-06 (Rs. in million)

Description	DHBVNL Proposal	HERC Approval
Expenditure:		
Purchase of energy	21872.70	20812.59
Wages, salaries and related costs	2056.35	1723.72
R&M Expenses	262.64	243.81
A&G Expenses	150.07	149.78
Interest cost on borrowings		
- For capital expenditure	190.41	207.64
- For working capital	229.52	201.81
- On Consumer Security Deposit	2.86	2.86
Depreciation	776.30	640.98
Bad debts including provisions		
Finance Charges	10.12	10.12
Total Expenditure	25550.95	23993.31
Special Appropriations:		
Income Tax		
Instalments of written down amounts (Regulatory Assets written off)	230.22	-
Unadjusted regulatory asset		162.55
Contribution to Contingency Reserve	35.12	35.12
Total Special Appropriations	265.34	197.67
Total Expenditure (including special appropriation)	25816.29	24190.98

4.2 Capital Base

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

4.2.1 Capital Works In Progress (CWIP)

The amount of new investments for capital expenditure has been limited to the borrowings amounting to Rs. 1030.91 million for which the licensee has provided source- wise details as against Rs. 1068.40 projected by the licensee for FY 2005-06. Apart from this, a part of

capital expenditure is also funded out of consumer contributions amounting to Rs.467 million and Rs. 101.86 million as grants. The licensee has also proposed that the amount of interest capitalised be funded out of internal accruals, which the Commission does not agree with, as there are no sources from which the internal accruals can be generated without disturbing the ARR balancing mechanism. As a result the total additions to CWIP amount to Rs. 1599.77 million. All these amounts are as per latest information provided by the Licensee.

The opening balance of CWIP for FY 2005-06 is derived from the closing balance of CWIP as on 31.3.2005 as per Commission's order dated 20.4.2005.

The licensee proposes to capitalise new investments in the ratio of 70:30. The Commission, in its order-dated 20.4.2005 directed the licensee to provide project-wise data related to new capital projects undertaken by it since 1.4.2000 within one month of this order. The data was to include projected and actual dates of commencement & completion of project, details of quarter-wise expenditure and total cost. The licensee has not submitted any details. Thus, for the purpose of this ARR, the Commission decides to adopt the capitalisation ratio proposed by the licensee till adequate data is made available to the Commission to enable it to come to some conclusion. The Commission approves Rs. 479.93 million as the closing CWIP for FY 2005-06 as given in table 4.7.

Table 4.7- Calculation of CWIP for FY 2005-06 (Rs. in million)

Schedule of CWIP	DHBVNL Proposal	HERC Approval
Opening balance	403.21	1003.48
Additions during the year	1712.25	1599.77
Transfer to GFA	1794.94	2123.32
Closing balance of CWIP	320.52	479.93
Funding of CAPEX :-		
Equity	-	-
Loan funds	1068.40	1030.91
Government grants	101.86	101.86
Additional borrowings	-	-
Consumer contribution	467.00	467.00
Internal accruals	74.99	-
Total Funds	1712.25	1599.77

4.2.2 Gross Fixed Assets (GFA)

The opening balance of GFA was calculated on the basis of the Commission's Order dated 20.4.2005. The addition to GFA is derived from the Capital Works in progress computation referred to at para 4.2.1. The closing balance of GFA for FY 2005-06 works out to be Rs. 13527.01 million as presented in table 4.8.

Table 4.8- Gross Fixed Assets approved for FY 2005-06 (Rs. in million)

	DHBVNL proposal	HERC Approval
Opening Balance of gross fixed assets	12216.84	11403.69
Add: Additions to GFA	1829.94	2123.32
Less: Retirement	0	0
Closing balance	14046.78	13527.01

4.2.3 AMOUNT OF WORKING CAPITAL

4.2.3.1 CASH AND BANK BALANCES

Table 4.9 shows the high cash and bank balance maintained by the licensee during the last five years as compared to loans outstanding.

Table 4.9– High Cash and Bank Balance maintained by DHBVNL in comparison to Loans (Rs. in million)

Particulars	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
	Audited	Audited	Audited	Audited	Unaudited
Loan Funds					
Secured Loans	1,627	660	1,066	546	922
Unsecured Loans	2,102	3,733	3,968	4,530	3,912
Total loans	3,729	4,393	5,034	5,076	4,834
Cash and Bank Balances	745	1,459	1,342	1,112	1,270

The licensee has projected the average cash balance of Rs.867 million for FY 2005-06 in its ARR filing.

The cash and bank balance of the licensee on 31.3.2004 as per audited accounts for FY 2003-04 comes to Rs. 1111.55 million, which is approximately 25 days of sales revenue and Rs. 1270.48 million as on 31.3.2005 again being approximately 25 days of sales revenue. The licensee is also holding very high cash-in-hand balance amounting to Rs. 91.64 million as on 31.3.2005 as against Rs. 0.148 million held on 31.3.2004 as is shown in table 4.10.

Table 4.10– High Cash and Bank Balance maintained by DHBVNL (Rs. in million)

Particulars	31.3.2004	31.3.2005
Cash in Hand	0.148	91.64
Balance in Current Accounts	1101.31	1168.73
Balance in Deposit Accounts	10.10	10.10
Total balance at DHBVNL	1111.55	1270.48
<i>Comparative position at UHBVNL</i>	<i>369.32</i>	<i>256.76</i>

The Commission has warned the licensee of the consequences of maintaining such high balances of cash-in-hand and at bank in its order dated 20.4.2005 and would not hesitate in taking action in case the licensee does not take immediate steps to reduce its cash and bank balances. **The Commission directs the licensee to submit quarterly**

reports on efforts made by it to limit the cash and bank balances and the resultant decrease, starting from 1 month of this order.

4.2.3.2 STORES

Alarmed by the high level of stores that the licensee had been carrying, the Commission had asked the licensee to bifurcate its stores on the basis of utilisation between capital works and maintenance works. The details of stores provided by the licensee, as part of ARR filing does not match with the balance of stores as per the accounts of the licensee. The closing balance of stores in hand as on 31.3.2004 as per the supplementary filing dated 20.9.2005 (Annexure 50A) is Rs. 235.38 million whereas the balance of stores as on the same date i.e. 31.3.2004 as per the audited accounts is Rs. 472.03 million. The balance as on 31.3.2005 as per the supplementary filing is Rs. 296.60 million while the balance of stores as per unaudited accounts for the same date i.e. 31.03.2005 is Rs 513.17 million. These discrepancies and missing information completely subvert the process of cost determination. **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 licensee should introduce latest techniques of inventory and cash management to reduce its costs. The Commission in its previous order had directed the licensee to follow prudent financial practices and take advantage of technological advancements in the banking sector to minimise the need for maintaining heavy cash balances. The licensee was also directed to take positive measures to reduce the funds blocked in stores. The Commission expects improvement on this aspect before the end of current year.

4.2.4 Amount Of Compulsory Investment

The amount allowed as Contingency Reserves is required to be invested by the utility in the specified securities. The contribution of contingency reserve, amounting to Rs. 30.53 million for FY 2004-05, is added to the balance of compulsory investment as on 31.3.2005 amounting to Rs. 106.97 million. This amounts to a contingency reserve investment of Rs. 137.50 million for FY 2005-06.

4.3 Return on Capital Base

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

The Licensee has claimed Rs. 28.83 million towards reasonable return at the rate of 0.5% of Loan amount. As the Commission is allowing finance charges as part of ARR to the licensee, it disallows any return on loans as claimed by the licensee. This is in line with the Commission's order dated 22.12.2000.

4.4 Non-Tariff Income

The Licensee has proposed to earn Rs. 735.81 million as non-tariff income during FY 2005-06. This is inclusive of Rs.361.38 million as income from Delayed Payment Surcharge. This has been calculated by hiking the delayed payment surcharge income for FY 2003-04 by 10% each year. Only 20% of the resultant amount has been included in the ARR for FY 2004-05 in line with the Commission's earlier orders.

The licensee has included interest on loans to employees Rs. 23.19 million as part of non-tariff income. The Commission has excluded the interest on loans to employees from calculation of non tariff income as the interest on working capital borrowings has been allowed on

normative basis by the Commission (It assumes that the excessive borrowing may have been partly utilised for giving loans to employees). The licensee was asked to provide details of misc. receipts included in non-tariff income to the Commission. On the basis of the information provided by the licensee, the Commission has calculated the income from rentals of residential buildings based on audited accounts for FY 2003-04, which has been increased by 10% for each year. The amount so arrived at (Rs. 6.76 million) has also been excluded from the non-tariff income for FY 2005-06. As a result the Commission approves Rs.705.86 million as non-tariff income for FY 2005-06. The details of non-tariff income approved by the Commission for FY 2005-06 are presented in table 4.11.

Table 4.11- Non- Tariff Income approved for FY 2005-06 (Rs. in million)

Description	DHBVNL Proposal	HERC Approval
Meter rentals and other apparatus hire	171.52	171.52
Ancillary and incidental income	564.29	534.34
Total of "Non-tariff Income"	735.81	705.86

4.5 Aggregate Revenue Requirement

In light of the above analysis, the Commission approves Rs. 23485 million as the aggregate revenue requirement of the Distribution and Retail Supply business of DHBVNL for FY 2005-06.

The Licensee has considered subsidy amount of Rs. 4997.63 million for FY 2005-06, which is equivalent to the revenue gap of its proposed ARR for FY 2005-06. The subsidy amount as per The Commission's estimation works out to Rs. 4306 million. The amount of subsidy provided by the State Government for the two distribution companies in its budget for FY 2005-06 is Rs. 12560 million. The computation of

approved Aggregate Revenue Requirement for FY 2005-06 is presented in table 4.12.

Table 4.12- Total Aggregate Revenue Requirement approved for FY 2005-06 (Rs. in million)

Description	DHBVNL Proposal	HERC Approval
Reasonable return	28.53	-
Total expenditure	25816.29	24191
<i>Minus:</i> Non-tariff income	735.81	706
<i>Minus:</i> Outstanding customer rebates	-	-
Total Aggregate Revenue Requirement	25109.31	23485
<i>Minus:</i> Subsidy from State Government	4997.63	4306
Total Net Aggregate Revenue Requirement	20111.68	19179

4.6 Other Issues

4.6.1 Settlement of pending electricity bills of rural domestic and rural agriculture pump set consumers.

In pursuance of the State Government's policy decision, the licensee vide its memo No.Ch-8/SE/Comml./R-16/273/05 dated 25.6.2005 has issued the sales circular for settlement of pending electricity bills of rural domestic and agriculture pump set consumers in rural areas. The ibid circular also provides for financial incentive of 5% deduction of SOP amount for next 20 months for rural domestic and agriculture pump set consumers in rural area who have been regularly paying their bills for last 10 months prior to 17.6.2005. The Commission sought the comments of the licensee about the financial impact of the ibid circular. *The licensee in its reply stated the defaulting amount as on 16.6.2005 i.e. Rs. 635.21 crores was freezed which is to be waived off. Out of this amount 30% portion has been considered as surcharge which is to be borne by the utility and balance 70% is proposed to be compensated by the State Government in 60 instalments commencing from September, 2005 as per discussions held with the State Government but the formal approval of the State Government to the issue is yet awaited.*

The licensee has not claimed any amount on account of financial impact of the above circular in the ARR for FY 2005-06. The Commission is of the considered opinion that the honest and paying consumers of the state cannot be made to bear such cost.

4.6.2 Change in tariff without Commission's approval

The Electricity Act, 2003 vide section 62, vests specific powers in the State Commission for determination of tariff for sale of power. The licensee needs to appreciate that 'tariff' for sale of power is in the exclusive domain of the Electricity Regulatory Commission, in the instant case the HERC. Thus, the approval of HERC is necessary for any change in tariff related issue. The Commission has approved a schedule of tariff which is applicable in the State of Haryana vide its orders dated 20.12.2000 and 11.8.2001. However, the licensee in the last few months has issued sales circulars in the following cases which are not in line with the Electricity Act, 2003/ HERC orders: -

A. The incentive to women consumers @ 10 Paisa per unit

The rebate of 10 paise per unit proposed to be given to women consumers as per the announcement of Govt. of Haryana appearing in a section of the press, is a violation of Section 62(3) of the Electricity Act, 2003, which reads as under:

“The appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to consumer's load-factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which supply is required.”

Thus, it is clear that there can be no preference to women consumers in the matter of tariff for supply of electricity as per EA 2003. The issue was discussed in the SAC meeting held on 10.10.2005 and the members too opined that such a preference is in violation of Electricity Act, 2003 and hence should not be allowed.

In view of the foregoing, the sales circular, if any, issued by the licence on the above issue does not hold good.

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

The licensee has changed the category of elementary schools which are not charging any tuition fee from their students from non-domestic to domestic tariff vide its Sales circular No D-7/2005, dated 24.6.2005. As per HERC order dated 22.12.2000, the schools have been placed in the non-domestic category. No petition to change this category is with the Commission. Hence, the circular issued by the licensee is in violation of the Commission's orders. The domestic category is currently cross-subsidised and the non-domestic category is one of the subsidising category of consumers. The revenue impact of this announcement will result in change in cross-subsidy for different consumer categories. Consequently, despite the tentative financial implication of Rs. 0.5 million (approx.) termed "very petty" by the licensee, it would have the impact of disturbing the entire revenue balancing mechanism and the tariff approved by the Commission.

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

In pursuance of the Government of Haryana's policy decision, the licensee vide its memo No.Ch-8/SE/Comml./R-16/273/05 dated 25.6.2005 has issued the sales circular for settlement of pending electricity bills of rural domestic and agriculture pump set consumers in

rural areas. The ibid circular also provides for financial incentive of 5% deduction of SOP amount for next 20 months for rural domestic and agriculture pump set consumers in rural area who have been regularly paying their bills for last 10 months prior to 17.6.2005. This circular is again in contravention of Section 62(3) of the Electricity Act, 2003 as enumerated in paragraph "A" above.

Going by the above actions of the licensee, it seems that there is an attempt to subvert the due process of tariff determination as provided in the Electricity Act, 2003. While the Commission recognises that the State Government has the powers to make policies to carry forward its agenda for the socially and economically backward sections of the society, it needs to reckon and respect the law post the Electricity Act, 2003.

The Commission shall not allow any dilution of its authority in the matter of determination of tariff as enjoined in Section 86(1)(a) of the Electricity Act 2003 and views the issue of these sales circulars by the licensee seriously. The licensee has estimated the revenue shortfall arising from the implementation of above sales circulars. The Commission shall not allow any adverse financial impact of said sales circulars issued without its approval from the ARR for FY 2005-06. The Commission is of the considered view that the measures covered by the ibid sales circulars can only be implemented by the State Government as per Section 65 of the Electricity Act, 2003.

The State Government shall compensate the licensee to the extent of any adverse financial impact of such circulars as long as these circulars remain effective. The payment of subsidy shall be in advance each month in accordance with the provisions of Section 65 of the Electricity Act, 2003.

To take care of the impact of the ibid sales circulars till the date of this order, the Commission directs the licensee to calculate the financial impact of these sales circulars within one month of issue of this order and ask the State Government to compensate it within a period of 1 month from issue of letter under intimation to the Commission. In case the State Government is unable to adhere to the time schedule as given above, the licensee is directed to revert to the Commission approved schedule of tariff as given in Annexure 5.

4.6.3 Receivables of Electricity Sales

The Receivables on account of sale of power are continuously increasing and have reached at an alarming level. The actual position of power dues as per data submitted by the Licensee is presented in table 4.13.

Table 4.13- Increasing trend in receivables (Rs in crores)

Position as on :-	1.7.1999	31.3.2000	31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005 Unaudited
Gross Receivables	512.76	586.49	694.85	818.88	899.63	1127.83	1437.9
Less : Provision for bad debts	235.19	242.56	240.20	220.62	151.53	291.68	499.04
Net Receivables	277.57	343.93	454.65	598.26	748.10	836.15	938.86
% Increase in Gross Receivables		14.38%	18.48%	17.85%	9.86%	25.37%	27.49%

The consumer category wise position of receivables as on 30.9.2004 is presented in table 4.14:

**Table 4.14- Consumer Category wise receivables as on 30.9.2004
(Rs. in Million)**

Sr. No.	Consumer Category	Receivable (Rs. Million)	Share
1	Domestic	5672.38	45.35%
2	NDS	1046.53	8.37%
3	HT	857.71	6.86%
4	LT	1070.97	8.56%
5	AP(Metered)	582.31	4.66%
6	AP(UnMetered)	1371.68	10.97%
7	MITC	3.62	0.03%
8	Lift Irrigation	1083.72	8.67%
9	Bulk	93.91	0.75%
10	Street Light	172.46	1.38%
11	PWW	551.57	4.41%
12	Railway Traction	0.00	0.00%
	Total	12506.84	100%

It is evident from the above table that the Domestic consumer category accounts for an extremely large chunk of outstanding dues.

A scrutiny of the top defaulters of the licensee reveals that top five defaulters are Government departments having large outstanding since March 2003. There are total 2922 Government defaulters having an outstanding amount of Rs. 1534.87 million in the books of the licensee as on 31.3.2004. Out of these 254 Government consumers having arrears of Rs. 29.89 million stand disconnected as on 31.3.2004. If the licensee is to function on commercial principles, it cannot show any favouritism to the Government departments. It has to apply the same conditions of supply to all its consumers irrespective of the ownership.

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

defaulting connected consumers category-wise is likely to be completed within 3 months and for permanently disconnected consumers category-wise, the job will be accomplished by March 2006, which is hereby agreed to by the Commission. **However, the Commission directs that the licensee must ensure to adhere to its time table as further slippage on this count is detrimental not only to its interests but will be viewed seriously by the Commission.**

The Collection efficiency of the Licensee has deteriorated considerably during FY 2004-05 as is evident from the table 4.15.

Table 4.15- Collection Efficiency

Sr. No.	Name of Circle	FY 2003-04		FY 2004-05 (up to 9/04)	
		Collection Efficiency for current year	Collection Efficiency (Gross)	Collection Efficiency for current year	Collection Efficiency (Gross)
1	Bhiwani Circle	50.14%	25.24%	42.53%	11.57%
2	Faridabad Circle	89.09%	69.04%	85.28%	50.25%
3	Gurgaon Circle	87.93%	76.65%	87.28%	60.44%
4	Hisar Circle	77.72%	54.19%	70.55%	31.99%
5	Narnaul Circle	74.57%	50.78%	61.03%	26.59%
6	Sirsa Circle	87.85%	77.93%	75.31%	57.07%
	Total	81.63%	60.28%	76.46%	39.36%

The teething edge of the Licensee's administrative machinery needs to be made more answerable for their acts of omission and Commission by devising an appropriate ' carrot and stick' policy. The licensee should strengthen its collection system to ensure timely collection of dues.

The Commission, in its order dated 20.4.2005, had directed the licensee to submit the following information for FY 2003-04 and FY 2004-05 within three months of issue of this order:-

- (a) How many miscellaneous application / appeals against the stay orders of the connected defaulting consumers have been initiated by the licensee viz-a-viz the stay granted by the court?

While submitting this information, total number of stay granted by the courts in respect of connected defaulting consumers too may be provided.

The licensee has provided information pertaining to Sirsa and Faridabad circles along with its supplementary filing dated 20.9.2005. It was to provide the information pertaining to remaining operation circles by 15.10.2005, but sadly has not kept its word. The Commission notes that the licensee has taken unduly long to compile and submit the information. The licensee's failure to get even a single stay vacated out of 1426 appeals filed in operation circle, Faridabad is a telling example of lack of follow-up on the part of the management as well as the concerned field officers. **The licensee is directed to look into this pathetic performance by the field officers and file the outstanding information within one month of issue of the order.**

(b) How many cases for recovery of dues in respect of the disconnected consumers by preparing the Land Revenue cases have been initiated viz-a-viz the success on this account?

As per information provided by the licensee there are total 224208 disconnected defaulting consumers as on 31.3.2004. Out of these, it has forwarded only 2890 cases to the revenue department. The revenue department has settled 475 cases affecting a recovery of Rs. 85.75 lakhs upto June 2005. It is absolutely essential that the licensee pursue all the cases of this category with a missionary zeal to realise its outstanding dues from the disconnected defaulting consumers. **The licensee is directed to submit half yearly progress reports to the Commission by first week of April and September of each year.**

4.6.4 Cent Percent metering at the Consumers' premises and effective energy audit scheme

The Commission has been emphasising the importance of metering of energy at the consumers' premises and at appropriate points in the sub-transmission system / distribution system since its order dated 11.8.2001. The Commission's order dated 16.8.2002 directed the licensee to submit a detailed metering plan for 100% metering in the state within 3 months but in vain. The Commission dealt with the issue in the context of providing energy meters at the premises of flat-rate agriculture pump set consumers in its order dated 29.1.2004 keeping in view Section 55 of the Electricity Act 2003 and directed the licensee to submit quarterly progress reports to achieve the goal.

The Commission's order dated 11.8.2001 contained the requisite direction calling upon the licensee to build a Model Division for emulation by other Operation Divisions. As per the ARR filing for FY 2004-05, the licensee has selected city operation Division, Gurgaon for the purpose and has stated that *'the outcome of these efforts will be submitted to the Commission as soon as this exercise is completed'*. While dealing with the city operation Division, Gurgaon selected as a model Division in its ARR for 2005-06, the licensee has repeated the phrase highlighted above in a parrot-like manner, which is an index of its apathy towards a project, which demands and deserves greater attention of the Management. It is an extremely sorry state of affairs at the licensee's end, as they had no progress to report for a Model Division even after four years of issue of the requisite direction.

The Commission notes that one of the steps taken in the Model Division relates to preparation of feeder-wise ledger in each of its sub-divisions. The Commission believes that such ledgers ought to be there for all sub-divisions as otherwise the statistics being submitted (by the licensee) in regard to distribution losses on the 11 KV feeders in the

state will be without any credible base. **The Commission will like to be re-assured on this count and directs the licensee to confirm availability of feeder-wise ledgers in all its operation sub-divisions.**

The Commission believes that there can be no substitute to cent-percent metering at the consumers' premises and putting in place an effective energy audit scheme for proper accounting of energy in the licensee's distribution system and sub-transmission system. It is a common knowledge that distribution transformer metering is fundamentally the first among the chain of meters on the distribution and sub-transmission system for an effective energy audit scheme. The licensee's statement in the ARR under consideration that the technical specification for DT metering is under finalisation speaks volumes about the priority accorded to the job. The licensee will be well advised to complete the task without any delay and implement the DT metering forthwith and without any delay. Keeping in view the importance attached to the twin objectives referred to above, the Commission vide its order dated 20.4.2005 directed the licensee to finalise and submit a comprehensive metering plan including the implementation schedule encompassing both the said aspects within three months.

In the supplementary information filed vide memo No. Ch.27/SE/RA-187/Loose III dated 20.9.2005, the licensee has submitted the status of metering for sub-transmission and distribution system metering for 6/05, distribution transformer metering and consumer metering. It cannot at all be termed as 'metering plan'. **The Commission, therefore, reiterates its directive for submission of a comprehensive metering plan including its implementation schedule covering consumers' premises as well as the energy audit scheme for proper accounting of energy in the licensee's sub-transmission and distribution system forthwith and without any further delay.**

In the supplementary information (to ARR) dated 20.9.2005 the licensee has submitted the comparative study of energy billed before launch of meter replacement campaign viz-a-viz after accomplishing the target feeder-wise. During the course of public hearing held at Bhiwani on 5.10.2005, the licensee failed to confirm that all the energy meters – be single phase, poly-phase, CT-operated and CT/PT-operated – associated with the feeders covered by the study have been replaced. Thus, it goes to prove that the licensee has not seriously implemented its policy of cent-percent replacement of electro-mechanical meters by electronic meters on feeders having high distribution losses. **The Commission takes exception to such slipshod implementation of the policy and directs the licensee to go about the job in all its seriousness. 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.**

The Commission vide its order dated 11.8.2001 had directed the licensee to prepare a feeder-wise loss report for feeders having distribution losses more than 25%. Such a report was required to be submitted every quarter. Non-compliance of the said directive formed part of the agenda discussed in the meeting of Chairman and MDs of HVPNL, DHBVNL and UHBVNL convened by the Commission on 4.11.2004. MD, DHBVNL agreed to submit the above report(s) immediately and also agreed to do so regularly in future. It is ironical to record that word given at such a high level was not honoured. Finally, the licensee vide its memo No. Ch 4/SE/RA-183/15 dated 13.7.2005 submitted feeder-wise loss report for feeders having distribution losses more than 25% for 1st and 2nd quarters of FY 2004-05. The Commission has already responded to the above filing vide its memo No. HERC/T-548/DH/1658-59 dated 21.9.2005, which may be carefully perused and followed up by the licensee. Further, the licensee in its supplementary information (to ARR) dated 20.9.2005 had submitted circle-wise total

number of 11 KV feeders having distribution losses more than 50% based on the data from 4/04 to 3/05 (FY 2004-05). The Commission is aghast to note that operation circle, Faridabad tops the table with 15.75% of its 11 KV feeders having distribution losses more than 50%. **Keeping in view the gravity of situation, 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.**

The Commission has further observed that a large number of defective meters are being replaced every year. This has raised a question mark on the quality of meters procured and commissioned in the last few years. **The licensee 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.**

4.6.5 Establishment of Consumer Grievances Redressal Forum

The licensee is required to establish Consumer Grievances Redressal Forums under Section 42 (5) of the Electricity Act, 2003. The requisite guidelines (Regulation No. HERC/02/2004) for establishment of Forum for redressal of grievances of the electricity consumers and electricity Ombudsman have already been notified by the Commission in the Haryana Govt. Gazette (Extra.) on 12.4.2004. The Commission noted from UHBVNL's filing dated 27.9.2005 that both UHBVNL & DHBVNL have initiated the process of formation of Consumer Grievances

Redressal Forums for redressal of the grievances of the consumers and it is likely that Forum(s) shall become functional within next 2 to 3 months. The Commission considers it to be an inordinately- delayed response (by the licensee) to the requirement of the EA 2003. However, the Commission believes that the licensee would keep its word and make the Forum (s) functional within the time frame agreed to by it. **The Commission directs the licensee to adhere to the proposed time frame lest the Commission be constrained to take action against the licensee under section 146 of the Electricity Act 2003.**

4.6.6 Regulations on Standards of Performance for the Distribution licensee (HERC/04/2004) and Electricity Supply Code (HERC/05/2004)

The Commission has notified regulations on Standards of Performance for Distribution Licensee (HERC/04/2004) and Electricity Supply Code (HERC/05/2004) in the Haryana Govt. Gazette (Extra.) on 16.7.2004 and 10.8.2004 respectively. Both the documents call for a number of steps to be taken by the licensee for their faithful implementation. The licensee vide its supplementary information (to ARR) dated 20.9.2005 submitted that detailed instructions have been issued vide their Sales Circular No. D-38/2004 dated 14.12.2004 and D-9/2005 dated 1.7.2005 and is being monitored at management level. It is a thoroughly incomplete and inept response to the requirement. The Commission believes that faithful implementation of said regulations will require deployment of computers manned with skilled personnel both at the complaint centres and the sub-divisions responsible for rendering the services covered by the Standards of Performance regulation. Such an action will bring transparency and lend credence to the data, which is of vital importance for payment of monetary compensation to the aggrieved consumer. **The Commission, therefore, directs the licensee to take it into consideration while finalising the policy for introduction of IT in distribution and supply business.**

4.6.7 Establishment of Computerised State-of-the-Art Area Load Despatch Centre

As per Para I (c) of the Order of the Commission dated 4.11.2004 granting separate license to Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) for Distribution and Retail Supply of electricity in its area of operation, the licensee was directed to establish a computerised State-of-the-Art Area Load Despatch Centre (ALDC) by 30.6.2006 enabling it to effectively carry out operational activities. The licensee in its supplementary information (to ARR) dated 20.9.2005 submitted that the first quarterly progress had been submitted (to the Commission) vide memo No. Ch 11/SE/RA-230 dated 19.8.2005. The Commission has already responded to the above filing vide memo No. HERC/T-14B/1606 dated 14.9.2005. During the course of public hearing held at Bhiwani on 5.10.2005, the licensee narrated the progress in regard to the project, which was concluded (by the Commission) to be woefully short of the target. The timely completion of the project is considered essential keeping in view DHBVNL's obligation to afford 'open access' to its consumers having 15 MVA and above load with effect from 1.10.2006. **The Commission, therefore, directs the licensee to submit the time-bound action plan to achieve the target and ensure regular submission of quarterly progress reports.**

4.6.8 Information Technology (IT) in Distribution & Supply.

It is, by now, well established that the Discoms can use Information Technology (IT) for planning systems, efficiency improvements and to improve customer services. Govt of India, Ministry of Power under APDRP has endeavoured to show the way to the distribution licensees. However, the Commission observes that the licensee has not yet formulated a comprehensive policy to harness the benefits that can accrue to it by the use of IT. **The Commission directs that piece-meal initiatives so far taken (by the licensee) for computerisation and Geographical Information Systems (GIS) etc. are well integrated**

into a policy and submitted to the Commission for monitoring its implementation within six months of issue of this order.

4.6.9 Introduction of Pre-paid card meters – Progress thereof.

The Commission vide its order dated 29.1.2004 directed the licensee to implement the pre-paid card meters in a time-bound manner and apprise the Commission of the progress in this area.

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

The Commission reiterates its direction and directs the licensee to frame the scheme and implement it forthwith and without any further delay.

4.6.10 Implementation of Availability Based Tariff (ABT) in the State.

In order to help achieve the implementation of Availability Based Tariff (ABT) regime in the state by April 2006 as called for in the National Electricity Policy, the Commission vide its memo No. HERC/T-15F/1442-45 dated 22.8.2005 has already drawn the attention of the licensees to the key area, which, for DHBVNL, means the following: -

- (a) Operationalise the Area Load Despatch Centre (ALDC). If there is delay, the interim arrangement to accomplish the task.
- (b) The appointment of Nodal Officer(s) to coordinate the activities with STU/SLDC.

- (c) Submission of tariff proposal in line with ABT for 2006-07.

The Commission directs the licensee to expedite due action so that a smooth transition to ABT regime takes place in Haryana and submit the status report immediately.

4.6.11 Human Resource Management

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

4.7 Performance Review of Distribution System

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

Since the DHBVNL has been granted separate Distribution and Retail supply licence vide HERC order dated 04.11.2004, the licensee (DHBVNL) was directed (HERC order on ARR for D&R S business For FY 2004-05 dated 20.04.2005) to continue submitting this report. Vide memo no. Ch-119/SE/RA-89 dated 29.06.2005; the licensee has filed the performance report in respect of the Distribution system for the year 2004-05.

The salient features of the performance report as submitted by the licensee as per above condition and, also, as filed along with the ARR filing are as follows:

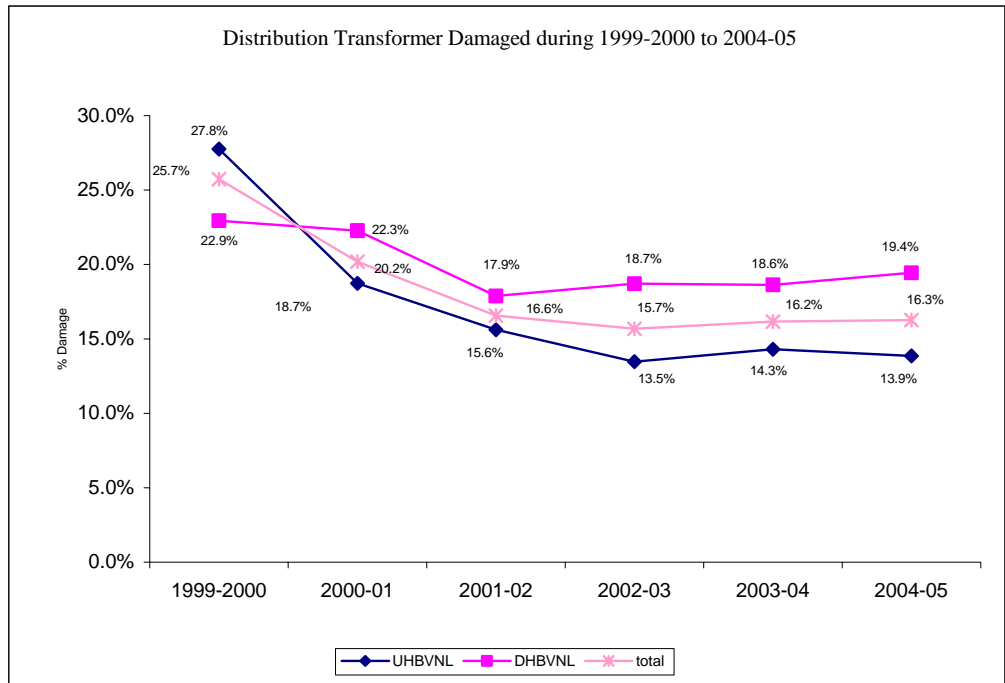
4.7.1 Failure of Distribution Transformers

There had been a consistent reduction in failure rate of distribution transformers from 22.9% in 1999-2000 to 17.9% in 2001-02. Subsequently, the trend had reversed and the failure rate increased to 19.4% in 2004-05. The DHBVNL is required to pay immediate attention to it. The year-wise position of failure of distribution transformers is presented in table 4.16.

Table 4.16- Year-wise failure rate of Distribution Transformers

S.No.	Year	Failure Rate (%)
1	1999-2000	22.9
2	2000-2001	22.3
3	2001-2002	17.9
4	2002-2003	18.7
5	2003-2004	18.6
6	2004-2005	19.4

The graph below shows the trend of failure rate of distribution transformer from 1999-2000 to 2004-05. The failure rate in DHBVNL is more than UHBVNL.



The circle-wise transformer failure rate of the DHBVNL for the last four years, as per data supplied, has been shown in table 4.17:

Table 4.17- Circle-wise Distribution Transformer failure rate

S.No.	Circle	Failure Rate (%)			
		FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
1	Faridabad	18.4	17.3	18.9	21.6
2	Sirsa	15.8	16.8	15.5	17.1
3	Gurgaon	10.6	14.3	19.3	22.0
4	Narnaul	24.5	26.7	23.0	23.7
5	Hisar	17.4	15.1	16.6	16.6
6	Bhiwani	17.4	19.8	18.4	17.6

The licensee will note that the transformer failure rate for FY 2004-05 with reference to failure rate for FY 2003-04 has improved only in case of Bhiwani circle, remained the same in case of Hisar circle and has deteriorated in the remaining four circles. The sharp rise in distribution transformer failure rate in case of Faridabad and Gurgaon circles ought to be a great cause of concern to the licensee and calls for in-depth analysis. The best three circles of DHBVNL from point of view of distribution transformer failure rate are as per table 4.18.

Table 4.18- Circles with low Distribution Transformer failure rate in DHBVNL

S.No.	Circle	Failure Rate (%) FY 2004-2005
1	Hisar	16.6
2	Sirsa	17.1
3	Bhiwani	17.6

Narnaul circle still continues to be the worst circle with the failure rate as high as 23.7%. For FY 2004-05, the failure rate in case of all the circles of DHBVNL was more than the average failure rate of 16.3 % for whole of Haryana which indicates that there is urgent need to achieve better performance on this front. The three circles of DHBVNL with high distribution transformer failure rate are as per table 4.19.

Table 4.19 - Circles with high Distribution Transformer failure rate

S.No.	Circle	Failure Rate (%) FY 2004-2005
1	Narnaul	23.7
2	Gurgaon	22.0
3	Faridabad	21.6

The licensee is directed to ponder over the deteriorating situation and take concrete steps to ensure purchase of qualitatively better transformers/qualitatively better repair of damaged distribution transformers accompanied with rigorous implementation of preventive maintenance drill by the field offices. Appropriate action be taken to reduce the damage rate to achieve the levels set in the Standard of Performance Regulations, 2004 (i.e. 5% in urban area and 10 % in rural area). The licensee is further directed to submit its action-taken report within three months of this order and, also, submit these statistics for FY 2005-06 separately for 'urban' and 'rural' areas.

4.7.2 Distribution Losses (As per performance report)

The year-wise position of distribution losses for DHBVNL is presented in table 4.20.

Table 4.20 - Year wise percentage loss in the distribution system

S.No.	Year	% loss	
		Total Haryana	DHBVNL
1	1998-99	26.38	27.06
2	1999-2000	28.03	28.59
3	2000-2001	28.93	29.75
4	2001-2002	30.59	29.33
5	2002-2003	32.65	34.62
6	2003-2004	31.49	30.70
7	2004-2005	30.65	30.17

As per the data submitted by the licensee, the losses in distribution system of DHBVNL increased substantially from 29.33% in FY 2001-02 to 34.62% in FY 2002-03 and all the circles recorded increase in distribution system losses with reference to losses for FY 2001-02. However, subsequently, the trend had reversed and all the circles of DHBVNL recorded a reduction in distribution system losses in FY 2003-04 as compared to FY 2002-03. The overall distribution system losses for DHBVNL for the FY 2003-04 have been worked out as 30.70% which has only marginally reduced to 30.17% during FY 2004-05. The circle-wise distribution losses for the last five years are presented in table 4.21.

Table 4.21 - Circle-wise Distribution losses

Circle	Distribution System Losses (%)				
	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Gurgaon	26.37	25.06	28.13	25.00	23.54
Narnaul	24.98	24.71	32.28	26.29	26.30
Faridabad	29.69	28.59	31.02	29.96	28.77
Sirsa	23.39	25.03	34.83	28.88	32.36
Hisar	34.35	35.66	39.45	35.13	36.45
Bhiwani	38.30	36.66	46.83	41.41	40.10

The distribution circles of DHBVNL wherein more than 30% losses have been recorded continuously for the last six years are presented in table 4.22.

Table 4.22 - Circles with high Distribution Losses

S. N.	Circle	Loss (%)					
		1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
1	Hisar	31.45	34.35	35.66	39.45	35.13	36.45
2	Bhiwani	33.86	38.30	36.66	46.83	41.41	40.10

During 2004-05, operation circle, Sirsa has joined the list of 'notorious' circles by increasing its distribution loss level from 28.88% to 32.36%.

The lowest distribution losses for FY 2004-05 (23.54 %) have been recorded in Gurgaon circle, which too is far more than the technically acceptable level.

It is evident from above that the Licensee, on the whole, has not been able to limit and reduce the loss level. As per the ARR filings, the licensee has been expressing its willingness to reduce the distribution losses but the data supplied does not corroborate any significant effort in this regard as is evident from the fact that the distribution losses have increased from 28.59% in FY1999-2000 to 30.70% in FY 2003-04 though it has marginally reduced to 30.17 % in 2004-05.

There is an extremely urgent need to reduce the distribution losses, with special attention to the circles viz. Hisar, Bhiwani and Sirsa where performance has been very poor.

4.7.3 Accidents in Distribution System

The accidents both fatal and non-fatal are on the higher side in the licensee's distribution circles as shown in table 4.23.

Table 4.23 - Accidents in Distribution System

Year	FY 2002-2003			FY 2003-2004			FY 2004-2005		
Category	Fatal	Non Fatal	Total	Fatal	Non Fatal	Total	Fatal	Non Fatal	Total
Licensee Employees	13	51	64	25	59	84	6	43	49
Private persons	14	6	20	20	18	38	24	8	32
Animals	69	0	69	93	0	93	103	0	103
Total	96	57	153	138	77	215	133	51	184

Safety measures taken by the utility do not seem to be adequate. It is a matter of serious concern to the Commission that the number of fatal accidents has increased from 96 during FY 2002-03 to 138 during FY 2003-04 and have only marginally reduced to 133 during FY 2004-05.

The Commission directs 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 ensure minimisation of accidents involving human beings and live stocks.

4.7.4 Demand Side Management

The Commission in its order on ARR for D&RS business for FY 2003-04 had directed the licensee to establish a DSM Cell for proper monitoring of such activities. An annual report was required to be submitted to the Commission by 30th April, every year.

The above direction was reiterated in Commission's order on ARR for D&RS business for FY 2004-05 dated 20-4-2005.

Dakshin Haryana Bijli Vitaran Nigam Limited has not submitted any report. In the power shortage scenario, this would prove to be the best tool to manage the situation. Some of the states like Rajasthan have done a lot of work in this area. It would be beneficial to take lessons from such states and implement in Haryana.

DHBVNL is once again directed to comply with the above direction of the Commission.

The Commission observes that the licensee has not taken steps to install capacitors matching with the capacity addition in its system and, also, not properly maintaining the existing capacitors in its system resulting in to excessive drawal of reactive power from the state/regional grid. This has resulted into heavy penalty being paid by Haryana to the regional pool. **The Commission therefore directs the licensee to prepare a comprehensive plan including its implementation schedule to adequately compensate the system and submit the same within six months of this order.**

4.8 Distribution Losses (As per ARR filing)

The licensee has projected a loss level of 31 % for FY 2005-06. However, as per the past trend, the Commission feels that this may not be achieved by the Licensee. Further, if the sales are projected at 31 % distribution loss level, the corresponding power would not be available in the grid.

Hence the Commission has decided to base the calculation on 32.3% distribution loss which corresponds to the power available in the grid (provision for which has already been made in the Commission's order on ARR for transmission and bulk supply business for FY 2005-06 & bulk supply and transmission tariffs dated 10th May 2005).

4.9 Licensee's Consumption Estimates

The licensee's estimate for the year 2005-06 is based on ALF and further adjusted on higher side. A comparison of the DHBVNL's actual consumption during the year 2003-04 vis-à-vis the actual consumption during the year FY 2004-05 is shown in the table 4.24:

Table 4.24 - Comparison of the DHBVNL's actual consumption (MU) during the year 2003-04 vis-à-vis the actual consumption (MU) during the year 2004-05

	Actual Consumption FY 2003-04	Actual Consumption FY 2004-05	% growth
Domestic	1198.99	1338.73	11.65
Non Domestic	338.28	378.56	11.91
HT Industry	1462.26	1598.71	9.33
LT Industry	423.87	455.33	7.42
Agriculture metered	629.89	737.93	17.15
Agriculture unmetered	1682.24	1621.68	-3.60
MITC	0.00	0.00	
Lift Irrigation	134.95	113.96	-15.56
Railway Traction	104.13	106.18	1.96
Bulk Supply	139.07	194.71	40.00
Street lighting	21.16	21.62	2.20
PWW	166.72	178.96	7.34
Total	6301.57	6746.38	7.06

A comparison of the DHBVNL's actual consumption during the year 2004-05 vis-à-vis the estimate for FY 2005-06 is shown in the table:

Table 4.25 - Comparison of the DHBVNL's actual consumption (MU) during the year 2004-05 vis-à-vis the estimate for FY 2005-06

	Actual Consumption FY 2004-05	DHBVNL Estimate FY 2005-06	% Difference
Domestic	1338.73	1592.96	19.0
Non Domestic	378.56	477.2	26.1
HT Industry	1598.71	1727.73	8.1
LT Industry	455.33	507.59	11.5
Agriculture metered	737.93	956.42	29.6
Agriculture unmetered	1621.68	1384.41	-14.6
MITC	0.00	0.0	0.0
Lift Irrigation	113.96	117.55	3.2
Railway Traction	106.18	101.65	-4.3
Bulk Supply	194.71	246.34	26.5
Street lighting	21.62	24.29	12.3
PWW	178.96	209.76	17.2
Total	6746.38	7345.9	8.9

From the above table, it is noticed that the forecast in most of the consumer categories is on much higher side and does not conform to actual past trend. Hence, the same may not be achieved in the power availability-driven-scenario prevailing during 2005-06.

4.10 Commission's Consumption Estimates

4.10.1 Agriculture Sales Estimate

The importance of agriculture consumption estimation arises from the fact that agriculture consumption is largely unmetered and is billed on flat rate. The Commission has always held the view that correct and realistic estimation of agriculture consumption is an imperative for accurate calculation of losses and for better projection of subsidy amount. The correct calculation of agriculture consumption as well as losses would only be possible after achieving cent percent metering of all agriculture connections. Though the licensee has put some meters on un-metered agriculture pump-set consumers but still the progress in this matter is woefully slow. The licensee has miles to go.

The number of unmetered agriculture pump set consumers has reduced from 93,670/- (as on 30th April, 2001) to 88309 (as on 31st March 2005) but still it constitutes 5.07% of the total number of consumers (The total number of consumers in DHBVNL is 17,40,328 as on 31.03.2005).

As per the licensee's filing during FY 2004-05, the consumption by this category of consumer constitutes 24.03% of the total sales in DHBVNL. Thus, the importance of proper metering which the Commission has been reiterating in its previous order(s) need to be viewed very seriously by the licensee.

While perusing the 5 years' consumption data submitted by the DHBVNL, the Commission observed wide variation even in case of metered agriculture pump-set consumers say during 2002-03 and 2003-04, the average running hours/day has been shown increased from 4.73 hour/day and 4.41 hour/day to 4.83 hours/day and 5.09 hours/day respectively. It has also been brought to the notice of the Commission that there are large numbers of defective meters in the metered Agriculture pump set category. The Commission therefore, directs the licensee to take prompt action to replace such meters on war footing so that authenticity of data is maintained.

In view of the above, the Commission has once again maintained its consistent approach of projection of consumption of metered agriculture pump sets on the basis of Average Annual Load Factor (ALF) and that of un-metered agriculture pump sets on the pattern of consumption of metered agriculture pump sets.

As per the actual consumption data for metered agriculture pump-set consumer category submitted by DHBVNL, the average running hours per day works out to be as depicted in table 4.26:

Table 4.26 - Average running hours/day for metered agriculture pump-set consumer

Year	Average No. of hours per day
2000-01	4.53
2001-02	4.83
2002-03	4.83
2003-04	5.09
2004-05	5.15

The licensee has projected the consumption based on 5.28 hours/day for FY 2005-06.

The Commission while analysing the 5 years past data found certain apparent errors, which led to an enhanced consumption in agriculture metered category. A few of such data has been corrected but has definitely raised a question mark on validity of the data being submitted by the licensee to the Commission. Secondly the year FY 2003-04 and FY 2004-05 had been drought year and hence reported higher consumption. FY 2005-06 is expected to be normal year and hence the Commission feels that the agriculture consumption be taken as 5.15 hrs/day as per the average Annual Load Factor of 2004-05.

The same pattern has been adopted for agriculture unmetered (billed on flat rate) consumer category.

4.10.2 Commission's approved consumption estimates for various categories of consumers

As the methodology adopted by the Commission for estimating the consumption for various categories of consumers for FY 2001-02 to FY 2004-05 proved to be more accurate, the Commission has followed the same methodology for estimating the consumption for FY 2005-06, which is based on the Average Annual Load Factor (ALF). The consumption for each category in the ensuing year has then been derived by applying the average ALF on the average projected connected load of each category.

Based on the above methodology, the consumption estimate for FY 2005-06 works out to be 6798 MUs. The category-wise details are summarised in the table 4.27:

Table 4.27 - Estimation of approved Sales to Consumers (Million Units)

Consumer Category	DHBVNL Estimate FY 2005-06	HERC approval FY 2005-06
Domestic	1592.96	1453
Non Domestic	477.2	432
HT Industry	1727.73	1728
LT Industry	507.59	478
Agriculture metered	956.42	835
Agriculture unmetered	1384.41	1200
MITC	0.0	0
Lift Irrigation	117.55	107
Railway Traction	101.65	107
Bulk Supply	246.34	239
Street lighting	24.29	23
PWW	209.76	196
Total	7345.9	6798

4.11 Subsidy From State Government

The licensee has considered an amount of Rs. 4997.63 million as subsidy from the Government of Haryana in its filing. The amount of subsidy is directly dependent on the electricity units supplied to the agriculture pump set consumers. The Commission has estimated the agriculture pump set consumption in line with the methodology adopted by it in its previous orders and as elaborated at para 4.10.1. The licensee has not filed a tariff application for the year under review. Cost of service calculation has also not been submitted by the Licensee.

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 of issue of this 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. The licensee has neither filed any cost of service nor a tariff application for the year under review.

As the ARR for the two distribution zones in Haryana is being worked out separately, the Commission has worked out the estimated cost of service and the subsidy amount separately for each distribution Licensee (UHBVNL and DHBVNL) for FY 2005-06.

Based on the approved consumption figures for FY 2005-06, the total revenue from current tariff comes to Rs. 19179 million. This leaves a shortfall of Rs. 4306 million when compared with the approved Aggregate Revenue Requirement for the year. Based on the estimation of cost of service, the approved tariffs for domestic and agriculture pump-set consumers are non compensatory i.e. these categories are incurring a deficit of Rs. 1398 million and Rs. 6422 million respectively. The amount of cross subsidy generated by other consumer categories is to the extent of Rs. 3514 million. The revenue gap of Rs. 1398 million in case of domestic category is fully covered from this cross subsidy, leaving an amount of Rs. 2116 million to cross subsidise the agriculture pump-set consumers. This cross subsidy adjustment leaves a net revenue gap of Rs. 4306 million which is to be provided as subsidy by the Government of Haryana towards the agriculture pump-set consumers. Based on the Commission's estimated cost of service and keeping in view the provisions of the above Act, the subsidy amount in respect of DHBVNL works out as depicted in table 4.28:

Table 4.28 - Subsidy from State Government

S.No.	Particulars	Amount Rs. (millions)
1	Shortfall in revenue from agriculture pump-set consumers	6422
2	Cross subsidy available after adjusting against domestic consumers	2116
3	Balance Gap remaining after adjusting cross subsidy as above (1-2) required to be provided in form of subsidy by the State Government	4306

The State Government has already made a budgetary provision of Rs. 12560 million towards subsidy for FY 2005-06. Out of this, an amount of Rs 8009 million has been allocated to Uttar Haryana Bijli Vitran Nigam Limited vide the Commission's order dated 09/11/2005. Out of the balance remaining, Rs. 4306 million is allocated to DHBVNL. Excess provision of subsidy, if any, available with the licensees after inter-company adjustment between UHBVNL and DHBVNL for their respective share of subsidy as per orders of the Commission for FY 2005-06, shall be adjusted against the deferred subsidy outstanding in the books of the UHBVNL as on 31.3.2005 under intimation to the Commission.

5 CONCLUSION

The Commission approves total Annual Revenue Requirement of DHBVNL for FY 2005-06 at Rs. 23485 million. This is equal to total expenditure of Rs. 24191 million minus non-tariff income of Rs. 706 million. The total energy expected to be sold by DHBVNL shall be 6798 million units as against the licensee's projected sale of 7345.9 million units.

The Commission has maintained its consistent approach of projection of consumption of metered agriculture pump sets on the basis of average Annual Load Factor (ALF) and that of un-metered agriculture pump sets on the pattern of consumption of metered agriculture pump sets. The sale figure of agriculture pump-set consumers for the FY 2005-06 comes to 2035 MU as against 2340.83 MU projected by the Licensee.

The licensee has projected a loss level of 31 % for FY 2005-06. However, as per the past trend, the Commission feels that this may not be achieved by the Licensee. Further, if the sales are projected at 31 % distribution loss level, the corresponding power would not be available in the grid.

Hence the Commission has decided to base the calculation on 32.3% distribution loss, which corresponds to the power available in the grid (provision for which has already been made in the Commission's order on ARR for transmission and bulk supply business for FY 2005-06 & bulk supply and transmission tariffs dated 10th May 2005).

The licensee needs to take technical and administrative steps to bring down the distribution loss in the system. The Commission notes that the distribution loss during the last five years (FY 2001 to FY 2005) has remained in a narrow band of over 32% to over 35%, which, by any standards, is a thoroughly disappointing performance.

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

There is a necessity to conserve electricity by adopting the DSM measures. This will be beneficial for the Licensee as well as consumers.

Although the Commission has issued several directives to the Licensee to ensure efficient and professional management of the utility, the Commission notes with regret that these have not been fully complied with. Non-compliance of the directives is a serious violation of regulatory authority and cannot be condoned for long. The licensee should, therefore, take up all directives issued by the Commission and make sincere efforts to implement them. The various directions given by the Commission to the Licensee in its previous orders but not yet fully complied with are listed in **Annexure – 2** and directives given in this order are listed in **Annexure – 3**.

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

The receivables of the Licensee are continuously increasing. The total receivables have increased from Rs. 512.76 crores as on 1.7.1999 to Rs.1250.68 crores as on 30.9.2004. The domestic consumers account for 45.35% of the total receivables as on 30.09.2004. The receivables due from Non-domestic, LT and lift irrigation consumers are also on a higher side.

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

It is about two years that the Commission directed the licensee to introduce pre-paid card meters after ascertaining the merits & demerits/difficulties of such a concept. The licensee has reported no explicable reasons(s) for this apathy. The licensee may frame the scheme and implement it forthwith and without any further delay.

The licensee is required to take steps for implementation of Availability Based Tariff (ABT) in the State by April, 2006 as called for in the National Electricity Policy.

Human resource is an essential partner in developing and executing organisational strategy. Without a planned and systematic approach to Human Resource Management, organisational goals cannot be achieved in an efficient and cost effective manner. The Commission directs the license that its Human Resource Management Plan be expedited.

The Electricity Act, 2003 provides for taking measures conducive to efficient and transparent working of the power sector along with protecting the interests of the consumers. Section 42 of the Act provides for establishing a Forum for redressal of grievances of consumers within 6 months from the appointed date. The licensee has shown no inclination to adhere to the above provision on one ground or the other. The Licensee is also obliged to comply with the regulation on standards of performance and the Electricity Supply Code. The licensee must ensure full compliance of the Act and Commission's order and regulations.

On the basis of current tariff rates, the licensee is expected to collect revenue of Rs.19179 million. This leaves a net revenue gap of Rs.4306 million, which is to be provided as subsidy by the Government of Haryana for agriculture pump-set consumers. The Government of Haryana has already made a budgetary provision of Rs 12560 million towards subsidy for FY 2005-06 and the amount actually received by the licensee(s) may be adjusted as per the order(s) of the Commission.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on November 14, 2005.

Date : 14/11/2005

Place : Panchkula

(T.S.Tewatia)
(Member)

(T.R.Dhaka)
(Member)

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

ANNEXURE – 1 : LIST OF WAIVERS GRANTED

The Commission directed the licensee in its 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 2005-06. However, the Commission has granted the following waivers requested for by the licensee in its Revised ARR filing for FY 2005-06.

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.

2. Computerisation of receivables and third party audit thereof

The Commission had directed:

- (i) the Licensee to submit detailed consumer category-wise receivables with proper age-wise analysis, separately for sale of power, municipal tax, electricity duty and surcharge amount with the next ARR filing. The recoveries for current and old bills should also be shown separately.
- (ii) the Licensee to computerise all the receivable accounts referred to at (i) above at the earliest.
- (iii) the licensee to undertake detailed receivable audit, preferably from an independent agency of the receivable accounts referred at (i) above. The receivable audit should be undertaken consumer category-wise.

The licensee has sought waiver for compliance in regard to the said directives as the basic data could not be collected from the field offices until the filing of ARR for FY 2005-06 on account of its present system of accounting and heavy quantum of work involved in its compilation.

ANNEXURE - 2 : LIST OF DIRECTIVES NOT FULLY COMPLIED WITH

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

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

5. The Commission had directed the licensee to submit a proposal for two-part tariff with the next tariff filing supported by reliable and authentic data. The licensee should also submit detailed data relating to consumers billed on MMC basis for all categories of consumers and slabs. (Direction given in 11.8.2001 order)
6. The Commission directed the Licensee to physically verify all the fixed assets created out of consumer contribution, which are currently not appearing in its books of accounts and include the value of such assets in their books of accounts after verification from an independent auditor. The licensee responded such assets have been got physically verified internally as on 31.3.2002 and the value incorporated in the books of accounts for FY 2003-04. (Direction given in 16.8.2002 order)
7. The Commission directed the Licensee to ensure that inter – company accounts between HVPNL, DHBVNL and UHBVNL are reconciled properly. The licensee mentioned that inter-company transactions other than power purchase between HVPNL, DHBVNL and UHBVNL have been reconciled only up to 31.3.2003. (Direction given in 16.8.2002 order).
8. The Commission had directed the Licensee to fully comply with the guidelines for filing ARR in future and provide all the expenditure details as per the forms prescribed by the Commission. The licensee has not submitted some formats specified by the Commission. (Direction given in 16.8.2002 order)
9. 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 Commission further directs the licensee to pay due attention to the selected model division and submit the requisite compliance report within three months. (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 Commission directs the licensee 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).

10. The Commission directed that:

- (a) The Licensee should computerise all the receivable accounts at the earliest. This will help in ascertaining the precise amount of consumer category-wise and age-wise receivable position separately for sale of power, delayed payment surcharge, municipal tax and electricity duty. The period-wise recovery against current arrears as well as old arrears should also be known correctly. The licensee has responded that computerisation of defaulting connected consumers category-wise is likely to be completed within 3 months and for permanently disconnected consumers within 6 months. The licensee may keep its word.
- (b) The Licensee should undertake detailed receivable audit, preferably from an independent agency. The receivable audit should be undertaken consumer category-wise.

- (c) The Licensee should submit a report giving details of the action taken in each case to recover arrears from the consumers having arrears above Rs. 1 lakh and the reasons as to why supply in all such cases have not been disconnected so far.
- (d) The amount of sale of power and delayed payment surcharge due should be shown separately in the consumers' bills.
- (e) The system of delayed payment surcharge accounting, rate of surcharge and policy about its waiver should be suitably modified.

(Directions given in 11.8.2001, 20.8.2003 and 20.4.2005 orders)

11. The Commission directed the Licensee to put all the important information relating to public use on its website. The Licensee was also directed to obtain the necessary ISO 9000 / 14000 certification at the earliest. (Direction given in 20.8.2003 order)

12. The Commission directed the licensee that while seeking for any waiver(s) in future, the specific action plan as well as the time frame of the licensee to comply with the directive(s) of the Commission, be provided. (Direction given in 20.4.2005 order)

13. 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)

14.The Commission directed the licensee to follow prudent financial practices and take advantage of technological advancements in the banking sector to minimise the need for maintaining heavy cash and bank balances. The licensee is further directed to restrict the cash and bank balances to half of the balance as on 31.3.2004 and to bring it to a level of 7 days of collection by the end of FY 2005-06 failing which the Commission will be constrained to reduce the allowed borrowings for working capital by the amount of excessive cash and bank balances. The licensee is also directed to take positive measures to reduce the funds blocked in stores. (Direction given in 20.4.2005 order)

15.The Commission directed the licensee to comply with the law regarding establishment of Consumer Grievances Redressal Forum and the Regulations issued by the Commission lest the Commission be constrained to take action against the licensee under section 146 of the Electricity Act 2003. (Direction given in 20.4.2005 order)

16.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)

17.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)

- 18.**The licensee is directed to explore opportunity for initiating the project of consumer indexing and GIS mapping and implement the same initially in two circles and then in the remaining area based on the experience gathered from these two circles. (Direction given in 20.4.2005 order)
- 19.**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)
- 20.**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)
- 21.**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)

ANNEXURE – 3 : LIST OF NEW DIRECTIVES

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

1. The Commission reiterates and directs the licensee to provide individual connections to the domestic consumers of the Police Line Colony, Hisar subject to fulfilment of other eligibility conditions. (Chapter 3)
2. The Commission directs the licensee to submit the ARR / tariff filings and subsequent data / information within the time frame specified by the Commission so that orders could be issued within 120 days from the date of receipt of original filing as called for under Section 64(3) of the Electricity Act, 2003. (Chapter 4 para 4.0)
3. The Commission directs the licensee to submit quarterly reports on efforts made by it to limit the cash and bank balances and the resultant decrease, starting from 1 month of this order. (Chapter 4 para 4.2.3.1)
4. The Commission directs the licensee to reconcile the difference between the stores as on 31.3.2004 and 31.3.2005 and provide correct position to the Commission within one month of this order. (Chapter 4 para 4.2.3.2)
5. To take care of the impact of the sales circulars (issued by the licensee) till the date of this order, the Commission directs the licensee to calculate the impact of these sales circulars within one month of issue of this order and ask the State Government to compensate it within a period of 1 month from issue of letter under intimation to the Commission. In case the State Government is unable to adhere to the time schedule as given above, the licensee

is directed to revert to the Commission's approved schedule of tariff as given in Annexure 5. (Chapter 4 para 4.6.2)

6. The Commission directs that the licensee must ensure to adhere to its time table for computerisation of receivables as further slippage on this count is detrimental not only to his interests but will be viewed seriously by the Commission. (Chapter 4 para 4.6.3)
7. 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. (Chapter 4 para 4.6.3)
8. With reference to Cent Percent metering at the Consumers' premises and effective energy audit scheme the Commission directed:
 - a) the licensee to confirm availability of feeder-wise ledgers in all its operation sub-divisions.
 - b) 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.
 - c) 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. (Chapter 4 Para 4.6.4)

- 9.** 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. (Chapter 4 Para 4.6.4).
- 10.** 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. (Chapter 4 para 4.6.4)
- 11.** 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. (Chapter 4 para 4.6.6)
- 12.** The Commission directs the licensee to submit the time-bound action plan to achieve the target (i.e. establishment of computerised State-of-the-Art Area Load Despatch Centre) and ensure regular submission of quarterly progress reports. (Chapter 4 para 4.6.7)
- 13.** The Commission directs that piece-meal initiatives so far taken (by the licensee) for computerisation and Geographical Information Systems (GIS) etc. are well integrated into a policy and submitted to

the Commission for monitoring its implementation within six months of issue of this order. (Chapter 4 para 4.6.8)

- 14.**The Commission reiterates its direction and directs the licensee to frame the scheme for providing power through prepaid meters and implement it forthwith and without any further delay. (Chapter 4 para 4.6.9)
- 15.**The Commission directs the licensee to expedite the requisite action so that a smooth transition to ABT regime takes place in Haryana and submit the status report immediately. (Chapter 4 para 4.6.10)
- 16.**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. (Chapter 4 para 4.7.1)
- 17.**The Commission directs the licensee to prepare a comprehensive plan including its implementation schedule to adequately compensate the system and submit the same within six months of this order. (Chapter 4 para 4.7.4)

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 Sajjan Kumar, DSP on behalf of the Superintendent of Police, Hisar
3. Shri M.N.Ajaya Kumar, Secretary General of NCR Chamber of Commerce and Industry, Gurgaon
4. Staff of the Haryana Electricity Regulatory Commission, Panchkula.

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		419
STREET LIGHTING SUPPLY		415
PUBLIC WATER WORKS		400

6 GLOSSARY

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